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China Power International Development Limited

中國電力國際發展有限公司

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

(Stock Code : 2380)

Results Announcement for Year 2008

Financial Highlights

- Turnover amounted to approximately RMB9,632,381,000, representing an increase of approximately 63.06% over last year.
- Loss attributable to equity holders of the Company was approximately RMB683,686,000, representing a decrease of approximately RMB1,276,121,000 as compared to a profit of RMB592,435,000 last year.
- Basic loss per share was approximately RMB0.19, representing a decrease of approximately RMB0.35 as compared to the basic earnings per share of RMB 0.16 last year.
- Net of adjustment for impairment loss for property, plant and equipment and impairment loss for goodwill of approximately RMB388,505,000 for the closure of power generation units of Shentou I Power Plant, loss attributable to equity holders of the Company was approximately RMB295,181,000, and basic loss per share after the adjustment was RMB0.08.

The board of directors (the “Board”) of China Power International Development Limited (the “Company”) announces the audited financial results of the Company and its subsidiaries (the “Group” or “We”) for the year ended 31 December 2008.

Consolidated Profit And Loss Account

For the year ended 31 December 2008

	Note	Year ended 31 December	
		2008	2007
		RMB'000	RMB'000
Turnover	2	9,632,381	5,907,301
Other income	3	8,842	41,722
Fuel costs		(7,055,736)	(3,840,488)
Depreciation		(798,356)	(460,084)
Staff costs		(384,763)	(333,625)
Repairs and maintenance		(405,500)	(275,760)
Consumables		(154,713)	(72,918)
Other gains	4	16,309	15,935
Impairment on property, plant and equipment		(348,505)	—
Impairment on goodwill		(40,000)	—
Other operating expenses		(500,434)	(423,510)
Operating (loss)/profit	5	(30,475)	558,573
Interest income from bank deposits		17,011	23,794
Finance costs	6	(629,504)	(184,950)
Share of losses of associated companies		(43,194)	(47,909)
Share of loss of a jointly controlled entity		(3,869)	—
Gain on deemed disposal of interest in an associated company		—	311,398
(Loss)/profit before taxation		(690,031)	660,906
Taxation	7	(7,175)	(69,477)
(Loss)/profit for the year		(697,206)	591,429
Attributable to:			
Equity holders of the Company		(683,686)	592,435
Minority interests		(13,520)	(1,006)
		(697,206)	591,429
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
– basic	8	(0.19)	0.16
– diluted	8	(0.19)	0.16
Dividends	9	—	194,703

Consolidated Balance Sheet

As at 31 December 2008

	Note	As at 31 December 2008 RMB'000	2007 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		15,617,112	14,594,556
Prepayment for construction of power plants		377,172	881,858
Land use rights		42,439	43,334
Goodwill		126,939	166,939
Interest in an associated company		804,100	847,294
Interest in a jointly controlled entity		66,131	—
Available-for-sale financial assets	10	1,379,011	3,775,865
Long-term receivable from Hubei Electric Power Corporation (“HEPC”)		34,000	—
Other long-term prepayments		15,950	58,668
Deferred income tax assets		33,341	—
		<u>18,496,195</u>	<u>20,368,514</u>
Current assets			
Inventories		499,776	277,843
Accounts receivable	11	1,375,156	1,283,074
Prepayments, deposits and other receivables		499,507	175,404
Amount due from an intermediate holding company		719	3,821
Amounts due from fellow subsidiaries		198,362	41,341
Dividends receivable from an associated company		—	65,699
Current portion of long-term receivable from HEPC		34,000	—
Tax recoverable		1,196	—
Cash and cash equivalents		1,326,818	734,057
		<u>3,935,534</u>	<u>2,581,239</u>
Total assets		<u>22,431,729</u>	<u>22,949,753</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		3,798,610	3,798,610
Share premium		2,755,361	2,755,361
Reserves		1,519,383	4,580,918
		<u>8,073,354</u>	<u>11,134,889</u>
Minority interests		68,339	44,458
Total equity		<u>8,141,693</u>	<u>11,179,347</u>

		As at 31 December	
	<i>Note</i>	2008	2007
		<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Deferred income		97,990	163,028
Long-term bank borrowings		9,439,150	7,706,350
Long-term payable to CPI Financial Company (“CPIF”)		270,295	270,295
Obligations under finance leases		205,155	—
Deferred income tax liabilities		11,888	227,362
		<u>10,024,478</u>	<u>8,367,035</u>
Current liabilities			
Accounts payable	12	696,529	428,630
Construction cost payable		1,156,466	1,322,781
Other payables and accrued charges		418,727	318,813
Amount due to ultimate holding company		68,643	81,471
Amounts due to fellow subsidiaries		147,730	26,163
Current portion of long-term bank borrowings		225,000	466,000
Other bank borrowings		412,725	—
Short-term bank borrowings		980,000	605,000
Short-term borrowings from CPIF		100,000	—
Current portion of long-term payable to CPIF		—	127,863
Current portion of obligations under finance leases		26,857	—
Taxation payable		32,881	26,650
		<u>4,265,558</u>	<u>3,403,371</u>
Total liabilities		<u>14,290,036</u>	<u>11,770,406</u>
Total equity and liabilities		<u>22,431,729</u>	<u>22,949,753</u>
Net current liabilities		<u>330,024</u>	<u>822,132</u>
Total assets less current liabilities		<u>18,166,171</u>	<u>19,546,382</u>

Notes to the Accounts

1 Basis of preparation

The consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated accounts are prepared under the historical cost convention except that property, plant and equipment are stated at revalued amount less subsequent accumulated depreciation and accumulated impairment losses; and available-for-sale financial assets, and certain financial assets and financial liabilities (including derivative instruments) are measured at fair value, as appropriate.

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

- (a) The following amendments to standards and interpretations are mandatory for financial year ended 31 December 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above amendments to standards and interpretations did not have any significant financial impact to the Group.

- (b) The following new standards, amendments to standards and interpretations have been issued but are not effective for 2008 and have not been early adopted:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1	First-time Adoption
HKFRS 1 & HKAS 27 (Amendments)	Cost of Investment in a Subsidiary, Jointly Controlled Entities or Associates
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations

HKFRS 3 (Revised)	Business Combinations
HKFRS 8	Operating Segments
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
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 18	Transfers of Assets from Customers

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 transactions within the scope of these standards and interpretations occurring on or after 1 January 2010.

The directors anticipate that the adoption of other standards, amendments and interpretations to standards listed above in future periods will have no significant financial impact to the Group.

In addition, HKICPA also published a number of amendments for the existing standards under its annual improvement project. These amendments are also not expected to have a significant financial impact on the results and financial position of the Group.

- (c) As at 31 December 2008, the Group's current liabilities exceeded its current assets by RMB330,024,000. This is mainly a result of the reclassification of a bank loan from non-current liabilities to current liabilities following the fact that Group had breached certain financial covenants in respect of the relevant bank loan. These covenant requirements have subsequently been waived by the relevant syndicate of banks after the year end. In preparing these accounts, the directors have taken into account all information that could reasonably be expected to be available and have ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. As of 31 December 2008, the Group had undrawn committed banking facilities amounting to approximately RMB1,604,000,000 (2007: RMB4,356,000,000) 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 the financial statements on a going concern basis.

2 Turnover, revenue and segment information

Revenue recognised during the year is as follows:

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Sales of electricity to regional and provincial power grid companies (note (a))	8,761,986	5,569,226
Provision for power generation services (note (b))	870,395	338,075
	<u>9,632,381</u>	<u>5,907,301</u>

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 certain power plants based on mutually agreed prices.

Segment information

The Group's principal activities are the generation and sale of electricity, investment holdings and the development of power plants as a single business segment. Substantially all of the Group's assets, liabilities and capital expenditure are located or utilised in the PRC except that certain cash and bank balances equivalent to approximately RMB401,000,000 were deposited in certain banks in Hong Kong at 31 December 2008 (2007: approximately RMB417,000,000). Accordingly, no segment information is presented.

3 Other income

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Management fee income	7,036	11,322
Rental income	1,806	5,480
Repair and maintenance services fee income (note)	—	24,920
	<u>8,842</u>	<u>41,722</u>

Note: Repairs and maintenance services fee income represented income derived from the relevant subsidiaries of the Group which had been disposed of by the end of year 2007.

4 Other gains

	2008 RMB'000	2007 RMB'000
Amortisation of deferred income	9,184	9,541
Tax refund	7,125	—
Write-back of provision for other receivables	—	6,394
	<u>16,309</u>	<u>15,935</u>

5 Operating (loss)/profit

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

	2008 RMB'000	2007 RMB'000
Amortisation of land use rights	895	641
Auditor's remuneration	5,043	5,918
Depreciation of property, plant and equipment	798,356	460,084
Loss/(gain) on disposal of property, plant and equipment	11,018	(382)
Operating lease rental in respect of		
– equipment	2,669	—
– leasehold land and buildings	33,612	32,728
Staff costs including directors' emoluments	384,763	333,625
Write-off of pre-operating expenses	41,771	27,336

6 Finance costs

	2008 RMB'000	2007 RMB'000
Interest expense on		
– bank borrowings wholly repayable within five years	129,335	268,349
– bank borrowings not wholly repayable within five years	580,771	196,850
– long-term payable to a related company wholly repayable within five years	18,393	21,824
– short-term borrowing from a related company wholly repayable within five years	1,073	—
– interest element of finance leases	7,830	—
	<u>737,402</u>	<u>487,023</u>
Less: Amounts capitalised in property, plant and equipment	<u>(125,953)</u>	<u>(327,530)</u>
	611,449	159,493
Net exchange losses	18,055	25,457
	<u>629,504</u>	<u>184,950</u>

Amounts capitalised are borrowing costs related to funds borrowed specifically for the purpose of obtaining qualifying assets. The weighted average interest rate on such capitalised borrowings is approximately 6.4% (2007: 5.9%) per annum.

7 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 year (2007: Nil).

The provision for PRC current income tax is calculated based on the statutory tax rate of 25% (2007: 33%) on the estimated assessable income for the year except as disclosed below.

The amount of taxation (credited)/charged to the consolidated profit and loss account represents:

	2008 RMB'000	2007 RMB'000
PRC current income tax	40,888	72,827
Deferred income tax (credit)/charge	(33,713)	(3,350)
	<u>7,175</u>	<u>69,477</u>

Share of taxation attributable to associated companies for the year ended 31 December 2008 of RMB22,818,000 (2007: RMB23,230,000) are included in the Group's share of losses of associated companies for the year.

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 18% for the year 2008 (2007: 15%) followed by tax rates gradually increased from 20% to 25% in the ensuing four years towards 2012. A subsidiary acquired by the Group in year 2005 will be subject to tax rates gradually increased from 9% for the year 2008 (2007: 7.5%) to 25% in the ensuing four years towards 2012. A subsidiary of the Group that started operations in 2007 entitled to a two-year exemption from income tax starting 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 2008 also entitled to a two-year exemption from income tax starting 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.

8 (Loss)/earnings per share

(a) Basic

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

	2008	2007
(Loss)/profit attributable to equity holders of the Company (RMB'000)	(683,686)	592,435
Weighted average number of shares in issue (shares in thousands)	3,605,611	3,605,563
Basic (loss)/earnings per share (RMB)	<u>(0.19)</u>	<u>0.16</u>

(b) **Diluted**

Diluted (loss)/earnings per share is calculated based on the weighted average number of shares in issue during the year plus the weighted average number of shares deemed to be issued at nil consideration if all outstanding options had been exercised.

	2008	2007
(Loss)/profit attributable to equity holders of the Company (RMB'000)	(683,686)	592,435
Weighted average number of shares in issue (shares in thousands)	3,605,611	3,605,563
Adjustment for share options (shares in thousands)	—	4,013
Adjusted weighted average number of shares for diluted (loss)/earnings per share (shares in thousands)	3,605,611	3,609,576
Diluted (loss)/earnings per share (RMB)	(0.19)	0.16

9 Dividends

	2008 RMB'000	2007 RMB'000
Final dividend, proposed, of RMB Nil (2007: RMB0.054) per share	—	194,703

10 Available-for-sale financial assets

	As at 31 December 2008 RMB'000	As at 31 December 2007 RMB'000
Equity securities listed outside Hong Kong		
At fair value	1,379,011	3,775,865
At market value	1,379,011	3,775,865

As of 1 April 2009, the date immediately before the board meeting, the market value of the above available-for-sale financial assets was approximately RMB2,096,660,000.

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

The details of the available-for-sale financial assets as at 31 December 2008 are as follows:

Name of company	Place of establishment and operation	Registered and paid up capital	Equity interest attributable to the Group	Type of legal entity	Principal activity
Shanghai Electric Power Co., Ltd. ("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

11 Accounts receivable

	Group	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivable from regional and provincial power grid companies (note (a))	1,283,682	798,887
Accounts receivable from other companies (note (a))	51,274	62,467
	1,334,956	861,354
Notes receivable (note (b))	40,200	421,720
	<u>1,375,156</u>	<u>1,283,074</u>

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

As at 31 December 2008, certain accounts receivable of the Group with carrying amount of RMB129,671,000 (2007: Nil) were pledged as security for certain short-term bank borrowings of the Group.

Note:

- (a) The Group normally grants 15 to 60 days of 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:

	Group	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
1 to 3 months	1,334,956	844,762
4 to 6 months	—	16,169
7 to 9 months	—	423
	<u>1,334,956</u>	<u>861,354</u>

- (b) The notes receivable normally have a maturity period of 90 to 180 days (2007: 90 to 180 days). There is no recent history of default on notes receivable.

12 Accounts payable

	Group	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts payable	558,793	370,093
Due to related companies	137,736	58,537
	<u>696,529</u>	<u>428,630</u>
	<u><u>696,529</u></u>	<u><u>428,630</u></u>

Accounts payable are denominated in RMB and the carrying amounts of accounts payable approximate their fair values due to their short maturity.

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

	Group	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
1 to 6 months	594,229	420,554
7 to 12 months	60,017	880
Over 1 year	42,283	7,196
	<u>696,529</u>	<u>428,630</u>
	<u><u>696,529</u></u>	<u><u>428,630</u></u>

MANAGEMENT'S 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. The electricity generated by the Group's power plants is primarily supplied to Eastern China Power Grid, Central China Power Grid and Northern China Power Grid.

As at 31 December 2008, the Company's total attributable installed capacity was 9,037 MW.

For the year ended 31 December 2008, turnover of the Group was approximately RMB9,632,381,000, representing an increase of approximately 63.06% as compared to the previous year. Loss attributable to equity holders of the Company was approximately RMB683,686,000, representing a decrease of approximately RMB1,276,121,000 as compared to the profit for the previous year. The basic loss per share for the year ended 31 December 2008 was approximately RMB0.19, representing a decrease of approximately RMB0.35 as compared to the basic earnings per share of RMB0.16 for the previous year.

To carry out the preparatory work of the "Replacement of Small Units with Larger Units" project, the Group's Shentou I Power Plant closed and undertook to close four 200MW generation units. Accordingly, the Group provided a total of approximately RMB388,505,000 for the impairment loss for property, plant and equipment and impairment loss for goodwill. Loss attributable to equity holders of the Group, net of adjustment for these impairment losses, was RMB295,181,000, and basic loss per share was approximately RMB0.08.

As a result of the loss, the Board resolved not to declare any final dividend for the year ended 31 December 2008.

BUSINESS REVIEW FOR 2008

OPERATING ENVIRONMENT

The Group faced severe challenges in 2008, as global financial crisis continued to spread, GDP growth in China declined significantly and both international and domestic capital markets contracted rapidly. Supply and demand of electricity underwent fundamental changes. The decline of utilisation hours of generating units and significant increase in coal price led to losses suffered by the electric power industry generally.

Coal prices increase

During 2008, the supply of thermal coal remained tight as overall supply shrank with bottlenecks in railway transportation capacity as well as rising coal price in the global market. Coal prices remained at high levels and then rose further significantly, together with a decline in the quality of coal, which put the Group under the significant pressure of controlling fuel costs.

The Group paid close attention to any changes in the coal market, expanded coal supply channels in order to secure a stable fuel supply. Meanwhile, the Group actively raised the standard of energy saving and consumption reduction to achieve the comprehensive control of fuel costs.

Tariff hikes

2008 was the most difficult year ever for the power industry. In order to alleviate the production and operational difficulties of power companies and to ensure power supply, the National Development and Reform Commission proposed a tariff adjustment plan on 19 June 2008 to be implemented on 1 July 2008. On 20 August 2008, the National Development and Reform Commission further increased the on-grid tariff. During the two tariff adjustments, the tariffs of our power plants were allowed for upward adjustment at a relatively higher level than the national average level, easing some of our operational pressure.

Commissioning of new power generation units

In 2008, our Dabieshan Power Company Limited (“Dabieshan Power Plant”) completed the construction of two new generation units which were put into commercial operation as scheduled and our installed capacity has increased by 1,280MW. The increase in installed capacity further enhanced the power generation capability of the Group.

Energy-saving and emission-reduction

In 2008, as the Group continued to enhance technical upgrades for environmental protection and to increase overall generation efficiency of our generation units. Energy consumption rate was improved and the annual average coal consumption rate for power supply decreased by 9 grams/kWh as compared to the corresponding period last year. As at the end of 2008, all our coal-fired power generation units were installed with desulphurisation facilities which were put into operation. Besides, the waste water treatment project also demonstrated its effect, resulting in a significant decrease in the discharge of pollutants. Emission and discharge of various pollutants from our power plants had complied with the national environment protection standards.

MERGER AND ACQUISITION

Wu Ling Acquisition

On 27 May 2008, the Company entered into a memorandum of understanding with China Power Investment Corporation (“**CPI Group**”), whereby the Company proposed to acquire 63% equity interest in Wu Ling Power Corporation* (五凌電力有限公司) (“**Wu Ling Power**”), being the entire shareholding in Wu Ling Power held by CPI Group (“**Proposed Acquisition**”). Upon completion of the Proposed Acquisition, the Company will own 63% equity interest in Wu Ling Power.

Wu Ling Power was incorporated in the PRC and was registered as a sino-foreign equity joint venture with limited liability. Currently, Wu Ling Power is principally engaged in the development, production and supply of hydropower in Hunan and Guizhou. As at 31 December 2008, the installed capacity attributable to Wu Ling Power was approximately 4,066 MW. Upon completion of the Proposed Acquisition, the Group’s operation scale will be significantly expanded, which will facilitate the Group to enter the power markets with high growth potential in Hunan and Guizhou.

Qinghe Acquisition

In 2007, the Group entered into an Asset Acquisition Agreement with Liaoning Qinghe Electric Power Generating Company Limited (“Qinghe Power Plant”), a wholly-owned subsidiary of China Power International Holding Limited (“**CPI Holding**”). The assets to be acquired mainly comprise of a 600MW super-critical coal-fired power generation unit under construction in Qinghe District, Tieling, Liaoning Province, the PRC. The Group has incorporated Liaoning China Power Qinghe Electric Power Generating Company Limited (“China Power Qinghe Company”) as a vehicle to hold and operate the assets.

On 31 December 2008, the Company, China Power Qinghe Company and Qinghe Power Plant entered into a supplemental agreement to amend certain terms of the Asset Acquisition Agreement whereby the completion date of the acquisition was extended to 31 July 2010 or such other date as the parties may agree in writing.

Guangzhou Acquisition

In 2007, the Company entered into an Equity Transfer Framework Agreement with Guangzhou Development Group Limited Company* (廣州發展集團有限公司) (“Guangzhou Development”) to acquire 25% equity interest in Guangzhou Power Enterprise (Group) Limited Company* (廣州電力企業集團有限公司) (“Guangzhou Power”), a wholly-owned subsidiary of Guangzhou Development.

In light of the deteriorating world economy caused by the financial crisis, the Company and Guangzhou Development have confirmed after negotiations to suspend the Acquisition.

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 share capital on the basis of 2 additional shares for every 10 existing shares held. 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 treats its shareholding in Shanghai Power as “Available-for-sale financial assets”, with changes of its fair value reflected in the Company’s financial statements.

Power Generation

In 2008, the gross generation of the Group (excluding the associated company) was approximately 36,360,449 MWh, an increase of approximately 36.17% over the 26,701,707 MWh recorded for the previous year. Net generation of the Group (excluding the associated company) was approximately 33,890,035 MWh, an increase of approximately 36.58% over the previous year.

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

- increase in gross generation with the full operation of new power generation units;
- in view of increasing electricity demand, the Group’s power plants enhanced its marketing efforts and increased the utilisation hours in order to generate more power;
- secured coal supply, strengthened production safety technology level and reduced unplanned outages, striving to increase the production capacity of the facilities.

In 2008, the Group achieved smooth production, while energy conservation and wastage reduction achieved conspicuous results, technical upgrades and desulphurisation and emission reduction were orderly in progress.

OPERATING DATA OF OUR OPERATIONAL POWER PLANTS

Operating conditions of the Group's major power plants during 2008 were as follows:

PINGWEI POWER PLANT

The following table sets out certain operation data of Pingwei Power Plant for each of the two years ended 31 December 2008 and 2007:

	For the year	
	ended 31 December	
	2008	2007
Installed capacity (MW)	1,230	1,230
Average utilisation hours (hours)	6,440	6,610
Gross generation (MWh)	7,921,580	8,130,300
Net generation (MWh)	7,520,740	7,749,341
Net coal consumption rate (grams/KWh)	<u>327</u>	<u>328</u>

YAOMENG POWER PLANT

The following table sets out certain operation data of Yaomeng Power Plant for each of the two years ended 31 December 2008 and 2007:

	For the year ended 31 December	
	2008	2007
Installed capacity (MW)	1,210	1,210
Average utilisation hours (hours)	5,332	5,987
Gross generation (MWh)	6,451,564	7,244,617
Net generation (MWh)	5,867,582	6,666,015
Net coal consumption rate (grams/KWh)	<u>343</u>	<u>340</u>

SHENTOU I POWER PLANT

The following table sets out certain operation data of Shentou I Power Plant for each of the two years ended 31 December 2008 and 2007:

	For the year ended 31 December	
	2008	2007
Installed capacity (MW)	800	1,200
Average utilisation hours (hours)	5,420	6,639
Gross generation (MWh)	6,504,185	7,967,175
Net generation (MWh)	5,854,153	7,216,857
Net coal consumption rate (grams/KWh)	<u>373</u>	<u>373</u>

PINGWEI POWER PLANT II

The following table sets out certain operation data of Pingwei Power Plant II for each of the two years ended 31 December 2008 and 2007:

	For the year ended 31 December	
	2008	2007
Installed capacity (MW)	1,280	1,280
Average utilisation hours (hours)	5,964	2,167
Gross generation (MWh)	7,633,850	2,773,518
Net generation (MWh)	7,229,440	2,620,985
Net coal consumption rate (grams/KWh)	<u>315</u>	<u>319</u>

YAOMENG POWER PLANT II

The following table sets out certain operation data of Yaomeng Power Plant II for each of the two years ended 31 December 2008 and 2007:

	For the year ended 31 December	
	2008	2007
Installed capacity (MW)	1,260	1,260
Average utilisation hours (hours)	4,968	465
Gross generation (MWh)	6,259,743	585,884
Net generation (MWh)	5,914,822	558,003
Net coal consumption rate (grams/KWh)	<u>324</u>	<u>322</u>

DABIESHAN POWER PLANT

The following table sets out certain operation data of Dabieshan Power Plant for each of the two years ended 31 December 2008 and 2007:

	For the year ended 31 December	
	2008	2007
Installed capacity (MW)	1,280	—
Average utilisation hours (hours)	2,869	—
Gross generation (MWh)	1,589,526	—
Net generation (MWh)	1,503,298	—
Net coal consumption rate (grams/KWh)	323	—

CHANGSHU POWER PLANT

The following table sets out certain operation data of Changshu Power Plant for each of the two years ended 31 December 2008 and 2007:

	For the year ended 31 December	
	2008	2007
Installed capacity (MW)	1,260	1,230
Average utilisation hours (hours)	5,379	5,411
Gross generation (MWh)	6,639,262	6,655,036
Net generation (MWh)	6,265,664	6,280,282
Net coal consumption rate (grams/KWh)	336	337

OPERATING RESULTS

Turnover

The Group recorded turnover of approximately RMB9,632,381,000 in 2008 as compared with RMB5,907,301,000 of the previous year, representing an increase of approximately 63.06%. The increase in turnover was mainly due to the increases in net generation by newly commissioned units and in average on-grid tariff.

Other Income

In 2008, the Group's other income was approximately RMB8,842,000, representing a decrease of approximately 78.81% as compared to RMB41,722,000 of the previous year. The reasons for the decrease, firstly because the Group did not generate any repairs and maintenance services fee income after the disposal at the end of last year of two former subsidiaries, Pingwei Maintenance Company* (安徽淮南平圩電力檢修工程有限責任公司) and Yaomeng Engineering Company* (平頂山姚孟電力工程有限責任公司) which were engaged in repair and maintenance, and secondly because the management fee income dropped due to the decrease in installed capacity of managed power plants.

Operating Costs

In 2008, operating costs (excluding asset impairment loss and goodwill impairment loss) of the Group amounted to approximately RMB9,299,502,000, representing an increase of approximately 72.01% over RMB5,406,385,000 of the previous year.

Fuel Costs

Fuel costs were a major component of the Group's operating costs. In 2008, the fuel costs of the Group were approximately RMB7,055,736,000, accounting for approximately 75.87% of the total operating costs. Fuel costs increased by approximately 83.72% compared with RMB 3,840,488,000 of the previous year. The increase of fuel cost was firstly attributable to the commencement of operation of the new power generation units which resulted in the increase in power generation and coal consumption, and secondly to the increase in average coal price of 38.21% over last year resulting from the surge of coal prices.

In 2008, the Group's unit fuel cost was approximately RMB208 per MWh, representing an increase of approximately 34.51% over the corresponding period last year.

Depreciation

In 2008, depreciation of the Group amounted to approximately RMB798,356,000, representing an increase of approximately 73.52% over RMB460,084,000 of the previous year. The increase in depreciation was due to the commissioning of the new generation units and the addition of property, plant and equipment.

Staff Costs

In 2008, staff costs of the Group amounted to approximately RMB384,763,000, representing an increase of approximately 15.33% over RMB333,625,000 of the previous year. Such increase in staff costs was mainly due to commencement of operation of new generation units.

Repairs and Maintenance

In 2008, repairs and maintenance expenses of the Group amounted to approximately RMB405,500,000, representing an increase of approximately 47.05% over RMB275,760,000 of the previous year. Such increase was mainly due to the commissioning of the new generation units leading to increase in expenses on repairs and maintenance.

Consumables

In 2008, the Group's consumables amounted to approximately RMB154,713,000, increased by 112.17% as compared to RMB72,918,000 of the previous year. Such increase was firstly due to an increase in consumables as a result of the commencement of operation of the new power generation units, and secondly because of the increase in consumed materials due to extensive commissioning of desulphurisation facilities.

Other Gains

In 2008, other gains of the Group amounted to approximately RMB16,309,000, representing an increase of approximately 2.35% as compared to RMB15,935,000 of the previous year. Such increase was mainly due to the increase in income as a result of tax refund for re-invested dividends from the associated company.

Other Operating Expenses

In 2008, other operating expenses of the Group amounted to approximately RMB500,434,000, representing an increase of approximately RMB76,924,000, or approximately 18.16%, over RMB423,510,000 of last year. Such increase was mainly due to the commencement of operation of the new power generation units.

Operating Loss

In 2008, operating loss of the Group amounted to approximately RMB30,475,000, representing a decrease of approximately 105.46% as compared with operating profit of RMB558,573,000 of the previous year.

Interest Income from Bank Deposits

In 2008, the interest income from bank deposits of the Group was approximately RMB17,011,000, representing a decrease of approximately 28.51% over RMB23,794,000 of last year. It was mainly due to the decrease in interest rate of bank deposits.

Finance Costs

In 2008, finance costs of the Group amounted to approximately RMB 629,504,000, representing an increase of approximately 240.36% over RMB184,950,000 of last year. The increase was firstly due to the commissioning of the new generation units that ceased interest capitalisation and secondly due to the increase in operating loans, which increased the interest expenses.

Share of Losses of Associated Companies

In 2008, the share of losses of the associated companies of the Group was approximately RMB 43,194,000, representing a decrease of approximately RMB4,715,000 as compared to the loss of approximately RMB47,909,000 of the previous year. It was mainly because the results of Shanghai Power were not incorporated into the Group in 2008, and Shanghai Power is now regarded as available-for-sale financial assets of the Group instead of an associated company. In addition, operating loss was incurred by Changshu Power Plant due to higher coal prices which resulted in increased operating costs.

Impairment on property, plant and equipment and impairment on goodwill

At the end of 2008, the Group's Shentou I Power Plant was approved to carry out the preparatory work of the "Replacement of Small Units with Larger" project. Shentou I Power Plant closed two 200MW generation units on 31 December 2008 and undertook to close another two 200MW generation units before the commencement of construction was approved in accordance with the relevant policy requirements. The closure of generation units resulted in the asset impairment. Accordingly, the Group provided a total of approximately RMB388,505,000 for the impairment losses of property, plant and equipment and goodwill due to the acquisition of Shentou I Power Plant.

Taxation

Tax expense of the Group for 2008 were approximately RMB7,175,000, representing a decrease of approximately 89.67% over RMB69,477,000 of the corresponding period last year. Such decrease was mainly attributable to the decrease in profit before taxation.

Loss Attributable to Equity Holders of the Company

In 2008, loss attributable to equity holders of the Company was approximately RMB683,686,000, representing a decrease of approximately RMB1,276,121,000 as compared to a profit of 592,435,000 of last year. Attributable profit decreased to a loss was mainly due to the increase in operating cost as a result of a substantial rise of the coal price, and the provision for impairment loss of assets.

SEGMENT INFORMATION

The Group's principal activities are the generation and sale of electricity, investment holdings and the development of power plants as a single business segment. Substantially all of the Group's assets, liabilities and capital expenditure are located or utilised in the Mainland China except that certain cash and bank balances equivalent to approximately RMB401,000,000 were deposited in certain banks in Hong Kong as at 31 December 2008 (2007: approximately RMB417,000,000).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, cash and cash equivalents of the Group were approximately RMB1,326,818,000 (31 December 2007: approximately RMB734,057,000). The Group derived its funds mainly from cash inflow from operating activities, bank borrowings and project finance, whereas current assets amounted to approximately RMB3,935,534,000 (31 December 2007: approximately RMB2,581,239,000) and current ratio was 0.92 times (31 December 2007: 0.76 times).

DEBTS

Set out below are details of the loans and borrowings of the Group for the years ended 31 December 2008 and 2007:

	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Short-term bank borrowings	880,000	605,000
Short-term bank borrowings, secured	100,000	—
Other bank borrowings	412,725	—
Short-term loan payable to CPIF	100,000	—
Current portion of long-term loan payable to CPIF	—	127,863
Current portion of long-term bank borrowings	225,000	466,000
Long-term bank borrowings maturing within 1-2 years	743,350	571,850
Long-term bank borrowings maturing within 3-5 years	200,000	100,000
Long-term bank borrowings maturing over 5 years	8,495,800	7,034,500
Long-term loan payable to CPIF	270,295	270,295
	<u>11,427,170</u>	<u>9,175,508</u>

The interest rates on the Group's loans, which currently range from 4.24% to 8.22%, are subject to adjustment in accordance with the relevant regulations of the People's Bank of China.

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

Our debt to equity ratio (total borrowings/shareholders' equity) as at 31 December 2008 and 2007 were approximately 141.54% and 82.40% respectively.

CAPITAL EXPENDITURE

In 2008, capital expenditure of the Group was approximately RMB1,624,207,000, which was primarily used for the construction of new units and technical upgrade projects for existing units. Sources of funds were mainly from project financing and self-generated funds.

In 2008, the Group spent approximately RMB1,176,134,000 on technical upgrades in energy saving and desulphurisation.

In 2008, the Group continued to invest in construction of the new project Dabieshan Power Plant. Total investment in 2008 was approximately RMB390,188,000.

RISK MANAGEMENT

The investment and business operation of the Group are exposed to risks of exchange rates, interest rates, commodity prices and liquidity. The Group's exposure to financial and operational risks has increased due to global financial crisis and tightened State austerity measures as well as significant increase in coal price.

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

To effectively control risks in the development of the Company, the Group has implemented all-round risk management and established a systematic, comprehensive risk management mechanism and internal control system. It has a designated risk management department 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 most of the Group's transactions denominated in Renminbi. The Group is mainly exposed to foreign exchange risk related to Hong Kong Dollars and US Dollars. With the increasing intensity in the reform of Renminbi and fluctuation of exchange rate these years, the Group will have certain profit or loss in foreign exchange and the financial positions and operating results of the Group will also be affected. Basically, the assets and liabilities of the Group as well as its business transactions are not exposed to any substantial exchange risks. Apart from certain cash and bank balances, the assets and liabilities of the Group are mainly denominated in Renminbi. The Group obtains Renminbi through sales in Mainland China for the settlement of liabilities in Renminbi.

Recently, no obvious rise of the exchange rate of RMB against US Dollars and HK Dollars has been noted, thus foreign exchange risk is reduced accordingly. However, the Group has monitored closely the foreign exchange risk, and strived to seek effective methods to control these risks and minimise the impacts of foreign exchange rate fluctuation.

PLEDGE OF ASSETS

As at 31 December 2008, a subsidiary of the Group pledged its plant and equipment with a net book value of approximately RMB468,000,000 to a bank to secure a bank loan in the amount of RMB193,000,000.

CONTINGENT LIABILITIES

As at 31 December 2008, the Group had no material contingent liabilities.

EMPLOYEES

As at 31 December 2008, the Group and its associated company, Changshu Power Plant, had a total of 5,251 full-time employees.

The Group determines the emoluments and benefits of its directors and employees based on their respective performance, working experiences, duties and the prevailing market rates. The Group has also implemented performance-based incentive remuneration policy.

The Group further regulated the human resources management pursuant to the new labour laws and regulations of the PRC, and provided appropriate emoluments and benefit packages to all its employees based on their respective duties.

The Group has also established share option schemes for the Group's senior management and key employees so as to motivate and attract high-calibre personnel.

The Group has dynamically developed itself into a self-learning corporation, and attached great importance on the overall improvement of staff quality through on-going strengthening of talent training and work training. In order to address the Company's increasing demand for high-calibre employees, we continue to provide training on expertise such as specialised technology and management to our employees pursuant to their personalities and duties.

Outlook and Prospects for 2009

In 2009, the effect of global financial crisis on real economy will deepen gradually, while macroeconomic environment has become more challenging. China's economic growth will slow down due to global economic recession, and financing and merger and acquisition activities will become more difficult. Utilisation hours of coal-fired power generation unit will continue to decline as installed capacity in power generation

industry continues to increase and electricity consumption growth slows down. Although coal price declines, the trends of key contract coal prices are still uncertain and cost pressure still exists. However, fundamentals of China's economic development has not changed, and the state will boost domestic demands and expand infrastructure constructions, which will bring development opportunities for the power generation industry. Recent adjustment of monetary policy in the PRC will also help the Company alleviate its funding pressure and improve its financial condition.

The Group will promote the steady implementation of different development strategies by leveraging on the favourable conditions in such macro-economic environment.

The Group will closely keep track of the trends of the fuel market and strive to control coal price and fuel costs.

The Group will continue to monitor any policy changes concerning the power markets and energy-saving, thereby improving its operation and production strategy.

The Group will continue to build an “energy conserved, environmental-friendly” enterprise, with an aim to enhancing the efficiency of energy conservation and environmental protection.

The Group will continue to cultivate the corporate culture characterised as “Still water runs deep” and endeavor to build up a harmonious organisation.

The key objectives of the Group for 2009 are as follows:

1. To enhance strategic development, speed up asset structure adjustment and achieve sustainable development.
2. To enhance the standard of safe production, so as to generate more electricity.
3. To implement streamlined fuel management, secure coal supply and minimise fuel costs.
4. To promote comprehensive budget management and standardised cost system construction, and enhance the Company's ability of management and profitability.
5. To broaden financing channels, strengthen mergers and acquisitions, and expand the growth potential of the Company.

DIVIDENDS

The dividend paid during the year ended 31 December 2008 was RMB194,703,000 (or RMB0.054 per share). No final dividend in respect of the financial year 2008 is to be proposed at the forthcoming Annual General Meeting.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The audit committee of the Company (the “Audit Committee”), which comprises three independent non-executive Directors, has discussed and reviewed with management the consolidated accounts for the year ended 31 December 2008.

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 year ended 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company always aims to enhance its corporate governance and regards it as part of value creation to fulfil the Board and senior management’s commitment to complying with corporate governance standard, maintaining its transparency to shareholders and employing accountability in order to create value for all shareholders.

Except for the deviation from Rules A.2.1 and A.4 of the Code on Corporate Governance Practices as set out in Appendix to the Listing Rules (the “Code”) (as stated below), the Company has strictly complied with the code provisions of the Code in 2008.

Rule A.2.1 of the Code requires that the roles of the chairman and the chief executive officer should be separate and not be performed by the same individual. Currently, Ms. Li Xiaolin assumes both positions concurrently. The Board believes that Ms. Li Xiaolin shall concurrently act as the chief executive officer with a view to ensuring the effective development of long-term business strategies and implementation of business plans of the Company. Meanwhile, the Company has established an executive committee, which comprises certain executive Directors and senior management. Regular meetings are convened to make decisions on matters concerning the ordinary management and business of the Company.

Rule A.4.1 of the Code requires that non-executive Directors should be appointed for a specific term, subject to re-election. In addition, Rule A.4.2 of the Code requires 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 Mr. 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 (the “Articles”). In addition, as provided in the Articles, the executive Director who is also the chief executive officer of the Company 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 minimal. All the other Directors will be subject to retirement at every annual general meeting after the annual general meeting in year 2007.

The Company will also ensure that all Directors (with the exception of the executive Director who is also the chief executive officer of the Company) are subject to retirement by rotation and re-election at least once every three years to comply with the code provisions of the Code.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a set of Code of Conduct for Securities Transactions by Directors (“**Code of Conduct**”), the terms of which are no less than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific inquiries to all Directors, they confirmed that they have complied with the Code of Conduct throughout the annual period of 2008.

PUBLICATION OF RESULTS ANNOUNCEMENT ON THE WEBSITES OF THE STOCK EXCHANGE OF HONG KONG LIMITED (the “Stock Exchange”) AND THE COMPANY

This results announcement is published on the website of the Stock Exchange at <http://www.hkexnews.hk> under “Latest Information” and on the Company’s websites at <http://www.chinapower.hk> and <http://www.irasia.com/listco/hk/chinapower/index.htm> respectively.

The printed copy of the 2008 Annual Report will be sent to shareholders of the Company by the end of April 2009 and the soft copy of the Annual Report will be published on websites of both the Stock Exchange and the Company in due course.

By Order of the Board

China Power International Development Limited

LI Xiaolin

Chairman and Chief Executive Officer

Hong Kong, 2 April 2009

As at the date of this announcement, the directors of the Company are: executive directors Li Xiaolin and Liu Guangchi, non-executive directors Gao Guangfu and Guan Qihong and independent non-executive directors Kwong Che Keung, Gordon, Li Fang and Tsui Yiu Wa, Alec.

* *English or Chinese translation, as the case maybe, is for identification only*