



# 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)**

### RESULTS ANNOUNCEMENT FOR YEAR 2005

#### SUMMARY OF OPERATING RESULTS

The board of directors (the “**Board**”) of China Power International Development Limited (the “**Company**”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the “**Group**” or “**We**”) for the year ended 31 December 2005.

For the year ended 31 December 2005, the Group recorded net profit of RMB661,904,000, representing an increase of RMB26,091,000 or 4.10% from the net profit of RMB635,813,000 for the year ended 31 December 2004.

	<b>2005</b>	<b>2004</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	4,361,718	3,352,001
Profit attributable to equity holders of the Company	661,904	635,813
Shareholders' equity	6,808,389	6,225,278
Cash and bank balances	2,187,943	3,064,224
Total borrowings	3,601,000	2,006,676
Debt to Equity ratio	52.89%	32.23%
EBITDA interest coverage	8.48	12.07

Details of the operating results are set out in the section headed “Operating Results” below.

## OPERATING RESULTS

The following table sets forth certain information relating to our operating results for each of the two years ended 31 December 2005 and 2004, which is extracted from our audited consolidated financial statements of the corresponding periods:

### Consolidated Profit and Loss Account

For the year ended 31 December 2005

	<i>Note</i>	<b>Year ended 31 December</b> <b>2005</b> <i>RMB'000</i>	<b>2004</b> <i>RMB'000</i> <i>(Restated -</i> <i>Note 1)</i>
Turnover	2	4,361,718	3,352,001
Other income	3	76,002	21,873
Fuel costs		(2,652,216)	(1,825,875)
Depreciation		(320,488)	(325,641)
Staff costs		(315,112)	(262,428)
Repairs and maintenance		(184,436)	(141,559)
Consumables		(63,357)	(51,321)
Other operating expenses, net		<u>(204,017)</u>	<u>(158,918)</u>
Operating profit	4	698,094	608,132
Finance costs	5	(76,917)	(77,285)
Share of profit of an associated company		<u>122,480</u>	<u>150,805</u>
Profit before taxation		743,657	681,652
Taxation	6	<u>(82,448)</u>	<u>(46,413)</u>
Profit for the year		<u><u>661,209</u></u>	<u><u>635,239</u></u>
Attributable to:			
Equity holders of the Company		661,904	635,813
Minority interests		<u>(695)</u>	<u>(574)</u>
		<u><u>661,209</u></u>	<u><u>635,239</u></u>
Earnings per share of profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
— basic	7	<u>0.21</u>	<u>0.27</u>
— diluted	7	<u>0.21</u>	<u>0.27</u>
Dividends/profit distributions	8	<u><u>247,665</u></u>	<u><u>460,308</u></u>

## Consolidated Balance Sheet

As at 31 December 2005

	<i>Note</i>	<b>As at 31 December</b>	
		<b>2005</b>	<b>2004</b>
		<i>RMB'000</i>	<i>RMB'000</i>
			<i>(Restated - Note 1)</i>
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment		5,343,209	3,526,136
Leasehold land prepayment		18,904	—
Goodwill		166,939	—
Prepayment for construction of power plants		1,845,647	614,126
Interest in an associated company		835,860	849,539
Deferred income tax assets		<u>12,893</u>	<u>13,795</u>
		<u>8,223,452</u>	<u>5,003,596</u>
Current assets			
Inventories		265,871	114,512
Accounts receivable	9	803,779	644,183
Prepayments, deposits and other receivables		143,234	174,893
Amount due from an intermediate holding company		8,308	15,352
Dividends receivable from an associated company		75,962	32,861
Cash and cash equivalents		<u>2,187,943</u>	<u>3,064,224</u>
		<u>3,485,097</u>	<u>4,046,025</u>
<b>Total assets</b>		<u>11,708,549</u>	<u>9,049,621</u>
<b>EQUITY</b>			
Capital and reserves attributable to the			
Company's equity holders			
Share capital		3,323,100	3,323,100
Reserves		<u>3,485,289</u>	<u>2,902,178</u>
		6,808,389	6,225,278
Minority interests		<u>11,044</u>	<u>2,726</u>
Total equity		<u>6,819,433</u>	<u>6,228,004</u>

		<b>As at 31 December</b>	
	<i>Note</i>	<b>2005</b>	<b>2004</b>
		<i>RMB'000</i>	<i>RMB'000</i>
			<i>(Restated - Note 1)</i>
<b>LIABILITIES</b>			
Non-current liabilities			
Long-term bank borrowings		2,713,500	1,153,000
Long-term payable to a related company		393,110	—
Long-term payable to Shanxi Electric Power Corporation (“SEPC”)		19,979	—
		<u>3,126,589</u>	<u>1,153,000</u>
Current liabilities			
Accounts payable	10	286,644	237,218
Other payables and accrued charges		476,267	328,824
Amount due to ultimate holding company		91,665	5,129
Current portion of long-term bank borrowings		400,000	261,000
Short-term bank and other borrowings		487,500	592,676
Profit distributions payable to an intermediate holding company		—	212,169
Taxation payable		20,451	31,601
		<u>1,762,527</u>	<u>1,668,617</u>
Total liabilities		<u>4,889,116</u>	<u>2,821,617</u>
Total equity and liabilities		<u>11,708,549</u>	<u>9,049,621</u>
Net current assets		<u>1,722,570</u>	<u>2,377,408</u>
Total assets less current liabilities		<u>9,946,022</u>	<u>7,381,004</u>

**Consolidated Statement of Changes in Equity**  
**For the year ended 31 December 2005**

	Note	Attributable to equity holders of the Company			Minority interests RMB'000	Total RMB'000
		Share capital RMB'000	Other reserves RMB'000	Accumulated losses RMB'000		
Balance at 1 January 2004, as previously reported as equity		2,226,000	3,158,082	(1,980,898)	—	3,403,184
Profit for the year, as previously reported		—	—	643,203	(574)	642,629
Effect of change in accounting policies - recognition of share-based compensation	1	—	7,390	(7,390)	—	—
Profit for the year, as restated				635,813		
Contribution from owner		—	67,895	—	—	67,895
Contribution from minority shareholders of a subsidiary		—	—	—	3,300	3,300
Issue of new shares		1,097,100	—	—	—	1,097,100
Premium on issue of shares		—	1,678,563	—	—	1,678,563
Share issuance expenses		—	(170,937)	—	—	(170,937)
Profit distributions		—	—	(377,230)	—	(377,230)
Profit distributions of an associated company		—	—	(116,500)	—	(116,500)
Balance at 31 December 2004, as restated		<u>3,323,100</u>	<u>4,740,993</u>	<u>(1,838,815)</u>	<u>2,726</u>	<u>6,228,004</u>
Balance at 1 January 2005, as per above		3,323,100	4,740,993	(1,838,815)	2,726	6,228,004
Profit for the year		—	—	661,904	(695)	661,209
Employee share option benefits		—	4,285	—	—	4,285
Dividend relating to 2004		—	—	(83,078)	—	(83,078)
Contribution from minority shareholders of a subsidiary		—	—	—	9,013	9,013
Balance at 31 December 2005		<u>3,323,100</u>	<u>4,745,278</u>	<u>(1,259,989)</u>	<u>11,044</u>	<u>6,819,433</u>

## 1 Basis of preparation

The consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants. These consolidated accounts have been prepared under the historical cost convention except that certain property, plant and equipment are stated at revalued amount less subsequent accumulated depreciation and accumulated impairment losses; and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss (if any).

The preparation of accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

The adoption of new/revised HKFRS

In 2005, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 33 and 36 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures.
- HKASs 2, 7, 8, 10, 16, 23, 27, 28, 33 and 36 had no material effect on the Group's policies.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the profit and loss account on a straight-line basis over the period of the lease or when there is an impairment, the impairment is expensed in the profit and loss account.

The adoption of HKAS 21 had no material effect to the Group's accounting policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entities accounts.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. Following the adoption of HKASs 32 and 39, the Group's loan and receivables are measured at amortised cost and the carrying amount of the assets is computed by discounting the future cash flows to the present value using the effective interest method. In addition, HKAS 39 requires financial liabilities, except for those carried at fair value through profit or loss, to be carried at amortised cost using the effective interest method. The adoption of HKASs 32 and 39 did not have any material financial impact to the Group.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 December 2004, the provision of share options to employees did not result in an expense in the profit and loss account. Effective on 1 January 2005, the Group expenses the cost of share options in the profit and loss account. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 January 2005 was expensed retrospectively in the profit and loss account of the respective periods.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, when applicable. All standards adopted by the Group require retrospective application other than:

- HKAS 39 — does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis;
- HKFRS 2 — only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005; and
- HKFRS 3 — prospectively after the adoption date.

The adoption of HKFRS 2 resulted in:

	<b>As at 31 December</b>	
	<b>2005</b>	<b>2004</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Increase in other reserves	11,675	7,390
Increase in accumulated losses	<u>(11,675)</u>	<u>(7,390)</u>
	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2005</b>	<b>2004</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Increase in staff costs	<u>4,285</u>	<u>7,390</u>

There was no significant impact on the basic and diluted earnings per share from the adoption of HKFRS 2.

There was no impact to opening accumulated losses at 1 January 2004 from the adoption of HKFRS 2.

No early adoption of the following new Standards or Interpretations or Amendments that have been issued but are not yet effective. The Directors anticipate that the adoption of these Standards or Interpretations or Amendments will have no material impact on the accounts of the Group and will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 6 (Amendment)	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies



## 2 Turnover and segment information

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

	<b>2005</b> <i>RMB'000</i>	<b>2004</b> <i>RMB'000</i>
Sales of electricity	<u>4,361,718</u>	<u>3,352,001</u>

Pursuant to the power purchase agreements entered into between the Group and the respective provincial electric power companies, all the Group's sales of electric power were made to these electric power companies. The tariff rates are to be agreed with the respective electric power 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 People's Republic of China ("PRC") except that certain cash and bank balances equivalent to approximately RMB1,471 million were deposited in certain banks in Hong Kong at 31 December 2005 (2004: approximately RMB2,552 million). Accordingly, no segment information is presented.

## 3 Other Income

	<b>2005</b> <i>RMB'000</i>	<b>2004</b> <i>RMB'000</i>
Management fee income	14,531	6,884
Rental income	3,921	2,854
Interest income on bank deposits	<u>57,550</u>	<u>12,135</u>
	<u>76,002</u>	<u>21,873</u>

#### 4 Operating Profit

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

	<b>2005</b> <i>RMB'000</i>	<b>2004</b> <i>RMB'000</i>
Amortisation of leasehold land prepayment	193	—
Auditors' remuneration	4,078	2,996
Depreciation of property, plant and equipment	320,488	325,641
Net exchange loss	40,422	—
Loss on disposal of property, plant and equipment	2,872	1,431
Operating lease rental in respect of		
— equipment	—	3,394
— leasehold land and buildings	18,482	6,443
Provision for other receivables	—	4,765
Staff costs including Directors' emoluments	315,112	262,428
Write-off of property, plant and equipment	—	7,478
Write-off of pre-operating expenses	10,191	13,555
Write-back of provision for other receivables	(6,011)	(4,393)
Write-back of provision for amount due from SEPC	(30,000)	—
Write-back of other payables	<u>(28,397)</u>	<u>(8,870)</u>

#### 5 Finance costs

	<b>2005</b> <i>RMB'000</i>	<b>2004</b> <i>RMB'000</i>
Interest expense on		
bank loans wholly repayable within five years	121,165	49,960
bank loans not wholly repayable within five years	8,466	39,916
other loans wholly repayable within five years	2,406	—
long-term payable to a related party wholly repayable within five years	<u>2,522</u>	<u>—</u>
	134,559	89,876
Less: Amounts capitalised in property, plant and equipment	<u>(57,642)</u>	<u>(12,591)</u>
	<u>76,917</u>	<u>77,285</u>

Amounts capitalised are borrowing costs related to funds borrowed specifically for the purpose of obtaining qualifying assets. The weighted average interest rate on such capitalised borrowings is approximately 5.3% (2004: 4.9%) per annum.

## 6 Taxation

No Hong Kong profits tax has been provided as the Group did not have any assessable profit in Hong Kong for the year (2004: 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:

	<b>2005</b> <i>RMB'000</i>	<b>2004</b> <i>RMB'000</i>
PRC current income tax	81,546	42,589
Deferred taxation	<u>902</u>	<u>3,824</u>
	<u>82,448</u>	<u>46,413</u>

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:

	<b>2005</b> <i>RMB'000</i>	<b>2004</b> <i>RMB'000</i> (Restated)
Profit before taxation	743,657	681,652
Less: Share of profit of an associated company	<u>(122,480)</u>	<u>(150,805)</u>
	<u>621,177</u>	<u>530,847</u>
Calculated at the PRC statutory tax rate of 33% (2004: 33%)	204,988	175,180
Effect of different taxation rates	2,255	262
Effect of preferential tax rate	(118,664)	(99,142)
Effect of tax holiday	(16,769)	(41,309)
Income not subject to taxation	(15,419)	(4,782)
Expenses not deductible for taxation purposes	<u>26,057</u>	<u>16,204</u>
Taxation charge	<u>82,448</u>	<u>46,413</u>

Share of taxation attributable to the associated company for the year ended 31 December 2005 of RMB22,556,000 (2004: RMB12,799,000) are included in the consolidated profit and loss account as share of profit in an associated company.

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.

## 7 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 RMB661,904,000 (2004: RMB635,813,000 as restated). The basic earnings per share is based on the weighted average of 3,135,000,000 (2004: 2,315,901,639) shares in issue during the year. The diluted earnings per share is based on 3,135,000,000 (2004: 2,315,901,639) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 518,646 (2004: 704,231) shares deemed to be issued at no consideration if all outstanding options had been exercised.

## 8 Dividends/profit distributions

	As at 31 December	
	2005	2004
	RMB'000	RMB'000
Profit distributions ( <i>note (i)</i> )	—	377,230
Proposed final dividend of RMB0.079 per share ( <i>note (ii)</i> )	<u>247,665</u>	<u>83,078</u>
	<u>247,665</u>	<u>460,308</u>

*Note:*

- (i) The profit distributions disclosed for the year ended 31 December 2004 represented 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.

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) The dividend paid during the year ended 31 December 2005 was HK\$78,378,000 (or HK\$0.025 per share) (equivalent to RMB83,078,000 (or RMB0.0265 per share)). A final dividend in respect of 2005 of RMB0.079 per share, amounting to a total dividend of RMB247,665,000 is to be proposed at the Annual General Meeting on 28 April 2006. These accounts do not reflect this dividend payable.

## 9 Accounts receivable

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	
	2005	2004
	RMB'000	RMB'000
1 to 3 months	537,297	411,494
4 to 6 months	<u>19,444</u>	<u>—</u>
	<u>556,741</u>	<u>411,494</u>

Bills receivable of approximately RMB247,038,000 (2004: RMB232,689,000) are normally with maturity period of 90 to 180 days (2004: 90 to 180 days).

## 10 Accounts payable

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

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<i>RMB'000</i>	<i>RMB'000</i>
1 to 6 months	260,774	188,106
7 to 12 months	1,430	24,550
Over 1 year	<u>24,440</u>	<u>24,562</u>
	<u>286,644</u>	<u>237,218</u>

## OVERVIEW

The Company was incorporated in Hong Kong with limited liability under the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) on 24 March 2004. We are the flagship company of China Power Investment Corporation (“**CPI Group**”), one of the five 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.

Being the only red chip listed company among the five national power-generating groups, the Company’s principal business is to develop, construct, own, operate and manage large power plants in the PRC.

The Group owns and operates the following power plants:

Anhui Huainan Pingwei Electric Power Generating Company Limited (“**Pingwei Power Plant**”) (100% ownership), Pingdingshan Yaomeng Power Generating Company Limited (“**Yaomeng Power Plant**”) (100% ownership), Shanxi Shentou Power Generating Company Limited (“**Shentou I Power Plant**”) (100% ownership) and Jiangsu Changshu Electric Power Generating Company Limited (“**Changshu Power Plant**”) (50% ownership), which have a total installed capacity of 4,870 MW. The Company’s attributable installed capacity in these power plants is 4,255 MW. The Company also manages five other power plants on behalf of CPI Group and China Power International Holding Limited, namely Liaoning Qinghe Electric Power Generating Company Limited (1,200 MW), Jiangxi Guixi Coal-Fired Power Plant (500 MW), Fujian Shaxikou Hydro-Power Plant (300 MW), Wuhu Shaoda Power Development Company Limited (250 MW) and Zhongdian Hongze Thermal Company Limited (30 MW), which have a total installed capacity of 2,280 MW.

In addition, three power plants of the Group are under construction pursuant to approval by the National Development and Reform Commission of the PRC (the “**NDRC**”), namely Huainan Pingwei No. 2 Electrical Power Company Limited (“**Pingwei Power Plant II**”) (100% ownership), Pingdingshan Yaomeng No. 2 Power Company Limited (“**Yaomeng**

**Power Plant II**") (100% ownership) and Huanggang Dabieshan Power Company Limited ("**Huanggang Dabieshan Power Plant**") (93% ownership). The total installed capacity of these power plants will be 3,600 MW, of which 3,516 MW will be our attributable installed capacity.

## **BUSINESS REVIEW FOR 2005**

Under the Board's leadership, the Company continued its endeavour to enhancing the value for the shareholders and promoting the steady and rapid growth of the Company in 2005 (the "**Year**"). In line with its development strategy and yearly target, the Company strengthened its management efforts in various aspects, such as assurance of stable power supply, safety production, energy conservation and reduction of consumption, tariff adjustment in response to market competition, ensuring the quality and price of coal, accelerating project development, promoting system development, enhancing production quality and efficiency and promoting environmental protection awareness. The Company also took active part in promoting certain capital injection and acquisition projects. With the collective efforts of the management team, the Company fulfilled its promise to investors and capital market and successfully accomplished its operating goals for the Year.

### **(1) OPERATING ENVIRONMENT**

During the Year, in line with its adoption of the scientific concept of development as the foremost guide, the PRC government further strengthened and refined its macroeconomic control measures and actively pushed ahead with market reforms. As a result, the national economy was put on a healthy growth track manifested by rapid development, high efficiency, stable prices and enhanced economic dynamism. The annual gross domestic product increased by 9.9% from the previous year. Supported by the stability and continued growth of the PRC economy, the domestic power sector maintained rapid growth. Total domestic power output and the consumption were 2,474.7 billion kWh and 2,468.9 billion kWh respectively, each representing a growth of 12.80% and 13.45% over the previous year.

Electricity generated by the Group's power plants and associated company was primarily supplied to the Eastern China Power Grid and Central China Power Grid, while electricity from Shentou I Power Plant, which was acquired during the Year, was supplied to the Northern China Power Grid. In 2005, power output to Eastern China Power Grid, Central China Power Grid and Northern China Power Grid recorded a growth of 16.13%, 12.87% and 14.66% over the previous year respectively. The steady development of the PRC economy and the surging electricity demand created a favourable environment for the growth of business and operating results of the Group. However, rising fuel costs driven by high coal price exerted pressure on the operation of the Group.

## **(2) BUSINESS REVIEW**

For the Year, consolidated turnover of the Group was approximately RMB4,361,718,000, representing an increase of approximately 30.13% from the previous year. Consolidated net profit attributable to equity holders of the Company was approximately RMB661,904,000 (including the Group's share of profit in the associated company), representing an increase of approximately 4.10% from RMB635,813,000 in the previous year. Basic earnings per share was approximately RMB0.21 per share.

Gross generation of Group (excluding the associated company) for the Year was approximately 20.144 billion kWh, which increased by approximately 28.27% from the previous year. Total output was approximately 18.701 billion kWh, which increased by approximately 26.90% from the previous year. Installed capacity attributable to the Company for the Year increased by 1,245 kWh, laying down a solid foundation for the continued development of the Company.

### **1. POWER GENERATION**

Operating installed capacity of the Group as at 31 December 2005 was 4,870 MW. Gross generation of the Group (excluding the associated company) was approximately 20.144 billion kWh, representing an increase of approximately 28.27% from the previous year. Power output was approximately 18.701 billion kWh, which increased by approximately 26.90% from the previous year.

The increase in the Group's power generation as compared with last year was attributable to:

- increase in demand for electricity, which could be reflected in an approximately 13.45% year-on-year growth in domestic power consumption during the Year from the previous year;
- increase in installed capacity attributable to the Company of 1,245 MW as a result of acquisitions and technology upgrades;
- instillation of a mentality of "every watt counts" within the Company, along with the implementation of stringent production safety measures, management and control of unplanned outage and guarantee of supply of coal and electricity, so as to ensure the operation safety and stability of generation units with long production cycles;
- optimization of the maintenance schedule with reasonably adjusted time and frequency in accordance with the actual operation arrangement of the generation units; and
- improvement in facilities conditions after the general maintenance exercise in the first half of the Year. In particular, the production safety, stability and reliability of the generation units had shown substantial enhancement. At present, the equivalent availability factor of the generation units is approximately 90.81%.

## OPERATION DATA OF THE GROUP'S POWER PLANTS

Operating conditions of the Group's major power plants during the Year were as follows:

### PINGWEI POWER PLANT

Pingwei Power Plant has an installed capacity of 1,230 MW, and its gross generation and gross output are 8.242 billion kWh and 7.886 billion kWh respectively;

The following table sets out certain operation data of Pingwei Power Plant for each of the two years ended 31 December 2005 and 2004.

	For the year ended	
	31 December	
	2005	2004
Installed capacity (MW)	1,230	1,200
Average utilization hours (hours)	6,701	6,882
Gross generation (MWh)	8,241,790	8,258,600
Net generation (MWh)	7,885,870	7,914,950
Equivalent availability factor (%)	88	85
Net generation standard coal consumption rate (grams/kWh)	332	338

### YAOMENG POWER PLANT

Yaomeng Power Plant has an installed capacity of 1,210 MW, and its gross generation and gross output are 7.689 billion kWh and 7.044 billion kWh respectively;

The following table sets out certain operation data of Yaomeng Power Plant for each of the two years ended 31 December 2005 and 2004:

	For the year ended	
	31 December	
	2005	2004
Installed capacity (MW)	1,210	1,210
Average utilization hours (hours)	6,345	6,153
Gross generation (MWh)	7,688,883	7,445,028
Net generation (MWh)	7,043,766	6,822,031
Equivalent availability factor (%)	89	89
Net generation standard coal consumption rate (grams/kWh)	343	347



## **SHENTOU I POWER PLANT**

Shentou I Power Plant (results of which were consolidated with the Group's results since 1 July 2005) has an installed capacity of 1,200 MW, and its gross generation and gross output are 4.213 billion kWh and 3.771 billion kWh respectively;

The following table sets out certain operation data of Shentou I Power Plant for period from 1 July 2005 to 31 December 2005:

	<b>For the period from 1 July 2005 to 31 December 2005</b>
Installed capacity (MW)	1,200
Average utilization hours (hours)	3,511
Gross generation (MWh)	4,213,110
Net generation (MWh)	3,771,359
Equivalent availability factor (%)	90
Net generation standard coal consumption rate (grams/kWh)	377

## **CHANGSHU POWER PLANT**

Changshu Power Plant has an installed capacity of 1,230 MW, and its gross generation and gross output are 7.515 billion kWh and 7.132 billion kWh respectively;

The following table sets out certain operation data of Changshu Power Plant for each of the two years ended 31 December 2005 and 2004:

	<b>For the year ended 31 December</b>	
	<b>2005</b>	<b>2004</b>
Installed capacity (MW)	1,230	1,200
Average utilization hours (hours)	6,660	6,693
Gross generation (MWh)	7,514,500	8,031,130
Net generation (MWh)	7,132,140	7,636,660
Equivalent availability factor (%)	96	90
Net generation standard coal consumption rate (grams/kWh)	343	347

## 2. OPERATION MANAGEMENT

Consolidated turnover of the Group for the Year was approximately RMB4,361,718,000, representing an increase of approximately 30.12% over the previous year. Consolidated net profit was approximately RMB661,904,000 (including the Group's share of profit in the associated company), representing an increase of approximately 4.10% from the previous year. Earnings per share was approximately RMB0.21 per share.

The increase in consolidated turnover was mainly attributable to:

- *increase in output*

During the Year, installed capacity attributable to the Company increased by 1,245 MW as a result of acquisition and technology upgrades. Consequently, the Company's output and the corresponding income increased by 26.90% from the previous year and its income increased correspondingly;

- *increase in tariff*

In response to the implementation of the fuel cost pass-through policy, the Company reinforced its tariff initiatives and made active liaison efforts to tap on the tariff adjustment policy. Consequently, significant progress has been achieved.

- *optimization of the power output structure*

During the Year, the Company optimized its power output structure to increase the "effective output" and enhance its unit output efficiency. By prioritizing the utilization of generation units with lower fuel consumption and lower fuel costs whenever possible and increasing total output during peak consumption hours, the Group endeavoured to maintain the costs for power output at the most economical level.

The increase in consolidated net profit was mainly attributable to:

- *increase in turnover*

The increase in on-grid generation and tariff contributed to a rise in turnover;

- *stringent cost control*

During the Year, the Group successfully controlled or reduced various costs and expenses by operating on a strict pre-set budget and exercising tightened control throughout the entire production process. As a result, maintenance expenses, materials expenses and other operating expenses (excluding the costs of coal) of the Company's power plants, namely Pingwei Power Plant and Yaomeng Power Plant, for the Year decreased generally when compared with the previous year;

- *energy saving and reduction in other consumption*

During the Year, the Group further enhanced its investments in technology upgrades and energy saving and reduction in other consumption. In particular, it

focused on implementing measures to lower coal consumption in power generation, enhance operating efficiency of generating units and improve various energy consumption benchmarks. The average generation coal consumption rate of both Pingwei Power Plant and Yaomeng Power Plant, decreased by 3.37 grams/kWh from the previous year.

- *tax concessions*

During the Year, the Group successfully leveraged on taxation policies and achieved a satisfactory result. In particular, Shentou I Power Plant secured the “two-year exemption and three-year concession” tax benefit and was exempted from enterprise income tax in 2005. Such tax concession enhanced the level of net profit.

### **3. BUSINESS EXPANSION**

During the Year, breakthroughs were made in strengthening the management of the Group’s stock assets as well as incremental assets from acquisitions and construction projects of power plants, which enhanced its ability for sustainable development.

- **ASSETS ACQUISITION**

During the year, the Company completed the acquisition of Shentou I Power Plant, a mine-mouth power plant located in proximity to a coalmine with a gross installed capacity of 1,200 MW. This represented the first successful acquisition by the Company since its listing. Total adjusted consideration for the acquisition was approximately RMB592,732,000. After the acquisition, the Group’s gross installed capacity and the attributable installed capacity reached 4,870 MW and 4,255 MW respectively, representing an increase of 34.90% and 41.36% compared with the pre-acquisition figures respectively.

This acquisition provided the Group with attractive opportunities to expand both its scale and coverage of operation and strengthened the Group’s profitability, risk resistance and competitiveness. It is believed that this attractive transaction and its potential profit will facilitate the Company in maximizing the value for shareholders.

- **POWER PLANTS CONSTRUCTION PROJECTS**

During the Year, the Group’s power plants construction projects took full swing with substantive progress in project approvals and implementations according to schedule.

The progress of the Group’s power plants construction projects was as follows:

- *Project Approval*

On 31 December 2005, the construction project of two 600 MW super-critical generation units of Yaomeng Power Plant II was approved by the NDRC. As a result, the construction projects of a total of six 600 MW super-critical generation units of Huanggang Dabieshan Power Plant, Pingwei Power Plant II and Yaomeng Power Plant II were all duly approved by the State.

- *Construction in Progress*

Pingwei Power Plant II: The project was under smooth progress. Operation of its two power generation units is scheduled to commence in the second and the third quarters of 2007 respectively.

Yaomeng Power Plant II: The project was under smooth progress. Operation of its two power generation units is scheduled to commence in the first and the second quarters of 2008 respectively.

Huanggang Dabieshan Power Plant: The project was under smooth progress. Operation of its two power generation units is scheduled to commence the third and the fourth quarters of 2008 respectively.

- *Investment projects*

Pingwei Power Plant II: Effective project investment and capital injection for the Year were RMB954,190,000 and RMB266,540,000 respectively. Accumulated effective investment and capital injection since the commencement of the project were RMB1,372,790,000 and RMB335,990,000 respectively.

Yaomeng Power Plant II: Effective project investment and capital injection for the Year were RMB565,090,000 and RMB105,750,000 respectively. Accumulated effective investment and capital injection since the commencement of the project were RMB791,310,000 and RMB165,290,000 respectively.

Huanggang Dabieshan Power Plant: Effective project investment and capital injection for the Year were RMB468,880,000 and RMB139,840,000 respectively. Accumulated effective investment and capital injection since the commencement of the project were RMB602,530,000 and RMB159,840,000 respectively.

## **USE OF NET PROCEEDS FROM THE INITIAL PUBLIC OFFERING (“IPO”) OF THE COMPANY**

The shares of the Company have been listed on the Hong Kong Stock Exchange since 15 October 2004. The Company still retained part of the proceeds from the IPO, the balance of which was approximately RMB1,366,962,000 as at 31 December 2005. The balance was intended for capital injection of the power plants under construction, acquisition of assets and as general working capital.

The following table sets out details on the use of net proceeds from the IPO of the Company during the Year:

	<i>RMB'000</i>
General operating expenses	50,100
Acquisition of assets (Shentou I Power Plant)	594,204
Power plants under construction	<u>493,460</u>
Total	<u>1,137,764</u>

We had invested the outstanding net proceeds in short-term bank deposit.

#### **4. FINANCIAL POSITION**

##### **OPERATING RESULTS**

###### **Overview**

###### *Turnover*

The Group recorded consolidated turnover of approximately RMB4,361,718,000 for the Year, representing an increase of approximately 30.12% compared with the previous year. Increase in turnover was primarily attributable to the acquisition of Shentou I Power Plant, an increase in on-grid generation, improvement of power output structure and rise in average on-grid tariff.

###### *Operating Costs*

The Group recorded consolidated operating costs of approximately RMB3,739,626,000 for the Year, representing an increase of approximately 35.21% compared with the previous year. Increase in operating costs was primarily attributable to the increase arising from the acquisition of Shentou I Power Plant and rise in fuel costs. As a result of the rising price and fluctuating quality of coal supply during the Year, average standard unit coal price of the Group surged by RMB44.84 per ton as compared with the previous year.

###### *Fuel Costs*

Fuel costs was a major component of the Group's operating costs, amounting to 70.92% of the total operating costs. Average standard unit coal price surged by RMB44.84 per ton as compared with the previous year, while gross fuel costs and unit generation fuel costs surged by RMB826,341,000 and approximately RMB17.92/MWh respectively.

###### *Depreciation*

The Group's depreciation amounted to RMB320,488,000 for the Year, which was mainly due to part of assets were fully depreciated during the Year which resulted in a decrease in the corresponding depreciation expense during the Year.

###### *Staff Costs*

The Group recorded staff costs of RMB315,112,000 for the Year, representing an increase of 20.08% from the previous year, which was mainly attributable to an increase in the number of staff following the acquisition of the Shentou I Power Plant.

###### *Repairs and Maintenance*

The Group recorded repairs and maintenance costs of RMB184,436,000 during the Year, representing an increase of 30.29% from the previous year, which was mainly attributable to an increase in assets following the acquisition of Shentou I Power Plant.

### *Other Net Operating Expenses*

Other net operating costs of the Group amounted to RMB204,017,000 for the Year, representing an increase of 28.38% as compared with the previous year.

### *Operating Profit*

Operating profit before finance costs of the Group for the Year amounted to RMB698,094,000, representing an increase of 14.79% as compared with the previous year.

### *Finance Costs*

Finance costs of the Group for the Year amounted to RMB76,917,000, which was roughly the same as the previous year due to the setting off of the increase of interest payment against the capitalisation of interest payment during the Year.

### *Share of Profit in an Associated Company*

The Group's share of profit in the associated company for the Year was RMB122,480,000, representing a decrease of 18.78% as compared with the previous year. The decrease was mainly due to insufficient tariff adjustment of Changshu Power Plant in the first half of the Year and rising fuel costs.

### *Taxation*

Taxation of the Group for the Year increased by 77.64% from last year to RMB82,448,000. The increase was mainly attributable to revert of tax rate from 7.5% in last year to 15% in the Year upon expiry of the "two-year exemption and three-year concession" tax benefit previously enjoyed by Pingwei Power Plant and Yaomeng Power Plant.

### *Profit for the Year*

During the Year, the Group boosted its operating income by 30.12% with a relatively high net profit of RMB661,904,000 as compared with last year, despite a relatively significant increase in coal price as compared with the previous year. This was the combined result of the Group's active support for implementation of the new tariff policy, optimization of its maintenance schedule and frequency in order to maximize power generation during high tariff periods, as well as the acquisition of Shentou I Power Plant.

### *Segment Information by Business*

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

### *Segment Information by Geographical Location*

The Company 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.

### *Dividends/Profit Distributions*

The Board recommended to pay a final dividend of RMB0.079 per share for the Year.

### *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 RMB661,904,000 (2004: RMB635,813,000 as restated). The basic earnings per share is based on the weighted average of 3,135,000,000 (2004: 2,315,901,639) shares in issue during the year. The diluted earnings per share is based on 3,135,000,000 (2004: 2,315,901,639) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 518,646 (2004: 704,231) shares deemed to be issued at no consideration if all outstanding options had been exercised.

### *Principal Financial Ratios of the Group*

Set out below are principal financial ratios of the Group for each of the two years ended 31 December 2005 and 2004:

	<b>2005</b>	<b>2004</b>
Debt to equity ratio (%)	52.89	32.23
Current ratio (times)	1.98	2.42
Quick ratio (times)	1.83	2.36
EBITDA interest coverage (times)	8.48	12.07

Calculation formula of the financial ratios:

Debt to equity ratio = total bank borrowings/balance of shareholders' 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 - inventories at the end of the year)/balance of current liabilities at the end of the year

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

### **LIQUIDITY, FINANCIAL RESOURCES AND BORROWINGS**

For the Year ended 31 December 2005, the Group derived its funds mainly from bank borrowings, dividends from the associated company and net cash inflow from operating activities, which amounted to approximately RMB2,311,324,000, RMB93,058,000 and RMB890,413,000 respectively. The Group's funds were mainly applied to its power plants under construction and capital expenditures of operating power plants, acquisition of Shentou I Power Plant and repayment of bank loans, which amounted to RMB2,316,767,000, RMB567,891,000 and RMB825,500,000 respectively.

As at 31 December 2005, cash and cash equivalents of the Company amounted to RMB2,187,943,000, resulted from net cash inflow from operating activities of RMB664,634,000, net cash outflow from investment activities of RMB2,738,318,000 and net cash inflow from financing activities of RMB1,197,403,000.

## **CAPITAL EXPENDITURES**

To further improve the safety and reliability, environment-friendliness and efficiency of its facilities, the Group and the associated company of the Company arranged 170 technology upgrade projects during the Year. In particular, the partial technology upgrade of steam generator circulation system of Pingwei Power Plant was completed in February 2005, which increased the capacity of Pingwei Power Plant's No. 2 generating unit from 30 MW to 630 MW. The capacity of No. 2 generating unit of Changshu Power Plant also increased from 30 MW to 330 MW as a result of technology and capacity upgrade projects on boiler, steam generator circulation system and power generator. Apart from an improvement in installed capacity, coal consumption also showed a remarkable decline. The two technology upgrade projects provide a guarantee for further increase in power generation and operating income for the Group in the future.

## **COMMITMENTS**

Commitments are mainly related to purchases with respect to power plant construction projects and upgrade projects of existing power plants. As at 31 December 2005, the Group had outstanding capital commitments, amounting to approximately RMB19,170,000 (2004: RMB6,894,000) as authorized but not contracted for and RMB6,545,185,000 as contracted but not provided for (2004: RMB4,678,114,000).

The Group's minimum lease payments in respect of land and buildings under irrevocable operating leases of terms not more than one year were RMB19,780,000 (2004: RMB15,066,000), whereas lease payments for leases of terms over one year but within five years were RMB9,202,000 (2004: RMB26,870,000).

The Group's future minimum rental income under irrevocable operating leases of terms not more than one year will be RMB4,659,000 (2004: RMB1,930,000), whereas the rental income for leases of terms over one year but within five years will be RMB4,659,000 (2004:RMB1,900,000).



## DEBTS

Set out below are details of the bank and other borrowings of the Group for each of the two years ended 31 December 2005 and 2004:

	<b>2005</b>	<b>2004</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Short-term bank loans	389,500	592,676
Short-term other loans	98,000	—
Long-term bank loans maturing within a year	400,000	261,000
Long-term bank loans maturing in 1-2 years	951,000	270,000
Long-term bank loans maturing in 3-5 years	464,000	790,000
Long-term bank loans of over 5 years	<u>1,298,500</u>	<u>93,000</u>
Total amount of debts	<u><u>3,601,000</u></u>	<u><u>2,006,676</u></u>

The interest rates on the Group's bank loans, which currently range from 5.2% to 5.5%, are subject to adjustment in accordance with changes in the relevant regulations of the People's Bank of China.

Our debt to equity ratio for each of the two years ended 31 December 2005 and 2004 were 52.89% and 32.23% 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 of banks to obtain loan facilities amounting to approximately RMB11,400,000,000 in aggregate with respect to the power plants under construction. Approximately RMB2,373,000,000 was drawn down from such loan facilities by the power plants under construction as at 31 December 2005.

The Group incurred debts for general working capital. The Group currently does not use any derivative to change the nature of its debts for the purpose of managing its interest rate risk.

## FOREIGN EXCHANGE RATE RISK

The Group collected most of its revenue in Renminbi, part of which were converted into foreign currencies for investments in or acquisition of interests from certain subsidiary companies, and for dividend distribution to the shareholders of the Company. Therefore, we have certain risk exposure to foreign exchange fluctuations.

The Renminbi is not a freely convertible currency. Subject to the exchange rate control imposed by the PRC government, international economic environment and supply and demand of Renminbi, the PRC government may take actions that could cause fluctuations in the exchange rates of Renminbi in the future. Fluctuations in exchange rates may positively or negatively affect the value of the Group's net assets, profits and any dividend declared upon translation or conversion into Hong Kong dollars. As at 31 December 2005, the exchange rate of HK\$1 = RMB1.04 was adopted by the Group for conversion between Hong Kong dollars and Renminbi).

## **PLEDGE OF ASSETS**

As at 31 December 2005, Pingwei Power Plant, a wholly-owned subsidiary of the Group, pledged its machinery with a net book value of approximately RMB1,317,000,000 (2004: nil) to a bank to secure bank loan granted to it in the amount of approximately RMB643,000,000 (2004: nil).

## **CONTINGENT LIABILITIES**

As at 31 December 2005, the Group had no material contingent liabilities.

## **ENVIRONMENTAL PROTECTION**

Our mission is “Serving our community with green energy”. While striving for higher power generation, all power plants under the Group were in strict compliance with the environmental protection laws and regulations promulgated by the PRC government at State and local levels where our plants are located. In addition, the Group implemented three sets of environmental protection policies to regulate and reinforce its green initiatives.

During the Year, the total discharge fees paid by our power plants were approximately RMB12,080,000 for Pingwei Power Plant, approximately RMB26,850,000 for Yaomeng Power Plant, approximately RMB16,150,000 for Shentou I Power Plant (from 1 July 2005 to 31 December 2005), and approximately RMB25,700,000 for Changshu Power Plant. The significant growth in discharge fees as compared to last year was mainly attributable to the implementation of new PRC regulations on discharge fees on 1 July 2003, leading to an upward adjustment in 2005 as compared with 2004.

The Group and its associated company also intended to carry out environmental upgrade projects in accordance with the PRC environmental protection requirements. During the Year, the Group commenced preliminary environmental projects, which also involved the new power plants under construction. The construction of two sets of desulphurization facilities in the Changshu Power Plant will be completed in 2006. The feasibility report on the construction of desulphurization facilities in Pingwei Power Plant was approved while the same for Yaomeng Power Plant has also been submitted for approval. It is expected that the imminent commencement of these projects will contribute to reducing pollution as well as the discharge fees payable by the Group.

## **EMPLOYEES**

As at 31 December 2005, the Group and its associated company had a total of 7,827 full-time employees.

The number of staff increased by 29% from last year, mainly due to the acquisition of Shentou I Power Plant during the Year. In addition, the Group was in the midst of rapid expansion and engaged in extensive recruitment exercises for high-calibre employees. Besides, the Group has also provided necessary trainings to all employees.

The Group provided appropriate emoluments and benefits to all employees of its operating power plants based on their respective duties and pursuant to the labour laws and regulations of the PRC. In addition, the Company has set up a share option scheme for the Group's senior management and key employees and to motivate and attract high-calibre employees.

The Group determined the emoluments of its directors and employees based on their respective duties, performance, working experience and the prevailing market rates. The Company has set up a mandatory provident fund scheme and made fixed contribution for our employees in Hong Kong pursuant to the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong).

## **OUTLOOK AND PROSPECTS FOR 2006**

2006 is the first year of the Eleventh Five-Year Plan of the PRC, during which the Company will continue to intensify its reforms and speed up its development. The Company will carry out its business amidst hopes and pressure, and opportunities and challenges. The outlook for 2006 is set out below:

The PRC economy is anticipated to continue its steady growth in 2006. It is expected that the annual power generation will increase by approximately 12.1%, while electricity consumption nationwide will increase by approximately 11.8%. Such rapid increase in demand for electricity will open up new opportunities to the business development of the Company.

During the Year, the Company acquired of Shentou I Power Plant to supply power for the Northern China Power Grid. As such, the Group's power supply network extended from the Central China Power Grid and Eastern China Power Grid to Northern China Power Grid, which enhanced its risk resistance and ability for sustainable development.

During the Year, the NDRC implemented the fuel cost pass-through policy, under which the first round of tariff adjustment was carried out in May 2005. Accordingly, satisfactory adjustments were made to the on-grid tariffs of the power plants owned by the Company. Upon implementation of the adjusted tariffs under the policy in 2006, the fuel costs of the Group and its associated company will be compensated to a reasonable extent.

The Group will continue to improve its overall operation management standard, enhance the administration of stock assets and enhance its profitability.

The Group will persist in closely monitoring the fuel market with an aim of securing stable fuel supply and exercising effective control over fuel costs and quality.

The Group will also continue to push ahead with the construction projects of power plants to ensure on-schedule completion and commencement of operation with expected or even better quality.

In addition, the Group will also continue to monitor the power market and be responsive to price competition in various market segments in the future.

The Group will continue to explore investment opportunities, so as to attain business expansion and boost its profitability and the value for the shareholders.

In order to fulfil responsibility as a corporate citizen and for brand building, the Group will maintain its attention on issues concerning environmental protection and public welfare.

Nevertheless, the business of the Company will face several major difficulties in 2006, namely the impact of substantial increase in power supply arising from newly installed generating units on the utilization rate of equipment, high fuel costs, tightened environmental measures, as well as changes of overall operating environment. All of these may impact the profitability of the Group. In response, the Group will endeavour to improve its management standard and be well-prepared to overcome such unfavourable factors, so as to boost its production and profits as well as achieve enhanced economic efficiency.

The key objectives of the Company for 2006 are as follows:

1. To strengthen strategic and systemic management and achieve rapid growth.
2. To facilitate the growth of the Company by acquisition and construction of new generating units.
3. To focus on major issues identified in operation evaluation, improve operating efficiency of assets and maintain its operating results.
4. To enhance the production safety management system and improve the safety and reliability of operation.
5. To reinforce team-building efforts with people-oriented policy.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 24 April 2006 to Friday, 28 April 2006 (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 no later than 4:00 p.m. on Friday, 21 April 2006.

## **AUDIT COMMITTEE AND REVIEW OF ACCOUNTS**

The audit committee of the Company (the "Audit Committee"), which comprises three independent non-executive directors, has discussed and reviewed with management the consolidated accounts for the year ended 31 December 2005. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2005 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated accounts for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in

accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the listed securities of the Company for the Year.

## **CORPORATE GOVERNANCE**

The Company has complied with the Code on Corporate Governance Practices (the “**Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) during the Year, save for a deviation from Code A.4.1 as explained below.

Code A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Code A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The non-executive directors of the Company are not appointed for a specific term, but are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company. In addition, as provided in the Articles of Association of the Company, the executive director who is also the chief executive officer of the Company shall not be subject to retirement by rotation, while all the other directors will be subject to retirement at every annual general meeting after the annual general meeting in year 2007.

In order to achieve full compliance with the Codes, the Company will stipulate a specific term of office for the non-executive Directors. The Company will also ensure that all directors (with the exception of the executive director who is also the chief executive officer of the Company) are subject to retirement by rotation and re-election at least once every three years. The Company is of the view that the position of chief executive officer is indispensable to the operation of the Company and the provision in the Articles of Association of the Company excluding the chief executive officer from the retirement by rotation requirement reflects the indispensable nature of such position with a view to minimising disruption caused to the operation of the Company.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a set of Code of Conduct for Securities Transactions by Directors (“**Code of Conduct**”), the terms of which are not less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific inquiries to the directors, all directors confirmed that they have complied with the Code of Conduct throughout the Year.

**PUBLICATION OF RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE**

All the information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 to the Listing Rules will be published at the website of the Hong Kong Stock Exchange in due course.

By Order of the Board  
**China Power International Development Limited**  
**LI Xiaolin**  
*Vice-Chairman and Chief Executive Officer*

Hong Kong, 16 March 2006

*As of the date of this announcement, the directors of the Company are: executive directors Li Xiaolin and Hu Jiandong, non-executive directors Wang Binghua and Gao Guangfu, and independent non-executive directors Kwong Che Keung, Gordon, Li Fang and Tsui Yiu Wa, Alec.*