



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)*

2009 | Interim Report



## Interim Financial Highlights

	Unaudited	
	Six months ended 30 June	
	2009	2008
	RMB	RMB
Earnings/(loss) per share		
Basic	0.04	(0.07)
Diluted	0.04	(0.07)
Turnover	4,927,154,000	4,043,212,000
Profit/(loss) attributable to equity holders of the Company	151,858,000	(249,382,000)
Gross generation (MWh)	16,731,270*	16,869,253*
Gross generation of the associated company (MWh)	2,875,732	3,379,157
Net generation (MWh)	15,565,696*	15,730,410*
Net generation of the associated company (MWh)	2,689,212	3,189,437

\* Excluding the associated company

	As at	
	30 June 2009	31 December 2008
	Unaudited	Audited
	RMB	RMB
Shareholders' equity	9,234,908,000	8,073,354,000
Total assets	24,159,266,000	22,431,729,000
Cash and cash equivalents	2,083,125,000	1,326,818,000
Total borrowings	12,115,001,000	11,427,170,000

## Management Discussion and Analysis

### BUSINESS OVERVIEW

The principal business of the Group is to develop, construct, own, operate and manage large scale power plants and engage in investment holdings in China.

As at 30 June 2009, the Company's total attributable installed capacity was 9,040.40 MW.

In the first half of 2009, the Chinese economy stabilized and the tension for the supply and demand condition for coal was eased. However, the demand for electricity and the average utilization hours of power generation equipment have both declined. As a result of the two rounds of tariff hikes in 2008, revenue from electricity sales increased and the overall operating conditions for the power generation industry have improved.

Turnover of the Group for the first half of 2009 was approximately RMB4,927,154,000, representing an increase of 21.86% over the corresponding period last year. Profit attributable to equity holders of the Company was approximately RMB151,858,000, representing an increase of approximately RMB401,240,000 from the loss for the corresponding period last year. Basic earnings per share was approximately RMB0.04, representing an increase of approximately RMB0.11 as compared with the basic loss per share of approximately RMB0.07 for the corresponding period last year.

The Board resolved not to declare any interim dividend for the interim period of 2009.

### BUSINESS REVIEW FOR THE FIRST HALF OF 2009

#### Major Acquisition

On 8 June 2009, the Company entered into a conditional sale and purchase agreement with China Power International Holding Limited ("CPI Holding") in relation to the acquisition of the 63% equity interest in Wu Ling Power Corporation ("Wu Ling Power") by the Company. The acquisition was approved at the Company's extraordinary general meeting on 22 July 2009.

Wu Ling Power was incorporated in the PRC on 3 May 1995 with a current registered capital of RMB3,476,160,000. Wu Ling Power and its subsidiaries (the "Wu Ling Group") are principally engaged in the development, production and supply of hydropower in Hunan and Guizhou. As at 31 December 2008, Wu Ling Group had 11 power plants in operation and 3 power plants under construction, with an attributable operational installed capacity of approximately 3,564 MW, of which hydropower installed capacity was 3,324 MW.

Wu Ling Power currently has two shareholders, namely China Power Investment Corporation\* (中國電力投資集團公司) ("CPI Group"), which has an equity interest of 63% in Wu Ling Power and Hunan Xiangtuo International Investment Limited (湖南湘投國際投資有限公司), which has a 37% equity holding in Wu Ling Power. On 11 May 2009, China Power Investment Corporation entered into a conditional sale and purchase agreement with CPI Holding to transfer its 63% of equity interest in Wu Ling Power to CPI Holding.

The consideration for the acquisition of 63% equity interest in Wu Ling Power by the Company from CPI Holding is RMB4,465,087,500 (subject to adjustment). The consideration will be satisfied as to 70% thereof (or RMB3,125,561,250) (subject to adjustment) by the issue of the consideration shares and as to 30% thereof (or RMB1,339,526,250) (subject to adjustment) by way of cash payment in the coming year.

Currently, the Company is in the process of performing completion procedures for the acquisition. Upon completion of the acquisition, the Company will hold a 63% equity interest in Wu Ling Power. The Group's attributable operational installed capacity will increase by 25% to 11,286 MW, which is instrumental for the realisation of the Group's strategic layout of "balance between hydropower and thermal power". The Group will also further optimise its industrial structure and asset portfolio, so as to enhance its ability to control the operational risks caused by any fluctuation in coal price.

#### Significant Investment

In December 2006, the Company acquired 390,876,250 shares of Shanghai Electric Power Co., Ltd. ("Shanghai Power", whose A shares were listed on the Shanghai Stock Exchange) at a consideration of RMB4.26 per share. On 17 June 2008, Shanghai Power converted its capital reserve into the share capital on the basis of 2 additional shares for every 10 existing shares. The total number of shares held by the Company was increased by 78,175,250 shares to 469,051,500 shares, whereas the shareholding percentage remained at 21.92%. The Company recognises its shareholding in Shanghai Power as "Available-for-sale financial assets", with changes of its fair value reflected in the Company's financial statements.

#### Coal procurement

In the first half of 2009, production of raw coal in the PRC grew by 8.70% over that of the same period last year. Demand for and supply of coal was eased in general and market prices fell. The Group's purchase of coal was mainly made under key contracts. As the annual key contracts are yet to be signed, the Group prudently and reasonably estimated and recognised its fuel costs. The Group actively expanded coal supply channels, explored the ways for coal and power cooperation, secured the stable supply of fuels and strengthened energy saving and consumption reduction, so as to control its fuel costs. Due to the structural change in the purchase amount of coal at different prices and the year-on-year increase of estimated price of key contracted coal, the Group's unit fuel cost in the first half of the year was higher than that of the same period last year. In the first half of 2009, the Group's unit fuel cost was approximately RMB213.68 per MWh.

#### POWER GENERATION

In the first half of 2009, the Group achieved smooth power generation, while energy conservation and wastage reduction achieved conspicuous results, technical upgrades and desulphurisation and emission reduction were orderly in progress. The gross generation of the Group (excluding the associated company) was approximately 16,731,270 MWh, a decrease of approximately 0.82% over the 16,869,253 MWh recorded for the corresponding period last year. Net generation of the Group (excluding the associated company) was approximately 15,565,696 MWh, a decrease of approximately 1.05% over the corresponding period last year.

Over the past years, the installed capacity commissioned in the PRC continued to increase significantly, while the demand for electricity decreased since the end of last year. In the first half of the year, electricity consumption in the PRC decreased by 2.24% over the corresponding period last year and average utilisation hours of power generation equipment decreased by 265 hours. Although the Group had used its best effort to increase power generation, utilisation hours still decreased over the corresponding period last year.



In the first half of 2009, the Group continued to increase its commitment to energy saving and environmental protection. As such, our energy efficiency continued to improve and average net coal consumption rate decreased by 3.59 g/KWh over the corresponding period last year. All our coal-fired power generation units were installed with desulphurisation facilities which were put into operation and the desulphurisation efficiency meets environmental requirements. Also, waste water treatment and emission of pollutants from our power plants had met the requirements of relevant policies and the emission of various pollutants was in compliance with the national environment protection standards.

#### Operating Data of the Group's Power Plants

Operating conditions of the Group's power plants in the first half of 2009 were as follows:

	Pingwei Power Plant	Yaomeng Power Plant	Shentou I Power Plant	Pingwei Power Plant II	Yaomeng Power Plant II	Dabieshan Power Plant	Changshu Power Plant
Installed capacity (MW)	1,230	1,210	800	1,280	1,260	1,280	1,260
Average utilisation hours (hours)	2,528	2,106	3,088	2,389	2,554	1,819	2,282
Gross generation (MWh)	3,109,630	2,548,262	2,470,283	3,057,670	3,217,506	2,327,919	2,875,732
Net generation (MWh)	2,928,330	2,309,206	2,202,532	2,896,531	3,034,422	2,194,675	2,689,212
Net coal consumption rate (grams/KWh)	327	351	370	312	327	318	334

### OPERATING RESULTS

#### Turnover

Turnover of the Group for the first half of 2009 was approximately RMB4,927,154,000, representing an increase of approximately 21.86% over RMB4,043,212,000 of the corresponding period last year. The increase in turnover is mainly due to the increase in average on-grid tariff.

#### Operating Costs

In the first half of 2009, operating costs of the Group amounted to approximately RMB4,479,237,000, representing an increase of approximately 11.21% over RMB4,027,627,000 of the corresponding period last year.

#### Fuel Costs

Fuel costs were the largest component of the Group's operating costs. In the first half of 2009, the fuel costs of the Group were approximately RMB3,326,135,000, accounting for approximately 74.26% of the total operating costs. Fuel costs increased by approximately 9.56% compared with RMB3,036,003,000 of the corresponding period last year. The increase of fuel cost was mainly attributable to the structural change in the purchased coal of different prices and the year-on-year increase of estimated price of key contracted coal.

**Depreciation**

In the first half of 2009, depreciation of the Group amounted to approximately RMB471,094,000, representing an increase of approximately 37.29% over RMB343,143,000 of the corresponding period last year. The increase in depreciation was attributable to the increase in depreciation of new generation units commencing operation in the previous year over the corresponding period last year.

**Staff Costs**

In the first half of 2009, staff costs of the Group amounted to approximately RMB184,769,000, representing an increase of approximately 4.96% over RMB176,032,000 of the corresponding period last year. Such increase of staff costs was mainly due to the increase in staff costs relating to the new generation units commencing operation in the previous year.

**Repairs and Maintenance**

In the first half of 2009, repairs and maintenance costs of the Group amounted to approximately RMB218,970,000, representing an increase of approximately 14.96% over RMB190,477,000 of the corresponding period last year. Such increase was mainly due to the increase in repairs and maintenance such as overhaul arrangements for generation units.

**Consumables**

In the first half of 2009, the Group's consumables amounted to approximately RMB77,966,000, increased by approximately 82.13% as compared to RMB42,808,000 of the corresponding period last year. Such increase was mainly due to the full operation of desulphurization and emission reduction equipment and the resulted increase in consumption of materials.

**Other Operating Expenses**

In the first half of 2009, other operating expenses of the Group amounted to approximately RMB200,303,000, representing a decrease of approximately RMB38,861,000 or approximately 16.25%, over RMB239,164,000 of the corresponding period last year.

**Operating Profit**

In the first half of 2009, the Group's operating profit was approximately RMB465,247,000, representing an increase of approximately 1,886.03% over RMB23,426,000 of the corresponding period last year.

**Finance Costs**

In the first half of 2009, finance costs of the Group amounted to approximately RMB334,698,000, representing an increase of approximately 27.92% over RMB261,637,000 of the corresponding period last year. The Group took active measures to lower its average interest rate, however, interests accruing on the new generation units commencing operation in the previous year ceased to be capitalized, resulting in an increase in the Group's finance costs.

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

The share of profit of the associated company of the Group in the first half of 2009 was approximately RMB46,198,000, representing an increase of approximately RMB49,864,000 as compared with the loss of approximately RMB3,666,000 of the corresponding period last year. Such increase was mainly due to the increase in average on-grid tariff and net operating profit of our associated company Changshu Power Plant.

#### **Taxation**

Taxation charge of the Group for the first half of 2009 were approximately RMB33,411,000, representing an increase of approximately 157.34% over RMB12,983,000 of the corresponding period last year. The increase in taxation charge was mainly due to the increase in profit before taxation.

#### **Profit Attributable to Equity Holders of the Company**

In the first half of 2009, profit attributable to equity holders of the Company was approximately RMB151,858,000, representing an increase of approximately RMB401,240,000 as compared with the loss of approximately RMB249,382,000 for the corresponding period last year.

#### **SEGMENT INFORMATION**

The Group's principal activities are the generation and sale of electricity, investment holdings and the development of power plants. 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 RMB379 million were deposited in certain banks in Hong Kong as at 30 June 2009 (31 December 2008: approximately RMB401 million).

#### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2009, cash and cash equivalents of the Group were approximately RMB2,083,125,000 (31 December 2008: approximately RMB1,326,818,000).

The Group derived its funds mainly from cash inflow from operating activities, bank borrowings, project financing. The current assets amounted to approximately RMB4,493,359,000 (31 December 2008: approximately RMB3,935,534,000) and the current ratio was 0.95 times (31 December 2008: 0.92 times).

#### **DEBTS AND GEARING RATIO**

As at 30 June 2009, total borrowings of the Group amounted to approximately RMB12,115,001,000 (31 December 2008: RMB11,427,170,000). All of the Group's borrowings are denominated in Renminbi or United States Dollars.

The debts incurred by the Group will be used for general corporate purpose, including capital expenditure and working capital requirements.

The gearing ratio (total borrowings/shareholders' equity) as at 30 June 2009 and 31 December 2008 were approximately 131.19% and 141.54% respectively.

#### **CAPITAL EXPENDITURE**

In the first half of 2009, capital expenditure of the Group was approximately RMB756,562,000, which was primarily used for the development and construction of new projects and technical upgrade projects for existing units. Sources of funds were mainly from project financing and self-generated funds.

#### **RISK MANAGEMENT**

The investment and business operation of the Group are exposed to risks from exchange rates, interest rates, commodity prices and liquidity.

The Group currently does not use any derivative instruments to manage such risks.

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

#### **FOREIGN EXCHANGE RATE RISK**

The Group is principally engaged in business in Mainland China, with the Group's assets and liabilities and most transactions denominated in Renminbi. Basically, the Group is not exposed to any substantial exchange risks. The Group is mainly exposed to foreign exchange risk related to certain assets and liabilities denominated in Hong Kong Dollars and United States Dollars. The exchange rate reform of Renminbi and fluctuation of United States Dollars exchange rate will bring certain profit or loss in foreign exchange to the Group.

#### **INTEREST RATE RISK**

The Group's exposure to interest rate risk is mainly attributable to its bank borrowings and changes in interest rates.

Since 2008, the People's Bank of China has made downward adjustments to base rates on deposits and loans for five times. The market rate in the international financial market also decreased significantly. Thus the Group's interest expenses were decreased. In the first half of the year, the Group actively took advantage of the easy credit environment to expand its financing channels, strived to lower average interest rate and took various measures to reduce its interest rate risk.

#### **COMMODITY PRICE RISK**

The Group exposes to risks mainly in relation to the change in the supply and demand condition in the power market and the fluctuation in price of raw materials such as coal. As the Group has not entered into any key coal contracts and there are uncertainty resulting from the fluctuation in coal price which will affect the Group's operating results in the future.



## LIQUIDITY RISK

Prudent liquidity risk management implies maintaining the availability of funding through an adequate amount of credit facilities. The Group finances its working capital requirements, repayment of related debts, additions of equipments, construction of power plants and technological upgrades on existing generation units through a combination of internal resources and short-term and long-term bank borrowings.

As at 30 June 2009, the net current liabilities of the Group amounted to RMB259,924,000 (31 December 2008: approximately RMB330,024,000). The management monitors regularly the Group's current and expected liquidity requirements to ensure it maintains sufficient funds and has available funding through adequate amount of committed banking facilities to meet its working capital requirements. The directors believe that the Group's current operating cash flows and credit facilities from banks are sufficient for financing its capital expenses in the near future and for working capital purposes.

## PLEDGE OF ASSETS

As at 30 June 2009, the Group pledged its certain property, plant and equipment with carrying amount of approximately RMB349,760,000 to a bank to secure long-term bank borrowings in the amount of RMB93,000,000. In addition, the Group pledged certain of its account receivable of RMB142,241,000 to a bank to secure short-term borrowings in the amount of RMB100,000,000.

## CONTINGENT LIABILITIES

As at 30 June 2009, the Group had no material contingent liabilities.

## EMPLOYEES

As at 30 June 2009, the Group and its associated company, Changsu Power Plant, had a total of 5,199 employees.

The Group placed great emphasis on the legal interests of its employees, standardized its human resource management and focused on the development and improvement of the overall qualities of its employees.

In the first half of 2009, there were no significant changes in the Group's policies for determining remuneration, benefits of directors and employees, motivating and attracting high-calibre personnel.

## OUTLOOK OF THE SECOND HALF OF THE YEAR

In the second half of 2009, the macro economy of Mainland China and the international economic condition gradually improved. The power generation industry recorded an increase in national electricity consumption, but the utilization hours of coal-fired generation units are far from satisfactory. The price fluctuation of annual key contract coal is subject to change and opportunities and challenges co-exist.

The Group will closely keep track of policies trends such as reforms in tariff and the power market and the developments in the thermal coal market. By fully leveraging on its own strengths, the Group will strive to expand its source of revenue, strengthen cost control and improve the refining level of its operation and management and the Company's overall profitability. The Group will put development strategies into practice, accelerate the construction of an "energy conserved, environmental-friendly" enterprise, develop corporate culture characterised as "Still water runs deep" and build up a people-oriented harmonious organisation.

The key objectives of the Group for the second half of the year are as follows:

1. To implement major acquisition and development strategies for new projects, strengthen the integration and management of Wu Ling Power after acquisition, optimise the power source structure, and realise the leaping development of the asset scale and overall results of the Company.
2. To lay a solid foundation for safety production, strengthen our marketing efforts, generate more electricity and realise the goal of energy saving and environmental protection.
3. To expand and optimise fuel supply channels, strengthen fuel management and effectively control fuel cost.
4. To further promote comprehensive budget management and standardized cost system construction, and enhance our overall management ability and profitability.
5. To strengthen fund management, broaden financing channels, secure fund sources and lower finance costs.
6. To strengthen performance assessment, enhance team building and raise general quality of all employees.

#### **SHARE OPTION SCHEMES**

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

##### **(A) Pre-IPO Share Option Scheme**

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

The Pre-IPO Share Option Scheme was terminated on the date on which dealings in the shares of the Company (“Shares”) commenced on the Stock Exchange of Hong Kong Limited (i.e. 15 October 2004). No further options will be granted after that date but the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect. The main terms of the Pre-IPO Share Option Scheme are summarised in our 2008 annual report.

Movements of the Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme for the six months ended 30 June 2009 are as follows:

Grantee	Date of grant	Number of shares subject to Options					Outstanding as at 30 June 2009	Expiry date	Exercise price per share (HK\$)
		As at 1 January 2009	Granted during the period	Lapsed or cancelled during the period	Exercised during the period				
<b>Directors:</b>									
Li Xiaolin	18 September 2004	1,661,500	—	—	—	1,661,500	17 September 2014	2.53	
Gao Guangfu	18 September 2004	207,700	—	—	—	207,700	17 September 2014	2.53	
Other employees	18 September 2004	3,696,900	—	—	—	3,696,900	17 September 2014	2.53	
Other employees	11 October 2004	1,537,000	—	498,500	—	1,038,500	10 October 2014	2.53	

As at the date of this interim report, a total of 6,604,600 shares (representing approximately 0.18% of the existing issued share capital of the Company) will be issued by the Company if all outstanding Pre-IPO Share Options under the Pre-IPO Share Option Scheme are exercised.

The Company has used the Black-Scholes option pricing model (the "Model") to value the granted Pre-IPO Share Options, which is a common model used in assessing the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option. As such, the fair values are inherently subjective and uncertain due to the assumptions made and the limitations of the valuation model used.

The Pre-IPO Share Options were granted to the Directors, senior management and other employees of the Company on 18 September 2004 and to certain other employees of the Company on 11 October 2004 pursuant to the Pre-IPO Share Option Scheme respectively. The fair value of the Pre-IPO Share Options as at the dates of grant under the Model were HK\$9,875,200 and HK\$4,006,000 respectively, which had been amortised in the Group's profit and loss account over the four-year vesting period of the Pre-IPO Share Options commencing from the year ended 31 December 2004.

**(B) Share Option Scheme**

The Share Option Scheme was conditionally approved and adopted by a written resolution passed by the Company's shareholders on 24 August 2004. The purposes of the Share Option Scheme are to attract and retain high-calibre personnel and to provide them with the opportunity to acquire equity in the Company so as to incite them for better performance. The major terms of the Share Option Scheme are summarised in our 2008 annual report.

Movements of the options granted under the Share Option Scheme for the six months ended 30 June 2009 are as follows:

Grantee	Date of grant	Number of shares subject to Options					Outstanding as at 30 June 2009	Expiry date	Exercise price per share (HK\$)
		As at 1 January 2009	Granted during the period	Lapsed or cancelled during the period	Exercised during the period				
<b>Directors:</b>									
Li Xiaolin	4 April 2007	1,905,000	—	—	—	1,905,000	3 April 2017	4.07	
	2 July 2008	820,000	—	—	—	820,000	1 July 2018	2.326	
Liu Guangchi	2 July 2008	740,000	—	—	—	740,000	1 July 2018	2.326	
Gao Guangfu	4 April 2007	667,000	—	—	—	667,000	3 April 2017	4.07	
	2 July 2008	400,000	—	—	—	400,000	1 July 2018	2.326	
Guan Qihong	2 July 2008	400,000	—	—	—	400,000	1 July 2018	2.326	
<b>Other employees</b>	4 April 2007	12,951,000	—	600,000	—	12,351,000	3 April 2017	4.07	
	2 July 2008	27,230,000	—	550,000	—	26,680,000	1 July 2018	2.326	

As at the date of this interim report, a total of 43,963,000 shares (representing approximately 1.22% of the existing issued share capital of the Company) will be issued by the Company if all outstanding options under the Share Option Scheme are exercised.

The Company has also used the Model to value the options granted pursuant to the Share Option Scheme, which is a common model used in assessing the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option. As such, the fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the valuation model used.

The options were granted to the Directors, senior management and other employees of the Company pursuant to the Share Option Scheme on 4 April 2007 and 2 July 2008. The fair value of the options as at the date of grant under the Model was HK\$23,517,000 and HK\$18,346,000 respectively. For the six months ended 30 June 2009, a share option expense of RMB5,926,000 has been recognised with a corresponding adjustment made in the Group's employee share-based compensation reserve.

**DIRECTORS' INTERESTS IN SECURITIES**

As at 30 June 2009, save as disclosed below, none of the Directors or the Company's chief executive has any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO")) which will have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Name	Capacity	Name of company in which interests are held	Date of grant	Number of underlying shares interested under physically settled equity derivatives	Percentage of issued share capital of the Company (%)	Long/Short position
Li Xiaolin	Beneficial owner	the Company	18 September 2004 and 4 April 2007 and 2 July 2008	4,386,500	0.12	Long
Liu Guangchi	Beneficial owner	the Company	2 July 2008	740,000	0.02	Long
Gao Guangfu	Beneficial owner	the Company	18 September 2004 and 4 April 2007 and 2 July 2008	1,274,700	0.04	Long
Guan Qihong	Beneficial owner	the Company	2 July 2008	400,000	0.01	Long

*Notes:*

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



## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2009, the following shareholders (other than the Directors or the Company's chief executive) have interests or short positions in the shares or underlying shares of the Company which are required to record in the register kept under Section 336 of the SFO:

Name	Capacity	Number of shares in which interested other than under equity derivatives (Note 3)	Percentage of issued share capital of the Company (%)	Long/Short position
China Power Development Limited ("CPDL")	Beneficial owner	1,996,500,000	55.37	Long
CPI Holding (Note 1)	Interest of a controlled corporation	1,996,500,000	55.37	Long
	Beneficial owner	1,491,313,324	41.36	Long
CPI Group (Note 2)	Interest of a controlled corporation	3,487,813,324	96.73	Long
Mondrian Investment Partners Limited	Investment Manager	213,690,000	5.93	Long
The Bank of New York Mellon Corporation (Note 4)	Interest of a controlled corporation	252,842,977	7.01	Long

### Notes:

- (1) CPI Holding is the beneficial owner of CPDL and therefore CPI Holding is deemed to be interested in 1,996,500,000 Shares owned by CPDL for the purposes of the SFO. 24,584,000 Shares are beneficially owned by CPI Holding. 1,466,729,324 Consideration Shares (subject to adjustment) are to be allotted and issued to CPI Holding upon completion of the Acquisition. Immediately after the signing of the Acquisition Agreement, CPI Holding is interested in approximately 96.73% of 3,605,610,850 Shares, being the existing issued share capital of the Company pursuant to the SFO. However, after the allotment and issue of 1,466,729,324 Consideration Shares (subject to adjustment) to CPI Holding pursuant to the Acquisition Agreement, CPI Holding will own approximately 69% of the enlarged share capital of the Company.
- (2) CPI Group is the beneficial owner of CPI Holding and therefore CPI Group is deemed to be interested in the Shares owned by CPI Holding for the purposes of the SFO.
- (3) CPI Group, CPI Holding and CPDL do not have any interest in the equity derivatives of the Company.
- (4) The Bank of New York Mellon Corporation is also interested in 133,803,418 Shares as lending pool.

**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 during the six months ended 30 June 2009.

By order of the Board  
China Power International Development Limited

Li Xiaolin  
*Chairman*  
Hong Kong, 17 September 2009



## Corporate Governance Report

The Corporate Governance Report of the Board has been set out in our 2008 annual report. Save for the deviations from Code A.2.1 and Code A.4, the Company has complied with the provisions of 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”) for the six months ended 30 June 2009.

### CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

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

### TERM OF OFFICE OF THE DIRECTORS

Code A.4.1 stipulates that Non-Executive Directors should be appointed for a specific term, subject to retirement by rotation and 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 (except Guan Qihong who has been appointed for a term of three years) 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 2007.

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

### SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a set of Code of Conduct for Securities Transactions by Directors (the “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 for the six months ended 30 June 2009.

## COMMITTEES OF THE BOARD

The Company has set up two specialized committees under the Board, being the Audit Committee and the Remuneration and Nomination Committee to conduct self-monitoring and control in relevant aspects of the Company.

### AUDIT COMMITTEE

The Company established the Audit Committee on 24 August 2004 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and provisions of the Code which have been effective since 31 December 2004. The Audit Committee comprises three members, namely, Kwong Che Keung, Gordon, Li Fang and Tsui Yiu Wa, Alec, all of whom are independent Non-Executive Directors. The Audit Committee is chaired by Kwong Che Keung, Gordon. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditor of the Company. The interim financial information for the six months ended 30 June 2009 has not been audited but has been reviewed by the Audit Committee of the Company and PricewaterhouseCoopers.

### REMUNERATION AND NOMINATION COMMITTEE

The Company established the Remuneration and Nomination Committee on 24 August 2004. Its primary duties are to evaluate the performance of the Directors and senior management and to determine the specific remuneration packages for all Executive Directors, including benefits in kind, pensions, benefits, and compensation for lost of office or upon appointment, to make recommendations on the remuneration of Non-Executive Directors and to make recommendations in respect of the appointment and removal of members of the Board according to criteria such as educational background and work experience. The remuneration of the Directors approved by the shareholders is determined by the Board with reference to their experience, performance, duties and market conditions.

The Remuneration and Nomination Committee comprises three members, namely Li Fang, Kwong Che Keung, Gordon and Tsui Yiu Wa, Alec, all of whom are Independent Non-Executive Directors. The Committee is chaired by Li Fang.

#### CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in Directors' biographical details since the date of the Annual Report 2008 of the Company or (as the case may be) the date of announcement for the appointment of the Director issued by the Company subsequent to the date of the Annual Report 2008, which are required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules, are set out below.

##### **Mr. Kwong Che Keung, Gordon**

###### *Cessation of appointment*

- Ping An Insurance (Group) Company of China, Ltd. (Independent Non-executive Director)

##### **Mr. Tsui Yiu Wa, Alec**

###### *New appointment*

- China Oilfield Services Limited (Independent Non-executive Director)

###### *Cessation of appointment*

- Vertex Group Limited (Independent Non-executive Director)

Other than those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.



## CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Note	Unaudited	
		Six months ended 30 June	
		2009	2008
		RMB'000	RMB'000
Revenue	5	4,927,154	4,043,212
Other income	6	12,256	4,315
Fuel costs		(3,326,135)	(3,036,003)
Depreciation		(471,094)	(343,143)
Staff costs		(184,769)	(176,032)
Repairs and maintenance		(218,970)	(190,477)
Consumables		(77,966)	(42,808)
Other gains	7	5,074	3,526
Other operating expenses		(200,303)	(239,164)
Operating profit	8	465,247	23,426
Interest income from bank deposits		6,320	6,039
Finance costs	9	(334,698)	(261,637)
Share of profit/(loss) of an associated company		46,198	(3,666)
Share of loss of a jointly-controlled entity		(2,069)	(928)
Profit/(loss) before taxation		180,998	(236,766)
Taxation	10	(33,411)	(12,983)
Profit/(loss) for the period		147,587	(249,749)
Attributable to:			
Equity holders of the Company		151,858	(249,382)
Minority interests		(4,271)	(367)
		147,587	(249,749)
Earnings/(loss) per share for profit/(loss) attributable to equity holders of the Company during the period (expressed in RMB per share)			
- basic	11	0.04	(0.07)
- diluted	11	0.04	(0.07)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Unaudited	
	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Profit/(loss) for the period	147,587	(249,749)
Other comprehensive income/(loss):		
- Fair value gain/(loss) on available-for-sale financial assets, net of tax	1,003,770	(1,494,398)
Total comprehensive income/(loss) for the period	1,151,357	(1,744,147)
Total comprehensive income/(loss) attributable to:		
- equity holders of the Company	1,155,628	(1,743,780)
- minority interests	(4,271)	(367)
	1,151,357	(1,744,147)

## CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2009

	Note	As at	
		30 June 2009 Unaudited RMB'000	31 December 2008 Audited RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	15,561,233	15,617,112
Prepayment for construction of power plants	13	553,828	377,172
Land use rights	13	41,991	42,439
Goodwill		126,939	126,939
Interest in an associated company		850,298	804,100
Interest in a jointly-controlled entity		64,062	66,131
Available-for-sale financial assets	14	2,382,781	1,379,011
Long-term receivable from Hubei Electric Power Corporation ("HEPC")	22	34,000	34,000
Other long-term prepayments		15,950	15,950
Deferred income tax assets		34,825	33,341
		<b>19,665,907</b>	<b>18,496,195</b>
<b>Current assets</b>			
Inventories		532,863	499,776
Accounts and notes receivables	15	1,138,866	1,375,156
Prepayments, deposits and other receivables		550,451	499,507
Amount due from an intermediate holding company	22	—	719
Amounts due from fellow subsidiaries	22	152,858	198,362
Current portion of long-term receivable from HEPC	22	34,000	34,000
Tax recoverable		1,196	1,196
Cash and cash equivalents		2,083,125	1,326,818
		<b>4,493,359</b>	<b>3,935,534</b>
<b>Total assets</b>		<b>24,159,266</b>	<b>22,431,729</b>
<b>EQUITY</b>			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	3,798,610	3,798,610
Share premium		2,755,361	2,755,361
Reserves	17	2,680,937	1,519,383
		<b>9,234,908</b>	<b>8,073,354</b>
Minority interests		64,068	68,339
<b>Total equity</b>		<b>9,298,976</b>	<b>8,141,693</b>

## CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2009

	Note	As at	
		30 June 2009 Unaudited RMB'000	31 December 2008 Audited RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income	20	93,186	97,990
Long-term bank borrowings	18	9,041,856	9,439,150
Long-term borrowings from ultimate holding company	22	750,000	—
Long-term payables to CPI Financial Company ("CPIF")	22	—	270,295
Obligations under finance lease		208,407	205,155
Deferred income tax liabilities		13,558	11,888
		<b>10,107,007</b>	<b>10,024,478</b>
<b>Current liabilities</b>			
Accounts and bills payables	19	609,316	696,529
Construction cost payable		991,980	1,156,466
Other payables and accrued charges		564,384	418,727
Amount due to ultimate holding company	22	87,706	68,643
Amount due to an intermediate holding company	22	1,074	—
Amounts due to fellow subsidiaries	22	134,635	147,730
Short-term payables to CPIF	22	270,295	—
Short-term borrowings from CPIF	22	200,000	100,000
Current portion of long-term bank borrowings	18	439,350	225,000
Other bank borrowings	18	—	412,725
Short-term bank borrowings	18	1,398,500	980,000
Short-term other borrowings	18	15,000	—
Current portion of obligations under finance lease		14,467	26,857
Taxation payable		26,576	32,881
		<b>4,753,283</b>	<b>4,265,558</b>
<b>Total liabilities</b>		<b>14,860,290</b>	<b>14,290,036</b>
<b>Total equity and liabilities</b>		<b>24,159,266</b>	<b>22,431,729</b>
<b>Net current liabilities</b>		<b>259,924</b>	<b>330,024</b>
<b>Total assets less current liabilities</b>		<b>19,405,983</b>	<b>18,166,171</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Unaudited					
	Attributable to equity holders of the Company					
	Share capital RMB'000	Share premium RMB'000	Other		Minority interests RMB'000	Total RMB'000
			reserves (Note 17) RMB'000	Accumulated losses RMB'000		
Balance at 1 January 2008	3,798,610	2,755,361	4,990,815	(409,897)	44,458	11,179,347
Loss for the period	—	—	—	(249,382)	(367)	(249,749)
Other comprehensive income:						
Decrease in fair value of available- for-sale financial assets	—	—	(1,660,442)	—	—	(1,660,442)
Deferred tax on decrease in fair value of available-for-sale financial assets	—	—	166,044	—	—	166,044
Release of revaluation reserve upon disposal of property, plant and equipment						
- Group	—	—	(30)	30	—	—
- An associated company	—	—	(1)	1	—	—
Total comprehensive income for the period ended 30 June 2008	—	—	(1,494,429)	(249,351)	(367)	(1,744,147)
Employee share option benefits	—	—	3,606	—	—	3,606
Lapse of share options	—	—	(3,782)	3,782	—	—
Contribution from minority shareholders of a subsidiary	—	—	—	—	37,400	37,400
2007 final dividend	—	—	—	(194,703)	—	(194,703)
	—	—	(176)	(190,921)	37,400	(153,697)
Balance at 30 June 2008	3,798,610	2,755,361	3,496,210	(850,169)	81,491	9,281,503



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Unaudited					
	Attributable to equity holders of the Company					
	Share capital RMB'000	Share premium RMB'000	Other reserves (Note 17) RMB'000	Accumulated losses RMB'000	Minority interests RMB'000	Total RMB'000
Balance at 1 January 2009	3,798,610	2,755,361	2,797,766	(1,278,383)	68,339	8,141,693
Profit/(loss) for the period	—	—	—	151,858	(4,271)	147,587
Other comprehensive income:						
Increase in fair value of available- for-sale financial assets	—	—	1,003,770	—	—	1,003,770
Release of revaluation reserve upon disposal of property, plant and equipment						
- Group	—	—	(44)	44	—	—
- An associated company	—	—	(619)	619	—	—
Total comprehensive income for the period ended 30 June 2009	—	—	1,003,107	152,521	(4,271)	1,151,357
Employee share option benefits	—	—	5,926	—	—	5,926
Lapse of share options	—	—	(1,090)	1,090	—	—
	—	—	4,836	1,090	—	5,926
Balance at 30 June 2009	3,798,610	2,755,361	3,805,709	(1,124,772)	64,068	9,298,976

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Unaudited	
	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Net cash generated from operating activities	828,376	106,994
Net cash used in investing activities	(744,885)	(868,784)
Net cash generated from financing activities	672,816	998,497
Net increase in cash and cash equivalents	756,307	236,707
Cash and cash equivalents at beginning of period	1,326,818	734,057
Cash and cash equivalents at end of period	2,083,125	970,764
Analysis of cash and cash equivalents:		
Cash and bank balances	2,083,125	970,764



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1 GENERAL INFORMATION

China Power International Development Limited (the “Company”) is incorporated in Hong Kong on 24 March 2004 as a limited liability company under the Hong Kong Companies Ordinance. The Company’s shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 15 October 2004.

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

This condensed consolidated interim financial information is presented in thousands of Renminbi (“RMB’000”), unless otherwise stated, and has been approved for issue on 17 September 2009.

### 2 BASIS OF PREPARATION

The Company has a financial year end date of 31 December. This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

In preparing this condensed consolidated interim financial information, 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. As of 30 June 2009, the Group had undrawn committed banking facilities amounting to approximately RMB1,819,700,000 (31 December 2008: RMB1,604,200,000) and will refinance and/or restructure certain short-term loans into long-term loans or to consider alternative sources of financing, where applicable. Under these circumstances, the directors are of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months and therefore have prepared this condensed consolidated interim financial information on a going concern basis notwithstanding that at 30 June 2009, the Group’s current liabilities exceeded its current assets by RMB259,924,000.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

### 3 ACCOUNTING POLICIES

The accounting policies and method of computation used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2008, except as mentioned below.

#### (a) Effect of adopting new standards and amendments to standards

The following new standards and amendments to standards are mandatory for the financial year ending 31 December 2009.

- HKAS 1 (revised), “Presentation of financial statements”. The revised standard prohibits the presentation of items of income and expenses (that is “non-owner changes in equity”) in the statement of changes in equity, requiring “non-owner changes in equity” to be presented separately from owner changes in equity. All “non-owner changes in equity” are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The condensed consolidated interim financial information has been prepared under the revised disclosure requirements.

- HKFRS 8, “Operating segments”. HKFRS 8 replaces HKAS 14, “Segment reporting”. It requires a “management approach” under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of HKFRS 8 has not resulted in a change in the number of reportable segments presented by the Group. The reportable segment remained the “Generation and sales of electricity in PRC” segment.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the executive directors and certain senior management who collectively make strategic decisions.

- Amendment to HKFRS 7, “Financial instruments: disclosures”. The amendments increase the disclosure requirements about fair value measurement and amend the disclosure about liquidity risk. The amendments introduce a three-level hierarchy for fair value measurement disclosures about financial instruments and require some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendments clarify and enhance the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. They also require a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements for the year ending 31 December 2009.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

### 3 ACCOUNTING POLICIES *(Continued)*

#### (a) Effect of adopting new standards and amendments to standards *(Continued)*

The following amendments to standards and interpretations are also mandatory for the financial year beginning 1 January 2009:

HKFRSs (Amendment)	Improvements to HKFRSs 2008 <sup>#</sup>
HKFRS 1 and HKAS 27 (Amendment)	Cost of an investment in a Subsidiary,-Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment-Vesting Conditions and Cancellations
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instrument and Obligation Arising on Liquidation
HK(IFRIC)-Int 9 and HKAS 39	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation

<sup>#</sup> Effective for the Group for annual period beginning 1 January 2009 except the amendment to HKFRS 5, “Non-current assets held for sale and discontinued operations” which is effective for annual period beginning 1 January 2010.

The adoption of these amendments to standards and interpretations did not result in a significant impact on the result and financial position of the Group.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

## 3 ACCOUNTING POLICIES (Continued)

## (b) Amendments to standards and interpretations that have been issued but are not effective

The following amendments to standards and interpretations have been issued but are not effective and have not been early adopted:

HKFRSs (Amendment)	Improvements to HKFRSs 2009 <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC)-Int 18	Transfer of Assets from Customers <sup>2</sup>

<sup>1</sup> Effective for the Group for annual period beginning 1 January 2010

<sup>2</sup> Effective for transfer of assets received on or after 1 July 2009

The effect that the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and HK(IFRIC)-Int 17 will have on the results and financial position of the Group will depend on the incidence and timing of business combinations occurring on or after 1 January 2010. The directors anticipate that the adoption of other amendments to standards and interpretations will not result in a significant impact on the results and financial position of the Group.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing this condensed consolidated interim financial information are evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. In addition to the accounting estimates and judgements as disclosed in the 2008 annual financial statements, the directors are of the opinion that the following critical accounting estimates and judgements are also material to an understanding of, and may have a significant risk of causing a material adjustment to, this interim financial information.

#### Coal price

The Group is principally engaged in the generation of electricity and coal cost is a significant component of the Group's operating expenses. The Group has not entered into the major coal purchase contracts with the main coal suppliers and the coal purchase from whom were accounted for based on estimated coal price, which is the best estimate based on the knowledge of the fuel market and comparable reference prices. Any change in the estimates upon final conclusion of the coal supply contracts would result in adjustments to operating costs and carrying amount of coal included in inventories.

### 5 TURNOVER AND REVENUE

Revenue recognised during the period is as follows:

	Unaudited	
	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Sales of electricity to regional and provincial power grid companies (note (a))	4,769,247	3,805,036
Provision for power generation services (note (b))	157,907	238,176
	<b>4,927,154</b>	<b>4,043,212</b>

Note:

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)****5 TURNOVER AND REVENUE** *(Continued)***Segment information**

The chief operating decision maker has been identified as the executive directors and certain senior management (collectively referred to as the “CODM”) that make strategic decisions. The CODM reviews the internal reporting of the Company and its subsidiaries in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. Currently, it is determined that the generation and sales of electricity is the only reportable segment of the Group.

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

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

As the Group’s principal activities are the generation and sale of electricity, investment holdings and the development of power plants, the Group has only one reportable segment, which is the generation and sales of electricity in the PRC. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segment because the financial information provided to the CODM for review contained the operating results of the Group as a whole.

**Geographical information**

All revenues from external customers are generated from the PRC. 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 RMB379 million were deposited in certain banks in Hong Kong at 30 June 2009 (31 December 2008: approximately RMB401 million).

The Group’s major customers are regional and provincial power grid companies. During the period ended 30 June 2009, the Group’s external revenue amounting to RMB4,763,914,000 (30 June 2008: RMB3,737,432,000) is generated from 5 (30 June 2008: 4) major customers, each of which account for 10% or more of the Group’s external revenue. All these customers are regarded as other state-owned enterprises and the details of these sales are disclosed in Note 22.





## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

## 6 OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Sales of electricity quotas	9,048	—
Management fee income (Note 22)	2,986	4,049
Rental income	222	266
	12,256	4,315

## 7 OTHER GAINS

	Unaudited	
	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Amortisation of deferred income	5,074	3,526

## 8 OPERATING PROFIT

Operating profit is stated after charging the following:

	Unaudited	
	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Amortisation of land use rights (Note 13)	448	448
Depreciation of property, plant and equipment (Note 13)	471,094	343,143
Operating lease rental in respect of leasehold land and buildings	16,638	17,117
Staff costs including directors' emoluments	184,769	176,032
Write-off of pre-operating expenses	2,839	2,588

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

## 9 FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Interest expense on		
— bank borrowings wholly repayable within five years	59,223	57,482
— bank borrowings not wholly repayable within five years	248,114	267,844
— short-term other borrowings wholly repayable within five years	364	—
— payables to CPIF wholly repayable within five years	6,760	9,035
— short-term borrowings from CPIF wholly repayable within five years	3,655	—
— long-term other borrowings from ultimate holding company wholly repayable within five years	13,953	—
— obligations under finance lease	7,809	—
	339,878	334,361
Less: Amounts capitalised in property, plant and equipment	(5,171)	(92,225)
	334,707	242,136
Net exchange (gains)/losses	(9)	19,501
	334,698	261,637

The weighted average interest rate on capitalised borrowings is approximately 4.8% (2008: 6.6%) per annum.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

### 10 TAXATION

No Hong Kong profits tax has been provided for as the Group did not have any estimated assessable profit in Hong Kong for the period (2008: Nil).

The provision for PRC current income tax is calculated based on the statutory tax rate of 25% (2008: 25%) on the estimated assessable income for the period except as disclosed below.

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

	Unaudited	
	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
PRC current income tax	33,225	12,394
Deferred taxation	186	589
	<b>33,411</b>	<b>12,983</b>

Share of taxation attributable to an associated company for the period ended 30 June 2009 of RMB584,000 (2008: RMB140,000) is included in the Group's share of profit/loss of an associated company for the period.

Pursuant to the relevant PRC income tax rules and regulations, special income tax rates have been granted to certain subsidiaries of the Group and the associated company as being foreign invested enterprises which are engaged in the energy, transportation or infrastructure activities. These companies are subject to a tax rate of 20% for the year 2009 (2008: 18%) followed by tax rates gradually increased from 22% to 25% in the ensuing three years towards 2012. A subsidiary acquired by the Group in the year 2005 will be subject to tax rates gradually increased from 10% for the year 2009 (2008: 9%) to 25% in the ensuing three years towards 2012. A subsidiary of the Group that started operations in the year 2007 is entitled to a two-year exemption from income tax starting from the year 2007 followed by a 50% reduction in income tax rate towards year 2011 at rates gradually increased from 10% to 12%, and at 25% thereafter. Certain subsidiaries of the Group that started operations in the year 2008 are also entitled to a two-year exemption from income tax starting from the year 2008 followed by a 50% reduction in income tax rate towards year 2012 at rates gradually increased from 11% to 12.5%, and at 25% thereafter.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

## 11 EARNINGS/(LOSS) PER SHARE

## (a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of shares in issue during the period.

	Unaudited	
	Six months ended 30 June	
	2009	2008
Profit/(loss) attributable to equity holders of the Company (RMB'000)	151,858	(249,382)
Weighted average number of shares in issue (shares in thousands)	3,605,611	3,605,611
Basic earnings/(loss) per share (RMB)	0.04	(0.07)

## (b) Diluted

Diluted earnings/(loss) per share is calculated based on the weighted average number of shares in issue during the period plus the weighted average number of shares deemed to be issued at no consideration if all outstanding options had been exercised.

	Unaudited	
	Six months ended 30 June	
	2009	2008
Profit/(loss) attributable to equity holders of the Company (RMB'000)	151,858	(249,382)
Weighted average number of shares in issue (shares in thousands)	3,605,611	3,605,611
Adjustment for share options (shares in thousands)	—	392
Adjusted weighted average number of shares for diluted earnings/(loss) per share (shares in thousands)	3,605,611	3,606,003
Diluted earnings/(loss) per share (RMB)	0.04	(0.07)

## 12 DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: Nil).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 13 CAPITAL EXPENDITURE

	Unaudited		
	Property, plant and equipment RMB'000	Prepayment for construction of power plants RMB'000	Land use rights RMB'000
Opening net book amount as at 1 January 2008	14,594,556	881,858	43,334
Additions	553,829	46,324	—
Disposals	(1,037)	—	—
Depreciation and amortisation	(343,143)	—	(448)
Transfer	928,182	(928,182)	—
Closing net book amount as at 30 June 2008	15,732,387	—	42,886
Opening net book amount as at 1 January 2009	15,617,112	377,172	42,439
Additions	367,876	224,200	—
Disposals	(205)	—	—
Depreciation and amortisation	(471,094)	—	(448)
Transfer	47,544	(47,544)	—
Closing net book amount as at 30 June 2009	15,561,233	553,828	41,991

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

## 14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at	
	30 June 2009 Unaudited RMB'000	31 December 2008 Audited RMB'000
Equity securities listed outside Hong Kong		
At fair value	2,382,781	1,379,011
At market value	2,382,781	1,379,011

As of 16 September 2009, the date immediately before approval of this condensed consolidated interim financial information, the market value of the above available-for-sale financial assets was approximately 2,481,282,000.

There were no disposals or impairment provisions on available-for-sale financial assets during the period.

The following is the details of the available-for-sale financial assets as at 30 June 2009:

Name of company	Place of establishment and operation	Registered and paid up capital	Equity interest attributable to the Group	Type of legal entity	Principal activity
Shanghai Electric Power Co., Ltd ("Shanghai Power")	The PRC	RMB2,139,739,257	21.9%	Joint stock company with limited liability with its A shares listed on the Shanghai Stock Exchange	Investment holdings and the generation and sale of electricity

As at 30 June 2009 and 31 December 2008, the directors of the Company evaluated the shareholder structure and the composition of the board of directors in Shanghai Power and concluded that the Group is not able to exercise significant influence over the financial and operating decisions of Shanghai Power despite that the Group holds an aggregate 21.9% interest in Shanghai Power. Consequently, the Group continues to account for its investment in Shanghai Power as "Available-for-sale financial assets" which is measured based on its fair value, with the changes in fair value recognised in equity.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

## 15 ACCOUNTS AND NOTES RECEIVABLES

	As at	
	30 June 2009 Unaudited RMB'000	31 December 2008 Audited RMB'000
Accounts receivable from regional and provincial power grid companies (note (a))	1,030,159	1,283,682
Accounts receivable from other companies (note (a))	15,520	51,274
	1,045,679	1,334,956
Notes receivable (note (b))	93,187	40,200
	1,138,866	1,375,156

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

Note:

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

	As at	
	30 June 2009 Unaudited RMB'000	31 December 2008 Audited RMB'000
1 to 3 months	1,045,679	1,334,956

- (b) The notes receivable are normally with maturity period of 90 to 180 days (2008: 90 to 180 days).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

## 16 SHARE CAPITAL

## (a) Authorised and issued capital

	Number of shares (of HK\$1 each)	RMB'000
Authorised:		
At 1 January 2008, 31 December 2008 and 30 June 2009	10,000,000,000	10,600,000
Issued and fully paid:		
At 1 January 2008, 31 December 2008 and 30 June 2009	3,605,610,850	3,798,610

## (b) Share option schemes

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

## (i) Option Scheme

Details of the options granted under the Option Scheme outstanding as at 30 June 2009 and 31 December 2008 are as follows:

Date of grant	Expiry date	Exercise price	Number of shares subject to the options	
			At 30 June 2009	At 31 December 2008
Directors				
4 April 2007	3 April 2017	HK\$4.07	2,572,000	2,572,000
2 July 2008	1 July 2018	HK\$2.326	2,360,000	2,360,000
Senior management and other employees				
4 April 2007	3 April 2017	HK\$4.07	12,351,000	12,951,000
2 July 2008	1 July 2018	HK\$2.326	26,680,000	27,230,000
			43,963,000	45,113,000



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

## 16 SHARE CAPITAL (Continued)

## (b) Share option schemes (Continued)

## (i) Option Scheme (Continued)

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

	2009		2008	
	Average exercise price per share	Number of options	Average exercise price per share	Number of options
At 1 January	HK\$2.926	45,113,000	HK\$4.07	20,629,000
Granted	—	—	HK\$2.326	29,590,000
Lapsed	HK\$4.07	(600,000)	HK\$4.07	(5,106,000)
Lapsed	HK\$2.326	(550,000)	—	—
		43,963,000		45,113,000

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

Consideration in connection with all options granted were received. Save as mentioned above, no other share options granted under the Option Scheme were cancelled or exercised during the year. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

## 16 SHARE CAPITAL (Continued)

## (b) Share option schemes (Continued)

## (i) Option Scheme (Continued)

The fair value of options granted under the Option Scheme determined using the Black-Scholes Option Pricing Model were as follows:

	Date of grant of share options	
	2 July 2008	4 April 2007
Option value	HK\$0.62	HK\$1.14
Significant inputs into the valuation model:		
Exercise price	HK\$2.326	HK\$4.07
Share price at grant date	HK\$2.09	HK\$4.07
Expected volatility (Note)	36.44%	30.95%
Risk-free interest rate	3.41%	4.16%
Expected life of options	6.25 years	6.25 years
Expected dividend yield	2.27%	2.75%

Note:

The volatility of the underlying stock during the life of the options is estimated based on the historical volatility of the Company since its listing on the Stock Exchange on 15 October 2004 up to the date of grant of the relevant options.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

## 16 SHARE CAPITAL (Continued)

## (b) Share option schemes (Continued)

## (ii) Pre-IPO Share Option Scheme

Details of the options granted under the Pre-IPO Scheme outstanding as at 30 June 2009 and 31 December 2008 are as follows:

	Date of grant	Expiry date	Exercise price	Number of shares subject to the options	
				At 30 June 2009	At 31 December 2008
Directors	18 September 2004	17 September 2014	HK\$2.53	1,869,200	1,869,200
Senior management and other employees	18 September 2004	17 September 2014	HK\$2.53	3,696,900	3,696,900
Senior management and other employees	11 October 2004	10 October 2014	HK\$2.53	1,038,500	1,537,000
				<b>6,604,600</b>	<b>7,103,100</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

## 16 SHARE CAPITAL (Continued)

## (b) Share option schemes (Continued)

## (ii) Pre-IPO Share Option Scheme (Continued)

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

	2009		2008	
	Average exercise price per share	Number of options	Average exercise price per share	Number of options
At 1 January	HK\$2.53	7,103,100	HK\$2.53	10,531,400
Lapsed	HK\$2.53	(498,500)	HK\$2.53	(3,428,300)
		6,604,600		7,103,100

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

Consideration in connection with all options granted were received. Save as mentioned above, no other share options granted under the Pre-IPO Share Option Scheme were cancelled or exercised during the year. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

### 16 SHARE CAPITAL (Continued)

#### (b) Share option schemes (Continued)

##### (ii) Pre-IPO Share Option Scheme (Continued)

The fair values of options granted under the Pre-IPO Share Option Scheme determined using the Dividend Adjusted Black-Scholes Option Pricing Model were as follows:

	Date of grant of share options	
	18 September 2004	11 October 2004
Option value	HK\$1.14	HK\$1.13
Significant inputs into the valuation model:		
Exercise price	HK\$2.53	HK\$2.53
Share price at grant date	HK\$2.53	HK\$2.53
Expected volatility (Note)	43.71%	43.28%
Risk-free interest rate	4.40%	4.41%
Expected life of options	6.3 years	6.3 years
Expected dividend yield	0.99%	0.99%

Note:

The volatility of the underlying stock during the life of the options was estimated based on the historical volatility of the comparable companies for the past four years as of the respective valuation dates since there was no trading record of the Company's shares at the respective grant dates.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

## 17 RESERVES

	Merger reserve RMB'000	Capital reserve RMB'000	Revaluation reserve RMB'000	Available-for- sale investments reserve RMB'000	Statutory reserves RMB'000	Share-based compensation reserve RMB'000	Sub-total RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2008	306,548	2,262,848	511,440	1,751,557	137,972	20,450	4,990,815	(409,897)	4,580,918
Release of revaluation reserve upon disposal of property, plant and equipment									
- Group	—	—	(30)	—	—	—	(30)	30	—
- Associated company	—	—	(1)	—	—	—	(1)	1	—
Decrease in fair value of available-for-sale financial assets	—	—	—	(1,660,442)	—	—	(1,660,442)	—	(1,660,442)
Deferred tax on decrease in fair value of available-for-sale financial assets	—	—	—	166,044	—	—	166,044	—	166,044
Employee share option benefits	—	—	—	—	—	3,606	3,606	—	3,606
Lapse of share options	—	—	—	—	—	(3,782)	(3,782)	3,782	—
2007 final dividend	—	—	—	—	—	—	—	(194,703)	(194,703)
Loss for the period	—	—	—	—	—	—	—	(249,382)	(249,382)
At 30 June 2008	306,548	2,262,848	511,409	257,159	137,972	20,274	3,496,210	(850,169)	2,646,041
At 1 January 2009	306,548	2,262,848	500,853	(434,224)	137,972	23,769	2,797,766	(1,278,383)	1,519,383
Release of revaluation reserve upon disposal of property, plant and equipment									
- Group	—	—	(44)	—	—	—	(44)	44	—
- Associated company	—	—	(619)	—	—	—	(619)	619	—
Increase in fair value of available-for-sale financial assets	—	—	—	1,003,770	—	—	1,003,770	—	1,003,770
Employee share option benefits	—	—	—	—	—	5,926	5,926	—	5,926
Lapse of share options	—	—	—	—	—	(1,090)	(1,090)	1,090	—
Profit for the period	—	—	—	—	—	—	—	151,858	151,858
At 30 June 2009	306,548	2,262,848	500,190	569,546	137,972	28,605	3,805,709	(1,124,772)	2,680,937

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

## 18 BORROWINGS

Bank and other borrowings are analysed as follows:

	As at	
	30 June 2009 Unaudited RMB'000	31 December 2008 Audited RMB'000
<b>Non-current</b>		
Long-term bank borrowings		
- secured (note (c))	93,000	193,000
- unsecured	9,388,206	9,883,875
	9,481,206	10,076,875
Less: current portion of long-term bank borrowings		
- secured	—	(100,000)
- unsecured	(439,350)	(125,000)
- unsecured other bank borrowings reclassified as current	—	(412,725)
	9,041,856	9,439,150
<b>Current</b>		
Current portion of long-term bank borrowings	439,350	225,000
Short-term bank borrowings - unsecured	1,298,500	880,000
Short-term bank borrowings - secured (note (d))	100,000	100,000
Unsecured other bank borrowings reclassified as current	—	412,725
Short-term other borrowings (note (e))	15,000	—
	1,852,850	1,617,725
<b>Total borrowings</b>	<b>10,894,706</b>	<b>11,056,875</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

## 18 BORROWINGS (Continued)

Note:

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

	As at	
	30 June 2009 Unaudited RMB'000	31 December 2008 Audited RMB'000
RMB	10,482,150	10,644,150
USD	412,556	412,725
	<b>10,894,706</b>	<b>11,056,875</b>

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

	As at	
	30 June 2009 Unaudited	31 December 2008 Audited
Long-term bank borrowings, at floating rates	5.4%	6.6%
Short-term bank borrowings, at floating rates	4.6%	6.5%

- (c) The long-term bank borrowings of RMB93,000,000 (31 December 2008: RMB193,000,000) are secured by certain property, plant and equipment of the Group with carrying amount of approximately RMB349,760,000 (31 December 2008: RMB420,033,000).
- (d) The short-term bank borrowings of RMB100,000,000 (31 December 2008: RMB100,000,000) are secured by certain accounts receivable of the Group amounting to RMB142,241,000 (31 December 2008: RMB129,671,000).
- (e) Short-term other borrowings are unsecured, carrying interest at 4.78% per annum and repayable by 23 April 2010.
- (f) At 30 June 2009, the Group had the following undrawn committed borrowing facilities:

	As at	
	30 June 2009 Unaudited RMB'000	31 December 2008 Audited RMB'000
Long-term bank borrowings, at floating rates	1,819,700	1,604,200



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

## 19 ACCOUNTS AND BILLS PAYABLES

	As at	
	30 June 2009 Unaudited RMB'000	31 December 2008 Audited RMB'000
Accounts payable (note (a))	474,835	558,793
Due to related companies (note (a))	77,206	137,736
	552,041	696,529
Bills payable (note (b))	57,275	—
	609,316	696,529

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

Note:

- (a) The normal credit period for accounts payable generally ranges from 60 to 180 days. The ageing analysis of the accounts payable is as follows:

	As at	
	30 June 2009 Unaudited RMB'000	31 December 2008 Audited RMB'000
1 to 6 months	499,238	594,229
7 to 12 months	19,743	60,017
Over 1 year	33,060	42,283
	552,041	696,529

- (b) Bills payable are bills of exchange with average maturity period of six months.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

## 20 DEFERRED INCOME

Deferred income represents subsidies received from government in connection with the purchases of property, plant and equipment and special grants for environmental improvement projects, and are credited to the income statement on a straight-line basis over the expected lives of the related assets and projects.

## 21 COMMITMENTS

## (a) Capital commitments

(i) Capital expenditure at the balance sheet date but not yet incurred is as follows:

	As at	
	30 June 2009 Unaudited RMB'000	31 December 2008 Audited RMB'000
Authorised but not contracted for in respect of		
- property, plant and equipment	442,323	23,096
- capital contribution to an associated company	813,800	813,800
Contracted but not provided for in respect of		
- property, plant and equipment	2,506,827	343,894
- acquisition of a business	944,628	944,628
	<b>4,707,578</b>	<b>2,125,418</b>

(ii) Share of capital expenditure of a jointly controlled entity at the balance sheet date but not yet incurred is as follows:

	As at	
	30 June 2009 Unaudited RMB'000	31 December 2008 Audited RMB'000
Contracted but not provided for in respect of property, plant and equipment	843,816	844,197

There are no contingent liabilities relating to the Group's interest in the jointly controlled entity and the jointly controlled entity did not have any material contingent liabilities as at 30 June 2009.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

## 21 COMMITMENTS (Continued)

## (b) Commitments under operating leases

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

	As at	
	30 June 2009 Unaudited RMB'000	31 December 2008 Audited RMB'000
Land and buildings		
Not later than one year	18,822	25,475
Later than one year and not later than five years	18,273	26,721
	<b>37,095</b>	<b>52,196</b>

Generally, the Group's operating leases are for terms of 1 to 3 years.

## (c) Future operating lease arrangements

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

	As at	
	30 June 2009 Unaudited RMB'000	31 December 2008 Audited RMB'000
Other equipment		
Not later than one year	—	2,240

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

## 22 RELATED-PARTY TRANSACTIONS

Related parties refer to entities in which CPI Group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or directors or officers of the Company. They include enterprises directly or indirectly owned or controlled by the PRC government (“state-owned enterprises”) as defined under HKAS 24 “Related Party Disclosures” (“HKAS 24”). Neither CPI Group nor the PRC government has published financial statements.

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

<u>Related parties</u>	<u>Relationship with the Company</u>
CPI Group	Ultimate holding company
China Power International Holding Limited (“CPIH”)	An intermediate holding company
CPIF	A company controlled by CPI Group
Shanxi Shentou Industrial Company Limited (山西神頭電力實業有限責任公司)	A fellow subsidiary of the Company
Shanxi Shentou Engineering Company Limited (山西神頭電力檢修有限責任公司)	A fellow subsidiary of the Company
Huainan Pingwei Electric Power Industry Company Limited (淮南平圩電力實業有限責任公司)	A fellow subsidiary of the Company
Anhui Huainan Pingwei Power Engineering Maintenance Company Limited (安徽淮南平圩電力檢修工程有限責任公司)	A fellow subsidiary of the Company
Pingdingshan Yaomeng Power Engineering Co., Ltd. (平頂山姚孟電力工程有限責任公司)	A fellow subsidiary of the Company
Pingdingshan Yaomeng Power Industrial Co., Ltd. (平頂山姚孟電力實業有限責任公司)	A fellow subsidiary of the Company
Other state-owned enterprises	Related parties of the Company as defined under HKAS 24



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

### 22 RELATED-PARTY TRANSACTIONS (Continued)

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

#### (i) Revenue

	Note	Unaudited	
		Six months ended 30 June	
		2009	2008
		RMB'000	RMB'000
Sales of electricity to regional and provincial power grid companies	(a)	4,769,247	3,805,036
Income from generation of electricity on behalf of fellow subsidiaries and other related companies	(b)	99,161	146,630
Management fee from CPIH	(c)	2,986	4,049

- (a) Pursuant to the power purchase agreements entered into between the Group and the respective regional and provincial power grid companies, which are regarded as state-owned enterprises, the Group is required to sell its generated electric power to those power grid companies at approved tariff rates. Whilst these companies are related parties of the Group as defined under HKAS 24, the directors are of the opinion that each party is operating independently; and the tariff rates are to be agreed with the respective power grid companies, subject to the approval of the relevant government authorities.
- (b) Income from generation of electricity on behalf of fellow subsidiaries and other related companies are calculated on mutually agreed prices.
- (c) Management fee from CPIH in connection with the Group's services rendered for management of certain power plants on behalf of CPIH was charged in accordance with the terms of the relevant agreements.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

## 22 RELATED-PARTY TRANSACTIONS (Continued)

## (ii) Expenses

	Note	Unaudited	
		Six months ended 30 June	
		2009	2008
		RMB'000	RMB'000
Operating lease rental in respect of land to CPI Group	(a)	8,530	8,530
Operating lease rental in respect of buildings to CPIH	(a)	7,672	5,200
Purchases of fuel, raw materials and spare parts			
from fellow subsidiaries	(b)	21,492	32,557
Service fees to	(c)		
- other related companies		41,311	36,037
- fellow subsidiaries		168,678	175,137
Construction costs to	(d)		
- other related companies		—	380
- fellow subsidiaries		55,956	6,563
Labor costs charged by fellow subsidiaries	(e)	773	3,610
Purchases of coal from other state-owned enterprises	(f)	1,880,424	2,316,589
Interest expense to CPIF	(g)	10,415	9,035
Interest expense to CPI Group	(h)	13,953	—
Electricity fees charged by regional and provincial power grid companies	(i)	7,064	4,690

- (a) Rental expense in respect of certain land and buildings leased from CPI Group and CPIH was charged in accordance with the terms of the relevant agreements.
- (b) Purchases of goods were charged in accordance with the terms of the relevant agreements.
- (c) Service fees mainly related to repair and maintenance services and transportation services which were carried out at mutually agreed prices.
- (d) Construction costs were payable in accordance with the terms of the relevant contracts.
- (e) Labor costs were charged on a cost reimbursement basis.
- (f) Purchases of coal from other state-owned enterprises were determined based on the terms of the relevant agreements or based on best estimates as detailed in Note 4.
- (g) Interest expense to CPIF was charged based on outstanding balances at 4.78% to 6.66% (2008: 3.6% to 5.27%) per annum.
- (h) Interest expense to CPI Group was charged based on outstanding balances at fixed rate of 3.9% per annum.
- (i) Electricity fees to regional and provincial power grid companies were charged based on the tariff imposed by the relevant power grid companies.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

## 22 RELATED-PARTY TRANSACTIONS (Continued)

## (iii) Period end balances with related parties

	Note	As at	
		30 June 2009 Unaudited RMB'000	31 December 2008 Audited RMB'000
Amounts receivable from regional and provincial power grid companies	(a)	1,138,866	1,375,156
Receivable from HEPC	(b)	68,000	68,000
Amount due from CPIH	(c)	—	719
Amounts due from fellow subsidiaries	(c)	152,858	198,362
Amount due to CPI Group	(c)	87,706	68,643
Amount due to CPIH	(c)	1,074	—
Amounts due to fellow subsidiaries	(c)	134,635	147,730
Amounts payable to other related companies	(c)	77,206	137,736
Long-term borrowings from CPI Group	(d)	750,000	—
Amounts payable to CPIF	(e)	270,295	270,295
Short-term borrowings from CPIF	(f)	200,000	100,000

- (a) The terms of balances with related parties are disclosed in Note 15.
- (b) The amounts due from HEPC are unsecured and interest free. An amount of RMB34,000,000 is repayable by 30 September 2009 and the remaining amount is repayable by 30 September 2010.
- (c) The balances with holding companies, fellow subsidiaries and other related companies are unsecured, interest free and repayable on demand. Substantially all of the balances are denominated in RMB.
- (d) Long-term borrowings from ultimate holding company are unsecured, carrying interest at a rate of 3.9% per annum and repayable by year 2014.
- (e) Amounts payable to CPIF are unsecured, carrying interest at a rate of 5.27% per annum and repayable by 30 June 2010.
- (f) Short-term borrowings from CPIF are unsecured, carrying interest at rates ranging from 4.78% to 6.66% per annum and repayable within twelve months from the balance sheet date.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

22 RELATED-PARTY TRANSACTIONS *(Continued)*

## (iv) Key management compensation

	Unaudited	
	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Basic salaries, housing allowance, other allowances, discretionary bonus and benefits in kind	3,833	4,447
Share-based compensation	5,926	2,449
	9,759	6,896

## 23 SUBSEQUENT EVENT

Pursuant to the acquisition agreement entered into between the Company and CPIH dated 8 June 2009, the Company agreed to acquire from CPIH its entire 63% equity interests in Wuling Power Corporation (“Wuling Power”) at an aggregate consideration of approximately RMB4,465 million subject to certain conditions and adjustments upon completion of the transaction (the “Proposed Acquisition”). The Proposed Acquisition was being approved by the shareholders of the Company pursuant to a resolution passed by an extraordinary general meeting of the Company on 22 July 2009 .







羅兵咸永道會計師事務所

PricewaterhouseCoopers  
22/F, Prince's Building  
Central, Hong Kong

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

**Introduction**

We have reviewed the condensed consolidated interim financial information set out on pages 18 to 54, which comprises the condensed consolidated balance sheet of China Power International Development Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2009 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Scope of Review**

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





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

**Conclusion**

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

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 17 September 2009



## Corporate Information

Chairman of the Board and Chief Executive Officer:	Li Xiaolin
Executive Director and President:	Liu Guangchi
Non-Executive Director:	Gao Guangfu Guan Qihong
Independent Non-Executive Director:	Kwong Che Keung, Gordon Li Fang Tsui Yiu Wa, Alec
Company Secretary:	Chong Wai Sang
Auditor:	PricewaterhouseCoopers
Registered Office:	Suite 6301, 63/F., Central Plaza 18 Harbour Road Wanchai, Hong Kong
Head Office and Principal Place of Business in Hong Kong:	Suite 6301, 63/F., Central Plaza 18 Harbour Road Wanchai, Hong Kong
Share Registrar and Transfer Office:	Computershare Hong Kong Investors Services Limited Shops 1712-1716, 17/F Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Company Website:	<a href="http://www.chinapower.hk">www.chinapower.hk</a> <a href="http://www.irasia.com/listco/hk/chinapower/index.htm">www.irasia.com/listco/hk/chinapower/index.htm</a>
Stock Code:	2380

**SHAREHOLDERS' ENQUIRIES**

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

**Computershare Hong Kong Investor Services Limited**

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Wanchai, Hong Kong

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For enquiries from investors and analysts, please contact:

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