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 2006

Financial Highlights

- Turnover amounted to approximately RMB5,202,934,000, representing an increase of approximately 19.3% over last year.
- Profit attributable to equity holders of the Company was approximately RMB702,767,000, representing an increase of approximately 6.2% over previous year.
- Earnings per share was approximately RMB0.22.
- Final dividend of RMB0.08 per share was proposed.

The board of directors (the "**Board**") of China Power International Development Limited (the "**Company**") is pleased to announce the audited financial results of the Company and its subsidiaries (the "**Group**" or "**We**") for the year ended 31 December 2006.

OPERATING RESULTS

Set out below are certain financial information of the Group for the years ended 31 December 2006 and 2005 extracted from the Group's audited consolidated accounts:

Consolidated Profit and Loss Account
For the year ended 31 December 2006

	Note	**Year ended 31 December 2006** *RMB'000*	**2005** *RMB'000*
Turnover	2	5,202,934	4,361,718
Other income	3	75,214	76,002
Fuel costs		(3,075,001)	(2,652,216)
Depreciation		(376,206)	(320,488)
Staff costs		(354,908)	(315,112)
Repairs and maintenance		(265,868)	(184,436)
Consumables		(67,863)	(63,357)
Other gains	4	87,370	68,359
Other operating expenses		(388,083)	(231,388)
Operating profit	5	837,589	739,082
Finance costs	6	(133,489)	(117,905)
Share of profit of an associated company		102,053	122,480
Profit before taxation		806,153	743,657
Taxation	7	(104,478)	(82,448)
Profit for the year		701,675	661,209
Attributable to:			
Equity holders of the Company		702,767	661,904
Minority interests		(1,092)	(695)
		701,675	661,209
Earnings per share for profit attributable to the equity holders of the Company for the year (expressed in RMB per share)			
— basic	8	0.22	0.21
— diluted	8	0.22	0.21
Dividends	9	288,408	247,665

Consolidated Balance Sheet

As at 31 December 2006

	Note	As at 31 December 2006 RMB'000	2005 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		8,206,774	5,343,209
Prepayment for construction of power plants		3,374,073	1,845,647
Leasehold land prepayments		18,518	18,904
Goodwill		166,939	166,939
Interest in an associated company		850,675	835,860
Prepayment for acquisition of an associated company	10	1,665,133	—
Other long-term prepayments		28,980	—
Deferred income tax assets		—	12,893
		14,311,092	8,223,452
Current assets			
Inventories		287,142	265,871
Accounts receivable	11	860,804	803,779
Prepayments, deposits and other receivables		112,251	143,234
Amount due from an intermediate holding company		1,638	8,308
Amount due from a fellow subsidiary		11,441	—
Dividends receivable from an associated company		98,751	75,962
Cash and cash equivalents		1,446,928	2,187,943
		2,818,955	3,485,097
Total assets		17,130,047	11,708,549

	Note	As at 31 December 2006 RMB'000	2005 RMB'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		3,798,104	3,323,100
Reserves		5,281,111	3,485,289
		9,079,215	6,808,389
Minority interests		25,826	11,044
Total equity		9,105,041	6,819,433
LIABILITIES			
Non-current liabilities			
Deferred income		158,156	43,129
Long-term bank borrowings		3,812,000	2,713,500
Long-term payable to CPI Financial Company ("CPIF")		395,562	393,110
Long-term payable to Shanxi Electric Power Corporation ("SEPC")		19,437	19,979
Deferred income tax liabilities		10,907	—
		4,396,062	3,169,718
Current liabilities			
Accounts payable	12	240,244	286,644
Construction cost payable		422,613	165,735
Other payables and accrued charges		304,520	267,403
Amount due to ultimate holding company		68,889	91,665
Amount due to a fellow subsidiary		3,279	—
Current portion of long-term bank borrowings		996,000	400,000
Short-term bank and other borrowings		1,428,000	487,500
Short-term loan from CPIF		140,000	—
Taxation payable		25,399	20,451
		3,628,944	1,719,398
Total liabilities		8,025,006	4,889,116
Total equity and liabilities		17,130,047	11,708,549
Net current (liabilities)/assets		(809,989)	1,765,699
Total assets less current liabilities		13,501,103	9,989,151

1 Basis of preparation

The consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). These consolidated accounts are prepared under the historical cost convention except that the 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 judgment in the process of applying the Group's accounting policies.

The following amendments to standards and interpretations are mandatory for financial year ended 31 December 2006.

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 & HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRS 1 & HKFRS 6 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
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

The adoption of the above amendments to standards and interpretation did not have any significant impacts to the Group.

The following new standards, amendments to standards and interpretations have been issued but are not effective and have not been early adopted. The directors anticipate that the adoption of these standards, amendments to standards and interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions

In preparing these accounts, the directors have taken into account all information that could reasonably be expected to be available and have ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. Under these circumstances, the directors consider that it is proper to prepare the accounts on a going concern basis notwithstanding that at 31 December 2006, the Group's current liabilities exceeded its current assets by RMB809,989,000.

2 **Turnover, revenues and segment information**

Revenue recognised during the year is as follows:

	2006	**2005**
	RMB'000	*RMB'000*
Sales of electricity	5,202,934	4,361,718

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 PRC except that certain cash and bank balances equivalent to approximately RMB476 million were deposited in certain banks in Hong Kong at 31 December 2006 (2005: approximately RMB1,471 million). Accordingly, no segment information is presented.

3 **Other income**

	2006	**2005**
	RMB'000	*RMB'000*
Management fee income	14,196	14,531
Rental income	4,549	3,921
Interest income on bank deposits	56,469	57,550
	75,214	76,002

4. **Other gains**

	2006	**2005**
	RMB'000	*RMB'000*
Amortisation of deferred income	4,898	3,951
Write-back of provision for amount due from SEPC	982	30,000
Write-back of provision for other receivables	1,816	6,011
Write-back of previous revaluation deficits on property, plant and equipment	79,674	—
Write-back of other payables	—	28,397
	87,370	68,359

5 **Operating profit**

Operating profit is stated after charging the following:

	2006	2005
	RMB'000	*RMB'000*
Amortisation of leasehold land prepayments	386	193
Auditors' remuneration	5,248	4,078
Depreciation of property, plant and equipment	376,206	320,488
Loss on disposal of property, plant and equipment	4,628	2,872
Operating lease rental in respect of leasehold land and buildings	24,609	18,482
Revaluation deficits of property, plant and equipment	18,143	—
Staff costs including directors' emoluments	354,908	315,112
Write-off of pre-operating expenses	24,064	10,191

6 **Finance costs**

	2006	2005
	RMB'000	*RMB'000*
Interest expense on		
- bank borrowings wholly repayable within five years	196,263	121,165
- bank borrowings not wholly repayable within five years	46,779	8,466
- other borrowings wholly repayable within five years	5,280	2,406
- long-term payable to related companies wholly repayable within five years	20,525	3,088
	268,847	135,125
Less: Amounts capitalised in property, plant and equipment	(180,085)	(57,642)
	88,762	77,483
Net exchange loss	44,727	40,422
	133,489	117,905

Net exchange loss included in other operating expenses in prior year is reclassified under finance costs to conform to the current year presentation.

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 5.7% (2005: 5.3%) per annum.

7 **Taxation**

No Hong Kong profits tax has been provided for as the Group did not have any assessable profit in Hong Kong for the year (2005: 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:

	2006	2005
	RMB'000	*RMB'000*
PRC current income tax	94,965	81,546
Deferred income tax	9,513	902
	104,478	82,448

Share of taxation attributable to the associated company for the year ended 31 December 2006 of RMB17,436,000 (2005: RMB22,556,000) are included in the consolidated profit and loss account as share of profit of 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. A subsidiary acquired by the Group in year 2005 is entitled to a two-year exemption from income tax starting 2005 followed by a 50% reduction in income tax rate of 7.5% for the subsequent three years towards year 2009.

8 Earnings per share

The calculation of basic and diluted earnings per share for the year are based on the profit attributable to equity holders of the Company of RMB702,767,000 (2005: RMB661,904,000). The basic earnings per share is calculated based on the weighted average of 3,180,106,214 (2005: 3,135,000,000) shares in issue during the year. The diluted earnings per share is calculated based on 3,180,106,214 (2005: 3,135,000,000) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 2,062,838 (2005: 518,646) shares deemed to be issued at no consideration if all outstanding options had been exercised.

9 Dividends

	2006	2005
	RMB'000	*RMB'000*
Proposed final dividend of RMB0.08 (2005: RMB0.079) per share	288,408	247,665

The dividend paid during the year ended 31 December 2006 was RMB247,665,000 (or RMB0.079 per share). A final dividend in respect of 2006 of RMB0.08 (equivalent to HK$0.0807) per share, amounting to a total dividend of RMB288,408,000 (equivalent to HK$290,932,000) is to be proposed at the Annual General Meeting on 27 April 2007. These accounts do not reflect this dividend payable.

10 Prepayment for acquisition of an associated company

Pursuant to an agreement entered into by the Company and China Power Investment Corporation ("CPI Group") on 27 August 2004, the Company was granted a call option (the "Call Option") to acquire up to 25% equity interest in Shanghai Electric Power Co., Ltd. ("Shanghai Power"). The Call Option is exercisable within 3 years from 29 October 2004.

Pursuant to a resolution passed by an extraordinary general meeting of the Company on 6 December 2006, the Company was approved to exercise the Call Option to acquire 25% equity interest in Shanghai Power at an aggregate consideration of approximately RMB1,665 million. As at 31 December 2006, the Company had paid the consideration in full to CPI Group and therefore a prepayment for acquisition of an associated company was recorded as at year end. The Company will recognise Shanghai Power as an associated company in early 2007 when the Company has the ability to exercise influence over Shanghai Power.

11 **Accounts receivable**

	2006	2005
	RMB'000	*RMB'000*
Accounts receivable from provincial power companies *(note (a))*	424,796	556,741
Bills receivable *(note (b))*	436,008	247,038
	860,804	803,779

Note:

(a) The Group normally grants 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:

	2006	2005
	RMB'000	*RMB'000*
1 to 3 months	408,635	537,297
4 to 6 months	16,161	19,444
	424,796	556,741

(b) Bills receivable are normally with maturity period of 90 to 180 days (2005: 90 to 180 days).

12 **Accounts payable**

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

	2006	2005
	RMB'000	*RMB'000*
1 to 6 months	228,266	260,774
7 to 12 months	1,703	1,430
Over 1 year	10,275	24,440
	240,244	286,644

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. The Company is the flagship company of China Power Investment Corporation and is currently the only overseas incorporated and listed company among the five national power-generating groups in the People's Republic of China (the "PRC" or "China"). The Group's business is to develop, construct, own, operate and manage large power plants in the PRC.

As at 31 December 2006, the Company wholly owns 3 operating power plants, namely Anhui Huainan Pingwei Electric Power Generating Company Limited ("Pingwei Power Plant"), Pingdingshan Yaomeng Power Generating Company Limited ("Yaomeng Power Plant") and Shanxi Shentou Electric Power Company Limited ("Shentou I Power Plant"); and holds stakes in an associated power plant, Jiangsu Changshu Electric Power Generating Company Limited ("Changshu Power Plant"), and a power generating company listed on the Shanghai Stock Exchange, Shanghai Electric Power Co., Ltd. ("Shanghai Power"). The Company's attributable installed capacity in these thermal power plants is 5,348 MW. The Company also owns 3 thermal power plants under construction, namely Huainan Pingwei No. 2 Electric Power Generating Company Limited ("Pingwei Power Plant II"), Pingdingshan Yaomeng No.2 Power Generating Company Limited ("Yaomeng Power Plant II") and Huanggang Dabieshan Power Generating Company Limited ("Huanggang Dabieshan Power Plant"), with total installed capacity of 3,600 MW, of which 3,516 MW was our attributable installed capacity. In addition, the Company has been entrusted to manage 6 power plants. The electricity generated by the Group's power plants is primarily supplied to Eastern China Power Grid, Central China Power Grid and Northern China Power Grid.

BUSINESS REVIEW FOR 2006

OPERATING ENVIRONEMT

For the year 2006, China has achieved a good start under the 11th 5-Year Plan. With effective macroeconomic control policies and continued progress in the reform and opening-up policy, a number of positive adjustments have been made to the industry structure in support of improvement on operating environment and social economic development. Infrastructure industries such as energy and transportation were further improved. Tight supply in coal, electricity, oil and transportation was also substantially alleviated. Further action has been carried out to reduce energy consumption and pollutant emissions while considerable efforts have been made for environmental protection and ecology improvement. The national economy was on an accelerating growth track with stronger momentum driven by improved cost-effectiveness, relatively low commodity prices, more stable operation, greater benefits and stronger support. The annual gross domestic product exceeded RMB20 trillion, representing an increase of approximately 10.7% from the previous year. Supported by the steady and continued growth of the PRC economy, the domestic power sector maintained rapid growth. In 2006, total domestic electricity consumption amounted to approximately 2,824,800 GWh, representing a year-on-year increase of approximately 14.0%. The domestic power output was approximately 2,834,400 GWh, representing a year-on-year increase of approximately 13.5%, of which approximately 2,357,300 GWh was coal-fired power output, amounted to approximately 83.17% of total power output, with a year-on-year increase of approximately 15.3%. Electricity generated by the Group's power plants was mainly supplied to Eastern China Power Grid, Central China Power Grid and Northern China Power Grid. Net generation of which recorded a year-on-year increase of approximately 15.21%, 15.23% and 14.12% respectively.

The steady development of the PRC economy and the surging electricity demand created a favorable environment for the business development and operation of the Group. With the commencement of new power projects alternate the tight situation in supply and demand for electricity, resulting in a significant decrease in utilization hours of power plants compared to that of 2005. As at the end of 2006, the total installed capacity of the whole nation amounted to approximately 622,000 MW, increased by approximately 20.3% as compared with last year. The average accumulated utilization hours were approximately 5,221 hours, decreased by approximately 203 hours as compared with last year. In addition, rising fuel costs driven by higher coal prices exerted pressure on the operation of the Group.

ASSET ACQUISITION

In 2006, the Company completed the acquisition of 25% interest in Shanghai Power. Upon completion of share transfer, the Company holds 390,876,250 shares in Shanghai Power, and becomes the second largest shareholder of Shanghai Power. After the arm's length negotiations between the Company and China Power Investment Corporation, the consideration for the acquisition was determined to be RMB4.26 per share, and the total consideration was RMB1,665,132,825. The consideration and the terms of the acquisition agreement were fair and reasonable, on normal commercial terms and were in the interests of the shareholders of the Company as a whole.

Shanghai Power is the largest electricity supplier in Shanghai and has extended its business to areas in Eastern China in recent years. This acquisition can expand the Group's operation scale, enhance future operation capacity and results and facilitate the Group's entry into the new power market in Shanghai.

Power Plants under Construction

In 2006, the construction of the Group's new power plants was in smooth progress. The funds required for the construction projects were injected as scheduled. With their solid efforts in accomplishing on site work such as foundation works and installation of equipments, the construction management team and workers endeavored to overcome the adverse factors such as the late delivery of some equipments, so as to ensure progress of the power plants under construction was proceeded as planned.

- Construction Progress of New Power Plants

  Pingwei Power Plant II: The project is under smooth progress. Two power generation units are scheduled to commence operation in the second and the third quarters of 2007 respectively.

  Yaomeng Power Plant II: The project is under smooth progress. Two power generation units are scheduled to commence operation in the first and the second quarters of 2008 respectively.

  Huanggang Dabieshan Power Plant: The project is under smooth progress. Two power generation units are scheduled to commence operation in the third and the fourth quarters of 2008 respectively.

In 2006, the Group successfully sought government support for favourable tax policy on import duty and value-added tax concession or exemption for imported equipment as well as value-added tax rebate for domestic equipment in respect of the new power plant projects.

Increase in Tariff

In 2006, the PRC Government decided to increase on-grid tariff, with effect from 30 June 2006. The Group achieved reasonable tariff increase in this adjustment, and the tariffs (VAT included) of Pingwei Power Plant, Yaomeng Power Plant, Shentou I Power Plant and Changshu Power Plant increased by approximately 2.51%, 6.94%, 15.08% and 8.15% respectively. The Group made zealous endeavors and arrangement with detailed plan and cooperation with various parties to ensure the implementation of the tariff adjustment, which in turn generated significant increase in revenue.

POWER GENERATION

Attributable installed capacity of the Company as at 31 December 2006 was 5,348 MW. Gross generation of the Group (excluding the associated company) for 2006 was approximately 24,065,245 MWh, increased by approximately 19.47% from the previous year. Net generation of the Group (excluding the associated company) for the year was approximately 22,262,463 MWh, increased by approximately 19.04% from the previous year.

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

- increase in demand for electricity in the areas where our power plants are situated;
- increase in gross generation of the Group for the first half of 2006 as a result of the acquisition of Shentou I Power Plant in the first half of 2005;
- improvement of power generation structure and increase in equipment utilization hours by strengthening power marketing, conducting power market research and leveraging on its competitive edges; and
- improvement of production safety, management and control of unscheduled outages and supply of thermal coal. As a result, unscheduled outages were significantly reduced and long operating cycles of generation units were ensured.

OPERATION DATA OF THE GROUP'S POWER PLANTS

Operating conditions of the Group's major power plants during 2006 were as follows:

PINGWEI POWER PLANT

Pingwei Power Plant has an installed capacity of 1,230 MW, and its gross generation and net generation are approximately 7,896,080 MWh and 7,543,730 MWh respectively.

The following table sets out certain operation data of Pingwei Power Plant for each of the two years ended 31 December 2006 and 2005:

	For the year ended 31 December	
	2006	**2005**
Installed capacity (MW)	1,230	1,230
Average utilization hours (hours)	6,420	6,701
Gross generation (MWh)	7,896,080	8,241,790
Net generation (MWh)	7,543,730	7,885,870
Net coal consumption rate (grams/kWh)	329	332

YAOMENG POWER PLANT

Yaomeng Power Plant has an installed capacity of 1,210 MW, and its gross generation and net generation are approximately 7,704,272 MWh and 7,081,335 MWh respectively.

The following table sets out certain operation data of Yaomeng Power Plant for each of the two years ended 31 December 2006 and 2005:

	For the year ended 31 December	
	2006	**2005**
Installed capacity (MW)	1,210	1,210
Average utilization hours (hours)	6,367	6,354
Gross generation (MWh)	7,704,272	7,688,883
Net generation (MWh)	7,081,335	7,043,766
Net coal consumption rate (grams/kWh)	340	343

SHENTOU I POWER PLANT

Shentou I Power Plant has an installed capacity of 1,200 MW, and its gross generation and net generation are approximately 8,464,893 MWh and 7,637,398 MWh respectively. The results of Shentou I Power Plant were consolidated with the Group's results since 1 July 2005.

The following table sets out certain operation data of Shentou I Power Plant for the year ended 31 December 2006 and for the period from 1 July 2005 to 31 December 2005:

	For the year ended 31 December 2006	**For the period from 1 July to 31 December 2005**
Installed capacity (MW)	1,200	1,200
Average utilization hours (hours)	7,054	3,511
Gross generation (MWh)	8,464,893	4,213,110
Net generation (MWh)	7,637,398	3,771,359
Net coal consumption rate (grams/kWh)	376	377

CHANGSHU POWER PLANT

Changshu Power Plant has an installed capacity of 1,230 MW, and its gross generation and net generation are approximately 6,565,590 MWh and 6,226,880 MWh respectively.

The following table sets out certain operation data of Changshu Power Plant for each of the two years ended 31 December 2006 and 2005:

	For the year ended 31 December	
	2006	**2005**
Installed capacity (MW)	1,230	1,230
Average utilization hours (hours)	5,338	6,660
Gross generation (MWh)	6,565,590	7,514,500
Net generation (MWh)	6,226,880	7,132,140
Net coal consumption rate (grams/kWh)	341	343

OPERATING RESULTS

Turnover

The Group recorded turnover of approximately RMB5,202,934,000 in 2006 compared with RMB4,361,718,000 of the previous year, representing an increase of approximately 19.3%. The acquisition of Shentou I Power Plant resulted in an increase in turnover of approximately RMB609,326,000 for the first half of the year. A reasonable increase in average on-grid tariff contributed an increase of turnover by approximately RMB253,087,000. The changes of tariff structure for different on-grid generation levels resulted to a reduction of the turnover of approximately RMB21,197,000.

Other Income

In 2006, the Group's other income was approximately RMB75,214,000, decreased by approximately 1.0% as compared with RMB76,002,000 of the previous year. The fees received for managing power plants reduced by approximately RMB335,000 while rental income increased by approximately RMB628,000. Interest income decreased by approximately RMB1,081,000 because of the reduction of cash balance.

Fuel Costs

Fuel costs were a major component of the Group's operating costs. In 2006, the fuel costs of the Group were approximately RMB3,075,001,000, accounting for approximately 69.2% of the total operating costs. Fuel costs surged by approximately 15.9% compared with RMB2,652,216,000 of the previous year. The acquisition of Shentou I Power Plant resulted in an increase in fuel costs of approximately RMB387,642,000 for the first half of the year. Aside from the above, the fuel costs increased by approximately RMB73,469,000 due to rising average coal prices. The Group strengthened its operation management and hence reduced coal consumption rate, which contributed to a reduction of coal cost of approximately RMB38,326,000.

In 2006, the Group's unit fuel costs were approximately RMB138/MWh, representing a year-on-year drop of approximately 2.6%.

Depreciation

The Group's depreciation amounted to approximately RMB376,206,000 in 2006, representing an increase of approximately 17.4% compared with approximately RMB320,488,000 of the previous year. The increase in depreciation of approximately RMB48,136,000 for the first half of the year was attributable to the acquisition of Shentou I Power Plant last year. With the increase of property, power plant and equipment, depreciation has increased by approximately RMB7,582,000.

Staff Costs

The Group recorded staff costs of approximately RMB354,908,000 in 2006, representing an increase of approximately 12.6% compared with RMB315,112,000 of the previous year. The increase in staff costs of approximately RMB29,522,000 for the first half of the year was attributable to the acquisition of the Shentou I Power Plant last year. Staff costs reduced by approximately RMB10,401,000 due to a reduced number of staff. The distribution of bonus and welfare fund also increased staff costs by approximately RMB20,675,000.

Repairs and Maintenance

The Group recorded repairs and maintenance expenses of approximately RMB265,868,000 in 2006, representing an increase of approximately 44.2% compared with RMB184,436,000 of the previous year. The acquisition of Shentou I Power Plant last year has enlarged the asset scale, causing an increase in repairs and maintenance costs of approximately RMB52,455,000. The increase in repairs and maintenance costs of approximately RMB28,977,000 was mainly attributable to the increased cost and increased items of the arrangement of repairs and maintenance for existing units.

Consumables

In 2006, the Group's consumables amounted to approximately RMB67,863,000 increased by 7.1% as compared with RMB63,357,000 of the previous year. The acquisition of Shentou I Power Plant resulted in an increase in consumables of approximately RMB16,091,000. We have enhanced our consumables management in the power plants owned by us and we recorded a reduction of approximately RMB11,585,000 in consumables.

Other Gains

Other gains of the Group amounted to approximately RMB87,370,000 in 2006, representing an increase of approximately RMB19,011,000, with an increase rate of approximately 27.8%, from RMB68,359,000 of the previous year. Among those, there was a write-back of previous revaluation deficit on property, plant and equipment of approximately RMB79,674,000. The amortization of deferred income increased by approximately RMB947,000. Other gains for the year decreased by approximately RMB61,610,000 due to less write-back of provision for receivables.

Other Operating Expenses

Other operating expenses of the Group amounted to approximately RMB388,083,000 in 2006, representing an increase of approximately RMB156,695,000, with an increase rate of approximately 67.7% as compared with RMB231,388,000 of the previous year, of which an increase of approximately RMB45,548,000 for the first half of the year was mainly attributable to the acquisition of Shentou I Power Plant. An increase of approximately RMB25,080,000 in other operating expenses was attributable to the increase in emission discharge and water fee. The increase in other operating expenses of approximately RMB13,873,000 was attributable to the increase in cost caused by the accelerating progress of power plant construction projects. The increase in other operating expenses of approximately RMB18,143,000 was due to the revaluation deficits on property, plant and equipment. Other expenses increased by approximately RMB54,051,000 due to rise in miscellaneous expenses.

Operating Profit

Operating profit of the Group in 2006 amounted to approximately RMB837,589,000, representing an increase of approximately 13.3% compared with RMB739,082,000 of the previous year.

Finance Costs

Finance costs of the Group in 2006 amounted to approximately RMB133,489,000, representing an increase of approximately 13.2% as compared with RMB117,905,000 of the previous year, of which an increase of approximately RMB13,504,000 was attributable to the acquisition of Shentou I Power Plant. The decrease in borrowings for operations of other power plants leading to a saving in finance cost and the increase in foreign exchange losses were approximately RMB2,225,000 and RMB4,305,000 respectively.

Share of profit of an associated company

Share of profit of an associated company in 2006 was approximately RMB102,053,000, representing a decrease of approximately 16.7% as compared with RMB122,480,000 of the previous year. In Jiangsu Province, where Changshu Power Plant is located, Significant increase in installed capacity of newly added power plants, the decrease in utilisation hours of the plants, the decrease in on-grid generation and hence turnover, the tight supply of coal in Jiangsu, increase in fuel cost have contributed to the reduction of profit after taxation for Changshu Power Plant.

Taxation

Taxation of the Group in 2006 was approximately RMB104,478,000, increased by approximately 26.7% as compared with RMB82,448,000 of the previous year. The increase in expenses in taxation was mainly attributable to the increase in the profit before taxation of our subsidiaries and the deferred tax arising from the revaluation deficits on property, plant and equipment.

Profit Attributable to Equity Holders of the Company

In 2006, the profit attributable to equity holders of the Company was approximately RMB702,767,000, increased by approximately 6.2% as compared to RMB661,904,000 of the previous year.

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 except that certain cash and bank balances equivalent to approximately RMB476 million were deposited in certain banks in Hong Kong at 31 December 2006 (2005: approximately RMB1,471 million).

LIQUIDITY, FINANCIAL RESOURCES AND BORROWINGS

As at 31 December 2006, cash and cash equivalents of the Group were approximately RMB1,446,928,000. The Group derived its funds mainly from bank borrowings, issue of shares, cash inflow from operating activities and dividends from the associated company, which amounted to approximately RMB3,669,500,000, RMB1,757,389,000, RMB1,367,538,000 and RMB75,962,000 respectively.

Placing Shares for Raising Capitals

Pursuant to a placing, underwriting and subscription agreement dated 9 November 2006, China Power Development Limited, the controlling shareholder of the Company sold 470,000,000 existing shares of the Company at the placing price of HK$3.70 per share. Pursuant to the placing, underwriting and subscription agreement, the Company then issued 470,000,000 new shares to China Power Development Limited at the subscription price of HK$3.70 per share. The net proceeds received by the Company from the subscription amounted to approximately HK$1,704,000,000. The new shares represented approximately 14.99% of the Company's issued capital before the subscription and approximately 13.04% of its issued capital as enlarged by the subscription.

DEBTS

Set out below are details of the loans and borrowings of the Group for the years ended 31 December 2006 and 2005:

	2006	**2005**
	RMB'000	*RMB'000*
Short-term bank borrowings	1,330,000	389,500
Short-term other borrowings	98,000	98,000
Short-term loan from CPIF	140,000	—
Current portion of long-term bank borrowings	996,000	400,000
Long-term bank borrowings maturing in 1-2 years	651,000	951,000
Long-term bank borrowings maturing in 3-5 years	93,000	464,000
Long-term bank maturing over 5 years	3,068,000	1,298,500
Long-term payable to CPIF	395,562	393,110
Long-term payable to SEPC	19,437	19,979
	6,790,999	4,014,089

The interest rates on the Group's loans, which currently range from 3.6% to 6.2%, are subject to adjustment in accordance with the relevant regulations of the People's Bank of China.

Our debt to equity ratio as at 31 December 2006 and 2005 were approximately 74.80% and 58.96% 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 in order to finance the power plants under construction.

CAPITAL EXPENDITURES

In 2006, capital expenditures of the Group were primarily attributable to technical upgrade projects for operational units, construction of power plants and acquisition of 25% equity interest in Shanghai Power.

For Technical Upgrades

In order to reduce energy consumption, to improve the safety and reliability, and to become more environment-friendly and more efficient, the Group and the associated companies of the Company carried out reasonable technical upgrades for existing units as planned. In 2006, the Group spent approximately RMB342,200,000 for technical upgrades.

For Power Plants under Construction

Pingwei Power Plant II: Actual investment for completing the project in 2006 was approximately RMB1,643,370,000.

Yaomeng Power Plant II: Actual investment for completing the project in 2006 was approximately RMB1,474,797,000.

Huanggang Dabieshan Power Plant: Actual investment for completing the project in 2006 was approximately RMB1,171,202,000.

For Acquisition

In 2006, the Group has acquired 25% interest in Shanghai Power for a consideration of RMB1,665,132,825.

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 Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 15 October 2004. The proceeds from the Company's IPO were used for capital injection of the power plants under construction, acquisition of assets and as general working capital.

The Company's proceeds from the IPO were used up as at 31 December 2006.

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

	RMB'000
General operating expenses	49,695
Acquisition of assets (Shanghai Power)	558,372
Power plants under construction	758,895
Total	1,366,962

RISK MANAGEMENT

Subject to changes in various aspects such as the macro economy, demand and supply of the electricity in the market and the supply of energy resources and raw materials as well as fluctuation in exchange rate and interest rate, the business development of the Group is exposed to certain operation risks and finance risks.

The Group currently does not use any derivative instruments to manage exposures to foreign currency and interest rate risks. Still, we strive to seeking management method to monitor these risks and minimize the effects on our profit and interest arising from fluctuation in foreign exchange rate, interest rate and tariffs.

Based on a well-prepared risk management concept, the Group has implemented all-rounded risk management. Specific department for risk management has been set up and risk management has been put under regular management. At the same time, the Group continues to strengthen its internal control and standardize its workflow. Together with regular exercise of risk management assessments, the Group has developed risk management measures according to the assessment results based on the quantitative methods. The Group has also carried out its responsibility, responsed in time, realized strict internal control, and enhanced the ability of execution of policies, promoted standardized working process with a view to minimizing every risk.

FOREIGN EXCHANGE RATE RISK

The Group experienced spectacular development in business in Hong Kong and the PRC. The Group collected most of its revenue in Renminbi, part of which were had to be converted into foreign currencies for dividend distribution to the shareholders of the Company or as working capital. As a result, the foreign currency transaction volumes inside and outside the country as well as the stock of foreign currency were relatively large. Therefore, we had to face certain risk exposure to foreign exchange fluctuations. Depreciation or enhancement of the translation of US dollars and HK dollars into RMB may positively or negatively affect the value of the Group's financial situations, operation results and any dividend declared upon translation or conversion into Hong Kong dollars.

PLEDGE OF ASSETS

As at 31 December 2006, a wholly-owned subsidiary of the Group pledged its machinery with a net book value of approximately RMB727,000,000 to a bank to secure bank loan granted to it in the amount of approximately RMB493,000,000.

CONTINGENT LIABILITIES

As at 31 December 2006, the Group had no material contingent liabilities.

EMPLOYEES

As at 31 December 2006, the Group and its associated company had a total of 7,643 full-time employees.

The Group determined the emoluments of its directors and employees based on their respective performance, working experiences, duties and the prevailing market rates. The Group also implemented incentive policy linking emoluments with performances.

The Group provided appropriate emoluments and benefits to all employees of its operating power plants pursuant to the labour laws and regulations of the PRC.

The Group 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).

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 has dynamically developed itself into a self-learning corporation. In order to address the Company's increasing demand for high-calibre employees, we continue to provide training on expertise such as specialized technology, marketing and management to our employees pursuant to their personalities and duties.

OPERATION PROSPECTS FOR 2007

It is expected that the PRC's economy will continue to grow steadily in 2007 and the electricity consumption will continue to have a rapid increase. The rapid surge in the demand of electricity will bring opportunities to the Group to expand its power generation capacity.

In 2006, the acquisition of 25% interest in Shanghai Power by the Group established a new platform for the Group's further expansion in Eastern China power market, to enlarge the Group's profit base and to build up the abilities of controlling risks and maintaining sustainable growth. The possible increase in profitability will strengthen the Group's ability for risk management and sustainable development.

The Group will continue to strengthen the construction of new power plants so as to ensure the quality, commissioning and costs are in line with the schedule, and to guarantee that the two power generation units of the construction works with highly efficient, large scale and low energy consumption in Pingwei Power Plant II will commence commercial operation, so as to strive for the further enhancement of electricity generation and income level.

The further rise in on-grid tariff approved by the NDRC in 2006 will be fully implemented in 2007, so that the Group and its associated companies will thus enjoy reasonable compensation on higher fuel costs.

The Group will closely monitor the changes in the power market and be responsive to future competitions in the regional markets.

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

In order to actively fulfil social responsibility and for brand building, the Group will continue to have concerns on issues relating to environment protection and social welfare.

The Group will actively cultivate the corporate culture characterised as "Still water runs deep" and endaveor to build up a harmonious organization.

The key objectives of the Group for 2007 are as follows:

1. To implement the scientific and effective strategic management system, ensure the implementation of strategies, speed up mergers and acquisitions and the construction of new power plants so as to achieve sustainable, healthy and rapid development.

2. To strengthen safety production management, upgrade the operation quality of our equipments to generate power as much as possible.

3. To restructure management process and strengthen fuel procurement management so as to ensure a stable coal supply.

4. To initiate various activities in the "Year of Refined Management," strengthen our existing inventory management, improve operational efficiency and profitability so as to enhance shareholder value.

5. To reinforce people-oriented policy by enhancing staff training and performance assessment so as to build up a great team.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 April 2007 (Monday) to 27 April 2007 (Friday) (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 of the Company on 27 April 2007, 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 4:30 p.m. on 20 April 2007 (Friday).

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 2006. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2006 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Except for the share placing in November 2006 by the Company, neither the Company nor its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during 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 (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 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 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 2007

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.