THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Power International Development Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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 Hong Kong Companies Ordinance)

(Stock Code: 2380)

PROPOSED ACQUISITION OF 63% INTEREST IN WU LING POWER
VERY SUBSTANTIAL ACQUISITION
CONNECTED TRANSACTION
ISSUE OF SHARES UNDER SPECIAL MANDATE

Financial Adviser

BOCI ASIA LIMITED

Independent Financial Adviser

DBS

A letter from the board of Directors is set out on pages 7 to 33 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 40 to 41 of this circular. A letter from DBS containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 42 to 69 of this circular.

A notice dated 29 June 2009 convening an EGM to be held on 22 July 2009 at 11:00 a.m. at the Lounge, Grand Hyatt Hong Kong, 1 Harbour Road, Hong Kong is set out on pages N-1 to N-2 of this circular. Whether or not you are able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company, Computershare Hong Kong Investor Services Limited, Rooms 1806-1807, 18/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof and, in such event, the relevant form of proxy shall be deemed to be revoked.

29 June 2009

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the meanings set out below:

"Acquisition"	the proposed acquisition by the Company of the Equity Interests pursuant to the Acquisition Agreement, as further described in this circular
"Acquisition Agreement"	the conditional sale and purchase agreement dated 8 June 2009 entered into by the Company and CPI Holding in relation to the Acquisition
"Associates"	has the meaning given to it under the Listing Rules
"attributable installed capacity"	power generation capacity of a company proportional to its ownership of generating units or power plants, usually denominated in MW
"average utilisation hours"	for a specified period, the amount of electricity produced in such period (in MWh) divided by the average capacity in such period
"Board"	the board of Directors
"BOCI"	BOCI Asia Limited, the financial adviser to the Company and a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
"Changshu Power Plant"	江蘇常熟發電有限公司 (Jiangsu Changshu Electric Power Generating Company Limited*)
"China Power Qinghe Company"	遼寧中電清河發電有限公司 (Liaoning China Power Qinghe Electric Power Generating Company Limited*)
"Company"	China Power International Development Limited, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange
"Companies Ordinance"	Companies Ordinance (Cap. 32 of the Laws of Hong Kong)
"Consideration Shares"	the new 1,466,729,324 Shares to be allotted (subject to adjustment) and issued to CPI Holding at HK$2.408 per Share as part of the consideration pursuant to the Acquisition Agreement
"controlling shareholder"	has the meaning given to it under the Listing Rules

"CPDL"	China Power Development Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of CPI Holding which holds approximately 55.37% of the equity interest in the Company
"CPIF"	中電投財務有限公司 (CPI Financial Company*)
"CPI Group"	中國電力投資集團公司 (China Power Investment Corporation*), a wholly State-owned enterprise established by SASAC
"CPI Holding"	China Power International Holding Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of CPI Group
"Dabieshan Power Plant"	大別山發電有限責任公司 (Dabieshan Power Company Limited*)
"DBS"	DBS Asia Capital Limited, a licensed corporation for carrying out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the Acquisition
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Acquisition Agreement and the transaction contemplated thereunder, to be held on 22 July 2009
"Enlarged Group"	the Group as enlarged by the Acquisition
"Equity Interests"	63% of the equity interest in Wu Ling Power (excluding Qian Dong Power, regarding which please see the sub-section headed "Qian Dong Disposal" in the letter from the Board) to be sold by CPI Holding pursuant to the Acquisition Agreement
"GDP"	gross domestic product
"gross generation"	for a specific period, the total amount for electrical power produced by a power plant in that period including auxiliary power
"Group"	the Company and its subsidiaries

"Guangzhou Development"	廣州發展集團有限公司 (Guangzhou Development Group Limited Company*)
"Guangzhou Power"	廣州電力企業集團有限公司 (Guangzhou Power Enterprise (Group) Limited Company*)
"Guizhou"	Guizhou Province of the PRC
"GW"	gigawatt, one million kilowatts
"HK$" or "HK Dollar"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Hunan"	Hunan Province of the PRC
"Independent Board Committee"	the committee of Directors, consisting of the independent non-executive Directors of the Company, which has been formed to advise the Independent Shareholders in respect of the terms of the Acquisition
"Independent Shareholder(s)"	Shareholder(s) of the Company other than CPDL and its Associates
"installed capacity"	the manufacturers' rated power output of a generating unit or a power plant, usually denominated in MW
"JLLS"	Jones Lang LaSalle Sallmanns Limited, the independent property valuers appointed by the Company
"kWh"	kilowatt-hour, a standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
"Latest Practicable Date"	23 June 2009
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MW"	megawatt, one million watts. The attributable installed capacity of a power plant is generally expressed in MW
"MWh"	megawatt-hour, one thousand kWh
"Net coal consumption rate"	average consumption of standard coal for supplying 1kWh power (deducting self-used power)

"net generation"	the actual amount of electricity sold by a power plant in a particular period of time, which equals gross generation less auxiliary power and losses incurred during the transmission from the power plant to the power grid
"Parent Group"	CPI Group and its subsidiaries (excluding the Group)
"PBOC Rate"	the applicable base rate of interest published by the People's Bank of China for lending in Renminbi with a maturity period of three years
"Pingwei Power Plant"	安徽淮南平圩發電有限責任公司 (Anhui Huainan Pingwei Electric Power Generating Company Limited*)
"Pingwei Power Plant II"	淮南平圩第二發電有限責任公司 (Huainan Pingwei No.2 Electric Power Generating Co., Ltd.*)
"Preceding Wu Ling Agreement"	the conditional sale and purchase agreement dated 11 May 2009 between CPI Group and CPI Holding, pursuant to which CPI Holding conditionally agreed to acquire and CPI Group conditionally agreed to sell 63% of the equity interest in Wu Ling Power
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by the Company on 24 August 2004
"Public Float Adjustment"	has the meaning as defined under the sub-section headed "The consideration" in the letter from the Board
"PRC" or "China"	the People's Republic of China. Geographical reference in this circular to the PRC excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"Qian Dong Debt"	the outstanding indebtedness amounting to a total of RMB4.3 billion owed by Qian Dong Power to Wu Ling Power and its relevant subsidiary
"Qian Dong Disposal"	the disposal of Qian Dong Power by Wu Ling Power pursuant to the Qian Dong Share Transfer Agreement
"Qian Dong Power"	貴州黔東電力有限公司 (Qian Dong Power Corporation*)
"Qian Dong Share Transfer Agreement"	the conditional sale and purchase agreement dated 8 June 2009 entered into by Wu Ling Power and CPI Holding in relation to the sale of 75% of the equity interest in Qian Dong Power

"Qinghe Power Plant"	遼寧清河發電有限責任公司 (Liaoning Qinghe Electric Power Generating Company Limited*)
"RMB"	Renminbi, the lawful currency of the PRC
"SASAC"	中華人民共和國國務院國有資產監督管理委員會(State-owned Assets Supervision and Administration Commission of the State Council of the PRC*)
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Shanghai Power"	上海電力股份有限公司 (Shanghai Electric Power Co., Ltd.*)
"Share(s)"	the share(s) of HK$1.00 each in the share capital of the Company
"Shareholder(s)"	person(s) whose name(s) appear on the register of members as registered holder(s) of Share(s)
"Share Option Scheme"	the share option scheme adopted by the Company on 24 August 2004
"Shentou I Power Plant"	山西神頭發電有限責任公司 (Shanxi Shentou Power Generating Company Limited*)
"Special Mandate"	the special mandate to authorise the Directors to allot and issue Shares to be sought from the Independent Shareholders at the EGM to satisfy the allotment and issue of the Consideration Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the meaning given to it under the Listing Rules
"super-critical"	a thermodynamic expression describing the state of a substance where there is no clear distinction between the liquid and the gaseous phase. Water reaches this state at a pressure above 22.1 megapascals (MPa)
"US Dollar"	US dollar, the lawful currency of the United States
"VAT"	value-added tax
"Wu Ling Entrusted Loan Agreements"	the entrusted loan agreements to be entered into among Wu Ling Power, Qian Dong Power and certain independent financial institutions

"Wu Ling Group"	Wu Ling Power and its subsidiaries (references to Wu Ling Group with respect to Wu Ling Group's operating data include information of Wu Ling Group and all companies in which Wu Ling Group have direct or indirect equity interests, without regard to the ownership level of, or the proportion of interest held by, the members of the Wu Ling Group in such companies)
"Wu Ling Power"	五凌電力有限公司（Wu Ling Power Corporation*）
"Yaomeng Power Plant"	平頂山姚孟發電有限責任公司 (Pingdingshan Yaomeng Power Generating Company Limited*)
"Yaomeng Power Plant II"	平頂山姚孟第二發電有限公司 (Pingdingshan Yaomeng No.2 Power Co., Ltd.*)

This circular contains translation of RMB into HK$ at the rate of RMB1.00 to HK$1.13. The translation shall not be taken as representation that any amounts in RMB or HK$ could be converted at such rate or at any other rate.

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 Hong Kong Companies Ordinance)

(Stock Code: 2380)

Executive Directors:
Ms. Li Xiaolin
(Chairman and Chief Executive Officer)
Mr. Liu Guangchi
(President)

Non-executive Directors:
Mr. Gao Guangfu
Mr. Guan Qihong

Independent Non-executive Directors:
Mr. Kwong Che Keung, Gordon
Mr. Li Fang
Mr. Tsui Yiu Wa, Alec

Registered Office:
Suite 6301, 63/F., Central Plaza
18 Harbour Road,
Wanchai, Hong Kong

29 June 2009

To the Shareholders

Dear Sir or Madam,

PROPOSED ACQUISITION OF 63% INTEREST IN WU LING POWER
VERY SUBSTANTIAL ACQUISITION
CONNECTED TRANSACTION
ISSUE OF SHARES UNDER SPECIAL MANDATE

I. INTRODUCTION

Reference is made to the announcement of the Company dated 27 May 2008 where the Company announced that a memorandum of understanding was entered into between CPI Group and the Company in relation to the proposed acquisition by the Company of the 63% equity interests in Wu Ling Power.

CPI Group, which indirectly owns approximately 56.05% of the Company, is the controlling shareholder of the Company. CPI Group owns 63% of the equity interest in Wu Ling Power. On 11

May 2009, CPI Holding entered into a sale and purchase agreement with CPI Group, pursuant to which CPI Holding conditionally agreed to acquire and CPI Group conditionally agreed to sell 63% of the equity interest in Wu Ling Power, a company principally engaged in the development, production and supply of hydropower in Hunan and Guizhou. The total consideration for the sale was RMB4,465,087,500 (equivalent to approximately HK$5,045,548,875), which is subject to adjustment on completion.

On 8 June 2009, the Company announced that it has entered into the Acquisition Agreement with CPI Holding, pursuant to which the Company has conditionally agreed to acquire 63% of the equity interest in Wu Ling Power (excluding Qian Dong Power, regarding which please see the sub-section headed "Qian Dong Disposal" below) from CPI Holding.

II. THE ACQUISITION

A. THE ACQUISITION AGREEMENT

1. Date

8 June 2009

2. Parties to the Acquisition Agreement

(i) Company (as the purchaser)

(ii) CPI Holding (as the seller)

3. Assets to be acquired

The Company has conditionally agreed to acquire from CPI Holding 63% of the equity interest in Wu Ling Power (excluding its interest in Qian Dong Power, regarding which please see the sub-section headed "Qian Dong Disposal" below) as at the date of the Acquisition Agreement. Further details of the Wu Ling Group are set out in the section headed "Information on the Wu Ling Group" below.

4. The consideration

The consideration for the acquisition of the Equity Interests is RMB4,465,087,500 (equivalent to approximately HK$5,045,548,875) (subject to adjustment).

The consideration was arrived at after arm's length negotiations between the Company and CPI Holding under the Acquisition Agreement. It was based on various relevant factors including the market environment, operating conditions, profitability of Wu Ling Power and an asset valuation carried out by an independent valuation firm. The consideration is to 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. The number of Consideration Shares will in any event not exceed such number as will result in the Company not meeting the public float requirement under Listing Rule 8.08, such that the amount of cash payment may in such an event be correspondingly increased (the "Public Float Adjustment"). The Company proposes to fund the cash portion of the consideration using a combination of internal cash, bank borrowings and/or other sources.

The consideration of RMB4,465,087,500 may be adjusted with reference to the change in net asset value of Wu Ling Power attributable to the Equity Interests between 1 July 2008 and completion of the Acquisition. An audit report will be produced by an accounting firm to be agreed between the parties within 30 business days of the completion of the Acquisition (being the transfer of Equity Interests but excluding the payment of the consideration). Within 10 business days of the production of the audit report, the Company will satisfy 70% of the adjusted consideration (subject to the Public Float Adjustment) by the issue of Consideration Shares. The remaining 30% of the adjusted consideration (subject to the Public Float Adjustment) will be satisfied in cash within one year after the satisfaction of the conditions precedent referred in paragraphs (iii) and (iv) (whichever is the later) under the sub-section headed "Conditions precedent of the Acquisition Agreement" below. Based on the information currently available to the Company, the Company does not expect the adjustment to be substantial.

5. **Consideration Shares**

The issue price of the Consideration Shares is HK$2.408, being the average of the closing share price as quoted on the Stock Exchange for the 5 trading days prior to (but excluding) the date of the Acquisition Agreement.

As at the date of this circular, there are 3,605,610,850 Shares in issue. The total number of the Consideration Shares to be issued (before any adjustment of the consideration) is 1,466,729,324 Shares, representing approximately 40.68% of the existing issued share capital and 29% of the enlarged issued share capital of the Company. The Public Float Adjustment mechanism will enable the Company to continue to comply with the public float requirement under Listing Rule 8.08.

The Consideration Shares, when issued, will rank pari passu in all respects with the issued Shares on the date of the issue of the Consideration Shares.

6. **Conditions precedent of the Acquisition Agreement**

Completion of the Acquisition is conditional upon satisfaction of, among other things, the following conditions on or before 31 December 2010 or a later date as agreed by the parties:

(i) completion of due diligence to the satisfaction of the Company;

(ii) the approval by all shareholders and the board of directors of Wu Ling Power of the transfer of Equity Interests under the Acquisition Agreement and the waiver of all pre-emption rights granted by Wu Ling Power's articles of association or any other means;

(iii) the obtaining of all necessary approvals for the Acquisition from all relevant governmental and regulatory authorities (other than those administrative procedures which can only be carried out at or after completion of the Acquisition);

(iv) the passing of an ordinary resolution by the Independent Shareholders approving the Acquisition Agreement and the transactions contemplated thereunder;

(v) the passing of an ordinary resolution by the Independent Shareholders approving the grant of the Special Mandate;

(vi) there has not been any material adverse change to the financial position, business operations or prospects of Wu Ling Group since 30 June 2008;

(vii) the representations and warranties made by CPI Holding are true and accurate and not misleading in any material respect at the time of completion of the Acquisition;

(viii) the representations and warranties made by the Company are true and accurate and not misleading in any material respect at the time of completion of the Acquisition;

(ix) completion of all relevant legal documentation for the Acquisition in form satisfactory to both the Company and CPI Holding;

(x) the Preceding Wu Ling Agreement becoming unconditional;

(xi) completion (including the transfer of shares but excluding the payment of consideration) of the Qian Dong Disposal (further details with respect to the payment of consideration for the Qian Dong Disposal are set out in the sub-section headed "Qian Dong Disposal" below);

(xii) the repayment of the debt amounting to a total of RMB2.8billion owed by Qian Dong Power to Wu Ling Power and its relevant subsidiary (see sub-section headed "Qian Dong Disposal" below); and

(xiii) the entering into of the Wu Ling Entrusted Loan Agreements (see sub-section headed "Qian Dong Disposal" below).

The conditions set out in paragraphs (i), (vi), (vii), (ix), (x), (xi), (xii) and (xiii) (insofar as it applies to the obligations of CPI Holding) above may be waived by the Company, and the conditions set out in paragraphs (viii) and (ix) (insofar as it applies to the obligations of the Company) above may be waived by CPI Holding. The waiver by the Company of the condition set out in paragraph (vii) will not affect the right of the Company to seek for compensation for any losses and damages caused by CPI Holding's breach of its representations, warranties, undertakings or other obligations.

7. **Board representation**

Upon completion of the Acquisition, the Company shall have the power to appoint directors to the board of Wu Ling Power in accordance with the amended articles of association of Wu Ling Power.

8. **Completion**

Completion shall take place within 20 business days or a date as agreed by the parties upon fulfilment (or waiver, where applicable) of all the above conditions precedent (the last day on which all the conditions must be satisfied being 31 December 2010 or a later date as agreed by the parties).

9. **Restrictions on transfer and pre-emption rights**

The Equity Interests may be transferred by the Company to other shareholders of Wu Ling Power after the Acquisition. However, any future transfer of Equity Interests to a third party other than Wu Ling Power's shareholders requires (i) the consent of all the shareholders of Wu Ling Power and the waiver of their pre-emption rights on terms and conditions which are the same as those of the proposed transfer of Equity Interests to the third party (shareholders who do not exercise their pre-emption rights shall be deemed to have given their consents to the transfer), (ii) the consent of the board of directors of Wu Ling Power, and (iii) the approval from the relevant governmental and regulatory authorities.

10. **Termination**

The Company may terminate the Acquisition Agreement by written notice to CPI Holding if prior to completion of the Acquisition:

(i) there has been any breach of the Acquisition Agreement by CPI Holding;

(ii) there has been any breach of the representations and warranties made by CPI Holding; or

(iii) there has been material adverse change to the financial position, business operations or prospects of Wu Ling Group.

CPI Holding may terminate the Acquisition Agreement by written notice to the Company if prior to completion of the Acquisition:

(i) there has been any breach of the Acquisition Agreement by the Company; or

(ii) there has been any breach of the representations and warranties made by the Company.

B. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Acquisition represents a strategic opportunity for the Company to establish a leading presence in the attractive Hunan hydropower industry as well as China's rapidly growing renewable energy industry, significantly enlarge its operational capacity with expansion potential, achieve a more balanced and favourable fuel mix and leverage on Wu Ling Group's hydropower expertise.

1. **Establish a leading presence in the attractive Hunan hydropower industry as well as China's rapidly growing renewable energy industry**

Wu Ling Group's power assets are located in two adjacent provinces, Hunan and Guizhou. All of the hydropower assets in Guizhou supply their electricity generation to Hunan provincial power grid via the Electricity West-to-East Program* (西電東送項目). Hunan is rich in hydro resources and is identified as one of China's top hydropower generation bases as outlined in the 11th Five-Year Plan for the Renewable Energy Development* (可再生能源發展"十一五"規劃).

Wu Ling Group, the largest independent hydropower producer in Hunan contributing over 40% of the province's total centrally despatched hydropower installed capacity as at 31 December 2008, plays a pivotal role in Hunan's hydropower market. The Acquisition will enable the Company to gain a firm foothold in the attractive Hunan hydropower market.

The Chinese government is actively promoting renewable energy and especially hydropower generation. Under the Medium-to-Long Term Plan for the Renewable Energy Development* (可再生能源中長期發展規劃), the National Development and Reform Commission had set targets for renewable energy to account for 15% of total primary energy consumption in China by 2020 versus today's 7.4%. Hydropower is China's most prevalent renewable energy source, contributing approximately 21.6% of China's total installed capacity and 16.4% of the total electricity generation as at 31 December 2008, according to the Statistics of National Power Industry* (全國電力工業統計快報). The National Development and Reform Commission has set a target of total hydropower installed capacity for China of 190GW in 2010 and 300GW in 2020, of which large and medium scale hydropower accounts for 140GW and 225GW, respectively.

Further, hydropower is generally recognised as a very competitive renewable energy source for power generation in terms of its on-grid tariff. Therefore, grid companies can be expected to prefer despatch from hydropower versus other sources, especially given its renewable nature. Hence, the Acquisition will strengthen the Company's competitive advantage in China's power industry.

2. **Significantly enlarge operational capacity with expansion potential**

Upon the completion of the Acquisition, the Company's attributable installed capacity (excluding Qian Dong Power Plant) will increase by approximately 2,245MW to 11,282MW from approximately 9,037MW as at 31 December 2008, representing an approximately 25% increase.

Further, the Acquisition presents a significant expansion potential to the Company. Currently, Wu Ling Group has 3 hydropower projects with a total attributable capacity under construction of approximately 2,388MW which are expected to become operational from late 2009 onwards. Including Wu Ling Power's attributable capacity under construction, the Company's attributable installed capacity will increase by a further 1,504MW to 12,786MW from approximately 9,037MW as at 31 December 2008, representing an approximately 41% increase. Further details of Wu Ling Group's power projects are set out in the section headed "Information on the Wu Ling Group" below.

3. **Achieve a more balanced and favourable fuel mix**

The Acquisition will transform the Company from a predominantly coal-fired power generation company to a company with a more balanced fuel mix. Following the Acquisition, hydropower attributable installed capacity assets will account for approximately 19% of total attributable installed capacity, and approximately 29% if it includes those under construction. This will greatly lessen the Company's reliance on coal. Upon completion of the Acquisition, based on current industry information, the Company expects to have the highest proportion of hydropower attributable installed capacity among the Chinese independent power producers listed on the Stock Exchange.

4. **Leverage on Wu Ling Group's hydropower expertise**

Wu Ling Group adopts a cascade hydropower development approach along Hunan's main river basin, Yuan Jiang River* (沅江), which enhances Wu Ling Group's utilisation efficiency. It implements cost control measures in areas of project EPC (Engineering Procurement and Construction), operation and maintenance, as well as the number of staff. Wu Ling Group has a strong management team and technical team with a long proven track record in China's hydropower industry. As a result, Wu Ling Group has achieved significant electricity generation and profit growth in the past 10 years. Further, a hydropower asset portfolio of this size and significance is rarely available and it represents a unique opportunity for the Company to leverage on Wu Ling Group's hydropower expertise in pursuing growth options in other leading hydropower markets in China.

In the light of the above, the Directors consider that the Acquisition will be beneficial to the Company and will have a positive impact on the Company's future prospects, thus benefiting the Company and its shareholders as a whole.

C. INFORMATION ON THE WU LING GROUP

1. **Overview of Wu Ling Group**

Wu Ling Power was incorporated in the PRC on 3 May 1995 and registered as a sino-foreign joint venture with limited liability on 11 April 2006. As at the date of this circular, it has a registered capital of RMB3,476,160,000. Wu Ling Power currently has two shareholders, namely CPI Group, which as at the date of this circular, has cumulatively invested RMB2,189,980,000 for an equity interest of 63% in Wu Ling Power and Hunan Xiangtou 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. Hunan Xiangtou International Investment Limited* (湖南湘投國際投資有限公司) is a sino-foreign joint venture company equally owned by Meiya Xiangtou Power Company Limited* (美亞湘投電力有限公司), an independent third party and Hunan Xiangtou Holding (Group) Limited* (湖南湘投控股集團有限公司), an investment company wholly owned by the Hunan provincial government. On 11 May 2009, CPI Group entered into a conditional sale and purchase agreement with CPI Holding to transfer its equity holding of 63% in Wu Ling Power to CPI Holding, for a total consideration of RMB4,465,087,500 (equivalent to approximately HK$5,045,548,875), which is subject to adjustment on completion.

Wu Ling Group is 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 (excluding Qian Dong Power Plant which is to be disposed of under the Qian Dong Share Transfer Agreement — further details of the disposal are set out in the sub-section headed "Qian Dong Disposal" below) with an attributable installed capacity of approximately 3,564 MW. In addition, Wu Ling Group also had 3 power plants under construction.

Details of each of the 11 power plants in operation and 3 power plants under construction as at 31 December 2008 are summarised in the following table:

	Power Plant	Fuel type	Generation units	Gross installed capacity	Wu Ling Power's share-holding	Attributable installed capacity to Wu Ling Power	Commencement of operation date	Location
			(MW)	*(MW)*	*(%)*	*(MW)*		
Power plants in operation	Wu Qiang Xi Power Plant	Hydro	5×240	1,200	100%	1,200	1994-1996	Hunan
	Ling Jin Tan Power Plant	Hydro	9×30	270	100%	270	1998-2000	Hunan
	Hong Jiang Power Plant	Hydro	6×45	270	95%	257	2003-2005	Hunan
	Wan Mi Po Power Plant	Hydro	3×80	240	100%	240	2004	Hunan
	Jin Wei Zhou Power Plant	Hydro	3×21	63	100%	63	2000-2002	Hunan
	San Ban Xi Power Plant	Hydro	4×250	1,000	95%	950	2006	Guizhou
	Gua Zhi Power Plant	Hydro	3×50	150	95%	142	2007	Guizhou
	Dong Ping Power Plant	Hydro	4×18	72	100%	72	2007	Hunan
	Ma Ji Tang Power Plant	Hydro	3×18.5	56	100%	56	1983	Hunan
	Zhu Xi Kou Power Plant	Hydro	4×18.5	74	100%	74	2008	Hunan
	Li Yu Jiang Power Plant	Coal	2×300	600	40%	240	2003	Hunan
	Sub-total			**3,995**		**3,564**		
Power plants under construction	Bai Shi Power Plant	Hydro	3×140	420	95%	399	2011 (Expected)	Guizhou
	Hei Mi Feng Power Plant	Hydro (Pumped storage)	4×300	1,200	100%	1,200	2009-2010 (Expected)	Hunan
	Tuo Kou Power Plant	Hydro	4×200 + 2×15	830	95%	789	2012 (Expected)	Hunan
	Sub-total			**2,450**		**2,388**		
	Total			**6,445**		**5,952**		

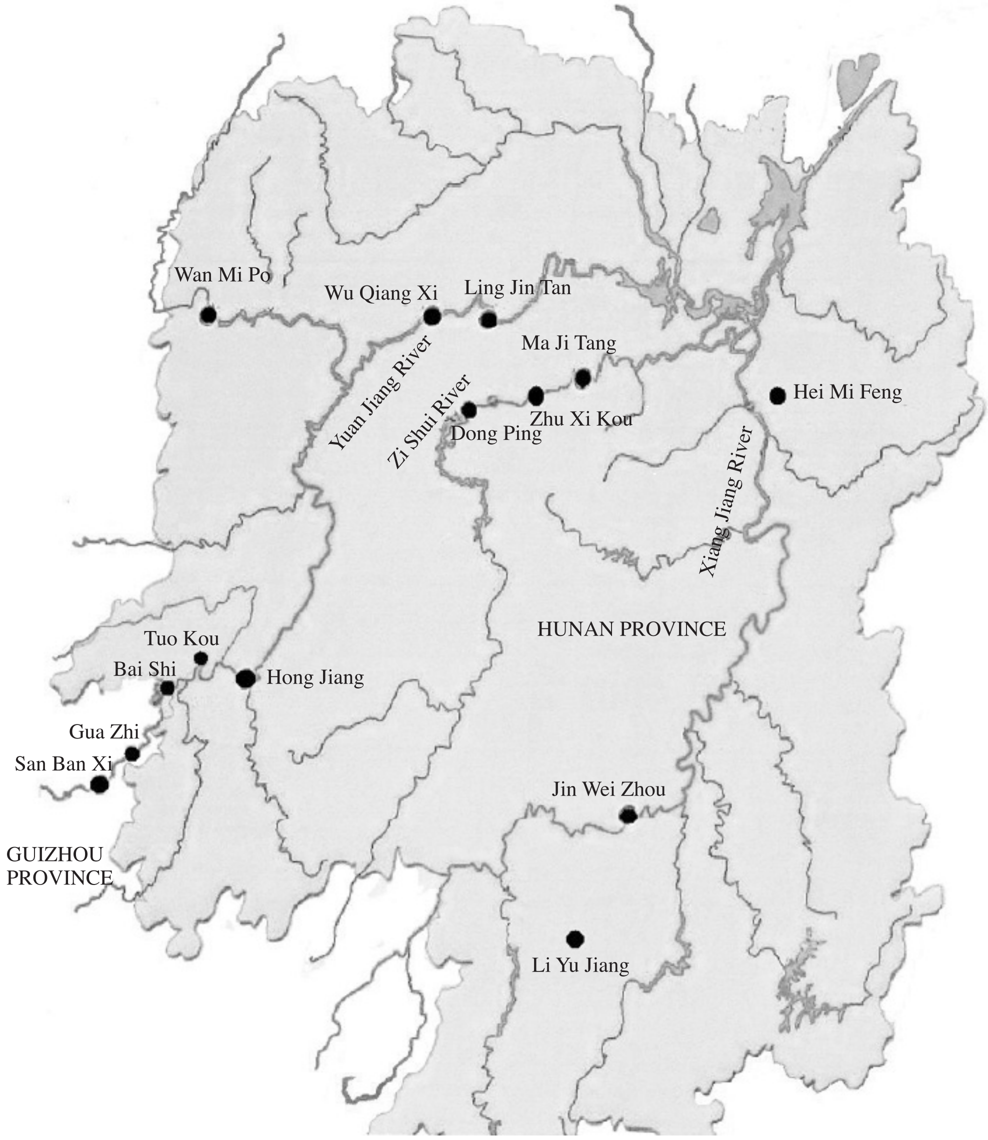
Wu Ling Power is one of China's leading hydropower companies and the second largest power company in Hunan. For the years 2006 to 2008, Wu Ling Group's (excluding Qian Dong Power Plant) hydropower generation amounted to 7,409,000MWh, 10,903,000MWh and 10,730,000MWh, respectively, representing 44.3%, 52.2% and 49.8% of Hunan's total centrally despatched hydropower generation. For the same years, Wu Ling Group's (excluding Qian Dong Power Plant) gross installed capacity amounted to 3,099MW, 3,321MW and 3,995MW, respectively, representing 50.1%, 50.9% and 44.3% of Hunan's total centrally despatched installed capacity in hydropower.

The following table sets out certain operating data of Wu Ling Group (excluding Qian Dong Power Plant) for the three years ended 31 December 2008:

	2006	**2007**	**2008**
Gross power generation (MWh)	7,409,000	10,903,000	10,730,000
Net power generation (MWh)	7,320,000	10,780,000	10,594,000
Average utilisation hours	2,391	3,284	3,169
Average on-grid tariff (VAT inclusive) (RMB/kWh)	0.281	0.281	0.298

In addition to the leadership position in Hunan, Wu Ling Group's strong management team will continue to leverage on their solid experience in cost control and power project management to pursue growth opportunity in other parts of PRC, particularly the southwest region of China where hydro resources are rich.

The map below shows the locations of Wu Ling Group's power plants (excluding Qian Dong Power Plant):



2. **Industry background and market environment**

(i) ***Hydropower industry in China***

According to the National Bureau of Statistics of China, China's power industry recorded a solid growth from 2002 to 2007 with electricity generation growing at a compound annual growth rate of 14.8%, outpacing China's GDP growth of 11.0% during the same period. However, with a slowing economy in 2008, China's GDP growth rate dropped to 9.0% in 2008 (from 13.0% in 2007). The electricity generation growth slowed to 5.6% in 2008 (from 14.4% in 2007), and electricity generation from coal-fired power plants recorded a mere 2.5% growth in 2008 (compared with 14.9% in 2007).

According to the Statistics of National Power Industry* (全國電力工業統計快報), hydropower is China's most prevalent renewable energy source, contributing approximately 21.6% of China's total installed capacity and 16.4% of the total electricity generation in 2008. Contrary to the declining growth rate of China's electricity generation, hydropower generation has experienced a strong growth of 19.5% in 2008, up from 17.6% in 2007 and 5.1% in 2006.

As at 31 December 2008, China's total installed hydropower capacity was 171.52GW. According to the Medium-to-Long Term Plan for the Renewable Energy Development* (可再生能源中長期發展規劃), China's hydropower installed capacity is planned to reach 190GW by 2010 and 300GW by 2020.

(ii) ***Hydropower market in Hunan***

According to the Bureau of Statistics of Hunan, Hunan's economy enjoyed a strong growth in 2008 with GDP surpassing RMB1 trillion, ranking 9th in China. Its provincial GDP grew by 12.8% in 2008 (compared with 14.4% in 2007).

Hunan's power market is heavily reliant on hydropower. As at 31 December 2008, the total centrally despatched installed hydropower capacity was approximately 7,670MW, a 17.6% increase from 2007, accounting for approximately 40% of the province's total centrally despatched installed capacity. The total centrally despatched hydropower generation was approximately 21.5 billion kWh, accounting for approximately 35.8% of the province's total centrally despatched electricity generation.

(iii) ***Government's supportive policies for the hydropower industry in China***

The Chinese government has promulgated a number of regulations, supportive plans and measures to promote renewable energy, including the Renewable Energy Law of PRC* (可再生能源法), the 11th Five-Year Plan for the Renewable Energy Development* (可再生能源發展"十一五"規劃), the Medium-to-Long Term Plan for the Renewable Energy Development* (可再生能源中長期發展規劃), the Implementation of Deepening Electricity Sector Reform in the 11th Five-Year Plan Period* (關於 "十一五"深化電力體制改革的實施意見), Regulatory Measures for the Grids to Purchase All Electricity Generation from Renewable Energy* (電網企業全額收購可再生能源電量監管辦法), and Trial Measures for Energy Conservation and Merit Order Despatch* (節能發電調度辦法(試行)).

Hydropower (together with bio-energy, wind power and solar power) is identified as top priority in China's renewable energy development. Hydropower producers enjoy the benefit that all of their hydropower generated is required to be purchased by the relevant grid companies, and hydropower (together with other types of renewable energy) has the highest ranking in the merit order despatch.

3. **Further details of Wu Ling Group's power plants**

Power plants in operation

(i) ***Wu Qiang Xi Power Plant* (五强溪電廠)***

Wu Qiang Xi Power Plant is located near the downstream of Yuan Jiang River* (沅江) in Yuan Ling County of Hunan, and supplies electricity to the Hunan provincial power grid. The gross installed capacity of Wu Qiang Xi Power Plant is 1,200MW. The operation of the 5x240MW hydropower generating units commenced between 1994 and 1996. From 2006 to 2008, the annual gross power generation of Wu Qiang Xi Power Plant were 4,378,700MWh, 5,489,680MWh and 5,227,240MWh, respectively. The average tariff (VAT inclusive) for the same years were RMB0.28/kWh, RMB0.27/kWh and RMB0.29/kWh, respectively. Wu Ling Power currently holds 100% of the equity interest in Wu Qiang Xi Power Plant.

The following table sets out certain operating data of Wu Qiang Xi Power Plant for the three years ended 31 December 2008:

	2006	**2007**	**2008**
Gross power generation (MWh)	4,378,700	5,489,680	5,227,240
Net power generation (MWh)	4,335,000	5,441,000	5,183,000
Equivalent utilisation hours	3,649	4,575	4,356
Equivalent availability factor (%)	95.44	95.09	96.49

(ii) ***Ling Jin Tan Power Plant* (凌津灘電廠)***

Ling Jin Tan Power Plant is located in Tao Yuan County, Hunan, and supplies electricity to the Hunan provincial power grid. The gross installed capacity of Ling Jin Tan Power Plant is 270MW. The operation of the 9x30MW hydropower generating units commenced between 1998 and 2000. From 2006 to 2008, the annual gross power generation of Ling Jin Tan Power Plant were 973,020MWh, 1,146,030MWh and 1,112,300MWh, respectively. The average tariff (VAT inclusive) for the same years were RMB0.27/kWh, RMB0.27/kWh and RMB0.29/kWh, respectively. Wu Ling Power currently holds 100% of the equity interest in Ling Jin Tan Power Plant.

The following table sets out certain operating data of Ling Jin Tan Power Plant for the three years ended 31 December 2008:

	2006	2007	2008
Gross power generation (MWh)	973,020	1,146,030	1,112,300
Net power generation (MWh)	957,000	1,129,000	1,095,000
Equivalent utilisation hours	3,604	4,245	4,120
Equivalent availability factor (%)	97.49	97.09	95.61

(iii) ***Hong Jiang Power Plant* (洪江電廠)***

Hong Jiang Power Plant is located in Huai Hua City of Hunan, and supplies electricity to the Hunan provincial power grid. The gross installed capacity of Hong Jiang Power Plant is 270MW. The operation of the 6x45MW hydropower generating units commenced between 2003 and 2005. From 2006 to 2008, the annual gross power generation of Hong Jiang Power Plant were 730,680MWh, 863,820MWh and 916,000MWh, respectively. The average tariff (VAT inclusive) for the same years were RMB0.29/kWh, RMB0.29/kWh and RMB0.29/kWh, respectively. Wu Ling Power currently holds 95% of the equity interest in Hong Jiang Power Plant, while HydroChina Zhongnan Engineering Corporation* (中國水電顧問集團中南勘測設計研究院) holds the remaining 5%.

The following table sets out certain operating data of Hong Jiang Power Plant for the three years ended 31 December 2008:

	2006	2007	2008
Gross power generation (MWh)	730,680	863,820	916,000
Net power generation (MWh)	721,000	853,000	905,000
Equivalent utilisation hours	2,706	3,199	3,395
Equivalent availability factor (%)	91.98	91.71	93.47

(iv) ***Wan Mi Po Power Plant* (碗米坡電廠)***

Wan Mi Po Power Plant is located in Bao Jing County of Hunan, and supplies electricity to the Hunan provincial power grid. The gross installed capacity of Wan Mi Po Power Plant is 240MW. The operation of the 3x80MW hydropower generating units commenced in 2004. From 2006 to 2008, the annual gross power generation of Wan Mi Po Power Plant were 418,360MWh, 726,160MWh and

628,720MWh, respectively. The average tariff (VAT inclusive) for the same years were RMB0.30/kWh, RMB0.29/kWh and RMB0.29/kWh, respectively. Wu Ling Power currently holds 100% of the equity interest in Wan Mi Po Power Plant.

The following table sets out certain operating data of Wan Mi Po Power Plant for the three years ended 31 December 2008:

	2006	**2007**	**2008**
Gross power generation (MWh)	418,360	726,160	628,720
Net power generation (MWh)	414,000	722,000	625,000
Equivalent utilisation hours	1,743	3,026	2,620
Equivalent availability factor (%)	96.79	96.36	95.11

(v) ***Jin Wei Zhou Power Plant* (近尾洲電廠)***

Jin Wei Zhou Power Plant is located near the midstream of Xiang Jiang River* (湘江) in Heng Nan County of Hunan, and supplies electricity to the Hunan provincial power grid. The gross installed capacity of Jin Wei Zhou Power Plant is 63MW. The operation of the 3x21MW hydropower generating units commenced between 2000 and 2002. From 2006 to 2008, the annual gross power generation of Jin Wei Zhou Power Plant were 324,750MWh, 247,890MWh and 317,940MWh, respectively. The average tariff (VAT inclusive) for the same years were RMB0.32/kWh, RMB0.33/kWh and RMB0.33/kWh, respectively. Wu Ling Power currently holds 100% of the equity interest in Jin Wei Zhou Power Plant.

The following table sets out certain operating data of Jin Wei Zhou Power Plant for the three years ended 31 December 2008:

	2006	**2007**	**2008**
Gross power generation (MWh)	324,750	247,890	317,940
Net power generation (MWh)	318,000	242,000	311,000
Equivalent utilisation hours	5,138	3,922	5,032
Equivalent availability factor (%)	97.99	96.19	99.33

(vi) ***San Ban Xi Power Plant* (三板溪電廠)***

San Ban Xi Power Plant is located in Jin Ping County of Guizhou, and supplies electricity to the Hunan provincial power grid via the Electricity West-to-East Program* (西電東送項目). The gross installed capacity of San Ban Xi Power Plant is 1,000MW. The operation of the 4x250MW hydropower generating units commenced in 2006. From 2006 to 2008, the annual gross power generation of San Ban Xi Power Plant were 307,250MWh, 2,002,310MWh and 1,732,710MWh, respectively. The average tariff (VAT inclusive) for the same years were RMB0.25/kWh, RMB0.30/kWh and

RMB0.32/kWh, respectively. Wu Ling Power currently holds 95% of the equity interest in San Ban Xi Power Plant, while Southeast Guizhou Province Miao-Dong Autonomous Prefecture Power Corporation* (黔東南苗族侗族自治州地方電力總公司) holds the remaining 5%.

The following table sets out certain operating data of San Ban Xi Power Plant for the three years ended 31 December 2008:

	2006	**2007**	**2008**
Gross power generation (MWh)	307,250	2,002,310	1,732,710
Net power generation (MWh)	303,000	1,975,000	1,707,000
Equivalent utilisation hours	307	2,002	1,733
Equivalent availability factor (%)	95.18	94.12	96.84

(vii) ***Gua Zhi Power Plant* (掛治電廠)***

Gua Zhi Power Plant is located in Jin Ping County of Guizhou, and supplies electricity to the Hunan provincial power grid via the Electricity West-to-East Program* (西電東送項目). The gross installed capacity of Gua Zhi Power Plant is 150MW. The operation of the 3x50MW hydropower generating units commenced in 2007. From 2007 to 2008, the annual gross power generation of Gua Zhi Power Plant were 166,950MWh and 312,000MWh, respectively. The average tariff (VAT inclusive) for the same years were RMB0.30/kWh and RMB0.31/kWh, respectively. Wu Ling Power currently holds 95% of the equity interest in Gua Zhi Power Plant, while Southeast Guizhou Province Miao-Dong Autonomous Prefecture Power Corporation* (黔東南苗族侗族自治州地方電力總公司) holds the remaining 5%.

The following table sets out certain operating data of Gua Zhi Power Plant for the two years ended 31 December 2008:

	2007	**2008**
Gross power generation (MWh)	166,950	312,000
Net power generation (MWh)	164,000	306,000
Equivalent utilisation hours	3,207	2,093
Equivalent availability factor (%)	92.12	94.82

(viii) ***Dong Ping Power Plant* (東坪電廠)***

Dong Ping Power Plant is located in An Hua County of Hunan, and supplies electricity to the Hunan provincial power grid. The gross installed capacity of Dong Ping Power Plant is 72MW. The operation of the 4x18MW hydropower generating units commenced in 2007. From 2007 to 2008, the annual gross power generation of Dong Ping Power Plant were 42,000MWh and 208,560MWh, respectively. The average tariff (VAT inclusive) for the same years were RMB0.29/kWh and RMB0.32/kWh, respectively. Wu Ling Power currently holds 100% of the equity interest in Dong Ping Power Plant.

The following table sets out certain operating data of Dong Ping Power Plant for the two years ended 31 December 2008:

	2007	**2008**
Gross power generation (MWh)	42,000	208,560
Net power generation (MWh)	39,000	199,000
Equivalent utilisation hours	1,429	2,897
Equivalent availability factor (%)	92.93	94.59

(ix) ***Ma Ji Tang Power Plant* (馬迹塘電廠)***

Ma Ji Tang Power Plant is located near the midstream of Zi Shui River* (資水) in Tao Jiang County of Hunan, and supplies electricity to the Hunan provincial power grid. The gross installed capacity of Ma Ji Tang Power Plant is 56MW. The operation of the 3x18.5MW hydropower generating units commenced in 1983. From 2006 to 2008, the annual gross power generation of Ma Ji Tang Power Plant were 276,650MWh, 218,380MWh and 221,190MWh, respectively. The average tariff (VAT inclusive) for the same years were RMB0.26/kWh, RMB0.26/kWh and RMB0.27/kWh, respectively. Wu Ling Power currently holds 100% of the equity interest in Ma Ji Tang Power Plant.

The following table sets out certain operating data of Ma Ji Tang Power Plant for the three years ended 31 December 2008:

	2006	**2007**	**2008**
Gross power generation (MWh)	276,650	218,380	221,190
Net power generation (MWh)	267,000	212,000	214,000
Equivalent utilisation hours	4,985	3,935	3,985
Equivalent availability factor (%)	86.6	93.65	96.34

(x) ***Zhu Xi Kou Power Plant* (株溪口電廠)***

Zhu Xi Kou Power Plant is located in An Hua County of Hunan, and supplies electricity to the Hunan provincial power grid. The gross installed capacity of Zhu Xi Kou Power Plant is 74MW. The operation of the 4x18.5MW hydropower generating units commenced in 2008. The annual gross power generation of Zhu Xi Kou Power Plant in 2008 was 52,000MWh, and the average tariff (VAT inclusive) for the same year was RMB0.32/kWh. Wu Ling Power currently holds 100% of the equity interest in Zhu Xi Kou Power Plant.

The following table sets out certain operating data of Zhu Xi Kou Power Plant for the year ended 31 December 2008:

	2008
Gross power generation (MWh)	52,000
Net power generation (MWh)	49,000
Equivalent utilisation hours	621
Equivalent availability factor (%)	95.86

(xi) ***Li Yu Jiang Power Plant* (鯉魚江電廠)***

Li Yu Jiang Power Plant is located in Zi Xing City of Hunan, and sells the entire electricity generation to the Guangdong provincial power grid. The gross installed capacity of Li Yu Jiang Power Plant is 600MW. The operation of the 2x300MW coal-fired generating units commenced in 2003. There were other 2x65MW generating units that have ceased operation from 2008. From 2006 to 2008, the annual gross power generation of Li Yu Jiang Power Plant were 4,823,000MWh, 4,842,000MWh and 3,384,000MWh, respectively. Wu Ling Power currently holds 40% of the equity interest in Li Yu Jiang Power Plant, while China Resources Power Holdings Company Limited which is a State-owned enterprise and is a third party independent of the Company and the Company's connected persons, holds the remaining 60%.

The following table sets out certain operating data of Li Yu Jiang Power Plant for the three years ended 31 December 2008:

	2006	**2007**	**2008**
Gross power generation (MWh)	4,823,000	4,842,000	3,384,000
Net power generation (MWh)	4,545,000	4,571,000	3,171,000
Equivalent utilisation hours of operating units	7,008	7,259	5,594
Equivalent utilisation hours of retired units	4,761	3,741	209
Equivalent availability factor of operating units (%)	92.82	93.33	88.56
Equivalent availability factor of retired units (%)	96.08	95.10	—

Power plants under construction

(xii) ***Bai Shi Power Plant* (白市電廠)***

Bai Shi Power Plant is located in Tian Zhu County of Guizhou, and supplies electricity to the Hunan provincial power grid via the Electricity West-to-East Program* (西電東送項目). The gross installed capacity of Bai Shi Power Plant is planned to be 420MW. The operation of the 3x140MW hydropower generating units is expected to commence in 2011, and the estimated capital expenditure for the plant is approximately RMB4 billion. Wu Ling Power currently holds 95% of the equity interest in Bai Shi Power Plant, while Southeast Guizhou Province Miao-Dong Autonomous Prefecture Power Corporation* (黔東南苗族侗族自治州地方電力總公司) holds the remaining 5%.

(xiii) ***Hei Mi Feng Pumped Storage Power Station* (黑麋峰電廠)***

Hei Mi Feng Pumped Storage Power Station is located in Wang Cheng County of Hunan, and supplies electricity to the Hunan provincial power grid. The gross installed capacity of Hei Mi Feng Pumped Storage Power Station is planned to be 1,200MW. The operation of the 4x300MW hydropower generating units is expected to commence between 2009 and 2010, and the estimated capital expenditure for the plant is approximately RMB3.5 billion. The station will consist of two reservoirs with total capacity of 8.42 million m^3 and 8.44 million m^3, respectively. Wu Ling Power currently holds 100% of the equity interest in Hei Mi Feng Pumped Storage Power Station.

(xiv) ***Tuo Kou Power Plant* (托口電廠)***

Tuo Kou Power Plant is located in Hong Jiang City of Hunan, and supplies electricity to the Hunan provincial power grid. The gross installed capacity of Tuo Kou Power Plant is planned to be 830MW. The operation of the 4x200MW + 2x15MW hydropower generating units is expected to commence in 2012, and the estimated capital expenditure for the plant is approximately RMB6.3 billion. Wu Ling Power currently holds 95% of the equity interest in Tuo Kou Power Plant, while HydroChina Zhongnan Engineering Corporation* (中國水電顧問集團中南勘測設計研究院) holds the remaining 5%.

Financial information of Wu Ling Group

Based on the audited accounts of Wu Ling Group, which were prepared based on accounting principles generally accepted in Hong Kong, its consolidated profits for each of the years ended 31 December 2007 and 31 December 2008 are as follows:

	Financial year ended 31 December 2007 *(RMB million)*	**Financial year ended 31 December 2008** *(RMB million)*
Consolidated profit before taxation and minority interests	819	407
Consolidated profit after taxation attributable to equity holders of Wu Ling Group	422	245

The consolidated net asset value based on accounting principles generally accepted in Hong Kong attributable to 63% of equity interest in Wu Ling Group as at 31 December 2008 based on the above audited financial statements was approximately RMB3,674 million.

4. **Qian Dong Disposal**

Terms of the Qian Dong Disposal

On 8 June 2009, Wu Ling Power entered into the Qian Dong Share Transfer Agreement with CPI Holding, pursuant to which Wu Ling Power conditionally agreed to sell, and CPI Holding conditionally agreed to purchase, 75% of the equity interest in Qian Dong Power, a subsidiary of Wu Ling Power. The completion of the Acquisition is conditional on the completion (including the transfer of shares but excluding the payment of consideration) of the Qian Dong Disposal.

The consideration for the Qian Dong Disposal is RMB144,055,050 (equivalent to approximately HK$162,782,207). The consideration was arrived at after arm's length negotiations between Wu Ling Power and CPI Holding with reference to an asset valuation carried out by an independent valuation firm and various factors including the market condition and the profitability of Qian Dong Power. An audit report will be produced by an accounting firm to be agreed between the parties within 30 business days of the completion of the Qian Dong Share Transfer Agreement. The consideration will be adjusted with reference to the change in the net asset value of the 75% equity interest in Qian Dong Power between 1 July 2008 and the completion of the Qian Dong Share Transfer Agreement (In the event that the audited net asset value of Qian Dong Power is zero or negative, the consideration for the Qian Dong Disposal will be nil). CPI Holding has agreed to pay the consideration (if any) within 20 business days after the production of the audit report.

Information about Qian Dong Power Plant

Qian Dong Power Plant is located in Zhen Yuan County of Guizhou, and supplies electricity to the Hunan provincial power grid via the Electricity West-to-East Program* (西電東送項目). The gross installed capacity of Qian Dong Power Plant is 1,200MW. Qian Dong Power is currently applying for government approvals. As the quality of the power plant, including but not limited to its profitability, does not meet the Company's standard for acquisition and due to the potential uncertainties with respect to the grant of government approval, the power plant will be disposed of pursuant to the Qian Dong Share Transfer Agreement. Wu Ling Power currently holds 75% of the equity interest in Qian Dong Power Plant, while Guizhou Shuicheng Coal Mining (Group) Co., Ltd.* (貴州水城礦業(集團)有限責任公司) and Southeast Guizhou Province Miao-Dong Autonomous Prefecture Power Corporation* (黔東南苗族侗族自治州地方電力總公司) hold the remaining 20% and 5%, respectively.

Qian Dong Power's loss based on the unaudited management accounts prepared under accounting principles generally accepted in Hong Kong for each of the years ended 31 December 2007 and 31 December 2008 are as follows:

	Financial year ended 31 December 2007 *(RMB million)*	**Financial year ended 31 December 2008** *(RMB million)*
Loss before taxation	35	141
Loss after taxation	35	131

The net asset value based on the unaudited management accounts prepared under accounting principles generally accepted in Hong Kong attributable to Wu Ling Power's equity interest in Qian Dong Power as at 31 December 2008 based on the above accounts was approximately RMB1.95 million.

The Qian Dong Debt and the Wu Ling Entrusted Loan Agreements

As at the date of this circular, there is an outstanding indebtedness amounting to a total of RMB4.3 billion owed by Qian Dong Power to Wu Ling Power and its relevant subsidiary ("Qian Dong Debt") in connection with the construction of the Qian Dong Power Plant. It is a condition precedent to the completion of the Acquisition that a portion of the Qian Dong Debt amounting to RMB2.8 billion be repaid by Qian Dong Power to Wu Ling Power and its relevant subsidiary. The remaining portion of the loan is required to be repaid to Wu Ling Power in accordance with the terms of the entrusted loan agreements to be entered into among Wu Ling Power, Qian Dong Power and certain independent financial institutions ("Wu Ling Entrusted Loan Agreements"). The entering into of the Wu Ling Entrusted Loan Agreements is also a condition precedent to the completion of the Acquisition.

Upon completion of the Acquisition and the Qian Dong Disposal, Qian Dong Power will become an associate of CPI Holding, an indirect shareholder of the Company, thus a connected person of the Company under the Listing Rules. As such, any outstanding Qian Dong Debt pursuant to the Wu Ling Entrusted Loan Agreements may constitute a continuing connected transaction. Pursuant to Listing Rule 14A.41, the Company sets out the principal provisions of the Wu Ling Entrusted Loan Agreements in the following:

Total loan amount: RMB1.5 billion

Interest rate: 5.4% per annum (being the PBOC Rate as at 8 June 2009)

Repayment: 3 years

CPI Holding will indemnify the Company for any losses and damages caused by or related to Qian Dong Power (including the failure of Qian Dong Power to fulfil its obligations under the Wu Ling Entrusted Loan Agreements).

The Directors (including the independent non-executive Directors) are of the view that the Wu Ling Entrusted Loan Agreements are on normal commercial terms and the terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Leasing agreement

In addition, Qian Dong Power has been using, and since beginning of 2009, leasing a switching station and transmission lines owned by Wu Ling Power for the transmission of electricity generated by Qian Dong Power Plant to the Hunan power grid. Such arrangements, which have been formalised in a lease agreement between Wu Ling Power and Qian Dong Power, may constitute a continuing connected transaction after the completion of the Acquisition and the Qian Dong Disposal. Pursuant to Listing Rule 14A.41, the Company sets out the details of the lease agreement in the following:

Date: 8 June 2009

Annual consideration: RMB54,110,000 (the consideration shall be payable annually, on normal commercial terms and not more favourable than that given to any independent third party)

Term: 3 years

The Directors (including the independent non-executive Directors) are of the view that the lease agreement has been entered into on normal commercial terms and the terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Landscaping project

Further, in April 2009, Qian Dong Power has entered into a landscaping project contract with Changde Liyuan Landscaping Company Limited* (常德力源園林綠化有限公司), an indirect subsidiary of Wu Ling Power. While this contract is currently expected to expire before the completion of the Acquisition, the consideration is not payable until after the completion of the Acquisition and the Qian Dong Disposal. Pursuant to Listing Rule 14A.41, the Company sets out the details of the landscaping project contract in the following:

Date: April 2009

Expiry: 30 June 2009

Consideration: RMB6,830,000

The Directors (including the independent non-executive Directors) are of the view that the landscaping project contract has been entered into on normal commercial terms and the terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

As the completion of the Qian Dong Share Transfer Agreement is subject to the fulfilment of the conditions set out in the Qian Dong Share Transfer Agreement, the Qian Dong Disposal may or may not proceed. If the Qian Dong Disposal does not proceed, the Acquisition will also not proceed. **Investors should exercise caution when dealing in the Shares.**

5. **Non-competition with Qian Dong Power**

Following the completion of the Qian Dong Disposal, CPI Holding will hold 75% of the equity interest in Qian Dong Power. Qian Dong Power has been in the past, and will after the Qian Dong Disposal, remain a member of the Parent Group. There is no material competition between Wu Ling Power and Qian Dong Power Plant because the PRC government has mandated that all hydropower generated is required to be purchased by the relevant grid companies and accordingly, compared with coal-fired power, hydropower has a higher ranking in the merit order despatch. In addition, the coal-fired power plants of the Group supply power to grid companies different from that of Qian Dong Power Plant.

Pursuant to the reorganisation agreement entered into between the Company, CPI Group and CPI Holding on 27 August 2004, in the event CPI Group or CPI Holding wishes to dispose of power plants, power assets or power projects that they may from time to time own in the PRC (which includes Qian Dong Power), the Company has been granted the right of first refusal to acquire such power plants, power assets or power projects on terms comparable to those offered by a third party or negotiated at arm's length. Further, under the Acquisition Agreement, CPI Holding has granted the Company an option exercisable at any time to purchase, upon obtaining the relevant government approvals, Qian Dong Power at a consideration to be agreed by the parties.

6. **Financial effects of the Acquisition on the Group**

Upon the completion of the Acquisition, the Company will own 63% of the equity interest in Wu Ling Power (excluding Qian Dong Power) and the net assets and the results of Wu Ling Group (excluding Qian Dong Power) will be consolidated in the accounts of the Group.

Net assets

As at 31 December 2008, the consolidated net assets of the Group attributable to the Shareholders was approximately RMB8,073,354,000. As set out in the section headed "Unaudited Pro Forma Financial Information of the Enlarged Group" in Appendix III of this circular, assuming the Acquisition was completed on 31 December 2008, the unaudited pro forma net assets of the Enlarged Group attributable to the Shareholders as at 31 December 2008 would be increased by approximately RMB3,125,561,000 to approximately RMB11,198,915,000.

Earnings

For the year ended 31 December 2008, the Group recorded consolidated net loss attributable to the Shareholders of approximately RMB683,686,000. As set out in the section headed "Unaudited Pro Forma Financial Information of the Enlarged Group" in Appendix III of this circular, assuming the Acquisition was completed on 1 January 2008, the unaudited pro forma net loss of the Enlarged Group attributable to Shareholders for the year ended 31 December 2008 would be approximately RMB463,090,000.

Liquidity

The Group had consolidated net current liabilities of approximately RMB330,024,000 as at 31 December 2008. As set out in the section headed "Unaudited Pro Forma Financial Information of the Enlarged Group" in Appendix III of this circular, assuming the Acquisition was completed on 31 December 2008, the unaudited pro forma net current liabilities of the Enlarged Group as at 31 December 2008 would be approximately RMB1,316,470,000.

Working capital

The Board is of the opinion that after taking into account the financial resources available to the Enlarged Group, including the internally generated funds and available borrowing facilities, the Enlarged Group has sufficient working capital for its present requirements and for at least the next twelve months from the date of this circular.

Indebtedness

(1) *Borrowings*

As at the close of business on 30 April 2009, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had the following outstanding borrowings:

	RMB million
Secured	
Bank borrowings	5,924
Unsecured	
Bank borrowings	26,063
Other borrowings	13
Loan payable to CPIF	900
Loan from the ultimate holding company	1,474
Loan from an equity holder	685
Corporate bonds	1,000
Obligations under finance lease	210
	36,269

(2) *Security*

As at the close of business on 30 April 2009, being the latest practicable date for the purpose of this indebtedness statement, certain of the Enlarged Group's bank borrowings were secured by certain plant and equipment, rights on receivables for certain of the Enlarged Group's sales of electricity, and corporate guarantees provided by Hunan Provincial Power Company, an independent third party. The corporate bonds are guaranteed by CPI Group (which will constitute a fully exempted connected transaction after the Acquisition).

Saved as aforesaid and apart from intra-group liabilities, the Enlarged Group did not, at the close of business on 30 April 2009, have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits or any guarantees or other material contingent liabilities.

D. INFORMATION ON THE COMPANY, CPI HOLDING AND CPI GROUP

The Company's principal activities are the development, construction, operation and management of power plants.

CPI Holding is a Hong Kong incorporated company focusing on power-related assets investment and development in China and abroad. CPI Group is one of the five national power generation groups in China, and operates coal-fired power, hydropower and nuclear power plants in the PRC. The Company had an attributable installed capacity of approximately 9,037MW as at 31 December 2008. The Company is the flagship company and the only subsidiary of CPI Group listed outside the PRC.

E. EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY AS A RESULT OF THE ISSUE OF CONSIDERATION SHARES

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and the possible shareholding structure immediately after the allotment and issue of Consideration Shares (before any adjustment of the consideration). As mentioned in the sub-section headed "Consideration Shares" above, the Public Float Adjustment mechanism will enable the Company to continue to comply with the public float requirement under Listing Rule 8.08.

	As at the Latest Practicable Date		**Upon allotment and issue of the Consideration Shares on the assumption as set out in Note 1**	
	Number of Shares	*%*	*Number of Shares*	*%*
CPDL	1,996,500,000	55.37	1,996,500,000	39.36
CPI Holding (Note 2)	2,021,084,000	56.05	3,487,813,324	68.76
CPI Group (Note 3)	2,021,084,000	56.05	3,487,813,324	68.76
Public	1,584,526,850	43.95	1,584,526,850	31.24
Total	3,605,610,850	100.00	5,072,340,174	100.00

Notes:

1. Assuming none of the share options is exercised on or before the date of allotment and issue of the Consideration Shares. As at the Latest Practicable Date, the Company has 51,117,600 outstanding share options.

2. As at the date of this circular, CPI Holding is the beneficial owner of 24,584,000 Shares. Further, CPI Holding is the beneficial owner of CPDL and therefore CPI Holding is deemed to be interested in the Shares owned by CPDL for the purposes of the SFO.

3. 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.

F. VALUATION OF THE PROPERTY INTERESTS

To comply with the Listing Rules, the Company has engaged JLLS to value the property interests of the Enlarged Group. Details of the valuation report are set out in Appendix V to this circular. The reconciliation of the net book value and the valuation of the property interests of the Enlarged Group as required under Rule 5.07 of the Listing Rules is set out below:

Enlarged Group

	RMB *(million)*
Net book value of property interests as at 31 December 2008	14,692
Movement for the period from 31 December 2008 to 31 March 2009	
— Additions	1
— Disposal	(53)
— Depreciation	(104)
Net book value as at 31 March 2009 (unaudited)	14,536
Valuation as at 31 March 2009	15,088
Net valuation surplus	552

Note: The valuation as at 31 March 2009 includes the commercial values and reference values of the property interests attributable to the Enlarged Group.

III. LISTING RULES IMPLICATIONS

As certain of the percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Furthermore, as CPI Holding is an indirect controlling shareholder of the Company interested in approximately 56.05% of its share capital, the Acquisition also constitutes a connected transaction of the Company pursuant to Listing Rule 14A.17. Thus, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules. Accordingly, the Acquisition is subject to the approval of the Independent Shareholders at the EGM.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, apart from CPDL and its Associates, no other shareholder of the Company will be required to abstain from voting on the resolution for approving the Acquisition at the EGM.

BOCI is the financial adviser to the Company.

An Independent Board Committee (comprising all the independent non-executive Directors of the Company) has been established to advise the Independent Shareholders in respect of the terms of the Acquisition. DBS has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IV. GRANT OF SPECIAL MANDATE

The Directors will seek the approval of the Independent Shareholders for the grant of the Special Mandate to authorise the Directors to allot and issue the Consideration Shares at the EGM.

V. EGM

An EGM will be held on 22 July 2009 at 11:00 a.m. at the Lounge, Grand Hyatt Hong Kong, 1 Harbour Road, Hong Kong, during which an ordinary resolution will be proposed to the shareholders of the Company to approve (i) the Acquisition Agreement and the transaction contemplated thereunder and (ii) the Special Mandate. CPDL and its Associates, being connected persons in respect of the Acquisition, will abstain from voting on the ordinary resolution to approve (i) the Acquisition Agreement and the transaction contemplated thereunder and (ii) the Special Mandate. Any vote of the Independent Shareholders at the EGM will be taken by poll.

VI. GENERAL

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange.

As completion of the Acquisition is subject to the fulfilment of the conditions set out in the Acquisition Agreement, the Acquisition may or may not proceed. Investors should exercise caution when dealing in the Shares. When in doubt, investors are recommended to consult their professional adviser(s).

VII. RECOMMENDATION

The Directors consider that (i) the Acquisition Agreement and the transactions contemplated thereunder and (ii) the Special Mandate are in the interests of the Company and its Shareholders as a whole, and the terms and transactions contemplated in each of which are fair and reasonable so far as Shareholders are concerned. Accordingly, the Directors recommend the shareholders of the Company to vote in favour of the resolution to be proposed at the EGM to approve the Acquisition, the transactions contemplated thereunder and the Special Mandate.

By Order of the Board
China Power International Development Limited
LI Xiaolin
Chairman

* *English translation is for identification only.*

In considering whether or not to vote in favour of the resolution at the EGM, Shareholders should consider all of the information contained in this circular, including the following risk factors. Any of the risks described below could cause the financial performance of the Group and Wu Ling Group to differ significantly from the goals, plans, objectives, intentions and expectations expressed in this circular. If any of the following risk factors and uncertainties actually occurs, the business, financial condition or operating results of the Group and Wu Ling Group could be materially and adversely affected.

RISKS RELATING TO WU LING GROUP

Upon completion of the Acquisition, the Company will not have absolute control of Wu Ling Group

Upon completion of the Acquisition, although the Company will have control over the management of Wu Ling Power and its subsidiaries, certain important corporate actions for members of Wu Ling Group require supermajority or unanimous board or shareholder approval. Such corporate actions include, among other things, amending the articles of association, terminating or winding up the company, increasing the registered share capital, transferring equity interests or merger, division or reorganisation of the company. The other shareholders' economic or business interests or goals may or may not be consistent with those of the Company. They may be unable or unwilling to fulfil their obligations under the relevant shareholders' agreements. Any such event may have a material adverse effect on the Company.

Wu Ling Group may not be able to obtain funds for future development

Wu Ling Group will require substantial capital to fund its future growth, including construction of power plants. In order to finance such investment, Wu Ling Group may need to seek additional funding, including through equity financing or by way of bank borrowings or other debt financing. Although Wu Ling Group has historically been able to obtain financing on terms acceptable to Wu Ling Group, there is no assurance that such additional financing will be available on terms acceptable to Wu Ling Group or at all, which could increase the financing costs of Wu Ling Group and cause delay in the construction of power plants.

Reductions in despatched output may adversely affect the revenue and profit of Wu Ling Group

The output that each of power plants of Wu Ling Group generates is subject to the local demand for power and the amount of power to be despatched to the grids. The amount of power to be despatched is set and controlled by the relevant government authorities. Reductions in the amount of power that Wu Ling Group may despatch to levels below its projections would adversely affect the revenue and profit of Wu Ling Group.

The construction of power plants is subject to risks which could give rise to delays or cost overruns

The construction of a power plant, including its ancillary facilities, such as transmission lines or substations, may be adversely affected by many factors commonly associated with the construction of infrastructure projects that are beyond the control of Wu Ling Group, including but not limited to:

- shortages of equipment, materials or labour;
- work stoppages and labour disputes;
- weather conditions;
- natural disasters;
- accidents;
- unforeseen engineering, design, environmental or geological problems;
- delays in receiving requisite approvals, licences or permits; and
- unanticipated cost increases,

any of which could give rise to delays or cost overruns. Wu Ling Group currently has three power plants under construction. Construction delays of any of the power plants can result in loss or delayed receipt of revenues, increase in financing costs, or failure to meet profit and earnings projections. Additionally, the failure to complete construction according to specifications can result in reduced plant efficiency, higher operating costs and reduced or delayed earnings.

Wu Ling Group may face challenges in attracting and retaining senior management talent and key technical experts

Wu Ling Group relies on experienced and talented senior managers and highly skilled technical personnel to operate its business. Although Wu Ling Group has not experienced significant difficulties in hiring and retaining experienced senior managers and skilled technical personnel in the past, the Company expects that Wu Ling Group will face increased competition for such employees from other hydropower companies, driven in part by the growth in the hydropower industry.

If Wu Ling Group is unable to attract and retain a sufficient number of such experienced senior managers and skilled employees, its operations may be adversely affected, which could have a material adverse effect on Wu Ling Group and its financial condition and results of operations.

Limited insurance coverage may result in Wu Ling Group being required to cover potential liability claims against it

Operating power plants involves many risks and hazards which may adversely affect profitability, including but not limited to breakdown, failure or substandard performance of equipment, natural disasters and industrial accidents.

Wu Ling Group maintains insurance coverage that is typical in the hydropower industry in China. Although Wu Ling Group believes its insurance coverage is reasonable in light of its operational risk, there may be liabilities that its insurance coverage does not protect against. A successful claim made against Wu Ling Group that is not covered by its insurance policies or is in excess of the insurance coverage provided by such policies could require Wu Ling Group to cover such claim out of its own assets, which could in turn have a material adverse effect on the business of Wu Ling Group.

Holding company risks

Wu Ling Group was established in the PRC. Profits available for distribution to the Company will be based on the profits of Wu Ling Group determined pursuant to the generally accepted accounting principles in the PRC. In addition, pursuant to PRC laws and regulations on finance, profits available for distribution shall be determined after allocation to statutory reserve funds. The ability of Wu Ling Group to make distribution to the Company will be subject to, amongst other things, the profits recorded in accordance with PRC generally accepted accounting principles, cash flow conditions and expected future capital requirement of Wu Ling Group.

If the directors of Wu Ling Power decide to retain profits to fund Wu Ling Power's future development, the amount of profits available for distribution will be reduced. There is no guarantee that dividends will be declared by the directors of Wu Ling Power.

Wu Ling Group is in the process of applying for relevant title certificates and construction permits

As of 31 March 2009, Wu Ling Group has not obtained the land use rights certificates for four parcels of land with a total site area of approximately 248,577.77 sq.m., representing approximately 2.34% of the aggregate site area owned and occupied by Wu Ling Group as of that date. The relevant land use rights of four parcels of land have been contracted to be granted to Wu Ling Group and the land premium was fully paid, on which 62 buildings with a total gross floor area of 51,135.08 sq.m. which have obtained the building ownership certificates are erected. Wu Ling Group did not have valid and enforceable building ownership certificates for two buildings with a total gross floor area of approximately 205 sq.m. of which the relevant land use rights certificate have been obtained by Wu Ling Group.

Currently, Wu Ling Group has three power plants under construction, namely Hei Mi Feng Power Plant, Tuo Kou Power Plant and Bai Shi Power Plant. Such power plants have obtained the approval issued by the National Development and Reform Commission of the PRC and are in the process of applying for construction permits for the three properties occupied by them. In addition, Wu Ling Group is currently applying for new land use right certificates and/or building certificates for 12 parcels of land with a total site area of approximately 89,004.11 sq.m. and seven buildings with a total gross floor area of 4,863.54 sq.m. due to the change of names of some members of Wu Ling Group.

Wu Ling Group is in the process of applying for the relevant title certificates. The Directors have taken into consideration the above information in their assessment of the fairness and reasonableness of the Acquisition.

Foreign exchange risks

Wu Ling Group's revenues and expenses are mainly denominated in RMB. While foreign exchange risk arising from the normal course of operations is considered to be immaterial, Wu Ling Group is exposed to foreign exchange risk related to its debt because some of its loans are denominated in US Dollar or Japanese yen. Depreciation in the value of the RMB versus the US Dollar or Japanese yen could have an adverse effect on the financial condition of Wu Ling Group.

Wu Ling Power has entered into a US Dollar-Japanese yen currency swap agreement with a PRC bank for a total notional principal amount of JPY3.77 billion deliverable in half-yearly instalments up to 20 Oct 2022 with a view to hedge its exposure to Japanese yen repayment obligations under a Japanese yen loan agreement. Under the terms of the currency swap agreement, if on each payment date the relevant US Dollar-Japanese yen spot rate is within an agreed range, Wu Ling Power will receive from the bank the relevant principal instalments in Japanese yen against delivery of US Dollar at a fixed rate which is at the top end of the range and the bank should pay Wu Ling Power an amount in Japanese yen equivalent to the interest due for payment under the loan agreement. If on a payment date the spot rate is lower than the bottom of such range, Wu Ling Power will receive from the bank the relevant principal instalment which is due for repayment in Japanese yen against delivery of US Dollar at the relevant spot rate and the bank should again pay Wu Ling Power an amount in Japanese yen equivalent to the interest due for payment under the loan agreement, but Wu Ling Power is required to pay the bank in Japanese yen based on an agreed formula up to an amount equivalent to the then outstanding principal amount under the loan agreement. Although the currency swap agreement partially limits Wu Ling Group's exposure to foreign exchange risks and Wu Ling Power is currently benefiting from the currency swap agreement due to favourable current exchange rate, if in future the relevant spot rate is lower than the bottom of such range, Wu Ling Group's financial condition may be adversely affected.

RISKS RELATING TO THE HYDROPOWER INDUSTRY

Long construction period for hydropower projects

Compared with coal-fired power plant projects, hydropower projects generally has a longer construction period, larger investment cost and slower return on investment. Longer construction period increases the risk of hydro-ecological and geological change which lead to increase in construction costs, increase in migration cost and increase in the cost of materials. Such risks may adversely affect the revenue and profit of hydropower companies.

Hydropower companies are particularly affected by natural factors

The level of power generation and financial performance of hydropower companies are particularly affected by natural factors such as season and climate change and any natural disasters such as floods, earthquakes and landslides. These natural disasters may significantly increase the costs or delay or prevent the construction of hydropower plants.

Macro economic climate and reform in China's electricity sector will create uncertainties to the development of the hydropower industry in China

Affected by the sub-prime mortgage crisis in the United States in 2008, China's economy has slowed down and the rate of growth in demand for electricity has as a result declined. This may continue to have an adverse effect on the hydropower industry.

There will be continuous reform in China's electricity sector. The implementation of the Separation of Power Plants and Power Grid* (廠網分開) policy will increase competition in the power generation market. The implementation of the On-grid Price Competition* (競價上網) will gradually phase out the system in which the on-grid tariff is determined by the PRC government. These policies will create uncertainties to the tariff for power generation.

RISKS RELATING TO THE PRC

Interpretation and implementation of PRC laws and regulations involves uncertainties

The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the PRC government has been developing a comprehensive system of laws and has introduced many new laws and regulations to provide general guidance on economic and business practices in the PRC and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. The promulgation of new changes to existing laws and regulations could have a negative impact on the business and prospects of Wu Ling Group and its operations. In addition, as these laws, regulations and legal requirements are relatively recent, there are a number of laws or regulations that are incomplete or do not fully regulate the industry, or certain laws or regulations are unclear or not always uniform. Their interpretation and enforcement may involve uncertainties. These may have a material adverse effect on Wu Ling Group' ability to operate its business and its corporate structure, which may in turn have an adverse effect on the investments, business, financial condition and results of operations and prospects of the Company.

Substantially all of Wu Ling Group's turnover is denominated in RMB, which may be subject to exchange rate volatility

Substantially all of Wu Ling Group's turnover is denominated in RMB. The exchange rates between the RMB and the HK Dollar, the US Dollar and other foreign currencies is affected by, among other things, changes in the PRC's political and economic conditions. On 21 July 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the US Dollar. Under the new policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in the value of the RMB appreciating against the US Dollar by approximately 21.2% between 21 July 2005 and 21 July 2008.

There remains international pressure on the PRC government to adopt a more flexible currency policy, which could result in a further and more significant appreciation of the RMB against the US Dollar, the HK Dollar or other foreign currency. As the Company will rely on dividends paid to it by its operating subsidiaries, including Wu Ling Group after the completion of the Acquisition, any significant revaluation of the RMB may have a material adverse effect on the value of dividends payable in a foreign currency term. Results of operations and the financial condition of the Group, including Wu Ling Group after the completion of the Acquisition, may also be affected by changes in the value of certain currencies other than RMB in which the Group's obligations are denominated. In particular, a devaluation of the RMB is likely to increase the portion of the Group and Wu Ling Group's cash flow required to satisfy its foreign currency-denominated obligations.

Adverse changes in the PRC's economic, political, social conditions and government policies could have a material effect on the overall economic growth of the PRC, which could adversely affect the results of operations and financial condition of the Group, including Wu Ling Group after the completion of the Acquisition

The economy of the PRC differs from the economies of most developed countries in many respects including structure, level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

The PRC economy has been transitioning from a planned economy into a more market oriented economy. For the past two decades, the PRC government has implemented economic reform measures emphasising utilisation of market forces in the development of the PRC economy. Although the Company believes that these reforms will have a positive effect on the Group and Wu Ling Group's overall and long-term development, it cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any material adverse effect on the Enlarged Group's current or future business, results of operations or financial condition.

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 Hong Kong Companies Ordinance)
(Stock Code: 2380)

Independent Board Committee
Mr. Kwong Che Keung, Gordon
Mr. Li Fang
Mr. Tsui Yiu Wa, Alec

29 June 2009

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED ACQUISITION OF 63% INTEREST IN WU LING POWER
VERY SUBSTANTIAL ACQUISITION
CONNECTED TRANSACTION
ISSUE OF SHARES UNDER SPECIAL MANDATE

We refer to the circular (the "Circular") dated 29 June 2009 issued by the Company to its shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

On 8 June 2009, the Board announced its proposed (i) acquisition of Wu Ling Power from CPI Holding and (ii) issue of Shares under Special Mandate.

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to make a recommendation to the Independent Shareholders as to whether, in its view, the terms of Acquisition are fair and reasonable and in the interest of the Company and its shareholders. DBS has been appointed as independent financial adviser to advise the Independent Board Committee and Independent Shareholders on the fairness and reasonableness of the terms of the Acquisition.

The terms and reasons for the Acquisition are summarised in the letter from the Board set out on pages 7 to 33 of the Circular.

We also draw your attention to the letter from DBS in the Circular containing the advice of DBS in respect of the Acquisition.

As your Independent Board Committee, we have discussed with the management of the Company the reasons for the Acquisition and the basis upon which their terms have been determined. We have also considered the key factors taken into account by DBS in arriving at its opinion regarding the terms of the Acquisition as set out in the letter from DBS on pages 42 to 69 of the Circular, which we urge you to read carefully.

The Independent Board Committee, after taking into account, among other things, the views of DBS, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, considers that the terms of the Acquisition are fair and reasonable and in the interest of the Company and its shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution set out in the Notice of the EGM at the end of the Circular.

Yours faithfully
Kwong Che Keung, Gordon
Li Fang
Tsui Yiu Wa, Alec
Independent Board Committee

The following is the full text of the letter of advice from DBS to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, for the purpose of incorporation in this circular.

DBS

29 June 2009

To the Independent Board Committee and the Independent Shareholders of
China Power International Development Limited

Dear Sir or Madam,

PROPOSED ACQUISITION OF 63% INTEREST IN WU LING POWER
VERY SUBSTANTIAL ACQUISITION
CONNECTED TRANSACTION
ISSUE OF SHARES UNDER SPECIAL MANDATE

INTRODUCTION

We refer to our engagement as the independent financial adviser ("**Independent Financial Adviser**") in relation to the Acquisition, details of which are set out in the letter from the Board contained in the circular of the Company dated 29 June 2009 (the "**Circular**"), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 8 June 2009, the Company announced that it has entered into the Acquisition Agreement with CPI Holding, a wholly-owned subsidiary of CPI Group, pursuant to which the Company conditionally agreed to acquire and CPI Holding conditionally agreed to sell 63% of the equity interest in Wu Ling Power (excluding its interest in Qian Dong Power**,** details of which are set out in the section headed "Qian Dong Disposal" in this letter).

The consideration for the acquisition of the Equity Interests is RMB4,465,087,500 (equivalent to approximately HK$5,045,548,875) (subject to adjustment). The consideration is to 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. The issue price of the Consideration Shares is HK$2.408 each, being the average of the closing share price as quoted on the Stock Exchange for the 5 trading days prior to (but excluding) the date of the Acquisition Agreement. The Company proposes to fund the cash portion of the consideration using a combination of internal cash, bank borrowings and/or other sources.

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Furthermore, as CPI Holding is an indirect controlling shareholder of the Company interested in approximately 56.05% of its share capital, the Acquisition also constitutes a connected transaction of the Company pursuant to Listing Rule 14A.17. Thus, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

Our scope of work as the Independent Financial Adviser is to assess the fairness and reasonableness of the terms of the Acquisition Agreement and whether the Acquisition is in the interests of the Company and the Shareholders as a whole, and to advise whether the Independent Shareholders should vote in favour of the Acquisition. It is not within our scope of work to comment on the commercial merits of the Acquisition which is the responsibility of the Directors.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on information, opinions and facts supplied and representations made to us by the Directors, advisers and representatives of the Company (including those contained or referred to in the Circular). We have also assumed that the information and representations contained or referred to in the Circular were true and accurate in all respects at the time they were made and continue to be so at the date of despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, advisers and representatives of the Company (including those contained or referred to in the Circular). We have also relied on certain information available to the public and have assumed such information to be accurate and reliable, and we have not independently verified the accuracy of such information. We have been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted an independent verification of the information, nor have we conducted any form of in-depth investigation into the businesses, affairs or prospects of the Company or any of its subsidiaries or associates.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion, we have taken into consideration the following principal factors and reasons:

1. **BACKGROUND AND RATIONALE**

i. ***Background of the Company, CPI Holding and CPI Group***

The Company's principal activities are the development, construction, operation and management of power plants. CPI Holding is a Hong Kong incorporated company focusing on power-related asset investment and development in China and abroad. CPI Group is one of the five national power generation groups in China, and operates coal-fired power, hydropower and nuclear power plants in China. The Company had an attributable installed capacity of approximately 9,037 MW as at 31 December 2008. The Company is the flagship company and only subsidiary of CPI Group listed outside Mainland China.

ii. ***Overview of the hydropower industry in China***

As stated in the letter from the Board contained in the Circular, according to the National Bureau of Statistics of China, China's power industry recorded a solid growth from 2002 to 2007 with electricity generation growing at a compound annual growth rate of 14.8%, outpacing China's GDP growth of 11.0% during the same period. However, with a slowing economy in 2008, China's GDP growth rate dropped to 9.0% in 2008 (from 13.0% in 2007). The electricity generation growth slowed to 5.6% in 2008 (from 14.4% in 2007), and electricity generation from coal-fired power plants recorded a mere 2.5% growth in 2008 (compared with 14.9% in 2007). According to the Statistics of National Power Industry* (全國電力工業統計快報), hydropower is China's most prevalent renewable energy source, contributing approximately 21.6% of China's total installed capacity and 16.4% of the total electricity generation in 2008. Contrary to the declining growth rate of China's electricity generation, hydropower generation has experienced a strong growth of 19.5% in 2008, up from 17.6% in 2007 and 5.1% in 2006. As at 31 December 2008, China's total installed hydropower capacity was 171.52GW. According to the Medium-to-Long Term Plan for the Renewable Energy Development* (可再生能源中長期發展規劃), China's hydropower installed capacity is planned to reach 190GW by 2010 and 300GW by 2020.

2. **THE ACQUISITION**

i. ***Assets to be acquired***

The Company has conditionally agreed to acquire from CPI Holding 63% of the equity interest in Wu Ling Power (excluding its interest in Qian Dong Power, details of which are set out in the section headed "Qian Dong Disposal" in this letter) as at the date of the Acquisition Agreement.

Wu Ling Power was incorporated in the PRC on 3 May 1995 and registered as a sino-foreign joint venture with limited liability on 11 April 2006. As at the date of the Circular, it has a registered capital of RMB3,476,160,000. Wu Ling Power currently has two shareholders, namely CPI Group, which as at the date of the Circular has cumulatively invested RMB2,189,980,000 for an equity interest of 63% in Wu Ling Power, and Hunan Xiangtou 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. Hunan Xiangtou International Investment Limited* (湖南湘投國際投資有限公司) is a sino-foreign joint venture company equally owned by Meiya Xiangtou Power Company Limited* (美亞湘投電力有限公司), an independent third party, and Hunan Xiangtou Holding (Group) Limited* (湖南湘投控股集團有限公司), an investment company wholly owned by the Hunan provincial government. On 11 May 2009, CPI Group entered into a conditional sale and purchase agreement with CPI Holding to transfer its equity holding of 63% in Wu Ling Power to CPI Holding, for a total consideration of RMB4,465,087,500 (equivalent to approximately HK$5,045,548,875), which is subject to adjustment on completion.

Wu Ling Group is 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 (excluding Qian Dong Power Plant which is to be disposed of under the Qian Dong Share Transfer Agreement. Further details of the disposal are set out in the section headed "Qian Dong Disposal" in this letter) with an attributable installed capacity of approximately 3,564MW. In addition, Wu Ling Group also had 3 power plants under construction.

Details of each of the 11 power plants in operation and 3 power plants under construction as at 31 December 2008 are summarised in the following table:

	Power plant	Fuel type	Generation units (MW)	Gross installed capacity (MW)	Wu Ling Power's share-holding (%)	Attributable installed capacity to Wu Ling Power (MW)	Commencement of operation date	Location
Power plants in operation	Wu Qiang Xi Power Plant	Hydro	5×240	1,200	100%	1,200	1994-1996	Hunan
	Ling Jin Tan Power Plant	Hydro	9×30	270	100%	270	1998-2000	Hunan
	Hong Jiang Power Plant	Hydro	6×45	270	95%	257	2003-2005	Hunan
	Wan Mi Po Power Plant	Hydro	3×80	240	100%	240	2004	Hunan
	Jin Wei Zhou Power Plant	Hydro	3×21	63	100%	63	2000-2002	Hunan
	San Ban Xi Power Plant	Hydro	4×250	1,000	95%	950	2006	Guizhou
	Gua Zhi Power Plant	Hydro	3×50	150	95%	142	2007	Guizhou
	Dong Ping Power Plant	Hydro	4×18	72	100%	72	2007	Hunan
	Ma Ji Tang Power Plant	Hydro	3×18.5	56	100%	56	1983	Hunan
	Zhu Xi Kou Power Plant	Hydro	4×18.5	74	100%	74	2008	Hunan
	Li Yu Jiang Power Plant	Coal	2×300	600	40%	240	2003	Hunan
	Sub-total			**3,995**		**3,564**		
Power plants under construction	Bai Shi Power Plant	Hydro	3×140	420	95%	399	2011 (Expected)	Guizhou
	Hei Mi Feng Power Plant	Hydro (Pumped storage)	4×300	1,200	100%	1,200	2009-2010 (Expected)	Hunan
	Tuo Kou Power Plant	Hydro	4×200 + 2×15	830	95%	789	2012 (Expected)	Hunan
	Sub-total			**2,450**		**2,388**		
	Total			**6,445**		**5,952**		

Further details of Wu Ling Group's power plants are set out in the sub-section headed "Further details of Wu Ling Group's power plants" in the letter from the Board contained in the Circular.

Wu Ling Power is one of China's leading hydropower companies and the second largest power company in Hunan. For the years 2006 to 2008, Wu Ling Group's (excluding Qian Dong Power Plant) hydropower generation amounted to 7,409,000MWh, 10,903,000MWh and 10,730,000MWh, respectively, representing approximately 44.3%, 52.2% and 49.8% respectively of Hunan's total centrally despatched hydropower generation. For the same years, Wu Ling Group's (excluding Qian Dong Power Plant) gross installed capacity amounted to 3,099MW, 3,321MW and 3,995MW, respectively, representing approximately 50.1%, 50.9% and 44.3% respectively of Hunan's total centrally despatched installed capacity in hydropower.

The following table sets out certain operating data of Wu Ling Group (excluding Qian Dong Power Plant) for the three years ended 31 December 2008:

	2006	**2007**	**2008**
Gross power generation (MWh)	7,409,000	10,903,000	10,730,000
Net power generation (MWh)	7,320,000	10,780,000	10,594,000
Average utilisation hours	2,391	3,284	3,169
Average on-grid tariff (VAT inclusive) (RMB/kWh)	0.281	0.281	0.298

Based on the audited accounts of Wu Ling Group, which were prepared based on accounting principles generally accepted in Hong Kong, its consolidated profits for each of the years ended 31 December 2007 and 31 December 2008 are as follow:

	Financial year ended 31 December 2007 *(RMB million)*	**Financial year ended 31 December 2008** *(RMB million)*
Consolidated profit before taxation and minority interests	819	407
Consolidated profit after taxation attributable to equity holders of Wu Ling Group	422	245

The consolidated net asset value based on accounting principles generally accepted in Hong Kong attributable to 63% of equity interest in Wu Ling Group as at 31 December 2008 based on the above audited financial statements was approximately RMB3,674 million.

ii. ***Basis of consideration for the Acquisition***

As stated in the letter from the Board contained in the Circular, the consideration was arrived at after arm's length negotiations between the Company and CPI Holding under the Acquisition Agreement. It was based on various relevant factors including the market environment, operating conditions, profitability of Wu Ling Power and an asset valuation carried out by an independent valuation firm. The consideration of RMB4,465,087,500 (equivalent to approximately

HK$5,045,548,875) (subject to adjustment) is to 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. The number of Consideration Shares will in any event not exceed such number as will result in the Company not meeting the public float requirement under Listing Rule 8.08, such that the amount of cash payment may in such an event be correspondingly increased. The Company proposes to fund the cash portion of the consideration using a combination of internal cash, bank borrowings and/or other sources.

The consideration of RMB4,465,087,500 may be adjusted with reference to the change in net asset value of Wu Ling Power attributable to the Equity Interests between 1 July 2008 and completion of the Acquisition. An audit report will be produced by an accounting firm to be agreed between the parties within 30 business days of the completion of the Acquisition (being the transfer of Equity Interests but excluding the payment of the consideration). Within 10 business days of the production of the audit report, the Company will satisfy 70% of the adjusted consideration (subject to the Public Float Adjustment) by the issue of Consideration Shares. The remaining 30% of the adjusted consideration (subject to the Public Float Adjustment) will be satisfied in cash within one year after the satisfaction of the following conditions precedent of the Acquisition Agreement: (i) the obtaining of all necessary approvals for the Acquisition from all relevant governmental and regulatory authorities (other than those administrative procedures which can only be carried out at or after completion of the Acquisition) and (ii) the passing of an ordinary resolution by the Independent Shareholders approving the Acquisition Agreement and the transactions contemplated thereunder (whichever is the later). Based on the information currently available to the Company, the Company does not expect the adjustment to be substantial.

iii. ***Qian Dong Disposal***

On 8 June 2009, Wu Ling Power entered into the Qian Dong Share Transfer Agreement with CPI Holding, pursuant to which Wu Ling Power conditionally agreed to sell, and CPI Holding conditionally agreed to purchase, 75% of the equity interest in Qian Dong Power, a subsidiary of Wu Ling Power. The completion of the Acquisition is conditional on the completion (including the transfer of shares but excluding the payment of consideration) of the Qian Dong Disposal.

Qian Dong Power Plant is located in Zhen Yuan County of Guizhou, and supplies electricity to the Hunan provincial power grid via the Electricity West-to-East Program* (西電東送項目). The gross installed capacity of Qian Dong Power Plant is 1,200MW. Qian Dong Power is currently applying for government approvals. As the quality of the power plant, including but not limited to its profitability, does not meet the Company's standard for acquisition and due to the potential uncertainties with respect to the grant of government approval, the power plant will be disposed of pursuant to the Qian Dong Share Transfer Agreement. Wu Ling Power currently holds 75% equity interest in Qian Dong Power Plant, while Guizhou Shuicheng Coal Mining (Group) Co., Ltd.* (貴州水城礦業(集團)有限責任公司) and Southeast Guizhou Province Miao-Dong Autonomous Prefecture Power Corporation* (黔東南苗族侗族自治州地方電力總公司) hold the remaining 20% and 5%, respectively.

Qian Dong Power's loss based on the unaudited management accounts prepared under accounting principles generally accepted in Hong Kong for each of the years ended 31 December 2007 and 31 December 2008 are as follow:

	Financial year ended 31 December 2007 *(RMB million)*	**Financial year ended 31 December 2008** *(RMB million)*
Loss before taxation	35	141
Loss after taxation	35	131

The net asset value based on the unaudited management accounts prepared under accounting principles generally accepted in Hong Kong attributable to Wu Ling Power's equity interest in Qian Dong Power as at 31 December 2008 based on the above accounts was approximately RMB1.95 million.

iv. ***Non-competition with Qian Dong Power***

As stated in the letter from the Board contained in the Circular, following the completion of the Qian Dong Disposal, CPI Holding will hold 75% of the equity interest in Qian Dong Power. Qian Dong Power has been in the past, and will after the Qian Dong Disposal, remain a member of the Parent Group. There is no material competition between Wu Ling Power and Qian Dong Power Plant because the PRC government has mandated that all hydropower generated is required to be purchased by the relevant grid companies and accordingly, compared with coal-fired power, hydropower has a higher ranking in the merit order despatch. In addition, the coal-fired power plants of the Group supply power to grid companies different from that of Qian Dong Power Plant. Pursuant to the reorganisation agreement entered into between the Company, CPI Group and CPI Holding on 27 August 2004, in the event CPI Group or CPI Holding wishes to dispose of power plants, power assets or power projects that they may from time to time own in the PRC (which includes Qian Dong Power), the Company has been granted the right of first refusal to acquire such power plants, power assets or power projects on terms comparable to those offered by a third party or negotiated at arm's length. Further, under the Acquisition Agreement, CPI Holding has granted the Company an option exercisable at any time to purchase, upon obtaining the relevant government approvals, Qian Dong Power at a consideration to be agreed by the parties.

v. ***Basis of consideration for Qian Dong Disposal***

As stated in the letter from the Board contained in the Circular, the consideration for the Qian Dong Disposal is RMB144,055,050 (equivalent to approximately HK$162,782,207). The consideration was arrived at after arm's length negotiations between Wu Ling Power and CPI Holding with reference to an asset valuation carried out by an independent valuation firm and various factors including the market condition and the profitability of Qian Dong Power. An audit report will be produced by an accounting firm to be agreed between the parties within 30 business days of the completion of the Qian Dong Share Transfer Agreement. The consideration will be adjusted with reference to the change in the net asset value of the 75% equity interest in Qian Dong Power between 1 July 2008 and the completion of the Qian Dong Share Transfer Agreement (in the event that the audited net asset value of Qian Dong Power is zero or negative, the consideration for the Qian Dong Disposal will be nil). CPI Holding has agreed to pay the consideration (if any) within 20 business days after the production of the audit report.

vi. ***The Qian Dong Debt and Wu Ling Entrusted Loan Agreement***

As stated in the letter from the Board contained in the Circular, as at the date of the Circular, there is an outstanding indebtedness amounting to a total of RMB4.3 billion owed by Qian Dong Power to Wu Ling Power and its relevant subsidiary in connection with the construction of the Qian Dong Power Plant. It is a condition precedent to the completion of the Acquisition that a portion of the Qian Dong Debt amounting to RMB2.8 billion be repaid by Qian Dong Power to Wu Ling Power and its relevant subsidiary. The remaining portion of the loan is required to be repaid to Wu Ling Power in accordance with the terms of the entrusted loan agreements to be entered into among Wu Ling Power, Qian Dong Power and certain independent financial institutions. The entering into of the Wu Ling Entrusted Loan Agreements is also a condition precedent to the completion of the Acquisition.

The principal provisions of the Wu Ling Entrusted Loan Agreements are as follow:

Total loan amount: RMB1.5 billion

Interest rate: 5.4% per annum (being the PBOC Rate as at 8 June 2009)

Repayment: 3 years

CPI Holding will indemnify the Company for any losses and damages caused by or related to Qian Dong Power (including the failure of Qian Dong Power to fulfil its obligations under the Wu Ling Entrusted Loan Agreements).

As stated in the letter from the Board contained in the Circular, the Directors are of the view that the Wu Ling Entrusted Loan Agreements are on normal commercial terms and the terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

vii. ***Conditions precedent and terms of the Acquisition Agreement***

As stated in the letter from the Board contained in the Circular, completion of the Acquisition is conditional upon satisfaction of certain conditions precedent on or before 31 December 2010 or a later date as agreed by the parties, including, *inter alia*, the passing of an ordinary resolution by the Independent Shareholders approving the Acquisition Agreement and the transactions contemplated thereunder, completion (including the transfer of shares but excluding the payment of consideration) of the Qian Dong Disposal, the repayment of the debt amounting to a total of RMB2.8 billion owed by Qian Dong Power to Wu Ling Power and its relevant subsidiary, and the entering into of the Wu

Ling Entrusted Loan Agreements. In particular, we would like to highlight that as the completion of the Qian Dong Share Transfer Agreement is subject to the fulfilment of the conditions set out in the Qian Dong Share Transfer Agreement, the Qian Dong Disposal may or may not proceed. If the Qian Dong Disposal does not proceed, the Acquisition will also not proceed.

Further details on the terms of the Acquisition Agreement, including other conditions precedent, board representation, completion, restrictions on transfer and pre-emption rights and termination are set out in the letter from the Board contained in the Circular.

viii. ***The issue of the Consideration Shares***

As stated in the letter from the Board contained in the Circular, the issue price of the Consideration Shares is HK$2.408 ("**Issue Price**"), being the average of the closing share price as quoted on the Stock Exchange for the 5 trading days prior to (but excluding) the date of the Acquisition Agreement. As at the date of the Circular, there are 3,605,610,850 Shares in issue. The total number of the Consideration Shares to be issued (before any adjustment of the consideration) is 1,466,729,324 Shares, representing approximately 40.68% of the existing issued share capital and 29% of the enlarged issued share capital of the Company. The Public Float Adjustment mechanism will enable the Company to continue to comply with the public float requirement under Listing Rule 8.08. The Consideration Shares, when issued, will rank *pari passu* in all respects with the issued Shares on the date of the issue of the Consideration Shares.

The Directors consider that the Acquisition Agreement and the transactions contemplated thereunder are in the interests of the Company and its Shareholders as a whole, and the terms and transactions contemplated in each of which are fair and reasonable so far as Shareholders are concerned.

3. REASONS FOR AND BENEFITS OF THE ACQUISITION

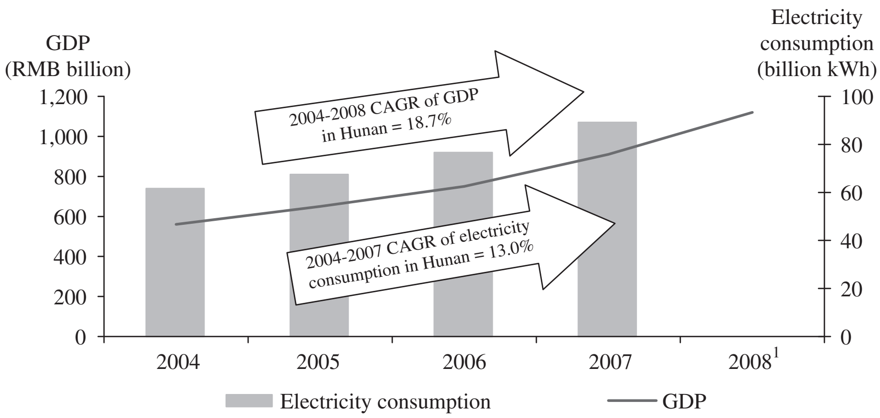
i. ***Reasons for and benefits of the Acquisition***

As stated in the letter from the Board contained in the Circular, the Acquisition represents a strategic opportunity for the Company to establish a leading presence in the attractive Hunan hydropower industry as well as China's rapidly growing renewable energy industry, significantly enlarge its operational capacity with expansion potential, achieve a more balanced and favourable fuel mix and leverage on Wu Ling Group's hydropower expertise.

(a) *Establish a leading presence in the attractive Hunan hydropower industry as well as China's rapidly growing renewable energy industry*

As stated in the letter from the Board contained in the Circular, Wu Ling Group's power assets are located in two adjacent provinces, Hunan and Guizhou. All of the hydropower assets in Guizhou supply their electricity generation to Hunan provincial power grid via the Electricity West-to-East Program* (西電東送項目). Hunan is rich in hydro resources and is identified as one of China's top hydropower generation bases as outlined in the 11th Five-Year Plan for the Renewable Energy Development* (可再生能源發展"十一五"規劃). Wu Ling Group, the largest independent hydropower producer in Hunan contributing over 40% of the province's total centrally despatched hydropower installed capacity as at 31 December 2008, plays a pivotal role in Hunan's hydropower market. The Acquisition will enable the Company to gain a firm foothold in the attractive Hunan hydropower market. The Chinese government is actively promoting renewable energy and especially hydropower generation. Under the Medium-to-Long Term Plan for the Renewable Energy Development* (可再生能源中長期發展規劃), the National Development and Reform Commission had set targets for renewable energy to account for 15% of total primary energy consumption in China by 2020 versus today's 7.4%. Hydropower is China's most prevalent renewable energy source, contributing approximately 21.6% of China's total installed capacity and 16.4% of the total electricity generation as at 31 December 2008, according to the Statistics of National Power Industry* (全國電力工業統計快報). The National Development and Reform Commission has set a target of total hydropower installed capacity for China of 190GW in 2010 and 300GW in 2020, of which large and medium scale hydropower accounts for 140GW and 225GW, respectively. Further, hydropower is generally recognised as a very competitive renewable energy source for power generation in terms of its on-grid tariff. Therefore, grid companies can be expected to prefer despatch from hydropower versus other sources, especially given its renewable nature. Hence, the Acquisition will strengthen the Company's competitive advantage in China's power industry.

According to China Statistical Yearbook 2008, announcements from the National Bureau of Statistics of China and Bureau of Statistics of Hunan, the economic development and the growth of electricity consumption of Hunan in recent years has been substantial.



Source: China Statistical Yearbook 2008 and Bureau of Statistics of Hunan

Note:

1. Since China Statistical Yearbook 2009 is not yet published, the electricity consumption data in 2008 is not available.

As shown in the above diagram, the GDP of Hunan has been increasing steadily from 2004 and reached approximately RMB1,115 billion in 2008. This represents a compound annual growth rate ("**CAGR**") of approximately 18.7% from 2004 to 2008. Hunan's GDP growth at approximately 12.8%

in 2008 has also outpaced the national GDP growth of approximately 9.0% in 2008. The electricity consumption in Hunan has also increased along with the province's GDP growth. The electricity consumption in Hunan has been increasing at a CAGR of approximately 13.0% from 2004 to 2007, when it amounted to approximately 89 billion kWh, an approximately 15.8% increase from 2006.

(b) *Significantly enlarge operational capacity with expansion potential*

As stated in the letter from the Board contained in the Circular, upon the completion of the Acquisition, the Company's attributable installed capacity (excluding Qian Dong Power Plant) will increase by approximately 2,245MW to 11,282MW from approximately 9,037MW as at 31 December 2008, representing an approximately 25% increase. Further, the Acquisition presents a significant expansion potential to the Company. Currently, Wu Ling Group has 3 hydropower projects with a total attributable capacity under construction of approximately 2,388MW which are expected to become operational from late 2009 onwards. Including Wu Ling Power's attributable capacity under construction, the Company's attributable installed capacity will increase by a further 1,504MW to 12,786MW from approximately 9,037MW as at 31 December 2008, representing an approximately 41% increase. Further details of Wu Ling Group's power projects are set out in the section headed "Assets to be acquired" in this letter as well as in the letter from the Board contained in the Circular.

We set out in the following table the attributable installed capacity of each of the five stated-owned power companies which are engaged in power generation in China and listed on the Stock Exchange:

Company name / stock code	**Attributable installed capacity** *(MW)*
Huaneng Power International, Inc. ("**Huaneng**") (902)	39,203
Datang International Power Generation Co., Ltd. ("**Datang**") (991)	25,097[1]
Huadian Power International Corporation Limited ("**Huadian**") (1071)	19,578
China Resources Power Holdings Company Limited ("**CR Power**") (836)	12,981
The Company (current)	9,037
The Company (after completion of the Acquisition)	11,282
The Company (after completion of the Acquisition and projects under construction)	12,786

Source: The latest published annual report of the respective company

Note:

1. Since the total attributable installed capacity of Datang is not available, its total installed capacity is used in the calculation instead.

The Company currently has the smallest attributable installed capacity among the above-listed national power companies. The Acquisition will enlarge the operational capacity of the Company and therefore enhance its competitiveness with other power companies in China. Moreover, the Acquisition involves 3 hydropower projects under construction which upon completion are expected to contribute an additional 1,504MW to the Company's attributable installed capacity to a total of 12,786MW.

(c) *Achieve a more balanced and favourable fuel mix*

As stated in the letter from the Board contained in the Circular, the Acquisition will transform the Company from a predominantly coal-fired power generation company to a company with a more balanced fuel mix. Following the Acquisition, hydropower attributable installed capacity assets will account for approximately 19% of total attributable installed capacity, and approximately 29% if it includes those under construction. This will greatly lessen the Company's reliance on coal. Upon completion of the Acquisition, based on current industry information, the Company expects to have the highest proportion of hydropower attributable installed capacity among the Chinese independent power producers listed on the Stock Exchange.

According to "Chinese Power Plant Market", a research report issued in April 2009 by Frost & Sullivan, an independent international research and consulting firm, the consumption of coal is the most important part in the cost of coal power plants, which accounts for more than 60% of total costs. As the coal power plant business is highly sensitive to the change of coal prices, the acquisition of Wu Ling Power presents an opportunity for the Company to achieve a more balanced fuel mix.

In addition, we set out in the following table the attributable installed renewable energy (including hydropower, wind power and other forms of renewable energy) generation capacity of each of the five state-owned power companies which are engaged in power generation in China and listed on the Stock Exchange:

Company name	**Renewable energy attributable installed capacity as a percentage of total attributable installed capacity (%)**
Huaneng	0%[1]
Datang	11%[2]
Huadian	1%
CR Power	4%
The Company (current)	0%
The Company (after completion of the Acquisition)	19%
The Company (after completion of the Acquisition and projects under construction)	29%

Source: The latest published annual report of the respective company

Note:

1. Only wholly-owned power plants and power companies owned with controlling interest are included as per disclosure in Huaneng's most recent annual report.

2. Since the total attributable installed capacity of Datang is not available, its total installed capacity is used instead.

Upon completion of the Acquisition, the Company's hydropower and/or renewable energy attributable installed capacity will constitute approximately 19% of its total attributable installed capacity, which is the highest among the above-listed peer companies.

(d) *Leverage on Wu Ling Group's hydropower expertise*

As stated in the letter from the Board contained in the Circular, Wu Ling Group adopts a cascade hydropower development approach along Hunan's main river basin, Yuan Jiang River* (沅江), which enhances Wu Ling Group's utilisation efficiency. It implements cost control measures in areas of project EPC (Engineering Procurement and Construction), operation and maintenance, as well as the number of staff. Wu Ling Group's management team and technical team have a long track record in China's hydropower industry. As a result, Wu Ling Group has achieved significant electricity generation and profit growth in the past 10 years. Further, a hydropower asset portfolio of this size and significance is rarely available and it represents a unique opportunity for the Company to leverage on Wu Ling Group's hydropower expertise in pursuing growth options in other leading hydropower markets in China. Wu Ling Group's management team will continue to leverage on their experience in cost control and power project management to pursue growth opportunity in other parts of China, particularly the southwest region of China where hydro resources are rich.

We note that based on National Development and Reform Commission's stated strategy under the Medium-to-Long Term Plan for the Renewable Energy Development* (可再生能源中長期發展規劃), it is a national policy to promote renewable energy and that the focus for hydropower developments will be on the major rivers in the southwest region of China. The installed hydropower capacity nationwide is expected to increase to 190GW by 2010, and 300GW by 2020. Therefore, the Company's leverage on Wu Ling Group's hydropower expertise will fall in line with the overall Chinese government's strategy.

The Directors consider that the Acquisition will be beneficial to the Company and will have a positive impact on the Company's future prospects, thus benefiting the Company and its shareholders as a whole.

ii. ***Reasons for the Qian Dong Disposal***

As stated in the letter from the Board contained in the Circular, since the quality of the power plant, including but not limited to its profitability, does not meet the Company's standard for acquisition and due to the potential uncertainties with respect to the grant of government approval, Qian Dong Power will be disposed of pursuant to the Qian Dong Share Transfer Agreement.

We note that the letter from the Board contained in the Circular states that Qian Dong Power's net loss after taxation based on the unaudited management accounts prepared under accounting principles generally accepted in Hong Kong for each of the years ended 31 December 2007 and 31 December 2008 are approximately RMB35 million and RMB131 million respectively.

iii. ***Risk factors relating to the Acquisition***

As stated in the section headed "Risk factors" contained in the Circular, there are several risks relating to the Acquisition, including:

Risks relating to Wu Ling Group

- Upon completion of the Acquisition, the Company will not have absolute control of Wu Ling Group
- Wu Ling Group may not be able to obtain funds for future development
- Reductions in despatched output may adversely affect the revenue and profit of Wu Ling Group
- The construction of power plants is subject to risks which could give rise to delays or cost overruns
- Wu Ling Group may face challenges in attracting and retaining senior management talent and key technical experts
- Limited insurance coverage may result in Wu Ling Group being required to cover potential liability claims against it
- Holding company risks
- Wu Ling Group is in the process of applying for relevant title certificates and construction permits
- Foreign exchange risks

Risks relating to the hydropower industry

- Long construction period for hydropower projects
- Hydropower companies are particularly affected by natural factors
- Macro economic climate and reform in China's electricity sector will create uncertainties to the development of the hydropower industry in China

Risks relating to the PRC

- Interpretation and implementation of PRC laws and regulations involves uncertainties
- Substantially all of Wu Ling Group's turnover is denominated in RMB, which may be subject to exchange rate volatility
- Adverse changes in the PRC's economic, political, social conditions and government policies could have a material effect on the overall economic growth of the PRC, which could adversely affect the results of operations and financial condition of the Group, including Wu Ling Group after the completion of the Acquisition

Further details and explanation of the risk factors relating to the Acquisition are set out in the section headed "Risk factors" contained in the Circular.

As discussed with the Company, they are aware of the risk factors associated with the Acquisition and are of the view that the majority of the risk factors are inherent in the power generating industry in the PRC, which fall under the main operating scope of the Group. In addition, as stated under the section headed "Management discussion and analysis" in the Circular, the Group has implemented all-rounded risk management and established a systematic, comprehensive risk management mechanism and internal control system so as to contain and control the risks that may be faced by the Group in its business operations. It has also designated a specific department for executing the risk management system and the implementation of risk management measures. Further details of the Group's risk management are set out in Appendix IV to the Circular.

4. ANALYSIS OF THE ACQUISITION

i. *Valuation of the Acquisition*

We have analysed the consideration for the Acquisition by reviewing (a) the trading multiples of comparable companies listed on the Stock Exchange ("**Comparable Companies**"); and (b) the multiples of recent acquisitions of completed and/or operating power companies by the Comparable Companies ("**Comparable Transactions**"). In assessing the fairness of the consideration for the Acquisition, we have referred to standard valuation references commonly used by the power industry (such as enterprise value ("**EV**"), generation capacity, net profit attributable to equity holders, earnings before interest, tax, depreciation and amortisation ("**EBITDA**") and net asset value), and we are of the view that EV to MW, EV to EBITDA, price to earning and price to net asset value multiples are suitable valuation benchmarks on which we have made comparisons and conducted analyses with Comparable Companies and Comparable Transactions.

ii. *Analysis of Comparable Companies*

As Wu Ling Power generates its revenue from power generation operations in China, the Comparable Companies we select are stated-owned power companies which are engaged in power generation in China and listed on the Stock Exchange. Accordingly, we set out in the following table the relevant multiples calculated based on the respective share prices of the Comparable Companies as at the Latest Practicable Date and their latest published financial statements. However, we have to point out that although the analysis of Comparable Companies can reflect current market conditions in the industry and provide a guideline for valuation, it does not include differences in accounting policies and standards as well as differences in local regulations, operating environment, business model, taxation and other unique characteristics of different companies. Although no adjustment has been made in respect of the above differences, we believe the following analysis on Comparable Companies still provides a meaningful benchmark to assess the valuation of the Acquisition.

Out findings are set out in the following table:

Company name	**EV[1] to MW[2]**	**EV[1] to EBITDA[3]**	**Price to earning[4]**	**Price to net asset value[5]**
	(RMB million)	*(Times)*	*(Times)*	*(Times)*
The Company	1.99	25.34	N.M.	0.94
CR Power	8.03	17.64	47.93	3.02
Datang	7.75[6]	18.39	109.36	3.20
Huadian	4.51	25.66	N.M.	2.28
Huaneng	4.96	27.08	N.M.	2.32
Maximum	**8.03**	**27.08**	**109.36**	**3.20**
Average	**5.45**	**22.82**	**78.65**	**2.35**
Median	**4.96**	**25.34**	**78.65**	**2.32**
Minimum	**1.99**	**17.64**	**47.93**	**0.94**
Acquisition[7]	**8.56**	**13.99**	**28.89**	**1.22**

Source: Bloomberg and the latest published annual report of the respective Comparable Company

Notes:

1. EV of a company refers to the sum of its market value on the Latest Practicable Date and net debt (defined as total interest-bearing borrowings minus cash and cash equivalents) and minority interests as per the latest published financial statements of the respective Comparable Company on the Latest Practicable Date.

2. MW refers to the total attributable installed capacity as per the latest published annual report of the respective Comparable Company as of the Latest Practicable Date.

3. EBITDA refers to earnings before interest, tax, depreciation and amortisation as per the latest published financial statements of the respective Comparable Company available on the Latest Practicable Date.

4. The price to earning multiple refers to a comparison of the market value of the respective Comparable Company on the Latest Practicable Date with the net profit attributable to the equity holders as per the latest published audited annual financial statements of the respective Comparable Company available on the Latest Practicable Date.

5. The price to net asset value multiple refers to a comparison of the market value of the respective Comparable Company as at the Latest Practicable Date over its respective shareholders' equity based on the latest published financial statements of the respective Comparable Company available on the Latest Practicable Date.

6. Since the total attributable installed capacity of Datang is not available, its total installed capacity is used in the calculations instead.

7. For the Acquisition, the calculation is based on the consideration of RMB4,465,087,500 and the attributable 63% interest in Wu Ling Power's audited consolidated net asset value, net profit and attributable installed capacity as at 31 December 2008, as stated in the letter from the Board contained in the Circular. EBITDA and EV are calculated based on the audited financial statements of Wu Ling Group for the year ended 31 December 2008 as stated in Appendix II contained in the Circular. We also note that the financial statements of Wu Ling Group for the year ended 31 December 2008 has not taken into account the effect of Qian Dong Disposal.

For the Acquisition, the price to net asset value multiple is within the range and below the average and median of Comparable Companies, while its EV to EBITDA and price to earning multiples fall below the range. However, the EV to MW multiple for the Acquisition is above the range of that of the Comparable Companies. We would like to highlight that most generation assets of the Comparable Companies are coal-fired power plants, and their EV to MW multiples are generally lower than that of hydropower plants due to differences in operating environment such as fuel cost, equipment cost and regulations. In addition, the EV to MW multiple of the Acquisition is close to the high end of the range of the Comparable Companies. We note that the calculation of EV to MW multiple of Datang is based on its total installed capacity instead of its total attributable installed capacity, while the Acquisition and other Comparable Companies' multiples are based on their total attributable installed capacities. Since the EV to MW multiple of Datang is near top of the range, if Datang's total attributable installed capacity is employed instead, its EV to MW multiple should increase, thus may widen further the EV to MW range of Comparable Companies.

iii. ***Analysis of Comparable Transactions***

Our analyses also include research into transactions in the electric power generation sector in China by the Comparable Companies since the beginning of 2006. In selecting the Comparable Transactions, we have taken into account the availability of reliable transaction information and comparability of the power plants acquired with Wu Ling Power, and we note that of the 24 Comparable Transactions reviewed, only 2 involved hydropower plants, as most Comparable Transactions involved coal-fired plants. Since EBITDA data is not available for most of the Comparable Transactions, we are not able to include EV to EBITDA multiple as part of our analysis. In addition, we have to point out that although analysis of Comparable Transactions can reflect transaction benchmark in the industry and provide a guideline for valuation, it does not include differences in accounting policies and standards, as well as differences in local regulations, operating environment, business model, taxation and other unique characteristics of different target assets. Although no adjustment has been made in respect of the above differences, we believe the following analysis on Comparable Transactions still provides a meaningful benchmark to assess the valuation of the Acquisition.

Our findings are set out in the following table:

Date	Target	Fuel	Purchaser[1]	Generation capacity on equity basis *(MW)*	EV[2] to MW[3] *(RMB million)*	Price to earning[4] *(Times)*	Price to net asset value[5] *(Times)*
21-Apr-09	Huaneng Beijing Co-generation Limited Liability Company	Coal	Huaneng	346.45	N.A.	9.85	1.53
21-Apr-09	Tianjin Huaneng Yangliuqing Co-generation Limited Liability Company	Coal	Huaneng	660.00	N.A.	117.64	1.23
01-Apr-09	Huaneng Qidong Wind Power Generation Co. Ltd	Wind	Huaneng	59.48	N.A.	N.A.	1.07
31-Dec-08	Henan China Resources Power Gucheng Co., Ltd.	Coal	CR Power	66.00	N.A.	32.24	3.48
29-Dec-08	Hebei Huarui Energy Group Corporation Limited	Coal	Huadian	677.27	N.A.	3.23	0.73
12-Dec-08	Huaneng Huaiyin Power Generation Co. Ltd.	Coal	Huaneng	44.00	N.A.	17.92	11.16
21-Aug-08	Shenzhen Yihe Property Company Limited [6]	Coal	CR Power	100.00	2.41	9.89	1.32
21-Aug-08	Jiangsu Kunlun Investments Co., Ltd.	Coal	CR Power	451.45	N.A.	1.14	1.09
20-May-08	China Resources Power (Jiangsu) Investment Company Limited	Coal	CR Power	1,965.38	3.28	13.65	1.47
18-Mar-08	Shenyang Shenhai Thermal Power Company Limited	Coal	CR Power	324.69	4.30	11.39	2.85
13-Feb-08	Sichuan Za-gunao Hydroelectric Development Co., Ltd.	Hydro	Huadian	111.72	N.A.	35.73	1.46
13-Feb-08	Hangzhou Huadian Banshan Power Generation Co., Ltd.	Coal	Huadian	918.40	N.A.	20.82	1.37
13-Feb-08	Hebei Huadian Shijiazhuang Thermal Power Co., Ltd.	Coal	Huadian	410.00	N.A.	74.97	1.31
13-Feb-08	Hebei Huadian Complex Pumping-storage Power Co., Ltd.	Hydro	Huadian	57.00	N.A.	38.78	2.43
03-Dec-07	Huaneng Nanjing Jinling Power Limited Company	Gas	Huaneng	468.00	N.A.	9.08 [7]	1.13
23-Nov-07	Xuzhou Huaxin Power Generation Co., Ltd.	Coal	CR Power	442.20	3.06	15.64	2.40
19-Nov-07	Jiangsu Tianneng Power Generation Company Limited	Coal	CR Power	121.00	N.A.	22.83	1.22
09-Aug-07	Various power plants in Cangzhou	Coal	CR Power	48.00	N.A.	N.M.	1.06
03-Jul-07	Jinzhou Eastern Power Co., Ltd.	Coal	CR Power	1,200.00	N.A.	18.36	2.85

Date	Target	Fuel	Purchaser[1]	Generation capacity on equity basis (MW)	EV[2] to MW[3] (RMB million)	Price to earning[4] (Times)	Price to net asset value[5] (Times)
04-Jun-07	Xingtai Power Generation Company Limited	Coal	CR Power	590.04	N.A.	12.71	1.08
30-May-07	Yangzhou No.2 Power Plant Company Limited	Coal	CR Power	540.00	N.A.	36.71	2.06
02-Nov-06	Shanghai Electric Power Co., Ltd.	Coal/Gas	The Company	1,092.50	3.37	16.74	1.08
28-Sep-06	Henan Huaneng Qinbei Power Limited Company	Coal	Huaneng	60.00	3.70	6.12	1.31
27-Jul-06	Fuyang China Resources Power Co., Ltd.	Coal	CR Power	704.00	3.13	N.A.	1.02
Maximum					**4.30**	**117.64**	**11.16**
Average					**3.32**	**25.02**	**1.99**
Median					**3.28**	**16.74**	**1.32**
Minimum					**2.41**	**1.14**	**0.73**
Acquisition[8]					**8.56**	**28.89**	**1.22**

Source: Publicly filed information such as shareholder's circulars and/or announcements of the respective Comparable Transaction available as at the Latest Practicable Date.

Notes:

1. Purchaser refers to the respective Comparable Company and/or its subsidiaries.

2. EV refers to the sum of the equity purchase consideration paid in the acquisition and the proportional net debt of the target power plant(s) as per publicly filed information of the relevant transaction available on the Latest Practicable Date.

3. MW refers to the generation capacity on an equity basis as per publicly filed information of the relevant transaction available on the Latest Practicable Date.

4. The price to earning multiple refers to a comparison of the total consideration paid in the acquisition with the attributable net profit of the target power plant(s) as per publicly filed information of the relevant transaction available on the Latest Practicable Date.

5. The price to net asset value multiple refers to a comparison of the equity purchase consideration paid in the acquisition with the attributable net asset on an equity basis as per publicly filed information of the relevant transaction available on the Latest Practicable Date.

6. Shenzhen Yihe Property Company Limited is principally an investment holding company which holds equity interests in various coal-fired power plants in the PRC.

7. The attributable net profit is based on a calculated annualised net profit since full year data is not available.

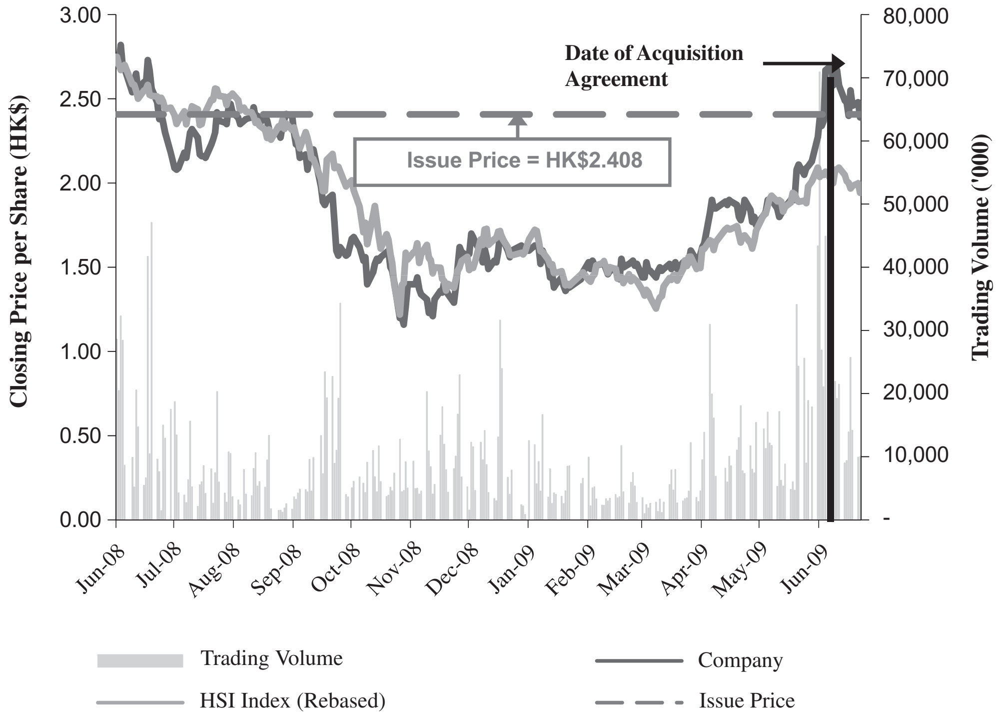
8. For the Acquisition, the calculation is based on the consideration of RMB4,465,087,500 and the attributable 63% interest in Wu Ling Power's audited consolidated net asset value, net profit and attributable installed capacity as at 31 December 2008, as stated in the letter from the Board contained in the Circular while the EV is calculated as the sum of Acquisition consideration and the proportional net debt of Wu Ling Power based on the audited financial statements of Wu Ling Group for the year ended 31 December 2008 as stated in Appendix II contained in the Circular. We also note that the financial statements of Wu Ling Group for the year ended 31 December 2008 has not taken into account the effect of Qian Dong Disposal.

For the Acquisition, the price to net asset value multiple falls within the range and is lower than the average and median of those represented by the Comparable Transactions, while the price to earning multiple of the Acquisition is within range and close to the average of Comparable Transactions. In addition, we note that the two Comparable Transactions involving hydropower targets, namely Sichuan Za-gunao Hydroelectric Development Co., Ltd. and Hebei Huadian Complex Pumping-storage Power Co., Ltd. on 13 February 2008, recorded price to earning multiples of 35.73 times and 38.78 times respectively, which are higher than the Acquisition's price to earning multiple of 28.89 times. Based on EV to MW, the Acquisition is above the range of the Comparable Transactions. However, we would like to highlight that we are not able to calculate the EVs for the majority of the Comparable Transactions since the net debt data of those target power plants are not available in the public domain, hence the EV to MW multiples of these Comparable Transactions are not available, and the comparability of EV to MW as a valuation benchmark to assess the Acquisition is affected. We also believe, as mentioned above, the major reason for the Acquisition's higher EV to MW multiple is that most generation assets of the Comparable Transactions are coal-fired power plants and their EV to MW multiples are generally lower than those of hydropower plants.

iv. ***Analysis of the Consideration Shares***

In order to assess the fairness and reasonableness of the Issue Price, we have reviewed (a) the price performance of the Shares from June 2008 up to and including the Latest Practicable Date (the "**Review Period**"); and (b) the issue prices of the consideration shares issued by other Hong Kong listed companies as payment for their respective acquisitions from connected persons during the Review Period.

The following chart illustrates the daily closing prices of the Shares as quoted on the Stock Exchange during the Review Period:



Source: Bloomberg

We note that throughout the Review Period, the closing prices of the Shares were tracking fairly closely with the Hang Seng Index. The highest, lowest and average closing prices of the Shares during the Review Period as quoted on the Stock Exchange were HK$1.16 on 29 October 2008, HK$2.82 on 4 June 2008 and HK$1.86 respectively. Thus, the Issue Price of HK$2.408 per Share falls within such range and above the average during the Review Period.

The Issue Price of HK$2.408 is the average of the closing share price as quoted on the Stock Exchange for the 5 trading days prior to (but excluding) the date of the Acquisition Agreement. The Issue Price also represents a discount of approximately 9.81% to the closing price of HK$2.67 per Share as quoted on the Stock Exchange on 5 June 2009, being the last trading day prior to the date of the Acquisition Agreement.

v. ***Analysis of comparable transactions involving issue of consideration shares***

To analyse the Issue Price, we have attempted to compare the relevant premium/discount represented by the Issue Price with those of other acquisitions from connected persons by companies listed on the Stock Exchange, which involved the issue of consideration shares and had subsequently received the requisite independent shareholders' approvals at the respective companies' general meetings during the Review Period (the "**Consideration Share Comparables**"). We would like to highlight that among the Consideration Share Comparables, we are unable to identify any which involved companies engaging in similar business as the Company (i.e. power generation in China). Although the Consideration Share Comparables are not engaged in similar businesses as the Company, and that their terms of consideration share issuance may vary due to different stock market conditions, respective company's different financial standing and business performance, we believe that the Consideration Share Comparables still provide a reasonable comparison basis and could reflect recent market trends of the terms used in issuing consideration shares to connected persons as consideration for an acquisition.

We have reviewed the respective issue prices of the consideration shares under the Consideration Share Comparables and the respective companies' prevailing share prices, details of which are set out in the following table:

				Premium/(discount) of the issue price of the consideration share over/(to) the closing price/average closing price of shares of			
Date of the announcement	**Company**	**Stock code**	**Issue price of the consideration shares**	**last trading day[1]**	**last 5 trading days[2]**	**last 10 trading days[2]**	**last 30 trading days[2]**
			(HK$)	*(%)*	*(%)*	*(%)*	*(%)*
8-May-09	Greentown China Holdings Limited [3]	3900	6.10	5.90%	25.00%	32.61%	45.97%
7-May-09	Far East Consortium International Limited	35	1.40	8.53%	22.16%	27.62%	41.70%
15-Apr-09	Junfield Department Store Group Limited	758	0.15	0.00%	8.70%	13.64%	27.12%
2-Mar-09	Palmpay China (Holdings) Limited	8047	0.11	(12.00%)	(12.00%)	(10.93%)	(12.07%)
17-Feb-09	China Agri-industries Holdings Limited	606	3.69	0.54%	1.32%	0.00%	0.27%
13-Feb-09	United Power Investment Limited	674	0.11	8.90%	6.40%	7.63%	0.50%
7-Jan-09	China Fortune Holdings Limited	110	0.55	243.75%	245.91%	223.53%	259.95%
16-Dec-08	Wing Shan International Limited	570	0.39	(4.88%)	(2.99%)	1.30%	15.20%
7-Nov-08	Sino-Ocean Land Holdings Limited	3377	4.04	92.38%	92.02%	102.91%	80.04%
30-Oct-08	China Chengtong Development Group Limited	217	0.35	(2.78%)	0.86%	(2.64%)	(4.33%)
25-Sep-08	Lung Cheong International Holdings Limited	348	0.15	15.38%	20.39%	16.01%	4.92%
18-Sep-08	Sino Union Petroleum & Chemical International Limited	346	1.25	0.00%	2.46%	5.93%	13.74%
25-Aug-08	China Haidian Holdings Limited	256	0.30	3.45%	1.69%	(1.64%)	(12.45%)
14-Aug-08	Dore Holdings Limited	628	0.46	109.10%	95.90%	91.90%	42.75%
30-Jul-08	Top Form International Limited	333	0.682	21.79%	21.79%	24.00%	23.56%
17-Jul-08	C Y Foundation Group Limited	1182	0.28	(9.68%)	0.72%	11.39%	(26.70%)

Date of the announcement	Company	Stock code	Issue price of the consideration shares	Premium/(discount) of the issue price of the consideration share over/(to) the closing price/average closing price of shares of: last trading day[1]	last 5 trading days[2]	last 10 trading days[2]	last 30 trading days[2]
			(HK$)	*(%)*	*(%)*	*(%)*	*(%)*
9-Jul-08	Continental Holdings Limited	513	1.65	3.13%	2.10%	1.79%	(3.70%)
20-Jun-08	China Electronics Corporation Holdings Company Limited	85	2.50	22.55%	25.00%	24.19%	22.59%
12-Jun-08	Alltronics Holdings Limited	833	2.80	9.80%	7.53%	8.49%	8.77%
6-Jun-08	China Resources Land Limited	1109	13.34	(0.60%)	(2.29%)	(0.01%)	(6.93%)
5-Jun-08	Franshion Properties (China) Limited	817	3.43	(5.51%)	(2.60%)	0.38%	0.63%
5-Jun-08	Minmetals Land Limited	230	1.58	0.00%	(1.74%)	0.70%	(2.97%)
4-Jun-08	Overseas Chinese Town (Asia) Holdings Limited	3366	2.40	(4.00%)	11.73%	12.46%	1.97%
Maximum				**243.75%**	**245.91%**	**223.53%**	**259.95%**
Average				**21.99%**	**24.79%**	**25.71%**	**22.63%**
Median				**3.13%**	**6.40%**	**8.49%**	**4.92%**
Minimum				**(12.00%)**	**(12.00%)**	**(10.93%)**	**(26.70%)**
Issue Price				**(9.81%)**	**0.00%**	**6.93%**	**20.98%**

Source: Publicly filed information such as shareholder's circulars and/or announcements of the respective company available as at the Latest Practicable Date and Bloomberg

Notes:

1. Refers to the issue price of the consideration shares divided by the closing price on the last trading day of the respective company prior to the date of the announcement.

2. Refers to the issue price of the consideration shares divided by the average closing prices of the respective company for the 5, 10 and 30 days prior to the date of the announcement.

3. According to the circular dated 29 May 2009, the Stock Exchange has granted a waiver to Greentown China Holdings Limited from strict compliance with the requirement to hold a shareholder's meeting to approve the acquisition.

We note from the above table that the Issue Price represents a 9.81% discount to Share's closing price on the last trading day prior to the date of the Acquisition Agreement, which is within the range as represented by those of the Consideration Share Comparables, which range from a discount of approximately 12.00% to a premium of approximately 243.75%. The Issue Price also represents a 0.00% and 6.93% premium over Share's average closing price for the last 5 and 10 trading days respectively prior to the date of the Acquisition Agreement, which fall within the range of those of the Consideration Share Comparables. In addition, we note that the Issue Price represents a 20.98%

premium over Share's average closing price for the last 30 trading days prior to the date of the Acquisition Agreement, and such premium falls below the average but above the median of those of the Consideration Share Comparables. We would also like to highlight that the ranges and averages for the Consideration Share Comparables are distorted by an outlier, China Fortune Holdings Limited, whose consideration share's issue price represented over 200% premium by all accounts. Thus, we believe that the median of the Consideration Share Comparables should be a more representative benchmark to evaluate the Issue Price. As shown in the above table, although the Issue Price is lower than the median of the last trading day and last 5 trading days of the Consideration Share Comparables, it is close to that of the 10 trading days and is significantly higher than that of the last 30 trading days.

vi. ***Potential dilution to shareholding of the existing public Shareholders***

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date and the possible shareholding structure immediately after the allotment and issue of Consideration Shares (before any adjustment of the consideration). As mentioned earlier, the Public Float Adjustment mechanism will enable the Company to continue to comply with the public float requirement under Listing Rule 8.08.

	As at the Latest Practicable Date		**Upon allotment and issue of the Consideration Shares on the assumption as set out in Note 1**	
	Number of Shares	*%*	*Number of Shares*	*%*
CPI Group[2]	2,021,084,000	56.05	3,487,813,324	68.76
Public	1,584,526,850	43.95	1,584,526,850	31.24
Total	3,605,610,850	100.00	5,072,340,174	100.00

Notes:

1. Assuming none of the share options is exercised on or before the date of allotment and issue of the Consideration Shares. As at the Latest Practicable Date, the Company has 51,117,600 outstanding share options.

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.

As illustrated above, upon the issue of the Consideration Shares (before any adjustment of the consideration), the shareholding interests of the existing public Shareholders will be diluted from approximately 43.95% to 31.24%. For further analyses on the effect of the issue of Consideration Shares on the pro forma financials of the Enlarged Group (such as net asset value per Share and net loss per Share), please refer to the section headed "Financial effects of the Acquisition on the Group" in this letter.

vii. ***Financial effects of the Acquisition on the Group***

This section sets out various analyses on the potential financial effects of the Acquisition on the Group, which were prepared based on the audited financial information of the Group and accountant's report of Wu Ling Group for the financial year ended 31 December 2008. It should be noted that the figures and financial impact shown in this section are for illustrative purposes only.

(a) *Consolidation of financial statements*

Before the Acquisition Agreement, the accounts of the Wu Ling Group were not consolidated into the consolidated accounts of the Group, while upon the completion of the Acquisition Agreement, the Company will own 63% of the equity interest in Wu Ling Power (excluding Qian Dong Power), and the net assets and the results of Wu Ling Group (excluding Qian Dong Power) will be consolidated in the accounts of the Group.

(b) *Net assets*

As at 31 December 2008, the consolidated net assets of the Group attributable to the Shareholders was approximately RMB8,073.35 million. Based on the unaudited pro forma financial information of the Enlarged Group as contained in Appendix III to the Circular ("**Pro Forma Financial Information**"), assuming the Acquisition was completed on 31 December 2008, the pro forma net assets of the Enlarged Group attributable to the Shareholders as at 31 December 2008 would increase by approximately 38.71% to approximately RMB11,198.92 million.

Based on the audited consolidated accounts of the Group as at 31 December 2008 and the number of Shares issued by the Company as at the Latest Practicable Date being approximately 3,605.61 million, the net asset value per share is approximately RMB2.24. Upon issue and allotment of the Consideration Shares (subject to adjustment), the number of shares of the Company would be approximately 5,072.34 million. Using the pro forma net assets of the Enlarged Group attributable to the Shareholders at 31 December 2008 as per the Pro Forma Financial Information, the pro forma net asset value per share would slightly decrease by approximately 1.34% to approximately RMB2.21.

(c) *Cash*

According to the Pro Forma Financial Information, the pro forma cash and cash equivalents of the Group as at 31 December 2008 would increase by approximately 110.44% from approximately RMB1,326.82 million to approximately RMB2,792.18 million. The change is mainly due to the partial repayment of the Qian Dong Debt amounting to RMB2.8 billion by Qian Dong Power to Wu Ling Power and its relevant subsidiary which is a condition precedent to the completion of the Acquisition Agreement as well as the payment of the cash portion of the consideration of approximately RMB1,339 million for the Acquisition and the payment of total estimated professional fees and other transaction costs directly attributable to the Acquisition.

(d) *Net loss*

For the year ended 31 December 2008, the net loss of the Group attributable to the Shareholders was approximately RMB683.69 million. Based on the Pro Forma Financial Information, the pro forma net loss attributable to the Shareholders for the year ended 31 December 2008 would reduce by approximately 32.27% to approximately RMB463.09 million assuming the Acquisition was completed on 1 January 2008.

Based on the number of Shares issued by the Company as at the Latest Practicable Date being approximately 3,605.61 million, the net loss per share for loss attributable to the equity holders of the Company for the year ended 31 December 2008 is approximately RMB0.19. Upon issue and allotment of the Consideration Shares (subject to adjustment), the number of shares of the Company would be approximately 5,072.34 million. Using the pro forma net loss of the Enlarged Group as per the Pro Forma Financial Information, the pro forma net loss per share would decrease by approximately 52.63% to approximately RMB0.09.

(e) *EBITDA*

As at 31 December 2008, the Group's EBITDA (calculated as profit before taxation, finance costs and depreciation, since amortisation figure is not available in the Pro Forma Financial Information) was approximately RMB737.83 million. Based on the Pro Forma Financial Information, the Group's pro forma EBITDA would increase by approximately 339.74% to approximately RMB3,244.56 million.

(f) *Gearing*

As at 31 December 2008, the Group's gearing ratio (defined as total interest-bearing borrowings to total assets) was approximately 51.98%. Based on the Pro Forma Financial Information, the Group's pro forma gearing ratio would increase to approximately 66.38%.

(g) *Interest coverage*

For the year ended 31 December 2008, the Group's interest coverage ratio (defined as profit before taxation, finance costs and depreciation divided by finance costs) was approximately 1.17 times. Based on the Pro Forma Financial Information, the Group's pro forma interest coverage ratio would improve to approximately 1.73 times.

SUMMARY

We have reached our conclusion by considering the above major factors and reasons and we would like to draw your attention in particular to the following:

- The Acquisition will allow the Company to acquire substantial expertise in hydropower which will assist in the Company's strategic positioning for future expansion into hydropower sector as per the PRC government's power strategy in promoting renewable energy;

- The Acquisition will allow the Company to establish a leading presence in the attractive Hunan hydropower industry as well as China's rapidly growing renewable energy industry;

- The Acquisition will also enlarge operation capacity by approximately 2,245MW, representing an approximately 25% increase from Company's current attributable installed capacity. If Wu Ling Power's attributable capacity under construction is included, the Company's attributable installed capacity will increase by a further 1,504MW, representing an approximately 41% increase from its current attributable installed capacity;

- The Acquisition will transform the Company from a predominantly coal-fired power generation company to a company with a more balanced fuel mix and reduce the Company's sensitivity to the fluctuation of coal prices;

- Upon completion of the Acquisition, the Company's hydropower attributable installed capacity will constitute approximately 19% of its total attributable installed capacity, which is the highest among the Hong Kong-listed national power companies;

- The Company believes that Qian Dong Power does not meet the Company's standard for acquisition due to its profitability and uncertainty with respect to the grant of government approval. Therefore, prior to the completion of the Acquisition, Wu Ling Power will dispose the interest in Qian Dong Power according to the Qian Dong Share Transfer Agreement;

- There is an outstanding indebtedness amounting to a total of RMB4.3 billion owed by Qian Dong Power to Wu Ling Power and its relevant subsidiary as at the date of the Circular. Part of the conditions precedent for the Acquisition Agreement is a repayment of the debt amounting to a total of RMB2.8 billion, which constitutes a repayment of approximately 65% of the RMB4.3 billion outstanding indebtedness;

- The remaining RMB1.5 billion debt will be in the form of an entrustment loan, the interest rate of which is set at the applicable base rate of interest published by the People's Bank of China for lending in Renminbi with a maturity period of three years, and the entering into of the Wu Ling Entrusted Loan Agreements forms part of the conditions precedent of the Acquisition Agreement. We would also like to highlight that CPI Holding will indemnify the Company for any losses and damages caused by or related to Qian Dong Power (including the failure of Qian Dong Power to fulfill its obligations under the Wu Ling Entrustment Loan Agreements);

- There are several risks relating to the Acquisition, including risks relating to Wu Ling Group, hydropower industry and the PRC. However, the Group has already implemented all-rounded risk management and designated a specific department for executing the risk management and internal control system;

- After considering the different nature of generation assets and specific operating factors of power plants, the Acquisition multiples are reasonable as compared with the trading multiples of Comparable Companies;

- After considering the economic environment and conditions of various transactions and specific operating factors of power plants, the Acquisition multiples are reasonable as compared with the precedent transaction multiples of Comparable Transactions;

- The consideration of RMB4,465,087,500 is to be satisfied as to 70% thereof (or RMB3,125,561,250) (subject to adjustment) by the issue of the Consideration Shares (at an Issue Price of HK$2.408 per Consideration Share) and as to 30% thereof (or RMB1,339,526,250) (subject to adjustment) by way of cash payment;

- The Issue Price is within the range and above the average of the price performance of Shares from June 2008 up to and including the Latest Practicable Date, and after considering the economic environment and different nature of businesses, the Issue Price is reasonable as compared with the precedent transaction multiples of Consideration Share Comparables; and

- Based on the Pro Forma Financial Information, after completion of the Acquisition, although the Group's pro forma gearing ratio would increase from approximately 51.98% to approximately 66.38% and pro forma net asset per share would decease slightly from approximately RMB2.24 to approximately RMB2.21, there are improvements in the Group's pro forma net loss and pro forma interest coverage ratio. The pro forma net loss per share would improve from approximately RMB0.19 to approximately RMB0.09 while the pro forma interest coverage ratio would improve from approximately 1.17 times to approximately 1.73 times.

RECOMMENDATION

Taking into consideration the above principal factors and reasons, we are of the opinion that the Acquisition is on normal commercial terms, in the ordinary and usual course of business of the Company, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders to vote in favor of the ordinary resolution approving the Acquisition and the transactions contemplated thereunder, including but not limited to the allotment and issue of Consideration Shares, at the EGM.

Yours faithfully,
For and on behalf of
DBS ASIA CAPITAL LIMITED
Liu Xiao Feng
Managing Director

* *English translation is for identification only.*

SUMMARY OF FINANCIAL INFORMATION FOR EACH OF THE YEARS ENDED 31 DECEMBER 2008, 2007 AND 2006

The following is a summary of the financial results and financial positions of the Group for each of the years ended 31 December 2008, 2007 and 2006 as extracted from the published annual reports of the Company.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Year ended 31 December		
	2008	**2007**	**2006**
	RMB'000	*RMB'000*	*RMB'000*
Turnover	9,632,381	5,907,301	5,202,934
Other income	8,842	41,722	18,745
Fuel costs	(7,055,736)	(3,840,488)	(3,075,001)
Depreciation	(798,356)	(460,084)	(376,206)
Staff costs	(384,763)	(333,625)	(354,908)
Repairs and maintenance	(405,500)	(275,760)	(265,868)
Consumables	(154,713)	(72,918)	(67,863)
Other gains	16,309	15,935	87,370
Impairment on property, plant and equipment	(348,505)	—	—
Impairment on goodwill	(40,000)	—	—
Other operating expenses	(500,434)	(423,510)	(388,083)
Operating (loss)/profit	(30,475)	558,573	781,120
Interest income from bank deposits	17,011	23,794	56,469
Finance costs	(629,504)	(184,950)	(133,489)
Share of losses of associated companies	(43,194)	(47,909)	102,053
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	806,153
Taxation	(7,175)	(69,477)	(104,478)
(Loss)/profit for the year	(697,206)	591,429	701,675
Attributable to:			
Equity holders of the Company	(683,686)	592,435	702,767
Minority interests	(13,520)	(1,006)	(1,092)
	(697,206)	591,429	701,675
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
- basic	(0.19)	0.16	0.22
- diluted	(0.19)	0.16	0.22
Dividends	—	194,703	288,408

CONSOLIDATED BALANCE SHEET

	As at 31 December		
	2008	**2007**	**2006**
	RMB'000	*RMB'000*	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	15,617,112	14,594,556	8,206,774
Prepayment for construction of power plants	377,172	881,858	3,374,073
Land use rights	42,439	43,334	18,518
Goodwill	126,939	166,939	166,939
Interest in an associated company	804,100	847,294	850,675
Interest in a jointly controlled entity	66,131	—	1,665,133
Available-for-sale financial assets	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	28,980
Deferred income tax assets	33,341	—	—
	18,496,195	20,368,514	14,311,092
Current assets			
Inventories	499,776	277,843	287,142
Accounts receivable	1,375,156	1,283,074	860,804
Prepayments, deposits and other receivables	499,507	175,404	112,251
Amount due from an intermediate holding company	719	3,821	1,638
Amounts due from fellow subsidiaries	198,362	41,341	11,441
Dividends receivable from an associated company	—	65,699	98,751
Current portion of long-term receivable from HEPC	34,000	—	—
Tax recoverable	1,196	—	—
Cash and cash equivalents	1,326,818	734,057	1,446,928
	3,935,534	2,581,239	2,818,955
Total assets	22,431,729	22,949,753	17,130,047
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	3,798,610	3,798,610	3,798,104
Share premium	2,755,361	2,755,361	2,754,586
Reserves	1,519,383	4,580,918	2,526,525
	8,073,354	11,134,889	9,079,215
Minority interests	68,339	44,458	25,826
Total equity	8,141,693	11,179,347	9,105,041

	As at 31 December		
	2008	**2007**	**2006**
	RMB'000	*RMB'000*	*RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income	97,990	163,028	158,156
Long-term bank borrowings	9,439,150	7,706,350	3,812,000
Long-term payable to CPI Financial Company ("CPIF")	270,295	270,295	395,562
Obligations under finance leases	205,155	—	19,437
Deferred income tax liabilities	11,888	227,362	10,907
	10,024,478	8,367,035	4,396,062
Current liabilities			
Accounts payable	696,529	428,630	240,244
Construction cost payable	1,156,466	1,322,781	422,613
Other payables and accrued charges	418,727	318,813	304,520
Amount due to ultimate holding company	68,643	81,471	68,889
Amounts due to fellow subsidiaries	147,730	26,163	3,279
Current portion of long-term bank borrowings	225,000	466,000	996,000
Other bank borrowings	412,725	—	—
Short-term bank borrowings	980,000	605,000	1,428,000
Short-term borrowings from CPIF	100,000	—	140,000
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	25,399
	4,265,558	3,403,371	3,628,944
Total liabilities	14,290,036	11,770,406	8,025,006
Total equity and liabilities	22,431,729	22,949,753	17,130,047
Net current liabilities	330,024	822,132	809,989
Total assets less current liabilities	18,166,171	19,546,382	13,501,103

AUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2008

The following is the audited financial statements of the Group for the year ended 31 December 2008 as extracted from the published 2008 annual report of the Company.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2008

	Note	Year ended 31 December 2008 *RMB'000*	2007 *RMB'000*
Turnover	5	9,632,381	5,907,301
Other income	6	8,842	41,722
Fuel costs		(7,055,736)	(3,840,488)
Depreciation		(798,356)	(460,084)
Staff costs	11	(384,763)	(333,625)
Repairs and maintenance		(405,500)	(275,760)
Consumables		(154,713)	(72,918)
Other gains	7	16,309	15,935
Impairment on property, plant and equipment	16	(348,505)	—
Impairment on goodwill	19	(40,000)	—
Other operating expenses		(500,434)	(423,510)
Operating (loss)/profit	8	(30,475)	558,573
Interest income from bank deposits		17,011	23,794
Finance costs	9	(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	23	—	311,398
(Loss)/profit before taxation		(690,031)	660,906
Taxation	10	(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	13	(0.19)	0.16
- diluted	13	(0.19)	0.16
Dividends	14	—	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	16	15,617,112	14,594,556
Prepayment for construction of power plants	17	377,172	881,858
Land use rights	18	42,439	43,334
Goodwill	19	126,939	166,939
Interest in an associated company	21	804,100	847,294
Interest in a jointly controlled entity	22	66,131	—
Available-for-sale financial assets	23	1,379,011	3,775,865
Long-term receivable from Hubei Electric Power Corporation ("HEPC")	24	34,000	—
Other long-term prepayments		15,950	58,668
Deferred income tax assets	37	33,341	—
		18,496,195	20,368,514
Current assets			
Inventories	25	499,776	277,843
Accounts receivable	26	1,375,156	1,283,074
Prepayments, deposits and other receivables		499,507	175,404
Amount due from an intermediate holding company	27	719	3,821
Amounts due from fellow subsidiaries	27	198,362	41,341
Dividends receivable from an associated company		—	65,699
Current portion of long-term receivable from HEPC	24	34,000	—
Tax recoverable		1,196	—
Cash and cash equivalents	28	1,326,818	734,057
		3,935,534	2,581,239
Total assets		22,431,729	22,949,753
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	29	3,798,610	3,798,610
Share premium		2,755,361	2,755,361
Reserves	30	1,519,383	4,580,918
		8,073,354	11,134,889
Minority interests		68,339	44,458
Total equity		8,141,693	11,179,347

	Note	As at 31 December 2008 RMB'000	2007 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income		97,990	163,028
Long-term bank borrowings	31	9,439,150	7,706,350
Long-term payable to CPI Financial Company ("CPIF")	32	270,295	270,295
Obligations under finance leases	33	205,155	—
Deferred income tax liabilities	37	11,888	227,362
		10,024,478	8,367,035
Current liabilities			
Accounts payable	34	696,529	428,630
Construction cost payable		1,156,466	1,322,781
Other payables and accrued charges	35	418,727	318,813
Amount due to ultimate holding company	36	68,643	81,471
Amounts due to fellow subsidiaries	27	147,730	26,163
Current portion of long-term bank borrowings	31	225,000	466,000
Other bank borrowings	31	412,725	—
Short-term bank borrowings	31	980,000	605,000
Short-term borrowings from CPIF	32	100,000	—
Current portion of long-term payable to CPIF	32	—	127,863
Current portion of obligations under finance leases	33	26,857	—
Taxation payable		32,881	26,650
		4,265,558	3,403,371
Total liabilities		14,290,036	11,770,406
Total equity and liabilities		22,431,729	22,949,753
Net current liabilities		330,024	822,132
Total assets less current liabilities		18,166,171	19,546,382

Li Xiaolin
Director

Liu Guangchi
Director

BALANCE SHEET

As at 31 December 2008

	Note	As at 31 December 2008 RMB'000	As at 31 December 2007 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	5,719	5,211
Investments in subsidiaries	20	3,935,585	4,175,750
Interest in an associated company	21	552,500	552,500
Available-for-sale financial assets	23	1,379,011	3,775,865
		5,872,815	8,509,326
Current assets			
Prepayments, deposits and other receivables		2,556	4,936
Amount due from an intermediate holding company	27	—	3,821
Amounts due from subsidiaries	20	242,650	431,068
Dividends receivable		591,498	709,230
Cash and cash equivalents	28	1,254,279	660,289
		2,090,983	1,809,344
Total assets		7,963,798	10,318,670
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	29	3,798,610	3,798,610
Share premium		2,755,361	2,755,361
Reserves	30	816,729	3,480,628
		7,370,700	10,034,599

	Note	As at 31 December 2008 RMB'000	2007 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	37	—	211,073
Current liabilities			
Other payables and accrued charges	35	21,912	21,030
Amount due to ultimate holding company	36	271	—
Amounts due to subsidiaries	20	158,190	49,410
Amount due to a fellow subsidiary	27	—	2,558
Bank borrowings	31	412,725	—
		593,098	72,998
Total liabilities		593,098	284,071
Total equity and liabilities		7,963,798	10,318,670
Net current assets		1,497,885	1,736,346
Total assets less current liabilities		7,370,700	10,245,672

Li Xiaolin
Director

Liu Guangchi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to equity holders of the Company					
	Share capital (Note 29)	**Share Premium**	**Other reserves (Note 30)**	**Accumulated losses (Note 30)**	**Minority interests**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2008	3,798,610	2,755,361	4,990,815	(409,897)	44,458	11,179,347
Decrease in fair value of available-for-sale financial assets	—	—	(2,396,854)	—	—	(2,396,854)
Deferred tax on decrease in fair value of available-for-sale financial assets (Note 37)	—	—	211,073	—	—	211,073
Release of revaluation reverse upon impairment of property, plant and equipment (Note 30)	—	—	(10,716)	—	—	(10,716)
Release of revaluation reserve upon disposal of property, plant and equipment						
- Group (Note 30)	—	—	(3,820)	3,820	—	—
- An associated company	—	—	(80)	80	—	—
Release of deferred tax on impairment and disposal of property, plant and equipment (Note 37)	—	—	4,029	—	—	4,029
Net expense recognised directly in equity	—	—	(2,196,368)	3,900	—	(2,192,468)
Loss for the year	—	—	—	(683,686)	(13,520)	(697,206)
Total recognised income and expense	—	—	(2,196,368)	(679,786)	(13,520)	(2,889,674)
Employee share option benefits	—	—	9,322	—	—	9,322
Lapse of share options	—	—	(6,003)	6,003	—	—
2007 final dividend (Note 14)	—	—	—	(194,703)	—	(194,703)
Contribution from minority shareholders of subsidiaries	—	—	—	—	37,401	37,401
	—	—	3,319	(188,700)	37,401	(147,980)
Balance at 31 December 2008	3,798,610	2,755,361	2,797,766	(1,278,383)	68,339	8,141,693

	Attributable to equity holders of the Company					
	Share capital (Note 29)	Share Premium	Other reserves (Note 30)	Accumulated losses (Note 30)	Minority interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2007	3,798,104	2,754,586	3,331,289	(804,764)	25,826	9,105,041
Increase in fair value of available-for-sale financial assets	—	—	1,962,630	—	—	1,962,630
Deferred tax on increase in fair value of available-for-sale financial assets (Note 37)	—	—	(211,073)	—	—	(211,073)
Deferred tax on change in tax rate for net revaluation surplus of property, plant and equipment						
- Group (Note 37)	—	—	(9,075)	—	—	(9,075)
- An associated company	—	—	(487)	—	—	(487)
Release of revaluation reserve upon disposal of property, plant and equipment						
- Group (Note 30)	—	—	(544)	544	—	—
- An associated company	—	—	(210)	210	—	—
Disposal of subsidiaries	—	—	(89,339)	89,339	—	—
Net income recognised directly in equity	—	—	1,651,902	90,093	—	1,741,995
Profit for the year	—	—	—	592,435	(1,006)	591,429
Total recognised income and expense	—	—	1,651,902	682,528	(1,006)	2,333,424
Employee share option benefits	—	—	8,371	—	—	8,371
Exercise of share options	506	775	—	—	—	1,281
Lapse of share options	—	—	(747)	747	—	—
2006 final dividend	—	—	—	(288,408)	—	(288,408)
Contribution from minority shareholders of a subsidiary	—	—	—	—	19,638	19,638
	506	775	7,624	(287,661)	19,638	(259,118)
Balance at 31 December 2007	3,798,610	2,755,361	4,990,815	(409,897)	44,458	11,179,347

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Note	Year ended 31 December 2008 *RMB'000*	2007 *RMB'000*
Cash flows from operating activities			
Cash generated from operations	38(a)	804,305	643,872
Interest paid		(720,574)	(482,095)
PRC income tax paid		(35,853)	(71,852)
Net cash generated from operating activities		47,878	89,925
Cash flows from investing activities			
Payment for investments		(40,000)	(25,593)
Payments for property, plant and equipment		(1,232,382)	(2,798,371)
New prepayment for construction of power plants		(355,414)	(526,689)
Proceeds from disposal of property, plant and equipment		4,057	840
Increase in other long-term prepayments		—	(29,688)
Disposal of subsidiaries, net of cash disposed	38(b)	—	258,965
Dividends received		65,699	176,926
Interest received		17,011	23,794
Net cash used in investing activities		(1,541,029)	(2,919,816)
Cash flows from financing activities			
New bank borrowings		3,610,525	5,242,350
Short-term loan from CPIF		100,000	—
Contributions from minority shareholders of a subsidiary		37,401	19,638
Issuance of new shares		—	1,281
Repayment of bank borrowings		(1,331,000)	(2,603,000)
Repayment of short-term loan from CPIF		—	(140,000)
Repayment of other borrowings		—	(98,000)
Repayment of long-term payable to SEPC		—	(19,437)
(Decrease)/increase in amounts payable to CPIF		(127,863)	2,596
Payment of finance lease liabilities		(8,448)	—
Dividends paid		(194,703)	(288,408)
Net cash generated from financing activities		2,085,912	2,117,020
Net increase/(decrease) in cash and cash equivalents		592,761	(712,871)
Cash and cash equivalents at 1 January		734,057	1,446,928
Cash and cash equivalents at 31 December	28	1,326,818	734,057

Notes to the Accounts

1 GENERAL INFORMATION

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

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

These consolidated accounts are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated, and have been approved for issue by the Board of Directors on 2 April 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated accounts are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

The consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated accounts, are disclosed in Note 4.

(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[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendment)	Eligible Hedged Items[2]
HKFRS 1 (Revised)	First-time Adoption[2]
HKFRS 1 & HKAS 27 (Amendments)	Cost of Investments in a Subsidiary, Jointly Controlled Entities or Associates[1]
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures — improving Disclosures about Financial Instruments[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 9 and HKAS 39	Embedded Derivatives[5]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[2]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[6]

1 Effective for annual periods beginning on or after 1 January 2009

2 Effective for annual periods beginning on or after 1 July 2009

3 Effective for annual periods beginning on or after 1 July 2008

4 Effective for annual periods beginning on or after 1 October 2008

5 Effective for annual periods ending on or after 30 June 2009

6 Effective for transfer of assets from customers 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 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 the Group had breached certain financial covenants in respect of the relevant bank loan, details of which have been disclosed in Note 31. 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 these financial statements on a going concern basis.

2.2 **Consolidation**

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

(a) ***Subsidiaries***

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated profit and loss account (Note 2.7).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.8). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) ***Minority interests***

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated profit and loss account. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) ***Associated companies***

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associated company is accounted for using the equity method of accounting and is initially recognised at cost. The Group's investments in associated companies include goodwill (net of any accumulated impairment loss) identified on acquisition, if any (Note 2.7).

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the consolidated profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interests in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains or losses in an associated company is recognised in the consolidated profit and loss account.

In the Company's balance sheet the interest in an associated company is stated at cost less provision for impairment losses (Note 2.8). The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

(d) ***Jointly controlled entities***

A jointly controlled entity is an entity established under a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The Group's interests in a jointly controlled entity are accounted for by the equity method of accounting.

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

2.3 **Foreign currency translation**

(a) ***Functional and presentation currency***

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The principal activities of the Group are transacted in RMB and accordingly the consolidated accounts are presented in RMB, which is the Company's functional and presentation currency.

(b) ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated profit and loss account within "finance cost". All other foreign exchange gains and losses are presented in the consolidated profit and loss account within "other (losses)/gains," net.

Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

(c) ***Group companies***

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.4 **Property, plant and equipment**

Property, plant and equipment other than construction in progress (see Note 2.5 below) are recognised initially at cost. Cost comprises purchase price, costs transferred from construction in progress and any directly attributable costs of bringing the assets to the condition for their intended use.

Subsequent to the initial recognition, property, plant and equipment other than construction in progress are carried at their revalued amounts less subsequent accumulated depreciation and impairment losses. Independent valuations, on a market value basis or depreciated replacement cost basis when there is no evidence of market value for such an item, are performed on a regular basis with an interval of not more than five years. In the intervening years, the directors review the carrying values of the assets and adjustment is made where they consider that there has been a material change.

Increases in the carrying amount arising on revaluation are credited to the revaluation reserve. Decreases that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are expensed in the profit and loss account. Any subsequent increases are credited to the profit and loss account up to the amount previously charged. Upon the disposal of the assets, any revaluation reserve balance remaining attributable to the relevant asset is transferred from the revaluation reserve to retained earnings and is shown as a movement in reserves.

Depreciation of property, plant and equipment (other than construction in progress) is calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Over the lease term
Furniture and fixture	3 - 5 years
Buildings	8 - 45 years
Power generators and equipment	9 - 28 years
Electricity supply equipment	13 - 30 years
Tools and other equipment	3 - 18 years
Motor vehicles	2 - 12 years

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the profit and loss account during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8). Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment losses do not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

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

2.5 **Construction in progress**

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the costs of plant and machinery and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.4 above.

2.6 **Land use rights**

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses (if any). Cost mainly represents consideration paid for the rights to use the land on which various plants and buildings are situated for a period of 50 years from the date the respective right was granted. Amortisation of land use rights is calculated on a straight-line basis over the period of the land use rights.

2.7 **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose (Note 2.8).

2.8 **Impairment of investments in subsidiaries, associated company, jointly controlled entity and non-financial assets**

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generated unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account.

2.9 **Financial assets**

The Group classifies its financial assets in the following categories: loans and receivable and available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

(b) ***Available-for-sale financial assets***

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Investments are initially recognised at fair value plus transaction cost. Financial assets are derecognised when the right to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method, less any provision for impairment.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in the profit or loss account; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investment securities. Dividends on available-for-sale equity instruments are recognised in the profit and loss account as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of accounts and other receivables is described in Note 2.11.

2.10 **Inventories**

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

2.11 **Accounts and other receivables**

Accounts and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss account within other operating expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited to other gains in the profit and loss account.

2.12 **Cash and cash equivalents**

Cash and cash equivalents include cash in hand and deposits held at call with banks.

2.13 **Financial liabilities and equity**

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Financial liabilities (including trade payables) are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. An equity instrument is any contract that does not meet the definition of financial liability and evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Ordinary shares are classified as equity. Incremental costs, net of tax, directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

2.14 **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 **Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated profit and loss account, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the places where the Group and its associated company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated company and jointly controlled entity, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 **Employee benefits**

(a) ***Pension obligations***

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

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

All contributions to pension plans are fully and immediately vested and the Group had no unvested benefits available to reduce its future contributions.

(b) ***Bonus entitlements***

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(c) ***Share-based compensation***

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.17 **Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligations using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 **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. Subsidies and grants received are initially recognised at their fair values where there is a reasonable assurance that the subsidies and grants will be received and the Group will comply with all attached conditions. Deferred income is included in non-current liabilities and are credited to the profit and loss account on a straight-line basis over the expected lives of the related assets and projects.

2.19 **Lease**

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in short-term and long-term finance lease obligations. The interest element of the finance cost is charged to the profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.20 **Operating lease**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made or received under operating leases (net of any incentives received from the lessor) are charged or credited to the profit and loss account on a straight-line basis over the period of the lease.

2.21 **Borrowing costs**

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are charged to the profit and loss account in the period in which they are incurred.

2.22 **Revenue and income recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax and discounts and after eliminating sales within the Group.

The Group recognises revenue and income when the amount can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

(i) Sales of electricity are recognised when electricity is generated and transmitted.

(ii) Management fee income and service fee income are recognised when services are rendered.

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

(iv) Interest income is recognised on a time-proportion basis using the effective interest method.

2.23 **Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's accounts in the period in which the dividends are approved by the Company's shareholders or directors as appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 **Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The use of financial derivatives to hedge certain risk exposures is governed by the Group's policies approved by the Board of Directors. The Group does not use derivative financial instruments for speculative purposes.

(a) ***Foreign exchange risk***

The Group mainly operates in the PRC with most of the transactions settled in RMB. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk primarily with respect to Hong Kong dollars ("HK$") and US dollars ("USD").

The Group's assets and liabilities, and transactions arising from its operations primarily do not expose to material foreign exchange risk. Other than certain bank balances and bank borrowings, the Group's assets and liabilities are primarily denominated in RMB. The Group generates RMB from sales in the PRC to meet its liabilities denominated in RMB. The Group has not used any forward contracts or currency borrowings to hedge its exposure as the cost-benefit is considered not effective.

As at 31 December 2007 and 2008, certain of the Group's cash and bank balances and borrowings were denominated in HK$ and USD, details of which have been disclosed in Notes 28 and 31. RMB experienced certain appreciation in recent years which is the major reason for the exchange losses recognised by the Group for the years ended 31 December 2007 and 2008. Further depreciation or appreciation of HK$/USD against RMB will affect the Group's financial position and results of operations.

At 31 December 2008, if HK$ had weakened/strengthened by 5% against RMB, with all other variables held constant, post-tax loss for the year would have been RMB3,893,000 higher/lower (2007: post-tax profit would have been RMB21,075,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of HK dollars-denominated cash and bank balances.

At 31 December 2008, if USD had weakened/strengthened by 5% against RMB, with all other variables held constant, post-tax loss for the year would have been RMB4,302,000 lower/higher (2007: post-tax profit would have been RMB4,000 lower/higher) mainly as a result of foreign exchange losses/gains on translation of USD-denominated bank deposits and borrowings.

(b) ***Interest rate risks***

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for the bank balances and deposits, details of which have been disclosed in Note 28. The Group's exposure to changes in interest rates is mainly attributable to its borrowings, details of which have been disclosed in Notes 31 to 32. Borrowings carried at floating rates expose the Group to cash flow interest rate risk whereas borrowings carried at fixed rates expose the Group to fair value interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

At 31 December 2008, if the interest rates on bank borrowings had been 50 basis points higher/lower than the prevailing rate announced by the People's Bank of China, with all other variables held constant, post-tax loss/profit for the year would have been RMB2,951,000 higher/lower (2007: RMB10,820,000 lower/higher), mainly as a result of higher/lower interest expense on floating rate bank borrowings.

(c) ***Price risk***

The Group is exposed to equity securities price risk in respect of investments held by the Group which are classified as available-for-sale financial assets. The Group's available-for-sale financial assets are publicly traded. However, the Group does not trade these investments as such investments are held for strategic rather than trading purpose. The volatility of stock market is generally significant recently. At 31 December 2008, if the quoted market price of the equity investments held by the Group had increased/decreased by 10% to 30%, with all other variables held constant, the results of the Group would have been unaffected as the investment are classified as available-for-sale and no investments had been disposed of or considered impaired; and equity would have been RMB137,901,000 to RMB400,945,000 (2007: RMB339,828,000 to RMB1,019,483,000) higher or RMB137,901,000 to RMB413,703,000 (2007: RMB339,828,000 to RMB1,019,483,000) lower, mainly as a result of the changes in fair value of available-for-sale financial assets.

The Group also exposes to commodity price risk mainly in relation to the coal price. At 31 December 2008, the Group had entered into certain coal purchase contracts with coal suppliers in order to reduce its exposure to fluctuations in coal prices.

(d) ***Credit risk***

The carrying amounts of cash at bank and term deposits, available-for-sale financial assets and receivables included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

Substantially all of the Group's cash at bank and term deposits are held in major financial institutions, which management believes are of high credit quality. The Group's available-for-sale financial assets are also publicly traded in a recognised stock exchange. Management does not expect any losses from non-performance by these counterparties.

The Group is exposed to significant concentration of credit risk in terms of electricity sales as a majority of the Group's sales of electricity were made to regional and provincial power grid companies. The Group normally grants credit terms ranging from 15 to 60 days to these power grid companies and the Group normally does not require collaterals from trade debtors. Ageing analysis of the Group's accounts receivable is disclosed in Note 26. The Group also makes advancement to HEPC in order to support the electricity transmission requirements. Management makes periodic collective assessment as well as individual assessment on the recoverability of account and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the relevant debtors. The Group's historical experience in collection of accounts and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made.

(e) ***Liquidity risk***

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements have been for construction of power plants, additions of and upgrades on property, plant and equipment, payment on related debts and payment for purchases and operating expenses. The Group finances its working capital requirements through a combination of internal resources and short-term and long-term bank loans.

As at 31 December 2008, the net current liabilities of the Group amounted to RMB330,024,000. Management monitors regularly the Group's current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed banking facilities to meet its working capital requirements. The amount of undrawn credit facilities at the balance sheet date are disclosed in Note 31 to the accounts. The directors believe that the Group's current operating cash flows and credit facilities from banks are sufficient for financing its capital commitments in the near future and for working capital purposes.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Group				
At 31 December 2008				
Bank borrowings	2,306,728	1,354,687	1,908,304	12,123,170
Payables and accruals	2,271,722	—	—	—
Amounts due to:				
Ultimate holding company	68,643	—	—	—
Fellow subsidiaries	147,730	—	—	—
Long-term payable to CPIF	14,231	277,313	—	—
Obligations under finance leases	29,615	29,615	88,845	192,388
Short-term loan from CPIF	105,583	—	—	—
At 31 December 2007				
Bank borrowings	1,579,888	1,047,924	1,427,870	10,291,208
Payables and accruals	2,070,224	—	—	—
Amounts due to:				
Ultimate holding company	81,471	—	—	—
Fellow subsidiaries	26,163	—	—	—
Long-term payable to CPIF	148,180	14,231	277,352	—
Company				
At 31 December 2008				
Payables and accruals	21,912	—	—	—
Amounts due to:				
Subsidiaries	158,190	—	—	—
Ultimate holding company	271	—	—	—
Bank borrowings	430,215	—	—	—
At 31 December 2007				
Payables and accruals	21,030	—	—	—
Amounts due to:				
Subsidiaries	49,410	—	—	—
A fellow subsidiary	2,558	—	—	—

3.2 **Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic condition. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders, issue new shares, sell assets to reduce debt or to obtain bank borrowings.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity", as shown in the consolidated balance sheet, plus net debt.

The table below analyses the Group's capital structure as at 31 December 2008 and 2007.

	2008	**2007**
	RMB'000	*RMB'000*
Total bank borrowings (Note 31)	11,056,875	8,777,350
Total payables to CPIF (Note 32)	370,295	398,158
Less: Cash and cash equivalents (Note 28)	(1,326,818)	(734,057)
Net debt	10,100,352	8,441,451
Total equity	8,141,693	11,179,347
Total capital	18,242,045	19,620,798
Gearing ratio	55%	43%

The increase in the gearing ratio during 2008 resulted primarily from the additional borrowings obtained in order to finance the capital investments in the construction and development of new power plants.

3.3 **Fair value estimation**

The carrying amounts of the Group's current financial assets, including cash and cash equivalents, accounts receivable, deposits and other receivables and balances with group companies, and the Group's current financial liabilities including accounts payable, other payables and accrued charges, current borrowings and balances with group companies, approximate their fair values due to their short maturities.

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The nominal values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the accounts are continually 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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Property, plant and equipment carried at valuation

Property, plant and equipment other than construction in progress are revalued by independent valuers on a regular basis with an interval of not more than five years. In the intervening years the directors review the carrying values and adjustment is made where there has been a material change. In arriving at the valuation, assumptions and economic estimates have to be made.

(ii) Useful lives, residual values and depreciation charges of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment, other than construction in progress. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. It could change significantly as a result of technological advancement and innovations in the power industry. Management will adjust the depreciation charge where useful lives or residual values vary with previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(iii) Impairment of non-financial assets

The Group tests annually whether goodwill has suffered any impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the profit and loss account.

(iv) Current and deferred taxation

The Group is subject to income taxes in various jurisdictions. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation charges in the period in which such estimate is changed.

(v) **Significant influence of an associated company**

An associated company is an entity over which the Group has significant influence, but not control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

In determining whether significant influence can be exercised over an entity, judgement is required in assessing the amount of influence that the Group can exert on the investee company's financial and operating policy decisions. In making this judgement, the Group evaluates the facts and circumstances after taking into account of, among other factors, the board composition of the investee company, the number of board members that the Group may nominate, the timeliness and sufficiency of financial information that can be made available to the Group, the details of the decision making process that the Group can participate, and the relative voting rights of board representatives from each shareholder. These circumstances may change from time to time as a result of a change in business strategies, shareholdings or relative voting rights of board representatives. Management continues to evaluate the situation and when there are facts and circumstances indicating that the Group starts or ceases to be able to exercise significant influence on the investee company, the Group may account for the investment differently in accordance with the relevant accounting policies.

5 TURNOVER, REVENUE AND SEGMENT INFORMATION

Revenue recognised during the year is as follows:

	2008	**2007**
	RMB'000	*RMB'000*
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
	9,632,381	5,907,301

Notes:

(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.

6 OTHER INCOME

	2008	2007
	RMB'000	*RMB'000*
Management fee income (Note 40)	7,036	11,322
Rental income	1,806	5,480
Repairs and maintenance services fee income (note)	—	24,920
	8,842	41,722

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

7 OTHER GAINS

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

8 OPERATING (LOSS)/PROFIT

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

	2008	2007
	RMB'000	*RMB'000*
Amortisation of land use rights (Note 18)	895	641
Auditor's remuneration	5,043	5,918
Depreciation of property, plant and equipment (Note 16)	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 (Note 11)	384,763	333,625
Write-off of pre-operating expenses	41,771	27,336

9 FINANCE COSTS

	2008	2007
	RMB'000	*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	—
	737,402	487,023
Less: Amounts capitalised in property, plant and equipment	(125,953)	(327,530)
	611,449	159,493
Net exchange losses	18,055	25,457
	629,504	184,950

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.

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 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	2007
	RMB'000	*RMB'000*
PRC current income tax	40,888	72,827
Deferred income tax credit (Note 37)	(33,713)	(3,350)
	7,175	69,477

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

	2008	2007
	RMB'000	*RMB'000*
(Loss)/profit before taxation	(690,031)	660,906
Less: Share of losses of associated companies	43,194	47,909
Share of loss of a jointly controlled entity	3,869	—
	(642,968)	708,815
Calculated at the PRC statutory tax rate of 25% (2007: 33%)	(160,742)	233,909
Effect of preferential tax rate	33,083	(94,473)
Effect of tax holiday	(11,695)	(12,824)
Effect of different taxation rates	11,438	12,153
Income not subject to taxation	(10,886)	(118,455)
Expenses not deductible for taxation purposes	52,596	50,867
Tax losses for which no deferred income tax asset was recognised	93,381	—
Effect of changes in tax rates	—	(1,700)
Taxation	7,175	69,477

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 is 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.

11 STAFF COSTS

	2008	2007
	RMB'000	*RMB'000*
Wages, salaries and bonuses	222,902	181,087
Share options granted to directors and employees	9,322	8,371
Pension costs - defined contribution plans	43,637	50,711
Staff welfare	108,902	93,456
	384,763	333,625

12 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the accounts of the Company to the extent of a loss of RMB292,737,000 (2007: a profit of RMB570,491,000).

13 (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)	(0.19)	0.16

(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

14 DIVIDENDS

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

15 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The remuneration of each of the directors of the Company for the year ended 31 December 2008 is set out below:

Name of director	Fees	Basic salary, housing allowance, other allowances and benefits in kind	Discretionary bonuses	Employer's contribution to pension scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Ms. Li Xiaolin	—	1,331[b]	189	—	1,520
Mr. Hu Jiandong[a]	—	64[b]	200	—	264
Mr. Liu Guangchi	—	532[b]	—	—	532
Non-executive directors					
Mr. Wang Binghua[a]	—	—[b]	—	—	—
Mr. Gao Guangfu	109	323[b]	—	—	432
Mr. Guan Qihong	109	93[b]	—	—	202
Independent non-executive directors					
Mr. Kwong Che Keung, Gordon	182	109	—	—	291
Mr. Li Fang	182	109	—	—	291
Mr. Tsui Yiu Wa, Alec	182	109	—	—	291

The remuneration of each of the directors of the Company for the year ended 31 December 2007 is set out below:

Name of director	Fees	Basic salary, housing allowance, other allowances and benefits in kind	Discretionary bonuses	Employer's contribution to pension scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Ms. Li Xiaolin	—	1,429[b]	57	1	1,487
Mr. Hu Jiandong[a]	—	1,095[b]	71	1	1,167
Non-executive directors					
Mr. Wang Binghua[a]	194	478[b]	—	—	672
Mr. Gao Guangfu	116	362[b]	—	—	478
Independent non-executive directors					
Mr. Kwong Che Keung, Gordon	194	116	—	—	310
Mr. Li Fang	194	116	—	—	310
Mr. Tsui Yiu Wa, Alec	194	136	—	—	330

None of the directors of the Company waived any emoluments during the years ended 31 December 2007 and 2008.

[a] Mr. Wang Binghua and Mr. Hu Jiandong resigned as directors on 1 January and 30 January 2008 respectively.

[b] Included in the amount were share-based compensation, which are determined based on the fair value of the share options granted to the relevant directors at the date of grant and recognised over the vesting periods. During the years ended 31 December 2007 and 2008, none of these options has been exercised by the directors.

(b) **Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year include 1 (2007: 2) director(s) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 4 (2007: 3) individuals during the year are as follows:

	2008	**2007**
	RMB'000	*RMB'000*
Basic salaries, housing allowance, other allowances, share options and benefits in kind	3,463	2,892
Discretionary bonuses	778	204
Employer's contribution to pension scheme	—	2
	4,241	3,098

The emoluments fell within the following bands:

	Number of individuals	
	2008	**2007**
Nil to HK$1,000,000 (equivalent to RMB909,140 (2007: RMB970,530))	1	1
HK$1,000,001 to HK$2,000,000 (equivalent to RMB909,141 to RMB1,818,280 (2007: RMB970,531 to RMB1,941,060))	3	2

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

16 PROPERTY, PLANT AND EQUIPMENT

(a) **Group**

	Buildings and leasehold improvements	Power generators and equipment	Electricity supply equipment	Furniture and fixture, tools and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost or valuation							
At 1 January 2008	4,641,135	11,671,456	2,361,229	680,447	96,388	3,641,730	23,092,385
Additions	2,619	231,583	120	15,413	10,711	1,934,762	2,195,208
Disposals	(13,727)	(36,616)	(4,535)	(11,172)	(41)	—	(66,091)
Transfer	763,665	3,275,103	776,944	40,800	35,464	(4,891,976)	—
Release of revaluation	(174,131)	(481,472)	(7,307)	(21,925)	—	—	(684,835)
At 31 December 2008	5,219,561	14,660,054	3,126,451	703,563	142,522	684,516	24,536,667
Representing:							
Cost	2,437,006	7,963,163	1,705,593	276,079	65,259	684,516	13,131,616
Valuation	2,782,555	6,696,891	1,420,858	427,484	77,263	—	11,405,051
	5,219,561	14,660,054	3,126,451	703,563	142,522	684,516	24,536,667
Accumulated depreciation and impairment losses							
At 1 January 2008	1,607,772	5,479,675	1,101,722	257,739	50,921	—	8,497,829
Depreciation charge for the year	148,024	498,752	92,314	49,561	9,705	—	798,356
Impairment charge for the year (note (i))	119,187	209,879	14,570	4,869	—	—	348,505
Disposals	(6,324)	(31,897)	(2,875)	(9,883)	(37)	—	(51,016)
Release of revaluation	(173,628)	(473,672)	(6,886)	(19,933)	—	—	(674,119)
At 31 December 2008	1,695,031	5,682,737	1,198,845	282,353	60,589	—	8,919,555
Net book value							
At 31 December 2008	3,524,530	8,977,317	1,927,606	421,210	81,933	684,516	15,617,112

	Buildings and leasehold improvements	Power generators and equipment	Electricity supply equipment	Furniture and fixture, tools and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost or valuation							
At 1 January 2007	3,132,412	7,242,573	1,435,281	511,539	150,045	3,920,940	16,392,790
Additions	18,018	808	342	12,890	16,803	6,966,607	7,015,468
Disposals	(124)	(1,049)	(1,189)	(3,377)	(1,158)	—	(6,897)
Transfer	1,652,704	4,455,669	928,187	206,976	2,281	(7,245,817)	—
Disposal of subsidiaries	(161,875)	(26,545)	(1,392)	(47,581)	(71,583)	—	(308,976)
At 31 December 2007	4,641,135	11,671,456	2,361,229	680,447	96,388	3,641,730	23,092,385
Representing:							
Cost	1,670,722	4,456,477	928,529	219,866	19,084	3,641,730	10,936,408
Valuation	2,970,413	7,214,979	1,432,700	460,581	77,304	—	12,155,977
	4,641,135	11,671,456	2,361,229	680,447	96,388	3,641,730	23,092,385
Accumulated depreciation and impairment losses							
At 1 January 2007	1,560,501	5,241,395	1,060,219	246,845	77,056	—	8,186,016
Depreciation charge for the year	107,103	259,763	43,344	37,290	12,584	—	460,084
Disposals	(55)	(944)	(1,100)	(3,353)	(987)	—	(6,439)
Disposal of subsidiaries	(59,777)	(20,539)	(741)	(23,043)	(37,732)	—	(141,832)
At 31 December 2007	1,607,772	5,479,675	1,101,722	257,739	50,921	—	8,497,829
Net book value							
At 31 December 2007	3,033,363	6,191,781	1,259,507	422,708	45,467	3,641,730	14,594,556

(i) As a result of the close down and planned close down of certain power generating units of the Group, an impairment loss on the Group's power generators and equipment amounting to RMB348,505,000 is recognised in the consolidated profit and loss account.

(ii) As at 31 December 2008, certain of the Group's property, plant and equipment with carrying value of approximately RMB4,800 million (2007: RMB4,619 million) were situated on leasehold land in the PRC leased from China Power Investment Corporation (中國電力投資集團公司) ("CPI Group") which held the rights on the leasehold land under long-term leases. The remaining period of the Group's rights on leasehold land as at 31 December 2008 is ranging from 11 to 17 years (2007: 12 to 18 years).

(iii) As at 31 December 2008, the legal title of certain of the Group's properties with carrying amount of approximately RMB1,938 million (2007: RMB923 million) had not been transferred to the Group subject to certain administrative procedures to be completed by the relevant local government authorities. However, the directors are of the opinion that the risks and rewards of using these assets have been transferred to the Group.

(iv) As at 31 December 2008, certain property, plant and equipment of the Group with carrying amount of approximately RMB420 million (2007: RMB580 million) was pledged as security for certain long-term bank borrowings of the Group (Note 31).

(v) As at 31 December 2008, the cost and accumulated depreciation of property, plant and equipment held by the Group under finance leases amounted to RMB232,630,000 (2007: Nil) and RMB9,692,917 (2007: Nil) respectively.

(b) **Company**

	Leasehold improvements	**Office and other equipment**	**Furniture and fixture**	**Motor vehicles**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost or valuation					
At 1 January 2008	5,669	1,205	68	2,359	9,301
Additions	1,883	120	416	—	2,419
Disposals	—	(9)	(15)	—	(24)
At 31 December 2008	7,552	1,316	469	2,359	11,696
Representing:					
Cost	1,883	170	419	1,832	4,304
Valuation	5,669	1,146	50	527	7,392
	7,552	1,316	469	2,359	11,696
Accumulated depreciation and impairment losses					
At 1 January 2008	3,136	464	38	452	4,090
Depreciation charge for the year	1,181	243	59	422	1,905
Disposals	—	(7)	(11)	—	(18)
At 31 December 2008	4,317	700	86	874	5,977
Net book value					
At 31 December 2008	3,235	616	383	1,485	5,719

	Leasehold improvements	Office and other equipment	Furniture and fixture	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost or valuation					
At 1 January 2007	5,669	1,155	65	527	7,416
Additions	—	50	3	1,832	1,885
At 31 December 2007	5,669	1,205	68	2,359	9,301
Representing:					
Cost	—	50	3	1,832	1,885
Valuation	5,669	1,155	65	527	7,416
	5,669	1,205	68	2,359	9,301
Accumulated depreciation and impairment losses					
At 1 January 2007	2,059	228	24	19	2,330
Depreciation charge for the year	1,077	236	14	433	1,760
At 31 December 2007	3,136	464	38	452	4,090
Net book value					
At 31 December 2007	2,533	741	30	1,907	5,211

(c) As detailed in Note 2.4, property, plant and equipment other than construction in progress are recognised initially at cost and are stated at revalued amount less subsequent accumulated depreciation and accumulated impairment losses. The latest independent valuation was performed by Sallmanns (Far East) Limited (the former name of Jones Lang LaSalle Sallmanns Limited), independent valuers registered in Hong Kong, on a depreciated replacement cost or market value basis, where applicable, as at 31 December 2006.

The directors have reviewed the carrying value of the Group's property, plant and equipment as at 31 December 2008 and are of the opinion that the amount is not materially different from the carrying amount that would have been recognised had these assets been carried at cost less accumulated depreciation and impairment losses or their fair values.

17 PREPAYMENT FOR CONSTRUCTION OF POWER PLANTS

Prepayment for construction of power plants represents advance payments made to contractors in connection with the construction of the Group's power plants including payments for equipment and machineries pending delivery to the relevant power plants for installation.

18 LAND USE RIGHTS

	Group 2008	Group 2007
	RMB'000	*RMB'000*
Cost		
At 1 January	44,511	19,097
Additions	—	29,505
Disposal of subsidiaries	—	(4,091)
At 31 December	44,511	44,511
Accumulated amortisation		
At 1 January	1,177	579
Amortisation charge for the year	895	641
Disposal of subsidiaries	—	(43)
At 31 December	2,072	1,177
Net book amount		
At 31 December	42,439	43,334

The amount represents cost of the land use rights in respect of land located in the PRC where certain of the Group's property, plant and equipment are built on. As at 31 December 2008, the remaining period of the land use rights ranged between 46 and 48 years.

19 GOODWILL

	Group 2008	Group 2007
	RMB'000	*RMB'000*
Cost		
At 1 January	166,939	166,939
Accumulated impairment losses		
At 1 January	—	—
Impairment loss	40,000	—
At 31 December	40,000	—
Net book amount		
At 31 December	126,939	166,939

Goodwill is allocated to Shanxi Shentou Electric Power Company Limited ("Shentou"), a subsidiary of the Group.

For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management for the purposes of impairment reviews covering a five-year period.

There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget. Management prepared the financial budgets taking into account actual and prior year performance and market development expectations. The pre-tax discount rate used for value-in-use calculations for goodwill is 9% (2007:9%). Management estimates the discount rate using pre-tax rates that reflect market assessments of the time value of money and the specific risks relating to the cash-generating unit. Other key assumptions applied in the impairment tests include the expected tariff rates, demands of electricity in the region where the power plant is located and fuel costs.

During the year, the Group assessed the recoverable amount of goodwill and determined that goodwill associated with Shentou was impaired. The main factor contributing to the impairment of the cash-generating unit was due to certain power generating units in Shentou were closed down during the year, and it is expected that further power generating units in Shentou will also be closed down in the upcoming years. All relevant assets in Shentou have also been write-down to their recoverable amounts accordingly (also see Note 16).

At 31 December 2008, if the pre-tax discount rate applied to the discounted cash flow had been 1% higher/lower, with all other variables held constant, the impairment charges on goodwill would increase by approximately RMB57,000,000 or otherwise no impairment charge will be required.

At 31 December 2008, if the budgeted fuel price applied to the discounted cash flow had been 5% higher/lower, goodwill will be further impaired or otherwise no impairment charge will be required.

20 INVESTMENTS IN SUBSIDIARIES

	Company	
	2008	**2007**
	RMB'000	*RMB'000*
Unlisted investments, at cost (note (a))	4,418,737	4,175,750
Provision for impairment	(483,152)	—
	3,935,585	4,175,750
Amounts due from subsidiaries (note (b))	242,650	431,068
Amounts due to subsidiaries (note (c))	158,190	49,410

Notes:

(a) During the year, the Company made additional capital contribution to power plants under construction amounting to approximately RMB203 million.

(b) Except for an aggregate amount due from subsidiaries of RMB230,000,000 (2007: RMB430,000,000) which carries interest ranging from 3.33% to 5.91% (2007: 2.88% to 3.42%) per annum and repayable within the next twelve months, amounts due from subsidiaries are unsecured, interest free and repayable on demand.

(c) The amounts due to subsidiaries are unsecured, repayable on demand, and carry interest at 0.36% to 0.72% (2007: 0.72% to 0.81%) per annum.

The following is a list of the subsidiaries at 31 December 2008:

Name of companies	Place of establishment and operation	Paid up/ issued capital	Equity interest attributable to the Group	Type of legal entity	Principal activities
Interests held directly:					
Pingdingshan Yaomeng Power Generating Company Limited	The PRC	RMB866,000,000	100%	Wholly foreign-owned enterprise	Generation and sale of electricity
Anhui Huainan Pingwei Electric Power Generating Company Limited	The PRC	RMB841,600,000	100%	Wholly foreign-owned enterprise	Generation and sale of electricity
Huainan Pingwei No.2 Electric Power Generating Company Limited	The PRC	USD104,153,007	100%	Wholly foreign-owned enterprise	Generation and sale of electricity
Pingdingshan Yaomeng No.2 Power Generating Company Limited	The PRC	USD102,319,058	100%	Wholly foreign-owned enterprise	Generation and sale of electricity
Huanggang Dabieshan Power Generating Company Limited	The PRC	RMB721,967,631	93%	Sino-foreign equity joint venture	Generation and sale of electricity
Tianze Development Limited (“Tianze”)	British Virgin Islands	USD1	100%	Limited liability company	Investment holding
中電恒源物流(北京)有限公司	The PRC	HK$5,000,000	100%	Wholly foreign-owned enterprise	Provision of logistics service
四川中電福溪電力開發有限公司	The PRC	USD9,764,000	51%	Sino-foreign equity joint venture	Development of power plants
遼寧中電清河發電有限公司	The PRC	RMB82,356,000	100%	Wholly foreign-owned enterprise	Development of power plants
Interests held indirectly:					
Shanxi Shentou Electric Power Company Limited	The PRC	RMB501,681,030	100%	Wholly foreign-owned enterprise	Generation and sale of electricity
中電博亞企業管理(北京)有限公司	The PRC	HK$1,000,000	100%	Wholly foreign-owned enterprise	Provision of management service

21 INTEREST IN AN ASSOCIATED COMPANY

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investments, at cost	552,500	552,500	552,500	552,500
Share of undistributed post-acquisition reserves	251,600	294,794	—	—
	804,100	847,294	552,500	552,500

The following are the details of the associated company as at 31 December 2008:

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

The following is an extract of the operating results and financial position of Changshu Company, based on a set of unaudited management accounts of Changshu Company for the year prepared by management of the Group in accordance with those relevant accounting policies as set out in Note 2.

	2008	2007
	RMB'000	*RMB'000*
Operating results		
Turnover	2,081,378	1,903,730
(Loss)/profit before taxation	(109,205)	149,494
(Loss)/profit after taxation	(86,387)	125,609
Financial position		
Non-current assets	3,009,434	2,230,743
Current assets	566,113	449,732
Current liabilities	(1,905,142)	(823,742)
Long-term liabilities	(62,206)	(162,146)
Net assets	1,608,199	1,694,587

No dividend income was received from the associated company for the year (2007: RMB65,699,000).

22 INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	2008	**2007**
	RMB'000	*RMB'000*
Unlisted investment, at cost	70,000	—
Share of undistributed post-acquisition reserves	(3,869)	—
	66,131	—

The following are the details of the jointly controlled entity as at 31 December 2008:

Name of company	Place of establishment and operation	Paid up capital	Equity interest attributable to the Group	Type of legal entity	Principal activity
Interest held indirectly:					
廣州中電荔新電力實業有限公司 (Guangzhou China Power Lixin Industrial Company Limited ("China Power Lixin"))	The PRC	RMB140,000,000	50%	Sino-foreign equity joint venture	Generation and sale of electricity

The following amounts represent the Group's share of the assets, liabilities, revenues, results and commitments of the jointly controlled entity as derived from a set of unaudited management accounts of China Power Lixin for the year prepared by management of the Group in accordance with those relevant accounting policies as set out in Note 2.

	2008	2007
	RMB'000	*RMB'000*
Operating results		
Turnover	—	—
Loss for the year	3,869	—
Financial position		
Non-current assets	129,181	—
Current assets	39,570	—
Current liabilities	(102,620)	—
Long-term liabilities	—	—
Net assets	66,131	—
Capital commitments in respect of property, plant and equipment		
Contracted but not provided for	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 31 December 2008.

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December	
	2008	2007
	RMB'000	*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 approval of these accounts, 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	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

During the year ended 31 December 2007, the Group acquired a 25% equity interest in Shanghai Electric Power Co., Ltd. ("Shanghai Power"), a joint stock limited company incorporated in the PRC with its A shares listed on the Shanghai Stock Exchange, and commenced to account for Shanghai Power as an associated company from 17 March 2007.

Included in the share of results of associated companies for the year ended 31 December 2007 was a share of Shanghai Power's adjusted post-acquisition net loss for the period from 17 March 2007 to 22 December 2007 (the "Relevant Period") amounting to RMB110,714,000, which was mainly attributable to a share of Shanghai Power's adjusted loss on changes in fair value of derivative component of its convertible bonds amounting to RMB213,000,000.

During the Relevant Period, holders of these convertible bonds had substantially converted all these convertible bonds into new shares of Shanghai Power pursuant to the relevant terms and conditions. Consequently, the Group's interest in Shanghai Power had been diluted from 25% to 21.9% and a gain on deemed disposal of interest in Shanghai Power of RMB311,398,000 was recorded by the Group.

During the Relevant Period, Shanghai Power also experienced changes in certain substantial shareholders and as a result of a change in the composition of the board of directors in Shanghai Power on 22 December 2007, the directors of the Company consider that the Group is no longer able to exercise significant influence over the financial and operating decisions of Shanghai Power despite that the Group held an aggregate 21.9% interest in Shanghai Power. Consequently, the Company ceased to account for Shanghai Power as an associated company and began to recognise its investment in Shanghai Power as "Available-for-sale financial assets".

As at 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 held an aggregate 21.9% interest in Shanghai Power (also see Note 4(v)). 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.

24 LONG-TERM RECEIVABLE FROM HEPC

In order to support the electricity transmission requirements for a power plant in Hubei Province, the Group agreed to provide certain advancement to HEPC to the extent of RMB200,000,000. As of 31 December 2008, the Group advanced an aggregate amount of RMB68,000,000 to HEPC for which it was agreed that RMB34,000,000 shall be repayable by 30 September 2009 and the remaining amount to be repayable by 30 September 2010. The amounts due from HEPC are unsecured and are interest free.

25 INVENTORIES

	Group	
	2008	**2007**
	RMB'000	*RMB'000*
Coal and oil	313,903	125,041
Spare parts and consumables	185,873	152,802
	499,776	277,843

26 ACCOUNTS RECEIVABLE

	Group	
	2008	**2007**
	RMB'000	*RMB'000*
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
	1,375,156	1,283,074

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 31).

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**
	RMB'000	*RMB'000*
1 to 3 months	1,334,956	844,762
4 to 6 months	—	16,169
7 to 9 months	—	423
	1,334,956	861,354

The credit quality of accounts receivable that are neither past due nor impaired has been assessed by reference to the historical information about counterparty default rates. The existing counterparties do not have significant default in the past.

As of 31 December 2008, no accounts receivable were past due (2007: RMB17,619,000). Receivables from provincial power grid companies and with other power companies were not considered to be impaired because there is no recent history of default. The ageing analysis of these accounts receivable is as follows:

	2008	**2007**
	RMB'000	*RMB'000*
Overdue		
1 to 3 months	—	1,027
4 to 6 months	—	16,169
7 to 9 months	—	423
	—	17,619

(b) Notes receivable are analysed as follows:

	2008	**2007**
	RMB'000	*RMB'000*
Bank acceptance notes issued by related parties	34,700	208,720
Bank acceptance notes issued by third parties	5,500	16,000
Commercial acceptance notes issued by related parties	—	177,000
Commercial acceptance notes issued by third parties	—	20,000
	40,200	421,720

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.

27 BALANCES WITH GROUP COMPANIES

The balances with group companies are unsecured, interest free and are repayable on demand.

28 CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and in hand	639,243	326,719	566,704	252,951
Time deposits with initial term of less than three months	687,575	407,338	687,575	407,338
	1,326,818	734,057	1,254,279	660,289
Denominated in:				
RMB	922,269	312,425	853,051	243,562
USD	326,689	93	326,575	9
HK$	77,860	421,539	74,653	416,718
	1,326,818	734,057	1,254,279	660,289

(i) The weighted average effective interest rate on time deposits, with maturity ranging from 1 week to 3 months, was 2.6% and 2.5% per annum during the years ended 31 December 2008 and 2007 respectively. Cash at bank earns interest at floating rates based on daily bank deposit rates.

(ii) The Group's cash and cash equivalents denominated in RMB are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

29 SHARE CAPITAL

(a) **Authorised and issued capital**

	Company	
	Number of shares	**Notional amount**
	(of HK$1 each)	*RMB'000*
Authorised:		
At 1 January 2007, 31 December 2007 and 31 December 2008	10,000,000,000	10,600,000
Issued and fully paid:		
At 1 January 2007	3,605,103,850	3,798,104
Exercise of share options (note)	507,000	506
At 31 December 2007 and 31 December 2008	3,605,610,850	3,798,610

Note: During the year ended 31 December 2007, 507,000 new share of HK$1 each were issued at a price of HK$2.53 each for cash upon the exercise of the relevant options to subscribe for 507,000 shares of the Company under a share option scheme of the Company as detailed in note (b) (ii) below. These new shares rank pari passu in all respects with the existing shares.

(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*

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

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

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

Date of grant	Expiry date	Exercise price	Number of shares subject to the options At 31 December 2008	Number of shares subject to the options At 31 December 2007
Directors				
4 April 2007	3 April 2017	HK$4.07	2,572,000	4,870,000
2 July 2008	1 July 2018	HK$2.326	2,360,000	—
Senior management and other employees				
4 April 2007	3 April 2017	HK$4.07	12,951,000	15,759,000
2 July 2008	1 July 2018	HK$2.326	27,230,000	—
			45,113,000	20,629,000

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

	2008		2007	
	Average exercise price in HK$ per share	Number of options	Average exercise price in HK$ per share	Number of options
At 1 January	4.07	20,629,000	—	—
Granted	2.326	29,590,000	4.07	20,629,000
Lapsed	4.07	(5,106,000)		—
		45,113,000		20,629,000

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.

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.

(ii) *Pre-IPO Share Option Scheme*

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

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

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

Details of the options granted under the Pre-IPO Scheme outstanding as at 31-December 2008 and 31 December 2007 are as follows:

				Number of shares subject to the options	
	Date of grant	Expiry date	Exercise price	At 31 December 2008	At 31 December 2007
Directors	18 September 2004	17 September 2014	HK$2.53	1,869,200	4,361,500
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	1,537,000	2,473,000
				7,103,100	10,531,400

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

	2008		2007	
	Average exercise price in HK$ per share	**Number of options**	**Average exercise price in HK$ per share**	**Number of options**
At 1 January	2.53	10,531,400	2.53	11,819,100
Exercised	2.53	—	2.53	(507,000)
Lapsed	2.53	(3,428,300)	2.53	(780,700)
	2.53	7,103,100	2.53	10,531,400

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.

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 date since there were no trading record of the Company's shares at the respective grant dates.

30 RESERVES

Group

	Merger reserve (note (i))	Capital reserve (note (ii))	Revaluation reserve	Available-for-sale investments	Statutory reserves (note (iii))	Share-based compensation reserve	Accumulated losses (note (iv))	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008	306,548	2,262,848	511,440	1,751,557	137,972	20,450	(409,897)	4,580,918
Release of revaluation reserve upon impairment of property, plant and equipment	—	—	(10,716)	—	—	—	—	(10,716)
Release of revaluation reserve upon disposal of property, plant and equipment								
- Group	—	—	(3,820)	—	—	—	3,820	—
- An associated company	—	—	(80)	—	—	—	80	—
Decrease in fair value of available-for-sale financial assets	—	—	—	(2,396,854)	—	—	—	(2,396,854)
Deferred tax on decrease in fair value of available-for-sale financial assets (Note 37)	—	—	—	211,073	—	—	—	211,073
Release of deferred tax on impairment and disposal of property, plant and equipment (Note 37)	—	—	4,029	—	—	—	—	4,029
Employee share option benefits	—	—	—	—	—	9,322	—	9,322
Lapse of share options	—	—	—	—	—	(6,003)	6,003	—
2007 final dividend (Note 14)	—	—	—	—	—	—	(194,703)	(194,703)
Loss for the year	—	—	—	—	—	—	(683,686)	(683,686)
At 31 December 2008	306,548	2,262,848	500,853	(434,224)	137,972	23,769	(1,278,383)	1,519,383

	Merger reserve (note (i)) *RMB'000*	Capital reserve (note (ii)) *RMB'000*	Revaluation reserve *RMB'000*	Available-for- sale investments *RMB'000*	Statutory reserves (note (iii)) *RMB'000*	Share-based compensation reserve *RMB'000*	Accumulated losses (note (iv)) *RMB'000*	Total *RMB'000*
At 1 January 2007	350,395	2,293,848	536,248	—	137,972	12,826	(804,764)	2,526,525
Deferred tax on changes in tax rates for net revaluation surplus of property, plant and equipment								
- Group (Note 37)	—	—	(9,075)	—	—	—	—	(9,075)
- Associated company	—	—	(487)	—	—	—	—	(487)
Release of revaluation reserve upon disposal of property, plant and equipment								
- Group	—	—	(544)	—	—	—	544	—
- An associated company	—	—	(210)	—	—	—	210	—
Increase in fair value of available-for-sale financial assets	—	—	—	1,962,630	—	—	—	1,962,630
Deferred tax on increase in fair value of available-for-sale financial assets (Note 37)	—	—	—	(211,073)	—	—	—	(211,073)
Employee share option benefits	—	—	—	—	—	8,371	—	8,371
Lapse of share options	—	—	—	—	—	(747)	747	—
2006 final dividend	—	—	—	—	—	—	(288,408)	(288,408)
Disposal of subsidiaries	(43,847)	(31,000)	(14,492)	—	—	—	89,339	—
Profit for the year	—	—	—	—	—	—	592,435	592,435
At 31 December 2007	306,548	2,262,848	511,440	1,751,557	137,972	20,450	(409,897)	4,580,918

Note:

(i) Merger reserve

The merger reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the registered capital of the subsidiaries transferred to the Company pursuant to the reorganisation of the Group took place in 2004.

(ii) Capital reserve

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

(iii) Statutory reserves

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

(iv) Accumulated losses

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

Company

	Revaluation reserve	Available-for-sale investments	Share-based compensation reserve	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008	13	1,952,240	20,450	1,507,925	3,480,628
Loss for the year	—	—	—	(292,737)	(292,737)
2007 final dividend (Note 14)	—	—	—	(194,703)	(194,703)
Employee share option benefits (Note 11)	—	—	9,322	—	9,322
Lapse of share options	—	—	(6,003)	6,003	—
Decrease in fair value of available-for-sale financial assets	—	(2,396,854)	—	—	(2,396,854)
Deferred tax on changes in fair value of available-for-sale financial assets (Note 37)	—	211,073	—	—	211,073
At 31 December 2008	13	(233,541)	23,769	1,026,488	816,729
At 1 January 2007	13	—	12,826	1,225,095	1,237,934
Profit for the year	—	—	—	570,491	570,491
2006 final dividend	—	—	—	(288,408)	(288,408)
Employee share option benefits (Note 11)	—	—	8,371	—	8,371
Lapse of share options	—	—	(747)	747	—
Increase in fair value of available-for-sale financial assets	—	2,163,313	—	—	2,163,313
Deferred tax on changes in fair value of available-for-sale financial assets (Note 37)	—	(211,073)	—	—	(211,073)
At 31 December 2007	13	1,952,240	20,450	1,507,925	3,480,628

31 BORROWINGS

Borrowings are analysed as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Long-term bank borrowings				
- secured (note (e))	193,000	343,000	—	—
- unsecured (note (b))	9,883,875	7,829,350	412,725	—
	10,076,875	8,172,350	412,725	—
Less: current portion of long-term bank borrowings				
- secured	(100,000)	(150,000)	—	—
- unsecured	(125,000)	(316,000)	—	—
- unsecured bank borrowings reclassified as current (note (b))	(412,725)	—	(412,725)	—
	9,439,150	7,706,350	—	—
Current				
Short term bank borrowings, secured (note (f))	100,000	—	—	—
Short-term bank borrowings, unsecured	880,000	605,000	—	—
Current portion of long-term bank borrowings	225,000	466,000	—	—
Unsecured bank borrowings reclassified as current (note (b))	412,725	—	412,725	—
	1,617,725	1,071,000	412,725	—
Total borrowings	11,056,875	8,777,350	412,725	—

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

	2008	**2007**
	RMB'000	*RMB'000*
RMB	10,644,150	8,777,350
USD	412,725	—
	11,056,875	8,777,350

(b) On 15 July 2008, the Company entered into a facility agreement ("Facility Agreement") relating to a USD100,000,000 term loan facility ("Loan Facilities") with a syndicate of banks for the purpose of financing the general corporate funding requirements of the Company and its subsidiaries. The Loan Facilities have a term of three years commencing from the date of the Facility Agreement and imposed certain specific performance obligations on the Group. As at 31 December 2008, the Group's drawdown in connection with the Loan Facilities amounted to RMB412,725,000 (equivalent to USD60,000,000) whereby the Group is not able to fulfil certain financial covenants as stipulated under the Facility Agreement which constitutes an event of default under the Facility Agreement. Subsequent to the year end, the Group has obtained a waiver in respect of the aforementioned covenant requirements from the syndicate of banks for the year ended 31 December 2008. However, at the balance sheet date, as the Group did not have an unconditional right to defer its settlement of the relevant bank borrowings for at least twelve months after that date, such bank borrowings are reclassified as current liabilities.

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

	Group	
	2008	**2007**
	RMB'000	*RMB'000*
Wholly repayable within five years (also see note (b) above)	1,581,075	1,137,850
Not wholly repayable within five years	8,495,800	7,034,500
	10,076,875	8,172,350

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

	Group	
	2008	**2007**
	RMB'000	*RMB'000*
Within one year (also see note (b) above)	637,725	466,000
In the second year	743,350	571,850
In the third to fifth year	200,000	100,000
After the fifth year	8,495,800	7,034,500
	10,076,875	8,172,350

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

	Group	
	2008	**2007**
Non-current bank borrowings, at floating rates	6.6%	6.2%
Current bank borrowings, at floating rates	6.5%	5.9%

(e) The long-term bank borrowings of RMB193,000,000 (2007: RMB343,000,000) are secured by certain property, plant and equipment of the Group with carrying amount of RMB420,033,000 (2007: RMB580,324,000) (Note 16).

(f) The short-term bank borrowings of RMB100,000,000 (2007: Nil) are secured by certain accounts receivable of the Group amounting to RMB129,671,000 (Note 26).

(g) At 31 December 2008, the Group had the following undrawn committed borrowing facilities:

	Group	
	2008	**2007**
	RMB'000	*RMB'000*
Long-term bank borrowings, at floating rates	1,604,200	4,355,500

32 AMOUNTS DUE TO CPIF

	Group	
	2008	**2007**
	RMB'000	*RMB'000*
Non-current		
Long-term payable to CPIF (Note (a))	270,295	398,158
Less: current portion of long-term payable to CPIF	—	(127,863)
	270,295	270,295
Current		
Short-term borrowing from CPIF (Note (b))	100,000	—
Current portion of long-term payable to CPIF	—	127,863
	370,295	398,158

Note:

(a) Balance represents amounts payable to CPIF, which are unsecured and are repayable as follows:

	Group	
	2008	**2007**
	RMB'000	*RMB'000*
Repayable by 5 November 2008, bearing interest at 3.6% per annum	—	127,863
Repayable by 30 June 2010, bearing interest at 5.27% per annum	270,295	270,295
	270,295	398,158

(b) The short term borrowing from CPIF is unsecured, carries interest at a fixed rate of 6.66% per annum and is repayable by 3 November 2009.

(c) The carrying amounts of the amounts due to CPIF approximate their fair values.

33 OBLIGATIONS UNDER FINANCE LEASES

	Group	
	2008	**2007**
	RMB'000	*RMB'000*
Obligations under finance leases	232,012	—
Current portion of finance leases	(26,857)	—
Non-current portion of finance leases	205,155	—

At 31 December 2008, the Group's finance lease liabilities were repayable as follows:

	Group	
	2008	**2007**
	RMB'000	*RMB'000*
Within one year	29,615	—
In the second to fifth year	118,460	—
After the fifth year	192,388	—
	340,463	—
Future finance charges on finance leases	(108,451)	—
Present value of finance leases	232,012	—

34 ACCOUNTS PAYABLE

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

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**
	RMB'000	*RMB'000*
1 to 6 months	594,229	420,554
7 to 12 months	60,017	880
Over 1 year	42,283	7,196
	696,529	428,630

Amounts due to other related companies mainly relate to purchase accruals made by the Group and are included under accounts payable. Balances are unsecured, interest free and shall be settled in accordance with the respective trading terms.

35 OTHER PAYABLES AND ACCRUED CHARGES

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salaries and staff welfare payable	50,904	52,295	3,542	712
Value added tax payable	193,264	53,193	—	—
Other taxes payable	28,945	32,548	63	—
Repairs and maintenance expense payable	12,485	—	—	—
Insurance expense payable	14,029	17,650	988	—
Discharge fees payable	3,985	9,936	—	—
Interest payable	14,654	5,656	7,166	—
Other payables and accrued operating expenses	100,461	147,535	10,153	20,318
	418,727	318,813	21,912	21,030

36 AMOUNT DUE TO ULTIMATE HOLDING COMPANY

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

37 DEFERRED INCOME TAX

Deferred income taxes are calculated in respect of temporary differences under the liability method using the tax rates enacted or substantively enacted by the balance sheet date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred income tax assets	33,341	—	—	—
Deferred income tax liabilities	(11,888)	(227,362)	—	(211,073)
Net deferred income tax assets/(liabilities)	21,453	(227,362)	—	(211,073)

The net movement on the deferred income tax assets/(liabilities) is as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	(227,362)	(10,907)	(211,073)	—
Credited/(charged) directly to equity (Note 30)	215,102	(211,073)	211,073	(211,073)
Disposal of subsidiaries	—	343	—	—
Credited to consolidated profit and loss account (Note 10)	33,713	1,650	—	—
Changes in tax rates				
- credited to consolidated profit and loss account (Note 10)	—	1,700	—	—
- charged directly to equity (Note 30)	—	(9,075)	—	—
At 31 December	21,453	(227,362)	—	(211,073)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities:

	Group						Company	
	Revaluation surplus on property, plant and equipment		Changes in fair value of available-for-sale financial assets		Total		Changes in fair value of available-for-sale financial assets	
	2008	2007	2008	2007	2008	2007	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	(56,791)	(45,495)	(211,073)	—	(267,864)	(45,495)	(211,073)	—
Credited/(charged) directly to equity (Note 30)	4,029	—	211,073	(211,073)	215,102	(211,073)	211,073	(211,073)
Disposal of subsidiaries	—	2,841	—	—	—	2,841	—	—
Credited to consolidated profit and loss account	6,920	8,848	—	—	6,920	8,848	—	—
Changes in tax rates								
- charged to consolidated profit and loss account	—	(11,847)	—	—	—	(11,847)	—	—
- charged directly to equity	—	(11,138)	—	—	—	(11,138)	—	—
At 31 December	(45,842)	(56,791)	—	(211,073)	(45,842)	(267,864)	—	(211,073)

Deferred tax assets:

	Group									
	Revaluation deficit on property, plant and equipment		Provision for receivables		Provision for inventories obsolescence		Tax losses		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	19,863	21,967	13,187	8,150	7,452	4,471	—	—	40,502	34,588
Disposal of subsidiaries	—	(2,498)	—	—	—	—	—	—	—	(2,498)
(Charged)/credited to consolidated profit and loss account	(9,757)	(7,480)	—	282	—	—	36,550	—	26,793	(7,198)
Changes in tax rates										
- credited to consolidated profit and loss account	—	5,811	—	4,755	—	2,981	—	—	—	13,547
- credited directly to equity	—	2,063	—	—	—	—	—	—	—	2,063
At 31 December	10,106	19,863	13,187	13,187	7,452	7,452	36,550	—	67,295	40,502

The deferred income tax (credited)/charged to equity during the year is as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revaluation reserve in shareholders' equity:				
- property, plant and equipment (Note 30)	(4,029)	9,075	—	—
Available-for-sale financial assets (Note 30)	(211,073)	211,073	(211,073)	211,073
	(215,102)	220,148	(211,073)	211,073

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2008, the Group had unrecognised tax losses to be carried forward against future taxable income amounted to RMB767,463,000 (2007: Nil), which are mainly expiring within five years. As at 31 December 2008, the potential deferred income tax assets in respect of the above tax losses which had not been recognised amounted to RMB93,381,000 (2007: Nil).

38 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) **Reconciliation of (loss)/profit before taxation to cash generated from operations**

	2008	2007
	RMB'000	*RMB'000*
(Loss)/profit before taxation	(690,031)	660,906
Share of losses of associated companies	43,194	47,909
Share of loss of a jointly controlled entity	3,869	—
Interest expense	611,449	159,493
Depreciation of property, plant and equipment	798,356	460,084
Amortisation of land use rights	895	641
Amortisation of deferred income	(9,184)	(9,541)
Loss/(gain) on disposal of property, plant and equipment	11,018	(382)
Impairment on property, plant and equipment	348,505	—
Impairment on goodwill	40,000	—
Share-based compensation expense	9,322	8,371
Gain on deemed disposal of interest in an associated company	—	(311,398)
Interest income	(17,011)	(23,794)
Gain on disposal of subsidiaries	—	(16)
Operating profit before working capital changes	1,150,382	992,273
Increase in accounts receivable	(92,082)	(461,923)
Increase in prepayments, deposits and other receivables	(324,103)	(90,528)
(Increase)/decrease in inventories	(221,933)	7,909
Decrease/(increase) in amount due from an intermediate holding company	3,102	(24,873)
Increase in balances with fellow subsidiaries	(35,454)	(34,720)
Increase in accounts payable	267,899	190,700
Increase in other payables and accrued charges	100,100	37,552
Increase in amount due to ultimate holding company	(12,828)	12,582
Increase in deferred income	24,504	14,900
Increase in long-term receivable from HEPC	(68,000)	—
Decrease in other long-term prepayments	12,718	—
Cash generated from operations	804,305	643,872

(b) **Disposal of subsidiaries**

	2007
	RMB'000
Net assets disposal of:	
Cash and cash equivalents	26,122
Property, plant and equipment	167,144
Leasehold land prepayments	4,048
Inventories	1,390
Amount due from an intermediate holding company	22,690
Amounts due from fellow subsidiaries	28,193
Accounts receivable	39,653
Prepayments, deposits and other receivables	27,375
Accounts payable	(2,314)
Other payables and accrued charges	(28,398)
Amounts due to fellow subsidiaries	(489)
Deferred income tax liabilities	(343)
	285,071
Consideration	285,087
Gain on disposal of subsidiaries	16
Satisfied by:	
Consideration settled in cash	285,087
Cash and cash equivalents disposed	(26,122)
Cash inflow on disposal of subsidiaries	258,965

There were no disposal of subsidiaries in the year ended 31 December 2008.

39 COMMITMENTS

(a) Capital commitments

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Authorised but not contracted for in respect of				
- property, plant and equipment	23,096	67,770	—	—
- other investments	—	111,003	—	111,003
- capital contribution to an associated company	813,800	—	813,800	—
Contracted but not provided for in respect of				
- property, plant and equipment	343,894	1,877,952	—	—
- capital contribution to subsidiaries	—	—	1,622,912	844,914
- acquisition of a business	944,628	944,628	—	944,628
- investment in an associated company (note (i))	—	749,500	—	749,500
	2,125,418	3,750,853	2,436,712	2,650,045

(i) Pursuant to a framework agreement entered into between the Company and (廣東發展集團有限公司) ("Guangzhou Development Group Limited Company" or "Guangzhou Development"), a state-owned enterprise established in the PRC, on 30 December 2007, the Company proposed to acquire 25% interests in 廣州電力企業集團有限公司 ("Guangzhou Power Enterprise (Group) Limited Company" or "Guangzhou Power") from Guangzhou Development at a consideration of RMB749.5 million (the "Proposed 25% Acquisition") subject to the approval from the relevant authorities in the PRC. Guangzhou Power is principally engaged in the generation and sale of electricity. During the year, as a result of the changing economic conditions, both the Group and Guangzhou Development agreed to suspend the Proposed 25% Acquisition until such time both parties considered appropriate at price and terms to be determined.

(ii) In addition to the above, pursuant to a Memorandum of Understanding entered into between the Company and 中國電力投資集團公司 (China Power Investment Corporation) ("CPI Group") dated 27 May 2008, the Company proposed to acquire 63% interest in 五淩電力有限公司 ("Wu Ling Power") from CPI Group (the "Proposed 63% Acquisition"). Wu Ling Power is incorporated in the PRC and registered as a sino-foreign joint venture with limited liability. Wu Ling Power is principally engaged in the development, production and supply of hydropower and coal-fired power in Hunan and Guizhou Provinces. Details of the Proposed 63% Acquisition, including terms and consideration, which are subject to the approval of the relevant regulatory authorities, have not been concluded up to the date of this report.

(b) **Commitments under operating leases**

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

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Land and buildings				
Not later than one year	25,475	31,796	13,354	17,173
Later than one year and not later than five years	26,721	41,645	4,049	17,403
	52,196	73,441	17,403	34,576

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:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other equipment				
Not later than one year	2,240	4,481	—	—
Later than one year and not later than five years	—	2,240	—	—
Others	2,240	6,721	—	—

(d) As detailed in Note 24, the Group agreed to provide certain advancement to HEPC to the extent of RMB200,000,000 in order to support the electricity transmission requirements for a power plant in Hubei Province. As at 31 December 2008, HEPC may request further advancement from the Group to the extent of RMB132,000,000.

40 RELATED PARTY TRANSACTIONS

The Group is controlled by its immediate holding company, China Power Development Limited ("CPDL"), a company incorporated in the British Virgin Islands and wholly owned by China Power International Holding Limited ("CPIH"), a company incorporated in Hong Kong. As at 31 December 2008. CPDL and CPIH held approximately 55.38% and 0.59% of the Company's shares respectively. The remaining interests are widely held. The directors regard CPI Group, a company incorporated in the PRC, as being the ultimate holding company.

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 accounts.

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

Related parties	Relationship with the Company
CPI Group (中國電力投資集團有限公司)	Ultimate holding company
China Power International Holding Limited ("CPIH")	An intermediate holding company
CPIF (中電投財務有限公司)	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)	Fellow subsidiary
Shanxi Shentou Engineering Company Limited (山西神頭電力檢修有限責任公司)	Fellow subsidiary
Huainan Pingwei Electric Power Industrial Company Limited (淮南平圩電力實業有限責任公司)	Fellow subsidiary
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)	Fellow subsidiary
Pingdingshan Yaomeng Power Engineering Company Limited (平頂山姚孟電力工程有限責任公司)	Fellow subsidiary
Pingdingshan Yaomeng Power Industrial Company Limited (平頂山姚孟電力實業有限責任公司)	Fellow subsidiary
Shanxi Electric Power Corporation ("SEPC")	Related party of the Company as defined under HKAS 24
Hubei Electric Power Corporation ("HEPC")	Related party of the Company as defined under HKAS 24
Other related companies	Companies owned by certain individuals who are also employees or operational managers of certain subsidiaries of the Group
Other state-owned enterprises	Related parties of the Company as defined under HKAS 24

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 these accounts. Management of the Group are of the opinion that meaningful information relating to related party transactions has been adequately disclosed.

(i) **income**

	Note	2008	2007
		RMB'000	*RMB'000*
Sales of electricity to regional and provincial power grid companies	(a)	8,761,986	5,569,226
Income from generation of electricity on-behalf of fellow subsidiaries and other related companies	(b)	450,088	13,136
Management fee from CPIH	(c)	7,036	11,322

(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 based 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.

(ii) **Expenses**

	Note	2008	2007
		RMB'000	*RMB'000*
Operating lease rental in respect of land to CPI Group	(a)	17,061	17,061
Operating lease rental in respect of buildings to CPIH	(a)	10,396	11,098
Purchases of fuel, raw materials and spare parts from	(b)		
- other related companies		—	475
- fellow subsidiaries		85,552	20,443
Service fees to	(c)		
- other related companies		67,759	—
- fellow subsidiaries		276,615	38,253
Construction costs to	(d)		
- fellow subsidiaries		185,747	65,462
Labor costs charged by	(e)		
- fellow subsidiaries		9,397	756
Purchases of coal from other state-owned enterprises	(f)	3,070,945	3,216,751
Interest expense to CPIF	(g)	19,466	21,380
Interest expense to SEPC	(h)	—	444

(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 contracts.

(e) Labor costs were charged on a cost reimbursements basis.

(f) Purchases of coal from other state-owned enterprises were charged in accordance with the terms of the relevant agreements.

(g) Interest expense to CPIF was charged based on outstanding loan balance at 3.6% to 6.66% (2007: 3.6% to 5.27%) per annum.

(h) Interest expense to SEPC was charged based on outstanding loan balance at a fixed rate of 5.52% per annum.

(iii) **Year-end balances with related parties**

(a) Details of the balances with related parties are disclosed in the respective Notes to the accounts.

(iv) **key management compensation**

	2008	**2007**
	RMB'000	*RMB'000*
Basic salaries, housing allowance, other allowances, discretionary bonus and benefits in kind	7,027	5,691
Employer's contributions to pension scheme	—	7
Share-based compensation	4,764	5,899
	11,791	11,597

41 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 2 April 2009.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

29 June 2009

The Directors
China Power International Development Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Wu Ling Power Corporation ("Wuling") and its subsidiaries (together, the "Wuling Group") set out in Sections I to III below, for inclusion in the circular of China Power International Development Limited (the "Company") dated 29 June 2009 (the "Circular") in connection with the Company's proposed acquisition from China Power International Holding Limited ("CPIH"), an intermediate holding company of the Company, its entire 63% equity interests in Wuling. The Financial Information comprises the consolidated balance sheets of Wuling Group and the balance sheets of Wuling as at 31 December 2006, 2007 and 2008, and the consolidated profit and loss accounts, the consolidated statements of changes in equity and the consolidated cash flow statements of Wuling Group for each of the years ended 31 December 2006, 2007 and 2008 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

Wuling was incorporated in the People's Republic of China (the "PRC") on 3 May 1995 and registered as a sino-foreign joint venture company on 11 April 2006. Wuling is currently owned by China Power Investment Corporation (中國電力投資集團公司) ("CPI Group") and 湖南湘投國際投資有限公司 (Hunan Xiangtou International Investment Limited or "Xiangtou") as to 63% and 37% respectively. CPI Group is the ultimate holding company of both Wuling and the Company. Xiangtou is a sino-foreign joint venture company equally owned by Meiya Xiangtou Power Company Limited, an independent third party to the Company, and 湖南湘投控股集團有限公司 (Hunan Xiangtou Holding (Group) Limited), an investment company wholly owned by the Hunan provincial government.

Wuling is principally engaged in the generation and sales of hydropower electricity, and the development and construction of hydropower plants, mainly in Hunan and Guizhou Provinces in the PRC. It also engaged in investment holdings and hotels operations. As of the date of this report, Wuling has direct and indirect interests in subsidiaries, associated companies, and a jointly controlled entity as set out in Notes 19, 20 and 21 of Section II below. All these companies are private companies.

Pursuant to an agreement entered into between CPI Group and CPIH (also a wholly owned subsidiary of CPI Group) dated 11 May 2009, CPIH shall acquire from CPI Group its entire 63% interest in Wuling and, upon completion, Wuling shall dispose of its entire 75% interest in a subsidiary, 貴州黔東電力有限公司 (Guizhou Qiandong Electricity Power Company Limited), including its 35% interest in an associated company, 貴州格目底礦業有限公司 (Guizhou Ge Mude Mining Company Limited), and 10% interest in an investee company, 貴州黃織鐵路有限公司 (Guizhou Huangzhi Railway Company Limited) (collectively "Qiandong"), to CPIH. Up to the date of this report, these transactions have not yet been completed.

Pursuant to the acquisition agreement entered into between the Company and CPIH on 8 June 2009, the Company plans to acquire from CPIH its entire 63% equity interests of Wuling, excluding Qiandong.

All of the companies comprising Wuling Group were established in the PRC and have adopted 31 December as their financial year end date. The statutory accounts of Wuling Group for each of the years ended 31 December 2006, 2007 and 2008 were prepared in accordance with the applicable PRC accounting rules and regulations which have been audited by 北京天職國際會計師事務所 (Beijing Vocation International Certified Public Accountant Co., Ltd.).

For the purpose of this report, the directors of Wuling have prepared the consolidated accounts of Wuling Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have audited the Underlying Financial Statements for each of the years ended 31 December 2006, 2007 and 2008 in accordance with Hong Kong Standards on Auditing.

The Financial Information has been prepared based on the Underlying Financial Statements of Wuling Group with no adjustment made thereon and on the basis as set out in Note 1 of Section II below.

Directors' responsibility

The directors of Wuling during the Relevant Periods are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements in accordance with HKFRS.

The Directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRS. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting Accountant's responsibility

Our responsibility is to express an opinion on the Financial Information based on our examination and to report our opinion to you. We examined the Underlying Financial Statements used in preparing the Financial Information, and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of Wuling and Wuling Group as at 31 December 2006, 2007 and 2008 and of Wuling Group's results and cash flows for the Relevant Periods.

I FINANCIAL INFORMATION OF WULING GROUP

The following is the Financial Information of Wuling Group as at 31 December 2006, 2007 and 2008 and for each of the years ended 31 December 2006, 2007 and 2008:

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

		Year ended 31 December		
	Note	**2006**	**2007**	**2008**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	5	1,751,550	2,583,700	2,715,880
Depreciation		(555,824)	(668,045)	(750,795)
Staff costs	11	(200,151)	(286,631)	(277,711)
Repairs and maintenance		(25,664)	(40,184)	(33,637)
Consumables		(20,945)	(25,986)	(20,763)
Fuel costs		—	—	(14,106)
Revaluation deficits of property, plant and equipment		—	—	(91,154)
Other income	6	47,580	60,766	65,513
Other gains, net	7	71,094	13,341	432,300
Other operating expenses		(295,467)	(192,703)	(364,967)
Operating profit	8	772,173	1,444,258	1,660,560
Interest income		2,920	2,388	4,581
Finance costs	9	(422,424)	(749,208)	(1,247,226)
Share of profits/(losses) of associated companies		167,335	124,414	(9,978)
Share of losses of jointly controlled entities		(595)	(2,980)	(763)
Profit before taxation		519,409	818,872	407,174
Taxation	10	(134,567)	(408,545)	(208,823)
Profit for the year		384,842	410,327	198,351
Attributable to:				
Equity holders of Wuling	12	398,900	421,905	245,337
Minority interests		(14,058)	(11,578)	(46,986)
		384,842	410,327	198,351
Dividend	14	130,280	293,420	—

CONSOLIDATED BALANCE SHEETS

		As at 31 December		
	Note	**2006**	**2007**	**2008**
		RMB'000	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property, plant and equipment	16	21,090,849	24,933,527	28,966,393
Prepayment for construction of power plants	17	891,176	635,899	444,804
Land use rights	18	48,608	47,406	65,878
Interests in associated companies	20	753,795	605,771	740,254
Interests in jointly controlled entities	21	8,373	35,393	6,977
Available-for-sale financial assets	22	84,500	84,500	120,271
Other long-term prepayments		20,000	20,000	20,000
Deferred income tax assets	33	198,601	151,285	146,308
		23,095,902	26,513,781	30,510,885
Current assets				
Derivative financial instruments	23	—	—	44,080
Inventories	24	9,220	10,786	115,640
Accounts receivable	25	204,308	295,576	360,082
Prepayments, deposits and other receivables		7,861	2,817	27,687
Amounts due from related companies	37	505	162,435	83,589
Cash and cash equivalents	26	34,124	92,786	46,144
		256,018	564,400	677,222
Total assets		23,351,920	27,078,181	31,188,107
EQUITY				
Capital and reserves attributable to equity holders of Wuling				
Paid-up capital	27	2,686,516	3,476,160	3,476,160
Reserves	28	1,105,411	1,367,053	2,356,267
		3,791,927	4,843,213	5,832,427
Minority interests		148,627	137,660	110,194
Total equity		3,940,554	4,980,873	5,942,621

CONSOLIDATED BALANCE SHEETS (Continued)

		As at 31 December		
	Note	**2006**	**2007**	**2008**
		RMB'000	*RMB'000*	*RMB'000*
LIABILITIES				
Non-current liabilities				
Long-term borrowings	29	13,360,829	14,641,726	17,781,974
Long-term loan from ultimate holding company	30	1,800,000	1,473,816	1,473,816
Long-term loan from an equity holder	30	1,155,201	985,201	885,201
Deferred income tax liabilities	33	141,382	131,222	498,096
Other long-term liabilities		—	26,625	23,054
		16,457,412	17,258,590	20,662,141
Current liabilities				
Accounts payable	31	14,961	18,232	21,723
Construction costs payable		524,692	734,587	781,377
Other payables and accrued charges	32	429,246	436,277	434,944
Current portion of long-term borrowings	29	487,976	682,813	775,173
Short-term borrowings	29	1,116,940	2,617,000	2,127,450
Short-term loan from CPI Financial Company ("CPIF")	30	300,000	200,000	300,000
Amounts due to related companies	37	140	—	30,000
Taxation payable		79,999	149,809	112,678
		2,953,954	4,838,718	4,583,345
Total liabilities		19,411,366	22,097,308	25,245,486
Total equity and liabilities		23,351,920	27,078,181	31,188,107
Net current liabilities		2,697,936	4,274,318	3,906,123
Total assets less current liabilities		20,397,966	22,239,463	26,604,762

BALANCE SHEETS

		As at 31 December		
	Note	**2006**	**2007**	**2008**
		RMB'000	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property, plant and equipment	16	10,911,021	11,649,187	14,338,206
Prepayment for construction of power plants	17	93,439	174,176	181,589
Land use rights	18	5,640	5,520	19,713
Investments in subsidiaries	19	7,355,825	8,813,630	10,882,231
Interests in associated companies	20	625,656	625,656	645,656
Interests in jointly controlled entities	21	9,000	39,000	9,000
Available-for-sale financial assets	22	32,000	32,000	32,000
		19,032,581	21,339,169	26,108,395
Current assets				
Derivative financial instruments	23	—	—	44,080
Inventories	24	6,413	7,145	8,491
Accounts receivable	25	167,027	223,863	242,128
Prepayments, deposits and other receivables		9,660	6,745	18,424
Amounts due from related companies	37	266	156,917	63,651
Cash and cash equivalents	26	14,072	45,592	8,095
		197,438	440,262	384,869
Total assets		19,230,019	21,779,431	26,493,264
EQUITY				
Capital and reserves attributable to the equity holders of Wuling				
Paid-up capital	27	2,686,516	3,476,160	3,476,160
Reserves	28	1,482,020	2,052,400	3,085,900
Total equity		4,168,536	5,528,560	6,562,060

BALANCE SHEETS (Continued)

		As at 31 December		
	Note	**2006**	**2007**	**2008**
		RMB'000	*RMB'000*	*RMB'000*
LIABILITIES				
Non-current liabilities				
Long-term borrowings	29	11,064,829	11,313,227	14,644,474
Long-term loan from ultimate holding company	30	400,000	73,816	73,816
Long-term loan from an equity holder	30	1,155,201	985,201	885,201
Deferred income tax liabilities	33	130,359	119,420	427,077
Other long-term liabilities		—	12,775	23,055
		12,750,389	12,504,439	16,053,623
Current liabilities				
Construction costs payable		265,802	216,987	309,236
Other payables and accrued charges	32	346,413	298,233	263,227
Current portion of long-term borrowings	29	487,976	670,313	762,673
Short-term borrowings	29	859,940	2,250,000	1,830,000
Short-term loan from CPIF	30	300,000	200,000	300,000
Amounts due to subsidiaries	19	—	—	313,704
Amount due to a related company	37	—	—	30,000
Taxation payable		50,963	110,899	68,741
		2,311,094	3,746,432	3,877,581
Total liabilities		15,061,483	16,250,871	19,931,204
Total equity and liabilities		19,230,019	21,779,431	26,493,264
Net current liabilities		2,113,656	3,306,170	3,492,712
Total assets less current liabilities		16,918,925	18,032,999	22,615,683

CONSOLIDATED CASH FLOW STATEMENTS

	Note	Year ended 31 December 2006 RMB'000	2007 RMB'000	2008 RMB'000
Cash flows from operating activities				
Cash generated from operations	34	1,613,681	2,073,812	2,044,715
Interest paid		(873,836)	(1,094,690)	(1,501,485)
PRC income tax paid		(178,347)	(145,453)	(127,307)
Net cash generated from operating activities		561,498	833,669	415,923
Cash flows from investing activities				
Payments for construction of power plants and purchases of property, plant and equipment		(3,634,716)	(3,780,945)	(3,197,200)
Purchase of land use right		—	—	(20,037)
Acquisition of subsidiaries, net of cash acquired	35	(385,726)	—	—
Proceeds from disposal of property, plant and equipment		25,917	37,278	6,204
Acquisition of an associated company		(625,656)	—	—
Capital contribution to associated companies		(31,500)	(50,000)	(133,400)
Capital contribution to a jointly controlled entity		—	(30,000)	—
Proceeds from disposal of a jointly controlled entity		—	—	18,000
Additional investment in available-for-sale financial assets		(37,500)	—	(35,771)
Dividends received from an associated company		85,446	170,438	152,000
Interest received		2,920	2,388	4,581
Net cash used in investing activities		(4,600,815)	(3,650,841)	(3,205,623)
Cash flows from financing activities				
New bank and other borrowings		5,387,003	5,238,075	6,855,684
Repayment of bank and other borrowings		(1,584,780)	(2,262,281)	(4,112,626)
Repayment of long-term loan from an equity holder		(100,000)	(170,000)	(100,000)
New/(repayment of) short-term loan from CPIF		300,000	(100,000)	100,000
Contribution from equity owners of a subsidiaries		21,130	—	—
Capital contribution from an equity owner		—	170,040	—
Net cash generated from financing activities		4,023,353	2,875,834	2,743,058
Net (decrease)/increase in cash and cash equivalents		(15,964)	58,662	(46,642)
Cash and cash equivalents at beginning of year		50,088	34,124	92,786
Cash and cash equivalents at end of year		34,124	92,786	46,144
Analysis of the balances of cash and cash equivalents				
Cash and bank balances		34,124	92,786	46,144

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital *(Note 27)* *RMB'000*	Reserves *(Note 28)* *RMB'000*	Accumulated losses *(Note 28)* *RMB'000*	Minority interests *RMB'000*	Total *RMB'000*
At 1 January 2006	2,556,236	1,553,094	(715,300)	108,163	3,502,193
Release of revaluation reserve on disposal of property, plant and equipment	—	(1,014)	—	—	(1,014)
Net expense recognised directly in equity	—	(1,014)	—	—	(1,014)
Profit/(loss) for the year	—	—	398,900	(14,058)	384,842
Total recognised income and expense	—	(1,014)	398,900	(14,058)	383,828
Contribution from equity owners of subsidiaries	—	—	—	21,130	21,130
Acquisition of subsidiaries	—	—	—	33,392	33,392
Capitalisation of dividends	130,280	—	(130,280)	—	—
Transfer	—	105,045	(105,045)	—	—
Others	—	11	—	—	11
	130,280	105,056	(235,325)	54,522	54,533
At 31 December 2006 and 1 January 2007	2,686,516	1,657,136	(551,725)	148,627	3,940,554
Release of revaluation reserve on disposal of property, plant and equipment	—	(26,811)	4,460	(7)	(22,358)
Deferred tax on revaluation reserve released upon disposal of property, plant and equipment	—	6,705	—	—	6,705
Deferred tax on change in tax rate for revaluation of property, plant and equipment	—	148,803	—	618	149,421
Net income recognised directly in equity	—	128,697	4,460	611	133,768
Profit/(loss) for the year	—	—	421,905	(11,578)	410,327
Total recognised income and expense	—	128,697	426,365	(10,967)	544,095
Capital contribution from equity owners	496,224	—	—	—	496,224
Capitalisation of dividends	293,420	—	(293,420)	—	—
Transfer	—	84,850	(84,850)	—	—
	789,644	84,850	(378,270)	—	496,224
At 31 December 2007	3,476,160	1,870,683	(503,630)	137,660	4,980,873

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

	Paid-up capital *(Note 27)* *RMB'000*	**Reserves** *(Note 28)* *RMB'000*	**Accumulated losses** *(Note 28)* *RMB'000*	**Minority interests** *RMB'000*	**Total** *RMB'000*
At 1 January 2008	3,476,160	1,870,683	(503,630)	137,660	4,980,873
Release of revaluation reserve on disposal of property, plant and equipment	—	(24,204)	3,489	—	(20,715)
Deferred tax on revaluation reserve released upon disposal of property, plant and equipment	—	6,051	—	—	6,051
Revaluation surplus on property, plant and equipment	—	1,010,991	—	26,027	1,037,018
Deferred tax on revaluation of property, plant and equipment charged directly to equity	—	(252,748)	—	(6,507)	(259,255)
Net income recognised directly in equity	—	740,090	3,489	19,520	763,099
Profit/(loss) for the year	—	—	245,337	(46,986)	198,351
Total recognised income and expense	—	740,090	248,826	(27,466)	961,450
Transfer	—	26,240	(26,240)	—	—
Others	—	298	—	—	298
	—	26,538	(26,240)	—	298
At 31 December 2008	3,476,160	2,637,311	(281,044)	110,194	5,942,621

II NOTES TO THE FINANCIAL INFORMATION

1 BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Wu Ling Power Corporation ("Wuling") was incorporated in the People's Republic of China (the "PRC") on 3 May 1995 and registered as a sino-foreign joint venture company on 11 April 2006. Wuling and its subsidiaries (together, the "Wuling Group") are principally engaged in the generation and sales of hydropower electricity, and the development and construction of hydropower plants, mainly in Hunan and Guizhou Provinces in the PRC. Wuling Group also engaged in investment holdings and hotels operations.

Pursuant to an agreement entered into between China Power International Holding Limited ("CPIH") and China Power Investment Corporation (中國電力投資集團公司) ("CPI Group"), the ultimate holding company of both Wuling and CPIH, CPIH shall acquire from CPI Group its entire 63% interest in Wuling and, upon completion, Wuling shall dispose of its entire 75% interest in a subsidiary, 貴州黔東電力有限公司 (Guizhou Qiandong Electricity Power Company Limited), including its 35% interest in an associated company, 貴州格目底礦業有限公司 (Guizhou Ge Mude Mining Company Limited), and 10% interest in an investee company, 貴州黃織鐵路有限公司 (Guizhou Huangzhi Railway Company Limited) (collectively "Qiandong"), to CPIH. Up to the date of this report, these transactions have not yet been completed.

Pursuant to an acquisition agreement entered into between China Power International Development Limited ("CPIDL" or the "Company"), and CPIH on 8 June 2009, CPIDL plans to acquire from CPIH its entire 63% equity interests in Wuling, excluding Qiandong (the "Proposed Acquisition"). As at 31 December 2008, the net assets of Qiandong include the following:

	2008
	RMB'000
ASSETS	
Property, plant and equipment	3,880,717
Prepayment for construction of power plants	121,182
Land use rights	5,407
Interest in an associated company	193,155
Other long-term prepayments	20,000
Available-for-sale financial assets	67,271
Inventories	104,238
Accounts receivable	38,332
Prepayments, deposits and other receivables	18,190
Amounts due from related companies	4,484
Deferred income tax assets	14,074
Cash and cash equivalents	1,259
	4,468,309
LIABILITIES	
Accounts payable	7,348
Other payables and accrued charges	7,683
Amounts due to group companies	4,172,641
Construction costs payable	278,034
	4,465,706
Net assets	2,603

The Financial Information is presented in Renminbi, unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to the Relevant Periods, unless otherwise stated.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Financial Information is 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 the Financial Information 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 significant accounting policies as set out below. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 4.

In preparing the Financial Information, the Directors of CPIDL and Wuling Group have taken into account all information that could reasonably be expected to be available and have ascertained that Wuling Group has obtained adequate financial resources to support Wuling Group to continue in operational existence for the foreseeable future. As of 31 December 2008, Wuling Group had undrawn committed banking facilities amounting to approximately RMB 9,061 million 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 of CPIDL and Wuling Group are of the opinion that Wuling 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 Information on a going concern basis.

The following new standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted in preparing the Financial Information:

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendment)	Eligible Hedged Items[2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[2]
HKFRS 1 and HKAS 27 (Amendments)	Cost of Investments in a Subsidiary, Jointly Controlled Entities or Associates[2]
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 9 and HKAS 39	Embedded Derivatives[5]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[2]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[6]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

[4] Effective for annual periods beginning on or after 1 October 2008
[5] Effective for annual periods ending on or after 30 June 2009
[6] Effective for transfer of assets from customers 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 Wuling 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.

It is anticipated that the adoption of other new standards, amendments to standards and interpretations in future periods will have no significant financial impact to Wuling 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 to Wuling Group.

2.2 Consolidation

The Financial Information includes the accounts of Wuling and all of its subsidiaries made up to 31 December.

(a) ***Subsidiaries***

Subsidiaries are all entities (including special purpose entities) over which Wuling Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Wuling Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to Wuling Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by Wuling Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of Wuling Group's share of the identifiable net assets acquired is recorded as goodwill (Note 2.7). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account as negative goodwill.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by Wuling Group.

In Wuling's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.8). The results of subsidiaries are accounted for by Wuling on the basis of dividends received and receivable.

(b) ***Minority interests***

Wuling Group applies a policy of treating transactions with minority interests as transactions with parties external to Wuling Group. Disposals to minority interests result in gains and losses for Wuling Group that are recorded in the consolidated profit and loss account. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(c) ***Associated companies***

Associated companies are all entities over which Wuling Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. Wuling Group's investments in associated companies include goodwill identified on acquisition net of any accumulated impairment loss, if any (Note 2.7).

Wuling Group's share of its associated companies' post-acquisition profits or losses is recognised in the consolidated profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When Wuling Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, Wuling Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between Wuling Group and its associated companies are eliminated to the extent of Wuling Group's interests in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by Wuling Group.

Dilution gains or losses in associated companies are recognised in the consolidated profit and loss account.

In Wuling's balance sheet the interests in associated companies are stated at cost less provision for impairment losses (Note 2.8). The results of associated companies are accounted for by Wuling on the basis of dividends received and receivable.

(d) ***Jointly controlled entity***

A jointly controlled entity is an entity established under a contractual arrangement whereby Wuling Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Wuling Group's interest in a jointly controlled entity is accounted for by the equity method of accounting.

The consolidated profit and loss account include Wuling Group's share of the results of the jointly controlled entity for the Relevant Periods, and the consolidated balance sheets include Wuling Group's share of the net assets of the jointly controlled entity.

In Wuling's balance sheet, the investment in a jointly controlled entity is stated at cost less provision for impairment losses (Note 2.8). The results of the jointly controlled entity are accounted for by Wuling on the basis of dividends received and receivable.

2.3 Foreign currency translation

(a) ***Functional and presentation currency***

Items included in the accounts of each of Wuling Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The principal activities of Wuling are transacted in RMB and accordingly the Financial Information is presented in RMB, which is Wuling's functional and presentation currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Foreign currency translation (Continued)

(b) ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated profit and loss account within "finance costs". All other foreign exchange gains and losses are presented in the profit and loss account within "other gains, net".

Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

(c) ***Group companies***

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.4 Property, plant and equipment

Property, plant and equipment other than construction in progress (see Note 2.5 below) are recognised initially at cost. Cost comprises purchase price, costs transferred from construction in progress and any directly attributable costs of bringing the assets to the condition for their intended use.

Subsequent to the initial recognition, property, plant and equipment other than construction in progress are carried at their revalued amounts less subsequent accumulated depreciation and impairment losses. Independent valuations, on a market value basis or depreciated replacement cost basis when there is no evidence of market value for such an item, are performed on a regular basis with an interval of not more than five years. In the intervening years, management reviews the carrying values of the assets and adjustment is made where they consider that there has been a material change.

Increases in the carrying amount arising on revaluation are credited to the revaluation reserve. Decreases that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are expensed in the profit and loss account. Any subsequent increases are credited to the profit and loss account up to the amount previously charged. Upon the disposal of the assets, any revaluation reserve balance remaining attributable to the relevant asset is transferred from the revaluation reserve to retained earnings and is shown as a movement in reserves.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Property, plant and equipment (Continued)

Depreciation of property, plant and equipment (other than construction in progress) is calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives, as follows:

Dam	40 - 50 years
Buildings	8 - 45 years
Leasehold improvements	Over the lease term
Power generators and equipment	9 - 28 years
Electricity supply equipment	13 - 30 years
Tools and other equipment	3 - 18 years
Motor vehicles	2 - 12 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8). Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment losses do not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

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

2.5 Construction in progress

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the costs of plant and machinery and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.4 above.

2.6 Land use rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses (if any). Cost mainly represents consideration paid for the rights to use the land on which various plants and buildings are situated. Amortisation of land use rights is calculated on a straight-line basis over the lease periods.

2.7 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Wuling Group's share of the net identifiable assets of the acquired subsidiary or associated company at the date of acquisition. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose (Note 2.8).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Impairment of investments in subsidiaries, associated companies, a jointly controlled entity and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to depreciation/amortisation and are at least tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generated unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account.

2.9 Financial assets

Wuling Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of Wuling Group's financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

(b) ***Available-for-sale financial assets***

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Investments are initially recognised at fair value plus transaction cost. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and Wuling Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method, less any provision for impairment.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in the profit and loss account; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investment securities. Dividends on available-for-sale equity instruments are recognised in the profit and loss account as part of other income when Wuling Group's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

(b) ***Available-for-sale financial assets (Continued)***

If the market for a financial asset is not active (and for unlisted securities), Wuling Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs. However, if the range of reasonable fair value estimate is significant and the probabilities of the various estimate cannot be reasonably assessed, such financial assets are carried at cost less accumulated impairment losses.

Wuling Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of financial assets classified as available-for-sale, a significant or prolonged decline in the fair value of the financial assets below its cost is considered as an indicator that the financial assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on available-for-sale financial assets are not reversed through the profit and loss account. Impairment testing of receivables is described in Note 2.11.

2.10 Inventories

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

2.11 Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that Wuling Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss account within other operating expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequently recoveries of amounts previously written off are credited to "other gains, net" in the profit and loss account.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

2.13 Financial liabilities and equity

Financial liabilities and equity instruments issued by Wuling Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Financial liabilities (including trade payables) are initially measured at fair value, and are subsequently measure at amortised cost, using the effective interest method. An equity instrument is any contract that does not meet the definition of financial liability and evidences a residual interest in the assets of Wuling Group after deducting all of its liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. The method of recognising the resulting gains or losses depends on whether the derivative is designated and qualified as a hedging instrument, and if so, the nature of the item being hedged. Since the derivative financial instruments entered into by Wuling Group do not qualify for hedge accounting, changes in fair value of any derivative financial instruments are recognised immediately in the profit and loss account within "other gains, net".

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless Wuling Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.16 Current and deferred income tax

The tax expenses for the period comprise current and deferred tax. Tax is recognised in the consolidated profit and loss account, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the places where Wuling and its subsidiaries, associated companies and jointly controlled entity operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and a jointly controlled entity, except where the timing of the reversal of the temporary difference is controlled by Wuling Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.17 Employee benefits

(a) ***Pension obligations***

Wuling Group contributes on a monthly basis to various defined contribution plans organised by the relevant municipal and provincial governments in the PRC based on a percentage of the relevant employees' monthly salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and Wuling Group has no further constructive obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. All contributions to these pension plans are fully and immediately vested and there were no unvested benefits available to reduce its future contributions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Employee benefits (Continued)

(b) ***Bonus entitlements***

The expected cost of bonus payments is recognised as a liability when Wuling Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2.18 Provisions

Provisions are recognised when Wuling Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligations using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and Wuling Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit and loss account over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the profit and loss account on a straight-line basis over the expected lives of the related assets.

2.20 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made or received under operating leases (net of any incentives received from the lessor) are charged or credited to the profit and loss account on a straight-line basis over the period of the lease.

2.21 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are charged to the profit and loss account in the period in which they are incurred.

2.22 Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of Wuling Group's activities. Revenue is shown net of value-added tax and discounts and after eliminating income generated within Wuling Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Revenue and income recognition (Continued)

Wuling Group recognises revenue and income when the amount can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of Wuling Group's activities as described below.

(i) Sales of electricity are recognised when electricity is generated and transmitted.

(ii) Hotel revenues from room rentals, foods and beverage sales, and other ancillary services are recognised upon the provision of the relevant goods and services.

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

(iv) Interest income is recognised on a time-proportion basis using the effective interest method.

(v) Dividend income is recognised when the right to receive payment is established.

2.23 Dividend distribution

Dividend distribution to Wuling's equity holders is recognised as a liability in the Financial Information in the period in which the dividends are approved by Wuling's directors or equity holders, as appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

Wuling Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, cash flow and fair value interest-rate risk, liquidity risk and price risk. Wuling Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Wuling Group's financial performance. The use of financial derivatives to hedge certain risk exposures is governed by policies approved by the Board of Directors of Wuling. Wuling Group does not use derivative financial instruments for speculative purposes.

(a) ***Foreign exchange risk***

Wuling Group mainly operates in the PRC with most of the transactions settled in RMB. Wuling Group's assets and liabilities, and transactions arising from its operations primarily do not expose to material foreign exchange risk as its financial assets and liabilities are mainly denominated in RMB and substantially all its revenues and income are generated in the PRC for RMB to meet its liabilities denominated in RMB.

As at 31 December 2006, 2007 and 2008, Wuling Group was exposed to foreign exchange risk primarily with respect to certain of its bank borrowings which were denominated in Japanese Yen ("JPY") and United States Dollar ("USD"), details of which have been disclosed in Note 29. RMB experienced certain appreciation and depreciation against JPY and USD during the Relevant Periods which is the major reason for the exchange differences recognised by Wuling Group for the Relevant Periods. Further depreciation or appreciation of JPY and USD against RMB will affect Wuling Group's financial position and results of operations.

Wuling Group manages its foreign exchange risk by performing regular reviews of its net foreign exchange exposures. Management also use certain derivative financial instruments to manage foreign exchange exposures. As at 31 December 2008, Wuling Group had certain derivative financial instruments mainly to sell USD for JPY, details of which have been disclosed in Note 23.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) ***Foreign exchange risk (Continued)***

At 31 December 2006, 2007 and 2008, if RMB had weakened/strengthened by 5% against USD, with all other variables held constant, post-tax profit for the years would have been approximately 2006: RMB16,408,000, 2007: RMB13,646,000, 2008: RMB11,175,000 lower/higher, mainly as a result of the foreign exchange losses/gains on translation of USD dollar denominated borrowings.

At 31 December 2006, 2007 and 2008, if RMB had weakened/strengthened by 5% against JPY, with all other variables held constant, post-tax profit for the year would have been approximately 2006: RMB75,516,000, 2007: RMB70,494,000, 2008: RMB78,895,000 lower/higher, mainly as a result of foreign exchange losses/gains on translation of JPY denominated borrowings.

(b) ***Credit risk***

The carrying amounts of cash at bank and term deposits, receivables, available-for-sale financial assets and derivative financial instruments included in the consolidated balance sheets represent Wuling Group's maximum exposure to credit risk in relation to its financial assets.

Substantially all of Wuling Group's cash at bank and term deposits are held in major financial institutions in the PRC, and Wuling Group's derivative financial instruments are also entered into with a major financial institution in the PRC, which management believes are of high credit quality.

Wuling Group is exposed to significant concentration of credit risk in terms of electricity sales as a majority of Wuling Group's sales of electricity were made to regional and provincial power grid companies. Wuling Group normally grants credit terms ranging from 15 to 30 days to these power grid companies and Wuling Group normally does not require collaterals from trade debtors. Ageing analysis of Wuling Group's accounts receivable is disclosed in Note 25.

Historically, Wuling Group did not experience any significant default from its debtors except that certain receivables from a provincial power grid company totaling approximately RMB 454 million had been overdue for over 1 to 5 years during the Relevant Periods. It is arisen mainly from the power industry reform that took place prior to year 2003 that resulted in uncertainty on whether these receivables could be recoverable and therefore full provision had been made on these long outstanding receivables prior to year 2006. Approximately RMB 363 million of these receivables were subsequently recovered by Wuling Group during the year ended 31 December 2008 as a result of the implementation of certain new regulatory policies and guidelines by the relevant government authorities to assist power industry practitioners to clean up old debts, details of which are disclosed in Note 7. The Directors of CPIDL and Wuling are of the opinion that this is a once-off incident in relation to managing credit risk which arose mainly as a result of the industry reform and do not expect this to be recurring.

Wuling Group holds certain available-for-sale financial assets and also has certain receivables from group and related companies, details of which are disclosed in Notes 22 and 37 respectively. Management is of the opinion that credit risk for available-for-sale financial assets and from related companies are minimal and does not expect any losses from non-performance by these counterparties.

Management makes periodic collective assessment as well as individual assessment on the recoverability of account and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the relevant debtors. Save as disclosed above, Wuling Group's historical experience in collection of accounts and other receivables falls within the recorded allowances and the Directors are of the opinion that adequate provision for uncollectible receivables has been made.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) ***Interest rate risks***

Wuling Group's income and operating cash flows are substantially independent of changes in market interest rates and Wuling Group has no significant interest-bearing assets except for the bank balances and deposits, details of which have been disclosed in Note 26. Wuling Group's exposure to changes in interest rates is mainly attributable to its borrowings, details of which have been disclosed in Notes 29. Borrowings carried at floating rates expose Wuling Group to cash flow interest rate risk whereas borrowings carried at fixed rates expose Wuling Group to fair value interest rate risk. Wuling Group has not used any specific interest rate swap contracts to hedge its exposure to interest rate risk.

At 31 December 2006, 2007 and 2008, if the interest rates on bank and other borrowings had been 50 basis points higher/lower than the prevailing rate announced by the People's Bank of China, with all other variables held constant, post-tax profit for the years ended 31 December 2006, 2007 and 2008 would have been decreased/increased by RMB49,298,000, RMB60,104,000 and RMB74,885,000 respectively mainly as a result of higher/lower interest expense on floating rate bank and other borrowings.

(d) ***Liquidity risk***

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, Wuling Group's treasury aims at maintaining flexibility in funding by keeping credit lines available.

Wuling Group's primary cash requirements have been for construction of power plants, additions of and upgrades on property, plant and equipment, payment on related debts and payment for purchases and operating expenses. Wuling Group finances its working capital requirements through a combination of internal resources, short-term and long-term bank borrowings and loans from equity holders.

As at 31 December 2006, 2007 and 2008, the net current liabilities of Wuling Group amounted to RMB2,697,936,000, RMB4,274,318,000 and RMB3,906,123,000 respectively. Management monitors regularly Wuling Group's current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed banking facilities to meet its working capital requirements. The amount of undrawn credit facilities at the balance sheet dates are disclosed in Note 29 to the Financial Information.

The Directors of CPIDL and Wuling believe that Wuling Group's current operating cash flows and credit facilities from banks are sufficient for financing its capital commitments in the near future and for working capital purposes.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) ***Liquidity risk (Continued)***

The table below analyses Wuling and Wuling Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows based on the earliest date on which the liabilities can be required to pay. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wuling Group				
At 31 December 2008				
Bank and other borrowings	4,084,896	2,520,531	5,636,188	22,416,804
Accounts payable, construction costs payable and other payables and accrued charges	1,238,044	—	—	—
Amount due to a related company	30,652	—	—	—
Short-term loan from CPIF	310,926	—	—	—
Long-term loan from an equity owner	256,861	48,286	144,858	781,773
Long-term loan from ultimate holding company	73,986	73,986	221,958	1,839,081
At 31 December 2007				
Bank and other borrowings	4,245,690	1,636,704	4,995,084	18,864,766
Accounts payable, construction costs payable and other payables and accrued charges	1,189,096	—	—	—
Short-term loan from CPIF	212,696	—	—	—
Long-term loan from an equity owner	60,649	60,649	181,947	1,167,314
Long-term loan from ultimate holding company	73,986	73,986	221,958	1,913,269

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) ***Liquidity risk (Continued)***

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2006				
Bank and other borrowings	2,224,189	1,713,684	3,705,172	16,459,668
Accounts payable, construction costs payable and other payables and accrued charges	968,899	—	—	—
Amount due to a related company	140	—	—	—
Short-term loan from CPIF	319,036	—	—	—
Long-term loan from an equity owner	63,628	63,628	190,884	1,409,890
Long-term loan from ultimate holding company	90,360	90,360	271,080	2,376,874
Wuling				
At 31 December 2008				
Bank and other borrowings	3,570,972	1,633,298	4,739,353	19,605,525
Accounts payable, construction costs payable and other payables and accrued charges	572,463	—	—	—
Amount due to a related company	30,652	—	—	—
Amounts due to subsidiaries	313,704	—	—	—
Short-term loan from CPIF	310,926	—	—	—
Long-term loan from an equity owner	256,861	48,286	144,858	781,773
Long-term loan from ultimate holding company	3,706	3,706	11,118	92,109
At 31 December 2007				
Bank and other borrowings	3,639,837	1,405,340	3,719,096	14,766,379
Accounts payable, construction costs payable and other payables and accrued charges	515,220	—	—	—
Short-term loan from CPIF	212,696	—	—	—
Long-term loan from an equity owner	60,649	60,649	181,947	1,167,314
Long-term loan from ultimate holding company	3,706	3,706	11,118	95,824
At 31 December 2006				
Bank and other borrowings	1,863,131	1,290,036	3,311,067	13,405,902
Accounts payable, construction costs payable and other payables and accrued charges	612,215	—	—	—
Short-term loan from CPIF	319,036	—	—	—
Long-term loan from an equity owner	63,628	63,628	190,884	1,409,890
Long-term loan from ultimate holding company	20,080	20,080	60,240	539,350

(e) ***Price risk***

Wuling Group holds certain available-for-sale financial assets as detailed in Note 22. These assets principally represent interests in certain unlisted companies which do not have a quoted market price in an active market. As the underlying

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(e) ***Price risk (Continued)***

businesses of these investments are either in infant stage or under constructions with no major operations, the Directors are of the opinion that the range of reasonably estimating their fair values is relatively significant and the probabilities of the various estimates cannot be reasonably assessed. Accordingly, these investments are carried at cost less accumulated impairment losses.

The Directors are also of the opinion that as these investments, individually and in aggregate, are not material to Wuling Group, any reasonable changes in fair value within a range of fair value estimates would not affect the results of Wuling Group because these investments are classified as available-for-sale, while effect to Wuling Group's equity would also be insignificant.

3.2 Capital risk management

Wuling Group's objectives when managing capital are to safeguard Wuling Group's ability to continue as a going concern in order to provide returns for equity holders and to maintain an optimal capital structure to reduce the cost of capital.

Wuling Group manages the capital structure and makes adjustments to it in the light of changes in economic condition. In order to maintain or adjust the capital structure, Wuling Group may adjust the dividend payments to equity holders, sell assets to reduce debts, demand for capital injections from equity holders, or to obtain borrowings from banks and group companies.

Wuling Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheets) less cash and cash equivalents. Total capital is calculated as "equity", as shown in the consolidated balance sheets, plus net debt.

During the Relevant Periods, Wuling Group's strategy remained stable as to maintain a gearing ratio of within 90% due to the capital intensive nature of the underlying business. The table below analyses Wuling Group's capital structure as at 31 December 2006, 2007 and 2008.

	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Total bank and other borrowings (Note 29)	14,965,745	17,941,539	20,684,597
Loans from related companies (Note 30)	3,255,201	2,659,017	2,659,017
Less: Cash and cash equivalents (Note 26)	(34,124)	(92,786)	(46,144)
Net debt	18,186,822	20,507,770	23,297,470
Total equity	3,940,554	4,980,873	5,942,621
Total capital	22,127,376	25,488,643	29,240,091
Gearing ratio	82%	80%	80%

The decrease in gearing ratio during the Relevant Periods resulted primarily from the increase in total equity of Wuling Group.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

The carrying amounts of Wuling Group's current financial assets, including cash and cash equivalents, accounts receivable, deposits and other receivables, and current financial liabilities including accounts payable, other payables and accrued charges, short-term borrowings and balances with group companies and other related companies, approximate their fair values due to their short maturities.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by Wuling Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. Wuling Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows and option pricing model, are used to determine fair value for the remaining financial instruments. As detailed in Note 22 to the Financial Information, there are no quoted market price in an active market for certain of Wuling Group's available-for-sale financial assets in the PRC and for which the range of other methods of reasonably estimating fair value is significant and the probabilities of the various estimates cannot be reasonably assessed without incurring excessive costs. Accordingly, these investments are carried at cost less accumulated impairment losses.

The nominal values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to Wuling Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the financial information are continually 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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) **Property, plant and equipment carried at valuation**

Property, plant and equipment other than construction in progress are revalued by independent valuers on a regular basis with an interval of not more than five years. In the intervening years the Directors review the carrying values and adjustment is made where there has been a material change. The latest independent valuation was performed on a depreciated replacement cost basis as of 31 December 2008.

In arriving at the valuation, assumptions and economic estimates have to be made. The key assumptions made to determine the revalued amounts include the estimated replacement costs and the estimated useful lives of these property, plant and equipment. If the revalued amounts differ significantly from the carrying amounts of these property, plant and equipment in the future, the carrying amounts will be adjusted to the revalued amounts. This will have an impact on Wuling Group's future results, since any subsequent decreases in valuation are set off first against increases on earlier valuations in respect of the same item and thereafter are charged as an expense to the profit and loss account and any subsequent increases are credited as income to the profit and loss account up to the amount previously charged then to equity. In addition, the depreciation expenses in future periods will change as the carrying amounts of such property, plant and equipment change as a result of the revaluation.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(ii) Useful lives, residual values and depreciation charge of property, plant and equipment

Wuling Group's management determines the estimated useful lives, residual values and related depreciation charges for the Wuling Group's property, plant and equipment, other than construction in progress. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. It could change significantly as a result of technological advancement and innovations in the power industry. Management will adjust the depreciation charge where useful lives or residual values are vary with previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(iii) Impairment of non-financial assets

Wuling Group tests annually whether goodwill has suffered any impairment. Other assets reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect Wuling Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the profit and loss account.

(iv) Impairment of receivables

Provision for impairment of receivables is determined based on the evaluation of collectability of the receivable. A considerable amount of judgement is required in assessing the ultimate realisation of these receivable, including the amount creditworthiness, the post collection history of cash customer and the current market condition.

(v) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

As at 31 December 2008, Wuling Group held certain gross settled derivative financial instruments mainly to sell USD for JPY with an aggregate notional principal amount of JPY 3,772,204,000 mainly for the purpose of managing currency exposure on its JPY denominated bank borrowings, details of which have been disclosed in Note 23. The fair values of these contracts are determined using valuation techniques calculated based on a number of parameters including discount rates and volatility between USD/JPY in various forecasted periods. Changes in assumptions about these factors could significantly affect the reported fair value of the financial instruments with consequential impact on the results of Wuling Group.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(vi) **Current and deferred taxation**

Wuling Group is subject to income taxes in various jurisdictions. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation charges in the period in which such estimate is changed.

5 TURNOVER, REVENUES AND SEGMENT INFORMATION

Turnover of Wuling Group represents revenues derived from the sales of hydropower electricity. Revenues recognised during the Relevant Periods are as follows:

	Wuling Group		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Sales of electricity	1,751,550	2,583,700	2,715,880

Pursuant to the power purchase agreements entered into between Wuling Group and the respective regional and provincial power grid companies, Wuling 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.

Segment information

Wuling Group's principal activities are the generation and sale of hydropower electricity, investment holdings and the development of hydropower plants as a single business segment. Currently Wuling Group has only one business segment, the generation and sale of electricity. Less than 10% of Wuling Group's assets, liabilities and operations are located outside the PRC. Accordingly, no business and geographical segment information is presented.

6 OTHER INCOME

	Wuling Group		
	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*
Hotel operations income	45,428	45,722	48,545
Income from the provision of repairs and maintenance services	399	11,582	12,301
Rental income	1,690	1,810	2,991
Dividend income	63	1,652	1,676
	47,580	60,766	65,513

7 OTHER GAINS, NET

	Wuling Group		
	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*
Refund of value added tax	59,784	—	—
Negative goodwill arising from acquisition of subsidiaries	8,839	—	—
Loss on disposal of property, plant and equipment	(379)	—	—
Write-back of provision for bad and doubtful debts *(note)*	—	13,013	386,568
Write-back of provision for other investments	2,002	—	—
Fair value gain on derivative financial instruments	—	—	44,080
Gain on disposal of interest in a jointly controlled entity	—	—	1,408
Others	848	328	244
	71,094	13,341	432,300

Note: Write-back of provision for bad and doubtful debts for the year ended 31 December 2008 mainly included an amount of RMB 363,432,000 recovered by Wuling Group from a provincial power grid company as a result of the implementation of certain new regulatory policies and guidelines by the relevant government authorities to assist power industry practitioners to clean up old debts. Such receivables had been overdue for many years and full provision had been made in prior years.

8 OPERATING PROFIT

Operating profit is stated after charging the following:

	Wuling Group		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Amortisation of land use rights	476	1,202	1,565
Auditor's remuneration	216	412	350
General office expenses	10,404	7,923	12,556
Provision for receivables	34,675	6,277	9,148
Reservoir maintenance and usage fees	—	14,387	90,212
Write-off of pre-operating expenses	181,512	98,804	188,228

9 FINANCE COSTS

	Wuling Group		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Interest expense on:			
- short-term bank borrowings wholly repayable within five years	50,932	119,583	157,494
- long-term bank borrowings wholly repayable within five years	44,898	98,454	157,996
- long-term bank borrowings not wholly repayable within five years	595,780	718,721	964,173
- long-term other borrowings wholly repayable within five years	1,689	1,051	710
- loans from and amounts due to related companies	159,937	175,973	161,279
Other finance costs	4,483	16,623	10,119
	857,719	1,130,405	1,451,771
Less: Amounts capitalised in property, plant and equipment	(344,465)	(324,242)	(429,631)
	513,254	806,163	1,022,140
Net exchange (gains)/losses	(90,830)	(56,955)	225,086
	422,424	749,208	1,247,226

Amounts capitalised are borrowing costs related to funds borrowed specifically for the purpose of obtaining qualifying assets. The weighted average interest rates on such capitalised borrowings during the Relevant Periods were ranging from approximately 5.9% to 6.9% per annum.

10 TAXATION

No Hong Kong profits tax has been provided for as Wuling Group did not have any assessable profit in Hong Kong for the Relevant Periods.

The provision for PRC current income tax is calculated based on the statutory tax rates on the estimated assessable income for the Relevant Periods.

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

	Wuling Group		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
PRC current income tax	151,299	215,263	90,176
Deferred income tax (Note 33)	(16,732)	193,282	118,647
	134,567	408,545	208,823

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

	Wuling Group		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	519,409	818,872	407,174
Less: Share of (profits)/losses of associated companies	(167,335)	(124,414)	9,978
Add: Share of losses of jointly controlled entities	595	2,980	763
	352,669	697,438	417,915
Calculated at the PRC statutory tax rate			
(2006:33%, 2007:33%; 2008: 25%)	116,381	230,155	104,479
Income not subject to taxation	(21,536)	(28,287)	(18,359)
Expenses not deductible for taxation purposes	28,221	23,114	47,793
Tax losses not recognised	11,501	20,272	74,910
Effect of changes in tax rates	—	163,291	—
Taxation charge	134,567	408,545	208,823

Included in Wuling Group's share of (profit)/losses of associated companies were share of (tax credit)/taxation attributable to an associated company for the years ended 31 December 2006, 2007 and 2008 of RMB(1,495,000), RMB19,594,000 and RMB(9,844,000) respectively.

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2006, 2007 and 2008, Wuling Group had potential deferred tax assets amounting to RMB16,188,000, RMB36,460,000 and RMB98,404,000 respectively in respect of tax losses not recognised as it is uncertain whether these tax losses will be utilised in the foreseeable future. These tax losses will be expiring within 5 years.

Substantially all of the group entities within Wuling Group are subject to a statutory tax rate of 33% in the PRC during the years ended 31 December 2006 and 2007. With the new Corporate Income Tax Law of the PRC became effective from 1 January 2008, the tax rate of these companies have been changed to 25% for the year ended 31 December 2008.

11 STAFF COSTS

	Wuling Group		
	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and bonuses	150,164	212,559	212,207
Pension costs - defined contribution plans	15,853	35,923	26,232
Staff welfare	34,134	38,149	39,272
	200,151	286,631	277,711

12 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF WULING

Profit attributable to equity holders of Wuling is dealt with in the accounts of Wuling's as follows:

	Wuling		
	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*
Profit attributable to equity holders	492,546	742,377	465,809

13 EARNINGS PER SHARE

Wuling is a sino-foreign joint venture company established in the PRC with registered and paid-up capital as detailed in Note 27. No earnings per share information is presented as Wuling is not a company incorporated having the liability of its members limited by number of shares.

14 DIVIDEND

Dividend distributions during the Relevant Periods are as follows:

	Wuling		
	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*
Dividend for the year	130,280	293,420	—

Dividends for the years ended 31 December 2006 and 2007 have been capitalised as paid-up capital of Wuling, details of which are disclosed in Note 27.

15 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The remuneration of each of the directors of Wuling for the Relevant Periods is set out below:

Name of director	Fees	Basic salary, housing allowance, other allowances and benefits in kind	Employer's contribution to pension scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2006				
李瑞師 (Li Ruishi)	—	508	135	643
張輝林 (Zhang Huilin)	—	508	111	619
胡義崗 (Hu Yigang)	—	—	—	—
汪先純 (Wang Xianchun)	—	—	—	—
吳崇禮 (Wu Chongli) * #	—	—	—	—
彭純心 (Peng Chunxin) * #	—	—	—	—
吳聲漣 (Wu Shenglian) **	—	431	87	518
羅麗娜 (Luo Lina) ##	—	—	—	—
胡代清 (Hu Daiching) ##	—	—	—	—
張曉魯 (Zhang Xiaolu) ###	—	—	—	—
For the year ended 31 December 2007				
李瑞師 (Li Ruishi)	—	552	126	678
張輝林 (Chang Huilin)	—	552	103	655
胡義崗 (Hu Yigang)	—	—	—	—
汪先純 (Wang Xianchun)	—	—	—	—
吳聲漣 (Wu Shenglian)	—	467	88	555
吳崇禮 (Wu Chongli) #	—	—	—	—
彭純心 (Peng Chunxin) #	—	—	—	—
For the year ended 31 December 2008				
張輝林 (Zhang Huilin)	—	453	59	512
胡義崗 (Hu Yigang)	—	—	—	—
汪先純 (Wang Xianchun)	—	—	—	—
吳聲漣 (Wu Shenglian)	—	388	59	447
朱恒功 (Zhu Henggong) ***	—	—	—	—
顧正興 (Gu Zhengxing) ****	—	415	59	474
李瑞師 (Li Ruishi) ####	—	390	59	449

* Appointed on 1 April 2006
** Appointed on 1 November 2006
*** Appointed on 1 January 2008
**** Appointed on 1 October 2008
\# Resigned on 1 May 2007
\## Resigned on 28 April 2006
\### Resigned on 1 December 2006
\#### Resigned on 1 October 2008

15 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) **Five highest paid individuals**

The five highest paid individuals whose emoluments were the highest in Wuling Group for the Relevant Periods include 3 Directors in 2006 and 2007, and 4 Directors in 2008, whose emoluments are reflected in the analysis above. The emoluments payable to the remaining 2 individuals in 2006 and 2007, and 1 individual in 2008, are as follows:

	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Basic salaries, housing allowances, other allowances and benefits in kind	862	934	388
Employer's contribution to pension scheme	174	175	59
	1,036	1,109	447

The emoluments paid to each individual above fell within the band of nil to RMB884,956 (equivalent to HK$1,000,000).

During the Relevant Periods, none of the Directors of Wuling waived any emoluments, and no emoluments have been paid by Wuling Group to Wuling's Directors or any of its five highest paid individuals as an inducement to join or upon joining Wuling Group or as compensation for loss of office.

16 PROPERTY, PLANT AND EQUIPMENT

(a) **Wuling Group**

	Dam	**Buildings and leasehold improvements**	**Power generators and equipment**	**Electricity supply equipment**	**Tools and other equipment**	**Motor vehicles**	**Construction in progress**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost or valuation								
At 1 January 2006	5,579,475	4,816,580	2,804,945	1,106,843	526,557	44,848	5,451,384	20,330,632
Acquisition of subsidiaries (Note 35)	207,937	277,938	57,032	581	10,058	2,187	251,342	807,075
Additions	—	38,907	22,339	304	16,869	6,131	3,735,456	3,820,006
Disposals	—	(23,289)	(2,889)	—	(1,031)	(3,864)	—	(31,073)
Transfer	1,559,119	653,617	220,767	132,325	29,366	1,389	(2,596,583)	—
At 31 December 2006	7,346,531	5,763,753	3,102,194	1,240,053	581,819	50,691	6,841,599	24,926,640
Representing:								
Cost	1,767,056	970,462	300,138	133,210	56,293	9,707	6,841,599	10,078,465
Valuation	5,579,475	4,793,291	2,802,056	1,106,843	525,526	40,984	—	14,848,175
	7,346,531	5,763,753	3,102,194	1,240,053	581,819	50,691	6,841,599	24,926,640

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) **Wuling Group (Continued)**

	Dam	Buildings and leasehold improvements	Power generators and equipment	Electricity supply equipment	Tools and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation and impairment losses								
At 1 January 2006	979,626	941,522	724,983	382,057	240,508	15,034	—	3,283,730
Depreciation charge for the year	145,811	131,843	161,676	72,450	38,636	5,408	—	555,824
Disposals	—	—	(2,111)	—	(849)	(803)	—	(3,763)
At 31 December 2006	1,125,437	1,073,365	884,548	454,507	278,295	19,639	—	3,835,791
Net book value At 31 December 2006	6,221,094	4,690,388	2,217,646	785,546	303,524	31,052	6,841,599	21,090,849
Cost or valuation								
At 1 January 2007	7,346,531	5,763,753	3,102,194	1,240,053	581,819	50,691	6,841,599	24,926,640
Additions	4,257	8,577	4,794	1,995	6,320	8,469	4,535,947	4,570,359
Disposals	(5,211)	(64,390)	(25,631)	(34)	(6,237)	(2,811)	—	(104,314)
Transfer	2,166,754	821,353	801,824	412,559	9,373	—	(4,211,863)	—
At 31 December 2007	9,512,331	6,529,293	3,883,181	1,654,573	591,275	56,349	7,165,683	29,392,685
Representing:								
Cost	3,938,067	1,800,392	1,106,756	547,764	71,986	18,176	7,165,683	14,648,824
Valuation	5,574,264	4,728,901	2,776,425	1,106,809	519,289	38,173	—	14,743,861
	9,512,331	6,529,293	3,883,181	1,654,573	591,275	56,349	7,165,683	29,392,685
Accumulated depreciation and impairment losses								
At 1 January 2007	1,125,437	1,073,365	884,548	454,507	278,295	19,639	—	3,835,791
Depreciation charge for the year	190,943	153,211	171,409	114,126	34,411	3,945	—	668,045
Disposals	(330)	(15,134)	(22,015)	—	(5,257)	(1,942)	—	(44,678)
At 31 December 2007	1,316,050	1,211,442	1,033,942	568,633	307,449	21,642	—	4,459,158
Net book value At 31 December 2007	8,196,281	5,317,851	2,849,239	1,085,940	283,826	34,707	7,165,683	24,933,527

16 **PROPERTY, PLANT AND EQUIPMENT (Continued)**

(a) **Wuling Group (Continued)**

	Dam	Buildings and leasehold improvements	Power generators and equipment	Electricity supply equipment	Tools and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost or valuation								
At 1 January 2008	9,512,331	6,529,293	3,883,181	1,654,573	591,275	56,349	7,165,683	29,392,685
Additions	—	8,302	4,227	1,403	10,540	2,419	3,837,825	3,864,716
Disposals	—	(25,356)	—	—	(8,109)	(1,265)	—	(34,730)
Transfer	1,084,018	1,445,371	1,438,944	141,539	15,633	—	(4,125,505)	—
Revaluation	1,050,353	915,117	(110,920)	(172,457)	72,150	(6,200)	—	1,748,043
At 31 December 2008	11,646,702	8,872,727	5,215,432	1,625,058	681,489	51,303	6,878,003	34,970,714
Representing:								
Cost	—	—	—	—	—	—	6,878,003	6,878,003
Valuation	11,646,702	8,872,727	5,215,432	1,625,058	681,489	51,303	—	28,092,711
	11,646,702	8,872,727	5,215,432	1,625,058	681,489	51,303	6,878,003	34,970,714
Accumulated depreciation and impairment losses								
At 1 January 2008	1,316,050	1,211,442	1,033,942	568,633	307,449	21,642	—	4,459,158
Depreciation charge for the period	234,522	175,294	201,403	109,961	25,704	3,911	—	750,795
Disposals	—	(74)	—	—	(7,263)	(474)	—	(7,811)
Revaluation	436,755	397,885	12,213	(98,197)	54,377	(854)	—	802,179
At 31 December 2008	1,987,327	1,784,547	1,247,558	580,397	380,267	24,225	—	6,004,321
Net book value At 31 December 2008	9,659,375	7,088,180	3,967,874	1,044,661	301,222	27,078	6,878,003	28,966,393

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) **Wuling**

	Dam	Buildings and leasehold improvements	Power generators and equipment	Electricity supply equipment	Tools and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost								
At 1 January 2006	5,069,553	4,344,422	2,281,256	970,054	516,533	28,529	513,557	13,723,904
Additions	—	38,907	21,511	25	9,833	4,658	650,073	725,007
Disposals	—	—	(2,889)	—	(1,016)	(3,580)	—	(7,485)
Transfer	—	33	6,102	690	17,037	1,389	(25,251)	—
At 31 December 2006	5,069,553	4,383,362	2,305,980	970,769	542,387	30,996	1,138,379	14,441,426
Representing:								
Cost	—	38,940	27,613	715	26,870	6,047	1,138,379	1,238,564
Valuation	5,069,553	4,344,422	2,278,367	970,054	515,517	24,949	—	13,202,862
	5,069,553	4,383,362	2,305,980	970,769	542,387	30,996	1,138,379	14,441,426
Accumulated depreciation and impairment losses								
At 1 January 2006	964,303	921,992	664,375	359,819	237,487	12,103	—	3,160,079
Depreciation charge for the year	102,175	103,492	89,380	45,862	30,513	2,400	—	373,822
Disposals	—	—	(2,111)	—	(847)	(538)	—	(3,496)
At 31 December 2006	1,066,478	1,025,484	751,644	405,681	267,153	13,965	—	3,530,405
Net book value At 31 December 2006	4,003,075	3,357,878	1,554,336	565,088	275,234	17,031	1,138,379	10,911,021
Cost								
At 1 January 2007	5,069,553	4,383,362	2,305,980	970,769	542,387	30,996	1,138,379	14,441,426
Additions	4,257	8,332	4,794	448	602	5,549	1,139,675	1,163,657
Disposals	(5,211)	(309)	(24,457)	—	(4,859)	(752)	—	(35,588)
Transfer	—	4,066	1,935	1,220	1,090	—	(8,311)	—
Transfer to a subsidiary	—	(49,909)	—	—	—	—	—	(49,909)
At 31 December 2007	5,068,599	4,345,542	2,288,252	972,437	539,220	35,793	2,269,743	15,519,586
Representing:								
Cost	4,257	51,338	34,342	2,383	28,562	11,596	2,269,743	2,402,221
Valuation	5,064,342	4,294,204	2,253,910	970,054	510,658	24,197	—	13,117,365
	5,068,599	4,345,542	2,288,252	972,437	539,220	35,793	2,269,743	15,519,586

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) **Wuling (Continued)**

	Dam	Buildings and leasehold improvements	Power generators and equipment	Electricity supply equipment	Tools and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation and impairment losses								
At 1 January 2007	1,066,478	1,025,484	751,644	405,681	267,153	13,965	—	3,530,405
Depreciation charge for the year	102,124	98,224	89,349	45,691	29,093	2,407	—	366,888
Disposals	(330)	—	(21,996)	—	(4,012)	(556)	—	(26,894)
At 31 December 2007	1,168,272	1,123,708	818,997	451,372	292,234	15,816	—	3,870,399
Net book value At 31 December 2007	3,900,327	3,221,834	1,469,255	521,065	246,986	19,977	2,269,743	11,649,187
Cost								
At 1 January 2008	5,068,599	4,345,542	2,288,252	972,437	539,220	35,793	2,269,743	15,519,586
Additions	—	6,478	4,227	1,403	4,450	970	996,729	1,014,257
Disposals	—	—	—	—	(7,733)	(1,265)	—	(8,998)
Transfer	393,863	71,880	313,669	92	12,327	—	(791,831)	—
Transfer from a subsidiary	503,236	86,810	525,368	19,957	6,498	5,022	458,666	1,605,557
Transfer to subsidiaries	—	(27,665)	—	—	—	—	—	(27,665)
Revaluation	706,291	739,136	(159,120)	(1,007)	80,357	(3,269)	—	1,362,388
At 31 December 2008	6,671,989	5,222,181	2,972,396	992,882	635,119	37,251	2,933,307	19,465,125
Representing:								
Cost	—	—	—	—	—	—	2,933,307	2,933,307
Valuation	6,671,989	5,222,181	2,972,396	992,882	635,119	37,251	—	16,531,818
	6,671,989	5,222,181	2,972,396	992,882	635,119	37,251	2,933,307	19,465,125

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) **Wuling (Continued)**

	Dam	Buildings and leasehold improvements	Power generators and equipment	Electricity supply equipment	Tools and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation and impairment losses								
At 1 January 2008	1,168,272	1,123,708	818,997	451,372	292,234	15,816	—	3,870,399
Transfer from a subsidiary	73,904	20,311	197,350	12,778	5,264	1,711	—	311,318
Depreciation charge for the year	133,699	103,505	127,204	49,471	19,507	2,259	—	435,645
Disposals	—	—	—	—	(7,121)	(474)	—	(7,595)
Revaluation	271,605	323,955	(118,200)	(7,130)	48,548	(1,626)	—	517,152
At 31 December 2008	1,647,480	1,571,479	1,025,351	506,491	358,432	17,686	—	5,126,919
Net book value At 31 December 2008	5,024,509	3,650,702	1,947,045	486,391	276,687	19,565	2,933,307	14,338,206

(c) As detailed in Note 2.4, property, plant and equipment other than construction in progress are recognised initially at cost and are stated at revalued amounts less subsequent accumulated depreciation and accumulated impairment losses. The latest independent valuation was performed by 北京中企華資產評估有限責任公司 (Beijing China Enterprise Appraisals Co., Ltd.), independent valuers registered in the PRC, on a depreciated replacement cost basis as at 31 December 2008.

(d) The Directors have reviewed the carrying value of Wuling and Wuling Group's property, plant and equipment as at 31 December 2006, 2007 and 2008 and are of the opinion that the amounts are not materially different from the carrying amounts that would have been recognised had these assets been carried at cost less accumulated depreciation and impairment losses.

17 PREPAYMENT FOR CONSTRUCTION OF POWER PLANTS

Prepayment for construction of power plants represents advance payments made to contractors in connection with the construction of Wuling Group's power plants including payments for equipment and machineries pending delivery to the relevant power plants for installation.

18 LAND USE RIGHTS

	Wuling Group		
	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*
Cost			
At 1 January	11,652	49,854	49,854
Acquisition of a subsidiary (Note 35)	38,202	—	—
Addition for the year	—	—	20,037
At 31 December	49,854	49,854	69,891
Accumulated amortisation and impairment			
At 1 January	770	1,246	2,448
Amortisation	476	1,202	1,565
At 31 December	1,246	2,448	4,013
Net book value			
At 31 December	48,608	47,406	65,878

	Wuling		
	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*
Cost			
At 1 January	6,000	6,000	6,000
Addition for the year	—	—	20,037
Transfer to subsidiary	—	—	(6,000)
At 31 December	6,000	6,000	20,037
Accumulated amortisation and impairment			
At 1 January	240	360	480
Transfer to subsidiary	—	—	(520)
Amortisation	120	120	364
At 31 December	360	480	324
Net book value			
At 31 December	5,640	5,520	19,713

The amount represents cost of the land use rights in respect of land located in the PRC where certain of Wuling Group's property, plant and equipment are built on. The remaining period of the land use rights ranged from 25 to 70 years.

18 LAND USE RIGHTS (Continued)

In addition, certain of Wuling Group's property, plant and equipment are situated on leasehold land in the PRC which was granted for the use by the relevant government authorities to the relevant entities in Wuling Group at nil consideration with no specific terms of usage.

19 INVESTMENTS IN SUBSIDIARIES

	Wuling		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Unlisted investments, at cost	2,270,223	2,288,329	2,329,765
Amounts due from subsidiaries	5,085,602	6,525,301	8,552,466
	7,355,825	8,813,630	10,882,231
Amounts due to subsidiaries	—	—	313,704

Note: The amounts due from/(to) subsidiaries are unsecured, carrying interest at rates ranging from 5.5% to 7.5% per annum and repayable on demand.

The following is a list of subsidiaries at 31 December 2008:

Name of companies	Place of establishment and operation	Registered/ Paid up capital	Equity interest held	Principal activities	Type of legal entity
Interest held directly:					
懷化沅江電力開發有限公司 (Huaihua Yuanjiang Power Development Co., Ltd.)	The PRC	RMB500,000,000	95%	Generation and sale of electricity	Sino-foreign equity joint venture
貴州清水江水電有限公司 (Guizhou Qing Shui Jiang Hydropower Co., Ltd.)	The PRC	RMB1,110,000,000	95%	Generation and sale of electricity	Sino-foreign equity joint venture
湖南湘中電力有限公司 (Hunan Xiang Zhong Power Co., Ltd)	The PRC	RMB50,000,000	95%	Generation and sale of electricity	Sino-foreign equity joint venture
湖南五華酒店有限公司 (Hunan Wuhua Hotel Co., Ltd.)	The PRC	RMB162,100,000	70%	Hotel ownership and operation	Sino-foreign equity joint venture

19 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of companies	Place of establishment and operation	Registered/ Paid up capital	Equity interest held	Principal activities	Type of legal entity
五淩電力燃料有限公司 (Wuling Power Fuel Company Limited)	The PRC	RMB30,000,000	100%	Provision of fuel purchase services	Limited liability company
湖南五淩力源經濟發展有限公司 (Hunan Wu Ling Li Yuan Economic Development Co., Ltd.)	The PRC	RMB49,795,000	90%	Provision of repair and maintenance services	Sino-foreign equity joint venture
湖南五淩電力工程公司 (Hunan Wuling Engineering Co., Ltd.)	The PRC	RMB46,000,000	100%	Provision of repair and maintenance service	Sino-foreign equity joint venture
貴州黔東電力有限公司 (Guizhou Qiandong Electricity Power Company Limited) (also see Note 35)	The PRC	RMB200,000,000	75%	Generation and sale of electricity	Sino-foreign equity joint venture
常德力源園林綠化有限公司 (Changde Liyuan Landscaping Company Limited)	The PRC	RMB2,000,000	100%	Provision of gardening services	Limited liability company
湖南常德五強物業管理有限公司 (Hunan Changde Wu Qiang Property Management Co., Ltd.)	The PRC	RMB6,680,000	100%	Provision of property management services	Limited liability company

Note: During the Relevant Periods, Wuling Group held 100% interest in a subsidiary 湖南資江電力開發有限公司 (Hunan Zijing Power Development Company Limited), which was principally engaged in the generation and sales of electricity. During the year ended 31 December 2008, the company was being liquidated and all its assets and liabilities have been transferred to Wuling.

20 INTERESTS IN ASSOCIATED COMPANIES

	Wuling Group		
	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	680,995	532,971	667,454
Goodwill	72,800	72,800	72,800
	753,795	605,771	740,254

	Wuling		
	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*
Unlisted investments, at cost	625,656	625,656	645,656

The following are the details of the associated companies at 31 December 2008:

Name of companies	Place of establishment and operation	Registered/paid up capital	Equity interest held	Principal activities	Type of legal entity
Interest held directly					
湖南華潤電力鯉魚江有限公司 (China Resources Power Hunan Liyujiang Company Limited)	The PRC	RMB573,660,000	40%	Generation and sale of electricity	Sino-foreign equity Joint venture
湖南核電有限公司 (Hunan Nuclear Power Company Limited "HNPL") *(Note (a))*	The PRC	RMB100,000,000	20%	Development of power plants	Sino-foreign equity Joint venture
Interest held indirectly					
貴州格目底礦業有限公司 (Guizhou Ge Mude Mining Company Limited "GMML") *(Note (b))*	The PRC	RMB634,000,000	35% *(note)*	Construction of mining structure for coal mining with mining rights	Sino-foreign equity Joint venture

Note (a): During the year ended 31 December 2007, Wuling Group held 50% interest in HNPL as a jointly controlled entity. During the year ended 31 December 2008, Wuling Group disposed of a 30% interests in HNPL and the company becomes an associated company of Wuling Group since then.

During the Relevant Periods, GMML is still constructing its mining structure for coal mining and has not commenced business operations. In accordance with the terms of the underlying contractual agreement, the percentage of equity interest of each equity holder will be determined based on their respective capital contribution made to the company by end of the construction period which had not yet been completed by 31 December 2008.

Note (b): As at 31 December 2006, Wuling Group held 18% interest in GMML and accounted for the company as an associated company because Wuling Group has board representative in GMML and is able to exert significant influence on GMML's financial and operating policy decisions. During the years ended 31 December 2007 and 2008, additional capital contribution was made by Wuling Group to increase its interest in GMML to 35%.

20 INTERESTS IN ASSOCIATED COMPANIES (Continued)

The following is an extract of the aggregate operating results and financial position of Wuling Group's associated companies, based on the unaudited management accounts of these associated companies for the Relevant Periods prepared by management of Wuling Group in accordance with those relevant accounting policies as set out in Note 2.

	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*
Operating results			
Turnover	1,663,365	1,710,639	1,303,411
Profit before taxation	432,347	372,936	40,048
Profit after taxation	432,347	373,544	40,334

	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*
Financial position			
Property, plant and equipment	1,800,964	2,005,007	2,973,344
Other non-current assets	211,852	264,361	341,862
Current assets	591,577	592,849	798,592
Current liabilities	(557,392)	(1,424,616)	(2,046,951)
Long-term liabilities	(807,000)	(517,000)	(746,746)
Net assets	1,240,001	920,601	1,320,101

Dividend income from associated companies for each of the years ended 2006, 2007 and 2008 amounted to RMB85,446,000, RMB322,438,000 and RMBNil, respectively.

21 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Wuling Group		
	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	8,373	35,393	6,977

	Wuling		
	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*
Unlisted investments, at cost	9,000	39,000	9,000

21 INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

The following are the details of the jointly controlled entity as at 31 December 2008:

Name of companies	Place of establishment and operation	Paid up capital	Equity interest held	Principal activities	Type of legal entity
Interest held directly					
張家界索溪峪酒店有限公司	The PRC	RMB18,000,000	50%	Hotel ownership and operations	Sino-foreign equity Joint venture

The following amounts represent Wuling Group's share of assets, liabilities, income, results and commitments of the jointly controlled entities as derived from the unaudited management accounts of these jointly controlled entities for the Relevant Periods prepared by management of Wuling Group in accordance with those relevant accounting policies as set out in Note 2.

	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*
Operating results			
Turnover	—	—	—
Loss before taxation	(595)	(2,980)	(763)
Loss after taxation	(595)	(2,980)	(763)

	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*
Financial position			
Property, plant and equipment	2,609	29,850	15,553
Current assets	6,056	10,004	955
Current liabilities	(292)	(4,461)	(9,531)
Net assets	8,373	35,393	6,977

	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*
Capital commitments			
Contracted but not provided for	679	14,869	4,762

There are no contingent liabilities relating to Wuling Group's interests in the jointly controlled entities and the jointly controlled entities did not have any material contingent liabilities as at 31 December 2006, 2007 and 2008.

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Wuling Group		
	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*
Unlisted investments, at cost	84,500	84,500	120,271

	Wuling		
	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*
Unlisted investments, at cost	32,000	32,000	32,000

These assets principally represent interests in certain unlisted companies which do not have a quoted market price in an active market and for which the range of other methods of reasonably estimating fair value is significant and the probabilities of the various estimates cannot be reasonably assessed. Accordingly, these investments are carried at cost less accumulated impairment losses.

23 DERIVATIVE FINANCIAL INSTRUMENTS

	Wuling Group			Wuling		
	2006	2007	2008	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Derivative financial instruments - held for trading	—	—	44,080	—	—	44,080

As at 31 December 2008, Wuling Group had certain gross settled derivative financial instruments mainly to sell USD for JPY with an aggregate notional principal amount of JPY 3,772,204,000.

24 INVENTORIES

	Wuling Group			Wuling		
	2006	2007	2008	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Coal and oil	—	—	104,238	—	—	—
Spare parts and consumables	8,195	9,747	10,292	6,413	7,145	8,491
Others	1,025	1,039	1,110	—	—	—
	9,220	10,786	115,640	6,413	7,145	8,491

25 ACCOUNTS RECEIVABLE

	Wuling Group			Wuling		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accounts receivable from provincial power grid companies *(Note (i))*	578,071	593,688	207,102	544,721	526,469	93,820
Accounts receivable from other companies *(Note (i))*	405	4,537	4,716	—	—	—
	578,476	598,225	211,818	544,721	526,469	93,820
Less: Provision *(Note (iii))*	(490,594)	(477,581)	(155)	(490,550)	(477,537)	(111)
	87,882	120,644	211,663	54,171	48,932	93,709
Bills receivable *(Note (ii))*	116,426	174,932	148,419	112,856	174,931	148,419
	204,308	295,576	360,082	167,027	223,863	242,128

The carrying value of accounts receivable and bills receivable approximate their fair values due to their short maturity.

Note:

(i) The ageing analysis of the accounts receivable is as follows:

	Wuling Group			Wuling		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	84,632	120,328	211,663	50,921	48,616	93,709
Over 1 year	23,089	7,044	—	23,045	7,000	—
Over 2 to 5 years	237,390	186,542	111	237,390	186,542	111
Over 5 years	233,365	284,311	44	233,365	284,311	—
	578,476	598,225	211,818	544,721	526,469	93,820

The credit quality of accounts receivable that are neither past due nor impaired has been assessed by reference to the historical information about counterparty default rates.

Wuling Group normally grants credit period of 15 to 30 days to customers from the end of the month in which the sales are made. Accounts receivable within 90 days are not considered to be past due because these mainly relate to receivables from provincial power grid companies derived from recent transactions.

25 ACCOUNTS RECEIVABLE (Continued)

Note:

(i) During the Relevant Periods, accounts receivable that are past due but not impaired are minimal and are analysed as follows:

	Wuling Group			Wuling		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Past due for						
Over 1 year	3,250	316	—	3,250	316	—

During the Relevant Periods, the following accounts receivable were past due and had been fully provided for.

The impairment of accounts receivable mainly related to amounts due from a power grid company which arose as a result of the power industry reform that took place prior to year 2003 which resulted in uncertainty as to whether these receivables could be recoverable and therefore full provision had been made on these long outstanding receivables prior to year 2006. The ageing analysis of these accounts receivable as at the relevant balance sheet date is as follows:

	Wuling Group			Wuling		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Past due for						
Over 1 year	19,839	6,728	—	19,795	6,684	—
Over 2 to 5 years	237,390	186,542	111	237,390	186,542	111
Over 5 years	233,365	284,311	44	233,365	284,311	—
	490,594	477,581	155	490,550	477,537	111

(ii) Bills receivable are bank acceptance notes normally with maturity period of 90 to 180 days.

25 ACCOUNTS RECEIVABLE (Continued)

(iii) Movements in the provision for impairment of accounts receivable for Wuling Group are as follows:

	Wuling Group			Wuling		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of the year	490,603	490,594	477,581	490,550	490,550	477,537
Provision for/(write-back of) impairment	—	(13,013)	(23,136)	—	(13,013)	(23,136)
Receivables written off as uncollectible	(9)	—	(90,858)	—	—	(90,858)
Bad debts recovered	—	—	(363,432)	—	—	(363,432)
End of the year	490,594	477,581	155	490,550	477,537	111

26 CASH AND CASH EQUIVALENTS

	Wuling Group			Wuling		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash in hand	69	114	60	21	19	13
Bank balances	34,055	92,672	46,084	14,051	45,573	8,082
	34,124	92,786	46,144	14,072	45,592	8,095
Denominated in:						
RMB	33,558	91,436	46,144	13,506	44,242	8,095
Others	566	1,350	—	566	1,350	—
	34,124	92,786	46,144	14,072	45,592	8,095

Notes:

(i) Cash at bank earns interest at floating rates based on daily bank deposit rates.

(ii) Wuling Group's cash and cash equivalents denominated in RMB are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

27 PAID-UP CAPITAL

	Wuling		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Registered capital	3,476,160	3,476,160	3,476,160
Paid-up capital			
At 1 January	2,556,236	2,686,516	3,476,160
Capitalisation of dividends	130,280	293,420	—
Contributions from equity holders	—	496,224	—
At 31 December	2,686,516	3,476,160	3,476,160

Wuling was a domestic enterprise established in the PRC on 3 May 1995 with a registered capital of RMB 3,476,160,000, of which 60.3%, 35% and 4.7% were owned by CPI Group, 湖南省經濟建設投資公司 (Hunan Provincial Economic Development Investment Company or "HEDC") and 華中電網有限公司 (Huazhong Power Grid Company Limited or "HZPG") respectively.

In December 2005, HEDC transferred its entire 35% interest in Wuling to 湖南湘投國際投資有限公司 (Hunan Xiangtou International Investment Limited or "Xiangtou"), a sino-foreign joint venture company equally owned by Meiya Xiangtou Power Company Limited, a then independent third party to Wuling, and 湖南湘投控股集團有限公司 (Hunan Xiangtou Holding (Group) Limited), an investment company wholly owned by the Hunan provincial government. The registration completed in April 2006 and the economic nature of Wuling was changed to a sino-foreign equity joint venture since then.

As at 1 January 2006, the paid-up capital of Wuling was amounted to RMB 2,556,236,000.

In April 2006, it was resolved that a total dividend of RMB 130,280,000 shall be distributed by way of capitalisation as paid-up capital of Wuling.

In May 2007, it was resolved that a total dividend of RMB 293,420,000 shall be distributed by way of capitalisation as paid-up capital of Wuling. It was also resolved that HZPG shall transfer its entire 4.7% interest in Wuling to CPI Group and Xiangtou.

In December 2007, additional capital contribution totaling RMB 496,224,000 was being made by way of a cash contribution of RMB 170,040,000 from Xiangtou and the capitalisation of an amount due to CPI Group of RMB 326,184,000 respectively. Subsequent to the dividend capitalisation and the capital injection, Wuling became 63% and 37% owned by CPI Group and Xiangtou respectively.

28 RESERVES

	Wuling Group				
	Capital reserve *(Note (i))*	**Statutory reserves** *(Note (ii))*	**Revaluation reserve**	**Accumulated losses** *(Note (iii))*	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2006	65,882	204,212	1,283,000	(715,300)	837,794
Profit for the year	—	—	—	398,900	398,900
Transfer	59,783	45,262	—	(105,045)	—
Capitalisation of dividends	—	—	—	(130,280)	(130,280)
Release of revaluation reserve on disposal of property, plant and equipment	—	—	(1,014)	—	(1,014)
Others	11	—	—	—	11
At 31 December 2006 and 1 January 2007	125,676	249,474	1,281,986	(551,725)	1,105,411
Profit for the year	—	—	—	421,905	421,905
Transfer	—	84,850	—	(84,850)	—
Capitalisation of dividends	—	—	—	(293,420)	(293,420)
Release of revaluation reserve on disposal of property, plant and equipment	—	—	(26,811)	4,460	(22,351)
Deferred tax on revaluation reserve released upon disposal of property, plant and equipment	—	—	6,705	—	6,705
Deferred tax on change in tax rate for revaluation of property, plant and equipment	—	—	148,803	—	148,803
At 31 December 2007 and 1 January 2008	125,676	334,324	1,410,683	(503,630)	1,367,053
Profit for the year	—	—	—	245,337	245,337
Transfer	—	26,240	—	(26,240)	—
Release of revaluation reserve on disposal of property, plant and equipment	—	—	(24,204)	3,489	(20,715)
Deferred tax on revaluation reserve released upon disposal of property, plant and equipment	—	—	6,051	—	6,051
Revaluation surplus on property, plant and equipment	—	—	1,010,991	—	1,010,991
Deferred tax on revaluation of property, plant and equipment charged directly to equity	—	—	(252,748)	—	(252,748)
Others	—	298	—	—	298
At 31 December 2008	125,676	360,862	2,150,773	(281,044)	2,356,267

28 RESERVES (Continued)

	Wuling				
	Capital reserve *(Note (i))* *RMB'000*	**Statutory reserves** *(Note (ii))* *RMB'000*	**Revaluation reserve** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*
At 1 January 2006	65,882	204,141	1,148,566	(297,821)	1,120,768
Profit for the year	—	—	—	492,546	492,546
Transfer	59,783	44,905	—	(104,688)	—
Capitalisation of dividends	—	—	—	(130,280)	(130,280)
Release of revaluation reserve on disposal of property, plant and equipment	—	—	(1,014)	—	(1,014)
At 31 December 2006 and 1 January 2007	125,665	249,046	1,147,552	(40,243)	1,482,020
Profit for the year	—	—	—	742,377	742,377
Transfer	—	83,264	—	(83,264)	—
Capitalisation of dividends	—	—	—	(293,420)	(293,420)
Release of revaluation reserve on disposal of property, plant and equipment	—	—	(26,797)	4,460	(22,337)
Deferred tax on revaluation reserve released upon disposal of property, plant and equipment	—	—	6,699	—	6,699
Deferred tax on change in tax rate for revaluation of property, plant and equipment	—	—	137,061	—	137,061
At 31 December 2007 and 1 January 2008	125,665	332,310	1,264,515	329,910	2,052,400
Profit for the year	—	—	—	465,809	465,809
Transfer	—	23,873	—	(23,873)	—
Release of revaluation reserve on disposal of property, plant and equipment	—	—	(24,178)	3,489	(20,689)
Deferred tax on revaluation reserve released upon disposal of property, plant and equipment	—	—	6,045	—	6,045
Revaluation surplus on property, plant and equipment	—	—	776,447	—	776,447
Deferred tax on revaluation of property, plant and equipment charged directly to equity	—	—	(194,112)	—	(194,112)
At 31 December 2008	125,665	356,183	1,828,717	775,335	3,085,900

28 RESERVES (Continued)

Note:

(i) Capital reserve

Capital reserve mainly represents refund of valued added tax received from the relevant government authorities totaling RMB 100,186,000 which is not to be distributed.

(ii) Statutory reserves

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

(iii) Accumulated losses

Accumulated losses retained by Wuling and its subsidiaries include deficits from revaluation of certain property, plant and equipment of Wuling and its subsidiaries which have been accounted for in profit and loss account in prior years in accordance with the accounting policies as set out in Note 2 above. In the local statutory accounts of Wuling and the relevant subsidiaries, property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Profit distributions made by these companies were based on the distributable reserves as reported in the statutory accounts of the respective companies.

29 BORROWINGS

Bank and other borrowings are analysed as follows:

	Wuling Group			Wuling		
	2006	2007	2008	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current						
Long-term bank borrowings *(Note i)*						
- secured	4,154,207	4,752,349	6,037,369	4,154,207	4,752,349	6,037,369
- unsecured	9,663,472	10,551,064	12,504,652	7,367,472	7,210,065	9,354,652
	13,817,679	15,303,413	18,542,021	11,521,679	11,962,414	15,392,021
Less: current portion of long-term bank borrowings						
- secured	(133,896)	(220,482)	(323,574)	(133,896)	(220,482)	(323,574)
- unsecured	(344,080)	(458,331)	(451,599)	(344,080)	(445,831)	(439,099)
	(477,976)	(678,813)	(775,173)	(477,976)	(666,313)	(762,673)
	13,339,703	14,624,600	17,766,848	11,043,703	11,296,101	14,629,348
Long-term other borrowings *(Note i)*	31,126	21,126	15,126	31,126	21,126	15,126
Less: current portion of long-term other borrowings	(10,000)	(4,000)	—	(10,000)	(4,000)	—
	21,126	17,126	15,126	21,126	17,126	15,126
	13,360,829	14,641,726	17,781,974	11,064,829	11,313,227	14,644,474
Current						
Short-term bank borrowings, unsecured	1,116,940	1,617,000	2,127,450	859,940	1,250,000	1,830,000
Short-term other borrowings *(Note iv)*	—	1,000,000	—	—	1,000,000	—
	1,116,940	2,617,000	2,127,450	859,940	2,250,000	1,830,000
Current portion of long-term						
- bank borrowings	477,976	678,813	775,173	477,976	666,313	762,673
- other borrowings	10,000	4,000	—	10,000	4,000	—
	487,976	682,813	775,173	487,976	670,313	762,673
	1,604,916	3,299,813	2,902,623	1,347,916	2,920,313	2,592,673
Total borrowings	14,965,745	17,941,539	20,684,597	12,412,745	14,233,540	17,237,147

29 BORROWINGS (Continued)

The carrying amounts of the borrowings are denominated in the following currencies:

	Wuling Group			Wuling		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RMB	13,127,273	16,258,735	18,883,186	10,574,273	12,550,736	15,435,736
US Dollar	328,157	272,925	223,508	328,157	272,925	223,508
Japanese Yen	1,510,315	1,409,879	1,577,903	1,510,315	1,409,879	1,577,903
	14,965,745	17,941,539	20,684,597	12,412,745	14,233,540	17,237,147

The carrying amounts of these borrowings approximate their fair values.

(i) The repayment terms of the long-term borrowings are analysed as follows:

	Wuling Group			Wuling		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings						
Wholly repayable within five years	930,920	1,872,597	2,048,159	635,920	1,172,597	848,159
Not wholly repayable within five years	12,886,759	13,430,816	16,493,862	10,885,759	10,789,817	14,543,862
	13,817,679	15,303,413	18,542,021	11,521,679	11,962,414	15,392,021

	Wuling Group			Wuling		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other borrowings						
Wholly repayable within five years	31,126	21,126	15,126	31,126	21,126	15,126

29 BORROWINGS (Continued)

(i) The repayment terms of the long-term borrowings are analysed as follows: (Continued)

Long-term borrowings were repayable as follows:

	Wuling Group			Wuling		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings						
Within one year	477,976	678,813	775,173	477,976	666,313	762,673
In the second year	1,097,225	777,289	1,410,065	802,226	764,789	697,565
In the third to fifth year	1,906,071	2,534,672	2,462,750	1,906,071	1,797,172	1,925,250
After the fifth year	10,336,407	11,312,639	13,894,033	8,335,406	8,734,140	12,006,533
	13,817,679	15,303,413	18,542,021	11,521,679	11,962,414	15,392,021

	Wuling Group			Wuling		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other borrowings						
Within one year	10,000	4,000	—	10,000	4,000	—
In the second year	4,000	8,000	8,000	4,000	8,000	8,000
In the third to fifth year	17,126	9,126	7,126	17,126	9,126	7,126
	31,126	21,126	15,126	31,126	21,126	15,126

(ii) The effective interest rates of the borrowings are as follows:

	Wuling Group			Wuling		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
Long-term bank borrowings	5.89%	6.64%	6.92%	5.92%	6.82%	6.90%
Short-term bank borrowings	5.45%	6.49%	6.86%	5.51%	6.48%	6.94%
Long-term other borrowings	4.34%	3.60%	3.60%	4.34%	3.60%	3.60%
Short-term other borrowings	N/A	4.02%	4.02%	N/A	4.02%	4.02%

(iii) Long-term other borrowings represent loans from a local government in the PRC, which were unsecured and carried interest at rates ranging from 3.6% to 4.34% per annum during the Relevant Periods.

29 BORROWINGS (Continued)

(iv) As at 31 December 2007, short-term other borrowings represented a bond issued by Wuling which was unsecured and carried interest at rates ranging from 3.9% to 4.2% per annum. These borrowings were fully settled during the year ended 31 December 2008.

Wuling and Wuling Group's bank borrowings are secured by the following:

(i) corporate guarantees given by Hunan Provincial Power Company to the extent of RMB829,560,000, RMB829,560,000 and RMB629,560,000 for each of the years ended 31 December 2006, 2007 and 2008 respectively; and

(ii) the rights on receivables from Wuling and certain of its subsidiaries' sales of electricity.

As at 31 December 2006, 2007 and 2008, Wuling Group had the following undrawn committed borrowing facilities:

	Wuling Group		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Long-term bank borrowings, at floating rates	7,442,800	9,335,800	9,060,650

30 LOANS FROM RELATED COMPANIES

Loans from related companies are analysed as follows:

	Wuling Group			Wuling		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Long-term loans from:						
Ultimate holding company *(Note (i))*	1,800,000	1,473,816	1,473,816	400,000	73,816	73,816
Xiangtou *(Note (ii))*	1,155,201	985,201	885,201	1,155,201	985,201	885,201
Short-term loan from CPIF *(Note (iii))*	300,000	200,000	300,000	300,000	200,000	300,000
	3,255,201	2,659,017	2,659,017	1,855,201	1,259,017	1,259,017

30 LOANS FROM RELATED COMPANIES (Continued)

Notes

(i) Long-term loans from ultimate holding company are unsecured, carrying interest at a fixed rate of 5.02% per annum and repayable by year 2018.

(ii) Long-term loan from Xiangtou is unsecured, carrying interest at rates ranging from 5.51% to 7.47% during the Relevant Periods and repayable by 31 December 2015.

(iii) Short-term loans from CPIF are unsecured and carrying interest at rates ranging from 5.26% to 6.72% per annum during the Relevant Periods. These loans are repayable within twelve months from the balance sheet date.

The carrying amounts of these loans are not materially differ from their fair values.

31 ACCOUNTS PAYABLE

	Wuling Group		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Accounts payable	14,961	18,232	21,723

The carrying amount of accounts payable approximates their fair values due to their short maturity.

The normal credit period for accounts payable generally ranges from 30 to 60 days. Ageing analysis of accounts payable is as follows:

	Wuling Group		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	11,386	13,139	10,223
Between 7 and 12 months	289	1,182	5,196
Between 1 and 2 years	276	812	3,098
Over 2 years	3,010	3,099	3,206
	14,961	18,232	21,723

32 OTHER PAYABLES AND ACCRUED CHARGES

	Wuling Group			Wuling		
	2006	2007	2008	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reservoir maintenance fees payable	203,491	175,400	194,482	203,491	160,711	161,576
Value added tax and other taxes payable	77,133	102,235	115,440	49,995	54,272	61,716
Interest payable	47,352	83,067	33,353	42,005	72,956	24,839
Salaries and staff welfare payable	53,364	10,128	8,714	29,085	2,253	3,120
Other payables and accrued expenses	47,906	65,447	82,955	21,837	8,041	11,976
	429,246	436,277	434,944	346,413	298,233	263,227

33 DEFERRED INCOME TAX

Deferred income taxes are calculated in respect of temporary differences under the liability method using the tax rates enacted or substantially enacted by the balance sheet date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Wuling Group			Wuling		
	2006	2007	2008	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	198,601	151,285	146,308	—	—	—
Deferred tax liabilities	(141,382)	(131,222)	(498,096)	(130,359)	(119,420)	(427,077)
Net deferred income tax assets/(liabilities)	57,219	20,063	(351,788)	(130,359)	(119,420)	(427,077)

33 DEFERRED INCOME TAX (Continued)

	Wuling Group			Wuling		
	2006	2007	2008	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets:						
- Deferred tax assets to be recovered after more than 12 months	741,183	551,609	453,935	497,449	383,063	272,976
- Deferred tax assets to be recovered within 12 months	14,771	19,086	12,690	8,632	8,179	7,286
	755,954	570,695	466,625	506,081	391,242	280,262
Deferred tax liabilities:						
- Deferred tax liabilities to be recovered after more than 12 months	(658,171)	(511,596)	(791,364)	(602,385)	(486,050)	(682,525)
- Deferred tax liabilities to be recovered within 12 months	(40,564)	(39,036)	(27,049)	(34,055)	(24,612)	(24,814)
	(698,735)	(550,632)	(818,413)	(636,440)	(510,662)	(707,339)

The gross movement on the deferred income tax assets/(liabilities) is as follows:

	Wuling Group			Wuling		
	2006	2007	2008	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	44,473	57,219	20,063	(79,204)	(130,359)	(119,420)
Acquisition of subsidiaries (Note 35)	(3,986)	—	—	—	—	—
Transfer from a subsidiary	—	—	—	—	—	22,684
Credited/(charged) to profit and loss account (Note 10)	16,732	(193,282)	(118,647)	(51,155)	(132,821)	(142,274)
Charged directly to equity	—	156,126	(253,204)	—	143,760	(188,067)
At 31 December	57,219	20,063	(351,788)	(130,359)	(119,420)	(427,077)

33 DEFERRED INCOME TAX (Continued)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets:

	Wuling Group				
	Revaluation and depreciation allowances of property, plant and equipment	**Pre-operating expenses**	**Provision for receivables**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2006	440,378	51,919	168,873	—	661,170
Acquisition of subsidiaries (Note 35)	7,901	—	—	—	7,901
Credited to consolidated profit and loss account	14,620	59,899	11,443	921	86,883
At 31 December 2006	462,899	111,818	180,316	921	755,954
At 1 January 2007	462,899	111,818	180,316	921	755,954
(Charged)/credited to consolidated profit and loss account	(30,584)	24,701	(1,684)	5,569	(1,998)
Change of tax rate					
- Charged to consolidated profit and loss account	(112,218)	(27,107)	(43,713)	(223)	(183,261)
At 31 December 2007	320,097	109,412	134,919	6,267	570,695
At 1 January 2008	320,097	109,412	134,919	6,267	570,695
(Charged)/credited to consolidated profit and loss account	(28,488)	47,057	(117,070)	(5,569)	(104,070)
At 31 December 2008	291,609	156,469	17,849	698	466,625

33 DEFERRED INCOME TAX (Continued)

Deferred tax liabilities:

	Wuling Group
	Revaluation and depreciation allowances of property, plant and equipment
	RMB'000
At 1 January 2006	(616,697)
Acquisition of subsidiaries (Note 35)	(11,887)
Charged to consolidated profit and loss account	(70,151)
At 31 December 2006	(698,735)
At 1 January 2007	(698,735)
Deferred tax on revaluation reserve credited directly to equity	6,705
Charged to consolidated profit and loss account	(27,993)
Change of tax rate	
- Credited directly to equity	149,421
- Credited to consolidated profit and loss account	19,970
At 31 December 2007	(550,632)
At 1 January 2008	(550,632)
Deferred tax on revaluation reserve charged directly to equity	(253,204)
Charged to consolidated profit and loss account	(14,577)
At 31 December 2008	(818,413)

33 DEFERRED INCOME TAX (Continued)

Deferred tax assets:

	Wuling				
	Revaluation and depreciation allowances of property, plant and equipment	**Pre-operating expenses**	**Provision for receivables**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2006	324,076	—	162,431	—	486,507
Credited to profit and loss account	2,531	5,600	11,443	—	19,574
At 31 December 2006	326,607	5,600	173,874	—	506,081
At 1 January 2007	326,607	5,600	173,874	—	506,081
Credited/(charged) to profit and loss account	1,215	2,747	(1,684)	5,569	7,847
Change of tax rate					
- Charged to profit and loss account	(79,177)	(1,358)	(42,151)	—	(122,686)
At 31 December 2007	248,645	6,989	130,039	5,569	391,242
At 1 January 2008	248,645	6,989	130,039	5,569	391,242
Transfer from a subsidiary	9,756	12,928	—	—	22,684
(Charged)/credited to profit and loss account	(41,211)	32,473	(119,357)	(5,569)	(133,664)
At 31 December 2008	217,190	52,390	10,682	—	280,262

33 DEFERRED INCOME TAX (Continued)

Deferred tax liabilities:

	Wuling
	Revaluation and depreciation allowances of property, plant and equipment
	RMB'000
At 1 January 2006	(565,711)
Acquisition of subsidiaries	(—)
Charged to profit and loss account	(70,729)
At 31 December 2006	(636,440)
At 1 January 2007	(636,440)
Deferred tax on revaluation reserve credited directly to equity	6,699
Charged to profit and loss account	(35,209)
Change of tax rate	
- Credited directly to equity	137,061
- Credited to profit and loss account	17,227
At 31 December 2007	(510,662)
At 1 January 2008	(510,662)
Deferred tax on revaluation reserve charged directly to equity	(188,067)
Charged to profit and loss account	(8,610)
At 31 December 2008	(707,339)

34 CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before taxation to cash generated from operations

	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	519,409	818,872	407,174
Share of (profits)/losses of associated companies	(167,335)	(124,414)	9,978
Share of losses of jointly controlled entities	595	2,980	763
Interest expense	513,254	806,163	1,022,140
Interest income	(2,920)	(2,388)	(4,581)
Depreciation	555,824	668,045	750,795
Amortisation of land use rights	476	1,202	1,565
Loss on disposal of property, plant and equipment	379	—	—
Negative goodwill arising from acquisition of subsidiaries	(8,839)	—	—
Write-back of provision for other investments	(2,002)	—	—
Gain on disposal of a jointly controlled entity	—	—	(1,408)
Revaluation deficits on property, plant and equipment	—	—	91,154
Fair value gain on derivative financial instruments	—	—	(44,080)
Operating profit before working capital changes	1,408,841	2,170,460	2,233,500
Changes in working capital:			
Accounts receivable	154,542	(91,268)	(64,506)
Prepayments, deposits and other receivables	141,368	5,044	(24,870)
Inventories	(2,759)	(1,566)	(104,854)
Amount due from related companies	78,138	(9,930)	(73,154)
Accounts payable	11,508	3,271	3,491
Other payables, accrued charges and other liabilities	(137,436)	(2,059)	45,108
Amounts due to related companies	(40,521)	(140)	30,000
Cash generated from operations	1,613,681	2,073,812	2,044,715

35 BUSINESS COMBINATIONS

During the year ended 31 December 2006, Wuling Group acquired the following subsidiaries:

(i) Acquisition of 26% additional interest in Hunan Wuhua Hotel Co., Ltd. ("Wuhua")

Effective 1 January 2006, the Group acquired an additional 26% interest in Wuhua at a consideration of RMB26,000,000. Following the acquisition, Wuling Group held a 70% interest in Wuhua.

Wuhua's business contributed revenue of RMB 40,655,000 and loss after tax of RMB 2,652,000 to Wuling Group for the year ended 31 December 2006.

35 BUSINESS COMBINATIONS (Continued)

(ii) Acquisition of 95.45% additional interest in Hunan Zijiang Power Development Company Limited ("Zijiang")

Effective 1 January 2006, the Group acquired an additional 95.45% interest in Zijiang at a consideration of RMB 377,568,000. Following the acquisition, Wuling Group held a 100% interest in Zijiang.

Zijiang's business contributed revenue of RMB 58,642,000 and loss after tax of RMB 57,141,000 to Wuling Group for the year ended 31 December 2006.

Details of net assets acquired and goodwill are as follows:

	Wuhua		**Zijiang**		**Total**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	244,807	253,385	596,293	553,690	841,100	807,075
Land use rights	10,758	38,202	—	—	10,758	38,202
Inventories	1,382	1,382	1,511	1,511	2,893	2,893
Prepayments, deposits and other receivables	17,631	17,631	38,667	57,328	56,298	74,959
Cash and cash equivalents	14,688	14,688	3,154	3,154	17,842	17,842
Payables and accrued charges	(5,365)	(5,365)	(30,117)	(30,117)	(35,482)	(35,482)
Borrowings	(196,728)	(196,728)	(190,000)	(190,000)	(386,728)	(386,728)
Deferred taxation	—	(11,887)	—	7,901	—	(3,986)
Fair value of net assets	87,173	111,308	419,508	403,467	506,681	514,775
Minority interests		(33,392)		—		(33,392)
Net assets acquired		77,916		403,467		481,383
Interest previously held as an associated company/ other investment		(48,976)		(20,000)		(68,976)
Purchase consideration		(26,000)		(377,568)		(403,568)
Negative goodwill		2,940		5,899		8,839
Satisfied by:						
Cash consideration		(26,000)		(377,568)		(403,568)
Cash and cash equivalents in subsidiaries acquired		14,688		3,154		17,842
Cash outflow on acquisitions		(11,312)		(374,414)		(385,726)

There were no acquisitions of subsidiaries during the years ended 31 December 2007 and 2008.

36 COMMITMENTS

(a) Capital commitments

	Wuling Group			Wuling		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
In respect of property, plant and equipment:						
Authorised but not contracted for	5,400,940	4,479,060	3,447,518	681,210	645,480	929,320
Contracted but not provided for	8,476,998	9,042,869	8,491,767	1,318,848	2,612,356	2,897,503
	13,877,938	13,521,929	11,939,285	2,000,058	3,257,836	3,826,823

(b) Future operating lease arrangements

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

	Wuling Group			Wuling		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other equipment						
Not later than one year	6,520	7,405	2,922	—	—	—
Later than one year and not later than five years	2,175	758	6,433	—	—	—
Later than five years	—	—	2,795	—	—	—
	8,695	8,163	12,150	—	—	—

37 RELATED PARTY TRANSACTIONS

Wuling Group is controlled by CPI Group, which owns 63% of Wuling. The remaining 37% interest of Wuling is held by Xiangtou. The Directors of Wuling regard CPI Group, a company incorporated in the PRC, as being the ultimate holding company.

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 Wuling. Given that the PRC government still owns a significant portion of the productive assets in the PRC despite the continuous reform of the government structure, the majority of Wuling Group's business activities had been conducted with enterprises directly or indirectly owned or controlled by the PRC government ("state-owned enterprises"), including CPI Group, its subsidiaries, associated companies and jointly controlled entities in the ordinary course of business. In accordance with HKAS 24, "Related Party Disclosures" ("HKAS 24"), state-owned enterprises and their subsidiaries, other than entities under CPI Group (also a state-owned enterprise), directly or indirectly controlled by the PRC government are also defined as related parties of Wuling Group. Neither CPI Group nor the PRC government has published financial statements.

37 RELATED PARTY TRANSACTIONS (Continued)

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

Related parties	**Relationship with Wuling**
CPI Group	Ultimate holding company
CPIF	A company controlled by CPI Group
CPIH	A fellow subsidiary
Xiangtou	An equity holder of Wuling
Other related companies	Other companies directly or indirectly controlled by CPI Group
Other state-owned enterprises	Related parties of Wuling as defined under HKAS 24

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 Wuling Group's business in addition to the related party information shown elsewhere in the Financial Information. The Directors are of the opinion that meaningful information relating to related party transactions has been adequately disclosed.

(i) **Income**

		Wuling Group		
		2006	**2007**	**2008**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Sales of electricity to regional and provincial power grid companies	(a)	1,751,550	2,583,700	2,715,880
Interest income from CPIF	(b)	11	9	1,580
Hotel operations income from	(b)			
- equity holders of subsidiaries		4,414	4,810	5,047
- CPI Group		1,201	124	—

(a) Pursuant to the power purchase agreements entered into between Wuling Group and the respective power grid companies, which are regarded as state-owned enterprises, all Wuling Group's sales of electric power were made to these power grid companies at approved tariff rates. Whilst these companies are related parties of Wuling 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) Other income from related parties was determined based on mutually agreed terms.

37 RELATED PARTY TRANSACTIONS (Continued)

(ii) Expenses

	Note	Wuling Group 2006 RMB'000	2007 RMB'000	2008 RMB'000
Interest expense to	(a)			
- CPIF		2,464	14,034	17,927
- CPIH		—	—	2,017
- CPI Group		90,360	90,360	73,985
- Xiangtou		67,113	71,579	67,350
Water expense to the PRC government	(b)	6,823	28,020	27,716
Reservoir maintenance and usage fees to the PRC government	(b)	—	14,387	90,212
Other operating expenses to other related companies	(c)	—	8,413	—

(a) Interest expense were charged in accordance with the terms of the relevant agreements.

(b) Water expense and reservoir maintenance and usage fees to the PRC government were charged based on the relevant tariff rates imposed by the relevant government authorities.

(c) Other expenses mainly related to repairs and maintenance services and transportation services which were determined at mutually agreed prices.

(iii) Key management compensation

	Wuling Group 2006 RMB'000	2007 RMB'000	2008 RMB'000
Basic salaries, housing allowances, other allowances, discretionary bonus and benefits in kind	1,447	1,571	1,646
Employer's contributions to pension plans	333	317	236
	1,780	1,888	1,882

37 RELATED PARTY TRANSACTIONS (Continued)

(iv) **Year-end balances with related parties**

	Wuling Group			Wuling		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related companies (note (a))						
Amounts due from equity owners of subsidiaries	94	5,499	6,839	—	—	—
Amounts due from ultimate holding company	200	196	192	200	196	191
Amounts due from associated companies	—	156,468	5,264	—	156,468	5,264
Amounts due from CPIF	66	253	66,066	66	253	58,196
Amounts due from other related companies	145	19	5,228	—	—	—
	505	162,435	83,589	266	156,917	63,651
Amounts due to related companies (note (a))						
Amounts due to ultimate holding company	140	—	—	—	—	—
Amount due to a fellow subsidiary	—	—	30,000	—	—	30,000
	140	—	30,000	—	—	30,000

(a) Except for the amounts due from CPIF which carried interest at 5.02% to 6.72% per annum, and the amount due to a fellow subsidiary which carried interest at 6.72% per annum, amounts due from/to related companies are unsecured, interest free and repayable on demand.

(b) Details of other significant balances with related parties are disclosed in the respective notes to the Financial Information.

(v) **Others**

(a) During the year ended 31 December 2006, Wuling Group acquired from CPI Group 95.45% equity interest in Zijiang and 40% equity interest in China Resources Power Hunan Liyujiang Company Limited at a consideration of RMB377,568,000 and RMB625,656,000 respectively based on mutually agreed terms.

(b) During the year ended 31 December 2008, Wuling Group disposed of 30% interest in HNPL to CPI Group at a consideration of RMB18,000,000 based on mutual agreed terms (also see Note 20).

38 SUBSEQUENT EVENTS

(a) Pursuant to the acquisition agreement entered into between Wuling and CPIH on 11 May 2009 (the "Agreement"), and as part of the Proposed Acquisition as detailed in Note 1, Wuling agreed to dispose of its entire 75% interest in Qiandong to CPIH (The "Proposed Disposal") at a preliminary consideration of approximately RMB 144 million, subject to certain adjustments as prescribed in the Agreement to be determined with reference to the net asset value of Qiandong upon completion of the Proposed Disposal but in any case not lower than nil. As the cost of the Proposed Disposal is uncertain up to the date of this report and the completion of the Proposed Disposal is subject to obtaining all relevant approvals, the Directors are of the opinion that it is not able to estimate the effect of the Proposed Disposal to Wuling Group up to the date of this report.

(b) In April 2009, Wuling issued certain corporate bonds amounting to RMB1,000 million at an interest rate of 4.6% per annum for a term of 10 years for financing its capital investments and working capital purposes. These bonds are guaranteed by CPI Group and will be repayable by April 2019.

III SUBSEQUENT ACCOUNTS

No audited accounts have been prepared by Wuling or any of its subsidiaries in respect of any period subsequent to 31 December 2008. No dividend has been declared, made or paid by Wuling or any of its subsidiaries in respect of any period subsequent to 31 December 2008.

Yours faithfully
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and unaudited pro forma balance sheet, profit and loss account and cash flow statement of the Enlarged Group (collectively referred to as the "Unaudited Pro Forma Financial Information"), which have been prepared on the basis of the notes set out below for the purpose of illustrating the effects of the acquisition of 63% equity interests in Wu Ling Group, excluding Qian Dong Power, as if it had taken place on 31 December 2008 for the unaudited pro forma balance sheet and on 1 January 2008 for the unaudited pro forma profit and loss account and cash flow statement.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position, financial results and cash flows of the Enlarged Group had the Acquisition been completed on the dates stated above or at any future date.

(A) Unaudited Pro Forma Balance Sheet of the Enlarged Group

			Pro forma adjustments			
	Consolidated balance sheet of the Group as at 31 December 2008	**Consolidated balance sheet of Wu Ling Group as at 31 December 2008**				**Unaudited pro forma balance sheet of the Enlarged Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2(a)*	*Note 2(b)*	*Note 2(c)*	*Note 2(d)*	
ASSETS						
Non-current assets						
Property, plant and equipment	15,617,112	28,966,393	(3,880,717)			40,702,788
Prepayment for construction of power plants	377,172	444,804	(121,182)			700,794
Land use rights	42,439	65,878	(5,407)			102,910
Goodwill	126,939	—			831,888	958,827
Interests in associated companies	804,100	740,254	(193,155)			1,351,199
Interests in jointly controlled entities	66,131	6,977				73,108
Available-for-sale financial assets	1,379,011	120,271	(67,271)			1,432,011
Long-term receivable from Hubei Electric Power Corporation ("HEPC")	34,000	—				34,000
Other long-term prepayments	15,950	20,000	(20,000)			15,950
Deferred income tax assets	33,341	146,308	(14,074)			165,575
	18,496,195	30,510,885				45,537,162
Current assets						
Derivative financial instruments	—	44,080				44,080
Inventories	499,776	115,640	(104,238)			511,178
Accounts receivable	1,375,156	360,082	(38,332)			1,696,906
Prepayments, deposits and other receivables	499,507	27,687	(18,190)			509,004
Amount due from an intermediate holding company	719	—				719
Amounts due from fellow subsidiaries	198,362	—	4,172,641	(2,800,000)		1,571,003
Current portion of long term receivable from HEPC	34,000	—				34,000
Amounts due from related companies	—	83,589	(4,484)			79,105
Tax recoverable	1,196	—				1,196
Cash and cash equivalents	1,326,818	46,144	(1,259)	2,800,000	(1,379,526)	2,792,177
	3,935,534	677,222				7,239,368
Total assets	22,431,729	31,188,107				52,776,530

	Consolidated balance sheet of the Group as at 31 December 2008	Consolidated balance sheet of Wu Ling Group as at 31 December 2008	Pro forma adjustments			Unaudited pro forma balance sheet of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2(a)*	*Note 2(b)*	*Note 2(c)*	*Note 2(d)*	
EQUITY						
Capital and reserves attributable to equity holders of the Company						
Share capital	3,798,610	3,476,160			(2,178,169)	5,096,601
Share premium	2,755,361	—			1,827,570	4,582,931
Reserves	1,519,383	2,356,267	(1,952)		(2,354,315)	1,519,383
	8,073,354	5,832,427				11,198,915
Minority interests	68,339	110,194	(651)		2,157,276	2,335,158
Total equity	8,141,693	5,942,621				13,534,073
LIABILITIES						
Non-current liabilities						
Deferred income	97,990	—				97,990
Long-term borrowings	9,439,150	17,781,974				27,221,124
Long-term loan from ultimate holding company	—	1,473,816				1,473,816
Long-term payable to an equity holder	—	885,201			(885,201)	—
Long-term payable to an equity holder of a subsidiary	—	—			885,201	885,201
Long-term payable to CPIF	270,295	—				270,295
Obligations under finance leases	205,155	—				205,155
Other long-term liabilities	—	23,054				23,054
Deferred income tax liabilities	11,888	498,096				509,984
	10,024,478	20,662,141				30,686,619
Current liabilities						
Accounts payable	696,529	21,723	(7,348)			710,904
Construction costs payable	1,156,466	781,377	(278,034)			1,659,809
Other payables and accrued charges	418,727	434,944	(7,683)			845,988
Amount due to ultimate holding company	68,643	—				68,643
Amounts due to fellow subsidiaries	147,730	—				147,730
Current portion of long-term borrowings	225,000	775,173				1,000,173
Other bank borrowings	412,725	—				412,725
Short-term borrowings	980,000	2,127,450				3,107,450
Short-term loan from CPIF	100,000	300,000				400,000
Amounts due to related companies	—	30,000				30,000
Current portion of obligations under finance leases	26,857	—				26,857
Taxation payable	32,881	112,678				145,559
	4,265,558	4,583,345				8,555,838
Total liabilities	14,290,036	25,245,486				39,242,457
Total equity and liabilities	22,431,729	31,188,107				52,776,530

(B) **Unaudited Pro Forma Profit and Loss Account of the Enlarged Group**

		Pro forma adjustments			
	Consolidated profit and loss account of the Group for the year ended 31 December 2008	**Consolidated profit and loss account of Wu Ling Group for the year ended 31 December 2008**			**Unaudited pro forma profit and loss account of the Enlarged Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2(a)*	*Note 2(b)*	*Note 2(d)*	
Turnover	9,632,381	2,715,880	(18,062)		12,330,199
Other income	8,842	65,513			74,355
Fuel costs	(7,055,736)	(14,106)	14,106		(7,055,736)
Depreciation	(798,356)	(750,795)	37,388		(1,511,763)
Staff costs	(384,763)	(277,711)	42,518		(619,956)
Repairs and maintenance	(405,500)	(33,637)	502		(438,635)
Consumables	(154,713)	(20,763)	1,374		(174,102)
Other gains, net	16,309	432,300			448,609
Impairment on property, plant and equipment	(348,505)	—			(348,505)
Revaluation deficits of property, plant and equipment	—	(91,154)			(91,154)
Impairment on goodwill	(40,000)	—			(40,000)
Other operating expenses	(500,434)	(364,967)	9,521		(855,880)
Loss on disposal of a subsidiary	—	—	(1,952)		(1,952)
Operating (loss) / profit	(30,475)	1,660,560			1,715,480
Interest income	17,011	4,581	(180)		21,412
Interest income from a fellow subsidiary	—	—	43,312		43,312
Finance costs	(629,504)	(1,247,226)			(1,876,730)
Share of losses of associated companies	(43,194)	(9,978)	10,403		(42,769)
Share of losses of jointly controlled entities	(3,869)	(763)			(4,632)
(Loss) / profit before taxation	(690,031)	407,174			(143,927)
Taxation	(7,175)	(208,823)	(9,622)		(225,620)
(Loss) / profit for the year	(697,206)	198,351			(369,547)
Attributable to:					
Equity holders of the Company	(683,686)	245,337	96,493	(121,234)	(463,090)
Minority interests	(13,520)	(46,986)	32,815	121,234	93,543
	(697,206)	198,351			(369,547)

(C) Unaudited Pro Forma Cash Flow Statement of the Enlarged Group

	Consolidated cash flow statement of the Group for the year ended 31 December 2008	Consolidated cash flow statement of Wu Ling Group for the year ended 31 December 2008	Pro forma adjustments			Unaudited pro forma cash flow statement of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2(a)*	*Note 2(b)*	*Note 2(c)*	*Note 2(d)*	
Cash flows from operating activities						
Cash generated from operations	804,305	2,044,715	248,769			3,097,789
Interest paid	(720,574)	(1,501,485)				(2,222,059)
PRC income tax paid	(35,853)	(127,307)				(163,160)
Net cash generated from operating activities	47,878	415,923				712,570
Cash flows from investing activities						
Acquisition of a subsidiary	—	—			(1,379,526)	(1,379,526)
Payment for investments	(40,000)	(35,771)	14,771			(61,000)
Payments for construction of power plants and purchases of property, plant and equipment	(1,587,796)	(3,197,200)	1,273,224			(3,511,772)
Proceeds from disposal of property, plant and equipment	4,057	6,204				10,261
Purchase of land use right	—	(20,037)	5,407			(14,630)
Capital contribution to associated companies	—	(133,400)	125,400			(8,000)
Proceeds from disposal of a jointly controlled entity	—	18,000				18,000
Dividends received	65,699	152,000				217,699
Interest received	17,011	4,581	(180)			21,412
Net cash used in investing activities	(1,541,029)	(3,205,623)				(4,707,556)
Cash flows from financing activities						
New bank and other borrowings	3,610,525	6,855,684				10,466,209
Short-term loan from CPIF	100,000	100,000				200,000
Contributions from minority shareholders of a subsidiary	37,401	—				37,401
Repayment of bank and other borrowings	(1,331,000)	(4,112,626)				(5,443,626)
Repayment of long-term loan from an equity holder	—	(100,000)			100,000	—
Repayment of long-term loan from an equity holder of a subsidiary	—	—			(100,000)	(100,000)
(Increase)/decrease in amount due from a fellow subsidiary	—	—	(1,665,946)	2,800,000		1,134,054
Decrease in amounts payable to CPIF	(127,863)	—				(127,863)
Payment of finance lease liabilities	(8,448)	—				(8,448)
Dividends paid	(194,703)	—				(194,703)
Net cash generated from financing activities	2,085,912	2,743,058				5,963,024
Net increase/(decrease) in cash and cash equivalents	592,761	(46,642)				1,968,038
Cash and cash equivalents at 1 January 2008	734,057	92,786	(2,704)			824,139
Cash and cash equivalents at 31 December 2008	1,326,818	46,144				2,792,177

Notes to the Unaudited Pro Forma Financial Information:

1 The balances are extracted from the consolidated accounts of the Group as at 31 December 2008 as set out in the published annual report of the Company for the year ended 31 December 2008.

2 Pursuant to the Preceding Wu Ling Agreement entered into between CPI Group and CPI Holding, CPI Holding conditionally agreed to acquire and CPI Group conditionally agreed to sell 63% of the equity interest in Wu Ling Power. On 8 June 2009, Wu Ling Power and CPI Holding entered into the Qian Dong Share Transfer Agreement in which Wu Ling Power shall dispose of its entire 75% equity interests in a subsidiary, 貴州黔東電力有限公司 (Qian Dong Power), including its 35% equity interests in an associated company, 貴州格目底礦業有限公司 (Guizhou Ge Mude Mining Company Limited) and 10% equity interests in an investee company, 貴州黃織鐵路有限公司 (Guizhou Huangzhi Railway Company Limited), to CPI Holding. Pursuant to the Acquisition Agreement dated 8 June 2009 entered into between the Company and CPI Holding in relation to the Acquisition, the Company has agreed to acquire 63% of the equity interests in Wu Ling Power subject to the Preceding Wu Ling Agreement becoming unconditional and the completion of Qian Dong Share Transfer Agreement and other conditions such as the partial repayment of the Qian Dong Debt amounting to RMB 2.8 billion by Qian Dong Power to Wu Ling Power and its relevant subsidiary.

The following pro forma adjustments are to reflect the Acquisition:

(a) The balances are extracted from the financial information of Wu Ling Group, including Qian Dong Power, for the year ended 31 December 2008 as set out in the Accountant's Report in Appendix II to this circular.

(b) Pursuant to the Qian Dong Share Transfer Agreement, Wu Ling Power shall dispose of its entire 75% equity interests in Qian Dong Power at a consideration of approximately RMB 144 million (subject to adjustment). The consideration will be adjusted with reference to the change in the net asset value of the 75% equity interests in Qian Dong Power between 1 July 2008 and the completion of the Qian Dong Share Transfer Agreement and in the event that the audited net asset value of Qian Dong Power at the date of completion of the Qian Dong Share Transfer Agreement is zero or negative, the consideration for the Qian Dong Disposal will be nil. The Directors have estimated that the change in the net asset value of the 75% equity interests in Qian Dong Power between 1 July 2008 and 31 December 2008 had been reduced by over RMB144 million. Thus, for the purpose of the Unaudited Pro Forma Financial Information, it is assumed that the consideration for the Qian Dong Disposal is nil and a loss on disposal of 75% equity interests in Qing Dong Power of approximately RMB 2 million was recognised in the unaudited pro forma profit and loss account which is not expected to have continuing effect on the Enlarged Group.

Upon the completion of the Preceding Wu Ling Agreement, the Qian Dong Share Transfer Agreement and the Acquisition Agreement, Qian Dong Power will become a fellow subsidiary of the Group. As a result, the amounts due from Qian Dong Power to Wu Ling Power and its relevant subsidiary of approximately RMB 4,173 million as at 31 December

2008 with interest ranged from 6.03% to 6.75% have been reclassified under amounts due from fellow subsidiaries in the unaudited pro forma balance sheet. Moreover, interest expenses paid by Qian Dong Power to Wu Ling Power and its relevant subsidiary amounted to approximately RMB 43 million for the year ended 31 December 2008 have been adjusted in the unaudited pro forma profit and loss account. The interest expenses are expected to have continuing effect on the Enlarged Group.

(c) As a condition precedent to the completion of the Acquisition Agreement, the pro forma adjustment reflects the partial repayment of the Qian Dong Debt amounting to RMB 2.8 billion by Qian Dong Power to Wu Ling Power and its relevant subsidiary and it is not expected to have continuing effect on the Enlarged Group.

(d) The pro forma adjustment represents the adjustments to effect the acquisition of Wu Ling Group (excluding Qian Dong Power) by the Company. Pursuant to the Acquisition Agreement, the consideration of the Acquisition is approximately RMB 4,465 million which may be adjusted with reference to the change in net asset value of Wu Ling Power attributable to the Equity Interests between 1 July 2008 and completion of the Acquisition. The consideration is to be satisfied as to 70% thereof (or approximately RMB 3,126 million) (subject to adjustment) by the issue of the Consideration Shares at HK$2.408 per Consideration Share, being the average closing share price of the Company as quoted on the Stock Exchange for the 5 trading days prior to (but excluding) the date of the Acquisition Agreement, and as to 30% thereof (or approximately RMB 1,339 million) (subject to adjustment) by way of cash payment. The number of Consideration Shares will in any event not exceed such number as will result in the Company not meeting the public float requirement under Listing Rules 8.08, such that the amount of cash payment may in such an event be correspondingly increased. For the purpose of this Unaudited Pro Forma Financial Information, the fair value of each Consideration Share is assumed to be HK$2.408 which is the average closing share price of the Company as quoted on the Stock Exchange for 5 trading days prior to (but excluding) 8 June 2009, being the latest practicable date for the purpose of this Unaudited Pro Forma Financial Information, and it is assumed that the consideration of the Acquisition is approximately RMB 4,465 million and is to be satisfied as to 70% thereof (i.e. approximately RMB 3,126 million) by the issue of the Consideration Shares and as to 30% thereof (i.e. approximately RMB 1,339 million) by way of cash payment. On this basis, the Consideration Shares will increase share capital of the Company by approximately RMB 1,298 million with related share premium of approximately RMB 1,828 million in the unaudited pro forma balance sheet. Moreover, cash outflow of approximately RMB 1,379 million, being the payment of cash portion of the consideration of RMB 1,339 million for the Acquisition and the payment of total estimated professional fees and other transactions costs directly attributable to the Acquisition of approximately RMB 40 million, was recognised in the unaudited pro forma cash flow statement.

Upon the completion of the Acquisition Agreement, the identifiable assets and liabilities of Wu Ling Group, excluding Qian Dong Power, will be accounted for in the consolidated accounts of the Group at fair value using the purchase method of accounting. The total consideration of the Acquisition will be adjusted by the change in the fair value of the Consideration Share to be issued at the date of the completion of the Acquisition Agreement as compared to HK$2.408 as stated above and with reference to the change in net asset value of Wu Ling Power attributable to Equity Interests between 1 July 2008 and completion of the Acquisition. For the purpose of the unaudited pro forma balance sheet, the Directors have estimated the fair values of the identifiable assets and liabilities of Wu Ling Group as at 31 December 2008 with reference to the valuation report issued by 北京中企華資產評估有限責任公司 (Beijing China Enterprise Appraisals Co., Ltd.) and are of the opinion that such fair values did not materially differ from the corresponding carrying values. The amount in excess of the consideration and the transaction costs over the Group's share of fair value of the net identifiable assets of Wu Ling Group is recognised as goodwill.

Since the amounts of the above pro forma adjustments are derived after taking into account the above assumptions and considerations used in the preparation of this Unaudited Pro Forma Financial Information, the actual amounts as at the completion date of the Acquisition may be different from the pro forma amounts as disclosed in this Appendix.

3 No other adjustments have been made to reflect any trading results or other transactions of the Group and Wu Ling Group entered into subsequent to 31 December 2008.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED

We report on the unaudited pro forma financial information set out on pages III-1 to III-7 under the heading of "Unaudited Pro Forma Financial Information of the Enlarged Group" (the "Unaudited Pro Forma Financial Information") in Appendix III of the circular dated 29 June 2009 of China Power International Development Limited (the "Company") in connection with the proposed acquisition (the "Proposed Acquisition") of the 63% equity interests in Wu Ling Power Corporation (excluding Qian Dong Power Corporation), a sino-foreign joint venture company established in the People's Republic of China, by the Company. The Unaudited Pro Forma Financial Information has been prepared by the Directors of the Company, for illustrative purposes only, to provide information about how the Proposed Acquisition might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "Group"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages III-1 to III-7 of the Circular.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the Directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the consolidated balance sheet of the Group as at 31 December 2008, the consolidated profit and loss account and cash flow statement of the Group for the year ended 31 December 2008 with the consolidated accounts of the Group for the year ended 31 December 2008 as set out in the published annual report of the Company for the year ended 31 December 2008, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

— the financial position of the Group as at 31 December 2008 or any future date, or

— the results and cash flows of the Group for the year ended 31 December 2008 or any future period.

Opinion

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 29 June 2009

MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION OF THE GROUP

The following is the management discussion and analysis of the Group principally extracted from the annual reports of the Company for each of the years ended 31 December 2008, 2007 and 2006.

FOR THE YEAR ENDED 31 DECEMBER 2008

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 9,037.4MW.

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 2007. 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 2007. 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 2007.

To carry out the preparatory work of the "Replacement of Small Units with Larger Units" project, the Group's Shentou I Power Plant had closed two 200MW generation units by the year end of 2008 and undertook to close two more 200MW generation units at Shentou I Power Plant before 2010. 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 in respect of the above four 200MW generation units. 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 and 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 a difficult year 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 the Group's power plants were allowed for upward adjustment at a relatively higher level than the national average adjustment level, easing some of the Group's operational pressure.

Commissioning of new power generation units

In 2008, the Group's Dabieshan Power Plant completed the construction of two new generation units which were put into commercial operation as scheduled and the Group's installed capacity had 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 the Group's 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 in 2007. As at the end of 2008, all the Group's coal-fired power generation units were installed and operated 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 the Group's 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 CPI Group, whereby the Company proposed to acquire 63% equity interest in 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 would 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 4,066MW. Upon completion of the Proposed Acquisition, the Group's operation scale would be significantly expanded, which would 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 Qinghe Power Plant, a wholly-owned subsidiary of 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 incorporated 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 to acquire 25% equity interest in 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 confirmed after negotiations to suspend the acquisition.

Significant Investment

In December 2006, the Company acquired 390,876,250 shares of 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 36,360,449MWh, an increase of approximately 36.17% over the 26,701,707MWh recorded for 2007. Net generation of the Group (excluding the associated company) was approximately 33,890,035MWh, an increase of approximately 36.58% over 2007.

The increase in the Group's power generation as compared with 2007 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)	327	328

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)	343	340

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)	373	373

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)	315	319

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)	324	322

Dabieshan Power Plant

The following table sets out certain operation data of Dabieshan Power Plant for the year ended 31 December 2008:

	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 in 2007, 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 in 2007. The reasons for the decrease, firstly because the Company's two former subsidiaries, Anhui Huainan Pingwei Power Engineering Company Limited* (安徽淮南平圩電力檢修工程有限責任公司) and Pingdingshan Yaomeng Power Engineering Co., Ltd.* (平頂山姚孟電力工程有限責任公司), which engaged in repair and maintenance, were disposed at the end of 2007 and therefore no repairs and maintenance services fee was recorded after disposal 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 in 2007.

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 RMB3,840,488,000 in 2007. 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 2007 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 in 2007.

Depreciation

In 2008, depreciation of the Group amounted to approximately RMB798,356,000, representing an increase of approximately 73.52% over RMB460,084,000 in 2007. 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 in 2007. 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 in 2007. 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 in 2007. 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 and operation 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 in 2007. 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 in 2007. 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 in 2007.

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 in 2007. 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 RMB629,504,000, representing an increase of approximately 240.36% over RMB184,950,000 in 2007. 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 RMB43,194,000, representing a decrease of approximately RMB4,715,000 as compared to the loss of approximately RMB47,909,000 in 2007. 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 Units" project. Shentou I Power Plant closed two generation units of 400MW in aggregate on 31 December 2008 and undertook to close another two generation units of 400MW in aggregate 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 in 2007. 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 RMB592,435,000 in 2007. 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 PRC 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**
	RMB'000	*RMB'000*
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
	11,427,170	9,175,508

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

The debts incurred by the Group would 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 the construction of the new project Dabieshan Power Plant. Total project investment completed was approximately RMB390,188,000.

Risk Management

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

The Group did not use any derivative instruments to manage such risks in 2008.

To effectively control risks in the development of the Company, the Group had implemented all-round risk management and established a systematic, comprehensive risk management mechanism and internal control system. It had 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 the PRC, with most of the Group's transactions denominated in RMB. The Group is mainly exposed to foreign exchange risk related to Hong Kong Dollar and US Dollar. With the increasing intensity in the reform of RMB and fluctuation of exchange rate these years, the Group would have certain profit or loss in foreign exchange and the financial positions and operating results of the Group would 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 were mainly denominated in RMB. The Group obtained RMB through sales in the PRC for the settlement of liabilities in RMB.

In 2008, no obvious rise of the exchange rate of RMB against US Dollar and HK Dollar had been noted, thus foreign exchange risk was reduced accordingly. However, the Group had 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 Pre-IPO Share Option Scheme and Share Option Scheme 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, the Group continued to provide training on expertise such as specialised technology and management to the Group's 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 marco-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 safety in 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.

FOR THE YEAR ENDED 31 DECEMBER 2007

Overview

In 2007, the Group successfully implemented its strategies and realised its goals in respect of strategic development, construction, safety production, operation management, internal control and corporate culture. In 2007, the Company made a great leap by completing a number of acquisitions and putting its new power generation units into operation. During 2007, the generation capacity of the Group was greatly enhanced upon the completion and commencement of operations of four sets of power generation units with high capacity, advanced specifications and technology. 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.

In 2007, despite of the stable supply of fuel, operating cost of our power plants increased due to the surging coal price. New power generation units had just commenced operation for a short period of time and the utilisation hours of the facilities for the existing power generation units declined due to the downward trend of the industry. All these factors increased the pressure against the Group's operation. In view of this, the Group strived to accelerate the construction of new power generation units and reasonably increase the tariff, and adopt various measures to maximise our revenue.

For the year ended 31 December 2007, the Group recorded profit attributable to equity holders of the Company of RMB592,435,000, representing a decrease of approximately RMB110,332,000, or 15.70%, as compared with approximately RMB702,767,000 for the year ended 31 December 2006. Basic earnings per share amounted to RMB0.16 for the year ended 31 December 2007, representing a decrease of RMB0.06 as compared with approximately RMB0.22 for the year ended 31 December 2006. The Board resolved to declare the final dividend of approximately RMB0.054 per share for the year ended 31 December 2007.

Business Review for 2007

Operating Environment

In 2007, the economy of China maintained its fast yet healthy growth momentum. Besides its rapid growth, the structure and efficiency of the economy as well as living conditions were greatly improved. The annual gross domestic product represented an increase of 11.4% over 2006. Supported by the steady and continued growth of the PRC economy, the domestic power industry maintained its rapid and healthy growth momentum. Electricity supply in the PRC maintained strong growth while consumption also grew rapidly. The overall supply and demand of electricity of the PRC was in equilibrium.

Commencement of Operation of New Power Generation Units

In 2007, four of the Group's new power generation units were put into operation, among which two 640MW super-critical generation units of Pingwei Power II passed full loading trial runs for 168 consecutive hours on 19 March and 24 November, respectively. Two 630MW super-critical new generation units of Yaomeng Power II passed full loading trial runs for 168 consecutive hours on 26 October and 29 December, respectively. The commencement of operation of the four new power generation units with high capacity, advanced specifications and technology substantially enhanced the generation capacity and assets quality of the Group.

During the construction of the four new power generation units, the Group achieved its goals in terms of safety, quality and schedule by strengthening construction management and quality control. The two new power generation units of Yaomeng Power II were completed 97 days and 184 days in advance of the respective schedules. Each of the technology standard met or exceeded the designed level.

During construction, the Group adopted various measures to control the construction costs. First, the Group controlled the costs of procurement and installation of infrastructure and equipment. Second, the Group sought government support for favourable tax policy on exemption of duty for imported equipment as well as value-added tax rebate for domestic equipment. Third, the Group endeavoured to control finance costs such as interest expenses. The successful implementation of such measures effectively reduced the construction cost. The average construction cost of the Group's new power generation units was lower than the industry average.

In 2007, the construction and installation of Dabieshan Power Plant was under smooth progress. All necessary funds were provided in time and the construction was on schedule. Two power generation units were scheduled to commence operation in the second and the third quarters of 2008 respectively.

Merger and Acquisition

In 2007, the Group continued to expand its assets base of electricity generation operation through acquisitions. With continuous endeavour, the Group achieved new progress and enhanced its ability for sustainable development.

The Group entered into an asset acquisition agreement with Qinghe Power Plant, a wholly-owned subsidiary of CPI Holding. The assets to be acquired mainly comprise of a power plant situated in Qinghe District, Tieling, Liaoning Province, PRC, which was under construction. The construction of the power plant was approved by the National Development and Reform Commission. According to the latest schedule, the construction of the power plant was expected to be completed by the end of 2008 and the power plant would be equipped with a 600MW super-critical coal-fired power generation unit. The Group would acquire the assets and assume all related rights, debts and liabilities. The Company would establish China Power Qinghe Company as a vehicle to hold and operate the assets.

Upon incorporation, China Power Qinghe Company would hold the assets and assume all rights, debts and liabilities under the project agreement. Upon completion of the acquisition, the assets of power generation of the Group would be further enhanced.

In 2007, the Group entered into a share transfer framework agreement with Guangzhou Development to acquire 25% equity interest in Guangzhou Power, a wholly-owned subsidiary of Guangzhou Development.

Upon completion of the share transfer, the Group would hold 25% equity interest in Guangzhou Power and became the second largest shareholder of Guangzhou Power. The acquisition would enable the Group to explore the promising electricity market of Guangzhou with great opportunities. Leveraging on its geographical advantages of Guangzhou Power, the Group would have much room for future growth.

During 2007, the Group also actively explored other opportunities for acquisition of power generation business and developed its scope of business through acquisitions.

Disposal of Non-core Assets

Pursuant to a disposal agreement entered into between the Company and CPI Holding, an intermediate holding company of the Company, on 23 May 2007, the Company agreed to dispose of certain wholly-owned subsidiaries at an aggregate cash consideration of RMB285,087,000 to CPI Holding. The Company has transferred the non-core business of repairs and maintenance and industrial operations of Pingwei and Yaomeng together with all their assets and liabilities to CPI Holding.

The disposal was completed before 31 December 2007. The Company focused its resources on the development of Pingwei Power Plant and Yaomeng Power Plant, both being the core businesses of power generation. This was in line with the Group's long-term policy of focusing its resources on the generation and sale of electricity as well as the development of power plants. Also, the management of the Company was no longer responsible for non-core operations and can better concentrate on improving the operating efficiency of the power generation business. The labour headcount would also be substantially reduced. Moreover, the disposal would allow the management to consider other service providers in the future to achieve cost savings and increase the funds available for general working capital.

Power Generation

As at 31 December 2007, the installed capacity attributable to the Group was 7,883 MW. Gross generation of the Group (excluding the associated company) for 2007 was approximately 26,701,707 MWh, increased by approximately 10.96% over 2006. Net generation of the Group (excluding the associated company) for 2007 was approximately 24,813,254 MWh, increased by approximately 11.46% over 2006.

The increase in the Group's power generation as compared with 2006 was mainly attributable to;

- increase in gross generation upon the commencement of operation of new power generation units;

- in view of the increasing electricity demand, the Group's power plants strengthened its marketing concepts and improved its marketing initiatives and increased the utilisation hours of their facilities to cope with the changing market conditions;

- strengthened safety production and streamlined the supply of thermal coal to reduce the number of unplanned halting problems substantially. As such the annual start/stop count for the power generation units decreased as compared to 2006. The long term smooth operation of power generation units was maintained.

- the increase in marginal generation achieved by certain power plants.

Operation of the Group's Power Plants

Operating conditions of the Group's major power plants during 2007 were as follows:

Pingwei Power Plant

Pingwei Power Plant had an installed capacity of 1,230 MW and its gross generation and net generation were approximately 8,130,300 MWh and 7,749,341 MWh respectively.

The following table sets out certain operation data of Pingwei Power Plant for each of the two years ended 31 December 2007 and 2006:

	For the year ended 31 December	
	2007	**2006**
Installed capacity (MW)	1,230	1,230
Average utilisation hours (hours)	6,610	6,420
Gross generation (MWh)	8,130,300	7,896,080
Net generation (MWh)	7,749,341	7,543,730
Net coal consumption rate (grams/kWh)	328	329

Yaomeng Power Plant

Yaomeng Power Plant had an installed capacity of 1,210 MW and its gross generation and net generation were approximately 7,244,617 MWh and 6,666,015 MWh respectively.

The following table sets out certain operation data of Yaomeng Power Plant for each of the two years ended 31 December 2007 and 2006:

	For the year ended 31 December	
	2007	**2006**
Installed capacity (MW)	1,210	1,210
Average utilisation hours (hours)	5,987	6,367
Gross generation (MWh)	7,244,617	7,704,272
Net generation (MWh)	6,666,015	7,081,335
Net coal consumption rate (grams/kWh)	340	340

Shentou I Power Plant

Shentou I Power Plant had an installed capacity of 1,200 MW and its gross generation and net generation were approximately 7,967,175 MWh and 7,216,857 MWh respectively.

The following table sets out certain operation data of Shentou I Power Plant for each of the two years ended 31 December 2007 and 2006:

	For the year ended 31 December	
	2007	**2006**
Installed capacity (MW)	1,200	1,200
Average utilisation hours (hours)	6,639	7,054
Gross generation (MWh)	7,967,175	8,464,893
Net generation (MWh)	7,216,857	7,637,398
Net coal consumption rate (grams/kWh)	373	376

Pingwei Power Plant II

Pingwei Power Plant II had an installed capacity of 1,280 MW and its gross generation and net generation were approximately 2,773,518 MWh and 2,620,985 MWh respectively.

The following table sets out certain operation data of Pingwei Power Plant II for each of the two years ended 31 December 2007 and 2006:

	For the year ended 31 December	
	2007	**2006**
Installed capacity (MW)	1,280	—
Average utilisation hours (hours)	2,167	—
Gross generation (MWh)	2,773,518	—
Net generation (MWh)	2,620,985	—
Net coal consumption rate (grams/kWh)	319	—

Yaomeng Power Plant II

Yaomeng Power Plant II had an installed capacity of 1,260 MW and its gross generation and net generation were approximately 585,884 MWh and 558,003 MWh respectively.

The following table sets out certain operation data of Yaomeng Power Plant II for each of the two years ended 31 December 2007 and 2006:

	For the year ended 31 December	
	2007	**2006**
Installed capacity (MW)	1,260	—
Average utilisation hours (hours)	465	—
Gross generation (MWh)	585,884	—
Net generation (MWh)	558,003	—
Net coal consumption rate (grams/kWh)	322	—

Changshu Power Plant

Changshu Power Plant had an installed capacity of 1,230 MW and its gross generation and net generation were approximately 6,655,036 MWh and 6,280,282 MWh respectively.

The following table sets out certain operation data of Changshu Power Plant for each of the two years ended 31 December 2007 and 2006:

	For the year ended 31 December	
	2007	**2006**
Installed capacity (MW)	1,230	1,230
Average utilisation hours (hours)	5,411	5,338
Gross generation (MWh)	6,655,036	6,565,590
Net generation (MWh)	6,280,282	6,226,880
Net coal consumption rate (grams/kWh)	337	341

Operating Results

Turnover

The Group recorded turnover of approximately RMB5,907,301,000 in 2007 as compared with RMB5,202,934,000 in 2006, representing an increase of approximately 13.54%. The increase in average on-grid tariff contributed an increase of turnover by approximately RMB60,318,000. With the commencement of operation of Pingwei Power Plant II and Yaomeng Power Plant II, the Group's turnover recorded an increase of RMB790,864,000, whilst fewer utilisation hours of the existing generation units reduced the revenue by approximately RMB146,815,000.

Other Income

In 2007, the Group's other income was approximately RMB41,722,000, representing an increase of approximately 122.58% as compared with RMB18,745,000 in 2006. The fees received for managing power plants reduced by approximately RMB2,874,000 while rental income of power plants increased by approximately RMB931,000. Repairs and maintenance services fee income increased by approximately RMB24,920,000.

Fuel costs

Fuel costs were a major component of the Group's operating costs. In 2007, the fuel costs of the Group were approximately RMB3,840,488,000, accounting for approximately 71.04% of the total operating costs. Fuel costs increased by approximately 24.89% compared with RMB3,075,001,000 in 2006, of which an increase of approximately RMB311,710,000 was attributable to higher average coal prices; and an increase of approximately RMB554,266,000 was attributable to the commencement of operation of the new power generation units in Pingwei Power Plant II and Yaomeng Power Plant II, whilst factors such as reduction in power generation of the existing power generation units and coal consumption lowered fuel cost by approximately RMB100,489,000.

In 2007, the Group's unit fuel cost was approximately RMB155 per MWh, representing an increase of approximately 12.06% over the corresponding period in 2006.

Depreciation

The Group's depreciation amounted to approximately RMB460,084,000 in 2007, representing an increase of approximately 22.30% compared with approximately RMB376,206,000 in 2006. An increase in depreciation of approximately RMB80,077,000 was attributable to the commencement of operation of the new power generation units in Pingwei Power Plant II and Yaomeng Power Plant II. The other factors including revaluation surplus of property, plant and equipment also led to an increase of depreciation of approximately RMB3,801,000.

Staff Costs

In 2007, staff costs of the Group amounted to approximately RMB333,625,000, representing a decrease of approximately 6.00% over RMB354,908,000 in 2006, staff costs increased by approximately RMB7,097,000 due to the grant of share options to senior management and key technicians during the period, and offset by approximately RMB28,380,000 owing to the stringent control on headcount and remuneration structure adjustment as well as the decrease in the average remuneration package.

Repairs and maintenance

The Group recorded repairs and maintenance expenses of approximately RMB275,760,000 in 2007, representing an increase of approximately 3.72% compared with RMB265,868,000 in 2006. The increase in repairs and maintenance expenses of approximately RMB2,726,000 was attributable to a number of factors including the overhaul of existing units and the increase in prices while approximately RMB7,166,000 was attributable to the commencement of operation of the new power generation units in Pingwei Power Plant II and Yaomeng Power Plant II.

Consumables

In 2007, the Group's consumables amounted to approximately RMB72,918,000, increased by 7.45% as compared with RMB67,863,000 in 2006. The commencement of operation of the new power generation units in Pingwei Power Plant II and Yaomeng Power Plant II resulted in an increase in consumables of approximately RMB4,957,000. Materials consumed by the Group's existing power generation units led to an increase in consumables by approximately RMB98,000.

Other gains

Other gains of the Group amounted to approximately RMB15,935,000 in 2007, representing a decrease of approximately RMB71,435,000 or approximately 81.76% as compared with RMB87,370,000 of 2006. During the period, there was no revaluation surplus of property, plant and equipment as compared to 2006, which led to a decrease of approximately RMB79,674,000. The amortisation of deferred income increased by approximately RMB4,643,000. The write-back of provision for other receivables increased by approximately RMB3,596,000.

Other operating expenses

In 2007, other operating expenses of the Group amounted to approximately RMB423,510,000, representing an increase of approximately RMB35,427,000 or approximately 9.13%, over RMB388,083,000 in 2006. An increase in other operating costs of approximately RMB34,635,000 was attributable to the commencement of operation of the new power generation units in Pingwei Power Plant II and Yaomeng Power Plant II. The rest of the other operating costs increased by approximately RMB792,000.

Operating profit

Operating profit of the Group in 2007 amounted to approximately RMB558,573,000, representing a decrease of approximately 28.49% as compared with approximately RMB781,120,000 in 2006.

Finance costs

Finance costs of the Group in 2007 amounted to approximately RMB184,950,000, representing an increase of approximately 38.55% as compared with RMB133,489,000 of 2006. Finance costs increased by approximately RMB82,235,000 due to the suspension of capitalisation of certain interests as the new power generation units commenced operation. Reduction in operational borrowings accumulated from the past years saved finance costs by approximately RMB11,504,000. Loss on foreign exchange decreased by approximately RMB19,270,000.

Share of results of associated companies

Share of results of associated companies in 2007 was a loss of approximately RMB47,909,000, representing a decrease of approximately RMB149,962,000 as compared with the profit of approximately RMB102,053,000 of 2006. Share of results of associated companies was reduced as a result of a decline in profit generated from Changshu Power Plant due to higher coal prices and fuel costs. In addition, the results of Shanghai Power were first incorporated into the Group since March 2007. The share of results was partly offset by the loss on changes in fair value of derivative instruments of the convertible bonds issued by Shanghai Power, resulting in the share of loss of associated companies.

Gain on deemed disposal of interest in an associated company

In 2007, the holders of convertible bonds of Shanghai Power substantially converted all these bonds into the new shares of Shanghai Power pursuant to the relevant terms and conditions. In turn, the Group's interest in Shanghai Power was diluted from 25% to 21.9% and a gain on deemed disposal of interest in Shanghai Power amounted to approximately RMB311,398,000 was recorded in the profit and loss account.

Taxation

Tax expenses of the Group in 2007 were approximately RMB69,477,000, representing a drop of approximately 33.50% as compared with RMB104,478,000 in 2006. The decrease in tax charge was mainly attributable to the decrease in profit before taxation and the utilisation of deferred tax. As Pingwei Power Plant II was in the tax exemption period, it had no tax charge. Shentou I Power Plant enjoyed a preferential tax rate of 7.5%.

As there was a change in the income tax law, tax expenses of the Group would increase starting from 2008.

Profit attributable to equity holders of the Company

In 2007, the profit attributable to equity holders of the Company was approximately RMB592,435,000, representing a decrease of approximately 15.70% as compared to RMB702,767,000 of 2006.

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 RMB417 million were deposited in certain banks in Hong Kong as at 31 December 2007 (2006: approximately RMB476 million).

Conversion the convertible bonds of Shanghai Power

As at December 2006, the Company acquired 390,876,250 shares of Shanghai Power at RMB4.26 per share. As at 31 December 2007, the average closing price of Shanghai Power for the previous five days was RMB9.56 per share, representing an increase of 124.4% over the acquisition price of Shanghai Power by the Company.

The acquisition was completed during the period and the Group commenced to account for Shanghai Power as an associated company from 17 March 2007.

For the period ended 31 December 2007, the share of results of associated companies, including the share of net adjusted loss of Shanghai Power from 17 March 2007 to 22 December 2007 (the "Relevant Period"), was a loss of approximately RMB110,714,000. The loss was mainly attributable to the share of Shanghai Power's adjusted loss on changes in fair value of derivative component of its convertible bonds amounting to approximately RMB213,000,000 calculated in accordance with the Group's accounting policies.

During the Relevant Period, holders of these convertible bonds had substantially converted all these convertible bonds into the new shares of Shanghai Power pursuant to the relevant terms and conditions. Consequently, the Group's interest in Shanghai Power was diluted from 25% to 21.9% and a gain on deemed disposal of interest in Shanghai Power of RMB311,398,000 was recorded by the Group.

During the Relevant Period, Shanghai Power also experienced changes in certain substantial shareholders and as a result of a change in the composition of the Board in Shanghai Power on 22 December 2007, the directors of the Company consider that the Company was no longer able to exercise significant influence over the financial and operating decisions of Shanghai Power. Consequently, the Company ceased to account for Shanghai Power as an associated company and began to recognise its investment in Shanghai Power as "Available-for-sale financial assets" which was measured based on its fair value.

As at 31 December 2007, the fair value of the Group's interest in the equity securities of Shanghai Power amounted to approximately RMB3,775,865,000.

As the Group was required to recognise the changes in fair value of the derivative component of the convertible bonds of Shanghai Power according to the Group's accounting policies, the Group recognised the loss into the results of the Group for the period on equity basis. However, the above loss may not truly reflect the performance of Shanghai Power.

On 23 August 2007, Shanghai Power announced that holders of the Convertible Bonds of aggregate principal amount of approximately RMB973,000,000 had converted such bonds into new shares of Shanghai Power before 14 August 2007 pursuant to the terms and conditions of the convertible bonds. Outstanding convertible bonds of aggregate principal amount of approximately RMB27,000,000 were redeemed by Shanghai Power before 21 August 2007 pursuant to its initial terms. As a result, the Group's interests in Shanghai Power were diluted from 25% to 21.92%.

Liquidity, financial resources and borrowings

As at 31 December 2007, cash and cash equivalents of the Group were approximately RMB734,057,000. The Group derived its funds mainly from cash inflow from operating activities, bank borrowings and dividends from the associated companies, which amounted to approximately RMB646,468,000, RMB5,242,350,000 and RMB176,926,000 respectively.

Debts

Set out below are details of the loans and borrowings of the Group for the years ended 31 December 2007 and 2006:

	2007	**2006**
	RMB'000	*RMB'000*
Short-term bank borrowings	605,000	1,330,000
Other short-term borrowings	—	98,000
Short-term loan payable to CPIF	—	140,000
Current portion of long-term loan payable to CPIF	127,863	—
Current portion of long-term bank borrowings	466,000	996,000
Long-term bank borrowings maturing within 1-2 years	571,850	651,000
Long-term bank borrowings maturing within 3-5 years	100,000	93,000
Long-term bank borrowings maturing over 5 years	7,034,500	3,068,000
Long-term loan payable to CPIF	270,295	395,562
Long-term loan payable to SEPC	—	19,437
	9,175,508	6,790,999

The interest rates on the Group's loans, which ranged from 3.6% to 7.5% in 2007, were subject to adjustment in accordance with the relevant regulations of the People's Bank of China.

The Group's debt to equity ratio (total borrowings/shareholders' equity) as at 31 December 2007 and 2006 were approximately 82.4% and 74.8% respectively.

Capital Expenditure

In 2007, capital expenditures of the Group were primarily attributable to construction of power plants and technical upgrade projects for existing units. Sources of funds were mainly from project financing and operating cash flow.

Technical Upgrades

In 2007, the Group arranged technical upgrades, such as energy conservation and desulphurisation, for existing units. The Group spent approximately RMB617,896,000 for technical upgrades.

Newly Constructed Projects

Pingwei Power Plant II: Total investment for 2007 was approximately RMB685,999,000.

Yaomeng Power Plant II: Total investment for 2007 was approximately RMB1,143,142,000.

Dabieshan Power Plant: Total investment for 2007 was approximately RMB1,205,553,000.

Risk Management

The financial and operational risks in the electricity industry increased due to factors including significant increase in oil price, the subprime mortgage crisis in the United States, significant fluctuations in the international capital markets the reinforcement of the austerity measures of China, and the delay in the implementation of policies such as the increase in tax rate and interest rate and the coal-electricity linkage mechanism.

To control the financial risks such as foreign exchange rate and interest rate and other operational risks of the development of the Company, the Group further strengthened its risk management. 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 experienced spectacular development in business in Hong Kong and the PRC. Most of the Group's revenue was denominated in RMB. With the increasing intensity in the reform of RMB and fluctuation of exchange rate, the Group would have certain profit or loss in foreign exchange from the translation of US Dollar and HK Dollar into RMB. It affected the financial positions and operating results of the Group and thus exposed us to foreign currency risk.

In 2007, the exchange rate of RMB against US Dollar and HK Dollar further increased, resulting in higher foreign exchange rate risk. Therefore, the Group adopted various methods to keep foreign exchange loss under effective control.

In 2007, the Group did not use any derivative instruments to manage exposures to foreign currency risk. Still, the Group strove to seek effective methods to monitor these risks and minimise the effects on its profit and interests arising from fluctuation in foreign exchange rate.

Interest Rate Risk

In 2007, People's Bank of China raised the basic interest rate of deposits and loans for six times which increased the capital cost of the Group for a period of time. As the Group had satisfactory results and credit status, adjustment in interest rate in the short-term would not have actual impact on the operation of the Group. To reduce the rising capital cost caused by higher interest rates and mitigate financial risk, the Group actively expanded financing channels and strove for preferential loans to reduce the level of effective interest rate. Meanwhile, the Group implemented centralised management of capital and unified the capital management of different power plants of the Group to lower capital and interest expenses. In addition, the Group carried out research on other financial instruments and adopted various risk-controlling measures and endeavoured to minimise interest rate risk.

Pledge of Assets

As at 31 December 2007, a wholly-owned subsidiary of the Group pledged its machinery with a net book value of approximately RMB580,000,000 to a bank to secure bank loan granted to it in the amount of approximately RMB343,000,000.

Contingent Liabilities

As at 31 December 2007, the Group had no material contingent liabilities.

Employees

As at 31 December 2007, the Group and its associated company had a total of 7,633 full-time employees.

The Group focused on enhancing the general qualities of employees and continued to strengthen talent training and on-the-job training. It actively built up employees' sense of belonging and responsibility, promoted the cohesiveness of the enterprise and reinforced performance assessment in order to address the demand for human resources during the Company's further development.

FOR THE YEAR ENDED 31 DECEMBER 2006

Overview

As at 31 December 2006, the Company wholly owned 3 operating power plants, namely Pingwei Power Plant, Yaomeng Power Plant and Shentou I Power Plant; and held stakes in an associated power plant, Changshu Power Plant, and a power generating company listed on the Shanghai Stock Exchange, Shanghai Power. The Company's attributable installed capacity in these thermal power plants was 5,348 MW. The Company also owned 3 thermal power plants under construction, namely Pingwei Power Plant II, Yaomeng Power Plant II and Dabieshan Power Plant, with total installed capacity of 3,600 MW, of which 3,516 MW was our attributable installed capacity. In addition, the Company had been entrusted to manage 6 power plants. The electricity generated by the Group's power plants is primarily supplied to Eastern China Power Grid, Central China Power Grid and Northern China Power Grid.

Business Review for 2006

Operating Environment

For the year 2006, China achieved a good start under the 11th 5-Year Plan. With effective macroeconomic control policies and continued progress in the reform and opening-up policy, a number of positive adjustments were made to the industry structure in support of improvement on operating environment and social economic development. Infrastructure industries such as energy and transportation were further improved. Tight supply in coal, electricity, oil and transportation was also substantially alleviated. Further action was carried out to reduce energy consumption and pollutant emissions while considerable efforts were made for environmental protection and ecology improvement. The national economy was on an accelerating growth track with stronger momentum driven by improved cost-effectiveness, relatively low commodity prices, more stable operation, greater benefits and stronger support. The annual gross domestic product exceeded RMB20 trillion, representing an increase of approximately 10.7% from 2005. Supported by the steady and continued growth of the PRC economy, the domestic power sector maintained rapid growth. In 2006, total domestic electricity consumption amounted to approximately 2,824,800 GWh, representing a year-on-year increase of approximately 14.0%. The domestic power output was approximately 2,834,400 GWh, representing a year-on-year increase of approximately 13.5%, of which approximately 2,357,300 GWh was coal-fired power output, amounted to approximately 83.17% of total power output, with a year-on-year increase of approximately 15.3%. Electricity generated by the Group's power plants was mainly supplied to Eastern China Power Grid, Central China Power Grid and Northern China Power Grid, net generation of which recorded a year-on-year increase of approximately 15.21%, 15.23% and 14.12% respectively.

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

Asset Acquisition

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

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

Power Plants under Construction

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

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

Increase in Tariff

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

Power Generation

Attributable installed capacity of the Company as at 31 December 2006 was 5,348 MW. Gross generation of the Group (excluding the associated company) for 2006 was approximately 24,065,245 MWh, increased by approximately 19.47% from 2005. Net generation of the Group (excluding the associated company) for 2006 was approximately 22,262,463 MWh, increased by approximately 19.04% from 2005.

The increase in the Group's power generation as compared with 2005 was mainly attributable to:

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

Operation Data of the Group's Power Plant

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

Pingwei Power Plant

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

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

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

Yaomeng Power Plant

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

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

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

Shentou I Power Plant

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

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

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

Changshu Power Plant

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

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

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

Operating Results

Turnover

The Group recorded turnover of approximately RMB5,202,934,000 in 2006 compared with RMB4,361,718,000 in 2005, representing an increase of approximately 19.3%. The acquisition of Shentou I Power Plant resulted in an increase in turnover of approximately RMB609,326,000 for the first half of 2006. A reasonable increase in average on-grid tariff contributed an increase of turnover by approximately RMB253,087,000. The changes of tariff structure for different on-grid generation levels resulted in a reduction of the turnover of approximately RMB21,197,000.

Other Income

In 2006, the Group's other income was approximately RMB75,214,000, decreased by approximately 1.0% as compared with RMB76,002,000 in 2005. The fees received for managing power plants reduced by approximately RMB335,000 while rental income increased by approximately RMB628,000. Interest income decreased by approximately RMB1,081,000 because of the reduction of cash balance.

Fuel Costs

Fuel costs were a major component of the Group's operating costs. In 2006, the fuel costs of the Group were approximately RMB3,075,001,000, accounting for approximately 69.2% of the total operating costs. Fuel costs surged by approximately 15.9% compared with RMB2,652,216,000 in 2005. The acquisition of Shentou I Power Plant resulted in an increase in fuel costs of approximately

RMB387,642,000 for the first half of 2006. Aside from the above, the fuel costs increased by approximately RMB73,469,000 due to rising average coal prices. The Group strengthened its operation management and hence reduced coal consumption rate, which contributed to a reduction of coal cost of approximately RMB38,326,000.

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

Depreciation

The Group's depreciation amounted to approximately RMB376,206,000 in 2006, representing an increase of approximately 17.4% compared with approximately RMB320,488,000 in 2005. The increase in depreciation of approximately RMB48,136,000 for the first half of 2006 was attributable to the acquisition of Shentou I Power Plant in 2005. With the increase of property, plant and equipment, depreciation had increased by approximately RMB7,582,000.

Staff Costs

The Group recorded staff costs of approximately RMB354,908,000 in 2006, representing an increase of approximately 12.6% compared with RMB315,112,000 in 2005. The increase in staff costs of approximately RMB29,522,000 for the first half of 2006 was attributable to the acquisition of the Shentou I Power Plant in 2005. Staff costs reduced by approximately RMB10,401,000 due to a reduced number of staff. The distribution of bonus and welfare fund also increased staff costs by approximately RMB20,675,000.

Repairs and Maintenance

The Group recorded repairs and maintenance expenses of approximately RMB265,868,000 in 2006, representing an increase of approximately 44.2% compared with RMB184,436,000 in 2005. The acquisition of Shentou I Power Plant in 2005 had enlarged the asset scale, causing an increase in repairs and maintenance costs of approximately RMB52,455,000. The increase in repairs and maintenance costs of approximately RMB28,977,000 was mainly attributable to the increased cost and increased items of the arrangement of repairs and maintenance for existing units.

Consumables

In 2006, the Group's consumables amounted to approximately RMB67,863,000, which was an increase by 7.1% as compared with RMB63,357,000 in 2005. The acquisition of Shentou I Power Plant resulted in an increase in consumables of approximately RMB16,091,000. The Group enhanced its consumables management in the power plants owned by it and it recorded a reduction of approximately RMB11,585,000 in consumables.

Other Gains

Other gains of the Group amounted to approximately RMB87,370,000 in 2006, representing an increase of approximately RMB19,011,000, with an increase rate of approximately 27.8%, from RMB68,359,000 of 2005. Among those, there was a write-back of previous revaluation deficit on property, plant and equipment of approximately RMB79,674,000. The amortisation of deferred income increased by approximately RMB947,000. The increase in other gains for 2006 was offset by the decrease due to less write-back of provision for receivables of approximately RMB61,610,000.

Other Operating Expenses

Other operating expenses of the Group amounted to approximately RMB388,083,000 in 2006, representing an increase of approximately RMB156,695,000, with an increase rate of approximately 67.7% as compared with RMB231,388,000 in 2005, of which an increase of approximately RMB45,548,000 for the first half of 2006 was mainly attributable to the acquisition of Shentou I Power Plant. An increase of approximately RMB25,080,000 in other operating expenses was attributable to the increase in emission discharge and water fee. The increase in other operating expenses of approximately RMB13,873,000 was attributable to the increase in cost caused by the accelerating progress of power plant construction projects. The increase in other operating expenses of approximately RMB18,143,000 was due to the revaluation deficits on property, plant and equipment. Other expenses increased by approximately RMB54,051,000 due to rise in miscellaneous expenses.

Operating Profit

Operating profit of the Group in 2006 amounted to approximately RMB837,589,000, representing an increase of approximately 13.3% compared with RMB739,082,000 in 2005.

Finance Costs

Finance costs of the Group in 2006 amounted to approximately RMB133,489,000, representing an increase of approximately 13.2% as compared with RMB117,905,000 of 2005, of which an increase of approximately RMB13,504,000 was attributable to the acquisition of Shentou I Power Plant. The decrease in borrowings for operations of other power plants leading to a saving in finance cost and the increase in foreign exchange losses were approximately RMB2,225,000 and RMB4,305,000 respectively.

Share of profit of an associated company

Share of profit of an associated company in 2006 was approximately RMB102,053,000, representing a decrease of approximately 16.7% as compared with RMB122,480,000 in 2005. In Jiangsu Province, where Changshu Power Plant is located, significant increase in installed capacity of newly added power plants, the decrease in utilisation hours of the plants, the decrease in on-grid generation and hence turnover, the tight supply of coal in Jiangsu and increase in fuel cost contributed to the reduction of profit after taxation for Changshu Power Plant.

Taxation

Taxation of the Group in 2006 was approximately RMB104,478,000, increased by approximately 26.7% as compared with RMB82,448,000 of 2005. The increase in expenses in taxation was mainly attributable to the increase in the profit before taxation of the Group's subsidiaries and the deferred tax arising from the revaluation deficits on property, plant and equipment.

Profit Attributable to Equity Holders of the Company

In 2006, the profit attributable to equity holders of the Company was approximately RMB702,767,000, increased by approximately 6.2% as compared to RMB661,904,000 in 2005.

Segment information

The Group's principal activities are the generation and sale of electricity, and the development of power plants as a single business segment. Substantially all of the Group's assets, liabilities and capital expenditure are located or utilised in the PRC except that certain cash and bank balances equivalent to approximately RMB476 million were deposited in certain banks in Hong Kong at 31 December 2006 (2005: approximately RMB1,471 million).

Liquidity, Financial Resources and Borrowings

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

Placing of Shares for Raising Capitals

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

Debts

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

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

The interest rates on the Group's loans, which ranged from 3.6% to 6.2% in 2006, were subject to adjustment in accordance with the relevant regulations of the People's Bank of China.

The Group's debt to equity ratio as at 31 December 2006 and 2005 were approximately 74.80% and 58.96% respectively.

On 31 May 2004, Pingwei Power Plant II, Yaomeng Power Plant II and Dabieshan Power Plant entered into syndicate loan agreements with a number of banks to obtain loan facilities amounting to approximately RMB11,400,000,000 in aggregate in order to finance the power plants under construction.

Capital Expenditures

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

For Technical Upgrades

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

For Power Plants under Construction

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

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

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

For Acquisition

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

Risk Management

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

In 2006, the Group did not use any derivative instruments to manage exposures to foreign currency and interest rate risks. Still, it strove to seek management method to monitor these risks and minimise the effects on its profit and interest arising from fluctuation in foreign exchange rate, interest rate and tariffs.

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

Foreign Exchange Rate Risk

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

Pledge of Assets

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

Contingent Liabilities

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

Employees

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

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

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

The Group has set up a mandatory provident fund scheme and made fixed contribution for the Group's employees in Hong Kong pursuant to the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong).

The Company has set up a share option scheme for the Group's senior management and key employees and to motivate and attract high-calibre employees.

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

MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION OF WU LING GROUP

Set out in Appendix II to this circular is the accountant's report on Wu Ling Group for each of the financial years ended 31 December 2008, 2007 and 2006. Based on the information provided by Wu Ling Group, set out below are the management discussion and analysis in relation to Wu Ling Group for each of the above periods.

FINANCIAL PERFORMANCE

Year ended 31 December 2008 compared to year ended 31 December 2007

Revenue

Wu Ling Group recorded revenue of approximately RMB2,715,880,000 for 2008, representing an increase of approximately 5.12% compared with RMB2,583,700,000 in 2007. Increase in revenue was mainly attributable to the commencement of operation of new power plants and the increase in on-grid tariff for hydropower although partly offset by the decrease in the utilisation hours of power generation equipment.

Operating profit

Wu Ling Group recorded operating profit of approximately RMB1,660,560,000 for 2008, representing an increase of approximately 14.98% compared with RMB1,444,258,000 in 2007. Increase in operating profit was mainly attributable to the increase in revenue and other net gains set off against the increase in other operating expenses. Other net gains increased by approximately RMB418,959,000 from approximately RMB13,341,000 to approximately RMB432,300,000, mainly due to the fair value gain on its derivative financial instruments and the write-back of provision for receivables recovered from a provincial power grid company as a result of the implementation of new regulatory policies and guidelines to assist power industry to clean up old debts. Other operating expenses increased by 89.39% from approximately RMB192,703,000 in 2007 to approximately RMB364,967,000 in 2008, mainly due to the increase in expenses as newly built power plants could not be capitalised.

Finance costs

Wu Ling Group recorded finance costs of approximately RMB1,247,226,000 for 2008, representing an increase of approximately 66.47% compared with RMB749,208,000 in 2007. Increase in finance costs was mainly attributable to: (i) the commencement of operation of new power plants that ceased interest capitalisation, (ii) an increase in interest rates and (iii) exchange losses recorded in respect of large amounts of loans in Japanese yen as a result of the appreciation of the Japanese yen.

Share of profits/losses of associated companies

Wu Ling Group recorded share of losses of associated companies of approximately RMB9,978,000 for 2008, representing a decrease of approximately 108.02% compared with the profit of RMB124,414,000 in 2007. Decrease in share of profits of associated companies was mainly attributable to the snow disaster in southern and central China leading to the suspension of the operation of Li Yu Jiang Power Plant* (鯉魚江電廠) for approximately 5 months.

Taxation

Wu Ling Group recorded taxation of approximately RMB208,823,000 for 2008, representing a decrease of approximately 48.89% compared with RMB408,545,000 in 2007. Decrease in taxation was mainly attributable to: (i) a decrease in profit before tax and (ii) there being no adjustment in deferred income tax assets due to the decrease in tax rate in that year.

Profit attributable to equity holders of Wu Ling Power

Wu Ling Group recorded profit attributable to equity holders of approximately RMB245,337,000 for 2008, representing a decrease of approximately 41.85% compared with RMB421,905,000 in 2007. The decrease in profit was mainly attributable to (i) exchange losses recorded in respect of large amounts of loans in Japanese yen as a result of the appreciation of the Japanese yen, (ii) reduced utilization hours of power generation equipment due to the snow disaster and (iii) the decline in investment gains from Li Yu Jiang Power Plant, an associate of the Company.

Year ended 31 December 2007 compared to year ended 31 December 2006

Revenue

Wu Ling Group recorded revenue of approximately RMB2,583,700,000 for 2007, representing an increase of approximately 47.51% compared with RMB1,751,550,000 in 2006. Increase in revenue was mainly attributable to the commencement of operation of new power plants and improvement in the quantity and quality of water flow of the Yuan Jiang River* (沅江).

Operating profit

Wu Ling Group recorded operating profit of approximately RMB1,444,258,000 for 2007, representing an increase of approximately 87.04% compared with RMB772,173,000 in 2006. Increase in operating profit was mainly attributable to the substantial increase in revenue compared with a relatively small increase in operating expenses.

Finance costs

Wu Ling Group recorded finance costs of approximately RMB749,208,000 for 2007, representing an increase of approximately 77.36% compared with RMB422,424,000 in 2006. Increase in finance costs was mainly attributable to the commencement of operation of new power plants, the increase in interest rates and the increase in borrowings.

Share of profits of associated companies

Wu Ling Group recorded share of profits of associated companies of approximately RMB124,414,000 for 2007, representing a decrease of approximately 25.65% compared with RMB167,335,000 in 2006. Decrease in share of profits of associated companies was mainly attributable to the decline in profit generated from Li Yu Jiang Power Plant* (鯉魚江電廠) due to higher coal prices and fuel costs.

Taxation

Wu Ling Group recorded taxation of approximately RMB408,545,000 for 2007, representing an increase of approximately 203.60% compared with RMB134,567,000 in 2006. Increase in taxation was mainly attributable to: (i) an increase in profit before tax and (ii) the reform of the state taxation system whereby the income tax rate had been reduced from 33% to 25%, leading to the decrease in deferred income tax assets.

Profit attributable to equity holders of Wu Ling Power

Wu Ling Group recorded profit attributable to equity holders of approximately RMB421,905,000 for 2007, representing an increase of approximately 5.77% compared with RMB398,900,000 in 2006.

Liquidity, financial resources and borrowings

As at 31 December 2008, 2007 and 2006, Wu Ling Group had RMB46,144,000, RMB92,786,000 and RMB34,124,000 in cash and cash equivalents.

The following table presents selected cash flow data from Wu Ling Group's consolidated cash flow statements for each of the years ended 31 December 2008, 2007 and 2006.

	2008	**2007**	**2006**
	RMB'000	*RMB'000*	*RMB'000*
Net cash inflow from operating activities	415,923	833,669	561,498
Net cash outflow from investing activities	3,205,623	3,650,841	4,600,815
Net cash inflow from financing activities	2,743,058	2,875,834	4,023,353

Wu Ling Group also had an aggregate amount of loans and borrowings of RMB23,343,614,000. The borrowings had effective interest rates of 3.60% to 6.92% in 2008, 3.60% to 6.64% in 2007 and 4.34% to 5.89% in 2006. Other than Renminbi, Wu Ling Group also had borrowings that were denominated in US Dollar and Japanese yen.

Set out below are details of the loans and borrowings of Wu Ling Group for each of the years ended 31 December 2008, 2007 and 2006.

	2008	**2007**	**2006**
	RMB'000	*RMB'000*	*RMB'000*
Short-term bank borrowings, unsecured	2,127,450	1,617,000	1,116,940
Other short-term borrowings	—	1,000,000	—
Other long-term bank borrowings	15,126	21,126	31,126
Short-term loan payable to CPIF	300,000	200,000	300,000
Long-term loan from ultimate holding company	1,473,816	1,473,816	1,800,000
Long-term loan from an equity holder	885,201	985,201	1,155,201
Long-term bank borrowings maturing within one year	775,173	678,813	477,976
Long-term bank borrowings maturing in the second year	1,410,065	777,289	1,097,225
Long-term bank borrowings maturing in the third to fifth year	2,462,750	2,534,672	1,906,071
Long-term bank borrowings maturing after the fifth year	13,894,033	11,312,639	10,336,407

Wu Ling Group's gearing ratio, calculated as net debt divided by total capital was approximately 80%, 80% and 82% as at 31 December 2008, 2007 and 2006 respectively.

Please also see the sub-section headed "Indebtedness" in the letter from the Board.

Capital commitments

Details of capital commitments of Wu Ling Group as at 31 December 2008, 2007 and 2006 are as follows:

	2008	**2007**	**2006**
	RMB'000	*RMB'000*	*RMB'000*
In respect of property, plant and equipment:			
Authorised but not contracted for	3,447,518	4,479,060	5,400,940
Contracted but not provided for	8,491,767	9,042,869	8,476,998
	11,939,285	13,521,929	13,877,938

Material acquisitions and disposals

In the year 2008, Wu Ling Group disposed of its 30% equity interests in Hunan Nuclear Power Company Limited* (湖南核電有限公司) to CPI Group for a consideration of RMB18,000,000.

In 2007, Wu Ling Group had no material acquisitions or disposals.

In the year 2006, Wu Ling Group acquired from CPI Group 95.45% of the equity interests of Zijiang Electricity Development Company Limited* (資江電力開發有限公司) for a consideration of RMB377,568,000 and 40% of the equity interests of China Resources Power Hunan Liyujiang Co., Ltd.* (湖南華潤電力鯉魚江有限公司) for a consideration of RMB625,656,200.

Significant investment

In the year 2008, Wu Ling Group invested RMB30,000,000 in Hunan Wuling Power Fuel Company Limited* (湖南五淩電力燃料有限公司).

There was no significant investment in the years 2007 and 2006.

FOREIGN EXCHANGE RISK

As at 31 December 2008, 2007 and 2006, Wu Ling Group's assets, liabilities and transactions were mainly denominated in RMB. Foreign exchange risk arising from the normal course of operations is considered to be immaterial. Some of the borrowings of Wu Ling Group are denominated in foreign currencies. Wu Ling Group has entered into a US Dollar-Japanese yen currency swap agreement relating to a portion of the yen denominated debt to reduce exposure to foreign exchange risk. Further details of the currency swap agreement are set out in the section headed "Risk Factors" in this circular.

CHARGES

As at 31 December 2008, Wu Ling Group had charged the rights on its receivables and certain of its sales of electricity to secure the banking borrowings granted to Wu Ling Group.

CONTINGENT LIABILITIES

As at 31 December 2008, 2007 and 2006, Wu Ling Group had no material contingent liabilities.

EMPLOYEES

As at 31 December 2008, Wu Ling Group employed approximately 2,751 employees (including 434 employees employed by Qian Dong Power), as compared with 2,526 employees (including 98 employees employed by Qian Dong Power) as at 31 December 2007 and 2,521 employees (including 56 employees employed by Qian Dong Power) as at 31 December 2006. All employees are remunerated based on their respective performance, work experience, duties and also the prevailing market rates. Further, Wu Ling Group managed its employees in accordance with the prevailing employment law.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 31 March 2009 of the property interests of the Enlarged Group after the Acquisition.

JONES LANG LASALLE® SALLMANNS

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Licence No: C-030171

29 June 2009

The Board of Directors
China Power International Development Limited
Suite 6301, 63/F.
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

Pursuant to a proposed Acquisition, China Power International Development Limited (the "Company") intends to acquire 63% interests of Wu Ling Power Corporation ("Wu Ling Power"). In accordance with your instructions to value the properties in which the Company and its subsidiaries (hereinafter together referred to as the "Group") and Wu Ling Power and its subsidiaries (hereinafter together referred to as the "Acquired Group") (the Group and the Acquired Group hereinafter together referred to as the "Enlarged Group") have interests in Hong Kong and the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests of the Enlarged Group as at 31 March 2009 (the "date of valuation").

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

Land

The concept of freehold and leasehold land does not exist in China. Private land ownership in China was abolished in the collectivization movement during the 1950's. Since then, the only form of ownership in land had been 'socialist public ownership' of which there are two generic types: state-owned and collectively owned. Land was 'allocated' free of charge by the state to the designated users (commonly state-owned enterprises) for an indefinite period. The users in return could not in any way transfer the land to other parties. Normally, when dealing with the valuation of such land, we will deem it to have 'no commercial value'.

In January 1995, the "PRC, Administration of Urban Real Property Law" came into effect, reinforcing previous legislation and establishing land as a commodity. By possessing 'land use rights' users, including state-owned enterprises could assign, lease or mortgage land. Normally, to obtain such land use rights, a premium had to be paid whereupon the 'allocated' land could be reclassified as 'granted' land. The land is granted by the State and the premium is based upon the standard land prices (which are periodically reviewed) set by the Land Administration Bureau.

In occasional cases on a discretionary basis, allocated land held by certain state-owned enterprises can be authorised by the State to be contributed or transferred to the listing entity in return for shares. Such land we have termed '*Authorised land*' (授權經營土地). Under this system the holding (parent) company is granted a land use rights certificate for no fixed term, which it may then assign to the listing entity. The listing company may then apply for this to be converted into a normal land use rights certificate for a fixed term, without payment of additional premium. It is the usual practice for the holding company to give undertakings to assist the listing entity to obtain the finalized certificates within a definite time frame, to be responsible for any costs, losses, claims, charges or expenses arising from the application of the finalized certificates. Upon obtaining the certificates, the listing company would be entitled to transfer, lease or mortgage the land.

We have valued the property interests of property nos. 2, 4 and 5 in Group I and properties nos. 25 and 30 to 32 in Group V by direct comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Due to the nature of many of the typical buildings and structures considered by this report and the particular locations in which they are situated, there are unlikely to be relevant market comparable sales readily available. The property interests in Group II, Group IV, and the remaining property interests in Group I (excluding property nos. 2 to 5) and Group V (excluding property nos. 25 and 30 to 32) have therefore been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

We have adopted the income approach to value property no. 3 in Group I, which is operated as a hotel. In view of the nature of the property, it was valued as fully operational entity by Discounted Cash Flow ("DCF") analysis. DCF analysis uses future free cash flow projections and discounts them to arrive at a present value. The market value is derived by discounting the future net incomes generated from the hotel with regard to the trading potential, operation revenues and expenses during the assumed holding period with an appropriate discount rate. The resale value at the end of the holding period is estimated by capitalizing the estimated net incomes by an appropriate terminal capitalization rate for the remaining tenure of the property. Then the resale value is discounted to its present value as at the date of valuation.

In valuing the property interests in Group III and portions of property nos. 24 and 28 in Group V, which were under construction as at the date of valuation, we have assumed that they will be developed and completed in accordance with the latest development proposal provided to us by the Enlarged Group. In arriving at our opinion of value, we have taken into account the construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the cost and fees to be expended to complete the development.

We have attributed no commercial value to the property interests in Group VI and Group VII, which are leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors.

We have relied to a very considerable extent on the information given by the Enlarged Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been provided with a tenancy agreement relating to the property interest in Group VI and have caused searches to be made at the Hong Kong Land Registries. However, we have not searched the original documents to verify the ownership or to ascertain any amendment.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Haiwen & Partners, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Enlarge Group. We have also sought confirmation from the Enlarge Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

The continued turmoil and instability in the financial markets is continuing to cause volatility and uncertainty in the world's capital markets and real estate markets. There are low levels of liquidity in the real estate market and transaction levels are significantly reduced, resulting in a lack of clarity as to pricing levels and the market drivers. This, combined with a general weakening of sentiment towards real estate, has resulted in a continual reappraisal of local property prices. Many transactions that are occurring involve vendors who are more compelled to sell, or purchasers who will only buy at discounted prices. In this environment, prices and values are going through a period of heightened volatility whilst the market absorbs the various issues and reaches its conclusions. The period required to negotiate a sale may also extend considerably beyond the normally expected period, which would also reflect the nature and size of the property.

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 26 years' experience in the valuation of properties in the PRC and 29 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUES

Group I — Property interests held and occupied by the Acquired Group in the PRC

No.	**Property**	**Capital value in existing state as at 31 March 2009**	**Interest attributable to the Enlarged Group**	**Capital value in existing state attributable to the Enlarged Group as at 31 March 2009**
		RMB		*RMB*
1.	2 parcels of land 2 buildings and various structures No. 188 Wuling Road Tianxin District Changsha City Hunan Province The PRC	219,186,000	63%	138,087,000
2.	2 parcels of land and 2 buildings No. Jia 1 Huayan Bei Li Chaoyang District Beijing The PRC	No commercial value	63%	No commercial value
3.	A parcel of land and a hotel No. 308 Furong Nan Road Yuhua District Changsha City Hunan Province The PRC	254,000,000	44.1%	112,014,000
4.	16 units on Level 1 of a building No. 306 Furong Nan Road Yuhua District Changsha City Hunan Province The PRC	No commercial value	44.1%	No commercial value

No.	Property	Capital value in existing state as at 31 March 2009 *RMB*	Interest attributable to the Enlarged Group	Capital value in existing state attributable to the Enlarged Group as at 31 March 2009 *RMB*
5.	Units 101 and 102 on Level 1 No. 8 Building No. 179 Laodong Dong Road Changsha City Hunan Province The PRC	No commercial value	63%	No commercial value
6.	6 parcels of land 7 units of 6 buildings, 15 buildings and various structures located at the northern side of Dongting Avenue and the western side of Gaoche Road Wuling Development Zone Changde City Hunan Province The PRC	26,220,000	63%	16,519,000
7.	A parcel of land and two buildings located at the northern side of Dongting Avenue Wuling Development Zone Changde City Hunan Province The PRC	No commercial value	63%	No commercial value
8.	4 parcels of land various buildings and structures located at Qinglang Village Wuqiangxi Town Yuanling County Hunan Province The PRC	No commercial value	63%	No commercial value

No.	Property	Capital value in existing state as at 31 March 2009 *RMB*	Interest attributable to the Enlarged Group	Capital value in existing state attributable to the Enlarged Group as at 31 March 2009 *RMB*
9.	A parcel of land various buildings and structures located at Siping Village Lingjintan Town Taoyuan County Hunan Province The PRC	No commercial value	63%	No commercial value
10.	A parcel of land various buildings and structures located at Wanmipo Bamao Town Baojing County Hunan Province The PRC	No commercial value	63%	No commercial value
11.	5 parcels of land various buildings and structures located at Datangping Village Majitang Town Taojiang County Yiyang City Hunan Province The PRC	172,000	63%	108,000
12.	2 parcels of land various buildings and structures located at Liutan Village Dongping Town Anhua County Yiyang City Hunan Province The PRC	9,953,000	63%	6,270,000

No.	Property	Capital value in existing state as at 31 March 2009 *RMB*	Interest attributable to the Enlarged Group	Capital value in existing state attributable to the Enlarged Group as at 31 March 2009 *RMB*
13.	A parcel of land various buildings and structures located at Queping Village Tianzhuang Town Anhua County Yiyang City Hunan Province The PRC	No commercial value	63%	No commercial value
14.	2 parcels of land various buildings and structures located at Jinweizhou Town Hengnan County Hengyang City Hunan Province The PRC	No commercial value	63%	No commercial value
15.	2 parcels of land various buildings and structures located at Yuanhe Village Hengyan Town Hongjiang District Huaihua City Hunan Province The PRC	No commercial value	59.85%	No commercial value
16.	6 parcels of land various buildings and structures located at Pinglue Town Jinping County Qiandongnan Prefecture Guizhou Province The PRC	4,302,236,000	59.85%	2,574,888,000

No.	Property	Capital value in existing state as at 31 March 2009	Interest attributable to the Enlarged Group	Capital value in existing state attributable to the Enlarged Group as at 31 March 2009
		RMB		*RMB*
17.	4 parcels of land various buildings and structures located at Sanjiang Town Jinping County Qiandongnan Prefecture Guizhou Province The PRC	578,163,000	59.85%	346,031,000
	Sub-total:	5,389,930,000		3,193,917,000

Group II — Property interest held for future development by the Acquired Group in the PRC

No.	Property	Capital value in existing state as at 31 March 2009	Interest attributable to the Enlarged Group	Capital value in existing state attributable to the Enlarged Group as at 31 March 2009
		RMB		*RMB*
18.	A parcel of land located at Songjiaqiao Village Manzhu Village and Lixiqiao Village Sangzi Town Xinhua County Loudi City Hunan Province The PRC	No commercial value	59.85%	No commercial value
	Sub-total:	Nil		Nil

Group III — Property interests held under development by the Acquired Group in the PRC

No.	Property	Capital value in existing state as at 31 March 2009 *RMB*	Interest attributable to the Enlarged Group	Capital value in existing state attributable to the Enlarged Group as at 31 March 2009 *RMB*
19.	A parcel of land and a pumped storage power station under construction located at Heimifeng Qiaoyi Town Wangcheng County Changsha City Hunan Province The PRC	No commercial value	63%	No commercial value
20.	A parcel of land and a hydropower station under construction located at Tuokou Town Hongjiang District Huaihua City Hunan Province The PRC	No commercial value	59.85%	No commercial value
21.	A parcel of land and a hydropower station under construction located at Baishi Town Tianzhu County Guizhou Province The PRC	No commercial value	59.85%	No commercial value
	Sub-total:	Nil		Nil

Group IV — Property interests held for investment by the Acquired Group in the PRC

No.	Property	Capital value in existing state as at 31 March 2009 *RMB*	Interest attributable to the Enlarged Group	Capital value in existing state attributable to the Enlarged Group as at 31 March 2009 *RMB*
22.	2 parcels of land 4 buildings and structures No. 146 Chigang Road Shazitang Yuhua District Changsha City Hunan Province The PRC	33,085,000	56.7%	18,759,000
23.	A parcel of land 9 buildings and structures located at Taohua Village Taohuayuan Town Taoyuan County Changde City Hunan Province The PRC	17,963,000	56.7%	10,185,000
	Sub-total:	51,048,000		28,944,000

Group V — Property interests held and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at 31 March 2009	Interest attributable to the Enlarged Group	Capital value in existing state attributable to the Enlarged Group as at 31 March 2009
		RMB		*RMB*
24.	39 parcels of land various buildings and structures located at Pinghu Road Zhanhe District Pingdingshan City Henan Province The PRC	No commercial value	100%	No commercial value
25.	Unit 205 on Level 2 Entrance 1 Block 22 Lianmengxincheng No. 28 Nongye Dong Road Xin District Zhengzhou City Henan Province The PRC	3,054,000	100%	3,054,000
26.	25 parcels of land various buildings and structures located at the production area of Shentou Power Plant Shentou Town Shuocheng District Shuozhou City Shanxi Province The PRC	No commercial value	100%	No commercial value

No.	Property	Capital value in existing state as at 31 March 2009 *RMB*	Interest attributable to the Enlarged Group	Capital value in existing state attributable to the Enlarged Group as at 31 March 2009 *RMB*
27.	A parcel of land 2 buildings and structures located at Dongshaozhuang Village Shentou Town Shuocheng District Shuozhou City Shanxi Province The PRC	No commercial value	100%	No commercial value
28.	12 parcels of land various buildings and structures located at the production area of Pingwei Power Plant Panji District Huainan City Anhui Province The PRC	130,895,000	100%	130,895,000
29.	9 parcels of land various buildings and structures Sihuagang Zhongguanyi Town Macheng City Hubei Province The PRC	552,039,000	93%	513,396,000
30.	A unit on Level 2 Building No. 17 Chaoyang Road Tianjia'an District Huainan City Anhui Province The PRC	No commercial value	100%	No commercial value

No.	Property	Capital value in existing state as at 31 March 2009 *RMB*	Interest attributable to the Enlarged Group	Capital value in existing state attributable to the Enlarged Group as at 31 March 2009 *RMB*
31.	Unit 1101 on Level 11 Building No. 1 Xinhua Xuefu Garden Huangshan Road Hefei City Anhui Province The PRC	1,219,000	100%	1,219,000
32.	Unit 1403 on Level 14 Building No. 17 No. 4 Cuiwei Road Haidian District Beijing The PRC	3,488,000	100%	3,488,000
	Sub-total:	690,695,000		652,052,000

Group VI — Property interest rented and occupied by the Group in Hong Kong

No.	Property	Capital value in existing state as at 31 March 2009 *RMB*	Interest attributable to the Enlarged Group	Capital value in existing state attributable to the Enlarged Group as at 31 March 2009 *RMB*
33.	Units Nos. 6301-6302 on 63rd Floor Central Plaza No. 18 Harbour Road Hong Kong Part of Inland of Lot No. 8643	No commercial value	100%	No commercial value
	Sub-total:	Nil		Nil

Group VII — Property interest rented and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at 31 March 2009	Interest attributable to the Enlarged Group	Capital value in existing state attributable to the Enlarged Group as at 31 March 2009
		RMB		*RMB*
34.	3 meeting rooms and Level 11 to Level 13 of the east block of Huihuang Shidai Building No. 54 Beisihuan Xi Road Haidian District Beijing The PRC	No commercial value	100%	No commercial value
	Sub-total:	Nil		Nil
	Grand total:	6,131,673,000		3,874,913,000

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Acquired Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
1.	2 parcels of land 2 buildings and various structures No. 188 Wuling Road Tianxin District Changsha City Hunan Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 30,145.30 sq.m., 2 buildings and various ancillary structures erected thereon which were completed in 2005. The buildings have a total gross floor area of approximately 36,392.56 sq.m. comprising an office building and a club building. The structures mainly include boundary fences, roads, bicycle sheds and gates. The land use rights of the property have been granted for a term expiring on 21 January 2058 for office use.	The property is currently occupied by the Acquired Group for office and ancillary purposes.	219,186,000 63% interest attributable to the Enlarged Group: RMB138,087,000

Notes:

1. Huaihua Yuanjiang Power Development Co., Ltd. [懷化沅江電力開發有限責任公司] ("Huaihua Yuanjiang") is a 95% interest owned subsidiary of Wu Ling Power.

2. Pursuant to a Building Ownership Certificate — Chang Fang Quan Zheng Tian Xin Zi Di No. 708091191, the Basement Level to Level 9 of an 11-storey office building with a total gross floor area of approximately 24,158.59 sq.m. is owned by Wu Ling Power; pursuant to a State-owned Land Use Rights Certificate — Chang Guo Yong (2009) Di No. 000261 dated 20 February 2009, the land use rights of the Basement Level to Level 9 of the 11-storey office building with an apportioned site area of approximately 20,010.90 sq.m. have been granted to Wu Ling Power for a term expiring on 21 January 2058 for office use.

3. Pursuant to a Building Ownership Certificate — Chang Fang Quan Zheng Tian Xin Zi Di No. 708091120, the remaining portion of the office building mentioned in note 2 with a total gross floor area of approximately 2,185.17 sq.m. is owned by Huaihua Yuanjiang; pursuant to a State-owned Land Use Rights Certificate — Chang Guo Yong (2009) Di No. 000262 dated 20 February 2009, the land use rights of the remaining portion of the office building with an apportioned site area of approximately 1,810.31 sq.m. have been granted to HuaiHua Yuanjiang for a term expiring on 21 January 2058 for office use.

4. Pursuant to a Building Ownership Certificate — Chang Fang Quan Zheng Tian Xin Zi Di No. 708091188, the Basement Level to Level 2 of a 4-storey club building with a total gross floor area of approximately 9,508.77 sq.m. is owned by Wu Ling Power; pursuant to a State-owned Land Use Rights Certificate — Chang Guo Yong (2009) Di No. 007892 dated 30 March 2009, the land use rights of the Basement Level to Level 2 of the club building with an apportioned site area of approximately 7,876.45 sq.m. have been granted to Wu Ling Power for a term expiring on 21 January 2058 for office use.

5. Pursuant to a Building Ownership Certificate — Chang Fang Quan Zheng Tian Xin Zi Di No. 708091192, the remaining portion of the club building mentioned in note 4 with a total gross floor area of approximately 540.03 sq.m. is owned by Huaihua Yuanjiang; pursuant to a State-owned Land Use Rights Certificate — Chang Guo Yong (2009) Di No. 000263 dated 20 February 2009, the land use rights of the remaining portion of the club building with an apportioned site area of approximately 447.64 sq.m. have been granted to Huaihua Yuanjiang for a term expiring on 21 January 2058 for office use.

6. In the valuation of this property, we have attributed no commercial value to the buildings and relevant land use rights mentioned in notes 3 and 5 with a total gross floor area of approximately 2,725.20 sq.m. which have not obtained the proper title certificates under the name of Wu Ling Power. However, for reference purpose, we are of the opinion that the capital value of the buildings and relevant land use rights as at the date of valuation would be RMB16,141,000 assuming all relevant title certificates have been obtained by Wu Ling Power and the buildings could be freely transferred by Wu Ling Power.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. Wu Ling Power has obtained the Land Use Rights Certificates of the land mentioned in notes 2 and 4 under its name, and can legally use and transfer relevant land use rights;

    b. Wu Ling Power has obtained the Building Ownership Certificates of the buildings mentioned in notes 2 and 4 under its name, and can legally use, transfer, lease and mortgage the buildings;

    c. Wu Ling Power can legally use and transfer the land use rights of the land mentioned in notes 3 and 5 after obtaining proper Land Use Rights Certificates under its name; and

    d. Wu Ling Power can legally use, transfer, lease and mortgage the buildings mentioned in notes 3 and 5 after obtaining relevant Land Use Rights Certificates and the Building Ownership Certificates under its name.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
2.	2 parcels of land and 2 buildings No. Jia 1 Huayan Bei Li Chaoyang District Beijing The PRC	The property comprises 2 parcels of land with a total site area of approximately 606.50 sq.m. and two 4-storey buildings erected thereon which were completed in 1995. The buildings have a total gross floor area of approximately 873 sq.m. The land use rights of the property have been held for a term expiring on 8 December 2063 for residential use.	The property is currently occupied by the Acquired Group for office purpose.	No commercial value

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates — Jing Chao Quan Guo Yong (97) Zi Di Nos. 0220007 and 0220008, the land use rights of 2 parcels of land with a total site area of approximately 606.50 sq.m. have been held by Hunan Wuqiangxi Hydropower Project Construction Company [湖南五强溪水電工程建設公司] for a term expiring on 8 December 2063 for residential use. However, it was not stated in the State-owned Land Use Rights Certificates whether the land use rights were granted or allocated.

2. Pursuant to 2 Building Ownership Certificates — Jing Chao Quan Zi Di Nos. 0220007 and 0220008, 2 buildings with a total gross floor area of approximately 873 sq.m. are owned by Hunan Wuqiangxi Hydropower Project Construction Company.

3. In the valuation of this property, we have attributed no commercial value to the property which has not obtained proper title certificates under the name of Wu Ling Power. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB10,650,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Wu Ling Power should seek for verification of the nature of the land use rights of the property, and change the land use rights under its name; and

   b. Wu Ling Power should apply for the Building Ownership Certificates relating to the property under its name.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
3.	A parcel of land and a hotel No. 308 Furong Nan Road Yuhua District Changsha City Hunan Province The PRC	The property comprises a parcel of land with a site area of approximately 3,885.54 sq.m and a 29-storey hotel erected thereon which was completed in 2002. The hotel has a gross floor area of approximately 40,470.54 sq.m. The land use rights of the property have been granted for a term expiring on 23 May 2046 for composite use.	The property is currently occupied by the Acquired Group for hotel use, except for portions of the building with a total gross floor area of approximately 6,302.84 sq.m. and a portion of the land with a site area of approximately 162 sq.m. which are currently rented to various independent third parties.	254,000,000 44.1% interest attributable to the Enlarged Group: RMB112,014,000

Notes:

1. Hunan Wuhua Hotel Co., Ltd. ("Wuhua Hotel") [湖南五華酒店有限公司] is a 70% interest owned subsidiary of Wu Ling Power.

2. Pursuant to a State-owned Land Use Rights Certificate — Chang Guo Yong (2007) Di No. 024695, the land use rights of a parcel of land with a site area of approximately 3,885.54 sq.m. have been granted to Wuhua Hotel for a term expiring on 23 May 2046 for composite use.

3. According to a Lease Agreement, a portion of the land mentioned in note 2 with a site area of approximately 162 sq.m. was rented to Mr. Jiang Zhaoming, an independent third party, for a term of one year expiring on 31 December 2008 at an annual rent of RMB24,000, exclusive of management fees, water and electricity charges. As advised by the Acquired Group, Mr. Jiang Zhaoming still occupied the land as at the date of valuation and the Lease Agreement will be renewed.

4. Pursuant to a Building Ownership Certificate — Chang Fang Quan Zheng Yu Hua Zi Di No. 00284928, a building with a gross floor area of approximately 40,470.54 sq.m. is owned by Wuhua Hotel.

5. According to 4 Lease Agreements, portions of the hotel with a total gross floor area of approximately 6,302.84 sq.m. were rented to 4 independent third parties for various terms with the expiry dates between 31 December 2008 and 30 September 2009 at a total annual rent of RMB6,770,130, inclusive of management fees. As advised by the Acquired Group, the Lease Agreements expiring on 31 December 2008 will be renewed.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Wuhua Hotel has obtained the Land Use Rights Certificate of the property under its name, and can legally use and transfer relevant land use rights; and

   b. Wuhua Hotel has obtained the Building Ownership Certificate of the property under its name, and can legally use, transfer, lease and mortgage the building.

7. In the course of valuation, we have made the following assumptions:

   1) Wuhua Hotel has legal rights to hold the property and receive incomes from operation of the property within a reasonable operation period expiring on the expiry date of the land use term of the property;

   2) all facilities and systems would work properly and be sufficient for future operation without significant alteration during the operating period;

   3) the information provided by Wuhua Hotel is accurate and complete for arriving at our opinion of value;

   4) we have considered the hotels in the local market in respect of room rate and occupancy and compared their conditions with Wuhua Hotel for projection of the future room rate and occupancy for the hotel in forecasting the revenues;

   5) historical operation expenses and the characteristics of Wuhua Hotel have also been considered to forecast the relevant expenses; and

   6) we have taken into consideration the existing conditions of the property and the market return for similar property in the market, and have applied a discount rate of 12% to discount the net cash flow before income tax.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
4.	16 units on Level 1 of a building No. 306 Furong Nan Road Yuhua District Changsha City Hunan Province The PRC	The property comprises 16 units on Level 1 of a 25-storey building which was completed in 2002. The property has a total gross floor area of approximately 720 sq.m. The land use rights of the property have been granted for a term expiring on 23 May 2046 for residential use.	The property is currently occupied by the Acquired Group for office purpose.	No commercial value

Notes:

1. Hunan Wuhua Hotel Co., Ltd. ("Wuhua Hotel") [湖南五華酒店有限公司] is a 70% interest owned subsidiary of Wu Ling Power.

2. Pursuant to a State-owned Land Use Rights Certificate — Chang Guo Yong (2008) Di No. 016953, the land use rights of the property with an apportioned site area of approximately 621.20 sq.m. have been granted to Wuhua Hotel for a term expiring on 23 May 2046 for residential use.

3. Pursuant to a Building Ownership Certificate — Chang Fang Quan Zheng Yu Hua Zi Di No. 00122964, 16 units and the lift-houses of the building with a total gross floor area of approximately 4,549.44 sq.m. are owned by Hunan Hualing Plaza Co., Ltd. [湖南華淩大厦有限公司] (the former name of Wuhua Hotel). As advised by the Acquired Group, the 16 units with a total gross floor area of approximately 720 sq.m. of the property are used and occupied by Wuhua Hotel. The lift-houses registered in the foregoing certificate with a total gross floor area of approximately 3,829.44 sq.m. are common area, which have been excluded from valuation as instructed by the Acquired Group.

4. In the valuation of this property, we have attributed no commercial value to the property which has not obtained proper building ownership certificate under the name of Wuhua Hotel. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB3,240,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Wuhua Hotel has obtained the Land Use Rights Certificate of the property under its name, and can legally use and transfer relevant land use rights; and

   b. Wuhua Hotel should apply for the Building Ownership Certificate relating to the property under its name.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
5.	Units 101 and 102 on Level 1 No. 8 Building No. 179 Laodong Dong Road Changsha City Hunan Province The PRC	The property comprises 2 units on Level 1 of a 6-storey building which was completed in 1999. The property has a total gross floor area of approximately 545.34 sq.m. The land use rights of the property have been granted for a term expiring on 25 September 2068 for residential use.	The property is currently occupied by the Acquired Group for office purpose.	No commercial value

Notes:

1. Wu Ling Power Corporation Ma Ji Tang Power Plant ("Ma Ji Tang Power Plant") is a branch of Wu Ling Power.

2. Pursuant to 2 State-owned Land Use Rights Certificates — Chang Guo Yong (2005) Di Nos. 031744 and 031745, the land use rights of the property with a total apportioned site area of approximately 183.94 sq.m. have been granted to Hunan Zijiang Power Development Co., Ltd. ("Zijiang Power") [湖南資江電力開發有限責任公司] for a term expiring on 25 September 2068 for residential use. As advised by the Acquired Group, Zijiang Power had ever been a former subsidiary of Wu Ling Power and has been reconstructed to Wu Ling Power, so the property was merged to Wu Ling Power.

3. Pursuant to 2 Building Ownership Certificates — Chang Fang Quan Zheng Yu Hua Zi Di Nos. 00415060 and 00415061, 2 units with a total gross floor area of approximately 545.34 sq.m. are owned by Zijiang Power.

4. As advised by the Acquired Group, the units mentioned in note 3 were occupied by Ma Ji Tang Power Plant for office use as at the date of valuation.

5. In the valuation of this property, we have attributed no commercial value to the property which has not obtained proper title certificates under the name of Wu Ling Power or Ma Ji Tang Power Plant. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB1,728,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Ma Ji Tang Power Plant can legally use and transfer relevant land use rights after obtaining proper Land Use Rights Certificates under its name; and

   b. Ma Ji Tang Power Plant should apply for the Building Ownership Certificates relating to the property under its name.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
6.	6 parcels of land 7 units of 6 buildings, 15 buildings and various structures located at the northern side of Dongting Avenue and the western side of Gaoche Road Wuling Development Zone Changde City Hunan Province The PRC	The property comprises 6 parcels of land with a total site area of approximately 100,583.14 sq.m., 7 units of 6 buildings, 15 buildings and various ancillary structures erected thereon which were completed in various stages between June 1993 and December 1998. The buildings and units have a total gross floor area of approximately 36,038.92 sq.m. The buildings and units comprise 7 residential units, 4 residential buildings, 2 industrial buildings, 2 office buildings, a canteen, a kindergarten, 2 storehouses, a club building, a car house and a guardhouse. The structures mainly include bicycle shed and boundary fences. The land use rights of the property have been granted for various terms with the expiry dates between 12 May 2033 and 12 May 2063 for industrial, commercial and residential uses. Erected on 5 parcels of land of the property, there are also 137 units of 6 residential buildings and 7 residential buildings which have been transferred to and occupied by staff of the Acquired Group. Therefore such units and buildings have been excluded from the valuation and do not constitute part of the property.	The property is currently occupied by the Acquired Group for office, residential, and ancillary purposes, except for portions of an office building with a total gross floor area of approximately 4,854 sq.m. which are currently rented to 2 independent third parties and a subsidiary of Wu Ling Power respectively.	26,220,000 63% interest attributable to the Enlarged Group: RMB16,519,000

Notes:

1. Wu Ling Power Corporation Wu Qiang Xi Power Plant ("Wu Qiang Xi Power Plant") and Wu Ling Power Corporation Ling Jin Tan Power Plant ("Ling Jin Tan Power Plant") are two of the branches of Wu Ling Power.

2. Pursuant to 5 State-owned Land Use Rights Certificates — Chang Guo Yong (2008) Bian Di Nos. 51 to 53, 55 and 56, the land use rights of 5 parcels of land with a total site area of approximately 84,315.47 sq.m. have been granted to Hunan Province Wu Qiang Xi Hydropower Plant [湖南省五强溪水力發電廠] (the former name of Wu Qiang Xi Power Plant) for various terms with the expiry dates between 12 December 2034 and 12 December 2044 for industrial, commercial and residential uses.

3. Pursuant to a State-owned Land Use Rights Certificate — Chang Guo Yong (2008) Bian Di No. 49, the land use rights of a parcel of land with a site area of approximately 16,267.67 sq.m. have been granted to Ling Jin Tan Power Plant with the expiry dates on 12 May 2033 and 12 May 2063 for commercial and residential uses respectively.

4. Pursuant to 16 Building Ownership Certificates — Chang Fang Quan Zheng Wu Zi Di Nos. 0302118, 0302119, 0302121, 0302615 to 0302621, 0302626 to 0302628, 0302631 to 0302633 and 0306408, 7 units of 6 buildings and 11 buildings with a total gross floor area of approximately 31,337.96 sq.m. are owned by Wu Qiang Xi Power Plant. The buildings are erected on the land mentioned in note 2.

5. Pursuant to 2 Building Ownership Certificates — Chang Fang Quan Zheng Wu Zi Di Nos. 0302117 and 0302120, 2 buildings with a total gross floor area of approximately 4,495.96 sq.m are owned by Ling Jin Tan Power Plant. The buildings are erected on the land mentioned in note 3.

6. For the remaining 2 buildings with a total gross floor area of 205 sq.m. erected on the land mention in note 3, we have not been provided with any proper title certificates.

7. According to 3 Lease Agreements, portions of an office building with a total gross floor area of approximately 4,854 sq.m. were rented to two independent third parties and Hunan Wu Ling Power Engineering Co., Ltd., a subsidiary of Wu Ling Power, for various terms expiring between 31 December 2008 and 20 February 2011 at a total annual rent of RMB1,472,000, inclusive of management fees, water and electricity charges. As advised by the Acquired Group, the Lease Agreements expiring on 31 December 2008 will be renewed.

8. In the valuation of this property, we have attributed no commercial value to the 5 parcels of land mentioned in note 2, which has not obtained proper title certificates under the name of Wu Ling Power or Wu Qiang Xi Power Plant, and the 7 units and 11 buildings mentioned in note 4 together with the structures erected on the land. We also have attributed no commercial value to the 2 buildings mentioned in note 6 without any proper title certificates. However, for reference purpose, we are of the opinion that the capital value of the 7 units, 11 buildings and structures (including the land) and the depreciated replacement cost of the 2 buildings (excluding the land) as at the date of valuation would be RMB72,647,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Wu Qiang Xi Power Plant can legally use and transfer the land use rights of the land mentioned in note 2 after obtaining proper Land Use Rights Certificates under its name;

   b. Wu Qiang Xi Power Plant has obtained the Building Ownership Certificates of the 7 units and the 11 buildings mentioned in note 4 under its name, and can legally use, transfer, lease and mortgage the units and the buildings after obtaining proper Land Use Rights Certificates under its name;

   c. Ling Jin Tan Power Plant has obtained the Land Use Rights Certificates of the land mentioned in note 3 under its name, and can legally use and transfer relevant land use rights;

   d. Ling Jin Tan Power Plant has obtained the Building Ownership Certificates of the buildings mentioned in note 5 under its name, and can legally use, transfer, lease and mortgage the buildings; and

   e. Ling Jin Tan Power Plant has not obtained the Building Ownership Certificates of the 2 buildings mentioned in note 6 under its name, and can legally use, transfer, lease and mortgage the 2 buildings after obtaining the Building Ownership Certificates under its name.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
7.	A parcel of land and two buildings located at the northern side of Dongting Avenue Wuling Development Zone Changde City Hunan Province The PRC	The property comprises a parcel of land with a site area of approximately 1,640.25 sq.m. and two 6-storey residential buildings erected thereon which were completed in 1993. The buildings have a total gross floor area of approximately 4,750.80 sq.m. The land use rights of the property have been granted for a term expiring on 16 February 2063 for residential use.	The property is currently occupied by the Acquired Group for residential purpose.	No commercial value

Notes:

1. Wu Ling Power Corporation Wu Qiang Xi Power Plant ("Wu Qiang Xi Power Plant") is a branch of Wu Ling Power.

2. Pursuant to a State-owned Land Use Rights Certificate — Chang Guo Yong (2008) Bian Di No. 54, the land use rights of a parcel of land with a site area of approximately 1,640.25 sq.m. have been granted to Hunan Province Wu Qiang Xi Hydropower Plant [湖南省五强溪水力發電廠] (the former name of Wu Qiang Xi Power Plant), for a term expiring on 16 February 2063 for residential use.

3. Pursuant to 2 Building Ownership Certificates — Chang Fang Quan Zheng Wu Zi Di Nos. 0303330 and 0303334, 2 buildings with a total gross floor area of approximately 4,750.80 sq.m. are owned by Wu Qiang Xi Power Plant.

4. In the valuation of this property, we have attributed no commercial value to the property which has not obtained the land use rights certificate under the name of Wu Ling Power. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB3,823,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Wu Qiang Xi Power Plant can legally use and transfer the land use rights of the property after obtaining proper Land Use Rights Certificate under its name; and

   b. Wu Qiang Xi Power Plant has obtained the Building Ownership Certificates of the property under its name, and can legally use, transfer, lease and mortgage the buildings after obtaining proper Land Use Rights Certificate.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
8.	4 parcels of land various buildings and structures located at Qinglang Village Wuqiangxi Town Yuanling County Hunan Province The PRC	The property comprises 4 parcels of land with a total site area of approximately 1,208,134.39 sq.m., 29 buildings and various ancillary structures erected thereon which were completed in various stages between 1993 and 2003. The buildings have a total gross floor area of approximately 31,876.41 sq.m. The buildings and structures mainly include office buildings, industrial buildings, residential buildings, canteen, storehouses, guardhouses, roads, a dam and ancillary structures. The land use rights of 2 parcels of land have been granted for a term of 50 years for hydraulic structure use. The land use rights of the remaining 2 parcels of land have been allocated to the Acquired Group for industrial use.	The property is currently occupied by the Acquired Group for hydropower generation purpose.	No commercial value

Notes:

1. Wu Ling Power Corporation Wu Qiang Xi Power Plant ("Wu Qiang Xi Power Plant") is a branch of Wu Ling Power.

2. Pursuant to 2 State-owned Land Use Rights Certificates — Yuan Guo Yong (99) Zi Di No. 074 and Yuan Guo Yong (2000) Zi Di No. 2803, the land use rights of 2 parcels of land with a total site area of approximately 1,049,200 sq.m. have been allocated to Hunan Province Wu Qiang Xi Hydropower Plant [湖南省五强溪水力發電廠] (the former name of Wu Qiang Xi Power Plant) for industrial use.

3. Pursuant to a Document — Xiang Guo Tu Zi Han [2008] No. 327 dated 12 September 2008 issued by the Bureau of Land and Resources of Hunan Province, Wu Ling Power has been approved to hold the land use rights of the 2 parcels of land mentioned in note 2 for industrial use by way of allocation.

4. Pursuant to a Document — Xiang Guo Tu Zi Han [2008] No. 431 dated 18 November 2008 issued by the Bureau of Land and Resources of Hunan Province and the Bureau of Finance of Hunan Province, Wu Ling Power has been approved to hold the land use rights of 2 parcels of land with a total site area of approximately 158,934.39 sq.m. for industrial use by way of grant.

5. Pursuant to 2 State-owned Land Use Rights Grant Contracts dated 19 December 2008, the land use rights of 2 parcels of land with a total site area of approximately 158,934.39 sq.m. were contracted to be granted to Wu Ling Power for a term of 50 years for hydraulic structure use. The land premium was RMB4,905,037. As advised by the Acquired Group, the land premium had been fully paid and the relevant Land Use Rights Certificates were under application as at the date of valuation.

6. Pursuant to a Building Ownership Certificate — Yuan Fang Quan Zheng Wu Qiang Xi Zhen Zi Di No. 00017025, a building with a gross floor area of approximately 33.29 sq.m. is owned by Wu Qiang Xi Power Plant, which was erected on the land mentioned in note 2.

7. Pursuant to 28 Building Ownership Certificates — Yuan Fang Quan Zheng Wu Qiang Xi Zhen Zi Di Nos. 00017024, 0017026 to 00017034, 00017036 to 00017052 and Yuan Fang Quan Zheng Cheng Qu Zi Di No. 00017035, 28 buildings with a total gross floor area of approximately 31,843.12 sq.m. are owned by Wu Qiang Xi Power Plant, which were erected on the land mentioned in note 5.

8. In the valuation of this property, we have attributed no commercial value to the land mentioned in note 2 due to the allocated nature and the building mentioned in note 6 together with ancillary structures erected on it. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the building and structures (excluding the land) as at the date of valuation would be RMB5,092,072,000 assuming all relevant title certificates have been obtained and they could be freely transferred. We also have attributed no commercial value to the 2 parcels of land mentioned in note 5 without proper title certificates and the 28 buildings mentioned in note 7 together with ancillary structures erected on the land. However, for reference purpose, we are of the opinion that the capital value of the land, buildings and structures as at the date of valuation would be RMB47,456,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Wu Qiang Xi Power Plant can legally use the land use rights of the land mentioned in note 2 after obtaining relevant Land Use Rights Certificates under its name;

   b. Wu Qiang Xi Power Plant has obtained the Building Ownership Certificates of the building mentioned in note 6 under its name. Wu Qiang Xi Power Plant can legally use the building after obtaining proper Land Use Rights Certificates;

   c. Wu Qiang Xi Power Plant can legally use and transfer the land use rights of the land mentioned in note 5 after paying the consideration of the land and obtaining relevant Land Use Rights Certificates under the name of Wu Qiang Xi Power Plant or Wu Ling Power; and

   d. Wu Qiang Xi Power Plant has obtained the Building Ownership Certificates of the buildings mentioned in note 7 under its name, and can legally use, transfer, lease and mortgage the buildings after obtaining proper Land Use Rights Certificates under its name.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
9.	A parcel of land various buildings and structures located at Siping Village Lingjintan Town Taoyuan County Hunan Province The PRC	The property comprises a parcel of land with a site area of approximately 293,174 sq.m., 9 buildings and various ancillary structures erected thereon which were completed in various stages between 1998 and 2003. The buildings have a total gross floor area of approximately 9,896.27 sq.m. The buildings and structures mainly include office buildings, industrial buildings, residential buildings, canteen, storehouses, guardhouses, roads, a dam and ancillary structures. The land use rights of the property have been allocated to the Acquired Group for industrial use.	The property is currently occupied by the Acquired Group for hydropower generation purpose.	No commercial value

Notes:

1. Wu Ling Power Corporation Ling Jin Tan Power Plant ("Ling Jin Tan Power Plant") is a branch of Wu Ling Power.

2. Pursuant to a State-owned Land Use Rights Certificate — Tao Guo Yong (2009) Di No. 000131, the land use rights of a parcel of land with a site area of approximately 293,174 sq.m. have been allocated to Ling Jin Tan Power Plant for industrial use.

3. Pursuant to a Document — Xiang Guo Tu Zi Han [2008] No. 327 dated 12 September 2008 issued by the Bureau of Land and Resources of Hunan Province, Wu Ling Power has been approved to hold the land use rights of the property for industrial use by way of allocation.

4. Pursuant to 9 Building Ownership Certificates — Tao Fang Quan Zheng Zi Di Nos. 30222 to 30230, 9 buildings with a total gross floor area of approximately 9,896.27 sq.m. are owned by Ling Jin Tan Power Plant.

5. In the valuation of this property, we have attributed no commercial value to the property due to the allocated nature of land. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and structures (excluding the land) as at the date of valuation would be RMB1,361,376,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Ling Jin Tan Power Plant has obtained the Land Use Rights Certificate of the property under its name, and can legally use the relevant land; and

   b. Ling Jin Tan Power Plant has obtained the Building Ownership Certificates of the property under its name, and can legally use the buildings.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
10.	A parcel of land various buildings and structures located at Wanmipo Bamao Town Baojing County Hunan Province The PRC	The property comprises a parcel of land with a site area of approximately 363,257 sq.m., 5 buildings and various ancillary structures erected thereon which were completed in 2002. The buildings have a total gross floor area of approximately 5,109.26 sq.m. The buildings and structures mainly include an office and residential building, storehouses, garage, pump house, roads, a dam and ancillary structures. The land use rights of the property have been allocated to the Acquired Group for industrial use.	The property is currently occupied by the Acquired Group for hydropower generation purpose.	No commercial value

Notes:

1. Wu Ling Power Corporation Wan Mi Po Power Plant ("Wan Mi Po Power Plant") is a branch of Wu Ling Power.

2. Pursuant to a State-owned Land Use Rights Certificate — Bao Guo Yong (2004) Di No. 0548, the land use rights of a parcel of land with a site area of approximately 363,257 sq.m. has been allocated to Wan Mi Po Power Plant for industrial use.

3. Pursuant to a Document — Xiang Guo Tu Zi Han [2008] No. 327 dated 12 September 2008 issued by the Bureau of Land and Resources of Hunan Province, Wu Ling Power has been approved to hold the land use rights of the property for industrial use by way of allocation.

4. Pursuant to 3 Building Ownership Certificates — Bao Fang Quan Zheng Wan Mi Po Zi Di Nos. 00013603 to 00013605, 5 buildings with a total gross floor area of approximately 5,109.26 sq.m. are owned by Wan Mi Po Power Plant.

5. In the valuation of this property, we have attributed no commercial value to the property due to the allocated nature of land. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and structures (excluding the land) as at the date of valuation would be RMB1,001,480,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Wan Mi Po Power Plant has obtained the Land Use Rights Certificate of the property under its name, and can legally use the relevant land; and

   b. Wan Mi Po Power Plant has obtained the Building Ownership Certificates of the property under its name, and can legally use the buildings.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
11.	5 parcels of land various buildings and structures located at Datangping Village Majitang Town Taojiang County Yiyang City Hunan Province The PRC	The property comprises 5 parcels of land with a total site area of approximately 178,583.56 sq.m., 52 buildings and various ancillary structures erected thereon which were completed in various stages between 1978 and 2004. The buildings have a total gross floor area of approximately 54,352.01 sq.m. The buildings and structures mainly include office buildings, industrial buildings, residential buildings, canteen, storehouses, guardhouses, roads, a dam and ancillary structures. The land use rights of 3 parcels of land have been granted for various terms with the expiry dates between 24 March 2050 and 17 December 2058 for hydraulic structure and public facilities uses. The land use rights of the remaining 2 parcels of land have been allocated to the Acquired Group for hydraulic structure use.	The property is currently occupied by the Acquired Group for hydropower generation purpose.	172,000 63% interest attributable to the Acquired Group: RMB108,000

Notes:

1. Wu Ling Power Corporation Ma Ji Tang Power Plant ("Ma Ji Tang Power Plant") is a branch of Wu Ling Power.

2. Pursuant to a State-owned Land Use Rights Certificate — Tao Guo Yong (2008) Di No. 1826, the land use rights of a parcel of land with a site area of approximately 197.69 sq.m. have been granted to Ma Ji Tang Power Plant for a term expiring on 24 March 2050 for hydraulic structure use.

3. Pursuant to 2 State-owned Land Use Rights Certificates — Tao Guo Yong (2008) Di Nos. 1824 and 1825, the land use rights of 2 parcels of land with a total site area of approximately 88,742.49 sq.m. have been allocated to Ma Ji Tan Power Plant for hydraulic structure use.

4. Pursuant to a Document — Xiang Guo Tu Zi Han [2008] No. 327 dated 12 September 2008 issued by the Bureau of Land and Resources of Hunan Province, Wu Ling Power has been approved to hold the land use rights of the land mentioned in note 3 for industrial use by way of allocation.

5. Pursuant to 2 State-owned Land Use Rights Certificates — Tao Guo Yong (2005) Di Nos. 511 and 512, the land use rights of 2 parcels of land with a total site area of approximately 89,643.38 sq.m. have been allocated to Hunan Zijiang Power Development Co., Ltd. ("Zijiang Power") [湖南資江電力開發有限責任公司] for hydraulic structure and public facilities uses. As advised by the Acquired Group, Zijiang Power had ever been a former subsidiary of Wu Ling Power and has been reconstructed to Wu Ling Power, so the land was merged to Wu Ling Power.

6. Pursuant to a Document — Xiang Guo Tu Zi Han [2008] No. 431 dated 18 November 2008 issued by the Bureau of Land and Resources of Hunan Province and the Bureau of Finance of Hunan Province, Wu Ling Power has been approved to hold the land use rights of the land mentioned in note 5 for industrial use by way of grant, and the total land premium should not be lower than RMB19,463,500.

7. Pursuant to 2 State-owned Land Use Rights Grant Contracts — XC(1) Nos. 046272 and 046273 dated 18 December 2008, the land use rights of the land mentioned in note 5 were contracted to be granted to Ma Ji Tang Power Plant for a term of 50 years for hydraulic structure and public facilities uses respectively. The land premium was RMB19,463,500. As advised by the Acquired Group, the land premium has been paid and the relevant Land Use Rights certificates are under application as at the date of valuation.

8. Pursuant to 18 Building Ownership Certificates, 18 buildings with a total gross floor area of approximately 35,060.05 sq.m. are owned by Ma Ji Tang Power Plant, which were erected on the land mentioned in note 3.

9. Pursuant to 34 Building Ownership Certificates, 34 buildings with a total gross floor area of approximately 19,291.96 sq.m. are owned by Ma Ji Tang Power Plant, which were erected on the land mentioned in note 7.

10. In the valuation of this property, we have attributed no commercial value to the land mentioned in note 3 due to the allocated nature and the 18 buildings mentioned in note 8 together with ancillary structures erected on it. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and structures (excluding the land) as at the date of valuation would be RMB103,644,000 assuming all relevant title certificates have been obtained and they could be freely transferred. We also have attributed no commercial value to the 2 parcels of land mentioned in note 7 without proper title certificates and the 34 buildings mentioned in note 9 together with ancillary structures erected on the land. However, for reference purpose, we are of the opinion that the capital value of the land, buildings and structures as at the date of valuation would be RMB48,048,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. Ma Ji Tang Power Plant has obtained the Land Use Rights Certificates of the land mentioned in note 2 under its name, and can legally use and transfer relevant land use rights;

    b. Ma Ji Tang Power Plant has obtained the Land Use Rights Certificates of the land mentioned in note 3 under its name, and can legally use the relevant land;

    c. Ma Ji Tang Power Plant has obtained the Building Ownership Certificates of the buildings mentioned in note 8 under its name, and can legally use the buildings;

    d. Ma Ji Tang Power Plant can legally use and transfer the land use rights of the land mentioned in note 7, after paying the consideration of the land and obtaining relevant Land Use Rights Certificates under its name; and

    e. Ma Ji Tang Power Plant has obtained the Building Ownership Certificates of the buildings mentioned in note 9 under its name. Ma Ji Tang Power Plant can legally use, transfer, lease and mortgage the buildings after obtaining proper Land Use Rights Certificates under its name.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
12.	2 parcels of land various buildings and structures located at Liutan Village Dongping Town Anhua County Yiyang City Hunan Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 71,066.30 sq.m., 6 buildings and various ancillary structures erected thereon which were completed in various stages between 2007 and 2008. The buildings have a total gross floor area of approximately 5,686.65 sq.m. The buildings and structures mainly include an office building, industrial buildings, a storehouse, guardhouses, roads, a dam and ancillary structures. The land use rights of a parcel of land have been allocated to the Acquired Group for hydraulic structure use. The land use rights of the remaining parcel of land have been granted for a term expiring on 22 June 2056 for composite residential use.	The property is currently occupied by the Acquired Group for hydropower generation purpose.	9,953,000 63% interest attributable to the Enlarged Group: RMB6,270,000

Notes:

1. Wu Ling Power Corporation Dong Ping Power Plant ("Dong Ping Power Plant") is a branch of Wu Ling Power.

2. Pursuant to a State-owned Land Use Rights Grant Contract — (2006) Xie Chu No. 8 dated 22 June 2006, the land use rights of a parcel of land with a site area of approximately 7,002 sq.m. were contracted to be granted to Hunan Zijiang Power Development Co., Ltd. ("Zijiang Power") [湖南資江電力開發有限責任公司] for a term of 50 years expiring on 22 June 2056 for composite residential use. The land premium was RMB390,000. As advised by the Acquired Group, Zijiang Power had ever been a former subsidiary of Wu Ling Power and has been reconstructed to Wu Ling Power, so the land was merged to Wu Ling Power.

3. Pursuant to a State-owned Land Use Rights Certificate — An Guo Yong (2009) Di No. 0101, the land use rights of a parcel of land with a site area of approximately 7,002 sq.m. have been granted to Dong Ping Power Plant for a term expiring on 22 June 2056 for composite residential use.

4. Pursuant to a State-owned Land Use Rights Certificate — An Guo Yong (2008) Di No. 1739, the land use rights of a parcel of land with a site area of approximately 64,064.3 sq.m. have been allocated to Dong Ping Power Plant for hydraulic structure use.

5. Pursuant to a Document — Xiang Guo Tu Zi Han [2008] No. 327 dated 12 September 2008 issued by the Bureau of Land and Resources of Hunan Province, Wu Ling Power has been approved to hold the land use rights of the land mentioned in note 4 for hydraulic structure use by way of allocation.

6. Pursuant to a Building Ownership Certificate — An Fang Quan Zheng Dong Ping Zi Di No. 00027121, 3 buildings with a total gross floor area of approximately 4,100.76 sq.m. are owned by Dong Ping Power Plant, which were erected on the land mentioned in note 3.

7. Pursuant to a Building Ownership Certificate — An Fang Quan Zheng Dong Ping Zi Di Nos. 00027120, 3 buildings with a total gross floor area of approximately 1,585.89 sq.m. are owned by Dong Ping Power Plant, which were erected on the land mentioned in note 4.

8. In the valuation of this property, we have attributed no commercial value to the land mentioned in note 4 due to the allocated nature and the 3 buildings mentioned in note 7 together with ancillary structures erected on it. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and structures (excluding the land) as at the date of valuation would be RMB318,616,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Dong Ping Power Plant has obtained the Land Use Rights Certificates of the land mentioned in note 3 under its name, and can legally use and transfer relevant land use rights;

   b. Dong Ping Power Plant has obtained the Building Ownership Certificates of the buildings mentioned in note 6 under its name, and can legally use, transfer, lease and mortgage the buildings;

   c. Dong Ping Power Plant has obtained the Land Use Rights Certificates of the land mentioned in note 4 under its name, and can legally use the relevant land; and

   d. Dong Ping Power Plant has obtained the Building Ownership Certificates of the buildings mentioned in note 7 under its name, and can legally use the buildings.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
13.	A parcel of land various buildings and structures located at Queping Village Tianzhuang Town Anhua County Yiyang City Hunan Province The PRC	The property comprises a parcel of land with a site area of approximately 66,765 sq.m., 3 buildings and various ancillary structures erected thereon which were completed in 2008. The buildings have a total gross floor area of approximately 6,411.55 sq.m. The buildings and structures mainly include industrial buildings, a storehouse, roads, a dam and ancillary structures. The land use rights of the property have been allocated to the Acquired Group for hydraulic structure use.	The property is currently occupied by the Acquired Group for hydropower generation purpose.	No commercial value

Notes:

1. Wu Ling Power Corporation Zhu Xi Kou Power Plant ("Zhu Xi Kou Power Plant") is a branch of Wu Ling Power.

2. Pursuant to a State-owned Land Use Rights Certificate — An Guo Yong (2009) Di No. 2178, the land use rights of a parcel of land with a site area of approximately 66,765 sq.m. have been allocated to Zhu Xi Kou Power Plant for hydraulic structure use.

3. Pursuant to a Document — Xiang Guo Tu Zi Han 2008 No. 327 dated 12 September 2008 issued by the Bureau of Land and Resources of Hunan Province, Wu Ling Power has been approved to hold the land use rights of the property for industrial use by way of allocation.

4. Pursuant to a Building Ownership Certificate — An Fang Quan Zheng Tian Zhuang Zi Di No. 00027395, 3 buildings with a total gross floor area of approximately 6,411.55 sq.m. are owned by Zhu Xi Kou Power Plant.

5. In the valuation of this property, we have attributed no commercial value to the property due to the allocated nature of land. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and structures (excluding the land) as at the date of valuation would be RMB458,721,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Zhu Xi Kou Power Plant has legally obtained the Land Use Rights Certificate of the property under its name, and can legally use the relevant land; and

   b. Zhu Xi Kou Power Plant has obtained the Building Ownership Certificate of the property under its name, and can legally use the buildings.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
14.	2 parcels of land various buildings and structures located at Jinweizhou Town Hengnan County Hengyang City Hunan Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 296,238 sq.m. and 11 buildings and various ancillary structures erected thereon which were completed in various stages between October 1994 and May 2007. The buildings have a total gross floor area of approximately 7,123.62 sq.m. The buildings and structures mainly include an office building, dormitories, ancillary buildings, roads, a dam and ancillary structures. The land use rights of the property have been allocated to the Acquired Group for industrial use.	The property is currently occupied by the Acquired Group for hydropower generation purpose.	No commercial value

Notes:

1. Wu Ling Power Corporation Jin Wei Zhou Power Plant ("Jin Wei Zhou Power Plant") is a branch of Wu Ling Power.

2. Pursuant to 2 State-owned Land Use Rights Certificates — Nan Guo Yong (2003) Zi Di No. 1001 and Chang Guo Yong (2004) Zi Di No. 0049, the land use rights of 2 parcels of land with a total site area of approximately 296,238 sq.m. have been allocated to Hunan Province Wu Ling Hydropower Development Co., Ltd. Jin Wei Zhou Power Plant [湖南省五淩水電開發有限責任公司近尾洲水電廠], the former name of Jin Wei Zhou Power Plant for industrial use.

3. Pursuant to a Document — Xiang Guo Tu Zi Han [2008] No. 327 dated 12 September 2008 issued by the Bureau of Land and Resources of Hunan Province, Wu Ling Power has been approved to hold the land use rights of the land mentioned in note 2 for industrial use by way of allocation.

4. Pursuant to 6 Building Ownership Certificates — Nan Fang Quan Zheng Jin Wei Zhou Zi Di Nos. 00021470 to 00021475, 11 buildings with a total gross floor area of approximately 7,123.62 sq.m. are owned by Jin Wei Zhou Power Plant.

5. In the valuation of this property, we have attributed no commercial value to the property due to the allocated nature of land. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and structures (excluding the land) as at the date of valuation would be RMB390,354,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Jin Wei Zhou Power Plant can legally obtained the land use rights of the property after obtaining relevant Land Use Rights Certificates under its name; and

   b. Jin Wei Zhou Power Plant has obtained the Building Ownership Certificates of the property under its name. Jin Wei Zhou Power Plant can legally use the buildings after obtained proper Land Use Rights Certificates.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
15.	2 parcels of land various buildings and structures located at Yuanhe Village Hengyan Town Hongjiang District Huaihua City Hunan Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 161,963 sq.m., 9 buildings and various ancillary structures erected thereon which were completed in various stages between 2002 and 2006. The buildings have a total gross floor area of approximately 6,024.81 sq.m. The buildings and structures mainly include an office building, industrial buildings, dormitories, ancillary buildings, roads, a dam and ancillary structures. The land use rights of the property have been allocated to the Acquired Group for industrial use.	The property is currently occupied by the Acquired Group for hydropower generation purpose.	No commercial value

Notes:

1. Huaihua Yuanjiang Power Development Co., Ltd. [懷化沅江電力開發有限責任公司] (“Huaihua Yuanjiang”) is a 95% interest owned subsidiary of Wu Ling Power, Huaihua Yuanjiang Power Development Co., Ltd. Hong Jiang Power Plant (“Hong Jiang Power Plant”) is a branch of Huaihua Yuanjiang.

2. Pursuant to a State-owned Land Use Rights Certificate — Hong Jiang Qu Guo Yong (2004) Di No. 142, the land use rights of a parcel of land with a site area of approximately 125,099 sq.m. have been allocated to Hunan Province Wu Ling Hydropower Development Co., Ltd. Hong Jiang Power Plant [湖南省五淩水電開發有限責任公司洪江水電廠], the former name of Hong Jiang Power Plant, for industrial use.

3. Pursuant to a State-owned Land Use Rights Certificate — Hong Jiang Qu Guo Yong (2009) Di No. 13, the land use rights of a parcel of land with a site area of approximately 36,864 sq.m. have been allocated to Hong Jiang Power Plant for industrial use.

4. Pursuant to a Document — Xiang Guo Tu Zi Han [2008] No. 327 dated 12 September 2008 issued by the Bureau of Land and Resources of Hunan Province, Wu Ling Power has been approved to hold the land use rights of the land mentioned in notes 2 and 3 for industrial use by way of allocation.

5. Pursuant to 9 Building Ownership Certificates — Hong Fang Quan Zheng Heng Yan Xiang Zi Di Nos. 00004167 to 00004175, 9 buildings with a total gross floor area of approximately 6,024.81 sq.m. are owned by Hong Jiang Power Plant. As advised by the Acquired Group, 5 buildings of the property with a total gross floor area of approximately 1,245.78 sq.m. were erected on the land mentioned in note 2, the remaining 4 buildings were erected on the land mentioned in note 3.

6. In the valuation of this property, we have attributed no commercial value to the property due to the allocated nature of land. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and structures (excluding the land) as at the date of valuation would be RMB953,117,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. Hong Jiang Power Plant can legally use the land use rights of the land mentioned in note 2 after obtaining relevant Land Use Rights Certificates under its name;

    b. Hong Jiang Power Plant has obtained the Land Use Rights Certificate of the land mentioned in note 3 under its name, and can legally use the relevant land; and

    c. Hong Jiang Power Plant has obtained the Building Ownership Certificates of the property under its name. Hong Jiang Power Plant can legally use the 4 buildings erected on the land mentioned in note 3, and can legally use the 5 buildings erected on the land mentioned in note 2 after obtaining relevant Land Use Right Certificates under its name.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
16.	6 parcels of land various buildings and structures located at Pinglue Town Jinping County Qiandongnan Prefecture Guizhou Province The PRC	The property comprises 6 parcels of land with a total site area of approximately 1,378,762 sq.m. 5 buildings and various ancillary structures erected thereon which were completed in various stages between 2003 and 2008. The buildings have a total gross floor area of approximately 9,202.47 sq.m. The buildings and structures mainly include an office building, a dormitory, ancillary buildings, roads, a dam and ancillary structures. The land use rights of the property have been granted for a term expiring on 1 April 2059 for hydraulic structure and greenbelt uses.	The property is currently occupied by the Acquired Group for hydropower generation purpose.	4,302,236,000 59.85% interest attributable to the Enlarged Group: RMB2,574,888,000

Notes:

1. Guizhou Qing Shui Jiang Hydropower Co., Ltd. ("Qing Shui Jiang") [貴州清水江水電有限公司] is a 95% interest owned subsidiary of Wu Ling Power.

2. Pursuant to a State-owned Land Use Rights Grant Contract — 522600-2009-CR-0002 dated 27 March 2009, the land use rights of 6 parcels of land with a total site area of approximately 1,378,762 sq.m. were contracted to be granted to Qing Shui Jiang for a term of 50 years expiring on 1 April 2059 for hydraulic structure and greenbelt uses. The total land premium was RMB34,900,000.

3. Pursuant to 5 State-owned Land Use Rights Certificates — Zhou Tu Guo Yong (2009) Di Jin Nos. 0006 to 0008, 0010 and 0011, the land use rights of 5 parcels of land with a total site area of approximately 1,322,264.40 sq.m. have been granted to Qing Shui Jiang for a term expiring on 1 April 2059 for hydraulic structure and greenbelt uses.

4. Pursuant to an Other Land Use Rights Certificate[土地他項權利證] — Zhou Tu Ta Xiang (2009) Di Jin No. 0012, the other use rights of a parcel of land[土地他項權利] with a site area of approximately 56,497.60 sq.m. have been granted to Qing Shui Jiang for hydraulic structure use.

5. Pursuant to 5 Building Ownership Certificates — Jin Ping Xian Fang Quan Zheng Ping Lue Zhen Zi Di Nos. 200800188 to 200800192, 5 buildings with a total gross floor area of approximately 9,202.47 sq.m. are owned by Qing Shui Jiang, which were erected on the land mentioned in note 3.

6. In the valuation of this property, we have attributed no commercial value to the land mentioned in note 4 without proper land use rights certificate and the structures erected on it. However, for reference purpose, we are of the opinion that the capital value of the structures (including the land) as at the date of valuation would be RMB991,623,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Qing Shui Jiang has obtained the Land Use Rights Certificates of the land mentioned in note 3 under its name, and can legally use and transfer relevant land use rights;

   b. Qing Shui Jiang can legally use and transfer the land use rights of the land mentioned in note 4 after obtaining relevant Land Use Rights Certificates under its name; and

   c. Qing Shui Jiang has obtained the Building Ownership Certificates of the property under its name, and can legally use, transfer, lease and mortgage the buildings.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
17.	4 parcels of land various buildings and structures located at Sanjiang Town Jinping County Qiandongnan Prefecture Guizhou Province The PRC	The property comprises 4 parcels of land with a total site area of approximately 139,925 sq.m., 3 buildings and various ancillary structures erected thereon which were completed in various stages between 2005 and 2007. The buildings have a total gross floor area of approximately 4,178.24 sq.m. The buildings and structures mainly include an office building, ancillary buildings, roads, a dam and ancillary structures. The land use rights of the property have been granted for a term expiring on 1 April 2059 for hydraulic structure and residential uses.	The property is currently occupied by the Acquired Group for hydropower generation purpose.	578,163,000 59.85% interest attributable to the Enlarged Group: RMB346,031,000

Notes:

1. Guizhou Qing Shui Jiang Hydropower Co., Ltd. (“Qing Shui Jiang”) [貴州清水江水電有限公司] is a 95% interest owned subsidiary of Wu Ling Power.

2. Pursuant to a State-owned Land Use Rights Grant Contract — 5226000-2009-CR-0003 dated 27 March 2009, the land use rights of the property were contracted to be granted to Qing Shui Jiang for a term of 50 years expiring on 1 April 2059 for hydraulic structure and residential uses. The land premium was RMB5,145,600.

3. Pursuant to 4 State-owned Land Use Rights Certificates — Zhou Tu Guo Yong (2009) Di Jin Nos. 0009, 0012 to 0014, the land use rights of 4 parcels of land with a total site area of approximately 139,925 sq.m. have been granted to Qing Shui Jiang for a term expiring on 1 April 2059 for hydraulic structure and residential uses.

4. Pursuant to 3 Building Ownership Certificates — Jin Ping Xian Fang Quan Zheng San Jiang Zhen Zi Di Nos. 200800183, 200800185 and 2008001186, 3 buildings with a total gross floor area of approximately 4,178.24 sq.m. are owned by Guizhou Qing Shui Jiang Hydropower Co., Ltd. Gua Zhi Power Plant [貴州清水江水電有限公司掛治水力發電廠], a branch of Qing Shui Jiang.

5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:

   a. Qing Shui Jiang has obtained the Land Use Rights Certificates of the property under its name, and can legally use and transfer relevant land use rights; and

   b. Qing Shui Jiang has obtained the Building Ownership Certificates of the property under its name, and can legally use, transfer, lease and mortgage the buildings.

VALUATION CERTIFICATE

Group II — Property interest held for future development by the Acquired Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
18.	A parcel of land located at Songjiaqiao Village Manzhu Village and Lixi Village Sangzi Town Xinhua County Loudi City Hunan Province The PRC	The property comprises a parcel of land with a site area of approximately 443,400 sq.m. which is planned to be developed into a power station. The land use rights of the property have been allocated to the Acquired Group for industrial use.	The property is currently vacant.	No commercial value

Notes:

1. Hunan Xiang Zhong Power Co., Ltd. ("Xiang Zhong Power") [湖南湘中電力有限公司] is a 95% interest owned subsidiary of Wu Ling Power.

2. Pursuant to a State-owned Land Use Rights Certificate — Xin Guo Yong (2006) Di No. 250102032, the land use rights of a parcel of land with a site area of approximately 443,400 sq.m. have been allocated to Xiang Zhong Power for industrial use.

3. We have attributed no commercial value to the property due to the allocated nature of land.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Xiang Zhong Power should apply for a permission to legally hold the land use rights of the property issued by relevant government, or apply for the land use rights of the property by way of grant.

VALUATION CERTIFICATE

Group III — Property interests held under development by the Acquired Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
19.	A parcel of land and a pumped storage power station under construction located at Heimifeng Qiaoyi Town Wangcheng County Changsha City Hunan Province The PRC	The property comprises a parcel of land with a site area of approximately 4,078,951 sq.m. and a pumped storage power station being constructed. The pumped storage power station mainly includes industrial buildings, a dam, ancillary structures and roads which were under construction (the "CIP") as at the date of valuation. As advised by the Acquired Group, the CIP is scheduled to be completed in September 2009. After completion, it will be operate by Hei Mi Feng Pumped Storage Power Station. The total construction cost is estimated to be approximately RMB975,297,600 (excluding the land element), of which RMB922,526,000 had been paid as at the date of valuation.	The property is currently under construction.	No commercial value

Notes:

1. Wu Ling Power Corporation Hei Mi Feng Pumped Storage Power Station ("Hei Mi Feng Pumped Storage Power Station") is a branch of Wu Ling Power.

2. Pursuant to a Document — Fa Gai Neng Yuan [2005] No. 884, the project of Hei Mi Feng Pumped Storage Power Station has been approved for construction.

3. As advised by the Acquired Group, the estimated construction cost of the CIP has been slightly increased.

4. We have not been provided with any land title certificates and construction permits for the property.

5. In the valuation of this property, we have attributed no commercial value to the property which has not obtained any title certificate and construction permits. However, for reference purpose, we are of the opinion that the capital value of the CIP (excluding the land element) as at the date of valuation would be RMB1,102,508,000 assuming all relevant title certificates and construction permits have been obtained and the CIP could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
20.	A parcel of land and a hydropower station under construction located at Tuokou Town Hongjiang District Huaihua City Hunan Province The PRC	The property comprises a parcel of land with a site area of approximately 1,258,449 sq.m. and a hydropower station being constructed. The hydropower station mainly includes industrial buildings, a dam, ancillary structures and roads which were under construction (the "CIP") as at the date of valuation. As advised by the Acquired Group, the CIP is scheduled to be completed in January 2011. After completion, it will be operated by Tuo Kou Power Plant. The total construction cost is estimated to be approximately RMB775,445,000 (excluding the land element), of which RMB405,434,000 had been paid as at the date of valuation.	The property is currently under construction.	No commercial value

Notes:

1. Huaihua Yuanjiang Power Development Co., Ltd. [懷化沅江電力開發有限責任公司] ("Huaihua Yuanjiang") is a 95% interest owned subsidiary of Wu Ling Power, Huaihua Yuanjiang Power Development Co., Ltd. Tuo Kou Power Plant ("Tuo Kou Power Plant") is a branch of Huaihua Yuanjiang.

2. Pursuant to a Document — Fa Gai Neng Yuan [2008] No. 1023, the project of Tuo Kou Power Plant has been approved for construction.

3. We have not been provided with any land title certificates and construction permits for the property.

4. In the valuation of this property, we have attributed no commercial value to the property which has not obtained any title certificate and construction permits. However, for reference purpose, we are of the opinion that the capital value of the CIP (excluding the land element) as at the date of valuation would be RMB440,913,000 assuming all relevant title certificates and construction permits have been obtained and the CIP could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
21.	A parcel of land and a hydropower station under construction located at Baishi Town Tianzhu County Guizhou Province The PRC	The property comprises a parcel of land with a site area of approximately 498,253 sq.m. and a hydropower station being constructed. The hydropower station mainly includes industrial buildings, a dam, ancillary structures and roads which were under construction (the "CIP") as at the date of valuation As advised by the Acquired Group, the CIP is scheduled to be completed in January 2010. After completion, it will be operated by Bai Shi Power Plant. The total construction cost is estimated to be approximately RMB2,269,434,000 (excluding the land element), of which RMB880,365,000 had been paid as at the date of valuation.	The property is currently under construction.	No commercial value

Notes:

1. Guizhou Qing Shui Jiang Hydropower Co., Ltd. ("Qing Shui Jiang") [貴州清水江水電有限公司] is a 95% interest owned subsidiary of Wu Ling Power, and Guizhou Qing Shui Jiang Hydropower Co., Ltd. Bai Shi Power Plant ("Bai Shi Power Plant") is a branch of Qing Shui Jiang.

2. Pursuant to a Document — Fa Gai Neng Yuan [2008] No. 731, the project of Bai Shi Power Plant has been approved for construction.

3. We have not been provided with any land title certificates and construction permits for the property.

4. In the valuation of this property, we have attributed no commercial value to the property which has not obtained any title certificate and construction permits. However, for reference purpose, we are of the opinion that the capital value of the CIP (excluding the land element) as at the date of valuation would be RMB992,319,000 assuming all relevant title certificates and construction permits have been obtained and the CIP could be freely transferred.

VALUATION CERTIFICATE

Group IV — Property interests held for investment by the Acquired Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
22.	2 parcels of land 4 buildings and structures No. 146 Chigang Road Shazitang Yuhua District Changsha City Hunan Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 3,616.55 sq.m., 4 buildings and various ancillary structures erected thereon which were completed in various stages between 1986 and 1998. The buildings have a total gross floor area of approximately 10,079.61 sq.m. The buildings comprise 2 office buildings, 2 residential buildings and an ancillary building. The structures mainly include boundary fences and bicycle shed. The land use rights of the property have been granted for terms with the expiry dates on 9 January 2059 and 1 January 2079 for office and residential uses respectively.	Portions of the buildings with a total gross floor area of approximately 5,444.12 sq.m. are currently rented to various independent third parties for office and ancillary uses, and the remaining portion of the buildings with a total gross floor area of approximately 4,635.49 sq.m. is currently occupied by the Acquired Group for office purpose.	33,085,000 56.7% interest attributable to the Enlarged Group: RMB18,759,000

Notes:

1. Hunan Wu Ling Li Yuan Economic Development Co., Ltd. ("Li Yuan Company") [湖南五淩力源經濟發展有限公司] is a 90% interest owned subsidiary of Wu Ling Power.

2. Pursuant to a State-owned Land Use Rights Grant Contract — GF-2000-2601 No. 0090002 dated 9 January 2009, the land use rights of 2 parcels of land were contracted to be granted to Li Yuan Company for terms of 50 and 70 years expiring on 9 January 2059 and 1 January 2079 for office and residential uses respectively. The land premium was RMB4,014,500.

3. Pursuant to 2 State-owned Land Use Rights Certificates — Chang Guo Yong (2009) Di Nos. 001898 and 001899, the land use rights of 2 parcels of land with a total site area of approximately 3,616.55 sq.m. have been granted to Li Yuan Company for terms expiring on 9 January 2059 and 1 January 2079 for office and residential uses respectively.

4. Pursuant to 4 Building Ownership Certificates — Chang Fang Quan Zheng Yu Hua Zi Di Nos. 00571426, 00616132, 00616133 and 00616136, 4 buildings with a total gross floor area of approximately 10,079.61 sq.m. are owned by Li Yuan Company.

5. According to 12 Lease Agreements, portions of the buildings with a total gross floor area of approximately 5,444.12 sq.m. were rented to various independent third parties for various terms expiring between 9 July 2009 and 31 October 2016 at a total annual rent of RMB2,268,100, inclusive of management fees.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Li Yuan Company has obtained the Land Use Rights Certificates of the property under its name, and can legally use and transfer relevant land use rights; and

   b. Li Yuan Company has obtained the Building Ownership Certificates of the property under its name, and can legally use, transfer, lease and mortgage the buildings.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
23.	A parcel of land 9 buildings and structures located at Taohua Village Taohuayuan Town Taoyuan County Changde City Hunan Province The PRC	The property comprises a parcel of land with a site area of approximately 34,253.30 sq.m., 9 buildings and various ancillary structures erected thereon which were completed in 1996. The buildings have a total gross floor area of approximately 8,642.67 sq.m. The buildings comprise an office building, 2 residential buildings, a dormitory, a canteen and 4 ancillary buildings. The structures mainly include boundary fences, cement steps, car-parking spaces, pavilion, a pool and a gate. The land use rights of the property have been granted for a term expiring on 29 December 2034 for commercial and service uses.	The property is currently rented to an independent third party as hostel.	17,963,000 56.7% interest attributable to the Enlarged Group: RMB10,185,000

Notes:

1. Hunan Wu Ling Li Yuan Economic Development Co., Ltd. (“Li Yuan Company”) [湖南五淩力源經濟發展有限公司] is a 90% interest owned subsidiary of Wu Ling Power.

2. Pursuant to a State-owned Land Use Rights Certificate — Tao Guo Yong (2008) Di No. 000610, the land use rights of the property with a site area of approximately 34,253.30 sq.m. have been granted to Li Yuan Company for a term expiring on 29 December 2034 for commercial and service uses.

3. Pursuant to 9 Building Ownership Certificates — Tao Fang Quan Zheng Zi Di Nos. 29858 to 29865 and 31056, 9 buildings with a total gross floor area of approximately 8,642.67 sq.m. are owned by Li Yuan Company.

4. According to a Lease Agreement, the property was rented to Mr. Deng Huiping, an independent third party, for a term of one year expiring on 9 February 2010 at an annual rent of RMB125,000, exclusive of management fees, water and electricity charges.

5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:

   a. Li Yuan Company has obtained the Land Use Rights Certificate of the property under its name, and can legally use and transfer relevant land use rights; and

   b. Li Yuan Company has obtained the Building Ownership Certificates of the property under its name, and can legally use, transfer, lease and mortgage the buildings.

VALUATION CERTIFICATE

Group V — Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
24.	39 parcels of land various buildings and structures located at Pinghu Road Zhanhe District Pingdingshan City Henan Province The PRC	The property comprises 39 parcels of land with a total site area of approximately 3,289,918.35 sq.m., 181 buildings and various ancillary structures erected thereon which were completed in various stages between 1972 and 2008. The buildings have a total gross floor area of approximately 240,854.64 sq.m. The buildings and structures mainly include office buildings, industrial buildings, residential buildings, canteen, storehouses, guardhouses, roads, railway and ancillary structures. The property also includes a storage building which was under construction as at the date of valuation (the "CIP"). The CIP is scheduled to be completed in July 2009. Upon completion, it will have a planned gross floor area of approximately 9,000 sq.m. The total construction cost of the CIP is estimated to be approximately RMB4,800,000 (excluding the land element), of which RMB1,400,000 had been paid as at the date of valuation. The land use rights of 8 parcels of land have been allocated for industrial and ancillary uses. The land use rights of 26 parcels of land are leased for industrial use. (See notes 3 and 4)	The property is currently occupied by the Group for power generation purpose, except for the CIP which was under construction as at the date of valuation.	No commercial value

Notes:

1. Pingdingshan Yaomeng Power Generating Company Limited ("Yaomeng Power Plant") and Pingdingshan Yaomeng No.2 Power Co., Ltd. (Yaomeng Power Plant II) are two wholly owned subsidiaries of the Company.

2. Pursuant to 26 State-owned Land Use Rights Certificates, the land use rights of 26 parcels of land with a total site area of approximately 2,872,029.87 sq.m. are obtained by China Power Investment Corporation ("CPI Group") by way of state authorization to operate for a term of 50 years expiring on 29 July 2054 for industrial use.

3. Pursuant to a Lease Agreement dated 27 August 2004 and two supplemental lease agreements dated 24 September 2004 and 23 May 2007 respectively, the land use rights of 26 parcels of land with a total site area of approximately 2,858,170.60 sq.m. are rented to Yaomeng Power Plant from CPI Group, a controlling shareholder of the Company, for a term commencing from 1 August 2004 and expiring on the expiry date of the operation term of Yaomeng Power Plant for industrial use at a total annual rent of RMB5,275,364.70 with rent renewal every three years based on an independent valuer's opinion at a level not higher than the market rent as mutually agreed by both parties.

4. Pursuant to 8 State-owned Land Use Rights Certificates, the land use rights of 8 parcels of land with a total site area of approximately 285,359.35 sq.m. have been allocated to Yaomeng Power Plant for industrial and ancillary uses.

5. We have not been provided with any title certificates for the remaining 5 parcels of land, of which 4 parcels of land with a total site area of approximately 127,015.40 sq.m. are occupied by Yaomeng Power Plant II for industrial use and a parcel of land with a site area of approximately 19,373.33 sq.m. is occupied by Yaomeng Power Plant for ancillary use.

6. Pursuant to 132 Building Ownership Certificates, 114 buildings with a total gross floor area of approximately 154,846.12 sq.m. are owned by Yaomeng Power Plant, of which, 84 buildings with a total gross floor area of approximately 137,194.68 sq.m. were erected on the land mentioned in note 3, 29 buildings with a total gross floor area of approximately 15,616.12 sq.m. were erected on the land mentioned in note 4, and the remaining building with a gross floor area of approximately 2,035.32 sq.m. was erected on the land mentioned in note 5.

7. We have not been provided with any title certificates for the remaining 67 buildings, of which 6 buildings with a total gross floor area of approximately 3,479 sq.m. erected on the land mentioned in note 4 and 20 buildings with a total gross floor area of approximately 11,355.74 sq.m. erected on the land mentioned in note 3 are occupied by Yaomeng Power Plant, the remaining 41 buildings with a total gross floor area of approximately 71,173.78 sq.m. are occupied by Yaomeng Power Plant II.

8. For the CIP, we have not been provided with any construction permits.

9. In the valuation of this property, we have attributed no commercial value to the property as they were erected on leased land or allocated land or the land without land use rights certificates. However, for reference purpose, we are of the opinion that capital value of the buildings, structures and the CIP of the property (excluding the land) as at the date of valuation would be RMB996,173,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. Yaomeng Power Plant can legally use the leased land mentioned in note 3 during the lease term;

    b. Yaomeng Power Plant has obtained the Building Ownership Certificates of the 84 buildings mentioned in note 6 under its name, and can legally use the buildings;

    c. Yaomeng Power Plant should obtain a permission to legally hold the land use rights of the 8 parcels of land mentioned in note 4 issued by relevant government, or obtain the land use rights by way of grant. Yaomeng Power Plant has obtained the Building Ownership Certificates of 29 buildings mentioned in note 6 erected on relevant land under its name;

    d. Yaomeng Power Plant has obtained the Building Ownership Certificates of the remaining building mentioned in note 6 erected on the land without proper title certificate; and

    e. Yaomeng Power Plant II has not obtained any Land Use Rights Certificates and Building Ownership Certificates relating to the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
25.	Unit 205 on Level 2 Entrance 1 Block 22 Lianmengxincheng No. 28 Nongye Dong Road Xin District Zhengzhou City Henan Province The PRC	The property comprises a residential unit on Level 2 of a 5-storey building which was completed in about 2005. The property has a gross floor area of approximately 381.74 sq.m.	The property is currently occupied by the Group for office purpose.	3,054,000 100% interest attributable to the Enlarged Group: RMB3,054,000

Notes:

1. Pingdingshan Yaomeng Power Generating Company Limited ("Yaomeng Power Plant") is a wholly owned subsidiary of the Company.

2. Pursuant to a Commodity Property Sale & Purchase Contract dated 30 November 2005, a unit with a gross floor area of approximately 377.64 sq.m. was contracted to be sold to Yaomeng Power Plant at a total consideration of RMB1,593,452.

3. Pursuant to a Building Ownership Certificate — Zheng Fang Quang Zheng Zi Di No. 0801072871, a unit with a gross floor area of approximately 381.74 sq.m. is owned by Yaomeng Power Plant.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Yaomeng Power Plant has obtained the Building Ownership Certificate relating to the property, and can legally use, transfer, lease and mortgage the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
26.	25 parcels of land various buildings and structures located at the production area of Shentou Power Plant Shentou Town Shuocheng District Shuozhou City Shanxi Province The PRC	The property comprises 25 parcels of land with a total site area of approximately 2,925,019.15 sq.m., 94 buildings and various ancillary structures erected thereon which were completed in various stages between 1976 and 2008. The buildings have a total gross floor area of approximately 173,936.46 sq.m. The buildings and structures mainly include office buildings, industrial buildings, residential buildings, canteen, storehouses, guardhouses, roads, railway and ancillary structures. The land use rights of the property are leased for industrial use for a term of 20 years expiring on 1 July 2025.	The property is currently occupied by the Group for power generation purpose.	No commercial value

Notes:

1. Shanxi Shentou Power Generating Company Limited ("Shentou I Power Plant") is a wholly owned subsidiary of the Company.

2. Pursuant to 25 State-owned Land Use Rights Certificates, the land use rights of 25 parcels of land with a total site area of approximately 2,942,452.03 sq.m. are obtained by China Power Investment Corporation ("CPI Group") by way of state authorization to operate for a term of 50 years expiring on 20 April 2055 for industrial use.

3. Pursuant to a Lease Agreement dated on 15 April 2005, the land use rights of 22 parcels of land with a total site area of approximately 2,925,019.15 sq.m. are rented to Tianze Development Co., Ltd. [天澤發展有限公司]（in behalf of Shentou I Power Plant）from CPI Group, a controlling shareholder of the Company, for a term of 20 years expiring on 1 July 2025 at a total annual rent of RMB4,940,000 with rent renewal every three years based on an independent valuer's opinion at a level not higher than the market rent as mutually agreed by both parties.

4. Pursuant to 39 Building Ownership Certificates, 87 buildings with a total gross floor area of approximately 170,610.46 sq.m. are owned by Shentou No.1 Power Plant [神頭第一發電廠], the former name of Shentou I Power Plant.

5. For the remaining 7 buildings with a total gross floor area of approximately 3,326 sq.m., we have not been provided with any title certificates.

6. In the valuation of this property, we have attributed no commercial value to it due to the lease nature of the land. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and structures of the property (excluding the land) as at the date of valuation would be RMB405,836,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Shentou I Power Plant can legally use the land of the property during the lease term;

   b. Shentou I Power Plant can legally use the 39 buildings mentioned in note 4 after obtaining proper Building Ownership Certificates under its name; and

   c. Shentou I Power Plant has not obtained any Building Ownership Certificates of the 7 buildings mentioned in note 5 under its name.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
27.	A parcel of land 2 buildings and structures located at Dongshaozhuang Village Shentou Town Shuocheng District Shuozhou City Shanxi Province The PRC	The property comprises a parcel of land with a site area of approximately 594,615.19 sq.m., 2 industrial buildings and various ancillary structures erected thereon which were completed in 2005. The buildings have a total gross floor area of approximately 957.12 sq.m. comprising a pump room and a management office. The structures mainly include dam, roads, aqueducts, and water pools. The land use rights of the property have been granted for a term of 50 years expiring on 27 April 2055 for industrial use.	The property is currently occupied by the Group for power generation ancillary purpose.	No commercial value

Notes:

1. Shanxi Shentou Power Generating Company Limited ("Shentou I Power Plant") is a wholly owned subsidiary of the Company.

2. Pursuant to a State-owned Land Use Rights Certificate — Shuo Guo Yong (2005) Zi Di No. 000079, the land use rights of a parcel of land with a site area of approximately 594,615.19 sq.m. have been granted to Shentou No.1 Power Plant [神頭第一發電廠], the former name of Shentou I Power Plant, for a term of 50 years expiring on 27 April 2055 for industrial use.

3. Pursuant to a Building Ownership Certificate — Shuo Zhou Shi Fang Quan Zheng Shuo Cheng Qu Zi Di No. 04252, a building with a gross floor area of approximately 724.72 sq.m. is owned by Shentou No.1 Power Plant.

4. For the remaining building, we have not been provided with any title certificate.

5. In the valuation of this property, we have attributed no commercial value to the property which has not obtained proper title certificates under the name of Shentou I Power Plant. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB174,510,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Shentou I Power Plant can legally use and transfer the land use rights of the property after obtaining proper Land Use Rights Certificate under its name;

b. Shentou I Power Plant can legally use, transfer, lease and mortgage the building mentioned in note 3 after obtaining proper Land Use Rights Certificate and Building Ownership Certificate under its name; and

c. Shentou I Power Plant has not obtained the Building Ownership Certificate of the building mentioned in note 4 under its name.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
28.	12 parcels of land various buildings and structures located at the production area of Pingwei Power Plant Panji District Huainan City Anhui Province The PRC	The property comprises 12 parcels of land with a total site area of approximately 4,612,547.06 sq.m., 105 buildings and various structures erected thereon which were completed in various stages between 1985 and 2008. The buildings have a total gross floor area of approximately 164,570.72 sq.m. The buildings and structures mainly include office buildings, industrial buildings, residential buildings, canteen, storehouses, guardhouses, roads, railway and ancillary structures. The property also includes an industrial building which was under construction as at the date of valuation (the "CIP"). The CIP is scheduled to be completed in July 2009. Upon completion, it will have a gross floor area of approximately 3,360 sq.m. The total investment of the CIP is estimated to be approximately RMB3,500,000 (excluding the land element), of which RMB972,200 had been paid as at the date of valuation. The land use rights of a parcel of land have been granted for a term of 50 years expiring on 8 December 2056 for industrial use. The land use rights of 6 parcels of land have been allocated for industrial and railway uses. The land use rights of the remaining 5 parcels of land are leased for industrial use. (see notes 2, 3 and 5).	The property is currently occupied by the Group for power generation purpose, except for the CIP which was under construction as at the date of valuation.	130,895,000 100% interest attributable to the Enlarged Group: RMB130,895,000

Notes:

1. Anhui Huainan Pingwei Electric Power Generating Company Limited ("Pingwei Power Plant") and Huainan Pingwei No. 2 Electric Power Generating Co., Ltd. ("Pingwei Power Plant II") are two wholly owned subsidiaries of the Company.

2. Pursuant to a State-owned Land Use Rights Certificate — Huai Guo Yong (2006) Di No. 060022, the land use rights of a parcel of land with a site area of approximately 84,174.95 sq.m. have been granted to Pingwei Power Plant II for a term of 50 years expiring on 8 December 2056 for industrial use.

3. Pursuant to 6 State-owned Land Use Rights Certificates — Huai Guo Yong (2006) Di Nos. 060016 to 060021, the land use rights of 6 parcels of land with a total site area of approximately 90,182.88 sq.m. have been allocated to Pingwei Power Plant II.

4. Pursuant to 5 State-owned Land Use Rights Certificates — Huai Guo Yong (2004) Di Nos. 060005 to 060007, 060009 and 060010 the land use rights of 5 parcels of land with a total site area of approximately 4,438,189.23 sq.m. are obtained by China Power Investment Corporation ("CPI Group") by way of state authorization to operate for a term of 50 years expiring on 1 August 2054.

5. Pursuant to a Lease Agreement dated 27 August 2004, the land use rights of 5 parcels of land with a total site area of approximately 4,438,189.23 sq.m. are rented to Pingwei Power Plant from CPI Group, a controlling shareholder of the Company, for a term commencing from 1 August 2004 and expiring on the expiry date of the operation term of Pingwei Power Plant for industrial use at an annual rental of RMB6,980,000 with rent renewal every three years based on an independent valuer's opinion at a level not higher than the market rent as mutually agreed by both parties.

6. Pursuant to 70 Building Ownership Certificates, 69 buildings with a total gross floor area of approximately 94,261.02 sq.m. are owned by Pingwei Power Plant, which were erected on the leased land mentioned in note 5.

7. We have not been provided with any title certificates for the remaining 36 buildings, of which 6 buildings with a total gross floor area of approximately 5,016.84 sq.m. are occupied by Pingwei Power Plant, 30 buildings with a total gross floor area of approximately 65,292.86 sq.m. are occupied by Pingwei Power Plant II.

8. For the CIP which is held by Pingwei Power Plant II, we have not been provided with any construction permits.

9. In the valuation of this property, we have attributed no commercial value to the land mentioned in notes 3 and 5 and the buildings, the structures erected on leased land or allocated land together with the CIP as they have not obtained any proper title certificate or are erected on the leased or allocated land. However, for reference purpose, we are of the opinion that the capital value of the buildings, structures and the CIP (excluding the land) as at the date of valuation would be RMB1,069,885,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. Pingwei Power Plant II has obtained the Land Use Rights Certificate of the land mentioned in note 2 under its name, and can legally use and transfer relevant land use rights;

    b. Pingwei Power Plant II has obtained the Land Use Rights Certificates of the land mentioned in note 3 under its name, and can legally use the land;

    c. Pingwei Power Plant II has not obtained any Building Ownership Certificates of the 30 buildings mentioned in note 7 under its name;

    d. Pingwei Power Plant can legally use the leased land mentioned in note 5 during the lease term;

    e. Pingwei Power Plant has obtained the Building Ownership Certificates of the 69 buildings mentioned in note 6 under its name, and can legally use the buildings; and

    f. Pingwei Power Plant has not obtained any Building Ownership Certificates of the 6 buildings mentioned in note 7 under its name.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
29.	9 parcels of land various buildings and structures Sihuagang Zhongguanyi Town Macheng City Hubei Province The PRC	The property comprises 9 parcels of land with a total site area of approximately 719,299.13 sq.m., 43 buildings and various structures erected thereon which were completed in 2008. The buildings have a total gross floor area of approximately 58,879.99 sq.m. The buildings and structures mainly include office buildings, industrial buildings, residential buildings, canteen, storehouses, guardhouses, roads, railway and ancillary structures. The land use rights of 3 parcels of land have been granted for a term of 50 years expiring on 1 December 2054 for industrial use.	The property is currently occupied by the Group for power generation purpose.	552,039,000 93% interest attributable to the Enlarged Group: RMB513,396,000

Notes:

1. Huanggang Dabieshan Power Company Limited ("Dabieshan Power Plant") [黃岡大別山發電有限責任公司] is a 93% interest owned subsidiary of the Company.

2. Pursuant to a Construction Land Use Rights Grant Contract — HDDW-Q-2004-002 dated 11 December 2004 and 2 supplemental land use rights grant contracts, the land use rights of 3 parcels of land were contracted to be granted to Dabieshan Power Plant for a term of 50 years for industrial use. The total land premium was RMB15,936,025.

3. Pursuant to 3 State-owned Land Use Rights Certificates — Ma Guo Yong (2009) Di Nos. 42003056 to 42003058, the land use rights of 3 parcels of land with a total site area of approximately 633,138.70 sq.m. have been granted to Dabieshan Power Plant for a term of 50 years expiring on 1 December 2054 for industrial use.

4. For the remaining 6 parcels of land with a total site area of approximately 86,160.43 sq.m., we have not been provided with any title certificates.

5. For the 43 buildings of the property, we have not been provided with any title certificates.

6. In the valuation of this property, we have attributed no commercial value to the land mentioned in note 4 without proper title certificates and the 43 buildings which have not obtained any proper title certificates together with the structures erected on the land without title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the 43 buildings and the structures erected on the land without title certificates (excluding the land) as at the date of valuation would be RMB241,623,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Dabieshan Power Plant has obtained the Land Use Rights Certificates of the land mentioned in note 3 under its name, and can legally use and transfer relevant land use rights;

   b. Dabieshan Power Plant has not obtained the Land Use Rights Certificates of the land mentioned in note 4 under its name; and

   c. Dabieshan Power Plant has not obtained any Building Ownership Certificate of the property under its name.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
30.	A unit on Level 2 Building No. 17 Chaoyang Road Tianjia'an District Huainan City Anhui Province The PRC	The property comprises a unit on Level 2 of a 6-storey residential building completed in 2005. The unit has a gross floor area of approximately 76.84 sq.m.	The property is currently occupied by the Group for residential purpose.	No commercial value

Notes:

1. Anhui Huainan Pingwei Electric Power Generating Company Limited ("Pingwei Power Plant") is a wholly owned subsidiary of the Company.

2. The property is currently occupied by Pingwei Power Plant, and we have not been provided with any title certificate for the property.

3. In the valuation of this property, we have attributed no commercial value to it which has not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB154,000 assuming all relevant title certificate has been obtained and the property could be freely transferred.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Pingwei Power Plant has not obtained any title certificate for the property.

VALUATION CERTIFICATE

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Capital value in existing state as at 31 March 2009** *RMB*
31.	Unit 1101 on Level 11 Building No. 1 Xinhua Xuefu Garden Huangshan Road Hefei City Anhui Province The PRC	The property comprises a unit on Level 11 of an 11-storey building completed in 2006. The unit has a gross floor area of approximately 160.44 sq.m.	The property is currently occupied by the Group for office purpose.	1,219,000 100% interest attributable to the Enlarged Group: RMB1,219,000

Notes:

1. Anhui Huainan Pingwei Electric Power Generating Company Limited ("Pingwei Power Plant") is a wholly owned subsidiary of the Company.

2. Pursuant to a Commodity Property Sale & Purchase Contract dated 19 April 2006, a unit with a gross floor area of approximately 160.44 sq.m. was contracted to be sold to Pingwei Power Plant at a total consideration of RMB726,305.04.

3. Pursuant to a Real Estate Title Certificate — Fang Di Quan He Chan Zi Di No. 092405, a unit with a gross floor area of approximately 160.44 sq.m. is owned by Pingwei Power Plant.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Pingwei Power Plant has obtained the Real Estate Title Certificate relating to the property under its name, and can legally use, transfer, lease and mortgage the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
32.	Unit 1403 on Level 14 Building No. 17 No. 4 Cuiwei Road Haidian District Beijing The PRC	The property comprises a unit on Level 14 of a 16-storey building completed in 2003. The unit has a gross floor area of approximately 232.55 sq.m.	The property is currently occupied by the Group for office purpose.	3,488,000 100% interest attributable to the Enlarged Group: RMB3,488,000

Notes:

1. Anhui Huainan Pingwei Electric Power Generating Company Limited ("Pingwei Power Plant") is a wholly owned subsidiary of the Company.

2. Pursuant to a Building Ownership Certificate — Jing Fang Quan Zheng Hai Qi Yi Zi Di No. 0012436, a unit with a gross floor area of approximately 232.55 sq.m. is owned by Pingwei Power Plant.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Pingwei Power Plant has obtained the Building Ownership Certificate relating to the property under its name, and can legally use, transfer, lease and mortgage the property.

VALUATION CERTIFICATE

Group VI — Property interest rented and occupied by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2009 *RMB*
33.	Unit Nos. 6301-6302 on 63rd Floor Central Plaza No. 18 Harbour Road Hong Kong Part of Inland of Lot No. 8643	The property comprises 2 office units on the 63rd floor of a 75-storey office building completed in about 1992. The property has a total lettable area of approximately 930.67 sq.m.(or 10,017.73 sq.ft.). The property is rented by the Company from Central Plaza Management Company Limited, an agent for the Landlords Cheer City Properties Limited and Protasan Limited, (an independent third party), for a term of 3 years expiring on 15 September 2010, at a monthly rent of HK$476,345, exclusive of rates and service charges.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. The registered owner of the property is Cheer City Properties Limited (1/2) and Protasan Limited (1/2) (Tenant in Common).

2. The Tenancy Agreement of the property has been duly stamped with the Stamp Duty Office for a term of 3 years from the 16th day of September 2007 to the 15th day of September 2010 both days inclusive, at a monthly rent of HK$476,345, exclusive of rates and service charges.

VALUATION CERTIFICATE

Group VII — Property interest rented and occupied by the Group in the PRC

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Capital value in existing state as at 31 March 2009** *RMB*
34.	3 meeting rooms and Level 11 to Level 13 of the east block of Huihuang Shidai Building No. 54 Beisihuan Xi Road Haidian District Beijing The PRC	The property comprises 3 meeting rooms on Level 7 to Level 9, and the whole of Level 11 to Level 13 of a 17-storey office building completed in 2004. The property has a total lettable area of approximately 6,800 sq.m. The property is rented to the Company from its controlling shareholder for a term of 3 years expiring on 31 August 2009 at an annual rent of USD1,468,800, inclusive of management fees, water and electricity charges.	The property is currently occupied by the Group for office purpose.	No commercial value

Note:

1. Pursuant to a Tenancy Agreement, the property is rented to the Company from China Power International Holding Limited, a controlling shareholder of the Company, for a term of 3 years expiring on 31 August 2009 at an annual rent of USD1,468,800, inclusive of management fees, water and electricity charges.

2. Pursuant to a Building Ownership Certificate — Jing Fang Quan Zheng Hai Gang Ao Tai Yi Zi Di No. 0041033, Level 4 to Level 13 of Huihuang Shidai Building with a total gross floor area of approximately 14,216.86 sq.m. are owned by China Power International Holding Limited.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

	Number of Shares	Amount (HK$)
Authorised: Ordinary shares of HK$1.00 each	10,000,000,000	10,000,000,000
Issued and fully paid: Ordinary shares of HK1.00 each	3,605,610,850	3,605,610,850

The issued Shares are listed on the Stock Exchange. All existing Shares rank equally in all respects.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

(a) As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company and according to the register of interest kept by the Company under section 336 of the SFO, the parties (other than a Director or chief executive of the Company) which had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Enlarged Group were as follows:

(i) **Interests in the Shares:**

Name	Capacity	Number of shares in which interested other than under equity derivatives[(3)]	Percentage of issued share capital of the Company *(%)*	Long/ Short position
CPDL	Beneficial Owner	1,996,500,000	55.37	Long

Name	Capacity	Number of shares in which interested other than under equity derivatives[3]	Percentage of issued share capital of the Company (%)	Long/ Short position
CPI Holding[1]	Interest of a controlled corporation	1,996,500,000	55.37	Long
	Beneficial owner	1,491,313,324	41.36	Long
CPI Group[2]	Interest of a controlled corporation	3,487,813,324	96.73	Long
Mondrian Investment Partners Limited	Investment manager	215,877,000	5.99	Long
The Bank of New York Mellon Corporation[4]	Interest of a controlled corporation	253,392,807	7.03	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 interested in 143,819,908 Shares as lending pool.

(ii) **Substantial shareholders of other members of the Enlarged Group:**

So far as was known to the Directors and chief executive of the Company, as at the Latest Practicable Date, the following persons, were, directly or indirectly, interested in 10% or more of the share capital carrying rights to vote at general meetings of the following members of the Enlarged Group:

Member of the Enlarged Group	**Name of substantial shareholder**	**Percentage of shares held** *(%)*
Wu Ling Power	Hunan Xiangtou International Investment Limited* (湖南湘投國際投資有限公司)	37
Hunan Liyuan Economic Development Company, Limited* (湖南五凌力源經濟發展有限公司	Hunan Wu Ling Electric Power Engineering Company Limited* (湖南五凌電力工程有限公司)	10
Hunan Wu Hua Hotel* (湖南五華酒店有限公司)	Datang Huayin Electric Power Co., Limited* (大唐華銀電力股份有限公司)	30

(b) Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register required to be kept by the Company under section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Enlarged Group.

4. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, save as the options granted to our Directors under the Company's Pre-IPO Share Option Scheme and Share Option Scheme as disclosed in the table below, none of the Directors or chief executive of the Company had 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 SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies to be notified to the Company and the Stock Exchange.

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, 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, 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 under the Pre-IPO Share Option Scheme and Share Option Scheme by the Company.

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

5. DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group since 31 December 2008, being the date to which the latest published audited financial statements of the Group were made up or subsisting at the Latest Practicable Date, and which was significant in relation to the business of the Enlarged Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contract, nor is there any proposed service contract with any member of the Enlarged Group which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

7. COMPETING INTERESTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors and their associates had any competing interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group:

Name of Director	Position with Company	Other Interests
LI Xiaolin	Chairman, Executive Director and Chief Executive Officer	Vice-president of CPI Group; Chairman of CPI Holding; Chairman of China Power New Energy Development Limited and director of Companhia de Electricidade de Macau
LIU Guangchi	Executive Director and President	The director and general manager of CPI Holding and chief supervisor of Shanghai Power
GAO Guangfu	Non-executive Director	Manager of Finance and Property Ownership Management Department of CPI Group and director of CPI Holding
GUAN Qihong	Non-executive Director	Manager of the Capital Market and Equity Management Department of the CPI Group and director of CPI Holding

8. EXPERTS AND CONSENTS

The following are the qualifications of the professional advisers who have given opinions or advice contained in this circular:

Name	**Qualifications**
PricewaterhouseCoopers	Certified Public Accountants
DBS	A licensed corporation for carrying out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
JLLS	property valuers
Haiwen & Partners	PRC lawyers

PricewaterhouseCoopers, DBS, JLLS and Haiwen & Partners had given and had not withdrawn their written consents to the issue of this circular with the inclusions of their statements, letters, reports and opinion (as the case may be) as set out in this circular and references to their name in the form and context in which it is included.

As at the Latest Practicable Date, PricewaterhouseCoopers, DBS, JLLS and Haiwen & Partners were not beneficially interested in the share capital of any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or nominate persons to subscribe for securities of any member of the Group.

As at the Latest Practicable Date, none of the experts set out above had any interests, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2008, being the date to which the latest published audited consolidated financial statements of the Company were made up.

The letter from DBS dated 29 June 2009 is given on pages 42 to 69 for incorporation herein.

The accountant's report on Wu Ling Group dated 29 June 2009 is set out in Appendix II hereto.

The accountant's report on the unaudited pro forma financial information of the Enlarged Group dated 29 June 2009 is set out in Appendix III hereto.

The property valuation report dated 29 June 2009 is set out in Appendix V hereto.

Haiwen & Partners' legal opinion has been extracted for inclusion in the property valuation report set out in Appendix V hereto.

9. INTERESTS IN ASSETS

None of the Directors or the experts named in paragraph 8 of this Appendix had since 31 December 2008, being the date to which the latest published audited financial statements of the Group were made up, any direct or indirect interest in any assets which have been acquired or disposed of by or leased any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

10. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, the date to which the latest published audited financial statements of the Group were made up.

11. LITIGATION

As at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

12. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Chong Wai Sang, who is a qualified lawyer in Hong Kong and a member of the Australian Society of Certified Practising Accountants.

(b) The registered office of the Company is 6301, 63/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

(c) Computershare Hong Kong Investor Services Limited, the share registrar of the Company, is located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) This circular has been prepared in both English and Chinese. In the case of inconsistency, the English text of this circular will prevail over the Chinese text.

13. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular and are, or may be, material:

(a) the Acquisition Agreement;

(b) an asset acquisition agreement dated 16 November 2007 entered into between the Company and Qinghe Company, relating to the acquisition of a power plant situated in Qinghe District, Tieling City, Liaoning Province, PRC, at a consideration of RMB944,628,262.68;

(c) an equity transfer framework agreement dated 30 December 2007 entered into between the Company and Guangzhou Development, relating to the acquisition of a 25% equity interest in Guangzhou Power, at a consideration of RMB749,500,000;

(d) Qian Dong Share Transfer Agreement; and

(e) a US Dollar-Japanese yen currency swap agreement entered into between Wu Ling Power and China Everbright Bank for a total notional principal amount of JPY3.77 billion.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Suite 6301, 63/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong during normal business hours (Saturdays and public holidays excepted) from the date of this circular until 22 July 2009 (both dates inclusive):

(a) the memorandum and articles of association of the Company;

(b) the Acquisition Agreement;

(c) the written consents of PricewaterhouseCoopers, DBS, JLLS and Haiwen & Partners;

(d) the letter dated 29 June 2009 from DBS, the text of which is set out in this circular;

(e) the letter dated 29 June 2009 from the Independent Board Committee, the text of which is set out in this circular;

(f) all material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;

(g) the leasing agreement entered into between Qian Dong Power and Wu Ling Power relating to the leasing of a switch station and transmission lines;

(h) the landscaping project contract entered into between Qian Dong Power and Chengde Liyuan Landscaping Company Limited;

(i) the accountant's report on Wu Ling Group, the text of which is set out in Appendix II;

(j) the report on the unaudited pro forma financial information of the Enlarged Group set out in Appendix III;

(k) the property valuation report prepared by JLLS, the text of which is set out in Appendix V;

(l) the PRC legal opinion from Haiwen & Partners on certain properties held by the Enlarged Group in the PRC referred to in Appendix V of this circular;

(m) the annual reports of the Company for each of the years ended 31 December 2008, 2007 and 2006; and

(n) all circulars issued by the Company pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules, which have been issued since 31 December 2008.

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 Hong Kong Companies Ordinance)

(Stock Code: 2380)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of China Power International Development Limited (the "Company") will be held at the Lounge, Grand Hyatt Hong Kong, 1 Harbour Road, Hong Kong on 22 July 2009 at 11:00 a.m., for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

a. the conditional acquisition agreement (the "Acquisition Agreement") dated 8 June 2009 between China Power International Holding Limited ("CPI Holding"), a substantial and controlling shareholder of the Company, and the Company, pursuant to which, CPI Holding agreed to sell, and the Company agreed to purchase 63% of the equity interests of Wu Ling Power Corporation ("Wu Ling Power") for a total consideration of RMB4,465,087,500 (subject to adjustment as disclosed in the shareholders' circular of the Company dated 29 June 2009), of which 30% (or RMB1,339,526,250) (subject to adjustment as aforesaid) is to be payable by way of cash payment and 70% (or RMB3,125,561,250) (subject to adjustment as aforesaid) to be satisfied by allotment and issue of 1,466,729,324 new shares (subject to adjustment as aforesaid) of HK$1.00 each in the share capital of the Company (the "Consideration Shares"), credited as fully paid at HK2.408 each, a copy of which has been produced to the meeting marked "A" and has been initialled by the chairman of this meeting for the purpose of identification, and all the transactions contemplated thereunder, be and are hereby generally and unconditionally approved, confirmed and ratified;

b. the allotment and issue of the Consideration Shares pursuant and subject to the terms and conditions of the Acquisition Agreement be and are hereby approved; and the directors of the Company be and are hereby generally and specially authorised to allot and issue the Consideration Shares accordingly; and

c. any director(s) of the Company be and is/are hereby authorised to enter into any agreement, deed or instrument and/or to execute and deliver all such documents and/or do all such acts on behalf of the Company as he/she may consider necessary, desirable or expedient for the purpose of, or in connection with (i) the implementation and completion of the Acquisition Agreement and transactions contemplated thereunder, (ii) any amendment, variation or modification of the Acquisition Agreement and the transactions contemplated thereunder and (iii) the allotment and issue of the Consideration Shares, upon such terms and conditions as the board of directors of the Company may think fit."

By Order of the Board
China Power International Development Limited
Chong Wai Sang
Company Secretary

Hong Kong, 29 June 2009

Registered Office:
Suite 6301, 63/F.
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is holding two or more shares of the Company is entitled to appoint more than one proxy to attend and vote in his stead. If more than one proxy is appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at the share registrar of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude any member of the Company from attending the meeting or any adjournment thereof and voting in person if such member so wishes and in such event, the form of proxy will be deemed to be revoked.

3. As required by the Listing Rules, the vote will be taken by poll. The chairman of the above meeting will demand a poll on the resolution set out in the notice of the above meeting in accordance with the articles of association of the Company.

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

Please note that refreshments will not be served at the Extraordinary General Meeting.