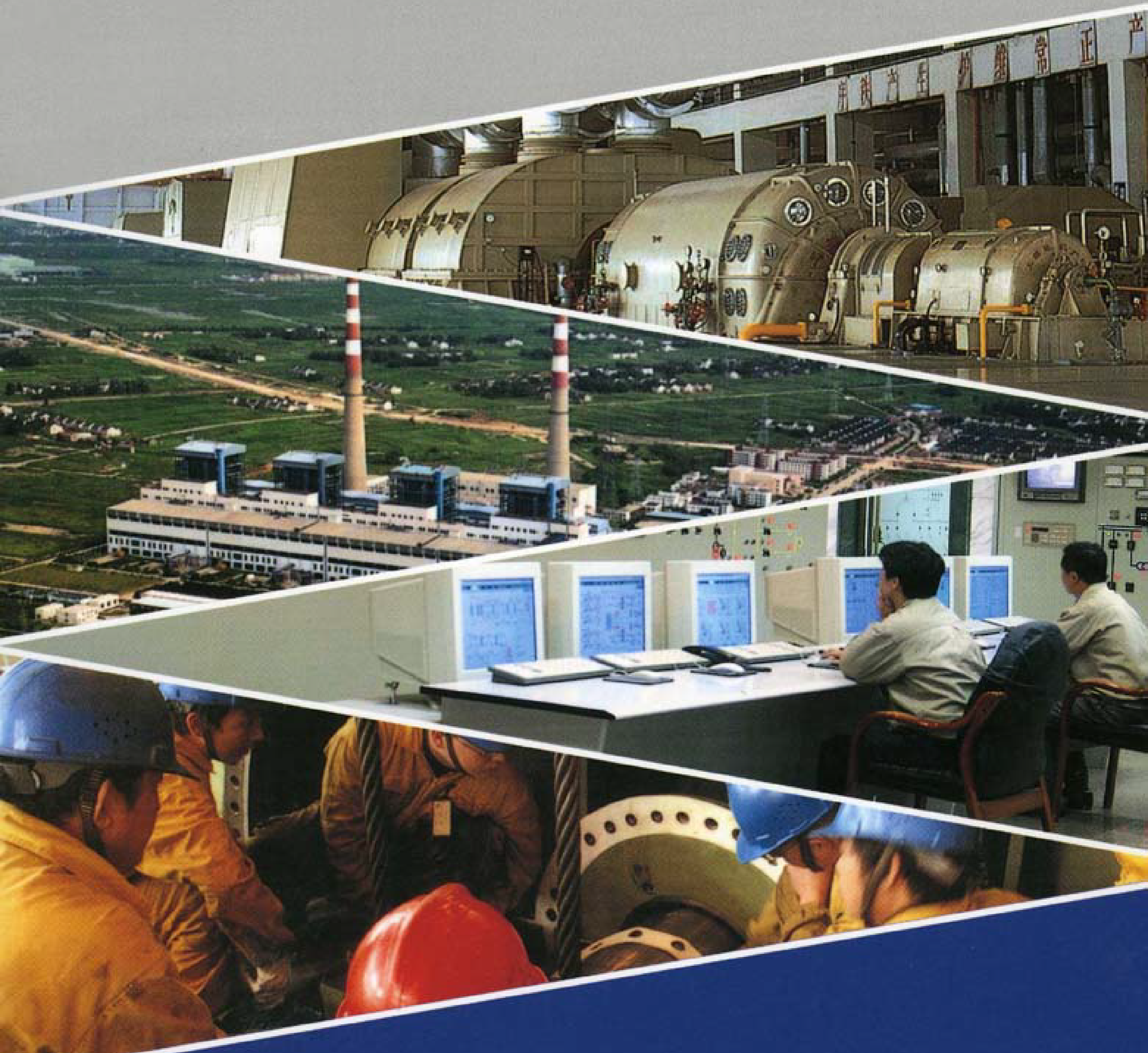
China Power International Development Limited

中國電力國際發展有限公司

(incorporated in Hong Kong with limited liability under the Companies Ordinance)

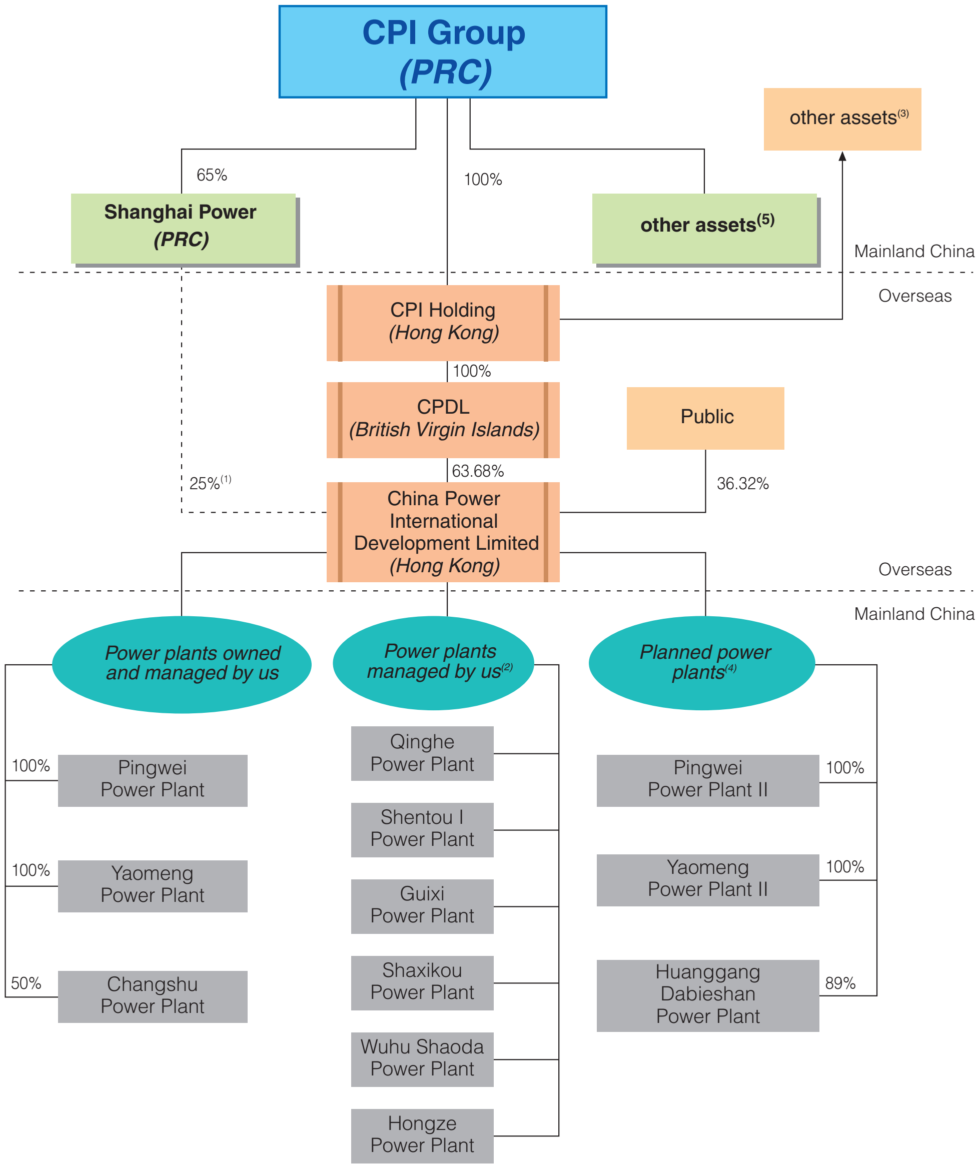


2004 Annual Report

2004 FINANCIAL HIGHLIGHTS

	RMB
Earnings per share	
Basic	0.28
Diluted	0.28
Turnover	3,352,001,000
Net profit	643,203,000
Shareholders' equity	6,225,278,000
Total assets	9,049,621,000
Bank balances and cash	3,064,224,000
Borrowings	2,006,676,000
Current ratio (times)	2.42
Quick ratio (times)	2.36
Debt to equity ratio (%)	32.2
EBITDA interest coverage (times)	12.29
Gross generation (GWh)	15,704*
Gross generation for the associated company (GWh)	8,031
Net generation (GWh)	14,737*
Net generation for the associated company (GWh)	7,637

* excluding the associated company



(1) We have been granted a call option by CPI Group to acquire up to 25% equity interest in Shanghai Power.

(2) We do not own any shareholding interest in any of these power plants managed by us.These power plants are managed by us pursuant to the management agreement with CPI Group and CPI Holding.

(3) The other assets held by CPI Holding are located in Mainland China and Macau.

(4) Each of Pingwei Power Plant II, Yaomeng Power Plant II and Huanggang Dabieshan Power Plant, upon completion of construction, will engage in the business of electric power generation.

(5) The other assets held by CPI Group are located in Mainland China.

(6) Please refer to the section headed "Technical glossary and definitions" in this annual report for the full names of the companies or power plants mentioned in this Group structure chart.

CHINA POWER International Development Limited develops, constructs, owns, operates and manages large power plants in China, with an existing attributable installed capacity of 3,010 MW and an attributable installed capacity in the planned power plants of 3,468 MW, and is the flagship company of China Power Investment Corporation (one of the leading independent power generating groups in China).

INTRODUCTION

China Power International Development Limited (the "**Company**" or "**China Power**") was incorporated in Hong Kong with limited liability under the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) (the "**Companies Ordinance**") on 24 March, 2004. We are the flagship company of China Power Investment Corporation (one of the five leading national power generating groups in the People's Republic of China ("**PRC**" or "**China**")).

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on 15 October, 2004. The stock code is 2380.

PRINCIPAL BUSINESS

The principal business of the Company and its subsidiaries (the "**Group**" or "**we**") and its associated company is to develop, construct, own, operate and manage large power plants in the PRC. As at the end of 2004, the Company has a 100% ownership interest in two of our three high-capacity coal-fired power plants under commercial operation, namely, Pingwei Power Plant and Yaomeng Power Plant, and has a 50% ownership interest in the other power plant under commercial operation, namely, Changshu Power Plant. These three power plants have a total installed capacity of 3,610 MW. Our attributable installed capacity in the three power plants is 3,010 MW.

OUR PARENT COMPANY – CPI GROUP

We are ultimately owned by CPI Group which is one of the five national power generating groups in China created pursuant to the restructuring of the power industry of the PRC in 2002. The power plants of CPI Group span 17 provinces, municipalities and autonomous regions with a total installed capacity of approximately 30 GW. As the flagship company of CPI Group, the Company is the only company within CPI Group with the mandate to develop, construct, operate and manage power plants nationwide within the PRC.

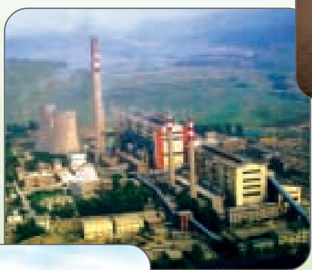
LOCATIONS OF POWER PLANTS

Pingwei Power Plant

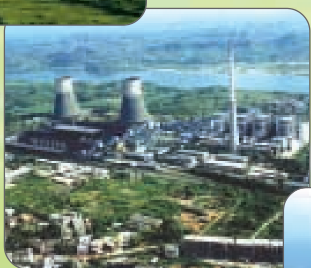
Yaomeng Power Plant

Changshu Power Plant

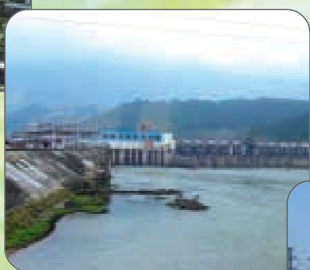
Qinghe Power Plant



Shentou I Power Plant



Guixi Power Plant



Shaxikou Power Plant

Wuhu Shaoda Power Plant

Hongze Power Plant


Jilin
Qinghe Power Plant
Liaoning
Shentou I Power Plant
Shanxi
Shandong
Hongze Power Plant
Yaomeng Power Plant II
Yaomeng Power Plant
Shaanxi
Pingwei
Power Plant
Jiangsu
Henan
Changshu Power Plant
Pingwei Power Plant II
Shanghai
Shanghai Power
Auhui
Hubei
Wuhu Shaoda Power Plant
Huanggang
Dabieshan
Power Plant
Guixi Power Plant
Jiangxi
Shaxikou Power Plant
Fujian
Power plants under commercial operation
Power plants under management
Planned power plants
Power company under call option
South China Sea

CORPORATE INFORMATION

Chairman of the Board and Non-Executive Director:	Wang Binghua
Vice-Chairman of the Board, Executive Director and Chief Executive Officer:	Li Xiaolin
Executive Director and Executive Vice President:	Hu Jiandong
Non-Executive Director:	Gao Guangfu
Independent Non-Executive Directors:	Kwong Che Keung, Gordon Li Fang Tsui Yiu Wa, Alec
Qualified Accountant:	Io Cheok Kei, Rudy (CA, FCPA)
Company Secretary:	Tse Hiu Tung, Sheldon
Auditors:	PricewaterhouseCoopers
Legal Advisers:	Fong & Ng *(in association with King & Wood, PRC Lawyers and Goodmans)*
Registered Office:	Suite 6301, 63/F., Central Plaza 18 Harbour Road Wanchai, Hong Kong
Head Office and Principal Place of Business in Hong Kong:	Suite 6301, 63/F., Central Plaza 18 Harbour Road Wanchai, Hong Kong
Share Registrar and Transfer Office:	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Company Website:	www.chinapower.hk

24 March	The Company was incorporated as a limited liability company in Hong Kong under the Companies Ordinance.
1 July	The Company entered into a management agreement with CPI Group and CPI Holding for the purpose of managing six power plants namely Qinghe Power Plant, Shentou I Power Plant, Guixi Power Plant, Shaxikou Power Plant, Wuhu Shaoda Power Plant and Hongze Power Plant on behalf of these two companies effective from 1 July, 2004.
18 August	CPI Holding transferred its 100% equity interests in Yaomeng Power Plant II to the Company.
19 August	CPI Holding transferred its 89% equity interests in Huanggang Dabieshan Power Plant to the Company.
20 August	CPI Holding transferred its 100% equity interests in Pingwei Power Plant II to the Company.
27 August	The Company entered into an option deed with CPI Group pursuant to which CPI Group granted to the Company an option to acquire its 25% equity interests in Shanghai Power.
1 September	CPI Holding transferred its 100% equity interests in each of Pingwei Power Plant and Yaomeng Power Plant and its 50% equity interest in Changshu Power Plant to the Company.
15 September	Huanggang Dabieshan Power Plant project of the Company obtained the verification of the State Council of the PRC and approval from the National Development and Reform Commission of the PRC on the verification application of the project.
15 October	The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited. The stock code is 2380.

CHINA POWER International Development Limited, together with its subsidiaries and associated company, has over the years accumulated extensive experience in development, construction, operation and management of power plants, and achieved outstanding operating results, which facilitates the long-term development of the Group. To the best of our belief, with the ever-surging demand for electricity in China, the Group will enjoy distinct competitive edges in this promising industry. We shall strive to provide stable and reliable power supply, seize opportunities to increase our quality assets and expand the asset portfolio, thereby developing the Group into one of the best corporations in the power industry in China.

To all shareholders:

Our ultimate goal has always been to maximize shareholder value.

The Company is the flagship company of CPI Group, and is the only company listed and incorporated outside Mainland China among the five national power generating groups in China. By capitalizing on our low operation cost base and high growth potential, we are confident that we will develop into a leading independent power generating company in China.

I. REVIEW OF YEAR 2004

Year 2004 was a major milestone in the development of the Company. The Company was listed on the Main Board of the Hong Kong Stock Exchange on 15 October, 2004 and we are much encouraged by the enthusiastic market responses to our listing. In addition, we are committed to improve the Company's operation and accelerate the development of construction and technology, thereby strengthening and expanding the Group's position in the industry.

In 2004, the Group recorded a net profit of RMB643,203,000, net return on equity of 10.33%, gross generation of 15.704 billion kWh, net generation standard coal consumption rate of 342.3g/kWh, equivalent availability factor of power generation units of 87.2% and composite auxiliary power rate of 6.16%. Our system security and production conditions were maintained and there have been improvements in our major economic and technology indicators.

Whilst we attain satisfactory operating results, we have also contributed to the society by actively participating in various charitable activities.

II. OUTLOOK FOR YEAR 2005

It is expected that the demand for electricity in the PRC will continue to increase in 2005 and we will continue to benefit from such increase. Whilst having development opportunities, we are facing pressure and difficulties in our operation. Despite that, we will alleviate the operating pressure by proactively adopting effective development strategies so as to enhance our competitiveness, sustainability and risk control capability so as to secure the continuing, rapid and sound development of the Group.

III. FOCUS FOR YEAR 2005

(1) TO IMPROVE OPERATING RESULTS

The Group endeavors to strive for a favorable business environment and enhance its ability in risk control with emphasis on obtaining expected benefits from the fuel cost pass-through mechanism. Based on quality and efficiency, we shall improve our economic and technology targets and the early warning mechanism for fuel supplies so as to minimize fuel costs, and shall further establish and improve the supervisory, protective and risk control systems for our operation.

(2) TO IMPROVE OPERATING SYSTEM

The Group will integrate its management and control system with development strategies. The Group will optimize allocation of resources and upgrade the professionalism, quality as well as efficiency of our operation in order to further establish and improve the management and control systems. The Group will also strengthen its staff members as well as organization and management system so as to train up high-calibre staff members. The Group will enhance its corporate governance, operation quality and work efficiency by sharing information as well as collaborating targets and strategies within the Group.

(3) TO ENSURE SAFE PRODUCTION AND ENVIRONMENTAL PROTECTION

The Company will continue to comply strictly with the relevant rules and regulations and industrial standards and committed to create a safe production and management environment in line with its policy of "People-oriented, care for staff and treasure lives". While maintaining economic efficiency, we shall ensure the safe and reliable operation of our power generation units and procure environmental protection and work safety.

(4) TO ENSURE SUCCESSFUL COMPLETION OF ACQUISITION

With the full support of our parent company, CPI Group, the Company will create favorable conditions to expand its quality asset portfolio and strengthen its risk control and profitability. The Company will consider the acquisition of the relevant power plants under our management when appropriate and proceed with the acquisition of equity interests in Shanghai Power at an appropriate time. At the same time, we shall continue to monitor the market to seize good opportunities for further acquisitions.

(5) TO STEER THE CONSTRUCTION OF PLANNED PROJECTS

On the strength of our experience in the development and construction of new power plants, we shall use our best endeavors to maximize quality and efficiency while minimizing construction risks. The Group will use the best power generation indicators amongst those in the same region as benchmarks for the operation of all power plants, ensuring that the safety, quality, progress and costs of the construction projects are under control.

In conclusion, we will fully implement the decisions of the Board of the Company in all aspects with development as our first priority, safe production as our foundation, operating results as our primary goal, and reform and innovation as our motivation. We will enhance the principal competitive strengths, profitability, sustainability and risk control of the Group in all respects in order to ensure that our investors will obtain long-term, stable and satisfactory returns.

Finally, on behalf of the Board, we would like to express our sincere gratitude towards our shareholders and the community for their concern and support to the Company, and our sincere gratitude towards our management and all our staff for their dedicated hard work and contribution to the Company.

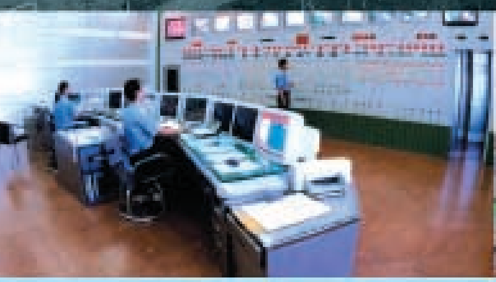
Wang Binghua
Chairman of the Board

Li Xiaolin
Vice-Chairman of the Board and
Chief Executive Officer

14 March, 2005

EXPAND OUR ASSET PORTFOLIO

AND MAXIMIZE SHAREHOLDER VALUE



EXECUTIVE DIRECTORS

LI Xiaolin, 43, the vice-chairman of the Board, an executive director and chief executive officer of the Company. She is a senior engineer, graduated from Tsinghua University with a Master of Engineering degree in electricity power systems and automation. She was also a visiting scholar at the Sloan Business School of Massachusetts Institute of Technology in the United States. She also acts as the vice president of CPI Group, vice chairman, executive director and president of CPI Holding and director of Companhia de Elecricidade de Macau. She has also served in positions including head of the International Economic and Trade Department of the Ministry of Electric Power, associate head of the International Economic and Trade Department of the Ministry of Energy.

HU Jiandong, 41, an executive director and executive vice president of the Company. He is a senior engineer, graduated from Huazhong College of Technology with a Bachelor of Engineering degree in hydro-power station automation and received a Master of Economics degree in corporation management from Fudan University in 1993. He is also an executive director and vice president of CPI Holding and chairman of the board of Changshu Power Plant. He has also served in positions including director and vice president of Guangxi Power Company Limited and vice president of Guangxi Power Industry Bureau.

NON-EXECUTIVE DIRECTORS

WANG Binghua, 50, the chairman of the Board and non-executive director of the Company. He is a senior engineer at professor level, graduated from Wuhan University of Water and Power Resources with a Master of Engineering degree in power systems and automation. He also currently acts as the president of CPI Group and chairman of the board of CPI Holding. He has also served in positions including vice president of China National Nuclear Corporation and head of the Power Generation and Transmission Department of the State Power Corporation.

GAO Guangfu, 42, a non-executive director of the Company. He is a senior accountant, graduated from Zhongnan University of Finance and Commerce at postgraduate level. He was also a visiting scholar at the Energy Economic and Policy Institute of the National Scientific Research Center of France. Mr. Gao also acts as the manager of Finance and Property Ownership Management Department of CPI Group and non-executive director of CPI Holding and a director of two companies listed in Mainland China, namely, Chongqing Jiulong Power Company Limited and Shanghai Power. He has also served in positions including deputy manager of Finance and Property Ownership Management Department of the State Power Corporation and associate head of Price Department of the Economic Adjustment Division of the Ministry of Electric Power Industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

KWONG Che Keung, Gordon, 55, an independent non-executive director of the Company. He is a chartered accountant in England and Wales, graduated from the University of Hong Kong with a Bachelor of Social Science degree. He is also a non-executive director of COSCO Pacific Limited and an independent non-executive director of COSCO International Holdings Limited, Tianjin Development Holdings Ltd., Beijing Capital International Airport Co. Ltd., Vision Century Corporation Ltd., NWS Holdings Ltd., China Oilfield Services Ltd., Concepta Investments Ltd., China Chengtong Development Group Ltd., Global Digital Creations Holdings Ltd., Ping An Insurance (Group) Company of China, Ltd., Quam Limited, Tom Online Inc., New World Mobile Holdings Ltd., Henderson Land Development Company Ltd., Henderson Investment Ltd. and Henderson China Holdings Ltd.. He has also served in positions including council member of the Stock Exchange and was a partner of Price Waterhouse for 14 years.

LI Fang, 43, an independent non-executive director of the Company, graduated from the University of Science and Technology, Beijing, with a Bachelor of Engineering degree and received a juris doctor degree from the Law School of Arizona State University in the United States in 1995. He is also the president of Tianbo Investment and Management Company and a council member of the China Reform and Opening Policy Forum. He has also served in positions including president of Beiya Group and executive director of Goldman Sachs.

TSUI Yiu Wa, Alec, 56, an independent non-executive director of the Company, graduated from the University of Tennessee in the United States with a Bachelor of Science degree in industrial engineering and a Master of Engineering degree in industrial engineering and completed the Program for Senior Managers in Government at the John F. Kennedy School of Government at Harvard University in 1993. Mr. Tsui currently acts as the chief executive of WAG Financial Services Group Limited and vice president of Merger and Acquisition Association of the All-China Federation of Industry and Commerce and is an independent non-executive director of a number of listed companies in Hong Kong, including Industrial and Commercial Bank of China (Asia) Limited, CITIC 21CN Company Limited, Stockmartnet Holdings Ltd., Vertex Communications & Technology Group Limited, China Chengtong Development Group Limited, COSCO International Holdings Limited and Synergis Holdings Limited. He has also served as an independent non-executive director for Value Convergence Holdings Limited and Techpacific Capital Limited, a director of Shenyang Jinshan Thermoelectric Company Limited and in positions including director and chairman of the Hong Kong Securities Institute, executive director of the Finance & Operations Services Division of the Hong Kong Stock Exchange and the chief executive of the Hong Kong Stock Exchange.

SENIOR MANAGEMENT

GU Dake, 50, the executive vice president of the Company. He is a senior engineer, graduated from the Northeast China Institute of Electric Power Engineering with a major in thermal power. Mr. Gu also currently acts as the executive director, vice president and chief engineer of CPI Holding and chairman of the board of Yaomeng Power Plant and Yaomeng Power Plant II. He has also served in positions including chief vice president and chief engineer of Beijing Guohua Power Limited and vice president of CLP Guohua Corporation.

WANG Zhiying, 47, the executive vice president of the Company. He is a senior engineer at professor level, graduated from the Northeast China Institute of Electric Power Engineering with a Bachelor of Engineering degree in power system and relaying protection. He also currently acts as the vice president of CPI Holding, chairman of the board of Pingwei Power Plant, Pingwei Power Plant II, Huanggang Dabieshan Power Plant and Huaxi Power Company Limited. He has also served in positions including departmental manager, deputy chief engineer and chief engineer of CPI Holding and deputy manager of the production coordination department and integrated planning department in the Ministry of Electric Power Industry.

ZHAO Yazhou, 45, the executive vice president of the Company. He studied technological economics at postgraduate level at the Harbin Institute of Technology and completed training courses for the chief accountants of major enterprises of the State Power Company at the National Accounting Institute. Mr. Zhao currently acts as vice president and chief financial controller of CPI Holding and chairman of the board of Qinghe Power Plant, Liaoning Qinghe Power Maintenance Company Limited and Liaoning Qinghe Power Industrial Company Limited. He has also served in positions including deputy chief accountant and manager of finance department of CPI Holding and head of the finance department of Heilongjiang Provincial Power Bureau.

IO Cheok Kei, Rudy, 44, the chief financial officer and qualified accountant of the Company. He is a member of Canada's Chartered Accountants and is a fellow of the Hong Kong Institute of Certified Public Accountants, graduated from the York University and Curtin University of Technology in Australia with an Honours Bachelor's degree in administrative studies and a Master of Business (IT) degree. He has also served in positions including chief financial controller and company secretary of Tanrich Financial Holdings Limited, chief financial controller of China Everbright International Limited and New Epoch International Holdings Limited (an associate company of Henry Fok Ying Tung Group). He has also served at HSBC Insurance and Deutsche Bank. He is also a committee member of the Professional Accountants in Business Committee of the Hong Kong Institute of Certified Public Accountants and the China's Committee of the Hong Kong General Chamber of Commerce.

ZHAO Xinyan, 42, the vice president and manager of the Strategic Planning Department of the Company. He is a senior engineer, graduated from Chongqing University with a Bachelor of Engineering degree in construction materials. He also currently acts as an assistant to the president and a manager of the Strategic Planning Department of CPI Holding, vice chairman of the board of Changshu Power Plant, chairman of the board of Wuhu Shaoda Power Plant, Hongze Power Plant and China Power International (Wuhu) Company Limited, director of the board of Wuhu Power Generating Company Limited and Huaxi Power Company Limited. He has also served in positions including the deputy manager of the Financing Department and manager of the Planning Department of CPI Holding.

WANG Zichao, 34, the vice president and manager of the Engineering and Construction Department of the Company. He is a senior engineer, graduated from the North China Institute of Electric Power Engineering with a Master of Engineering degree in power system and automation. He also currently acts as an assistant to president and manager of the Planning and Development Department of CPI Holding, chairman of the board of Wuhu Power Generating Company Limited, the vice chairman of the board of Zhongli Power Limited, director of Pingwei Power Plant, Changshu Power Plant, Pingwei Power Plant II, Huanggang Dabeishan Power Plant Wuhu Shaoda Power Plant and director of the board of China Power International (Wuhu) Company Limited, Mr. Wang has also served as manager in various departments of CPI Holding.

COMPANY SECRETARY

Dr. TSE Hiu Tung, Sheldon, 40, the company secretary of the Company. He is admitted to practise law in Hong Kong, England & Wales and the PRC. He graduated with a Bachelor of Laws from Zhongshan University and a Master of Laws and a Doctor of Philosophy in law from the University of London in the UK. Dr. Tse is a partner of the law firm Fong & Ng *(in association with King & Wood, PRC Lawyers and Goodmans)*. Fong & Ng *(in association with King & Wood, PRC Lawyers and Goodmans)* is the legal adviser on Hong Kong law to the Company. Dr. Tse is currently appointed to the arbitrators' panel of the Guangzhou Arbitration Commission and is also a member of Hong Kong Securities Institute.



SERVING OUR COMMUNITY

WITH GREEN ENERGY

OVERVIEW

The Company is the flagship company of CPI Group which is one of the leading independent power generating groups in the PRC. The principal business of the Group is to develop, construct, own, operate and manage large power plants in China. The Group owns and operates the following power plants: Pingwei Power Plant (100% ownership), Yaomeng Power Plant (100% ownership) and Changshu Power Plant (50% ownership). All of these three power plants are high-capacity coal-fired power plants under commercial operation and have a total installed capacity of 3,610 MW. The Group's attributable installed capacity in these three power plants under commercial operation is 3,010 MW. The Company also manages six other power plants on behalf of CPI Group and CPI Holding, namely, Qinghe Power Plant, Shentou I Power Plant, Guixi Power Plant, Shaxikou Power Plant, Wuhu Shaoda Power Plant and Hongze Power Plant, which have a total installed capacity of 3,480 MW. In addition, we plan to build three additional power plants, namely, Pingwei Power Plant II, Yaomeng Power Plant II and Huanggang Dabieshan Power Plant. These planned power plants, when completed, will have a total installed capacity of 3,600 MW, of which our attributable installed capacity will be 3,468 MW.

BUSINESS REVIEW FOR 2004

The PRC economy had been developing steadily in 2004 with gross domestic production having increased by 9.5% over the previous year, thus generating a strong demand for electricity which had led to an increase in electricity consumption in the PRC by 14.9% as compared with the previous year. The steady development of the PRC economy and the significant increase in demand for electricity in the PRC created favourable market conditions for the business development and operating results of the Company in 2004.

In 2004, with the collective efforts of the management and all staff, the Group had overcome numerous difficulties such as serious shortages of coal supply and constant significant increase in coal price. During the year, the Group also endeavoured to assure coal supply, enhanced the management of budgets, tightened cost control and accomplished each and every task for the year successfully.

1. SAFE AND STABLE PRODUCTION

As at 31 December, 2004, the Group's attributable installed capacity in our three power plants under commercial operation was 3,010 MW; the gross generation of the Group was approximately 15.704 billion kWh (excluding its associated company), which increased by approximately 5.7% from the previous year; the total output of the Group was about 14.737 billion kWh (excluding its associated company), which increased by approximately 5.8% from the previous year. Such increase in the Group's generation during 2004 laid the foundation for the outstanding operating performance achieved by the Group during the year.

The increase in the generation of the Group during 2004 was mainly attributable to: (1) the constant increase in demand for electricity in the PRC. Electricity consumption in the PRC increased by approximately 14.9% as compared with the previous year; (2) the promotion and implementation of an accountability system for safe production by the Group, thereby maintaining safe and stable production of the Group in 2004; (3) the enhancement of the Group's management of the operation of its power generation units, thereby constantly upgrading the major economic technical index of the Group's power generation units during the year and hence further improving the operating conditions of our power generation units and (4) stable coal supply. Although there were shortages in coal supply in the PRC during 2004, the Group's power plants successfully overcame the difficulties in coal supply by active coordination with various parties to strengthen the capabilities in coal purchases, by active exploration of new sources of coal as well as by maintaining and improving the working relationship and close cooperation with coal mines and transportation authorities. As a result, normal operation of the Group's power plants was secured.

In 2004, the operating conditions of the Company's major power plants were as follows:

Pingwei Power Plant with an installed capacity of 1,200 MW and gross generation of 8.259 billion kWh in 2004;

Yaomeng Power Plant with an installed capacity of 1,210 MW and gross generation of 7.445 billion kWh in 2004;

Changshu Power Plant with an installed capacity of 1,200 MW of which the Company's attributable installed capacity was 600 MW, and gross generation of 8.031 billion kWh in 2004.

2. STEADY GROWTH IN OPERATING RESULTS

The Group recorded consolidated turnover of about RMB3,352,001,000 in 2004, which increased by approximately 15.0% as compared with the previous year. The increase in turnover was mainly attributable to the enhancing of tariff management and the proactive raising of the on-grid tariffs during the year by the Group. As a result, the average on-grid tariff of the Group in 2004 rose by approximately RMB18.1/MWh (value-added tax excluded) to RMB227.5/MWh, representing a growth of approximately 8.7% as compared with the previous year. The respective increases in the turnover for the Group's two subsidiaries in 2004 were as follows: 25.1% for Pingwei Power Plant and 2.6% for Yaomeng Power Plant.

The Group recorded consolidated net profit of RMB643,203,000 in 2004, which increased by approximately 6.3% as compared with the previous year. The increase in the Group's consolidated net profit was attributable to safe and stable production of the Group during the year which brought about an increase in on-grid generation. The Group's operating costs, repair and maintenance expenses and finance costs were effectively controlled in 2004, thus effectively alleviating the operating pressure arising from the surge in fuel costs. In addition, the Group also enhanced its technology upgrading and facilities management in 2004 thus reducing energy consumption.

3. STEADY PROGRESS FOR PLANNED PROJECTS

During 2004, the preparation of the Group's planned power generation facilities commenced in full scale. In active response to the reform on investment approval regime and with the best support secured, the Group made substantive progress in obtaining project approvals as well as progresses of varying degrees in preliminary exploration and on-site preparation. The progress of each of the Group's principal operations was as follows:

(1) The construction of two 600 MW super-critical coal-fired power generation units by Huanggang Dabieshan Power Plant, in which the Company owns 89% equity interest: The project is one of the first-batch projects approved after the reform on investment approval regime and is the Company's first development project approved by the State. Operation of the two power generation units in this project is scheduled to commence in 2008 and 2009 respectively.

(2) The construction of two 600 MW super-critical coal-fired power generation units by Pingwei Power Plant II, in which the Company owns the entire equity interests: The proposal of the project has been approved by the National Development and Reform Commission of the PRC ("NDRC"). Operation of the two power generation units under this project is scheduled to commence in 2007 and 2008 respectively.

(3) The construction of two 600 MW super-critical coal-fired power generation units by Yaomeng Power Plant II, in which the Company owns the entire equity interests: The progress in the approval application of this project is satisfactory. Operation of the two power generation units under this project is scheduled to commence in 2007 and 2008 respectively.

USE OF NET PROCEEDS FROM THE INITIAL PUBLIC OFFERING ("IPO") OF THE COMPANY

The shares of the Company have been listed on the Main Board of the Hong Kong Stock Exchange since 15 October, 2004. Upon completion of the IPO, the Company issued a total of 1,035,000,000 new shares at the time of listing, including the shares issued upon the exercise of the over-allotment option. The net proceeds from the IPO, after deducting underwriting commission and other listing expenses, amounted to approximately HK$2,457,289,000 (equivalent to RMB2,604,726,000).

As described in the prospectus of the Company for the IPO dated 4 October, 2004, we intend to use the net proceeds from the IPO to further our development strategy. We plan to set aside approximately RMB900,000,000 from such net proceeds for capital injection into our planned power plant projects, approximately RMB1,651,000,000 to fund future acquisitions and the balance of approximately RMB53,000,000 to be utilized by the Group as general operating expenses.

For the year ended 31 December, 2004, the Group, as planned, invested about RMB88,000,000 in its planned power plant projects by way of capital injection into such planned power plant projects.

The following table sets out details on the use of net proceeds from the IPO during the year ended 31 December, 2004:

	RMB '000
General operating expenses	12,000
Planned power plant projects	88,000
Total	100,000

We had placed the unused net proceeds of approximately HK$2,362,949,000 on short-term banking deposit.

OPERATING RESULTS

OVERVIEW

In 2004, the Company achieved promising operating results. The Group sold electricity of 14.737 billion kWh, representing an increase of 5.8% over 13.929 billion kWh for last year, and resulting in higher growth in the turnover and net profit of the Group as compared with last year. In 2004, the Group recorded consolidated turnover of approximately RMB3,352,001,000, representing an increase of 15.0% as compared with the previous year, consolidated net profit of approximately RMB643,203,000, representing an increase by 6.3% as compared with the previous year.

TURNOVER AND INCOME

In 2004, the Group recorded consolidated turnover of approximately RMB3,352,001,000, representing an increase of RMB436,619,000 or 15.0% compared with the previous year. Growth in turnover was mainly because in 2004, the Group's on-grid electricity increased by 808 million kWh or approximately 5.8% while the average on-grid tariff increased by about RMB18.1/MWh or approximately 8.7% when compared with last year.

The Group is principally engaged in the generation and sale of electricity and the development of power plants. Revenues recognised during the year are as follows:

	2004	2003
	RMB'000	RMB'000
Turnover		
Sales of electricity	**3,352,001**	2,915,382
Other revenues		
Management fee income	**6,884**	—
Rental income	**2,854**	2,430
Interest income on bank deposits	**12,135**	905
	21,873	3,335
Total revenues	**3,373,874**	2,918,717

Electricity was sold to provincial power companies pursuant to the power purchase agreements entered into between the members of the Group and the provincial power companies.

Management fee income was received pursuant to a management agreement dated 1 July, 2004 among the Group, CPI Group and CPI Holding (the "**Management Agreement**"). We manage six power plants on their behalves, namely Qinghe Power Plant, Shentou I Power Plant, Guixi Power Plant, Shaxikou Power Plant, Wuhu Shaoda Power Plant and Hongze Power Plant. Under the Management Agreement, each of CPI Group and CPI Holding entrusted to us the managing power that each of them has in the six power plants. The Management Agreement has a term of three years and is renewable with the consent of all parties.

The service fee paid to the Group for the period from 1 July, 2004 to 31 December, 2004 under the Management Agreement amounts to RMB6,884,000.

FUEL COSTS

Fuel costs, accounting for 66.2% of the total operating costs of the Group during the year, form the major part of the operating costs of the Group (operating costs mainly include fuel costs, depreciation, staff costs, repairs and maintenance, consumables and other operating costs, net). The Group incurred unit fuel costs of approximately RMB123.90/MWh in 2004, representing an increase of RMB29.45/MWh or 31.2% as compared with the previous year. Such increase was mainly attributable to the surge in coal price. The average standard unit coal price of the Group during the year surged by RMB85.93 per ton as compared with the previous year.

DEPRECIATION

The Group's depreciation amounted to RMB325,641,000 in 2004, representing a decrease of 12.9% as compared with last year. The reduction was mainly due to the fact that certain assets were fully depreciated during the year, thus causing less depreciation being charged during the year.

STAFF COSTS

The Group's staff costs amounted to RMB252,543,000 in 2004, representing an increase of 11.3% as compared with the previous year. The increase in staff costs was mainly due to implementation of performance-based bonus plan by the Group.

REPAIRS AND MAINTENANCE

The Group's repairs and maintenance amounted to RMB141,559,000 in 2004, representing a decrease of 9.3% against the previous year. The reduction was mainly attributable to the enhancement of facility management and the trimming of repair and maintenance costs by the Group.

OTHER OPERATING COSTS, NET

The Group's other operating costs, net amounted to RMB161,413,000 in 2004, representing a decrease of 9.7% as compared with the previous year, which was mainly the results from proactive cost control implemented by the Group.

OPERATING PROFIT

The Group's operating profit before finance costs increased by 2.0% as compared with the previous year to RMB615,522,000 in 2004. The increase was due to the growth in the net operating income of the Group surpassing the increase in its total operating expenses.

FINANCE COSTS

The Group's finance costs decreased from RMB85,038,000 in 2003 to RMB77,285,000 in 2004, representing a decrease of 9.1% as compared with the previous year. The reduction was mainly attributable to the reduction in interest expenses of Pingwei Power Plant. All interests of the financing loan incurred in 2004 of our three power plants planned to be constructed have been capitalized.

SHARE OF RESULTS OF AN ASSOCIATED COMPANY

The Group's share of results of an associated company was RMB163,604,000 in 2004, representing an increase of RMB27,186,000 or 19.9% from RMB136,418,000 in 2003. The increase was mainly attributable to the two upward adjustments in on-grid tariffs and the steady increase in gross generation in 2004.

TAXATION

The Group's taxation charges mainly comprise the PRC enterprise income tax. Our taxation charges in 2004 were approximately RMB59,212,000 as compared to approximately RMB49,826,000 in 2003, representing an increase of RMB9,386,000 or approximately 18.8%. The increase was mainly attributable to the surge in profits from the subsidiaries and associated company which lead to an increase in the PRC enterprise income tax.

No Hong Kong profits tax has been provided as the Group did not have any assessable profit in Hong Kong for the year (2003: Nil).

The provision for PRC current income tax is calculated based on the statutory tax rate of 33% of the assessable income for the year except as disclosed below.

The amount of taxation charged to the consolidated profit and loss account represents:

	2004	2003
	RMB'000	RMB'000
PRC current income tax	**42,589**	38,021
Deferred taxation	**3,824**	(911)
	46,413	37,110
Share of taxation attributable to the associated company	**12,799**	12,716
	59,212	49,826

Pursuant to the relevant PRC income tax rules and regulations, a special income tax rate of 15% has been granted to certain subsidiaries of the Group and the associated company as being foreign invested enterprises which are engaged in the energy, transportation or infrastructure activities. In addition, being sino-foreign joint venture enterprises historically and as approved by the relevant local tax bureaus, these companies are entitled to a two-year exemption from income tax starting from their first profit-making year and followed by a 50% reduction in income tax for the subsequent three years. These companies were established towards the end of 1999 and has been exempted from income tax in 2000 and 2001. After the two-year tax exemption period, these companies are subject to a reduced tax rate of 7.5% for the years ended 31 December, 2002, 2003 and 2004.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the country where the Group principally operates as follows:

	2004	2003
	RMB'000	RMB'000
Profit before taxation	**701,841**	654,982
Calculated at the PRC statutory tax rate of 33% (2003: 33%)	**231,608**	216,144
Effect of different tax rate	**(1,068)**	—
Effect of preferential tax rate	**(128,592)**	(117,896)
Effect of tax holiday	**(53,579)**	(49,125)
Income not subject to taxation	**(9,212)**	(10,545)
Expenses not deductible for taxation purposes	**20,055**	11,248
Taxation charge	**59,212**	49,826

NET PROFIT

The Group's net profit in 2004 was RMB643,203,000, representing an increase of RMB38,047,000 or approximately 6.3% as compared with the previous year, which was mainly due to the upsurge of on-grid generation of the Group. At the same time, the Group adhered to strict cost control management and properly implemented the asset and operation accountability system, the budget management strictly and effectively controlled different kinds of costs and expenses. In 2004, the significant increase in demand for electricity and coal price continued to be tense in the PRC, and it had led to constant shortage in coal supply in the PRC. Under such unfavourable market conditions, the Group on the one hand arranged for the coal supply, and on the other hand adjusted the power output structure. In particular, Pingwei Power Plant had benefited from the relatively lower coal price and the relatively higher tariffs for its power supply to the eastern China in order to secure safe and stable operation of its power generation units. The Group also took effective measures to increase income and save costs so as to enhance economic return of its power generation units.

SEGMENT INFORMATION BY GEOGRAPHICAL LOCATION

The Group is principally engaged in power generation business within the PRC, with major assets and liabilities located in the PRC. Accordingly, no segment information by geographical location is presented.

SEGMENT INFORMATION BY BUSINESS

The Group is engaged in one major line of business in power generation, which is mainly to develop, construct, own, manage and operate large power plants within the PRC.

DIVIDEND/PROFIT DISTRIBUTIONS

The Board has recommended to pay a final dividend for the year ended 31 December, 2004 of HK$0.025 per share.

	2004 **RMB'000**	2003 RMB'000
Profit distributions *(note (i))*	**377,230**	385,012
Proposed final dividend of HK$0.025 per share (equivalent to RMB0.0265 per share) *(note (ii))*	**83,078**	—
	460,308	385,012

Notes:

(i) The profit distributions disclosed for the year ended 31 December, 2004 represent dividends from certain subsidiaries of the Group in connection with their profits for the period from 1 January, 2004 to 30 September, 2004 attributed to CPI Holding, an intermediate holding company of the Company, pursuant to the Reorganisation Agreement.

The profit distributions disclosed for the year ended 31 December, 2003 represent dividends declared by the relevant subsidiaries of the Group to their then owners prior to the completion of the Reorganisation of the Group.

The rates of dividend and the number of shares ranking for dividends are not presented for those profit distributions as such information is not meaningful.

(ii) At a board meeting held on 14 March, 2005, the Directors of the Company proposed a final dividend of HK$0.025 (equivalent to RMB0.0265) per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 December, 2005.

EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year are based on the Group's profit for the year of RMB643,203,000. The basic earnings per share is based on the weighted average of 2,315,901,639 shares in issue during the year and the diluted earnings per share is based on 2,315,901,639 shares which is the weighted average number of shares in issue during the year plus the weighted average number of 704,231 shares deemed to be issued at no consideration when all outstanding options had been exercised.

The calculation of basic earnings per share for 2003 is based on the Group's profit for the year of RMB605,156,000 and the weighted average number of 2,100,000,000 shares.

THE GROUP'S PRINCIPAL FINANCIAL RATIOS

The Group's principal financial ratios for each of the two years ended 31 December, 2003 and 2004 respectively are set out below:

	2004	2003
Debt to equity ratio (%)	**32.2**	41.2
Current ratio (times)	**2.42**	1.18
Quick ratio (times)	**2.36**	1.05
EBITDA interest coverage (times)	**12.29**	13.10

The calculation formula of the financial ratios:

Debt to equity ratio = Total bank loans/balance of shareholders' or owner's equity interests at the end of the year

Current ratio = balance of current assets at the end of the year/balance of current liabilities at the end of the year

Quick ratio = (balance of current assets at the end of the year - net inventory at the end of the year)/balance of current liabilities at the end of the year

EBITDA interest coverage = (profit before taxation + interest expenses + depreciation and amortisation)/ interest expenses (including capitalized interest)

LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 December, 2004, the Group derived its fundings mainly from bank loans of RMB1,574,676,000, net proceeds from the IPO of RMB2,604,726,000, internally generated fund from operating activities of RMB905,798,000. The Group's funds were mainly applied in the construction of its planned power plants, capital expenditures for its power plants under commercial operation as well as repayment of bank loans, in the amounts of RMB981,004,000 and RMB971,000,000 respectively.

For the year ended 31 December, 2004, cash and cash equivalents of the Company amounted to RMB3,064,224,000 in total, including cash inflow from operating activities of RMB794,856,000, net cash outflow in investment activities of RMB966,888,000, net cash inflow in financing activities of RMB3,114,536,000.

COMMITMENTS

Commitments are mainly related to purchases with respect to planned power plant projects and improvement of existing power plants. As at 31 December, 2004, the Group had outstanding capital commitments not provided for in the balance sheet, amounting to RMB6,894,000 (2003: RMB67,045,000) as authorized but not contracted for and RMB4,678,114,000 as contracted but not provided for (2003: RMB135,010,000).

The Group's minimum payments under non-cancellable operating leases in respect of land and buildings for leases not more than one year were RMB15,066,000 (2003: nil), whereas the lease payments for leases later than one year and not later than five years were RMB26,870,000 (2003: nil).

The Group's future minimum lease receipts under non-cancellable operating leases in respect of buildings for leases not more than one year will be RMB1,930,000 (2003: RMB71,000) , whereas the lease receipts for leases later than one year and not later than five years will be RMB1,900,000 (2003:RMB100,000).

DEBTS

Details of the Group's bank borrowings for each of the two years ended 31 December, 2003 and 2004 are set out below:

	2004	2003
	RMB'000	RMB'000
Short-term bank loans	**592,676**	45,000
Long-term bank loans maturing within a year	**261,000**	265,000
Long-term bank loans maturing in 1-2 years	**270,000**	405,000
Long-term bank loans maturing in 2-5 years	**790,000**	495,000
Long-term bank loans of over 5 years	**93,000**	193,000
Total amount of debts	**2,006,676**	1,403,000

The Group's bank loans currently bear interests at rates ranging from 4.5% to 5.8%. The interest rates on the Group's bank loans will be adjusted in accordance with the relevant regulations of the People's Bank of China.

Our debt to equity ratio for each of the two years ended 31 December, 2003 and 2004 were 41.2% and 32.2% respectively.

On 31 May, 2004, Pingwei Power Plant II, Yaomeng Power Plant II and Huanggang Dabieshan Power Plant entered into syndicate loan agreements with a number banks to obtain banking facilities amounting to RMB11,400,000,000 in total with respect to the planned power plants. No amount has been drawn down from such banking facilities by such planned power plants.

The Group incurs debts for general corporate purposes, including capital expenditures and working capital requirements. The Group do not currently use any derivative instruments to modify the nature of our debts so as to manage our interest rate risk.

FOREIGN EXCHANGE RATE RISK

We collect all of our revenues in Renminbi, some of which need to be converted into foreign currencies to make investments in certain associated companies or acquire interests from other companies, and pay out dividends to our shareholders. Therefore we have certain exposure to foreign exchange fluctuations.

The Renminbi is not a freely convertible currency. Subject to the exchange rate control by the PRC government, international economic situation and supply and demand of Renminbi, the PRC government may take actions that could cause fluctuations in the future exchange rates for Renminbi. Fluctuations in exchange rates may positively or negatively affect the value, translated or converted into Hong Kong dollars, of our net assets, earnings and any dividends we declare (for the purpose of this annual report, the exchange rate of HK$1 = RMB1.06 has been used in the conversion of Hong Kong dollars into Renminbi).

PLEDGE OF ASSETS

For the year ended 31 December, 2004, we had no assets pledged.

CONTINGENT LIABILITIES

For the year ended 31 December, 2004, we had no material contingent liabilities.

ENVIRONMENTAL PROTECTION

The Group's mission is "Serving our community with green energy". All the power plants of the Group are subject to strict compliance of the environmental laws and regulations promulgated by the State Council of the PRC and the local government of the regions where our power plants are located. For the year ended 31 December, 2004, the total discharge fees paid by our power plants were approximately RMB8,135,000 for Pingwei Power Plant, approximately RMB17,908,000 for Yaomeng Power Plant and approximately RMB13,522,000 for Changshu Power Plant. There was significant growth in the discharge fees paid by the Group during the year as compared to 2003, which was mainly due to the implementation of new PRC regulations on discharge fees. The construction of desulphurization facilities in the Changshu Power Plant has commenced, which will reduce pollution to the environment as well as the Group's discharge expenses.

EMPLOYEES

As at 31 December, 2004, the Group and its associated company had a total of 6,606 full time employees.

We enter into employment contracts with our employees. None of our power plants has experienced any strikes or other labour disputes affecting the operations of any of our power plants. We recruit our managerial personnel from the open market. We provide technical training to all new employees and continuing training for all employees. The remuneration packages of our employees include salaries, bonuses and various subsidies. We pay welfare for the employees of our power plants under commercial operation in accordance with PRC labour law and regulations.

We have planned to adopt a performance unit plan (the "**Performance Unit Plan**") as an incentive scheme for our employees. The eligible grantees under the Performance Unit Plan are directors, senior management and other employees of the Company, and employees of the Company's holding companies, subsidiaries and associated companies. We have also set up a share option scheme in order to retain high calibre employees and to provide additional incentives for our employees.

The Group determines the emoluments of its directors and employees based on the performance, working experience, prevailing market rates and duties.

We participate in a provident fund scheme (the "**MPF Scheme**") registered under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the "**MPF Ordinance**") for all of our employees in Hong Kong. The scheme is a defined contribution scheme and is funded by contributions from employers and employees according to the provisions of the MPF Ordinance.

Under the MPF Scheme, the Company and the employees of the Company have to contribute an amount equal to 5% of the relevant income of such employee to the scheme, subject to a maximum level of the relevant income of HK$20,000 per month. If an employee 's monthly income is less than HK$5,000,he is not required to contribute but may elect to do so, but we must still contribute 5% of the employee 's relevant monthly income. Contributions from us are 100% vested in such employee immediately but, subject to limited exceptions, all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65. Our contributions to the MPF Scheme can be used to offset any long service payments or severance payments payable and are deductible for profits tax purposes.

The Group's employees in the PRC participate in a State-managed retirement pension scheme operated by the respective local municipal government. The relevant local government is responsible for the planning, management and supervision of the scheme, including collecting and investing the contributions, and paying out the pensions to the retired employees. The Group's only obligation is to contribute at a rate of 20% of payroll expenses to the scheme.

OPERATING DATA OF OUR POWER PLANTS UNDER COMMERCIAL OPERATION

PINGWEI POWER PLANT

For the year ended 31 December, 2004, gross generation and net generation increased by 11.1% or approximately 828 million kWh and 11.5 % or approximately 820 million kWh respectively. In 2004, average tariff realised (value-added tax excluded) was RMB253.56 per MWh.

The following table sets out certain operating data of Pingwei Power Plant for the three years ended 31 December, 2002, 2003 and 2004 respectively.

	As at 31 December,		
	2004	2003	2002
Installed capacity (MW)	**1,200**	1,200	1,200
Average utilization hours (hours)	**6,882**	6,192	5,450
Gross generation (MWh)	**8,258,600**	7,430,474	6,539,500
Net generation (MWh)	**7,914,950**	7,095,360	6,205,310
Equivalent availability factor (%)	**85**	88	89
Net generation standard coal consumption rate (grams/kWh)	**338**	340	344

YAOMENG POWER PLANT

For the year ended 31 December, 2004, gross generation and net generation increased by 0.3% or approximately 24 million kWh and decreased by 0.2% or approximately 11 million kWh respectively. In 2004, average tariff realised (value-added tax excluded) was RMB197.17 per MWh.

The following table sets out certain operating data of Yaomeng Power Plant for the three years ended 31 December, 2002, 2003 and 2004 respectively.

	As at 31 December,		
	2004	2003	2002
Installed capacity (MW)	**1,210**	1,210	1,210
Average utilization hours (hours)	**6,153**	6,133	5,769
Gross generation (MWh)	**7,445,028**	7,420,400	6,980,058
Net generation (MWh)	**6,822,031**	6,833,446	6,412,385
Equivalent availability factor (%)	**89**	90	86
Net generation standard coal consumption rate (grams/kWh)	**347**	344	348

CHANGSHU POWER PLANT

For the year ended 31 December, 2004, gross generation and net generation increased by 1.0% or approximately 83 million kWh and 1.3% or approximately 96 million kWh respectively. In 2004, average tariff realised (value-added tax excluded) was RMB275.31 per MWh.

The following table sets out certain operating data of Changshu Power Plant for the three years ended 31 December, 2002, 2003 and 2004 respectively.

	As at 31 December,		
	2004	2003	2002
Installed capacity (MW)	**1,200**	1,200	1,200
Average utilization hours (hours)	**6,693**	6,624	6,128
Gross generation (MWh)	**8,031,130**	7,948,366	7,352,970
Net generation (MWh)	**7,636,660**	7,540,615	6,978,847
Equivalent availability factor (%)	**90**	91	88
Net generation standard coal consumption rate (grams/kWh)	**347**	350	350

Year 2005 will mark the beginning of a new era for internationalisation of the Group. We believe that the PRC economy will continue to grow steadily in 2005 and demand for electricity in the PRC will therefore continue to increase. In 2005, it is expected that the gross domestic production of the PRC will increase by approximately 8% and the growth in electricity consumption nationwide will be approximately 12%. Constant shortage in power supply in the PRC will bring new development opportunities to the Group. In 2005, the fuel cost pass-through policy of the NDRC will be implemented. According to such policy, as from 2005, the on-grid tariffs for coal-fired power plants nationwide will increase correspondingly with the increase in coal price. Implementation of such new policy will increase the revenue of the Group, alleviate the pressure on the costs and expenditures of the Group arising from the surge in coal price in the PRC, and stabilize the Group's profitability. In order to expand its market share, the Group will actively seek opportunities in the development, construction, operation and management of large power plants in economically prosperous regions as well as regions with relatively higher potential in economic growth, and will continuously enhance the Group's ability in risk control and sustain development. In 2005, major tasks of the Group will be as follows:

1. PRODUCTION AND OPERATION

We will ensure the safe, stable and efficient operation of our power generation units and various facilities. Assuring safe power supply will be a prime objective for us in 2005.

2. TO SEEK OPPORTUNITIES IN ACQUISITIONS AND CAPITAL INJECTIONS

In 2005, the Company will continue to look for opportunities in acquisitions and capital injections to acquire quality assets in order to accelerate the Group's development and expansion in power generation capacity, and hence deriving a better return to its shareholders.

3. COAL SUPPLY

With respect to fuel management, the rapidly increasing demand for coal within the PRC coupled with the serious shortages in supply of coal contributed to the surging coal price in the PRC. The Group has taken measures to secure coal supply. In 2005, with the implementation of the fuel cost pass-through policy and the continuing high demand in coal in the PRC, the Group has increased the contract coal volume after the coal conference and taken steps to optimize the coal supplier composition and secure higher fulfillment rate from its coal suppliers.

4. TO EXPEDITE THE CONSTRUCTION OF PLANNED POWER PLANTS

Apart from the three power plants under commercial operation, we will continue to expedite the approval process for Pingwei Power Plant II and Yaomeng Power Plant II.

The construction of our three planned power plants, namely, Huanggang Dabieshan Power Plant, Pingwei Power Plant II and Yaomeng Power Plant II is expected to be completed and the operation is expected to commence from 2007 onwards.

In summing up, the Group will orderly perform its tasks on different fronts with a focus on the following missions:

(1) To further consolidate safe production in order to enhance operating efficiency of the power generation units;

(2) To enhance our internal control and corporate governance and to optimize our finance and internal control systems;

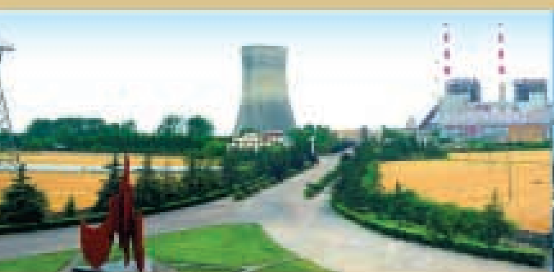
(3) To further strengthen business management so as to ensure reasonable and satisfactory return for investors and to accomplish all business plans;

(4) To optimize capital structure and to establish different funding channels so as to reduce the average capital costs of the Group;

(5) To actively seek new opportunities in acquiring quality assets so as to increase the asset portfolio of the Group; and

(6) To expedite the construction of our planned power plants and to strive for completing the approval process for our planned power plant projects.

PEOPLE-ORIENTED AND CARE FOR STAFF



OVERVIEW

The Company puts great emphasis on corporate governance. We believe that the upgrading of the level of corporate governance not only assists the Company in effective supervision and control on its business operation but also attracts investment from international institutional investors into the Company.

BOARD OF DIRECTORS

The board of directors of the Company (the "**Board**") is the highest decision-making and managing body of the Company. The Board reviews and approves major matters such as business strategies and budgets, major investments as well as mergers and acquisitions having regard to the best interests of the Company and its Shareholders. Principal responsibilities of the Board also include approving results and business operation conditions of the Company regularly published to the public.

The Board has set up an Audit Committee, a Compensation and Nomination Committee as well as an Investment and Risk Control Committee to implement internal control and supervision on each relevant aspect of the Company.

AUDIT COMMITTEE

The Company established the Audit Committee on 24 August, 2004 with written terms of reference in compliance with Rule 3.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Code of Best Practice set out in Appendix 14 to the Listing Rules being effective as at 31 December, 2004. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Company.

The Audit Committee comprises three members, namely, Kwong Che Keung, Gordon, Li Fang and Tsui Yiu Wa, Alec, all of whom are independent non-executive Directors. This Committee is chaired by Kwong Che Keung, Gordon.

COMPENSATION AND NOMINATION COMMITTEE

The Company established the Compensation and Nomination Committee on 24 August, 2004. The primary duties of the Compensation and Nomination Committee are to evaluate the performance and make recommendations on the remuneration of our senior management, evaluate and make recommendations in relation to our Performance Unit Plan and recommend Board candidates to the Board.

The Compensation and Nomination Committee comprises three members, namely Li Fang, Kwong Che Keung, Gordon and Tsui Yiu Wa, Alec, all of whom are independent non-executive Directors. This Committee is chaired by Li Fang.

INVESTMENT AND RISK CONTROL COMMITTEE

The Company established the Investment and Risk Control Committee on 24 August, 2004. The primary duties of the Investment and Risk Control Committee are to formulate our overall development plans and investment decision-making procedures, monitor the implementation of our strategic plans, provide training to the Board with regard to the strategies of the Company and assist the management in managing our internal and external risks.

The Investment and Risk Control Committee comprises 4 members, namely Wang Binghua, Li Xiaolin, Hu Jiandong and Gao Guangfu. Wang Binghua is the chairman of this Committee. We are of the view that the two non-executive Directors, namely Wang Binghua and Gao Guangfu, will be able to discharge their duties in the Committee effectively as:

- they possess extensive experience and knowledge in the power industry in the PRC, particularly in power business and management areas. They are able to provide market expertise and advice to the Board;

- the Committee will arrange for regular Committee meetings and the management of the Company will provide periodic reports to the Committee members to keep them informed of the Company's business operations in a timely manner. In addition, we shall inform each Committee member individually of any contingent matters; and

- the two executive Directors, namely Li Xiaolin and Hu Jiandong, will bring any relevant matters of the Company's business to the attention of all the Committee members to ensure that the duties of the Committee will be properly discharged.

IMPROVING CORPORATE TRANSPARENCY

Apart from reporting to the shareholders and the investors on its operation and financial conditions semi-annually and annually, the Company also discloses unaudited key operating data regularly on quarterly basis so that the investors will have a better understanding about the operation of the Company.

The Company also holds regular press conferences and meetings with financial analysts and investors, at which the Company's management will directly provide relevant information and data to the media, reporters, financial analysts, fund managers and investors, as well as answer their enquiries. The Company's management also arranges road shows to meet and communicate with fund managers and institutional investors around the world to enable them to have a better understanding about the achievements of the Company in its business and management.

In addition, the Company regularly publishes public announcements and press releases in order to update the public with the latest business development of the Company. The Company's management has been able to respond promptly to various questions raised by the media in an adequate and accurate manner. The Company's website is continuously updated in order to provide the investors and the public with timely updates about every aspect of the Company.

The Company has set up an investor relations department, responsible for providing necessary information and services to the investors, timely responding to various enquiries and maintaining proactive and timely communication with the investors.

The directors of the Company (the "**Directors**") have pleasure in presenting to our shareholders their report together with the audited financial statements of the Group for the year ended 31 December, 2004 (the "**Accounts**").

PRINCIPAL ACTIVITIES

The principal activity of the Group is to develop, construct, own, operate and manage large power plants in China. Particulars of the Company's principal subsidiaries are shown under Note 14 to the Accounts.

RESULTS AND DISTRIBUTION

The results of the Group for the year are set out in the Consolidated Profit and Loss Account on page 55. The Board has recommended to pay a final dividend of HK$0.025 per share for the year ended 31 December, 2004, with a total amount of HK$78,375,000 (equivalent to RMB83,078,000).

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of approximately RMB366,878,000, mainly representing general power assets. Details of the movements in property, plant and equipment of the Group and the Company during the year are set out in Note 13 to the Accounts.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 25 to the Accounts.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in Note 26 to the Accounts.

DISTRIBUTABLE RESERVES

Calculated based on Section 79B of the Companies Ordinance, the distributable reserves of the Company amounted to RMB151,649,000 as at 31 December, 2004 (2003: nil).

DIRECTORS

The Directors who held office from the incorporation of the Company to the date of this report are set out in the section headed "Corporate information" in this annual report. Biographical details of the Directors are set out in the section headed "Directors and senior management profiles" in this annual report, and details of Directors' emoluments are set out in Note 12 to the Accounts.

As at 31 December, 2004, none of the Directors had a service contract with the Company or any subsidiaries which was not determinable by the employing company within one year without payment of compensation other than statutory compensation.

In accordance with Article 81 of the Company's Articles of Association, Wang Binghua, Gao Guangfu, Kwong Che Keung, Gordon, Li Fang and Tsui Yiu Wa, Alec will vacate office and being eligible, offer themselves for re-election.

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence. The Company considers all of its independent non-executive Directors are independent.

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 purposes of the Pre-IPO 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 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 options may be granted after that date but the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect.

As at the date of this annual report, a total of 12,234,500 Shares (representing approximately 0.39% of the existing issued share capital of the Company) may be issued by the Company if all options which had been granted under the Pre-IPO Share Option Scheme have been exercised.

Save that the exercise price per Share subject to the options granted under the Pre-IPO Share Option Scheme being the issue price per Share under the IPO of the Company, the principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Share Option Scheme. The grantee under the Pre-IPO Share Option Scheme is required to pay HK$1.00 to the Company as the nominal consideration of each option granted.

The Directors do not consider it to be appropriate to state the value of options granted under the Pre-IPO Share Option Scheme during the year ended 31 December, 2004, as the generally accepted option value pricing models are only applicable to those options which are transferable and options granted under the Pre-IPO Share Option Scheme are not transferable.

Each option has a 10-year exercise period within which there is a total vesting period of four years. Commencing form 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 (less any number of Shares in respect of which the option has been previously exercised).

Movements of the options granted under the Pre-IPO Share Option Scheme during the year ended 31 December, 2004 are as follows:

		Number of Shares subject to options						
Grantee and Position	Date of grant	As at 1 January, 2004	Granted during the year	Lapsed or cancelled during the year	Exercised during the year	Outstanding as at 31 December, 2004	Exercise period	Exercise price per Share (HK$)
WANG Binghua *Chairman of the Board and Non-Executive Director*	18 September, 2004	—	1,495,400	—	—	1,495,400	17 September, 2014	2.53
LI Xiaolin *Vice-Chairman of the Board, Executive Director and Chief Executive Officer*	18 September, 2004	—	1,661,500	—	—	1,661,500	17 September, 2014	2.53
HU Jiandong *Executive Director and Executive Vice President*	18 September, 2004	—	996,900	—	—	996,900	17 September, 2014	2.53
GAO Guangfu *Non-Executive Director*	18 September, 2004	—	207,700	—	—	207,700	17 September, 2014	2.53
GU Dake *Executive Vice President*	18 September, 2004	—	872,300	—	—	872,300	17 September, 2014	2.53
WANG Zhiying *Executive Vice President*	18 September, 2004	—	872,300	—	—	872,300	17 September, 2014	2.53
ZHAO Yazhou *Executive Vice President*	18 September, 2004	—	872,300	—	—	872,300	17 September, 2014	2.53
IO Cheok Kei, Rudy *Chief Financial Officer*	18 September, 2004	—	415,400	—	—	415,400	17 September, 2014	2.53
ZHAO Xinyan *Vice President*	18 September, 2004	—	540,000	—	—	540,000	17 September, 2014	2.53
WANG Zichao *Vice President*	18 September, 2004	—	540,000	—	—	540,000	17 September, 2014	2.53
TSE Hiu Tung, Sheldon *Company Secretary*	18 September, 2004	—	207,700	—	—	207,700	17 September, 2014	2.53
Other employees	11 October, 2004	—	3,553,000	—	—	3,553,000	10 October, 2014	2.53

(B) SHARE OPTION SCHEME

The Share Option Scheme was conditionally approved and adopted by a resolution in writing 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 Board may, at its absolute discretion, offer any employees, directors (including executive and non-executive directors other than independent non-executive directors), chief executive and members of the management of the Company and the Group (the "**Eligible Person**") options to subscribe for Shares. Upon acceptance of the offer of an option, the grantee shall pay HK$1.00 to the Company as nominal consideration for the grant.

No option has been granted by the Company under the Share Option Scheme. As at the date of issue of this annual report, the total number of Shares in respect of which options may be granted under the Share Option Scheme was 301,265,500, representing approximately 9.61% of the total number of Shares in issue.

Except with the approval of the Company's independent shareholders at the general meeting, the total number of Shares issued and to be issued upon the exercise of the options granted to or to be granted to each Eligible Person under the Share Option Scheme and other schemes of the Company or any of its subsidiaries (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Company's Shares in issue.

The exercise price per Share subject to the options granted under the Share Option Scheme shall be determined by the Board but shall be not less than the greater of:

(a) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheet on the date, which must be a business day, of the written offer of the option (the "**Offer Date**");

(b) the average closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheet for the five business days immediately preceding the Offer Date; and

(c) the nominal value of the Shares.

In the event of a capitalization issue, rights issue, sub-division or consolidation of the Shares or reduction of the capital of the Company whilst any option remains exercisable, the Company shall make such corresponding adjustments to the exercise price per Share for the outstanding options.

An option may be exercised at any time during a period to be notified by the Board to each grantee, such period not to exceed 10 years from the Offer Date of the relevant option. Options granted under the Share Option Scheme will have 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 subject to any early vesting of options described in the following paragraphs:

(1) Rights on a general Offer

If a general offer (whether by way of take-over offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to the Company's shareholders, the Company shall use its best endeavours to procure that such offer is extended to all the grantees (on the same terms mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of the Company). If such offer, having been approved in accordance with applicable laws and regulatory requirements becomes, or is declared unconditional, the grantee shall be entitled to exercise the option in full (to the extent not already exercised) within 14 days after the date on which such general offer becomes or declared unconditional.

(2) Rights on schemes of compromise or arrangement

If, pursuant to the Companies Ordinance, a compromise or arrangement between the Company and its shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all grantees on the same date as it despatches to each shareholder or creditor of the Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee shall be entitled to exercise all or any of his/her options in whole or in part prior to 12:00 noon on the day immediately preceding the date of the meeting directed to be convened by the court for the purposes of considering such compromise or arrangement. With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine.

(3) Rights on a voluntary winding-up

In the event of an effective resolution being passed for the voluntary winding-up of the Company or an order of the court is made for the winding-up of the Company, the Company shall give notice thereof ("**winding-up notice**") to all grantees on the same day as such resolution is passed or order is made. The grantee may by notice in writing to the Company within 21 days after the date of the winding-up notice elect to be treated as if the option (to the extent not already exercised) had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in the grantee's notice, such notice to be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which notice is given, whereupon the grantee will be entitled to receive out of the assets available in the liquidation pari passu with the Company's shareholders such sum as would have been received in respect of the Shares the subject of such election.

Unless otherwise terminated by the Board or the shareholders of the Company in general meeting in accordance with the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from 24 August, 2004.

Other than disclosed above, pursuant to the international underwriting agreement dated 8 October, 2004, the Company has granted options (the "**Over-allotment Options**") to the international underwriters exercisable by Merrill Lynch Far East Limited on behalf of the international underwriters from the date of the international underwriting agreement until 30 days after the last day of lodging of applications for the subscription of Shares by the public in Hong Kong in the IPO of the Company, to require the Company to allot and issue up to an aggregate of 135,000,000 additional Shares solely to cover over-allocations in the international placing. The exercise price per Share for the Over-allotment Options is the offer price per Share under the IPO of the Company (i.e. HK$2.53). On 19 October, 2004, the Over-allotment Options were fully exercised and, as a result, the Company issued 135,000,000 additional Shares.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December, 2004, save as disclosed below, none of the Directors or the Company's chief executive officer has any interest or short position 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, Chapter 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 Companies.

Name	Capacity	Name of company in which interests are held	Date of grant	Number of underlying Shares in which interested under physically settled equity derivatives	Percentage of issued share capital of the Company (%)	Long/short position
WANG Binghua	Beneficial owner	the Company	18 September, 2004	1,495,400	0.05	Long
LI Xiaolin	Beneficial owner	the Company	18 September, 2004	1,661,500	0.05	Long
HU Jiandong	Beneficial owner	the Company	18 September, 2004	996,900	0.03	Long
GAO Guangfu	Beneficial owner	the Company	18 September, 2004	207,700	0.01	Long

Notes:

(1) The interests of the above Directors in the underlying shares of the Company represent the options granted to them under the Pre-IPO Share Option Scheme by the Company.

(2) None of the above Directors has any interests in the Company's securities (except for interests held under equity derivatives).

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December, 2004, save as disclosed below, no person, not being Directors or the chief executive of the Company, who had, an interest or short position in its Shares or underlying Shares which should be recorded in the register kept under Section 336 of the SFO.

Name	Capacity	Number of Shares in which interested other than under equity derivatives[(3)]	Percentage of issued share capital of the Company (%)	Long/short position
CPDL	Beneficial owner	1,996,500,000	63.68	Long
CPI Holding[(1)]	Interest of a controlled corporation	1,996,500,000	63.68	Long
CPI Group[(2)]	Interest of a controlled corporation	1,996,500,000	63.68	Long

Note:

(1) CPI Holding is the beneficial owner of the entire issued share capital of CPDL and therefore CPI Holding is deemed to be interested in the Shares owned by CPDL for the purposes of the SFO.

(2) CPI Group is the beneficial owner of the entire issued share capital of CPI Holding and therefore CPI Group is deemed to be interested in the Shares owned by CPDL for the purposes of the SFO.

(3) The above shareholders of the Company do not have any interest in the equity derivatives of the Company.

CONTINUING CONNECTED TRANSACTIONS ENTERED INTO BY THE COMPANY

(A) MANAGEMENT AGREEMENT

The Company entered into the Management Agreement dated 1 July, 2004 with CPI Group and CPI Holding in respect of the management of Qinghe Power Plant, Shentou I Power Plant, Guixi Power Plant, Shaxikou Power Plant, Wuhu Shaoda Power Plant and Hongze Power Plant for a term of three years in return for a service fee.

The service fee payable by CPI Group and CPI Holding to the Company under the Management Agreement consists of the following three components:

- costs (including set-up, operational and other recurrent items to be incurred by the Company in managing the power plants) (the "**Management Costs**");
- a premium to cover estimated risks set at 15% of the Management Costs; and
- a profit/loss margin which is an incentive/penalty calculated by reference to the confirmed results of the power plants under management but which shall not exceed 15% of the Management Costs.

The first two components of the service fee are payable monthly in arrears. The profit/loss margin component is payable based on the annual evaluation of performance of the management but no later than 90 days after the end of each year. The service fee (excluding the profit/loss margin component) for the period from 1 July, 2004 to 31 December, 2004 paid to the Company under the Management Agreement amounts to RMB6,884,000.

The service fee (excluding the profit/loss margin component) payable by CPI Group and CPI Holding may be adjusted according to changes in total installed capacity of the power plants under management. In addition, the service fee may be adjusted annually by reference to the following factors:

- the inflation rate of the previous year as published by the National Bureau of Statistics of China;
- the average percentage increase in salaries of the Company's employees as approved by the Board; and
- any change in the scope or nature of the management services.

Upon its expiry, the Management Agreement is renewable with the consent of the parties thereto.

Both CPI Group and CPI Holding are the holding companies of the Company and the transactions under the Management Agreement therefore constitute continuing connected transactions of the Group under the Listing Rules.

(B) LAND LEASE AGREEMENTS

Each of Pingwei Power Plant and Yaomeng Power Plant entered into a land lease agreement with CPI Group on 27 August, 2004 to lease from the CPI Group the land on which they are respectively situated. The land lease agreement with Yaomeng Power Plant was later supplemented on 24 September, 2004. The basic terms of the above two land lease agreements are as follows:

	Area of leased land m^2	Annual rent RMB	Lease commencement date	Lease expiry date
Pingwei land lease agreement	4,438,189	6,980,000	1 August, 2004	16 September, 2019 (being the expiry date of the term of operation of Pingwei Power Plant)
Yaomeng land lease agreement	2,887,772	5,330,000	1 August, 2004	26 August, 2019 (being the expiry date of the term of operation of Yaomeng Power Plant)

CPI Group is the holding company of the Company and the transactions under the above two land lease agreements therefore constitute continuing connected transactions of the Group under the Listing Rules.

The Directors (including the independent non-executive directors) confirm that during the year, the continuing connected transactions under the two land lease agreements set out above and the Management Agreement were carried out in the ordinary course of business of the Group, on normal commercial terms, in accordance with the relevant agreement governing them on terms that were fair and reasonable and in the interests of the Company and its shareholders as a whole.

The auditors of the Company have reviewed the relevant transactions, and have confirmed in a letter to the Directors stating that:

i) the transactions have been approved by the Board of Directors of the Company;

ii) the details of the transactions were entered into in accordance with the terms of the relevant agreements governing such transactions; and

iii) the transactions have not exceeded the relevant upper limits applicable to such transactions agreed to The Stock Exchange of Hong Kong Limited.

The Company has obtained from the Hong Kong Stock Exchange waiver from strict compliance with the announcement requirements set out in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the above transactions which is valid until 31 December, 2006. The Company has complied with the other relevant requirements in accordance with Chapter 14A of the Listing Rules.

Save as disclosed above, no contracts of significance to which any of the Company, its subsidiaries, its holding companies or its fellow subsidiaries was a party and in which a Director had a material interest, either directly or indirectly, were subsisting during or at the end of the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Except that the Company issued and sold 1,035,000,000 new Shares under its IPO, neither the Company nor its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December, 2004, the aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 93% of the Group's total purchases and purchases attributable to the Group's largest supplier accounted for approximately 51.6% of the Group's total purchases.

For the year ended 31 December, 2004, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 100% of the Group's total turnover and turnover attributable to the Group's largest customer accounted for approximately 58.6% of the Group's total turnover.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

Throughout the period between the date of the listing of the Shares and 31 December, 2004, the Company had been complying with the Code of Best Practice as set out in Appendix 14 of the Listing Rules as effective during the said period.

AUDIT COMMITTEE

The Company established the Audit Committee on 24 August, 2004 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Code of Best Practice set out in Appendix 14 of the Listing Rules being effective as at 31 December, 2004. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Company.

The Audit Committee comprises three members, namely, Kwong Che Keung, Gordon, Li Fang and Tsui Yiu Wa, Alec, all of which are independent non-executive Directors. This Committee is chaired by Kwong Che Keung, Gordon.

AUDITORS

The Accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
China Power International Development Limited

LI Xiaolin
Vice-Chairman and Chief Executive Officer

Hong Kong, 14 March, 2005

PRICEWATERHOUSECOOPERS

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Central Hong Kong
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TO THE SHAREHOLDERS OF
CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the accounts on pages 55 to 91 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of Directors and auditors

The Hong Kong Companies Ordinance requires the Directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 14 March 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2004

	Note	2004 RMB'000	2003 RMB'000
Turnover	4	**3,352,001**	2,915,382
Other revenues	4	**21,873**	3,335
Fuel costs		**(1,825,875)**	(1,315,620)
Depreciation		**(325,641)**	(373,758)
Staff costs	8	**(252,543)**	(226,892)
Repairs and maintenance		**(141,559)**	(156,158)
Consumables		**(51,321)**	(63,842)
Other operating expenses, net		**(161,413)**	(178,845)
Operating profit	5	**615,522**	603,602
Finance costs	6	**(77,285)**	(85,038)
		538,237	518,564
Share of results of an associated company		**163,604**	136,418
Profit before taxation		**701,841**	654,982
Taxation	7	**(59,212)**	(49,826)
Profit after taxation		**642,629**	605,156
Minority interests		**574**	—
Profit attributable to shareholders/owner	9	**643,203**	605,156
Dividend/profit distributions	10	**(460,308)**	(385,012)
Basic earnings per share	11	**RMB0.28**	RMB0.29
Diluted earnings per share	11	**RMB0.28**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2004

	Note	2004 RMB'000	2003 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**3,526,136**	3,495,789
Prepayment for construction of power plants		**614,126**	—
Interest in an associated company	15	**849,539**	848,095
Deferred tax assets	24	**13,795**	17,619
		5,003,596	4,361,503
Current assets			
Inventories	16	**114,512**	97,852
Accounts receivable	17	**644,183**	461,036
Prepayments, deposits and other receivables		**174,893**	22,571
Amount due from an intermediate holding company	18	**15,352**	185,852
Dividends receivable from an associated company		**32,861**	—
Cash and bank balances	19	**3,064,224**	121,720
		4,046,025	889,031
Current liabilities			
Accounts payable	20	**237,218**	132,033
Other payables and accrued charges	21	**328,824**	252,823
Amount due to ultimate holding company	22	**5,129**	42,996
Current portion of long-term bank borrowings	23	**261,000**	265,000
Short-term bank borrowings	23	**592,676**	45,000
Profit distributions payable to an intermediate holding company		**212,169**	—
Taxation payable		**31,601**	16,498
		1,668,617	754,350
Net current assets		**2,377,408**	134,681
Total assets less current liabilities		**7,381,004**	4,496,184
Non-current liabilities			
Long-term bank borrowings	23	**1,153,000**	1,093,000
Minority interests		**2,726**	—
NET ASSETS		**6,225,278**	3,403,184
Financed by:			
Share capital	25	**3,323,100**	2,226,000
Reserves	26	**2,902,178**	1,177,184
Shareholders' funds		**6,225,278**	3,403,184

Li Xiaolin
Director

Hu Jiandong
Director

As at 31 December 2004

	Note	2004 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	13	**80**
Investments in subsidiaries	14	**1,761,293**
Interest in an associated company	15	**552,500**
		2,313,873
Current assets		
Prepayments, deposits and other receivables		**1,219**
Amount due from an intermediate holding company	18	**15,352**
Dividends receivable		**145,715**
Cash and bank balances		**2,551,685**
		2,713,971
Current liabilities		
Other payables and accrued charges	21	**45,469**
Net current assets		**2,668,502**
NET ASSETS		**4,982,375**
Financed by:		
Share capital	25	**3,323,100**
Reserves	26	**1,659,275**
Shareholders' funds		**4,982,375**

Li Xiaolin
Director

Hu Jiandong
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2004

	Note	2004 RMB'000	2003 RMB'000
Operating activities			
Net cash inflow generated from operations	27(a)	**905,798**	806,878
Interest paid		**(89,876)**	(85,038)
PRC income tax paid		**(21,066)**	(29,751)
Net cash inflow from operating activities		**794,856**	692,089
Investing activities			
Purchase of property, plant and equipment		**(366,878)**	(110,117)
Prepayment for construction of power plants		**(614,126)**	—
Proceeds from disposal of property, plant and equipment		**2,150**	88
Cost incurred for disposal of property, plant and equipment		**(169)**	(773)
Interest received		**12,135**	905
Net cash outflow from investing activities		**(966,888)**	(109,897)
Financing activities			
New bank loans	27(b)	**1,574,676**	130,000
Repayment of bank loans	27(b)	**(971,000)**	(190,000)
Profit distributions to owner		**(165,061)**	(408,669)
Contribution from owner		**67,895**	—
Contributions from minority shareholders of a subsidiary	27(b)	**3,300**	—
Issuance of new shares		**2,775,663**	—
Share issuance expenses		**(170,937)**	—
Net cash inflow/(outflow) from financing activities		**3,114,536**	(468,669)
Increase in cash and cash equivalents		**2,942,504**	113,523
Cash and cash equivalents at 1 January		**121,720**	8,197
Cash and cash equivalents at 31 December		**3,064,224**	121,720
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		**3,064,224**	121,720

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2004

	Note	**2004**	2003
		RMB'000	RMB'000
Total equity, at 1 January		**3,403,184**	3,293,573
Contribution from owner	26	**67,895**	—
Issue of shares for Global Offering	25(a)	**1,097,100**	—
Share premium on issue of shares	26	**1,678,563**	—
Share issuance expenses	26	**(170,937)**	—
Revaluation surplus of property, plant and equipment	26	**—**	22,305
Profit for the year	26	**643,203**	605,156
Profit distributions to then owner of the Group	10	**(377,230)**	(385,012)
Profit distributions of an associated company	26	**(116,500)**	(132,838)
Total equity, at 31 December		**6,225,278**	3,403,184

1 Group Reorganisation and basis of preparation

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.

Pursuant to a group reorganisation, which was completed on 1 September 2004 (the "**Reorganisation**"), in the preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company became the holding company of the companies now comprising the Group. The Company's shares were listed on the Stock Exchange on 15 October 2004.

The Reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation are regarded as a continuing group. Accordingly, the consolidated accounts of the Group for the year ended 31 December 2004 have been prepared using the merger basis of accounting as if the Company had been the holding company of the Group from the beginning of the earliest period presented.

As the Company was only incorporated on 24 March 2004, there are no comparative figures in the Company's balance sheet as at 31 December 2003.

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, except that, as disclosed in the accounting policies below, certain property, plant and equipment are stated at revalued amount less subsequent accumulated depreciation and accumulated impairment losses.

2 Impact of recently issued Hong Kong Financial Reporting Standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("**new HKFRSs**") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3 Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December.

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the board of Directors, controls more than half of the voting power or holds more than half of the issued share capital.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3 Principal accounting policies *(Continued)*

(a) Group accounting *(Continued)*

(ii) Associated company

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of the associated company for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated company.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

In the Company's balance sheet the investment in an associated company is stated at cost less provision for impairment losses. The results of the associated company are accounted for by the Company on the basis of dividends received and receivable.

(iii) Translation of foreign currencies

The Company maintains its books and records in Hong Kong Dollar ("**HK$**") while all other companies now comprising the Group and the associated company maintain their books and records in Renminbi ("**RMB**"). Transactions denominated in currencies other than RMB are translated into RMB at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in currencies other than RMB at the balance sheet date are translated into RMB at rates of exchange ruling at the balance sheet date. Gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in currencies other than RMB are recognised in the profit and loss account.

The balance sheet of the Company expressed in HK$ is translated at the rate of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

3 Principal accounting policies *(Continued)*

(b) Property, plant and equipment

Property, plant and equipment other than construction in progress (see note (c) below) are recognised initially at cost which comprises purchase price, costs transferred from construction in progress and any directly attributable costs of bringing the assets to the condition for their intended use.

Subsequent to the initial recognition, property, plant and equipment other than construction in progress are stated at revalued amount less subsequent accumulated depreciation and accumulated impairment losses. Independent valuations, on a market value basis or depreciated replacement cost basis when there is no evidence of market value for such an item, are performed on a regular basis with an interval of not more than five years. In the intervening years, the Directors review the carrying values of the assets and adjustment is made where they consider that there has been a material change. Increases in valuation are credited to the revaluation reserve; decreases in valuation are first offset against increases from earlier valuations in respect of the same asset and are thereafter charged to the profit and loss account. Any subsequent increases are credited to the profit and loss account up to the amount previously charged. Upon the disposal of the assets, any revaluation reserve balance remaining attributable to the relevant asset is transferred from the revaluation reserve to retained earnings and is shown as a movement in reserves.

Depreciation is calculated on a straight-line basis to write-off the cost or revalued amount of each asset less accumulated impairment losses over its estimated useful life, taking into account its estimated residual value. The estimated useful lives are as follows:

Buildings	8-45 years
Power generators and equipment	9-28 years
Electricity supply equipment	13-30 years
Tools, office and other equipment	3-18 years
Motor vehicles	2-12 years
Furniture and fixtures	3-5 years

Expenditure incurred after the property, plant and equipment have been put into operation, such as repair and maintenance and overhaul costs, to restore its normal working condition is charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that property, plant and equipment are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

3 Principal accounting policies *(Continued)*

(c) Construction in progress

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the costs of plant and machinery and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing, if any. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in Note 3 (b) above.

(d) Inventories

Inventories comprise coal, oil, consumable supplies and spare parts held for consumption and usage and are stated at the lower of weighted average cost or net realisable value after provision for obsolete items, and are expensed to fuel costs or repair and maintenance expense when used, or capitalised to property, plant and equipment when installed, as appropriate. Cost comprises purchase price and other costs incurred in bringing the inventories to their present location and condition.

(e) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(f) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks with a maturity of three months or less from date of investment.

(g) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

3 Principal accounting policies *(Continued)*

(h) Employee benefits

(i) Pension obligations

The Group's contributions to the Mandatory Provident Fund Scheme established under the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed as incurred. Both the Group and its employees in Hong Kong are required to contribute 5% of each individual's relevant income with a maximum amount of HK$1,000 per month as a mandatory contribution. Employees may also elect to contribute more than the minimum as a voluntary contribution. The assets of the scheme are held separately from those of the Group and managed by independent professional fund managers.

For employees in Mainland China, the Group contributes on a monthly basis to various defined contribution plans organised by the relevant municipal and provincial governments in the People's Republic of China (the "**PRC**") based on 20% of the relevant employees' monthly salaries and wages. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(ii) Equity compensation benefits

Share options are granted to certain Directors and employees as an incentive. The financial impact of share options granted under the relevant share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or lapsed, are removed from the register of outstanding options.

(i) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associated company, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

3 Principal accounting policies *(Continued)*

(j) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made or received under operating leases are charged or credited to the profit and loss account on a straight-line basis over the lease periods.

(k) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(l) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(m) Revenue recognition

Sales of electricity are recognised when electricity is generated and transmitted to the power grids operated by the respective provincial power grid companies.

Management fee income is recognised when services are rendered.

Operating lease rental income is recognised on a straight-line basis over the lease periods.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

4 Turnover, revenues and segment information

The Group is principally engaged in the generation and sale of electricity, and the development of power plants. Revenues recognised during the year are as follows:

	2004 RMB'000	2003 RMB'000
Turnover		
Sales of electricity	**3,352,001**	2,915,382
Other revenues		
Management fee income (Note 29)	**6,884**	—
Rental income	**2,854**	2,430
Interest income on bank deposits	**12,135**	905
	21,873	3,335
Total revenues	**3,373,874**	2,918,717

Pursuant to the power purchase agreements entered into between the Group and the respective provincial power grid companies, all the Group's sales of electric power were made to these power grid companies. The tariff rates are to be agreed with the respective power grid companies, subject to the approval of the relevant government authorities.

Segment information

The Group's principal activities are the generation and sale of electricity, and the development of power plants as a single business segment. Substantially all of the Group's assets, liabilities and capital expenditure are located or utilised in the PRC. Accordingly, no segment information is presented.

5 Operating profit

Operating profit is stated after charging/(crediting) the following:

	2004 **RMB'000**	2003 RMB'000
Auditors' remuneration	**2,996**	502
Depreciation of property, plant and equipment	**325,641**	373,758
Staff costs excluding Directors' emoluments (Note 8)	**252,543**	226,892
Loss on disposal of property, plant and equipment	**1,431**	12,354
Operating lease rental in respect of		
- equipment	**3,394**	3,015
- leasehold land and buildings	**6,443**	—
Provision for inventory obsolescence	**—**	7,808
Provision for other receivables	**4,765**	9,551
Write-off of property, plant and equipment	**7,478**	2,007
Write-off of pre-operating expenses	**13,555**	—
Write-back of provision for other receivables	**(4,393)**	—
Write-back of other payables	**(8,870)**	—
Write-back of previous revaluation deficits of property, plant and equipment	**—**	(27,947)

6 Finance costs

	2004 **RMB'000**	2003 RMB'000
Interest expense on		
bank loans wholly repayable within five years	**49,960**	42,241
bank loans not wholly repayable within five years	**39,916**	42,797
	89,876	85,038
Less: Amounts capitalised in property, plant and equipment	**(12,591)**	—
	77,285	85,038

Amounts capitalised are borrowing costs related to funds borrowed specifically for the purpose of obtaining qualifying assets. Interest rate on such capitalised borrowings is approximately 4.9% per annum.

7 Taxation

No Hong Kong profits tax has been provided as the Group did not have any assessable profit in Hong Kong for the year (2003: Nil).

The provision for PRC current income tax is calculated based on the statutory tax rate of 33% of the assessable income for the year except as disclosed below.

The amount of taxation charged to the consolidated profit and loss account represents:

	2004 RMB'000	2003 RMB'000
PRC current income tax	**42,589**	38,021
Deferred taxation (Note 24)	**3,824**	(911)
	46,413	37,110
Share of taxation attributable to the associated company	**12,799**	12,716
	59,212	49,826

Pursuant to the relevant PRC income tax rules and regulations, a special income tax rate of 15% has been granted to certain subsidiaries of the Group and the associated company as being foreign invested enterprises which are engaged in the energy, transportation or infrastructure activities. In addition, being sino-foreign joint venture enterprises historically and as approved by the respective local tax bureaus, these companies are entitled to a two-year exemption from income tax starting from their first profit-making year and followed by a 50% reduction in income tax for the subsequent three years.

These companies were established towards the end of 1999 and have been exempted from income tax in 2000 and 2001. After the two-year tax exemption period, these companies are subjected to a reduced tax rate of 7.5% for the years ended 31 December 2002, 2003 and 2004.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the country where the Group principally operates as follows:

	2004 RMB'000	2003 RMB'000
Profit before taxation	**701,841**	654,982
Calculated at the PRC statutory tax rate of 33% (2003 : 33%)	**231,608**	216,144
Effect of different taxation rates	**(1,068)**	—
Effect of preferential tax rate	**(128,592)**	(117,896)
Effect of tax holiday	**(53,579)**	(49,125)
Income not subject to taxation	**(9,212)**	(10,545)
Expenses not deductible for taxation purposes	**20,055**	11,248
Taxation charge	**59,212**	49,826

8 Staff costs

	2004 RMB'000	2003 RMB'000
Wages, salaries and bonuses	**138,496**	129,873
Contributions to pension plans	**38,646**	30,272
Staff welfare	**75,401**	66,747
	252,543	226,892

9 Profit attributable to shareholders

Profit attributable to shareholders is dealt with in the accounts of the Company to the extent of RMB151,649,000 (2003:Nil).

10 Dividend/profit distributions

	2004 RMB'000	2003 RMB'000
Profit distributions (note (i))	**377,230**	385,012
Final dividend, proposed, HK$0.025 (equivalent to RMB0.0265) per share (note (ii))	**83,078**	—
	460,308	385,012

Note:

(i) The profit distributions disclosed for the year ended 31 December 2004 represent dividends from certain subsidiaries of the Group in connection with their profits for the period from 1 January 2004 to 30 September 2004 attributed to China Power International Holding Limited ("**CPI Holding**"), an intermediate holding company of the Company, pursuant to the Reorganisation Agreement.

The profit distributions disclosed for the year ended 31 December 2003 represent dividends declared by the relevant subsidiaries of the Group to their then owner prior to the completion of the Reorganisation of the Group.

The rates of dividend and the number of shares ranking for dividends are not presented for those profit distributions as such information is not meaningful.

(ii) At a meeting held on 14 March 2005, the Directors proposed a final dividend of HK$0.025 per share (equivalent to RMB0.0265 per share). This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2005.

11 Earnings per share

The calculation of basic and diluted earnings per share for the year are based on the Group's profit for the year of RMB643,203,000. The basic earnings per share is based on the weighted average of 2,315,901,639 shares in issue during the year and the diluted earnings per share is based on 2,315,901,639 shares which is the weighted average number of shares in issue during the year plus the weighted average number of 704,231 shares deemed to be issued at no consideration if all outstanding options had been exercised.

The calculation of basic earnings per share for 2003 is based on the Group's profit for the year of RMB605,156,000 and the weighted average number of 2,100,000,000 shares.

12 Emoluments for Directors and five highest paid individuals

(a) Directors' emoluments

Details of emoluments paid and payable to the Directors of the Company in respect of their services rendered for managing the business of the Group during the year are as follows:

	2004 **RMB'000**	2003 RMB'000
Fees:		
Executive Directors	**—**	—
Non-executive Directors	**276**	—
Independent non-executive Directors	**413**	—
	689	—
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind	**959**	994
Discretionary bonuses	**827**	543
Contributions to pension schemes	**20**	103
	1,806	1,640
	2,495	1,640

None of the Directors of the Company waived any emoluments during the years ended 31 December 2003 and 2004.

12 Emoluments for Directors and five highest paid individuals *(Continued)*

(a) Directors' emoluments *(Continued)*

The emoluments of the Directors of the Company fell within the following band:

	Number of Directors	
	2004	2003
Nil to RMB1,060,000 (equivalent to HK$1,000,000)	**7**	7

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 4 (2003: 4) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 1 (2003: 1) individual during the year are as follows:

	2004	2003
	RMB'000	RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	**795**	237
Discretionary bounses	**127**	—
Contributions to pension schemes	**8**	20
	930	257

The emoluments fell within the following band:

	Number of Individual	
	2004	2003
Nil to RMB1,060,000 (equivalent to HK$1,000,000)	**1**	1

(c) During the year, no emoluments have been paid by the Group to the Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13 Property, plant and equipment

(a) Group

	Buildings RMB'000	Power generators and equipment RMB'000	Electricity supply equipment RMB'000	Tools and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost or valuation							
As at 1 January 2004	2,076,286	5,111,585	1,181,946	332,901	100,762	182,739	8,986,219
Additions	29	185	76	7,104	3,958	355,526	366,878
Disposals	(290)	(18,427)	(87)	(5,092)	(284)	—	(24,180)
Write-off	(2,549)	(222,242)	(22,216)	(13,955)	(1,061)	—	(262,023)
Transfers	64,659	20,967	6,384	5,213	34	(97,257)	—
As at 31 December 2004	2,138,135	4,892,068	1,166,103	326,171	103,409	441,008	9,066,894
Representing:							
Cost	64,688	21,152	6,460	12,317	3,992	441,008	549,617
Valuation	2,073,447	4,870,916	1,159,643	313,854	99,417	—	8,517,277
	2,138,135	4,892,068	1,166,103	326,171	103,409	441,008	9,066,894
Accumulated depreciation and impairment losses							
As at 1 January 2004	996,315	3,386,797	844,663	189,557	73,098	—	5,490,430
Depreciation charge for the year	60,362	190,535	43,516	26,532	4,696	—	325,641
Disposals	(1)	(16,108)	(74)	(4,431)	(154)	—	(20,768)
Write-off	(2,402)	(216,152)	(21,502)	(13,493)	(996)	—	(254,545)
As at 31 December 2004	1,054,274	3,345,072	866,603	198,165	76,644	—	5,540,758
Net book value							
As at 31 December 2004	1,083,861	1,546,996	299,500	128,006	26,765	441,008	3,526,136
As at 31 December 2003	1,079,971	1,724,788	337,283	143,344	27,664	182,739	3,495,789
Had the property, plant and equipment been carried at cost less accumulated depreciation and impairment losses, the carrying amounts would have been:							
As at 31 December 2004							
Cost	2,408,495	5,352,932	1,364,399	407,471	109,067	441,008	10,083,372
Accumulated depreciation and impairment losses	(1,206,432)	(3,438,561)	(784,553)	(287,457)	(79,547)	—	(5,796,550)
	1,202,063	1,914,371	579,846	120,014	29,520	441,008	4,286,822
As at 31 December 2003							
Cost	2,356,058	5,655,740	1,392,856	427,450	111,047	182,739	10,125,890
Accumulated depreciation and impairment losses	(1,156,362)	(3,497,093)	(756,049)	(293,545)	(78,198)	—	(5,781,247)
	1,199,696	2,158,647	636,807	133,905	32,849	182,739	4,344,643

13 Property, plant and equipment *(Continued)*

(b) Company

	Office and other equipment RMB'000	Furniture and fixture RMB'000	Total RMB'000
Cost			
Upon incorporation on 24 March 2004	—	—	—
Additions	28	56	84
As at 31 December 2004	28	56	84
Accumulated depreciation and impairment losses			
Upon incorporation on 24 March 2004	—	—	—
Depreciation charge for the period	2	2	4
As at 31 December 2004	2	2	4
Net book value			
As at 31 December 2004	26	54	80

(c) Property, plant and equipment of the Group other than construction in progress are recognised initially at cost and are stated at revalued amount less subsequent accumulated depreciation and accumulated impairment losses. The latest independent valuation was performed by 北京中企華資產評估有限責任公司 (Beijing China Enterprise Appraisals Co., Ltd.) and 中發國際評估有限公司 (DeveChina International Appraisals Co., Ltd.), independent valuers registered in the PRC, on a depreciated replacement cost basis as of 31 December 2003.

The Directors of the Company have reviewed the carrying value of the Group's property, plant and equipment as at 31 December 2004 and are of the opinion that the carrying amount is not materially different from the fair value.

(d) The Group's buildings are situated on leasehold land in the PRC leased from China Power Investment Corporation (中國電力投資集團) ("**CPI Group**" or the "**ultimate holding company**") which held the rights on the leasehold land under long-term leases.

14 Investments in subsidiaries

	Company 2004 RMB'000
Unlisted investments, at cost	**1,761,293**

The following is a list of the subsidiaries as at 31 December 2004:

Name of companies	Place of establishment and operation/date of establishment	Registered/ paid up capital	Equity interest attributable to the Group	Type of legal entity	Principal activities
Subsidiaries - interests held directly:					
Pingdingshan Yaomeng Power Generating Company Limited	PRC 27th August 1999	RMB986,000,000/ RMB986,000,000	100%	Wholly foreign-owned enterprise	Generation and sale of electricity
Anhui Huainan Pingwei Electric Power Generating Company Limited	PRC 17th September 1999	RMB970,000,000/ RMB970,000,000	100%	Wholly foreign-owned enterprise	Generation and sale of electricity
Huainan Pingwei No.2 Electric Power Generating Company Limited	PRC 17th November 2003	USD12,000,000/ USD8,400,000	100%	Wholly foreign-owned enterprise	Development of power plants
Pingdingshan Yaomeng No.2 Power Generating Company Limited	PRC 28th November 2003	USD20,000,000/ USD7,200,000	100%	Wholly foreign-owned enterprise	Development of power plants
Huanggang Dabieshan Power Generating Company Limited	PRC 17th December 2003	RMB30,000,000/ RMB30,000,000	89%	Sino-foreign equity joint venture	Development of power plants

15 Interest in an associated company

	Group		Company
	2004	2003	**2004**
	RMB'000	RMB'000	**RMB'000**
Share of net assets, unlisted at cost	**849,539**	848,095	**—**
Unlisted investment, at cost	**—**	—	**552,500**
	849,539	848,095	**552,500**

The following is the details of the associated company as at 31 December 2004:

Name of company	Place of establishment and operation/date of establishment	Registered/ paid up capital	Equity interest attributable to the Group	Type of legal entity	Principal activity
Associated company - interest held directly:					
Jiangsu Changshu Electric Power Generating Company Limited ("Changshu Company")	PRC 15th September 1999	RMB1,105,000,000	50%	Sino-foreign equity joint venture	Generation and sale of electricity

15 Interest in an associated company *(Continued)*

The following is an extract of the operating results and financial position of Changshu Company, based on a set of unaudited management accounts of Changshu Company for the year prepared by management of the Group in accordance with those relevant accounting policies as set out in Note 3.

	2004	2003
	RMB'000	RMB'000
Operating results		
Turnover	**2,102,455**	1,923,887
Profit before taxation	**327,208**	272,836
Profit after taxation	**301,609**	247,404
Financial position		
Property, plant and equipment	**2,311,629**	2,462,237
Current assets	**528,326**	450,436
Current liabilities	**(1,076,072)**	(1,166,713)
Long-term liabilities	**(64,805)**	(49,770)
Net assets	**1,699,078**	1,696,190

16 Inventories

	Group	
	2004	2003
	RMB'000	RMB'000
Coal and oil	**31,622**	23,001
Spare parts and consumables	**82,890**	74,851
	114,512	97,852

As at 31 December 2004, no inventories were stated at net realisable value (2003: Nil).

17 Accounts receivable

	Group	
	2004	2003
	RMB'000	RMB'000
Accounts receivable from provincial power companies (note (a))	**411,494**	365,937
Bills receivable (note (b))	**232,689**	95,099
	644,183	461,036

Note:

(a) The Group normally granted 30 to 60 days credit period to the provincial power companies from the end of the month in which the sales are made. The ageing analysis of the accounts receivable is as follows:

	Group	
	2004	2003
	RMB'000	RMB'000
1 to 3 months	**411,494**	365,937

(b) Bills receivable are normally with maturity period of 90 to 180 days (2003: 30 to 180 days).

18 Amount due from an intermediate holding company

	Group		Company
	2004	2003	**2004**
	RMB'000	RMB'000	**RMB'000**
Amount due from CPI Holding	**15,352**	185,852	**15,352**

The amount due from an intermediate holding company is unsecured, interest free and is repayable on demand.

19 Cash and bank balances

As at 31 December 2004, approximately RMB512,539,000 (2003: RMB121,720,000) of the Group's cash and bank balances were denominated in RMB and placed with banks in Mainland China. The conversion of these RMB denominated balances into foreign currencies and the remittance of these funds out of Mainland China is subjected to the exchange control restrictions imposed by the PRC government.

20 Accounts payable

	Group	
	2004	2003
	RMB'000	RMB'000
Accounts payable	**202,460**	105,336
Due to related companies	**34,758**	26,697
	237,218	132,033

The normal credit period for accounts payable generally ranges from 60 to 180 days. Ageing analysis of accounts payable is as follows:

	Group	
	2004	2003
	RMB'000	RMB'000
1 to 6 months	**188,106**	128,126
7 to 12 months	**24,550**	3,553
Over 1 year	**24,562**	354
	237,218	132,033

Amounts due to related companies mainly represent balances arising from transactions with those companies as detailed in Note 29 below.

21 Other payables and accrued charges

	Group		Company
	2004	2003	**2004**
	RMB'000	RMB'000	**RMB'000**
Interest payable	**21,000**	57,548	**—**
Salaries and staff welfare payable	**82,206**	75,566	**—**
Repair and maintenance expense payable	**26,588**	21,071	**—**
Insurance expense payable	**21,149**	16,819	**—**
Construction cost payable	**38,463**	28,669	**—**
Value added tax payable	**66,731**	36,319	**—**
Accrued share issuance costs	**42,183**	—	**42,183**
Other taxes payable	**5,259**	4,281	**—**
Others	**25,245**	12,550	**3,286**
	328,824	252,823	**45,469**

22 Amount due to ultimate holding company

The amount due to ultimate holding company is unsecured, interest free and is repayable on demand.

23 Bank borrowings

Bank borrowings are analysed as follows:

	Group	
	2004	2003
	RMB'000	RMB'000
Current		
Short-term bank borrowings	**592,676**	45,000
Non-current		
Long-term bank borrowings	**1,414,000**	1,358,000
Less: current portion of long-term bank borrowings	**(261,000)**	(265,000)
	1,153,000	1,093,000

The repayment terms of the non-current bank borrowings are analysed as follows:

	Group	
	2004	2003
	RMB'000	RMB'000
Wholly repayable within five years	**721,000**	615,000
Not wholly repayable within five years	**693,000**	743,000
	1,414,000	1,358,000

23 Bank borrowings *(Continued)*

The Group's non-current bank borrowings were repayable as follows:

	Group	
	2004	2003
	RMB'000	RMB'000
Within one year	**261,000**	265,000
In the second year	**270,000**	405,000
In the third to fifth year	**790,000**	495,000
After the fifth year	**93,000**	193,000
	1,414,000	1,358,000

At 31 December 2004, all bank borrowings are unsecured. Included in non-current borrowings at 31 December 2003 were a bank loan guaranteed by a related company amounted to RMB 55 million. The guarantee was released during 2004.

24 Deferred taxation

Deferred taxation are calculated in full on temporary differences under the liability method using the taxation rate which is expected to apply at the time of reversal of the temporary differences.

The movement on the deferred tax assets account is as follows:

	Group	
	2004	2003
	RMB'000	RMB'000
At 1 January	**17,619**	16,708
Deferred tax (charged)/credited to consolidated profit and loss account (Note 7)	**(3,824)**	911
At 31 December	**13,795**	17,619

24 Deferred taxation *(Continued)*

The deferred tax assets are provided, prior to offsetting of balances within the same tax jurisdiction, in respect of:

	2004	2003
	RMB'000	RMB'000
Provision for other receivables	**9,324**	9,983
Provision for inventories obsolescence	**4,471**	7,636
	13,795	17,619
The amounts shown in the consolidated balance sheet include the following:		
Deferred tax assets to be recovered after more than 12 months	**13,795**	17,619

25 Share Capital

(a) Authorised and issued capital

	Company	
	Number of shares (in thousand)	RMB'000
Authorised:		
Upon incorporation on 24 March 2004 (note (i))	1,000	106
Consolidation of every 10 shares of HK$0.1 each into 1 share of HK$1 each (note (ii))	(900)	—
Increase in authorised share capital (note (ii))	9,999,900	10,599,894
As at 31 December 2004	10,000,000	10,600,000
Issued and fully paid:		
Upon incorporation on 24 March 2004 (note (i))	—	—
Allotted and issued on 24 August 2004 (note (i))	—	—
Consolidation of every 10 shares of HK$0.1 each into 1 share of HK$1 each (note (ii))	—	—
Allotted and issued pursuant to the Reorganisation (note (iii))	2,100,000	2,226,000
Issue of shares for Global Offering (note (iv))	1,035,000	1,097,100
As at 31 December 2004	3,135,000	3,323,100

25 Share Capital *(Continued)*

(a) Authorised and issued capital *(Continued)*

Note:

(i) The Company was incorporated on 24 March 2004 with an authorised capital of 1,000,000 shares of HK$0.1 each. On the date of incorporation, 1 subscriber share of HK$0.1 was issued at par for cash.

On 24 August 2004, nine shares of HK$0.1 each were allotted, issued and credited as fully paid at par by the Company to its immediate holding company. These shares rank pari passu in all respect with the share in issue.

(ii) Pursuant to a resolution passed by the Company on 24 August 2004, the nominal value of the Company's authorised and issued share capital was increased from HK$0.1 each to HK$1 each by the consolidation of every 10 shares of HK$0.1 each into 1 share of HK$1 each. On the same date, the authorised share capital of the Company was increased from 100,000 shares of HK$1 each to 10,000,000,000 shares of HK$1 each by the creation of an additional 9,999,900,000 shares of HK$1 each. These shares rank pari passu in all respects with the then existing shares.

(iii) On 1 September 2004, pursuant to the Reorganisation, the Company allotted and issued 2,099,999,999 shares of HK$1 each to its immediate holding company at par, all of which were credited as fully paid, in consideration for the transfer of the relevant interests in the companies now comprising the Group and the associated company, and became the holding company of the Group. These shares rank pari passu in all respects with the then existing shares.

(iv) On 14 October 2004, the Company completed a global offering of 900,000,000 shares with a par value of HK$1 each at a price of HK$2.53 per share in cash for an aggregate consideration of HK$2,277 million (equivalent to approximately RMB 2,414 million). These shares commenced trading on the Stock Exchange on 15 October 2004. On 21 October 2004, pursuant to the terms of the over-allotment option, the Company issued an additional 135,000,000 shares with a par value of HK$1 each at a price of HK$2.53 per share in cash for an aggregate consideration of HK$342 million (equivalent to approximately RMB 362 million). All these shares rank pari passu in all respects with the then existing shares.

25 Share Capital *(Continued)*

(b) 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) Share Option Scheme

Under the Option Scheme, the Board of Directors of the Company may at its absolute discretion, offer any employees, directors (including executive and non-executive directors other than independent non-executive directors), chief executive and members of the management of the Company and the Group (the "**Eligible Person**") options to subscribe for shares of the Company (the "**Shares**"). Options may be granted without initial payment except the payment of HK$1 as nominal consideration for the grant. The exercise price of the share option shall be not less than the greater of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date, which must be a business day, of the written offer of the option (the "**Offer Date**"); (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the Offer Date; and (c) the nominal value of the Shares.

The maximum number of Shares which may be issued upon the exercise of all options under the Option Scheme which have been granted and have neither lapsed nor been cancelled or exercised in full and all outstanding options granted and yet to be exercised under any other schemes of the Company or any of its subsidiaries (including the Pre-IPO Scheme) shall not exceed such number of Shares as shall represent 30% of the Company's issued share capital from time to time. The maximum number of Shares in respect of which options may be granted to any Eligible Person in any 12-month period shall not exceed 1% of the Shares in issue.

No option was granted by the Company under the Option Scheme since its adoption.

25 Share Capital *(Continued)*

(b) Share Option Schemes *(Continued)*

(ii) Pre-IPO Share Option Scheme

The principal terms of the Pre-IPO Scheme are substantially the same as the terms of the Option Scheme except for the followings:

(a) the subscription price per Share shall be the offer price per Share on the initial public offering of the Company; and

(b) no options will be offered or granted upon the commencement of dealings in the Shares on the Stock Exchange.

During the year, the Company granted options under the Pre-IPO Scheme to certain Directors and employees of the Group, which entitle them to subscribe for a total of 12,234,500 shares at HK$2.53 per share, upon payment of HK$1 per grant. 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.

Details of the options granted under the Pre-IPO Scheme outstanding as at 31 December 2004 are as follows:

	Date of Grant	Exercise price	Number of Shares subject to the options
Directors	18 September 2004	HK$2.53	4,361,500
Senior management	18 September 2004	HK$2.53	4,320,000
Other employees	11 October 2004	HK$2.53	3,553,000
			12,234,500

Consideration in connection with all options granted during the year were received.

No share options were cancelled during the year.

26 Reserves

Group

	Share premium RMB'000	Merger reserve (note (i)) RMB'000	Capital reserve (note (ii)) RMB'000	Revaluation reserve RMB'000	Statutory reserves (note (iii)) RMB'000	Accumulated losses (note (iv)) RMB'000	Total RMB'000
At 1 January 2003	—	282,500	2,293,848	421,457	65,850	(1,996,082)	1,067,573
Revaluation surplus of property, plant and equipment	—	—	—	22,305	—	—	22,305
Profit for the year	—	—	—	—	—	605,156	605,156
Transfer	—	—	—	—	72,122	(72,122)	—
Profit distributions (Note 10)	—	—	—	—	—	(385,012)	(385,012)
Profit distributions of an associated company	—	—	—	—	—	(132,838)	(132,838)
At 31 December 2003	—	282,500	2,293,848	443,762	137,972	(1,980,898)	1,177,184
Company and subsidiaries	—	282,500	1,977,952	443,762	122,344	(1,944,969)	881,589
Associated company	—	—	315,896	—	15,628	(35,929)	295,595
At 31 December 2003	—	282,500	2,293,848	443,762	137,972	(1,980,898)	1,177,184
At 1 January 2004	—	282,500	2,293,848	443,762	137,972	(1,980,898)	1,177,184
Contribution from owner	—	67,895	—	—	—	—	67,895
Premium on issue of shares	1,678,563	—	—	—	—	—	1,678,563
Share issuance expenses	(170,937)	—	—	—	—	—	(170,937)
Profit for the year	—	—	—	—	—	643,203	643,203
Profit distributions (Note 10)	—	—	—	—	—	(377,230)	(377,230)
Profit distributions of an associated company	—	—	—	—	—	(116,500)	(116,500)
At 31 December 2004	1,507,626	350,395	2,293,848	443,762	137,972	(1,831,425)	2,902,178
Company and subsidiaries	1,507,626	350,395	1,977,952	443,762	122,344	(1,796,940)	2,605,139
Associated company	—	—	315,896	—	15,628	(34,485)	297,039
At 31 December 2004	1,507,626	350,395	2,293,848	443,762	137,972	(1,831,425)	2,902,178
Representing:							
Proposed final dividend	—	—	—	—	—	83,078	83,078
Others	1,507,626	350,395	2,293,848	443,762	137,972	(1,914,503)	2,819,100
	1,507,626	350,395	2,293,848	443,762	137,972	(1,831,425)	2,902,178

26 Reserves *(Continued)*

Company

	Share premium RMB'000	Retained earnings RMB'000	Total RMB'000
Upon incorporation on 24 March 2004	—	—	—
Premium on issue of shares	1,678,563	—	1,678,563
Share issuance expenses	(170,937)	—	(170,937)
Profit for the period	—	151,649	151,649
At 31 December 2004	1,507,626	151,649	1,659,275

Note:

(i) Merger reserve

The merger reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the registered capital of the subsidiaries transferred to the Company pursuant to the Reorganisation.

(ii) Capital reserve

Capital reserve represents the difference between the fair value of the net assets injected by the then owner of the subsidiaries of the Group and the associated company; and the registered capital of these companies upon their establishment.

(iii) Statutory reserves

Statutory reserves are non-distributable and the transfers to these funds are determined by the board of directors of the relevant PRC subsidiaries and associated company in accordance with the relevant laws and regulations in Mainland China.

(iv) Accumulated losses

Accumulated losses retained by the Company and subsidiaries and the associated company mainly represent deficits from revaluation of certain property, plant and equipment of certain subsidiaries and the associated company which have been accounted for in the Group's consolidated profit and loss account in prior years. In the local statutory accounts of the relevant subsidiaries and associated company, revaluation deficits have been dealt with in the respective company's capital reserves in accordance with the relevant local accounting rules and regulations. Profit distributions made by these companies were based on the distributable reserves as reported in the statutory accounts of the respective companies.

27 Notes to the consolidated cash flow statements

(a) Reconciliation of profit before taxation to net cash inflow generated from operations

	2004 RMB'000	2003 RMB'000
Profit before taxation	**701,841**	654,982
Share of results of an associated company	**(163,604)**	(136,418)
Interest expense	**89,876**	85,038
Interest income	**(12,135)**	(905)
Depreciation of property, plant and equipment	**325,641**	373,758
Loss on disposal of property, plant and equipment	**1,431**	12,354
Write-off of property, plant and equipment	**7,478**	2,007
Write-back of previous revaluation deficits of property, plant and equipment	**—**	(27,947)
Operating profit before working capital changes	**950,528**	962,869
(Increase)/decrease in accounts receivable	**(183,147)**	46,043
Increase in prepayments, deposits and other receivables	**(152,322)**	(7,097)
(Increase)/decrease in inventories	**(16,660)**	9,942
Increase in amounts due to related companies	**—**	3,658
Decrease/(increase) in amount due from an intermediate holding company	**170,500**	(185,852)
Increase/(decrease) in accounts payable	**105,185**	(17,414)
Increase/(decrease) in other payables and accrued charges	**69,581**	(5,271)
Decrease in amount due to ultimate holding company	**(37,867)**	—
Net cash inflow generated from operations	**905,798**	806,878

27 Notes to the consolidated cash flow statements *(Continued)*

(b) Analysis of changes in financing during the year:

	Long-term and short-term bank loans RMB'000	**Minority interests** RMB'000
Balance at 1 January 2003	1,463,000	—
New bank loans	130,000	—
Repayment of bank loans	(190,000)	—
Balance at 31 December 2003	1,403,000	—
New bank loans	1,574,676	—
Repayment of bank loans	(971,000)	—
Contributions from minority shareholders of a subsidiary	—	3,300
Minority shareholders' share of loss for the year	—	(574)
Balance at 31 December 2004	2,006,676	2,726

28 Commitments

(a) Capital commitments

	Group		**Company**
	2004	2003	**2004**
	RMB'000	RMB'000	**RMB'000**
Authorised but not contracted for in respect of			
—property, plant and equipment	**6,894**	67,045	**—**
Contracted but not provided for in respect of			
—property, plant and equipment	**4,678,114**	135,010	**—**
—investments in subsidiaries	**—**	—	**135,595**
	4,685,008	202,055	**135,595**

28 Commitments *(Continued)*

(b) Commitments under operating leases

Future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company
	2004	2003	**2004**
	RMB'000	RMB'000	**RMB'000**
Land and buildings			
Not later than one year	**15,066**	—	**2,677**
Later than one year and not later than five years	**26,870**	—	**14,560**
	41,936	—	**17,237**

	Group		Company
	2004	2003	**2004**
	RMB'000	RMB'000	**RMB'000**
Equipment			
Not later than one year	**—**	2,597	**—**
Later than one year and not later than five years	**—**	79	**—**
	—	2,676	**—**

(c) Future operating lease arrangements

Future aggregate minimum lease receipts under non-cancellable operating leases in respect of buildings are as follows:

	Group		Company
	2004	2003	**2004**
	RMB'000	RMB'000	**RMB'000**
Not later than one year	**1,930**	71	—
Later than one year and not later than five years	**1,900**	100	—
	3,830	171	—

29 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Significant transactions with related companies which, in the opinion of the Directors, were carried out in the normal course of the Group's business are as follows:

	Note	**2004**	2003
		RMB'000	RMB'000
Revenues:			
Management fee from an intermediate holding company	(i)	**6,884**	—
Expenses:			
Operating lease rental in respect of land to ultimate holding company	(ii)	**5,129**	—
Purchases of fuel, raw materials and spare parts from related companies	(iii)	**198,109**	647,396
Services fees to related companies	(iv)	**99,547**	95,603
Construction costs to related companies	(v)	**17,288**	8,981
Labor costs charged by related companies	(vi)	**1,792**	3,137

The related companies referred to in items (iii) to (vi) above are companies owned by certain individuals who are also employees or operational managers of certain subsidiaries of the Group.

Note:

(i) Management fee from an intermediate holding company in connection with the Group's services rendered for management of certain power plants on behalf of the holding company was charged in accordance with the terms of the relevant agreements.

(ii) Rental expense in respect of certain land leased from ultimate holding company was charged in accordance with the terms of the relevant agreements.

(iii) Purchases of goods were charged in accordance with the terms of the relevant agreements.

(iv) Services fees mainly related to repair and maintenance services and transportation services which were carried out at mutually agreed prices.

(v) Construction costs were payable in accordance with the terms of contracts.

(vi) Labor costs were charged on a cost reimbursement basis.

Items (i) and (ii) also constitute connected transactions as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

30 Ultimate holding company

The Directors regard China Power Investment Corporation, a company established in the PRC, as being the ultimate holding company.

31 Approval of accounts

The accounts were approved by the board of Directors on 14 March 2005.

	2004	2003	2002	2001
Consolidated profit and loss account (RMB million)				
Turnover	**3,352.0**	2,915.4	2,581.6	2,434.6
Profit before taxation	**701.8**	655.0	564.9	402.8
Taxation (charges)/credit	**(59.2)**	(49.8)	(38.9)	2.8
Profit after taxation	**642.6**	605.2	526.0	405.6
Minority interests	**0.6**	—	—	—
Net profit	**643.2**	605.2	526.0	405.6
Consolidated balance sheet (RMB million)				
Total assets	**9,049.6**	5,250.5	5,248.1	5,043.7
Total liabilities	**2,821.6**	1,847.4	1,954.5	1,822.7
Minority interests	**2.7**	—	—	—
Shareholders'/owner's equity	**6,225.3**	3,403.2	3,293.6	3,221.0
Total installed capacity (MW)	**3,610**	3,610	3,610	3,570
Attributable installed capacity (MW)	**3,010**	3,010	3,010	2,970
Consolidated installed capacity (MW)	**2,410**	2,410	2,410	2,370
Gross generation (MWh)	**15,703,628**	14,850,874	13,519,558	12,746,916
Net generation (MWh)	**14,736,981**	13,928,806	12,617,695	11,942,647
Average utilization hours	**6,516**	6,162	5,609	5,378
Equivalent availability factor (%)	**87.2**	89.1	87.2	91.3
Net generation standard coal consumption rate (grams/kWh)	**342.3**	342.2	345.7	347.9

Note: The Company was incorporated and registered in Hong Kong on 24 March 2004 and became the holding company of the Group as a result of a group reorganisation on 1 September 2004. The summary has been presented on the basis that the Company had been the holding company of the Group from the beginning of the earliest period presented.

"auxiliary power"	electricity consumed by a power plant in the course of generation.
"average utilization hours"	for a specified period, the amount of electricity produced in such period (in MWh) divided by the average capacity in such period.
"Changshu Power Plant"	江蘇常熟發電有限公司 (Jiangsu Changshu Electric Power Generating Company Limited*).
"CPDL"	China Power Development Limited (中國電力發展有限公司*).
"CPI Group"	中國電力投資集團公司 (China Power Investment Corporation*).
"CPI Holding"	中國電力國際有限公司 (China Power International Holding Limited).
"equivalent availability factor"	for a specified period, the ratio (usually expressed as a percentage) of the number of available hours in that period (reduced, in the case of hours in which the attainable generating capacity of such plant is less than the installed capacity, by the proportion of installed capacity not so attainable) to the total number of hours in that period.
"gross generation"	for a specified period, the total amount of electrical power produced by a power plant in that period including auxiliary power.
"Guixi Power Plant"	江西貴溪火力發電廠 (Jiangxi Guixi Coal-Fired Power Plant*).
"GW"	gigawatt. One million kilowatts.
"GWh"	gigawatt-hour. One million kilowatt-hours. GWh is typically used as a measure for the annual energy production of large power plants.
"Hongze Power Plant"	中電洪澤熱電有限公司 (Zhongdian Hongze Thermal Company Limited*).
"Huanggang Dabieshan Power Plant"	黃岡大別山發電有限責任公司 (Huanggang Dabieshan Power Generating Company Limited*).
"installed capacity"	the manufacturers' rated power output of a generating unit or a power plant, usually denominated in MW.
"kWh"	kilowatt-hour. The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour.

* *For identification purposes only*

"MW"	megawatt. One million watts. The installed capacity of power plants is generally expressed in MW.
"MWh"	megawatt-hour. One thousand kWh.
"Pingwei Power Plant"	安徽淮南平圩發電有限責任公司 (Anhui Huainan Pingwei Electric Power Generating Company Limited*).
"Pingwei Power Plant II"	淮南平圩第二發電有限責任公司 (Huainan Pingwei No.2 Electric Power Generating Company Limited*).
"Qinghe Power Plant"	遼寧清河發電有限責任公司 (Liaoning Qinghe Electric Power Generating Company Limited*).
"Shanghai Power"	上海電力股份有限公司 (Shanghai Electric Power Co., Ltd.*).
"Wuhu Shaoda Power Plant"	蕪湖兆達電力開發有限公司 (Wuhu Shaoda Power Development Company Limited*).
"Shaxikou Power Plant"	福建沙溪口水力發電廠 (Fujian Shaxikou Hydro-Power Plant*).
"Shentou I Power Plant"	山西神頭第一發電廠 (Shanxi Shentou No.1 Power Plant*).
"standard coal"	coal with an energy content of 7,000 kilocalories per kilogram.
"super-critical"	a thermodynamic expression describing the state of a substance where there is no clear distinction between the liquid and the gaseous phase. Water reaches this state at a pressure above 22.1 megapascals (MPa).
"total output" or "net generation"	the actual amount of electricity sold by a power plant in a particular period of time, which equals gross generation less auxiliary power and losses incurred during the transmission from the power plant to the power grid.
"Yaomeng Power Plant"	平頂山姚孟發電有限責任公司 (Pingdingshan Yaomeng Power Generating Company Limited*).
"Yaomeng Power Plant II"	平頂山姚孟第二發電有限公司 (Pingdingshan Yaomeng No.2 Power Generating Company Limited*).

* *For identification purposes only*

RESULTS

The financial results of the Company for the year ended 31 December, 2004 was published on 14 March, 2005.

ANNUAL REPORTS

The 2004 Annual Report of the Company will be made available on our website www.chinapower.hk on 29 March, 2005 and will be despatched to our shareholders on 30 March, 2005.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Friday, 29 April, 2005 at 10:00 am at Chief Executive Suites II & III, 5/F, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong. For details of the annual general meeting, please refer to the Notice of Annual General Meeting which is expected to be published on or about Wednesday, 30 March, 2005.

The register of members will be closed from Monday, 25 April, 2005 to Friday, 29 April, 2005 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend to be approved at the annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Share Registrar of the Company, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 22 April, 2005.

LISTING

The Company's shares are listed on the Main Board of the Hong Kong Stock Exchange. The stock code is 2380.

SHAREHOLDERS' ENQUIRIES

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

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong
Tel.: (852) 2862 8628
Fax: (852) 2865 0990

USEFUL INFORMATION FOR INVESTORS

For enquiries from investors and analysts, please contact:

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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)

PROXY FORM

Form of proxy for the Annual General Meeting to be held at Chief Executive Suites II & III , 5/F., Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Friday, 29 April 2005 at 10:00 a.m.

I/We[1] ______________________________

of ______________________________

being the registered holder(s) of[2] ______________________________ shares of HK$1.00 each in the issued share capital of China Power International Development Limited (the "Company"), hereby appoint[3] ______________________________

______________ of ______________________________

or failing him, the Chairman of the Meeting, as my/our proxy to attend on my/our behalf at the meeting (and at any adjournment thereof) to vote for me/us in my/our name(s) in respect of the resolutions set out in the notice of the meeting (with or without amendments) as hereunder indicated.

	Ordinary Resolutions	For[4]	Against[4]
1.	To receive and adopt the audited consolidated financial statements and the reports of the Directors and of the Auditors for the year ended 31 December 2004.		
2	To consider and declare a final dividend of HK$ 0.025 per share for the year ended 31 December 2004 as recommended by the Board of Directors.		
3A.	(i) To re-appoint Mr. Wang Binghua as a Director.		
	(ii) To re-appoint Mr. Gao Guangfu as a Director.		
	(iii) To re-appoint Mr. Kwong Che Keung, Gordon as a Director.		
	(iv) To re-appoint Mr. Li Fang as a Director.		
	(v) To re-appoint Mr. Tsui Yiu Wa, Alec as a Director.		
3B.	To authorise the Board of Directors to fix the Directors' remuneration.		
4.	To re-appoint Messrs. PricewaterhouseCoopers as the Auditors of the Company and to authorise the Board of Directors to fix their remuneration.		
5A.	To give a general mandate to the Directors to allot, issue and deal with additional shares not exceeding 20 per cent. of the issued share capital of the Company.		
5B.	To give a general mandate to the Directors to repurchase shares of the Company not exceeding 10 per cent. of the issued share capital of the Company.		
5C.	To extend the general mandate granted to the Directors to allot, issue and deal with additional shares of an amount not exceeding the nominal amount of shares repurchased by the Company.		

Dated this ______________ day of ______________ 2005. Signature(s)[7]: ______________________________

Notes:

1. Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**.
2. Please insert the number of shares of HK$1.00 each in the issued share capital of the Company registered in your name(s); if no number is inserted, this form of proxy will be deemed to relate to all the shares of the Company registered in your name(s).
3. Full name and address of proxy to be inserted in **BLOCK CAPITALS. IF NOT COMPLETED, THE CHAIRMAN OF THE MEETING WILL ACT AS YOUR PROXY.**
4. **IMPORTANT: IF YOU WISH TO VOTE FOR ANY RESOLUTION, TICK IN THE BOX MARKED "FOR" BESIDE THE APPROPRIATE RESOLUTION. IF YOU WISH TO VOTE AGAINST ANY RESOLUTION, TICK IN THE BOX MARKED "AGAINST" BESIDE THE APPROPRIATE RESOLUTION.** If no direction is given, the proxy will be entitled to vote or abstain as he thinks fit. Your proxy will be entitled to vote or abstain at his discretion on any resolution properly put to the meeting other than those referred to in the notice convening the meeting.
5. To be valid, this form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at the Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at 46/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting.
6. In the case of joint holders of a share, the vote of the person, whether attending in person or by proxy, whose name stands first on the Register of Members of the Company in respect of such share shall be accepted to the exclusion of the vote(s) of the other joint holder(s).
7. This form of proxy must be signed by you or your attorney duly authorised in writing or, if you are a corporation, must either be executed under seal or under the hand of an officer or attorney duly authorised.
8. The proxy need not be a member of the Company but must attend the meeting in person to represent you.
9. Completion and return of the form of proxy will not preclude you from attending the meeting or any adjournment thereof and voting in person if you so wish and in such event, the form of proxy will be deemed to be revoked.
10. Any alteration to this form of proxy must be initialled by the person who signs it.