



China Power International Development Limited
中國電力國際發展有限公司

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code : 2380)

INTERIM REPORT

2012
2013



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Interim Financial Highlights

	Unaudited	
	Six months ended 30 June	
	2012	2011
Earnings per share	RMB	RMB
Basic	0.11	0.08
Diluted	0.10	0.08
	RMB' 000	RMB' 000
Revenue	9,101,377	8,183,152
Profit attributable to owners of the Company	547,796	411,508

	As at	
	30 June	31 December
	2012	2011
	Unaudited	Audited
	RMB' 000	RMB' 000
Shareholders' equity	13,676,292	13,124,992
Total assets	68,555,547	63,392,460
Cash and cash equivalents	2,898,591	1,179,817
Total borrowings	44,741,441	41,915,836

	Unaudited	
	Six months ended 30 June	
	2012	2011
	MWh	MWh
Total gross generation	27,013,695	25,914,057
Total net generation	25,616,140	24,538,280

BUSINESS OVERVIEW

The principal business of China Power International Development Limited (the "Company" together with its subsidiaries, the "Group") is engaged in investment, development, operation and management of coal-fired power and hydropower plants in China. Its power generation business is mainly located in Eastern China power grid, Central China power grid and Northern China power grid.

In general, the power supply and demand in China were balanced in the first half of 2012. As affected by economic slowdown, the total electricity consumption in China rose by 5.5%, the growth decreased significantly as compared with the corresponding period last year. Although the growth of the national power demand slowed down, as new coal-fired power generation units were put into operation and significant increase in hydropower generation resulted from sufficient rainfall during the period, the aggregate power generation of the Group for the period recorded reasonable increment.

In the first half of 2012, the average on-grid tariff of the Group's coal-fired power generation increased significantly due to the carry over effect of the upward tariff adjustments last year. Since market price of coal has been decreasing steadily in the first half of the year coupled with the Group's continual effort in enhancing equipment efficiency to strengthen environmental protection management, the coal consumption rate was reduced during the period and the fuel cost was controlled effectively. As a result of the above factors, the Group achieved satisfactory growth in net profit for the period.

In the first half of 2012, the Group recorded a revenue of approximately RMB9,101,377,000, representing an increase of approximately 11.22% as compared with the corresponding period last year, while the profit attributable to the owners of the Group amounted to approximately RMB547,796,000, representing an increase of approximately 33.12% as compared with the corresponding period last year. The basic earnings per share was approximately RMB0.11, representing an increase of approximately RMB0.03 from RMB0.08 of the corresponding period last year. Net assets per share, excluding interests of non-controlling shareholders, was RMB2.68.

ATTRIBUTABLE INSTALLED CAPACITY

As at 30 June 2012, the attributable installed capacity of the Group reached 11,831MW, of which the attributable installed capacity of coal-fired power was 8,917MW, representing 75% of the total attributable installed capacity, and the attributable installed capacity of hydropower was 2,914MW, representing 25% of the total attributable installed capacity.

POWER GENERATION AND UTILIZATION HOURS

In the first half of 2012, the aggregate gross power generation of the Group reached 27,013,695MWh, representing an increase of 4.24% as compared with the corresponding period last year, of which the coal-fired power and hydropower generation reached 21,013,338MWh and 6,000,357MWh respectively. In the first half of 2012, the average utilization hours of coal-fired power plants reached 2,679 hours, representing a decrease of 280 hours as compared with the corresponding period last year, while the average utilization hours of hydropower plants was 1,715 hours, representing an increase of 273 hours as compared with the corresponding period last year.

ON-GRID TARIFF

In the first half of 2012, the average on-grid tariff of coal-fired power of the Group was RMB376.35/MWh, representing an increase of RMB34.08/MWh as compared with the corresponding period last year, while the average on-grid tariff of hydropower of the Group was RMB276.82/MWh, representing a decrease of RMB9.15/MWh as compared with the corresponding period last year.

The increase in the average on-grid tariff of coal-fired power was mainly attributable to the tariff adjustments made by the National Development and Reform Commission in 2011. After the adjustment, all the on-grid tariffs of the coal-fired power plants of the Group were up to the provincial benchmark tariff. While higher tariff was implemented during the dry-season in the first half of 2011, the average on-grid tariff of hydropower was lowered to normal approved tariff in the first half of 2012.

UNIT FUEL COST

In the first half of 2012, the unit fuel cost of the Group was approximately RMB265.81/MWh, representing an increase of approximately 3.76% from the average unit fuel cost of RMB256.19/MWh of last year.

The increase in unit fuel cost was due to the proportion of contracted coal of the Group accounted for 75% of the total coal demand. The increase in the integrated unit cost of such coal for the first half of this year was approximately 5%. However, due to the decrease of market coal price, the increase of the average unit fuel cost of the Group in the first half of 2012 was lower than expectation at the beginning of the year.

In addition to coal price control, the Group continued to implement measures, such as optimizing coal structure, increasing heat value, controlling monthly procurement plan in advance, raising the fulfillment rate for major contracted coal, minimizing the difference in heat value between coal received and fired to control the overall fuel cost. New units with large capacity commenced production while old units were upgraded and renovated. These measures enhanced the Group's equipment efficiency by lowering coal consumption and fuel cost.

SIGNIFICANT INVESTMENTS

As at 30 June 2012, the Group is interested in 18.86% of the issued share capital of Shanghai Electric Power Co., Ltd. ("Shanghai Power"), whose A shares were listed on the Shanghai Stock Exchange.

The Group recognizes its shareholding in Shanghai Power as "Available-for-sale financial assets". As at 30 June 2012, the fair value of the shareholding held by the Group was approximately RMB2,219,062,000.

NEW POWER PLANTS

Among the Group's coal-fired power projects under construction, Shentou I Power Plant's "Replacement of Small Units with Large Units" project with two generation units of 600MW and Xintang Power Plant with two generation units of 300MW (cogeneration plants) have a total installed capacity of 1,800MW. Among its hydropower projects, Baishi Power Plant, Tuokou Power Plant and small hydropower projects in Sichuan have a total installed capacity of 1,308MW. Currently, such projects all go smoothly. The construction of the second 600MW power generation unit of Fuxi Power Plant was completed and it commenced operation in May this year.

THE NEW DEVELOPMENT PROJECTS

The Group has been actively seeking development opportunities for both coal-fired power and hydropower projects which have large capacities and high parameters, and are energy saving and environment-friendly in areas with resources, geographical and market advantages. Currently, the total installed capacity of new projects in a preliminary development stage (including where PRC government approvals have been applied for) is over 7,400MW. Of which, the installed capacity of coal-fired projects amounts to 7,200MW. These projects include the expansion project of two 1,000MW coal-fired generation units of Pingwei Power Plant III, the expansion project of two 1,000MW coal-fired generation units of Shanxi Shentou Power Plant, the project of two 600MW coal-fired generation units of Guizhou Pu'an Power Plant and the expansion project of two 1,000MW coal-fired generation units of Changshu Power Plant (an associated company). In addition, the Group will continue to further expand coal-fired projects in developed areas such as the coastal areas of Guangdong Province. Currently, the installed capacity of the hydropower projects under preliminary development and acquisition is approximately 200MW. They are mainly the small- and medium-sized hydropower projects located in the southwest areas.

ENVIRONMENTAL PROTECTION AND ENERGY CONSERVATION

The Group puts high priority on environmental protection and shoulders social responsibilities. The Group fully utilized the hydropower generated clean energy. The hydropower generation to the total power generation of the Company was 22.21%. The Group strengthened environmental protection management of its coal-fired power generation units by installing all coal-fired power generation units with desulphurization facilities which resulted in lower discharge of pollutants with a desulphurization rate of 95.25%. As the result of the active measures on energy saving and reduction in coal consumption, the Group achieved an average in coal consumption rate of 317.07g/KWh for power generation in the first half of 2012, representing a decrease of 2.40g/KWh as compared with the corresponding period last year.

OPERATING RESULTS FOR THE FIRST HALF OF 2012

In the first half of 2012, revenue of the Group was approximately RMB9,101,377,000, representing an increase of approximately 11.22% as compared with the corresponding period last year. Profit attributable to owners of the Company was approximately RMB547,796,000, representing an increase of approximately RMB136,288,000 as compared with the corresponding period last year.

In the first half of 2012, the net profit of the Group amounted to approximately RMB780,368,000, representing an increase of approximately RMB244,940,000 as compared with the corresponding period last year. Among which, the net profit of hydropower amounted to approximately RMB429,030,000 while the net profit of coal-fired power amounted to approximately RMB351,338,000, representing a profit contribution ratio of 1.22:1.

The net profit increased as compared to the first half of 2011 mainly due to the following factors:

- As a result of the carry over effect of the tariff adjustments in 2011, the average on-grid tariff of coal-fired power plants in the first half of 2012 increased as compared with the corresponding period last year. The increase contributed approximately RMB670,586,000 to the net profit of the Group;
- In the first half of 2012, the total power generation increased by 1,099,638MWh as compared with the corresponding period last year, contributing approximately RMB289,655,000 to the net profit of the Group.

However, the increase was partly offset by the following:

- In the first half of 2012, the average on-grid tariff of hydropower decreased as compared to the corresponding period last year. As a result, the net profit of the Group decreased by approximately RMB54,320,000;
- In the first half of 2012, the increase in the average unit fuel cost had resulted in a decrease of approximately RMB299,966,000 in net profit;
- Interest-bearing liabilities increased and led to an increase of 17.53% in the finance expenses as compared with the corresponding period last year.

REVENUE

In the first half of 2012, revenue of the Group was approximately RMB9,101,377,000, representing an increase of 11.22% as compared with approximately RMB8,183,152,000 of the corresponding period last year. The increase in revenue was mainly attributed to the carry over impact of the tariff adjustments in 2011 and the increase in the total power generation which resulted in rising operating income.

SEGMENT INFORMATION

The reportable segments identified by the Group at present are the “Generation and sales of coal-fired electricity” and “Generation and sales of hydropower electricity”.

OPERATING COSTS

Operating costs of the Group mainly comprises of fuel costs, repairs and maintenance, depreciation and amortization, staff costs, consumables and other operating expenses.

In the first half of 2012, operating costs of the Group amounted to approximately RMB7,462,846,000, representing an increase of 7.75% as compared with approximately RMB6,926,260,000 of the corresponding period last year. The increase was mainly due to the increase in fuel costs and depreciation.

Fuel costs were the largest component of the Group's operating costs. In the first half of 2012, the fuel costs of the Group was approximately RMB5,230,819,000, representing 70.09% of the total operating costs and an increase of 5.88% over approximately RMB4,940,387,000 of the corresponding period last year.

OPERATING PROFIT

In the first half of 2012, the Group's operating profit was approximately RMB1,806,645,000, representing an increase of 29.35% as compared with the operating profit of approximately RMB1,396,736,000 of the corresponding period last year.

FINANCE COSTS

In the first half of 2012, finance costs of the Group amounted to approximately RMB861,699,000, representing an increase of 17.53% as compared with approximately RMB733,181,000 of the corresponding period last year.

SHARE OF RESULTS OF ASSOCIATED COMPANIES

In the first half of 2012, the share of profits of associated companies was approximately RMB32,014,000, representing an increase in profits of approximately RMB40,523,000 as compared with the share of losses of approximately RMB8,509,000 of the corresponding period last year.

TAXATION

In the first half of 2012, taxation charges of the Group were approximately RMB247,159,000, representing an increase of approximately RMB89,133,000 as compared with approximately RMB158,026,000 of the corresponding period last year.

Among the coal-fired power plants of the Group, Yaomeng Power Plant II and Dabieshan Power Plant currently enjoy the preferential tax treatment "First two years exemption and subsequent three years 50% reduction", which will end in 2012, while Pingwei Power Plant, Pingwei Power Plant II, Yaomeng Power Plant, Shentou I Power Plant and Changshu Power Plant are subject to the applicable income tax rate of 25% for the year. All hydropower plants of the Group are subject to the applicable income tax rate of 25% for the year (the applicable tax rate of some small hydropower plants in Sichuan is less than 25%).

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

In the first half of 2012, profit attributable to owners of the Company was approximately RMB547,796,000, representing an increase of approximately RMB136,288,000 as compared with approximately RMB411,508,000 of the corresponding period last year.

EARNINGS PER SHARE AND INTERIM DIVIDEND

In the first half of 2012, the basic and diluted earnings per share attributable to owners of the Company was approximately RMB0.11 and RMB0.10 respectively. The Board resolved not to distribute any interim dividend in 2012.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2012, cash and cash equivalents of the Group were approximately RMB2,898,591,000 (31 December 2011: RMB1,179,817,000). The Group derived its funds mainly from cash inflow from operating activities, bank borrowings, project finance and issuing bonds. Current assets amounted to approximately RMB8,808,952,000 (31 December 2011: RMB6,447,187,000) and current ratio was 0.59 time (31 December 2011: 0.48 time).

DEBTS

As at 30 June 2012, total borrowings of the Group amounted to approximately RMB44,741,441,000 (31 December 2011: RMB41,915,836,000). All of the Group's bank and other borrowings are mainly denominated in Renminbi, Japanese Yen ("JPY") and United States Dollars ("USD").

The borrowings of the Group are mainly used for general corporate purposes, including capital expenditure and working capital requirements.

The Group's debt to equity ratio (total borrowings/shareholders' equity) as at 30 June 2012 and 31 December 2011 were approximately 327.15% and 319.36% respectively.

CAPITAL EXPENDITURE

In the first half of 2012, capital expenditure of the Group was approximately RMB3,312,847,000, which was primarily used for the construction of new power generation units and technical upgrade projects for existing power generation units. Sources of funds were mainly from project financing, issuing bonds and self-generated funds.

RISK MANAGEMENT

The investment and business operation of the Group are exposed to risks from exchange rates, interest rates, commodity prices and liquidity. Amid global financial uncertainties, the financial risks and operational risks that the Group encountered increased.

To effectively control its risk exposure, the Group has implemented all-round risk management and has established a systematic, comprehensive risk management mechanism and internal control system. It has a designated risk management department in place for execution and implementation of risk management measures.

After the Company acquired Wu Ling Power in 2009, the consolidated gearing ratio rose significantly which intensified the Group's financial risks. In order to control liquidity risks, the Group adjusted the structure for strategic development, increased its strength in fund concentration management and adopted measures to control the asset and liability scale, so as to achieve a reasonable level of gearing ratio.

FOREIGN EXCHANGE RATE RISKS

The Group is principally operating in the Mainland China, with most transactions denominating in Renminbi. Apart from certain cash and bank balances and bank borrowings, most of the Group's assets and liabilities were denominated in Renminbi. The acquisition of Wu Ling Power increased the borrowings denominated in JPY and USD. Increased fluctuation on Renminbi exchange rate and JPY exchange rate resulted in the increase in the Group's fluctuation in exchange gain/loss, thereby affecting its financial condition and operating results. As at 30 June 2012, the balance of the Group's borrowings denominated in foreign currencies amounted to approximately RMB1,625,677,000 (31 December 2011: RMB1,729,702,000).

A subsidiary of the Group, Wu Ling Power, entered into a derivative financial instrument contract with a view to managing the foreign exchange exposure of its JPY borrowings. The derivative financial instrument contract is mainly to sell USD for JPY with an aggregate notional principal amount of JPY2,731,596,000 (31 December 2011: JPY2,861,672,000).

PLEDGE OF ASSETS

As at 30 June 2012, the Group pledged its property, plant and equipment with a net book value of approximately RMB547,875,000 (31 December 2011: RMB555,619,000) to certain banks to secure bank loans in the amount of RMB273,570,000 (31 December 2011: RMB277,320,000). In addition, certain bank borrowings were secured by the rights on accounts receivable of certain subsidiaries of the Group. The accounts receivable secured under these borrowings as at 30 June 2012 was amounting to approximately RMB1,539,553,000 (31 December 2011: RMB1,161,965,000).

CONTINGENT LIABILITIES

As at 30 June 2012, the Group had no material contingent liabilities.

EMPLOYEES

As at 30 June 2012, the Group had a total of 7,733 full-time employees.

The Group put great emphasis on the establishment of performance evaluation as well as rewarding and punishment mechanism. The Group determined the emoluments of its directors and employees based on their respective performance, working experience, duties and the prevailing market rates. The Group also implemented incentive policy linking emoluments with performance.

The Group also focused on the training of employees and communication between employees of different positions. It continued to improve the professional and technical skills and overall competence of its employees to satisfy the needs of its expanding business.

OUTLOOK OF THE SECOND HALF OF THE YEAR

In the second half of 2012, the power demand and supply of China is expected to maintain balance in general. Although the growth of electricity consumption of China slowed down in the first half of 2012, electricity consumption of China is expected to increase in the second half of the year with the introduction and the effects of relevant national policies for achieving stable growth. Coal market is expected to decline, which will reduce the fuel cost pressure of the Group. In addition, the benefit of the increase in coal-fired power tariff will continue to realize in the second half of the year. Anticipated decrease of inflation, rise on interest rate cut expectation and eased monetary policy of China will reduce the cost of capital and improve the financial position of the Group.

In the second half of 2012, the Group strives to achieve an objective of “increasing the overall profit” by staying focus on all aspects of business management in responding to the changes of both international and domestic economic conditions as well as the complicated and changing market environment.

By order to the Board

China Power International Development Limited

Li Xiaolin

Chairman

Hong Kong, 14 August 2012

The Company strives to raise the standard of corporate governance and regards corporate governance as part of value creation. The corporate governance principles of the Company emphasise a quality Board, maintain sound internal controls, and transparency and accountability to all shareholders. The Corporate Governance Report has been set out in our 2011 annual report. Save for the deviations from Code A.2.1 and Code A.4.2 (which have been disclosed in the 2011 annual report), the Company has strictly complied with the provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the “CG Code Provisions”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the six months ended 30 June 2012.

CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

CG Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Ms. Li Xiaolin currently serves as chairman of the Board and chief executive officer. The Board believes that Ms. Li Xiaolin has served as the chief executive officer of the Company and accumulated extensive experience in the capital market and the industry. It will be more effective in developing the Company’s long-term business strategies and in execution of the Company’s business plans if Ms. Li Xiaolin continues to serve as the chief executive officer of the Company. To help maintain a balance of power, the Company has set up an executive committee (the “Executive Committee”). The Executive Committee was formed by all executive directors of the Company (“Directors”) and senior management and meetings were convened regularly to make decisions on matters concerning the daily management and business of the Company.

TERM OF OFFICE OF THE DIRECTORS

In accordance with the Company’s articles of association, one-third of the Directors (including non-executive Directors with fixed term of three years, but with the exception of the executive Director who is also the chief executive officer of the Company) will retire from office by rotation for re-election by shareholders at the annual general meeting after the annual general meeting in year 2007. In addition, any new appointment to the Board is subject to re-appointment by shareholders at the upcoming general meeting.

CG Code Provision A.4.2 also stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, as provided in the articles of association of the Company, the executive Director who is also the chief executive officer of the Company shall not be subject to retirement by rotation.

The Company is of the view that the position of chief executive officer is crucial to the operation of the Company. The articles of association of the Company stipulate that the chief executive officer shall not be subject to retirement by rotation, which reflects the importance of this position and ensures that the impact of the change of personnel on the operation of the Company is kept to minimal.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a set of Code of Conduct for Securities Transactions by the Directors (the “Code of Conduct”), the terms of which are no less than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific inquiries to all Directors, all Directors confirmed that they have complied with the Code of Conduct for the six months ended 30 June 2012.

CHANGES OF THE BOARD IN THE PERIOD UNDER REVIEW

Mr. Gu Zhengxing has reached the statutory retirement age in China and thus resigned as a non-executive Director of the Company, and Mr. Wang Zichao has been appointed as a non-executive Director of the Company with effect from 28 June 2012. As at the date of this report, the Board has seven Directors, the number of independent non-executive Directors constituted over one-third of the Board, whose names appear in the “Corporate Information” section.

Update on Director’s biographical information:

Mr Tsui Yiu Wa, Alec had retired as an independent non-executive director of China BlueChemical Limited (listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”)) effective on 5 June 2012.

COMMITTEES OF THE BOARD

The Company has set up three specialized committees under the Board, being an audit committee (the “Audit Committee”), a remuneration and nomination committee (the “Remuneration and Nomination Committee”) and the Executive Committee to conduct self-monitoring and control in relevant aspects of the Company.

AUDIT COMMITTEE

The Company established the Audit Committee on 24 August 2004. The Board amended and adopted the revised terms of reference of the committee on 23 March 2012 according to the latest amendments made to the CG Code Provisions of the Listing Rules. The Audit Committee comprises of three members, namely Mr. Kwong Che Keung, Gordon, Mr. Li Fang and Mr. Tsui Yiu Wa, Alec, all of whom are independent non-executive Directors. The Audit Committee is chaired by Mr. Kwong Che Keung, Gordon. The principal duties of the Audit Committee include the review and supervision of the Group’s financial reporting system and internal control procedures, review of the Group’s financial information and review of the relationship with the external auditor of the Company. The interim financial information for the six months ended 30 June 2012 has been reviewed by the Audit Committee and PricewaterhouseCoopers.

REMUNERATION AND NOMINATION COMMITTEE

The Company established the Remuneration and Nomination Committee on 24 August 2004. The Board amended and adopted the revised terms of reference of the committee on 23 March 2012 according to the latest amendments made to the CG Code Provisions of the Listing Rules. The Remuneration and Nomination Committee comprises of three members, namely Mr. Li Fang, Mr. Kwong Che Keung, Gordon and Mr. Tsui Yiu Wa, Alec, all of whom are independent non-executive Directors. The Remuneration and Nomination Committee is chaired by Mr. Li Fang. The primary duties of the Remuneration and Nomination Committee are to evaluate the performance of the Directors and senior management and to determine the specific compensation packages for all executive Directors, including benefits in kind, pensions, benefits, and compensation for loss of office or upon appointment, to make recommendations on the remuneration of non-executive Directors and to make recommendations in respect of the appointment and removal of members of the Board according to criteria such as educational background and work experience. The remuneration of the Directors approved by the shareholders is determined by the Board with reference to their experience, performance, duties and market conditions.

On 28 June 2012, the change of the non-executive Director of the Company had been considered and unanimously adopted by the Remuneration and Nomination Committee and proposed to the Board.

EXECUTIVE COMMITTEE

The Company established the Executive Committee in 2008. As a committee under the Board, the Executive Committee conducts its work under the guidance of the Board and reports to the Board pursuant to the “Working Guidelines for the Executive Committee” approved by the Board. The chairman of the Board acts as the chairman of the Executive Committee. The members of the committee include the president, vice presidents, financial controller and other senior management. It monitors the execution of the Company’s strategic plans and operations of all business units of the Company and discusses and makes decisions on matters relating to the management and day-to-day operations of the Company.

INTERNAL CONTROLS

The Board puts particular emphasis on risk management and strengthening internal monitoring system. The Company has established the Internal Control Department which is crucial to the Company’s internal controls. The principles of the internal control framework of the Company are: to strengthen the Company’s internal monitoring and control in accordance with the requirements of the Hong Kong Stock Exchange, continuously improve the Company’s corporate governance structure, build up corporate integrity culture, establish an effective control system, continuously assess the competence of the internal control system and the efficiency of the management through auditing, risk assessments and internal assessments, review enquiries risk exposures and ensure the effective running of the control system.

During the first half of year 2012, the Internal Control Department made rectification requirements in light of 12 general common issues that revealed during various types of audits. Proposals were made to strengthen controls on 10 areas and had been actively followed up to ensure the implementation of the proposals. In addition, for good corporate governance practice, the Internal Control Department also adopted appropriate measures to review quarterly the implementation of the Group's existing continuing connected transactions. For the six months ended 30 June 2012, the relevant companies had monitored strictly pursuant to the terms of the continuing connected transactions in the actual course of business operation and did not exceed the annual cap of year 2012 as disclosed.

INVESTOR RELATIONS

The annual general meeting held on 18 May 2012, the chairman, all Directors and senior management attended and answered enquiries from shareholders and investors. The proposed resolutions as set out in the notice of annual general meeting dated 16 April 2012, all the ordinary resolutions were duly passed.

For publications of the annual results of year 2011, we organized overseas roadshows. The senior management and investor relation team participated in the roadshows to interview and communicate with investors. For the first half of year 2012, the senior management and investor relation team participated in six investor conferences organized by international-known major investment banks, and conducted dozens of one-on-one meetings with analysts to enhance investors' understanding of the operations and developments of the Company.

Our shareholders communication policy and the relevant shareholders rights are published on the Company's website at www.chinapower.com.hk under the "Corporate Governance". Shareholders and investors' enquiries, the contact information is set out in the "Corporate Information" section.

SHARE OPTION SCHEMES

The Company has two share option schemes, namely the Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and the share option scheme (the "Share Option Scheme") as follows:

(A) Pre-IPO Share Option Scheme

The Company has conditionally approved and adopted the Pre-IPO Share Option Scheme on 24 August 2004.

The Pre-IPO Share Option Scheme ended on the date on which dealings in the shares commenced on the Hong Kong Stock Exchange (i.e. 15 October 2004). No further share options may be granted after that date but the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect. The main terms of the Pre-IPO Share Option Scheme are summarized in the 2011 annual report.

Movements of the share options granted under the Pre-IPO Share Option Scheme (“Pre-IPO Share Options”) for the six months ended 30 June 2012 are as follows:

Grantee	Date of grant	Number of shares subject to Pre-IPO Share Options					Expiry date ⁽¹⁾	Exercise price per share (HK\$)
		Outstanding	Granted	Lapsed or	Exercised	Outstanding		
		as at		cancelled		as at		
1 January	during	during	during	30 June				
		2012	the period	the period	the period	2012		
Directors:								
LI Xiaolin	18 September 2004	1,661,500	—	—	—	1,661,500	17 September 2014	2.53
GU Dake	18 September 2004	872,300	—	—	—	872,300	17 September 2014	2.53
WANG Zichao	18 September 2004	540,000	—	—	—	540,000	17 September 2014	2.53
Other employees	18 September 2004	2,284,600	—	—	—	2,284,600	17 September 2014	2.53
	11 October 2004	498,500	—	—	—	498,500	10 October 2014	2.53

Note (1): Each share option has a 10-year exercise period within which there is a total vesting period of four years. Commencing from the first, second, third and fourth anniversaries of the offer date of a share option, the relevant grantee may exercise up to 25%, 50%, 75% and 100% respectively of the shares comprised in his or her share option (less any number of shares in respect of which the share option has been previously exercised).

As at 30 June 2012, a total of 5,856,900 shares (representing approximately 0.11% of the existing issued share capital of the Company) may be issued by the Company if all Pre-IPO Share Options which had been granted under the Pre-IPO Share Option Scheme have been exercised.

The Company has used the Black-Scholes Option Pricing Model (the “Model”) to assess value of the Pre-IPO Share Options at the dates of grant. The Model is one of the commonly used models to estimate the fair value of a share option. The value of a share option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of a share option. As such, the fair values calculated are inherently subjective due to the assumptions made and the limitations of the valuation model used.

The Pre-IPO Share Options were granted to the Directors, senior management and certain other employees of the Company on 18 September 2004 and to certain other employees of the Company on 11 October 2004. The fair value of the Pre-IPO Share Options determined at the dates of grant using the Model were HK\$9,875,200 and HK\$4,006,000 respectively. All such fair value has already been expensed regressively through the Group’s income statement over the four-year vesting period of the Pre-IPO Share Options commencing from the year ended 31 December 2004.

(B) Share Option Scheme

The Share Option Scheme was conditionally approved and adopted by a written resolution passed by the Company's shareholders on 24 August 2004. The purposes of the Share Option Scheme are to attract and retain high-calibre personnel to provide them with the opportunity to acquire equity in the Company and to motivate them to higher levels of performance. The major terms of the Share Option Scheme are summarized in our 2011 annual report.

Movements of the share options under the Share Option Scheme for the six months ended 30 June 2012 are as follows:

Grantee	Date of grant	Number of shares subject to share options					Outstanding as at 30 June 2012	Expiry date ⁽¹⁾	Exercise price per share (HK\$)
		Outstanding as at 1 January 2012	Granted during the period	Lapsed or cancelled during the period	Exercised during the period	Outstanding as at 30 June 2012			
Directors:									
LI Xiaolin	4 April 2007	1,905,000	—	—	—	1,905,000	3 April 2017	4.07	
	2 July 2008	820,000	—	—	—	820,000	1 July 2018	2.326	
GU Dake	4 April 2007	1,377,000	—	—	—	1,377,000	3 April 2017	4.07	
	2 July 2008	700,000	—	—	—	700,000	1 July 2018	2.326	
GUAN Qihong	2 July 2008	400,000	—	—	—	400,000	1 July 2018	2.326	
WANG Zichao	4 April 2007	804,000	—	—	—	804,000	3 April 2017	4.07	
	2 July 2008	700,000	—	—	—	700,000	1 July 2018	2.326	
Other employees	4 April 2007	6,558,000	—	600,000	—	5,958,000	3 April 2017	4.07	
	2 July 2008	20,200,000	—	590,000	—	19,610,000	1 July 2018	2.326	

Note (1): Each share option has a 10-year exercise period within which there is a total vesting period of four years. Commencing from the first, second, third and fourth anniversaries of the offer date of a share option, the relevant grantee may exercise up to 25%, 50%, 75% and 100% respectively of the shares comprised in his or her share option (less any number of shares in respect of which the share option has been previously exercised).

As at 30 June 2012, the total number of shares in respect of which share options may be granted under the Share Option Scheme was 32,274,000, representing approximately 0.63% of the existing issued share capital of the Company.

The Company has also used the Model to assess the value of the share options at the dates of grant. The Model is one of the commonly used models to estimate the fair value of a share option. The value of a share option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of a share option. As such, the fair values calculated are inherently subjective due to the assumptions made and the limitations of the valuation model used.

The share options granted pursuant to the Share Option Scheme were granted to the Directors, senior management and certain other employees of the Company on 4 April 2007 and 2 July 2008 respectively. The fair value of the share options determined at the dates of grant using the Model were HK\$23,517,000 and HK\$18,346,000 respectively. For the six months ended 30 June 2012, an amount of share option expense of RMB320,000 has been recognized, with a corresponding adjustment recognized in the Group's employee share-based compensation reserve.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2012, save as disclosed below, none of the Directors or the chief executive has any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO") which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Name of Directors	Capacity	Name of company in which interests are held	Date of grant	Number of underlying shares interested under physically settled equity derivatives ⁽¹⁾	Percentage of issued share capital of the Company (%)	Long/short position
LI Xiaolin	Beneficial owner	the Company	18 September 2004, 4 April 2007 and 2 July 2008	4,386,500	0.086	Long
GU Dake	Beneficial owner	the Company	18 September 2004, 4 April 2007 and 2 July 2008	2,949,300	0.058	Long
GUAN Qihong	Beneficial owner	the Company	2 July 2008	400,000	0.0078	Long
WANG Zichao	Beneficial owner	the Company	18 September 2004, 4 April 2007 and 2 July 2008	2,044,000	0.040	Long

Notes:

- (1) The interests of the above Directors in the underlying shares of the Company represent the share options granted to them under the Pre-IPO Share Option Scheme and Share Option Scheme by the Company.
- (2) None of the above Directors has interests in any securities of the Company (except for interests held under equity derivatives disclosed above).

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2012, to the best knowledge of the Directors, the following persons (other than a Director and chief executive of the Company) who had an interest or short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholders	Capacity	Number of shares in which interested other than under equity derivatives ⁽³⁾	Percentage of issued share capital of the Company (%)	Long/short position
China Power Development Limited ("CPDL")	Beneficial owner	1,996,500,000	39.09	Long
CPI Holding ⁽¹⁾	Interest of a controlled corporation	1,996,500,000	39.09	Long
	Beneficial owner	1,532,827,927	30.01	Long
CPI Group ⁽²⁾	Interests of controlled corporations	3,529,327,927	69.11	Long

Notes:

- (1) CPI Holding is the beneficial owner of CPDL and therefore CPI Holding is deemed to be interested in 1,996,500,000 shares owned by CPDL for the purposes of the SFO.
- (2) CPI Group is the beneficial owner of CPI Holding and therefore CPI Group is deemed to be interested in 1,532,827,927 and 1,996,500,000 shares owned by CPI Holding and CPDL respectively for the purposes of the SFO.
- (3) CPI Group, CPI Holding and CPDL do not have any interest in the equity derivatives of the Company.

Save as disclosed above, as at 30 June 2012, no person, other than the Directors and chief executives of the Company whose interests are set out in the section "Directors' Interests in Securities" above, had any interest or short positions in the shares, underlying shares or debentures of the Company which are required to be notified to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2012.



羅兵咸永道

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF
CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED**
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 22 to 66, which comprises the condensed consolidated interim balance sheet of China Power International Development Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2012 and the related condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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羅兵咸永道

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF
CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED (CONTINUED)**
(incorporated in Hong Kong with limited liability)

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 14 August 2012

Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2012

	Note	Unaudited	
		Six months ended 30 June	
		2012	2011
		RMB' 000	RMB' 000
Revenue	4	9,101,377	8,183,152
Other income	5	106,985	109,597
Fuel costs		(5,230,819)	(4,940,387)
Depreciation		(1,006,943)	(914,180)
Staff costs		(414,353)	(307,569)
Repairs and maintenance		(225,250)	(223,021)
Consumables		(103,060)	(76,011)
Other gains	6	61,129	30,247
Other operating expenses		(482,421)	(465,092)
Operating profit	7	1,806,645	1,396,736
Finance income	8	58,160	48,892
Finance costs	8	(861,699)	(733,181)
Share of profits/(losses) of associated companies		32,014	(8,509)
Share of losses of jointly-controlled entities		(7,593)	(10,484)
Profit before taxation		1,027,527	693,454
Taxation	9	(247,159)	(158,026)
Profit for the period		780,368	535,428
Attributable to:			
Owners of the Company		547,796	411,508
Non-controlling interests		232,572	123,920
		780,368	535,428
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic	10	0.11	0.08
– Diluted	10	0.10	0.08

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2012

	Note	Unaudited	
		Six months ended 30 June	
		2012	2011
		RMB' 000	RMB' 000
Profit for the period		780,368	535,428
Other comprehensive income:			
– Fair value gain on available-for-sale financial assets, net of tax	16	233,002	538,627
Total comprehensive income for the period		1,013,370	1,074,055
Attributable to:			
Owners of the Company		780,798	950,135
Non-controlling interests		232,572	123,920
		1,013,370	1,074,055

Condensed Consolidated Interim Balance Sheet

As at 30 June 2012

	Note	As at	
		30 June 2012 Unaudited RMB' 000	31 December 2011 Audited RMB' 000
ASSETS			
Non-current assets			
Property, plant and equipment	12	52,473,695	49,350,730
Prepayments for construction of power plants	12	1,691,142	2,385,556
Land use rights	12	465,991	457,764
Goodwill	12	767,453	767,365
Interests in associated companies		1,555,631	1,523,617
Interests in jointly-controlled entities		344,365	351,949
Available-for-sale financial assets	13	2,373,774	2,063,105
Deferred income tax assets		74,544	45,187
		59,746,595	56,945,273
Current assets			
Inventories		755,392	730,971
Accounts receivable	14	2,143,339	1,911,467
Prepayments, deposits and other receivables		1,148,968	791,627
Amounts due from group companies	23	265,798	332,109
Loan due from a fellow subsidiary	23	1,500,000	1,500,000
Tax recoverable		1,232	1,196
Derivative financial instruments	20	14,272	—
Pledged bank deposits		81,360	—
Cash and cash equivalents		2,898,591	1,179,817
		8,808,952	6,447,187
Total assets		68,555,547	63,392,460

Condensed Consolidated Interim Balance Sheet

As at 30 June 2012

		As at	
		30 June	31 December
		2012	2011
Note		Unaudited	Audited
		RMB' 000	RMB' 000
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	15	5,121,473	5,121,473
Share premium	15	4,303,111	4,303,111
Reserves	16	4,251,708	3,700,408
		13,676,292	13,124,992
Non-controlling interests		3,627,082	3,364,510
Total equity		17,303,374	16,489,502
LIABILITIES			
Non-current liabilities			
Deferred income		70,991	75,289
Long-term bank borrowings	18	28,599,035	26,881,231
Long-term borrowings from ultimate holding company	23	1,473,816	1,473,816
Long-term borrowings from CPI Financial Company ("CPIF")	23	2,232,095	1,161,800
Corporate bonds	19	1,794,020	1,794,020
Convertible bonds	19	866,610	853,454
Long-term other borrowings	19	154,259	399,260
Obligations under finance leases		157,409	166,623
Deferred income tax liabilities		924,048	741,934
Other long-term liabilities		6,772	8,557
		36,279,055	33,555,984

Condensed Consolidated Interim Balance Sheet

As at 30 June 2012

	Note	As at	
		30 June 2012 Unaudited RMB' 000	31 December 2011 Audited RMB' 000
Current liabilities			
Accounts and bills payables	17	1,749,433	875,389
Construction cost payable		2,244,827	1,987,536
Other payables and accrued charges		949,242	875,384
Derivative financial instruments	20	—	32,965
Amounts due to group companies	23	211,075	128,110
Current portion of long-term bank borrowings	18	2,626,952	2,702,450
Current portion of long-term other borrowings	19	245,001	—
Short-term bank borrowings	18	4,507,653	2,987,800
Other bank borrowings	18	—	211,710
Short-term borrowings from CPIF	23	750,000	1,680,000
Current portion of long-term borrowings from CPIF	23	400,000	670,295
Short-term other borrowings	19	1,092,000	1,100,000
Current portion of obligations under finance leases		18,188	17,714
Taxation payable		178,747	77,621
		14,973,118	13,346,974
Total liabilities			
		51,252,173	46,902,958
Total equity and liabilities			
		68,555,547	63,392,460
Net current liabilities			
		6,164,166	6,899,787
Total assets less current liabilities			
		53,582,429	50,045,486

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2012

	Unaudited					
	Attributable to owners of the Company					
	Share capital	Share premium	Other reserves	(Accumulated	Non-controlling interests	Total
				losses)/retained profits		
RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	
Balance as at 1 January 2011	5,121,473	4,303,111	2,854,444	(40,529)	2,655,698	14,894,197
Profit for the period	—	—	—	411,508	123,920	535,428
Other comprehensive income:						
Increase in fair value of available-for-sale financial assets	—	—	718,169	—	—	718,169
Deferred tax on increase in fair value of available-for-sale financial assets	—	—	(179,542)	—	—	(179,542)
Total comprehensive income for the period	—	—	538,627	411,508	123,920	1,074,055
Employee share option benefits	—	—	1,052	—	—	1,052
Lapse of share options	—	—	(1,758)	1,758	—	—
Equity component of convertible bonds (Note 19(c))	—	—	124,995	—	—	124,995
Acquisition of additional interests in a subsidiary	—	—	—	(12,980)	(18,709)	(31,689)
Acquisition of a subsidiary	—	—	—	—	167	167
Dividend paid to a shareholder of a subsidiary	—	—	—	—	(49,900)	(49,900)
Contribution from non-controlling shareholders of subsidiaries	—	—	—	—	144,387	144,387
2010 final dividend	—	—	—	(229,818)	—	(229,818)
Total transactions with owners	—	—	124,289	(241,040)	75,945	(40,806)
Balance as at 30 June 2011	5,121,473	4,303,111	3,517,360	129,939	2,855,563	15,927,446

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2012

	Unaudited					
	Attributable to owners of the Company					
	Share capital RMB' 000	Share premium RMB' 000	Other reserves (Note 16) RMB' 000	Retained profits RMB' 000	Non- controlling interests RMB' 000	Total RMB' 000
Balance as at 1 January 2012	5,121,473	4,303,111	3,482,568	217,840	3,364,510	16,489,502
Profit for the period	—	—	—	547,796	232,572	780,368
Other comprehensive income:						
Increase in fair value of available-for-sale financial assets	—	—	310,669	—	—	310,669
Deferred tax on increase in fair value of available-for-sale financial assets	—	—	(77,667)	—	—	(77,667)
Total comprehensive income for the period	—	—	233,002	547,796	232,572	1,013,370
Employee share option benefits	—	—	320	—	—	320
Lapse of share options	—	—	(899)	899	—	—
Contribution from a non-controlling shareholder of a subsidiary	—	—	—	—	30,000	30,000
2011 final dividend	—	—	—	(229,818)	—	(229,818)
Total transactions with owners	—	—	(579)	(228,919)	30,000	(199,498)
Balance as at 30 June 2012	5,121,473	4,303,111	3,714,991	536,717	3,627,082	17,303,374

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2012

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB' 000	RMB' 000
Net cash generated from operating activities	1,769,704	1,061,075
Net cash used in investing activities	(2,444,134)	(2,332,790)
Net cash generated from financing activities	2,393,204	3,249,129
Net increase in cash and cash equivalents	1,718,774	1,977,414
Cash and cash equivalents at the beginning of period	1,179,817	977,365
Cash and cash equivalents at the end of period	2,898,591	2,954,779
Analysis of cash and cash equivalents:		
Cash and bank balances	2,898,591	2,954,779

1 GENERAL INFORMATION

China Power International Development Limited (the “Company”) was incorporated in Hong Kong on 24 March 2004 as a limited liability company under the Hong Kong Companies Ordinance. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company and its subsidiaries (together, the “Group”) are principally engaged in investment holdings, generation and sale of electricity and the development of power plants in the People’s Republic of China (the “PRC”).

This condensed consolidated interim financial information is presented in thousands of Renminbi (“RMB’000”), unless otherwise stated, and has been approved for issue on 14 August 2012.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

- (a) This condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with Hong Kong Accounting Standard 34, “Interim Financial Reporting”. This condensed consolidated interim financial information should be read in conjunction with the annual accounts for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants.
- (b) The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual accounts for the year ended 31 December 2011.

2 BASIS OF PREPARATION (Continued)

- (c) In preparing this condensed consolidated interim financial information, the Directors have also taken into account all information that could reasonably be expected to be available and have ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. As of 30 June 2012, the Group had undrawn committed banking facilities amounting to approximately RMB 11,275 million (31 December 2011: RMB11,597 million) and will refinance and/or restructure certain short-term loans into long-term loans or to consider alternative sources of financing, where applicable. Under these circumstances, the Directors are of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months and therefore have prepared this condensed consolidated interim financial information on a going concern basis notwithstanding that as at 30 June 2012, the Group's current liabilities exceeded its current assets by approximately RMB6,164 million.
- (d) This condensed consolidated interim financial information does not include financial risk management information and disclosures required in the annual accounts and should be read in conjunction with the Group's annual accounts for the year ended 31 December 2011. There have been no changes in the risk management policies.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual accounts for the year ended 31 December 2011, as described in those annual accounts.

(a) Effect of adopting amendments to standards

The following amendments to standards are mandatory for accounting periods beginning on or after 1 January 2012. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group.

HKFRS 7 (amendment)	Disclosures – Transfer of Financial Assets
HKAS 1 (amendment)	Presentation of Items of Other Comprehensive Income
HKAS 12 (amendment)	Deferred Tax: Recovery of Underlying Assets

3 ACCOUNTING POLICIES (Continued)

(b) New standards and amendments to standards that have been issued but are not effective for the financial year ending 31 December 2012 and have not been early adopted by the Group

HKFRS 1 (amendment)	Government Loans ⁽¹⁾
HKFRS 7 (amendment)	Disclosures - Offsetting Financial Assets and Financial Liabilities ⁽¹⁾
HKFRS 9	Financial Instruments ⁽³⁾
HKFRS 10	Consolidated Financial Statements ⁽¹⁾
HKFRS 11	Joint Arrangements ⁽¹⁾
HKFRS 12	Disclosure of Interests in Other Entities ⁽¹⁾
HKFRS 10, 11 and 12 (amendment)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ⁽¹⁾
HKFRS 13	Fair Value Measurement ⁽¹⁾
HKAS 19 (2011)	Employee Benefits ⁽¹⁾
HKAS 27 (2011)	Separate Financial Statements ⁽¹⁾
HKAS 28 (2011)	Investments in Associates and Joint Ventures ⁽¹⁾
HKAS 32 (amendment)	Offsetting Financial Assets and Financial Liabilities ⁽²⁾
HK(IFRIC) Int 20 (amendment)	Stripping Costs in the Production Phase of a Surface Mine ⁽¹⁾
HKFRSs (amendment)	Annual Improvements 2009-2011 Cycle ⁽¹⁾

⁽¹⁾ Effective for the Group for annual period beginning on 1 January 2013

⁽²⁾ Effective for the Group for annual period beginning on 1 January 2014

⁽³⁾ Effective for the Group for annual period beginning on 1 January 2015

The Group will apply the above new standards and amendments to standards from 1 January 2013 or later periods. The Group has already commenced an assessment of the related impact to the Group. The Group does not expect substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

4 REVENUE AND SEGMENT INFORMATION

Revenue, representing turnover, recognised during the period is as follows:

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB' 000	RMB' 000
Sales of electricity to regional and provincial power grid companies (note (a))	9,014,592	8,091,100
Provision of power generation and related services (note (b))	86,785	92,052
	9,101,377	8,183,152

Notes:

- (a) Pursuant to the power purchase agreements entered into between the Group and the respective regional and provincial power grid companies, the Group's sales of electric power were made to these power grid companies at the tariff rates agreed with the respective regional and provincial power grid companies as approved by the relevant government authorities.
- (b) Provision of power generation and related services represents income from provision of power generation and related services to other power plants and power grid companies which are calculated based on mutually agreed terms.

Segment information

The chief operating decision maker of the Group has been identified as the executive Directors and certain senior management (collectively referred to as the "CODM") that make strategic decisions. The CODM reviews the internal reporting of the Company and its subsidiaries in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. Currently, it is determined that the "Generation and sales of coal-fired electricity" and "Generation and sales of hydropower electricity" in the PRC are the reportable segments of the Group.

The CODM assesses the performance of the operating segments based on a measure of profit/loss before taxation, excluding dividends from available-for-sale financial assets, if any, and effects on items of a non-recurring nature, such as impairments when the impairment is the result of an isolated, non-recurring event. Other information provided to the CODM is measured in a manner consistent with that in the condensed consolidated interim financial information.

Segment assets exclude deferred income tax assets, available-for-sale financial assets, derivative financial instruments and corporate assets which are managed on a central basis.

Segment liabilities exclude taxation payable, deferred income tax liabilities, derivative financial instruments and corporate liabilities which are managed on a central basis.

4 REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

	Unaudited				
	Six months ended 30 June 2012				
	Coal-fired electricity RMB' 000	Hydropower electricity RMB' 000	Reportable segments total RMB' 000	Others RMB' 000	Total RMB' 000
Revenue					
Sales of electricity	7,371,060	1,643,532	9,014,592	—	9,014,592
Provision of power generation and related services	35,056	51,729	86,785	—	86,785
	7,406,116	1,695,261	9,101,377	—	9,101,377
Results of reportable segments	801,615	1,032,006	1,833,621	—	1,833,621
A reconciliation of results of reportable segments to profit for the period is as follows:					
Results of reportable segments	801,615	1,032,006	1,833,621	—	1,833,621
Unallocated income	—	—	—	47,552	47,552
Unallocated expenses	—	—	—	(74,528)	(74,528)
Operating profit/(loss)	801,615	1,032,006	1,833,621	(26,976)	1,806,645
Finance income	2,423	43,331	45,754	12,406	58,160
Finance costs	(368,471)	(482,394)	(850,865)	(10,834)	(861,699)
Share of profits of associated companies	32,014	—	32,014	—	32,014
Share of losses of jointly-controlled entities	(3,610)	—	(3,610)	(3,983)	(7,593)
Profit/(loss) before taxation	463,971	592,943	1,056,914	(29,387)	1,027,527
Taxation	(95,476)	(151,209)	(246,685)	(474)	(247,159)
Profit/(loss) for the period	368,495	441,734	810,229	(29,861)	780,368
Other segment information:					
Capital expenditure	1,633,159	1,669,346	3,302,505	10,342	3,312,847
Depreciation on property, plant and equipment	565,362	437,506	1,002,868	4,075	1,006,943
Amortisation of land use rights	1,285	2,952	4,237	—	4,237

4 REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

	Unaudited				
	As at 30 June 2012				
	Reportable			Others	Total
	Coal-fired electricity	Hydropower electricity	segments total		
RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	
Segment assets					
Other segment assets	26,106,039	34,514,560	60,620,599	—	60,620,599
Goodwill	—	767,453	767,453	—	767,453
Interests in associated companies	1,537,780	—	1,537,780	17,851	1,555,631
Interests in jointly-controlled entities	222,893	—	222,893	121,472	344,365
	27,866,712	35,282,013	63,148,725	139,323	63,288,048
Available-for-sale financial assets					2,373,774
Loan due from a fellow subsidiary					1,500,000
Deferred income tax assets					74,544
Derivative financial instruments					14,272
Other unallocated assets					1,304,909
Total assets per consolidated balance sheet					68,555,547
Segment liabilities					
Other segment liabilities	(3,652,801)	(1,695,462)	(5,348,263)	—	(5,348,263)
Borrowings	(16,483,339)	(27,537,057)	(44,020,396)	(721,045)	(44,741,441)
	(20,136,140)	(29,232,519)	(49,368,659)	(721,045)	(50,089,704)
Taxation payable					(178,747)
Deferred income tax liabilities					(924,048)
Other unallocated liabilities					(59,674)
Total liabilities per consolidated balance sheet					(51,252,173)

4 REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

	Unaudited				
	Six months ended 30 June 2011				
	Coal-fired electricity RMB' 000	Hydropower electricity RMB' 000	Reportable segments total RMB' 000	Others RMB' 000	Total RMB' 000
Revenue					
Sales of electricity	6,674,373	1,416,727	8,091,100	—	8,091,100
Provision of power generation and related services	28,703	63,349	92,052	—	92,052
	6,703,076	1,480,076	8,183,152	—	8,183,152
Results of reportable segments	537,338	893,347	1,430,685	—	1,430,685
A reconciliation of results of reportable segments to profit for the period is as follows:					
Results of reportable segments	537,338	893,347	1,430,685	—	1,430,685
Unallocated income	—	—	—	22,559	22,559
Unallocated expenses	—	—	—	(56,508)	(56,508)
Operating profit/(loss)	537,338	893,347	1,430,685	(33,949)	1,396,736
Finance income	975	44,000	44,975	3,917	48,892
Finance costs	(266,618)	(447,117)	(713,735)	(19,446)	(733,181)
Share of losses of associated companies	(8,509)	—	(8,509)	—	(8,509)
Share of losses of jointly-controlled entities	(6,934)	—	(6,934)	(3,550)	(10,484)
Profit/(loss) before taxation	256,252	490,230	746,482	(53,028)	693,454
Taxation	(31,021)	(127,005)	(158,026)	—	(158,026)
Profit/(loss) for the period	225,231	363,225	588,456	(53,028)	535,428
Other segment information:					
Capital expenditure	1,079,229	1,987,247	3,066,476	1,775	3,068,251
Depreciation on property, plant and equipment	503,828	404,488	908,316	5,864	914,180
Amortisation of land use rights	1,528	3,014	4,542	—	4,542

4 REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

	Audited				
	As at 31 December 2011				
	Coal-fired electricity RMB' 000	Hydropower electricity RMB' 000	Reportable segments total RMB' 000	Others RMB' 000	Total RMB' 000
Segment assets					
Other segment assets	23,829,484	32,167,048	55,996,532	—	55,996,532
Goodwill	—	767,365	767,365	—	767,365
Interests in associated companies	1,505,766	—	1,505,766	17,851	1,523,617
Interests in jointly-controlled entities	207,715	—	207,715	144,234	351,949
	25,542,965	32,934,413	58,477,378	162,085	58,639,463
Available-for-sale financial assets					2,063,105
Loan due from a fellow subsidiary					1,500,000
Deferred income tax assets					45,187
Other unallocated assets					1,144,705
Total assets per consolidated balance sheet					63,392,460
Segment liabilities					
Other segment liabilities	(2,273,412)	(1,810,046)	(4,083,458)	—	(4,083,458)
Borrowings	(16,012,179)	(25,603,947)	(41,616,126)	(299,710)	(41,915,836)
	(18,285,591)	(27,413,993)	(45,699,584)	(299,710)	(45,999,294)
Derivative financial instruments					(32,965)
Taxation payable					(77,621)
Deferred income tax liabilities					(741,934)
Other unallocated liabilities					(51,144)
Total liabilities per consolidated balance sheet					(46,902,958)

5 OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB' 000	RMB' 000
Rental income (also see Note 23(a))	33,136	33,535
Hotel operations income	20,890	23,074
Dividend income	20,173	20,073
Clean development mechanism income	16,126	14,271
Income from the provision of repairs and maintenance services (also see Note 23(a))	14,173	16,157
Management fee income (Note 23(a))	2,487	2,487
	106,985	109,597

6 OTHER GAINS

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB' 000	RMB' 000
Amortisation of deferred income	5,337	5,386
Gain on disposal of property, plant and equipment	—	132
Fair value gain on derivative financial instruments (Note 20)	47,237	14,023
Government subsidies	7,479	10,002
Others	1,076	704
	61,129	30,247

7 OPERATING PROFIT

Operating profit is stated after charging the following:

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB' 000	RMB' 000
Amortisation of land use rights (Note 12)	4,237	4,542
Depreciation of property, plant and equipment (Note 12)	1,006,943	914,180
Operating lease rental in respect of leasehold land and buildings	16,796	16,316
Staff costs including directors' emoluments	414,353	307,569
Write-off of pre-operating expenses	8,048	10,298

8 FINANCE INCOME AND FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB' 000	RMB' 000
Finance income		
Interest income from bank deposits	17,210	8,167
Interest income from a fellow subsidiary (Note 23(a))	40,950	40,725
	58,160	48,892
Finance costs		
Interest expense on		
– bank borrowings wholly repayable within five years	201,048	190,905
– bank borrowings not wholly repayable within five years	904,168	647,032
– long-term borrowings from ultimate holding company not wholly repayable within five years	38,368	37,407
– short-term borrowings from CPIF	53,452	53,251
– long-term borrowings from CPIF wholly repayable within five years	40,434	23,125
– long-term other borrowings wholly repayable within five years	49,267	22,626
– long-term other borrowings not wholly repayable within five years	22,862	23,128
– short-term other borrowings	18,453	17,132
– obligations under finance leases	4,927	5,376
	1,332,979	1,019,982
Less: amounts capitalised	(425,585)	(255,117)
	907,394	764,865
Net exchange gains	(45,695)	(31,684)
	861,699	733,181

The weighted average interest rate on capitalised borrowings is approximately 6.5% (2011: 4.9%) per annum.

9 TAXATION

No Hong Kong profits tax has been provided for as the Group did not have any estimated assessable profit in Hong Kong for the period (2011: Nil).

The provision for PRC current income tax is calculated based on the statutory tax rate of 25% (2011: 25%) on the estimated assessable income for the period except as disclosed below.

The amount of taxation charged to the condensed consolidated interim income statement represents:

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB' 000	RMB' 000
PRC current income tax	179,286	121,088
Deferred income tax charge	67,873	36,938
	247,159	158,026

Share of taxation charge attributable to associated companies for the period of RMB11,662,000 (2011: RMB2,916,000) is included in the Group's share of profits/(losses) of associated companies for the period.

Pursuant to the relevant PRC income tax rules and regulations, special income tax rates have been granted to certain subsidiaries of the Group and an associated company as being foreign invested enterprises which are engaged in the energy, transportation or infrastructure activities. These companies are subject to a tax rate of 25% for the year 2012 (2011: 24%). A subsidiary acquired by the Group in the year 2005 is subject to a tax rate of 25% for the year 2012 (2011: 24%). Certain subsidiaries of the Group that started operations in the years 2007 and 2008 are also entitled to a two-year exemption from income tax starting from the year in operation followed by a 50% reduction in income tax rate in the ensuing three years. These companies have been subject to reduced tax rates of 12.5% (2011: 12% to 12.5%) during the period. The tax rates for these companies will be gradually increased to 25% towards year 2013.

10 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of shares in issue during the period.

	Unaudited	
	Six months ended 30 June	
	2012	2011
Profit attributable to owners of the Company (RMB' 000)	547,796	411,508
Weighted average number of shares in issue (shares in thousands)	5,107,061	5,107,061
Basic earnings per share (RMB)	0.11	0.08

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares arising from the Company's share options and convertible bonds. For the six months ended 30 June 2012 and 2011, the Company only has convertible bonds that have dilutive potential ordinary shares. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect.

	Unaudited	
	Six months ended 30 June	
	2012	2011
Profit attributable to owners of the Company (RMB' 000)	547,796	411,508
Adjustment for finance costs on convertible bonds (after tax) (RMB' 000)	18,161	5,937
Profit used to determine diluted earnings per share (RMB' 000)	565,957	417,445
Weighted average number of shares in issue (shares in thousands)	5,107,061	5,107,061
Adjustment for convertible bonds (shares in thousands)	583,551	12,344
Weighted average number of shares for the purpose of calculating diluted earnings per share (shares in thousands)	5,690,612	5,119,405
Diluted earnings per share (RMB)	0.10	0.08

11 DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

12 CAPITAL EXPENDITURE

	Unaudited			
	Property, plant and equipment RMB' 000	Prepayment for construction of power plants RMB' 000	Land use rights RMB' 000	Goodwill RMB' 000
Opening net book amount				
as at 1 January 2011	44,950,107	1,836,820	458,544	767,365
Acquisition of subsidiaries (Note 21)	1,489	—	—	—
Additions	2,899,744	168,507	—	—
Disposals	(1,071)	—	—	—
Depreciation and amortisation	(914,180)	—	(4,542)	—
Transfer	465,893	(465,893)	—	—
Closing net book amount				
as at 30 June 2011	47,401,982	1,539,434	454,002	767,365
Opening net book amount				
as at 1 January 2012	49,350,730	2,385,556	457,764	767,365
Acquisition of subsidiaries (Note 21)	135,166	—	—	88
Additions	2,549,422	750,961	12,464	—
Disposals	(55)	—	—	—
Depreciation and amortisation	(1,006,943)	—	(4,237)	—
Transfer	1,445,375	(1,445,375)	—	—
Closing net book amount				
as at 30 June 2012	52,473,695	1,691,142	465,991	767,453

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at	
	30 June 2012 Unaudited RMB' 000	31 December 2011 Audited RMB' 000
Unlisted equity investments in the PRC - at cost (note (a))	154,712	154,712
Equity securities listed in the PRC - at fair value (note (b))	2,219,062	1,908,393
	2,373,774	2,063,105
Market value of equity securities listed in the PRC	2,219,062	1,908,393

Notes:

- (a) Unlisted equity investments principally represent interests in certain unlisted companies which do not have a quoted market price in an active market and for which the range of other methods of reasonably estimating fair value is significant and the probabilities of the various estimates cannot be reasonably assessed. Accordingly, these investments are carried at cost less accumulated impairment losses.
- (b) Details of the equity securities listed outside Hong Kong as at 30 June 2012 are as follows:

Name of company	Place of establishment and operation	Registered and paid up capital	Equity interest attributable to the Group	Type of legal entity	Principal activity
Shanghai Electric Power Co., Ltd	The PRC	RMB2,139,739,000	18.86%	Joint stock company with limited liability with its A shares listed on the Shanghai Stock Exchange	Investment holdings and the generation and sale of electricity

14 ACCOUNTS RECEIVABLE

	As at	
	30 June 2012 Unaudited RMB' 000	31 December 2011 Audited RMB' 000
Accounts receivable from regional and provincial power grid companies (note (a))	1,933,489	1,778,073
Accounts receivable from other companies (note (a))	25,854	5,411
	1,959,343	1,783,484
Notes receivable (note (b))	183,996	127,983
	2,143,339	1,911,467

The carrying amounts of accounts and notes receivables approximate their fair values due to their short maturity. All accounts and notes receivable are denominated in RMB.

As at 30 June 2012, certain bank borrowings were secured by the rights on accounts receivable of certain subsidiaries of the Group. The accounts receivable secured under these facilities as at 30 June 2012 amounting to RMB1,539,553,000 (2011: RMB1,161,965,000).

Notes:

- (a) The Group normally grants 15 to 60 days credit period to customers from the end of the month in which the sales are made. The ageing analysis of the accounts receivable is as follows:

	As at	
	30 June 2012 Unaudited RMB' 000	31 December 2011 Audited RMB' 000
1 to 3 months	1,959,343	1,783,484

- (b) The notes receivable are normally with maturity period of 180 days (2011: 180 days).

15 SHARE CAPITAL AND SHARE PREMIUM

(a) Authorised and issued capital

	Number of shares (of HK\$1 each)	Nominal amount RMB' 000
Authorised:		
As at 1 January 2011, 31 December 2011 and 30 June 2012	10,000,000,000	10,600,000
Issued and fully paid:		
As at 1 January 2011, 31 December 2011 and 30 June 2012	5,107,060,777	5,121,473

(b) Share premium

	RMB' 000
As at 1 January 2011, 31 December 2011 and 30 June 2012	4,303,111

(c) Share option schemes

Pursuant to the written resolutions passed by the shareholders of the Company on 24 August 2004, two share option schemes, namely, Share Option Scheme (the "Option Scheme"), and Pre-IPO Share Option Scheme (the "Pre-IPO Scheme") were approved and adopted by the Company.

(i) Option Scheme

Details of the options granted under the Option Scheme outstanding as at 30 June 2012 are as follows:

Date of grant	Expiry date	Exercise price	Number of shares subject to the options	
			As at 30 June 2012 Unaudited	As at 31 December 2011 Audited
Directors				
4 April 2007	3 April 2017	HK\$4.07	4,086,000	3,282,000
2 July 2008	1 July 2018	HK\$2.326	2,620,000	1,920,000
Senior management and other employees				
4 April 2007	3 April 2017	HK\$4.07	5,958,000	7,362,000
2 July 2008	1 July 2018	HK\$2.326	19,610,000	20,900,000
			32,274,000	33,464,000

15 SHARE CAPITAL AND SHARE PREMIUM (Continued)

(c) Share option schemes (Continued)

(i) Option Scheme (Continued)

Movements in the number of options outstanding and their related weighted average exercise price are as follows:

	Unaudited			
	Six months ended 30 June			
	2012		2011	
	Average exercise price per share	Number of options	Average exercise price per share	Number of options
As at 1 January	HK\$2.881	33,464,000	HK\$2.908	38,719,000
Lapsed	HK\$4.07	(600,000)	HK\$4.07	(804,000)
Lapsed	HK\$2.326	(590,000)	HK\$2.326	(770,000)
As at 30 June		32,274,000		37,145,000

Options granted are exercisable within a period of ten years within which there is a total vesting period of four years. Commencing from the first, second, third and fourth anniversaries of the offer date of an option, the relevant grantee may exercise up to 25%, 50%, 75% and 100% respectively of the shares comprised in his or her option.

No other options granted under the Option Scheme were cancelled or exercised during the period (2011: Nil). The Group has no legal or constructive obligation to repurchase or settle the options in cash.

15 SHARE CAPITAL AND SHARE PREMIUM (Continued)

(c) Share option schemes (Continued)

(ii) Pre-IPO Scheme

Details of the options granted under the Pre-IPO Scheme outstanding as at 30 June 2012 are as follows:

	Date of grant	Expiry date	Exercise price	Number of shares subject to the options	
				As at 30 June 2012 Unaudited	As at 31 December 2011 Audited
Directors	18 September 2004	17 September 2014	HK\$2.53	3,073,800	2,533,800
Senior management and other employees	18 September 2004	17 September 2014	HK\$2.53	2,284,600	2,824,600
Senior management and other employees	11 October 2004	10 October 2014	HK\$2.53	498,500	498,500
				5,856,900	5,856,900

Options granted are exercisable within a period of ten years within which there is a total vesting period of four years. Commencing from the first, second, third and fourth anniversaries of the offer date of an option, the relevant grantee may exercise up to 25%, 50%, 75% and 100% respectively of the shares comprised in his or her option.

No options granted under the Pre-IPO Scheme were cancelled or exercised during the period (2011: Nil). The Group has no legal or constructive obligation to repurchase or settle the options in cash.

16 RESERVES

	Unaudited								
	Merger reserve RMB' 000	Capital reserve RMB' 000	Available- for-sale financial assets reserve RMB' 000	Statutory reserves RMB' 000	Share- based compensation reserve RMB' 000	Convertible option reserve RMB' 000	Sub-total RMB' 000	(Accumulated losses)/ retained profits RMB' 000	Total RMB' 000
As at 1 January 2011	306,548	2,262,848	2,725	250,359	31,964	—	2,854,444	(40,529)	2,813,915
Increase in fair value of available-for-sale financial assets	—	—	718,169	—	—	—	718,169	—	718,169
Deferred tax on increase in fair value of available-for- sale financial assets	—	—	(179,542)	—	—	—	(179,542)	—	(179,542)
Employee share option benefits	—	—	—	—	1,052	—	1,052	—	1,052
Lapse of share options	—	—	—	—	(1,758)	—	(1,758)	1,758	—
Equity component of convertible bonds (Note 19(c))	—	—	—	—	—	124,995	124,995	—	124,995
Acquisition of additional interests in a subsidiary	—	—	—	—	—	—	—	(12,980)	(12,980)
Profit for the period	—	—	—	—	—	—	—	411,508	411,508
2010 final dividend	—	—	—	—	—	—	—	(229,818)	(229,818)
As at 30 June 2011	306,548	2,262,848	541,352	250,359	31,258	124,995	3,517,360	129,939	3,647,299

16 RESERVES (Continued)

	Unaudited									
	Merger reserve RMB' 000	Capital reserve RMB' 000	Available- for-sale financial assets reserve RMB' 000	Statutory reserves RMB' 000	Share- based compensation reserve RMB' 000	Convertible option reserve RMB' 000	Other reserves RMB' 000	Sub-total RMB' 000	Retained profits RMB' 000	Total RMB' 000
As at 1 January 2012	306,548	2,262,848	229,674	271,825	28,810	124,995	257,868	3,482,568	217,840	3,700,408
Increase in fair value of available-for-sale financial assets	—	—	310,669	—	—	—	—	310,669	—	310,669
Deferred tax on increase in fair value of available-for-sale financial assets	—	—	(77,667)	—	—	—	—	(77,667)	—	(77,667)
Employee share option benefits	—	—	—	—	320	—	—	320	—	320
Lapse of share options	—	—	—	—	(899)	—	—	(899)	899	—
Profit for the period	—	—	—	—	—	—	—	—	547,796	547,796
2011 final dividend	—	—	—	—	—	—	—	—	(229,818)	(229,818)
As at 30 June 2012	306,548	2,262,848	462,676	271,825	28,231	124,995	257,868	3,714,991	536,717	4,251,708

17 ACCOUNTS AND BILLS PAYABLES

	As at	
	30 June 2012 Unaudited RMB' 000	31 December 2011 Audited RMB' 000
Accounts payable (note (a))	1,096,209	510,920
Due to non-controlling shareholders	240,504	214,469
	1,336,713	725,389
Bills payable (note (b))	412,720	150,000
	1,749,433	875,389

The carrying amounts of accounts and bills payables approximate their fair values due to their short maturity. All accounts and bills payables are denominated in RMB.

Notes:

- (a) The normal credit period for accounts payable generally ranges from 30 to 90 days. Ageing analysis of the accounts payable is as follows:

	As at	
	30 June 2012 Unaudited RMB' 000	31 December 2011 Audited RMB' 000
1 to 6 months	1,275,206	524,216
7 to 12 months	42,370	186,296
Over 1 year	19,137	14,877
	1,336,713	725,389

- (b) Bills payable are bills of exchange with average maturity period of 3 to 6 months (2011: 3 to 6 months). As at 30 June 2012, bank deposits of RMB81,360,000 (2011: Nil) were pledged against these bills payable as security.

18 BANK BORROWINGS

Bank borrowings are analysed as follows:

	As at	
	30 June 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000
Non-current		
Long-term bank borrowings		
– secured (note (d))	22,016,541	21,282,681
– unsecured	9,209,446	8,512,710
	31,225,987	29,795,391
Less:		
– current portion of long-term bank borrowings	(2,626,952)	(2,702,450)
– other bank borrowings reclassified as current	—	(211,710)
	28,599,035	26,881,231
Current		
Short-term bank borrowings		
– secured (note (d))	136,000	243,700
– unsecured	4,371,653	2,744,100
	4,507,653	2,987,800
Current portion of long-term bank borrowings	2,626,952	2,702,450
Other bank borrowings reclassified as current	—	211,710
	7,134,605	5,901,960
Total bank borrowings	35,733,640	32,783,191

18 BANK BORROWINGS (Continued)

Notes:

- (a) The carrying amounts of the Group's bank borrowings approximate their fair values and are denominated in the following currencies:

	As at	
	30 June 2012 Unaudited RMB' 000	31 December 2011 Audited RMB' 000
RMB	34,107,963	31,053,489
USD	345,531	353,054
JPY	1,280,146	1,376,648
	35,733,640	32,783,191

- (b) The repayment terms of the long-term bank borrowings are analysed as follows:

	As at	
	30 June 2012 Unaudited RMB' 000	31 December 2011 Audited RMB' 000
Wholly repayable within five years	3,526,217	2,375,910
Not wholly repayable within five years	27,699,770	27,419,481
	31,225,987	29,795,391

The Group's long-term bank borrowings were repayable as follows:

	As at	
	30 June 2012 Unaudited RMB' 000	31 December 2011 Audited RMB' 000
Within one year	2,626,952	2,914,160
In the second year	3,321,802	3,202,400
In the third to fifth year	6,869,182	6,933,350
After the fifth year	18,408,051	16,745,481
	31,225,987	29,795,391

18 BANK BORROWINGS (Continued)

Notes: (Continued)

(c) The effective interest rates of the Group's bank borrowings are as follows:

	As at	
	30 June 2012 Unaudited	31 December 2011 Audited
Short-term bank borrowings, at floating rates	6.78%	5.81%
Long-term bank borrowings, at floating rates	6.40%	6.13%

The Group's long-term bank borrowings are primarily carried at floating rates. As at 30 June 2012, the carrying values of long-term bank borrowings approximate their fair values.

(d) As at 30 June 2012, the bank borrowings of the Group were secured as follows:

	As at	
	30 June 2012 Unaudited RMB' 000	31 December 2011 Audited RMB' 000
Secured against the rights on accounts receivable of certain subsidiaries of the Group	18,227,624	17,354,214
Guaranteed by Hunan Provincial Power Company	1,371,200	1,518,200
Guaranteed by the ultimate holding company	1,000,000	1,740,735
Guaranteed by CPIF	678,707	—
Guaranteed by Hunan Provincial Finance Bureau	601,440	635,912
Secured against property, plant and equipment of a subsidiary of the Group	273,570	277,320
	22,152,541	21,526,381

(e) As at 30 June 2012, the Group had the following undrawn committed borrowing facilities:

	As at	
	30 June 2012 Unaudited RMB' 000	31 December 2011 Audited RMB' 000
Long-term bank borrowings, at floating rates	11,275,030	11,597,020

19 OTHER BORROWINGS

	As at	
	30 June 2012 Unaudited RMB' 000	31 December 2011 Audited RMB' 000
Non-current		
Corporate bonds issued by:		
– the Company (note (a))	800,000	800,000
– a subsidiary (note (b))	994,020	994,020
	1,794,020	1,794,020
Convertible bonds issued by the Company (note (c))	866,610	853,454
	2,660,630	2,647,474
Long-term other borrowings (note (d))	399,260	399,260
Less: current portion of long-term other borrowings (note (d))	(245,001)	—
	154,259	399,260
	2,814,889	3,046,734
Current		
Short-term other borrowings		
– corporate bonds issued by a subsidiary (note (b))	1,000,000	1,000,000
– others (note (e))	92,000	100,000
	1,092,000	1,100,000
Current portion of long-term other borrowings (note (d))	245,001	—
	1,337,001	1,100,000

As at 30 June 2012, the fair value of long-term bonds and long-term other borrowings amounted to RMB2,767,660,000 (2011: RMB2,992,602,000).

19 OTHER BORROWINGS (Continued)

Notes:

- (a) Unsecured RMB denominated corporate bonds were issued by the Company in December 2010 for a term of 5 years from December 2010 at an interest rate of 3.2% per annum.
- (b) Long-term corporate bonds issued by a subsidiary represent certain bonds issued by Wu Ling Power and are bearing interest at 4.6% (2011: 4.6%) per annum for a term of 10 years from April 2009. These bonds are guaranteed by the ultimate holding company of the Company.

Short-term corporate bonds issued by a subsidiary represent certain unsecured bonds issued by Wu Ling Power and are bearing interest ranging from 4.91% to 5.15% (2011: 4.77% to 5.06%) per annum for a term of one year.

- (c) Convertible bonds

In May 2011, the Company issued RMB denominated US\$ settled 2.25% convertible bonds (the “Convertible Bonds”), of an initial principal amount of RMB982,000,000 (equivalent to US\$150,000,000). The value of the liability component of RMB837,351,000 and the equity conversion component of RMB124,995,000 were determined at issuance of the Convertible Bonds, after netting off transaction cost of RMB19,654,000.

At the option of bond holders, the aggregate amount of RMB982,000,000 will be convertible into fully paid shares with a par value of HK\$1 each of the Company. The Convertible Bonds will, subject to other terms and conditions, mature in five years from the issue date at 100% of the nominal value or can be converted into ordinary shares of the Company on or after 27 June 2011 at an initial conversion price of HK\$2.15 per share (as adjusted to HK\$2.00 per share with effect from 31 May 2012 pursuant to the terms and conditions as stipulated in the offering memorandum of the Convertible Bonds) at a fixed exchange rate of RMB0.8414 to HK\$1.00.

The Convertible Bonds are listed on The Stock Exchange of Hong Kong Limited.

The fair value of the liability component included in other long-term borrowings was calculated using a market interest rate for an equivalent non-convertible bond. The liability component is subsequently stated at amortised cost until extinguished on conversion or maturity of the bonds. The residual amount, representing the value of the equity conversion component, is accounted for as a convertible option reserve included in reserves.

The Convertible Bonds recognised in the condensed consolidated interim balance sheet is calculated as follows:

	RMB' 000
Nominal value of the Convertible Bonds at the date of issuance	982,000
Issue costs	(19,654)
Equity component	(124,995)
Liability component at the date of issuance	837,351
Accrued interest	16,103
Carrying amount as at 31 December 2011	853,454
Accrued interest	13,156
Carrying amount as at 30 June 2012	866,610

19 OTHER BORROWINGS (Continued)*Notes: (Continued)***(c) Convertible bonds (Continued)**

Interest expense on the liability component of the Convertible Bonds are calculated using the effective interest method, applying the effective interest rate of 5.67% (2011: 5.67%) per annum to the liability component.

The fair value of the liability component of the Convertible Bonds as at 30 June 2012 amounted to RMB887,220,000 (2011: RMB832,091,000). The fair value is calculated using the market price of the Convertible Bonds on the balance sheet date (or the nearest day of trading).

Up to 30 June 2012, there was no conversion or redemption of the Convertible Bonds (2011: Nil).

- (d)** Other borrowings represent a loan from a local financial institution which is unsecured, bearing interest at 6.32% per annum and is repayable by instalments.
- (e)** Short-term other borrowings represent loans from local financial institutions which are unsecured, bearing interest at 6.44% to 6.81% (2011: 6.63%) per annum and are repayable within one year.

20 DERIVATIVE FINANCIAL INSTRUMENTS

	As at	
	30 June 2012 Unaudited RMB' 000	31 December 2011 Audited RMB' 000
Derivative financial assets/(liabilities) - held for trading	14,272	(32,965)

As at 30 June 2012, the Group had certain net settled derivative financial instruments, with a contract period of 15 years, mainly to sell USD for JPY with an aggregate notional principal amount of JPY2,731,596,000 (2011: JPY2,861,672,000).

During the period, the Group recorded a fair value gain on the above derivative financial instruments amounting to RMB47,237,000 (2011: RMB14,023,000) (Note 6).

21 BUSINESS COMBINATIONS

(a) Acquisition of 茶陵縣聯冠水電開發有限公司 (Chalingxian Lianguan Hydropower Development Limited)

On 1 January 2012, the Group acquired 100% equity interests in 茶陵縣聯冠水電開發有限公司 (Chalingxian Lianguan Hydropower Development Limited) (“Lianguan”) from an independent third party (the “Lianguan Acquisition”). The revenue and net results contributed by Lianguan during the period from 1 January 2012 to 30 June 2012 were not significant to the Group.

Details of net assets acquired and goodwill are as follows:

	RMB' 000
Purchase considerations:	
– Paid in cash	22,577
– Payable	2,508
	25,085
Fair value of net identifiable assets acquired (see below)	(24,997)
Goodwill	88

The assets and liabilities arising from the Lianguan Acquisition are as follows:

	Fair value RMB' 000	Acquiree's carrying amount RMB' 000
Property, plant and equipment (Note 12)	135,166	127,072
Land use rights	—	109
Cash and cash equivalents	32	32
Other assets	989	989
Net deferred income tax liabilities	(1,996)	—
Long-term bank borrowings	(22,400)	(22,400)
Short-term other borrowings	(72,000)	(72,000)
Other liabilities	(14,794)	(14,794)
Net identifiable assets acquired	24,997	19,008
Purchase considerations - Paid in cash	(22,577)	
Cash and cash equivalents in subsidiary acquired	32	
Net cash outflow on acquisition	(22,545)	

21 BUSINESS COMBINATIONS (Continued)

(b) Acquisition of 四川興鐵電氣設備有限公司 (Sichuan Xingtie Electricity Equipment Limited)

On 1 June 2011, the Group acquired 70% equity interests in 四川興鐵電氣設備有限公司 (Sichuan Xingtie Electricity Equipment Limited) and its subsidiary (together, “Xingtie”) from an independent third party (the “Xingtie Acquisition”). The revenue and net results contributed by Xingtie during the period from 1 June 2011 to 31 December 2011 were not significant to the Group. If the Xingtie Acquisition had occurred on 1 January 2011, the Group’s revenue and profit for the year ended 31 December 2011 would have no significant change.

Details of net assets acquired and goodwill are as follows:

	RMB’ 000
Purchase considerations:	
– Cash paid	390
Fair value of net identifiable assets acquired (see below)	(390)
Goodwill	—

The assets and liabilities arising from the Xingtie Acquisition are as follows:

	Fair value RMB’ 000	Acquiree’s carrying amount RMB’ 000
Property, plant and equipment (Note 12)	1,489	1,489
Cash and cash equivalents	78	78
Payables	(1,010)	(1,010)
	557	557
Non-controlling interests	(167)	(167)
Net identifiable assets acquired	390	390
Purchase considerations - Paid in cash	(390)	
Cash and cash equivalents in subsidiaries acquired	78	
Net cash outflow on acquisition	(312)	

22 CAPITAL COMMITMENTS

(i) Capital commitments outstanding at the balance sheet date not provided for were as follows:

	As at	
	30 June 2012 Unaudited RMB' 000	31 December 2011 Audited RMB' 000
Authorised but not contracted for in respect of		
– property, plant and equipment	2,396,134	3,091,214
– capital contribution to an associated company	813,800	813,800
– other investment	300,000	300,000
Contracted but not provided for in respect of		
– property, plant and equipment	5,440,338	6,299,225
– capital contribution to a jointly-controlled entity	170,577	100,072
– capital contribution to an associated company	220,500	220,500
– acquisition of a subsidiary	—	30,080
	9,341,349	10,854,891

(ii) Share of capital commitments of jointly-controlled entities outstanding at the balance sheet date not provided for were as follows:

	As at	
	30 June 2012 Unaudited RMB' 000	31 December 2011 Audited RMB' 000
Contracted but not provided for in respect of property, plant and equipment	383,154	791,764

There are no contingent liabilities relating to the Group's interests in the jointly-controlled entities and the jointly-controlled entities did not have any material contingent liabilities as at 30 June 2012 (2011: Nil).

23 RELATED-PARTY TRANSACTIONS

The Group is controlled by China Power Development Limited (“CPDL”), a company incorporated in the British Virgin Islands, which owns approximately 39.09% of the Company’s shares. China Power International Holding Limited (“CPIH”), an intermediate holding company, also holds approximately 30.01% of the Company’s shares directly. The remaining interests are widely held. Both CPIH and CPDL are subsidiaries of China Power Investment Corporation (“CPI Group”). The Directors regard CPI Group, a company incorporated in the PRC, as being the ultimate holding company of the Company.

CPI Group is a state-owned enterprise established in the PRC and is controlled by the PRC government which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 (Revised), government-related entities and their subsidiaries, directly or indirectly controlled, jointly-controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include CPI Group, its subsidiaries, jointly-controlled entities and associates (other than the Group), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and CPI Group as well as their close family members.

For the purpose of the related party transactions disclosures, the Directors believe that it is meaningful to disclose the related party transactions with CPI Group companies for the interests of accounts users. The Directors believe that the information of related party transactions has been adequately disclosed in this condensed consolidated interim financial information.

23 RELATED-PARTY TRANSACTIONS (Continued)

Major related parties that had transactions with the Group were as follows:

Related parties	Relationship with the Company
CPI Group (中國電力投資集團公司)	Ultimate holding company
CPIH (中國電力國際有限公司)	An intermediate holding company
CPIF (中電投財務有限公司)	A company controlled by CPI Group
Shanxi Shentou Industrial Company Limited (山西神頭電力實業有限責任公司)	Fellow subsidiary
Shanxi Shentou Engineering Company Limited (山西神頭電力檢修有限責任公司)	Fellow subsidiary
Huainan Pingwei Electric Power Industrial Company Limited (淮南平圩電力實業有限責任公司)	Fellow subsidiary
Anhui Huainan Pingwei Power Engineering Maintenance Company Limited (安徽淮南平圩電力檢修工程有限責任公司)	Fellow subsidiary
Pingdingshan Yaomeng Power Engineering Company Limited (平頂山姚孟電力工程有限責任公司)	Fellow subsidiary
Pingdingshan Yaomeng Power Industrial Company Limited (平頂山姚孟電力實業有限責任公司)	Fellow subsidiary
Qian Dong Power Corporation (貴州黔東電力有限公司)	Fellow subsidiary
Hunan Xiangtou International Investment Limited (湖南湘投國際投資有限公司)	A non-controlling shareholder of a subsidiary
Huainan Mining Industry (Group) Company Limited (淮南礦業(集團)有限責任公司)	A non-controlling shareholder of a subsidiary

The following is a summary of significant related party transactions which, in the opinion of the Directors, are entered into in the ordinary course of the Group's business in addition to the related party information shown elsewhere in this condensed consolidated interim financial information. Management of the Group are of the opinion that meaningful information relating to related party transactions has been adequately disclosed.

23 RELATED-PARTY TRANSACTIONS (Continued)

(a) Income

	Note	Unaudited	
		Six months ended 30 June	
		2012	2011
		RMB' 000	RMB' 000
Interest income from a fellow subsidiary	(i)	40,950	40,725
Rental income from a fellow subsidiary	(ii)	27,055	29,809
Management fee from CPIH	(iii)	2,487	2,487
Income from provision of repairs and maintenance services to a fellow subsidiary	(iv)	—	238

Notes:

- (i) Interest income from a fellow subsidiary was charged at a fixed interest rate of 5.4% (2011: 5.4%) per annum.
- (ii) Rental income from a fellow subsidiary was charged in accordance with the terms of the relevant agreements.
- (iii) Management fee from CPIH was charged for the Group's services rendered for the management of certain power plants on behalf of CPIH. This was charged in accordance with the terms of the relevant agreements.
- (iv) Income from the provision of repairs and maintenance services to a fellow subsidiary was charged in accordance with the terms of the relevant agreements.

23 RELATED-PARTY TRANSACTIONS (Continued)

(b) Expenses

	Note	Unaudited	
		Six months ended 30 June	
		2012	2011
		RMB' 000	RMB' 000
Purchases of fuel, raw materials and spare parts from:			
– a non-controlling shareholder of a subsidiary	(i)	3,082,755	2,015,791
– fellow subsidiaries	(i)	36,353	35,817
Service fees to fellow subsidiaries	(ii)	129,407	126,047
Interest expenses to:			
– CPIF	(iii)	93,886	76,376
– CPI Group	(iii)	38,368	37,407
– a non-controlling shareholder of a subsidiary	(iii)	—	4,068
Construction costs to fellow subsidiaries	(iv)	34,752	33,113
Labor costs charged by fellow subsidiaries	(v)	18,068	19,028
Operating lease rental expenses in respect of:			
– land to CPI Group	(vi)	8,533	8,530
– buildings to CPIH	(vi)	4,625	4,839

Notes:

- (i) Purchases of goods were charged in accordance with the terms of the relevant agreements.
- (ii) Service fees were largely related to repairs and maintenance services and transportation services which were charged based on mutually agreed prices.
- (iii) Interest expenses to CPIF, CPI Group and a non-controlling shareholder of a subsidiary were charged based on outstanding loan balances at 3.80% to 7.22% (2011: 3.80% to 6.94%) per annum, at 5.02% (2011: 5.02%) per annum and at 5.94% per annum respectively. The whole balance due to a non-controlling shareholder was fully repaid in 2011.
- (iv) Construction costs were charged in accordance with the terms of contracts.
- (v) Labor costs were charged on a cost reimbursement basis.
- (vi) Rental expenses in respect of certain land and buildings leased from CPI Group and CPIH were charged in accordance with the terms of the relevant agreements.

23 RELATED-PARTY TRANSACTIONS (Continued)

(c) Period-end/year-end balances with related parties

	Note	As at	
		30 June 2012 Unaudited RMB' 000	31 December 2011 Audited RMB' 000
Borrowings from CPIF	(i)	(3,382,095)	(3,512,095)
Loan due from a fellow subsidiary	(ii)	1,500,000	1,500,000
Long-term borrowings from CPI Group	(iii)	(1,473,816)	(1,473,816)
Amounts due from:			
– non-controlling shareholders	(iv)	268,899	162
– an associated company	(v)	100,182	234,097
– fellow subsidiaries	(iv)	96,531	95,771
– CPIH	(iv)	60,290	—
Amounts due to:			
– non-controlling shareholders	(iv)	(240,504)	(214,469)
– CPI Group, net	(iv)	(125,133)	(79,065)
– fellow subsidiaries	(iv)	(46,448)	(10,562)
– CPIF, net	(iv)	(18,772)	(26,781)
– CPIH	(iv)	(11,927)	(9,461)

Notes:

- (i) Borrowings from CPIF are unsecured, carrying interest at rates ranging from 3.80% to 7.22% (2011: 3.80% to 7.22%) per annum and are repayable before the end of year 2016.
- (ii) Loan due from a fellow subsidiary is unsecured, carrying interest at a fixed interest rate of 5.4% (2011: 5.4%) per annum and is repayable before the end of year 2012.
- (iii) Long-term borrowings from CPI Group are unsecured, carrying interest at 5.02% (2011: 5.02%) per annum and are repayable by year 2018.
- (iv) The balances with these related parties are unsecured, interest free and are repayable on demand.
- (v) Loans to an associated company are unsecured, carrying interest at a fixed interest rate of 6.56% (2011: 6.10% to 6.56%) per annum and are repayable before the end of year 2012.

23 RELATED-PARTY TRANSACTIONS (Continued)

(d) For the six months ended 30 June 2012 and 2011, the Group's significant transactions and balances with entities that are controlled, jointly-controlled or significantly influenced by the PRC government mainly include:

- (i) bank deposits in state-owned banks and the related interest income
- (ii) bank borrowings from the state-owned banks and the related interest expenses
- (iii) sales of electricity to provincial power grid companies owned by the PRC government and the related receivables
- (iv) purchases of coal from state-owned enterprises and the related payables
- (v) reservoir maintenance and usage fees to the PRC government
- (vi) service fees to state-owned enterprises

The prices and terms of such transactions are set out in the relevant agreements governing these transactions or as mutually agreed.

(e) Key management compensation

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB' 000	RMB' 000
Basic salaries, housing allowance, other allowances, discretionary bonus and other benefits	4,421	4,121
Share-based compensation	78	335
	4,499	4,456

Chairman of the Board, Executive Director and Chief Executive Officer:	Li Xiaolin
Executive Director and President:	Gu Dake
Non-Executive Directors:	Guan Qihong Wang Zichao
Independent Non-Executive Directors:	Kwong Che Keung, Gordon Li Fang Tsui Yiu Wa, Alec
Company Secretary:	Cheung Siu Lan
Audit Committee:	Kwong Che Keung, Gordon (<i>Chairman</i>) Li Fang Tsui Yiu Wa, Alec
Remuneration and Nomination Committee:	Li Fang (<i>Chairman</i>) Kwong Che Keung, Gordon Tsui Yiu Wa, Alec
Executive Committee:	Li Xiaolin (<i>Chairman</i>) Gu Dake All vice presidents of the Company
Auditor:	PricewaterhouseCoopers
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Head Office and Principal Place of Business in Hong Kong:	Suite 6301, 63/F., Central Plaza 18 Harbour Road Wanchai, Hong Kong

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Company Websites: www.chinapower.hk
www.irasia.com/listco/hk/chinapower/index.htm

Stock Code: 2380

SHAREHOLDERS' ENQUIRIES

For enquiries about share transfer and registration, please contact the share registrar of the Company:

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