CR Power

Better Life Together
華潤70年!
The 70th Anniversary of China Resources

We shape the future

Annual Report 2007

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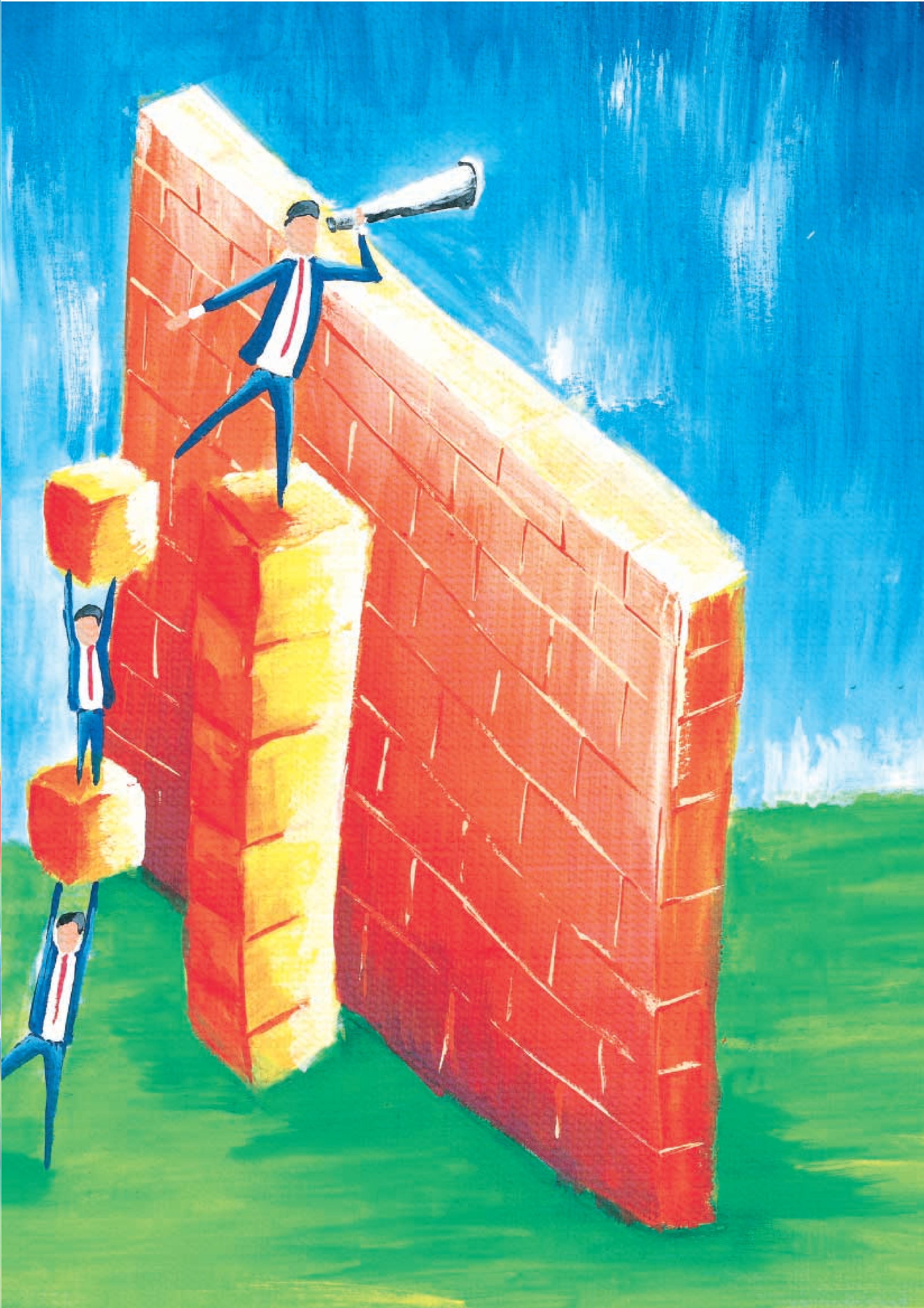
As a listed company with high standards of corporate governance, we are committed to maximising shareholder value while maintaining high quality growth. As a people-oriented company, we think it is important to make our staff members grow with the Company while establishing a passionate and efficient work team. As a corporate citizen with a high sense of responsibility and a partner with high integrity, we believe that a harmonious relationship with our operating environment and business relationship on the basis of mutual benefits are essential to the development of the Company's brighter future.

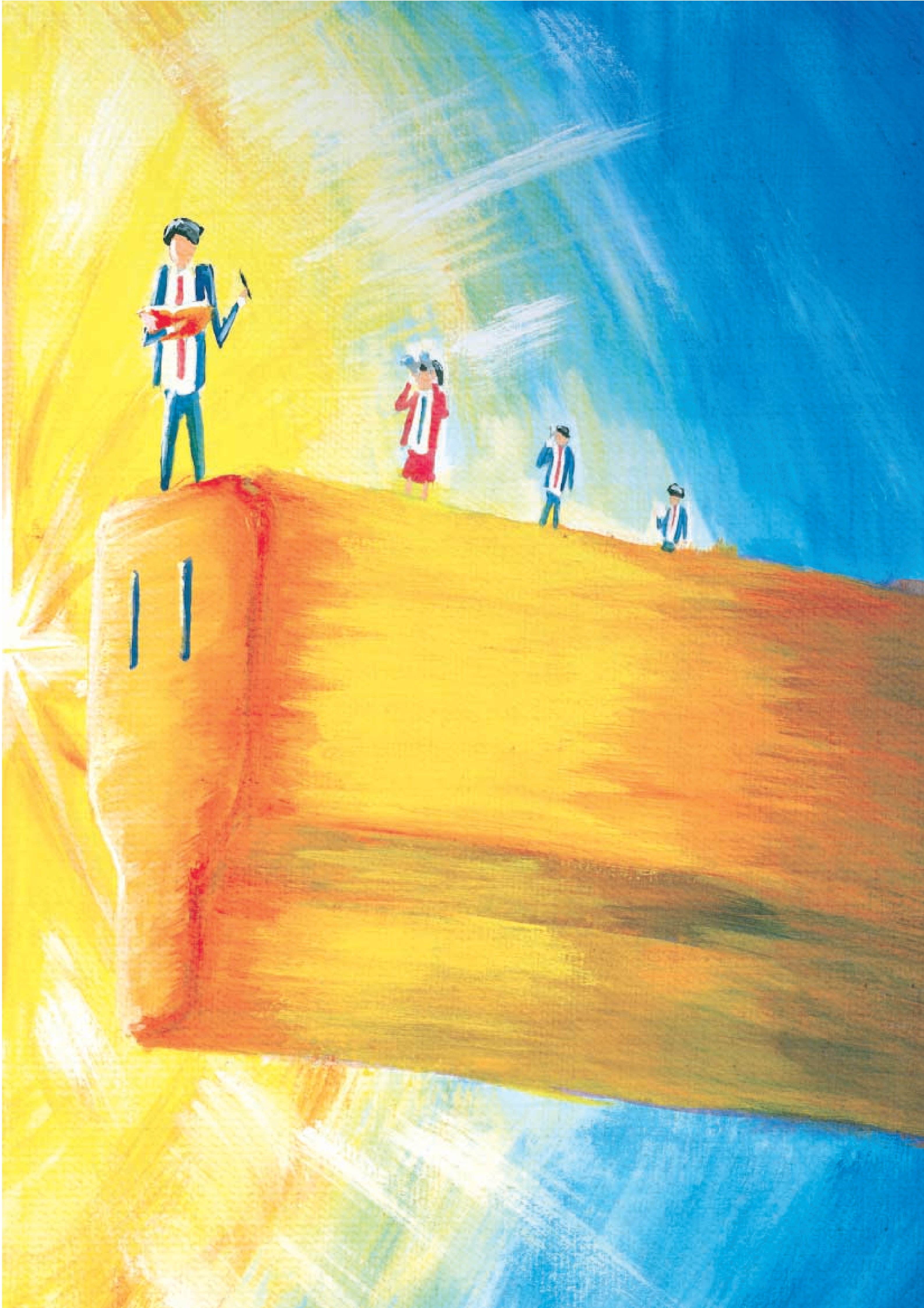
From Insight to New Opportunities

From Foundation to New Heights



From Cultivation to
New Growth

From Synergy to **New Consolidation**



We shape
the future

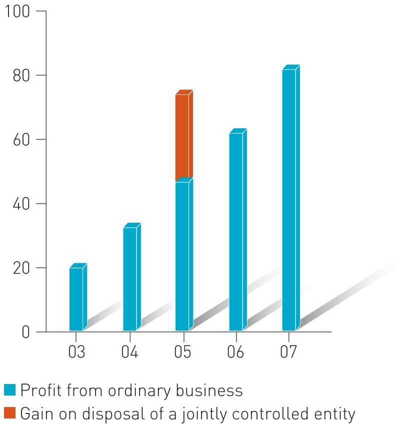
Contents

Five-year Financial Summary

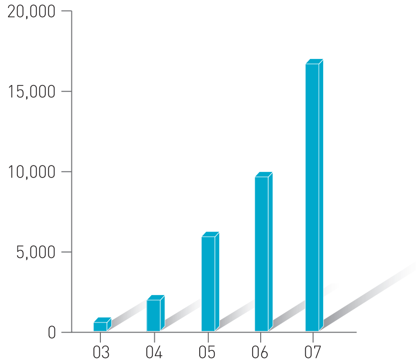
	2007	2006	2005	2004	2003
Earnings per share (HK cents)					
Basic	**82.05**	61.99	75.04	31.40	19.43
Diluted	**77.89**	60.10	74.37	31.25	19.42
Turnover (HK$'000)	**16,830,488**	9,740,371	5,927,328	1,898,317	491,114
Profit attributable to equity holders of the Company (HK$'000)					
Operating power plants					
Subsidiaries	**2,897,533**	1,703,439	1,023,339	327,694	82,411
Associates	**553,738**	649,591	706,832	799,711	535,491
Jointly controlled entity	**—**	—	194,815	249,916	65,391
Gain on disposal of a jointly controlled entity	**—**	—	1,071,081	—	—
Others	**(230,674)**	11,826	(137,842)	(181,586)	(122,455)
Total	**3,220,597**	2,364,856	2,858,225	1,195,735	560,838
Consolidated balance sheet (HK$'000)					
Non-current assets	**49,532,295**	32,456,679	21,999,540	17,206,822	10,933,449
Current assets	**14,282,223**	5,581,802	6,456,631	4,198,988	4,060,857
Current liabilities	**(17,995,582)**	(8,285,656)	(5,466,802)	(3,639,865)	(2,878,814)
Non-current liabilities	**(18,761,379)**	(12,618,263)	(9,074,823)	(6,623,884)	(2,612,511)
Minority interests	**(2,244,105)**	(1,849,703)	(821,647)	(983,888)	(558,328)
Equity attributable to equity holders of the Company	**24,813,452**	15,284,859	13,092,899	10,158,173	8,944,653
Total assets	**63,814,518**	38,038,481	28,456,171	21,405,810	14,994,306
Bank balances, cash and pledged bank deposits	**7,939,657**	2,786,245	4,449,208	3,309,283	3,735,146
Bank and other borrowings	**26,672,332**	16,590,998	11,045,267	9,059,549	4,288,160
Key financial ratios					
Current ratio (times)	**0.79**	0.67	1.18	1.15	1.41
Quick ratio (times)	**0.74**	0.61	1.13	1.11	1.41
Net debt to equity (%)	**75.5**	90.3	50.4	56.6	6.2
EBITDA interest coverage (times)	**5.56**	5.48	6.98	5.47	7.65
Generation volume of operating power plants (MWh)					
Total gross generation	**88,352,860**	63,388,794	52,757,611	34,960,666	26,814,278
Total net generation	**82,702,443**	59,512,429	49,633,323	32,913,284	25,255,953
Attributable operational generation capacity (MW)					
Eastern China	**4,362**	3,380	2,026	693	450
Southern China	**3,055**	1,125	1,053	945	945
Central China	**2,961**	2,961	1,401	1,161	—
Northeastern China	**1,200**	—	—	—	—
Northern China	**927**	537	460	150	150
Total	**12,505**	8,003	4,940	2,949	1,545

Five-year Financial Summary *(continued)*

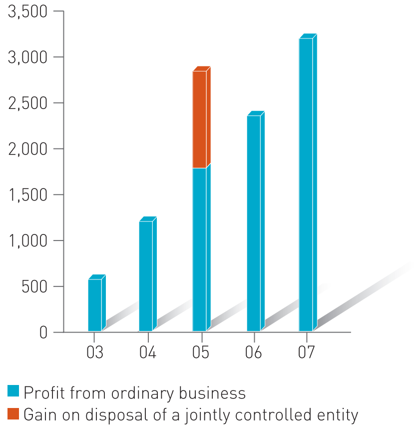
Basic earnings per share
(HK cents)



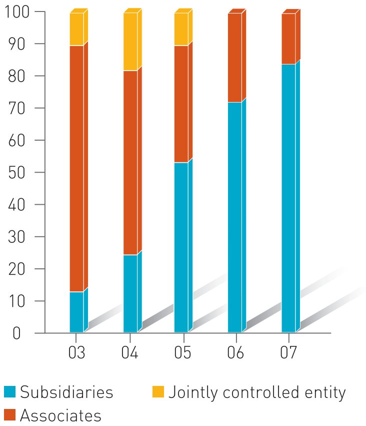
Turnover
(HK$'million)



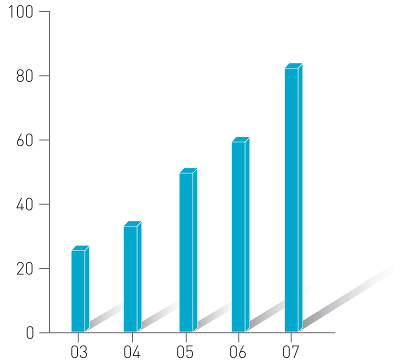
Profit attributable to equity holders of the Company
(HK$ million)



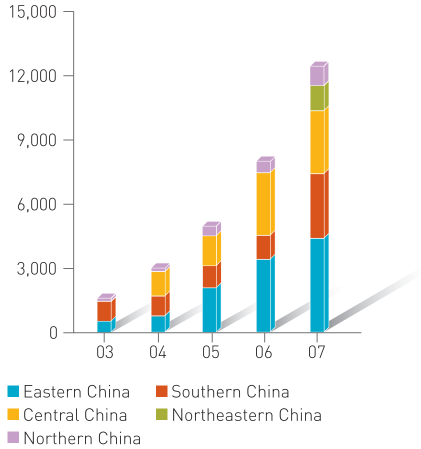
Percentage of profit contribution
(%)



Net generation volume of operating power plants
(million MWh)



Attributable operational generation capacity
(MW)



Major Events 2007

January

China Resources Power Holdings Company Limited ("CR Power") was awarded best-managed medium-cap corporate of 2006 in China by Asiamoney. The selection criteria for the award were mainly based on the comments of analysts and fund managers on business strategies, dividend policies and communications with shareholders.

February

1 China Resources Wind Power (Shantou) Co., Ltd., ("Shantou Wind Farm"), with a total installed capacity of 26MW, was approved by the PRC Government. Shantou Wind Farm commenced commercial operation in February 2008 and is wholly owned by CR Power.


1

May

2 The first 70MW hydro generation unit of Yunnan China Resources Power Co., Ltd., ("Yunpeng Power Plant") passed a 72-hour full-load pilot run and commenced commercial operation.

3 The second 135 MW coal-fired generation unit of Guangdong Xingning Xingda Power Co., Ltd. ("Xingning Power Plant") passed a "72+24"-hour full-load pilot run and commenced commercial operation.

CR Power entered into an agreement to acquire 30% and 15% interests in Yangzhou No.2 Power Plant Company Limited ("Yangzhou No.2 Power Plant") from Jiangsu Electric Power Company and East China Grid Company Limited, respectively. Yangzhou No.2 Power Plant consists of two 600MW coal-fired generation units. The acquisition was completed in September 2007.


2


3

4
June

The first 650MW coal-fired generation unit of China Resources Power Hunan Company Limited ("Liyujiang B Power Plant") passed a 168-hour full-load pilot run and commenced commercial operation. The construction of this unit only took 18 months and 20 days, setting a new record of shortest construction period for 600MW class coal-fired generation units in China and breaking the previous record set by China Resources Power Henan Shouyangshan Company Limited. CR Power holds a 100% equity interest in Liyujiang B Power Plant.

The second 70MW hydro generation unit of Yunpeng Power Plant passed a 72-hour full-load pilot run and commenced commercial operation.

4

5
July

CR Power entered into an agreement to acquire a 55% interest in Jinzhou Eastern Power Co., Ltd. ("Jinzhou Power Plant") from Pollon First Power Corporation. Jinzhou Power Plant comprises six 200MW coal-fired generation units.

The first 180MW Combined Cycle Gas Turbine ("CCGT") generation unit of Guangzhou China Resources Thermal Power Company Limited ("Guangzhou Power Plant") passed a "72+24"-hour pilot run.

5

August

The second 650MW coal-fired generation unit of Liyujiang B Power Plant passed a 168-hour full-load pilot run and commenced commercial operation. The construction of two generation units took 20 months and 20 days, setting a new record of fastest construction period for 600MW class coal-fired generation units in China.

The second 180MW CCGT generation unit of Guangzhou Power Plant passed a "72+24"-hour pilot run.

August *(continued)*

6 Hebei Weichang Yudaokou Wind Farm ("Weichang Wind Farm"), with a total installed capacity of 48MW, was approved by the PRC Government. Weichang Wind Farm is expected to commence commercial operation in 2009. CR Power owns a 100% equity interest in the wind farm.

6

Cangzhou China Resources Thermal Power Company Limited ("Cangzhou Power Plant"), a 60% owned subsidiary of CR Power, entered into an agreement to acquire the entire interests in Cangzhou Thermal Power Company Limited, Cangzhou Huarui Thermal Power Company Limited and Cangzhou Guangming Power Company Limited.

September

CR Power completed the acquisition of the remaining 45% equity interest in Jinzhou Power Plant from Liaoning Province Power Company Limited.

The third 70MW hydro generation unit of Yunpeng Power Plant passed a 72-hour full-load pilot run and commenced commercial operation.

October

7 Shandong Penglai Pingdingshan Wind Farm ("Penglai Wind Farm"), with a total installed capacity of 48 MW, was approved by the PRC Government. Penglai Wind Farm is expected to commence commercial operation by the end of 2008. It is 95% owned by CR Power.

7

CR Power completed a top-up placing of 200,000,000 new shares. CR Power intends to use the net subscription proceeds of approximately HK$4,817 million for the investment of coal mines in Inner Mongolia and related infrastructure.

CR Power entered into an agreement to acquire the entire interest in Jiangsu Tianneng Group from the State-owned Assets Supervision and Administration Commission of the People's Government of Xuzhou City.

November

The first 325MW heat and power cogeneration unit of Cangzhou Power Plant passed a 168-hour full-load pilot run and commenced commercial operation. The construction period was only approximately 12 months and 19 days, setting a new record in the construction of similar generation units in China.

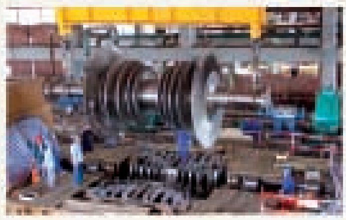
8 CR Power entered into an agreement to acquire a 67% equity interest in Xuzhou Huaxin Power Generation Co., Ltd.("Huaxin Power Plant") from China Resources Company Limited. Huaxin Power Plant consists of two 330MW coal-fired generation units. The acquisition was completed in December 2007.


8

December

9 The second 325MW heat and power co-generation unit of Cangzhou Power Plant passed a 168-hour full-load pilot run and commenced commercial operation. The construction period was approximately 13 months and 23 days, setting a new record in the construction of similar generation units in China.

CR Power acquired 71% equity interest in Xingning Power Plant. Xingning Power Plant became a wholly owned subsidiary of CR Power.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Company Profile

China Resources Power Holdings Company Limited (the "Company" or "CR Power") is a fast-growing independent power producer which invests, develops, operates and manages power plants in the more affluent regions and regions with high GDP growth rate in China.

As at 31 December 2007, CR Power has 26 power plants in commercial operation. The total attributable operational generation capacity of the Company is 12,505MW, with 34.9% located in Eastern China, 24.4% located in Southern China, 23.7% located in Central China, 9.6% located in Northeastern China, and 7.4% located in Northern China.

Corporate Structure

* Fonts in blue color represent power plants in operation
* Fonts in red color represent power plants under construction

Service Areas

Chairman's Statement

Dear shareholders,

On behalf of the Board, I present the China Resources Power Group Report for the year ended 31 December 2007.

ANNUAL RESULTS

I am pleased to report that CR Power achieved satisfactory results for the year of 2007. For the year ended 31 December 2007, CR Power recorded a consolidated turnover of HK$16,830 million, representing an increase of 72.8% from the turnover of HK$9,740 million for last year. Net profit amounted to HK$3,221 million, representing an increase of 36.2% from HK$2,365 million for last year. Basic earnings per share was HK82.05 cents, representing an increase of 32.4% from HK61.99 cents for last year.

Our total number of subsidiary power plants increased from 13 in 2006 to 20 in 2007. Profit contribution from our subsidiary power plants increased from 68% in 2006 to 84% in 2007.

The Board recommended the payment of a final dividend of HK20 cents per share for 2007. Together with the interim dividend of HK5 cents per share, total dividend for the year was HK25 cents per share, representing a dividend payout ratio of 30.5%.

STRATEGIC REVIEW

In 2007, on the basis of CR Power's existing strategies, including our business development strategy which focuses on more affluent regions in the country and large scale, more efficient generation units and our operational strategy which emphasises on being a cost leader, following our "total cost control" philosophy, and in response to the changes in the internal and external operational conditions, we changed our strategies for investment in the coal industry from equity participation to wholly-control or majority control. Such a big step forward will enable us to control our production cost and form CR Power's strategic competitive advantages on a long-term sustainable basis.

In 2007, CR Power continued to implement our business strategies and maintain our fast expansion pace, through both internal growth and external development, and achieved satisfactory results.

During the reporting period, our operational attributable capacity increased significantly. As at 31 December 2007, our operational attributable capacity was 12,505MW, up 4,502MW or 56% from 8,003MW as at the end of 2006, of which 2,128MW increase was from greenfield projects and 2,374MW was from acquisitions, representing 47% and 53% of the total capacity increase respectively.

As for construction and operation of power plants, we have maintained our leading position in the power industry. The construction period of Liyujiang B Power Plant and Cangzhou Power Plant which commenced operation during the year is the shortest in the power generation industry in the PRC. The construction cost of these power plants was significantly below the PRC power industry average. In the meantime, our power plants were accredited with various quality awards.

In 2007, coal price increased rapidly in China. However, the average standard coal cost for our subsidiary power plants recorded a moderate year-on-year increase of 4.4%. The unit fuel cost increase for our subsidiary power plants in the reporting periods was only 2.3%. In addition, our management team also actively took advantage of the flexibility of raising funds in both PRC domestic and international capital markets in order to minimise our funding cost.

CORPORATE GOVERNANCE

CR Power has been committed to improving the overall standard of corporate governance with reference to international corporate governance practices. The Board acknowledges its responsibilities in establishing and enforcing a good corporate governance structure in order to improve its transparency and create value for all shareholders.

Since its listing, CR Power has been using the Code on Corporate Governance Practices (the "Code") and Code of Best Practice as set out by The Stock Exchange of Hong Kong Limited as a base to improve its corporate governance. During the reporting period, we complied with all of the provisions and most of the recommended best practices under the Code. Our corporate governance report is set out in this annual report from page 51 to page 63.

INVESTOR RELATIONS

The Board believes that maintaining effective communications with shareholders is an important aspect of corporate governance and is also a building block to create value. In order to ensure that shareholders are closely informed of our latest developments and shareholders' feedback can reach the management in a timely manner, we have been actively maintaining effective communications with our shareholders. With a view to deepen shareholders' understanding of our company, we have been actively participating in investment conferences held by various large securities brokers in and outside China, conducting road shows worldwide after the announcements of our interim and annual results, and organising cocktail receptions for analysts and plant visits for fund managers. In September 2007, we held domestic road shows in the major financial cities in the PRC for the first time and met a number of major domestic institutional investors in Beijing, Shanghai, Shenzhen and Guangzhou with satisfactory feedback. Meanwhile, we held a cocktail party again and provided an opportunity for analysts and fund managers to directly exchange opinions with our front-line plant managers.

In 2007, CR Power was selected by Platts as one of the top 250 global energy enterprises. We ranked the 18th in the independent power generation and electric energy trading industry sector worldwide; we were ranked the 4th fastest growing energy enterprise in the world and the fastest growing energy company in Asia. The Institute of Industrial Economics of Chinese Academy of Social Sciences ("IIE-CASS") and China Business Press ("CBP") jointly published an enterprise competitiveness evaluation report and awarded CR Power as the "most competitive company listed in Hong Kong in 2007" and ranked the Company the first in the Chinese Hong Kong listed company evaluation category.

SOCIAL RESPONSIBILITIES

As an enterprise citizen, our company always pays close attention to our social responsibility, including environmental protection, community development and participation in charities. All the power plants which were constructed and managed by CR Power have installed or are in the process of installing flue gas desulphurisation ("FGD") facilities. As for the power plants under construction, we have already considered the installation of denitration facilities; such movement transcends the environmental protection requirements set by the PRC Government and puts us in a leading position in the PRC power sector. Our Company and our subsidiary power plants have also been actively participating in social services, for example, natural disaster relief fund and tuition assistance for impoverished students in the forms of scholarships and grants. In February 2007, CR Power made donations to an education subsidy fund set up by China Resources (Holdings) Company Limited to help the impoverished students in Hebei Province. In December 2007, our company, together with the Chinese Juvenile Foundation and Yunnan Nujiang Lisu Autonomous Regional People's Government, entered into the "Nujiang - China Resources strategic cooperation framework agreement" to support the impoverished students of Nujiang.

OUTLOOK

The PRC power sector is facing a severe challenge in 2008 with rising coal cost being a major challenge for all major Chinese power producers. Coal price in the PRC domestic markets increased rapidly during 2007. Since the beginning of 2008, coal price has gone up further. However, the PRC government has not implemented the third tariff hike in accordance with its 'coal-cost-pass-through' policy in 2007 and so far in 2008. This will result in significant pressure on the profitability of the Chinese power producers. Nonetheless, CR Power has made great efforts to control costs through various measures and aims to improve our utilisation hours so as to continuously create satisfactory returns for our shareholders.

The awareness of energy conservation in the PRC is rising on the back of its fast economic development. In 2007, small generation units with a total generation capacity of more than 14GW were closed down nationwide. In August 2007, the State Council issued a new energy saving dispatchment scheme for trial run. Under the scheme, the more environmentally friendly and efficient units are prioritised to dispatch. As most of the generation units of CR Power are large-scale and efficient units, our subsidiary power plants will strive to enhance our utilisation hours in 2008 and reduce the unit coal consumption rate so as to conserve energy and protect the environment whilst boosting our profitability.

In 2008, due to the problems of production safety, transportation bottleneck and strong demand growth, coal price continued to increase in China. We will make great efforts to improve our operational efficiency and to explore room for cost savings in order to mitigate as much as possible the negative impact caused by the rise in coal price. In addition, CR Power is pursuing vertical integration and proactively searching for suitable coal resources with significant strategic importance in the PRC in order to secure stable coal supply and enhance cost control. In the long term, as the coal production volume increases and when the construction works of various large-scale railways for coal transportation is completed, we believe coal supply will improve gradually.

In the future, CR Power will continue to develop according to our set business strategies, keep the rapid pace of growth in installed capacity, and maintain our low cost and operational advantages with a view to delivering and creating value for our shareholders.

APPRECIATION

I would like to take this opportunity to express my gratitude towards the directors, management team and general staff members for their contribution throughout the year. I would also like to take this opportunity to thank shareholders, business partners and customers for their support.

Yours sincerely,

Song Lin
Chairman

Hong Kong, 31 March 2008

Report from Chief Executive Officer

Amid the challenging business environment, we have achieved our annual business targets for the year through continuous and resolute execution of our highly return-striven and cost-saving strategies.

REVIEW FOR 2007

In 2007, with active greenfield constructions and acquisitions, our attributable operational capacity recorded a robust growth, whilst our achievements in the control of construction and operation costs were remarkable.

Active constructions and acquisitions – fast and quality growth in attributable operational capacity

In 2007, CR Power had 10 generation units commencing operation, including two 650MW coal-fired generation units, two 325MW coal-fired heat and power cogeneration units, three 70MW hydro generation units, one 135MW coal-fired generation unit and two 180MW gas-fired heat and power cogeneration units. In the meantime, we had successfully acquired three power plants, including 100% interest in six 200MW coal-fired generation units of Jinzhou Power Plant, 67% interest in two 330MW coal-fired generation units of Huaxin Power Plant and 45% interest in two 600MW coal-fired generation units of Yangzhou No.2 Power Plant; we had also increased our equity interest in Xingning Power Plant from 29% to 100%. As at 31 December 2007, our attributable operational capacity reached 12,505MW, representing an increase of 56% from 8,003MW as at the end of 2006; the attributable operational capacity of our consolidated power plants reached 10,292MW, representing a growth of 64% from 6,291MW in 2006.

Maximising dispatchment volume – maintaining high utilisation rate

According to the statistics from China Electricity Council, the national power generation capacity attained 713.29GW as at the end of 2007, representing a net increase of 100.09GW. With more new generation units commencing operation, the national utilisation rate of generation units continued to decline. Our power plants, however, made tremendous efforts to maximise generation volume, including bidding for dispatchment volume to replace small generation units, and recorded higher utilisation hours. The utilisation hours of our thirteen coal-fired power plants which were operational throughout the entire years of 2007 and 2006 were 6,127 hours, representing an increase of approximately 30 hours as compared with 2006; the national average utilisation hours of coal-fired generation units were 5,316 hours, representing a decline of 296 hours as compared with 2006. In 2007, our subsidiary power plants recorded a total net generation of 52,600GWh, representing a growth of 72.1% year on year.

Achievements in construction with high quality – maintaining a leading position in the power sector

We continued to maintain a leading position in the area of construction period, cost and quality of new power plants in 2007. The unit construction cost of our 600MW and 300MW class coal-fired generation units which commenced operation during the year was well below the industry average. The construction periods of the two 650MW generation units of Liyujiang B Power Plant and the two 325MW coal-fired heat and power co-generation units of Cangzhou Power Plant were only 20.7 months and 13.8 months respectively, setting new records in the shortest construction duration of the generation units with similar scale in the PRC power sector. Regarding the construction quality, Changshu Power Plant was presented the championship of "Lu Ban Award" (「魯班獎」) which represented the highest construction and engineering quality in China in 2007. Whilst the construction period of our power plants is short and construction cost is low, our high construction quality can still be maintained. This is reflected in the stable operational track records of our generation units after their commencement of commercial operation. Unit 2 and Unit 1 of Changshu Power Plant received the ultra-superior award and was ranked third respectively in the annual national competition for the large-scale coal-fired generation units (600MW class); Unit 1 and Unit 2 of Dengfeng Power Plant were ranked first and third respectively in a national competition for the 300MW class coal-fired generation units. Unit 1 and Unit 2 of Jiaozuo Thermal Power Plant received the ultra-superior award and was ranked third respectively in the annual national competition for the 120-165MW class coal-fired generation units.

Strict control of operation costs – effective control over coal costs

In 2007, domestic coal price increased significantly. However, as the domestic consumer price index reaches and remains at a high level, the government decides to postpone the implementation of the "coal-cost-pass-through" policy and therefore the power generation companies are being pressurised to absorb the rising coal costs. Pertaining to this situation, CR Power had actively adopted a number of measures to lower our fuel costs by bulk purchasing contract coal with guaranteed transportation capacity, entering into long-term supply agreements with coal suppliers, increasing coal contract fulfillment rate, and improving our technology of blending coal of different grades. During the reporting period, the average standard coal cost of our consolidated power plants increased by approximately 4.4% year on year. As more large-scale, high efficiency generation units commenced operation during the year and our utilisation rate of generation units further improved in 2007, the average net generation standard coal consumption rate of our coal-fired plants in 2007 was 338g/kWh, representing a decrease of 7g/kWh from 345g/kWh in 2006, as a result, the average unit fuel cost increased only by 2.3% year on year.

Dedication to expansion – new projects under development

Our business development team continued to explore new investment opportunities in our target markets. A number of proposals for the construction of heat and power cogeneration units were granted the government permit to start the preliminary deliberations on construction planning. We expect these projects to obtain formal approvals in the near future. Weichang Wind Farm with 48MW installed capacity in Hebei and Penglai Wind Farm with 48MW installed capacity in Shandong were approved by the PRC government within the year. Furthermore, we have a number of new projects pending government approvals for construction and expansion works.

TARGETS FOR 2008

In 2008, we will develop more large-capacity coal-fired power projects and clean energy projects in our target markets. We will also vigorously pursue investment opportunities for coal mine projects which are consistent with our development strategies in order to enhance the competitiveness of our core coal-fired generation business. At the same time, we will explore the potential of our operational generation units; with the help of the energy saving dispatchment plan, we will strive to further improve our utilisation rate and exercise tight cost control so as to maximise shareholder value.

Expand capacity scale

Our future development will still be in the form of greenfield constructions, brownfield constructions and acquisitions. The operational capacity of our Company is expected to maintain a relatively high growth rate in 2008. The Company plans to add at least 3,000MW of attributable generation capacity in 2008 and our attributable operational capacity is expected to reach 15,000MW by the end of 2008. A number of heat and power cogeneration units are expected to commence operation during the year. In the mean time, we will continue to search for opportunities for acquisitions, including generation assets held by our parent company and independent third parties.

Enhance utilisation hours

The China Electricity Council forecasts that total new capacity to be installed in 2008 will exceed 85GW, whilst the nationwide growth of electricity consumption is likely to grow by approximately 13%. Electricity supply and demand nationwide are mainly in a balanced position, and capacity utilisation hours are expected to be under a slight downward pressure. However, most of our power plants are still expected to maintain a high utilisation level as demand for power in our service areas is still growing strongly year on year. In 2008, five provinces in the country are expected to implement the pilot scheme of the energy saving priority dispatchment system. We will take advantage of our large-capacity, high efficiency generation units to strive for a higher utilisation rate.

Fuel cost control

Coal price remains high in 2008. Apart from the policy factors, insufficient railway transportation capacity still creates bottleneck and leads to the disequilibrium in supply and demand in coal. We aim to exercise stringent control over coal cost by maximising our contract coal purchasing, improving contract fulfillment rate, implementing the technology of blending coal of different grades, and reducing fuel consumption rate by improving the stability of our operational units.

In line with our strategic move to take controlling stakes in coal mine investments, we will invest significant resources in the integrated coal-power-railway-port development project of Wujianfang (五間房). We persist upon progression from a high-starting point, maintenance of high construction quality, usage of scientific task scheduling and simultaneous systematic development of coal, power, railway and port facilities, so as to ensure an achievement of production capacity of 30 million tons per year in 2010, which shall in turn further consolidate and enhance the competitiveness of our core business. Meanwhile, we will actively seek opportunities for investment in coal resources which are in line with our strategies, in order to provide maximum support to our power plants with a steady coal supply at lower cost.

Manage finance and funding costs

In 2008, our Company will further improve its financial management, internal control systems and cash flow management. We will keep on looking for low cost funding through various channels in both domestic and global markets to lower our financing costs and mitigate the risk of potential interest rate hikes.

Fast restoration of transmission lines of Liyujiang power plants

Due to the extreme weather conditions in Southern China in early 2008, the dual transmission lines for power transmission to Guangdong province of our Liyujiang A and B power plants were damaged by the formation of thick ice blocks which led to the collapse and twist of transmission towers. Right after the incident, we immediately mobilised an emergency response team and set up a commanding centre on site to supervise and co-ordinate the design, construction and resource allocation, including procurement of repair materials and funding of the repair works, so as to assure that the transmission lines can be restored in a fast and orderly manner. With the assistance of different parties in the community, the restoration work has made substantial progress; one of the transmission lines was restored and all the four generation units of Liyujiang A and B power plants have re-commenced commercial operation on 31 March 2008; we are in the process of re-strengthening the design and construction of the second transmission line. It is expected that the second transmission line will be restored by 30 June 2008.

APPRECIATION

I would like to take this opportunity to express my sincere gratitude toward our management team and staff members for their hard work. We will continue to create a challenging and harmonious work environment for our staff members, encourage team work and provide good opportunities for individual member's career development.

Wang Shuai Ting
Chief Executive Officer

31 March 2008

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Song Lin

Mr. Song Lin was appointed Chairman of the Board and an Executive Director of the Company in August 2003. Mr. Song is the Vice Chairman and President of China Resources (Holdings) Company Limited and China Resources National Corporation, the Chairman and an Executive Director of China Resources Enterprise, Limited, China Resources Land Limited, and China Resources Microelectronics Limited. Mr. Song is the Deputy Chairman of China Vanke Co.,Ltd., which is a listed company in China. He is also an Independent Non-executive Director of Geely Automobile Holdings Limited and The Bank of East Asia (China) Limited. Mr. Song has extensive experience in the electricity industry in China. He was involved in the overall project development in various parts of the PRC, including specifically the development of Changshu Power Plant, Shouyangshan Power Plant and Liyujiang Phase II. Mr. Song also has extensive experience in corporate investment, development, merger and acquisitions. Mr. Song holds a Bachelor's degree in Solid Mechanics from the University of Tong Ji in Shanghai.

Mr. Wang Shuai Ting

Mr. Wang Shuai Ting was appointed Vice Chairman of the Board and an Executive Director of the Company in August 2003. Mr. Wang is the President and Chief Executive Officer of the Company. Mr. Wang is also a Director and the Vice President of China Resources (Holdings) Company Limited and a Non-executive Director of China Resources Enterprise, Limited. Mr. Wang has extensive experience in the electricity industry in the PRC. He served as the General Manager of China Resources (Xuzhou) Electric Power Co., Ltd. ("CR Xuzhou") from 1994 to 2001 and was in charge of the construction and operation of Xuzhou Power Plant. Prior to his engagement in CR Xuzhou, Mr. Wang worked in the general office of the Government of Jiangsu Province from June 1985 to March 1987 and was subsequently the head of the Industrial Office of Xuzhou Municipal Government. He was also the Deputy Secretary-general of Xuzhou Municipal Government. Mr. Wang holds an Executive Master's degree in Business Administration ("EMBA") from China Europe International Business School.

Mr. Tang Cheng

Mr. Tang Cheng was appointed an Executive Director of the Company in August 2003. Mr. Tang is also an Executive Vice President of the Company. From November 2002 to March 2006, Mr. Tang served as the General Manager of China Resources Power (Changshu) Co., Ltd. From July 2001 to October 2002, he was the General Manager of China Resources (Xuzhou) Electric Power Co., Ltd. Mr. Tang has considerable experience in the management and operation of power plants. Mr. Tang holds an EMBA from China Europe International Business School.

NON-EXECUTIVE DIRECTORS

Mr. Zhang Shen Wen

Mr. Zhang Shen Wen was appointed an Executive Director and Executive Vice President of the Company in August 2003. Mr. Zhang has considerable experiences in the development of power plants. He was the General Manager of the Finance and Accounting Department of the Company between July 2001 and September 2003, and was involved in the development of Liyujiang Power Plant and the acquisitions of Shajiao C Power Plant and Wenzhou Power Plant. Mr. Zhang joined China Resources National Corporation in 1994 and worked at Hebei Hengfeng Power Generation Co., Ltd. between 1998 and 1999. Mr. Zhang holds a Bachelor of Science degree in Electrical Automation from the North China University of Technology in China and a Bachelor's degree of Economics from the University of International Business and Economics in China. He also holds a Master's degree in Business Administration from the University of San Francisco.

Ms. Wang Xiao Bin

Ms. Wang Xiao Bin was appointed an Executive Director of the Company in February 2006. She is Chief Financial Officer of the Company. Ms. Wang is also an Independent Non-executive Director of Angang Steel Company Limited. Prior to joining the Company, Ms. Wang was a director of corporate finance of ING Investment Banking, responsible for execution of capital markets and merger and acquisition transactions in the Asia Pacific region. She worked for Pricewaterhouse in Australia in the audit and business advisory division for five years before joining ING Barings. Ms. Wang is a member of the Institute of Chartered Accountants in Australia, the Australian Society of Certified Practising Accountants and the Securities Institute of Australia. Ms. Wang holds a graduate diploma in Applied Finance and Investment from the Securities Institute of Australia and a Bachelor's degree in Commerce from Murdoch University in Australia.

Mr. Jiang Wei

Mr. Jiang Wei, was appointed a Non-executive Director of the Company in August 2003. Mr Jiang is currently the Director, Vice President and Chief Financial Officer of China Resources (Holdings) Company Limited and China Resources National Corporation. Mr. Jiang is a Non-Executive Director of China Resources Enterprise, Limited, China Resources Land Limited, China Resources Logic Limited, China Resources Microelectronics Limited and China Assets (Holdings) Limited; an Executive Director of Cosmos Machinery Enterprises Limited; and an Independent Non-Executive Director of Greentown China Holdings Limited. He is also a Director of China Vanke Co., Ltd., which is a listed company in China. Mr. Jiang obtained both his Bachelor's degree in International Trade and Master's degree in International Business and Finance from the University of International Business and Economics in Beijing, China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chen Xiao Ying

Ms. Chen Xiao Ying was appointed a Non-executive Director of the Company in August 2007. She is the Executive Vice Chairman of CITIC 21CN Company Limited and the Chairman of the Pollon Group. Ms. Chen has been developing and managing the Pollon Group's business, including investments in power plants, telecommunication and properties in the PRC, since its establishment in 1989. Ms. Chen has been a member of the Chinese National People's Political Consultative Committee since 1998 and the Permanent Honorary President of Friends of Hong Kong Association Limited since 1999.

Mr. Anthony H. Adams

Mr. Anthony H. Adams was appointed an Independent Non-executive Director of the Company in 2003. Mr. Adams is a managing director based in Hong Kong with JP Morgan Asset Management, where he focuses on direct investments in the Asian infrastructure and related resources sectors. Prior to joining JP Morgan in 2006, he was a managing director based in Hong Kong with Emerging Markets Partnership, which is the principal advisor to the AIG Infrastructure Funds, a set of private equity funds targeted at infrastructure and infrastructure-related opportunities in emerging Asia, Latin America, Europe and Africa. Prior to joining EMP, Mr. Adams was a project development manager at Bechtel Enterprises, the direct investment and development arm of the Bechtel Group, at which he participated in numerous energy and other infrastructure projects throughout Asia Pacific. Mr. Adams holds a Bachelor of Arts degree from the University of Vermont (Phi Beta Kappa) and a Master's degree in Business Administration from Harvard Business School.

Mr. Wu Jing Ru

Mr. Wu Jing Ru was appointed an Independent Non-executive Director of the Company in August 2003. Mr. Wu is an Independent Non-executive Director of China Yangtze Power Co., Ltd., and was formerly Deputy General Manager of the State Energy Investment Corporation in the PRC, the Head of the Loans Department at the State Development Bank of China as well as an expert member and senior counsel in its loans valuation committee. He was also a member of the Three Gorges Project Inspection Committee under the State Council and Deputy Chief of Supervision team of the Three Gorges Transmission and Distribution project. Mr. Wu spent nearly 20 years of his professional career in the Hydro Power Ministry, where he served in various positions, including Deputy Section-in-chief, Deputy Director and Director of the Planning Department. Mr. Wu graduated from the Power Department at Shanghai Jiao Tong University.

Mr. Chen Ji Min

Mr. Chen Ji Min was appointed an Independent Non-executive Director of the Company in February 2006. Mr. Chen was a member of the Standing Committee of the People's Congress of Zhejiang Province ("Standing Committee") and a Deputy Director of the Finance and Economy Commission of the Standing Commission. Mr. Chen had served as Director of the Bureau of Electricity of Ningbo City, Deputy Director of the Economic and Trading Committee of Ningbo City, Deputy Director and Director of the Bureau of Electricity of Zhejiang Province, General Manager of the Electricity Development Company of Zhejiang Province and Chairman of the Board of Directors of Zhejiang South-East Company Limited, a company with B shares listed on the Shanghai Stock Exchange. Mr. Chen graduated from the Electricity Engineering Department of Zhejiang University.

Mr. Ma Chiu-Cheung, Andrew

Mr. Ma Chiu-Cheung, Andrew, was appointed an Independent Non-executive Director of the Company in December 2006. Mr. Ma is a Founder and former Director of Andrew Ma DFK (CPA) Limited. He is presently a Director of Mayee Management Limited. He has more than 30 years' experience in the field of accounting and finance. He received his Bachelor's degree in Economics from the London School of Economics and Political Science (University of London) in England. Mr. Ma is a fellow member of the Institute of Chartered Accountants in England & Wales, the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Directors and the Taxation Institute of Hong Kong. He is currently also an Independent Non-executive Director of several other listed companies in Hong Kong.

SENIOR MANAGEMENT

Mr. Chen Jian

Mr. Chen Jian was appointed an Executive Vice President of the Company in April 2004. Since joining the Company in 2003, Mr. Chen served as General Manager of the Operation Management Department of the Company until April 2004. Prior to joining the Company, Mr. Chen held senior managerial positions in various thermal power plants in Henan Province. Mr. Chen is a Senior Engineer and has more than 28 years of experience in the electricity industry in China. Mr. Chen studied Industrial Electrical Automation in the Open University of Henan and holds a Master's degree in Science and Technology Management.

Mr. Bu Fan Sen

Mr. Bu Fan Sen was appointed Executive Vice President of the Company in October 2007. Mr. Bu served as Assistant Vice President of the Company from December 2005 to October 2007. Prior to joining the Company, from September 2002 to September 2005, Mr. Bu served as Chairman of SDIC Huajing Power Holdings Co., Ltd, a company listed on the Shanghai Stock Exchange. From March 2001 to March 2004, Mr. Bu served as General Manager of SDIC Electric Power Co., Ltd. Prior to that, Mr. Bu was Chief of Business Department of State Development & Investment Corp. Mr. Bu holds a Bachelor of Science degree in Water Conservancy and Hydro Power Engineering from Hehai University.

Mr. Du Hua Dong

Mr. Du Hua Dong was appointed an Executive Vice President of the Company in October 2007. Mr. Du served as General Manager of China Resources Power Hubei Co., Ltd. from July 2002 to October 2007. Mr. Du has 14 years of experience in the electricity industry in China. He joined China Resources (Xuzhou) Electric Power Co., Ltd. as an Assistant General Manager in 1994, and later became General Manager of Huaibei Guo An Electricity Co., Ltd. Mr. Du holds a diploma from Xuzhou Economic and Technology Management Institute and a Master's degree in Management from Wuhan University.

Mr. Li She Tang

Mr. Li She Tang was appointed Chief Technical Officer of the Company in September 2003. Mr. Li has over 23 years of experience in the electricity industry in China. Mr. Li served as General Manager of China Resources Power Dengfeng Co., Ltd. from August 2002 to December 2003. Mr. Li was Deputy General Manager and General Manager of Puqi Sithe Power Generating Company Limited (which was renamed as China Resources Power Hubei Co., Ltd.) from 2000 to 2002 and Senior Advisor and Chief Engineer of Sithe China Holdings Limited from 1999 to 2002. Mr. Li started his career in the electricity industry in 1984 in the Power Planning and Engineering Institute of the then Ministry of Electricity. Mr. Li is a Senior Engineer and holds a Bachelor's degree in Engineering, majoring in Power Plant Thermal Engineering from Xi'an Jiaotong University in China.

Mr. Ding Qi

Mr. Ding Qi was appointed Chief Human Resources Officer in June 2007. He served as General Manager of the Human Resources and Administration Department of the Company from November 2001 to June 2007. Prior to joining the Company, he was a Departmental Manager of China Resources Development and Investment Co., Ltd. from 1998 to 1999. Mr. Ding holds a Bachelor's degree in Wireless Communications from the Nanjing Communications Engineering Institute.

Mr. Jia Xi

Mr. Jia Xi was appointed Deputy Technical Director of the Company in March 2005. After joining the Company in 2002 and until March 2005, Mr. Jia served as General Manager of the Business Development Department of the Company. Mr. Jia has over 20 years of experience in the electricity industry in China. Prior to joining the Company, Mr. Jia was Deputy Manager of Marketing Department of Henan Provincial Power Company. Mr. Jia also held various managerial positions in power plants and Power Bureau in Henan Province. Mr. Jia holds a Master's degree in Business Administration from Xi'an Jiaotong University in China.

Mr. Liu Fan Shun

Mr. Liu Fan Shun is General Manager of China Resources Power Hunan Co., Ltd. He served as General Manager of China Resources Power Hunan Liyujiang Co., Ltd. ("CR Liyujiang") from September 2001 to December 2004. He commenced his career in the PRC electricity industry in 1982 and has approximately 20 years of experience in the electricity industry in China. Prior to joining CR Liyujiang, Mr. Liu held various managerial positions in several power plants in Hunan Province. Mr. Liu is a senior engineer and holds a Master's degree in Economics from Hunan University.

Management's Discussion and Analysis

BUSINESS REVIEW FOR YEAR 2007

Growth of generation capacity

As at 31 December 2007, we had 26 power plants in commercial operation with a total attributable operational capacity of 12,505MW. As a comparison, our attributable operational generation capacity was 8,003MW as at 31 December 2006.

Our attributable operational generation capacity increased by 4,502MW or 56.3% in 2007, mainly due to:

- commencement of commercial operation of the three generation units of Yunpeng Power Plant in 2007;
- commencement of commercial operation of unit 2 of Xingning Power Plant in May 2007;
- commencement of commercial operation of the two generation units of Liyujiang B Power Plant in June and August 2007, respectively;
- commencement of commercial operation of the two generation units of Cangzhou Power Plant in November and December 2007, respectively;
- commencement of commercial operation of the two generation units of Guangzhou Power Plant in the second half of 2007;
- acquisition of a total of 100% equity interest in Jinzhou Power Plant in the second half of 2007;
- acquisition of a 45% equity interest in Yangzhou No. 2 Power Plant in September 2007;
- acquisition of a 67% equity interest in Huaxin Power Plant in December 2007; and
- acquisition of the remaining 71% equity interest in Xingning Power Plant in December 2007.

The following table sets out the attributable operational capacity of our power plants in the context of geographical distribution as at 31 December 2007:

	Attributable operational generation capacity	
	MW	%
Eastern China	4,362	34.9
Southern China	3,055	24.4
Central China	2,961	23.7
Northeastern China	1,200	9.6
Northern China	927	7.4
Total	12,505	100.0

Development of greenfield power plants

Our development strategy is to continue to identify suitable development opportunities in our target markets in order to maintain satisfactory growth of profitability and return on equity in the future.

In February 2007, we obtained approval from the PRC government for the construction of Shantou Wind Farm. Shantou Wind Farm is located in Nan'ao Island of Shantou City in Guangdong Province and is adjacent to Dannan Wind Power Plant. It has a total installed capacity of 23.25MW and commenced commercial operation in February 2008. The Company owns 100% equity interest in Shantou Wind Farm.

In August 2007, we obtained approval from the PRC government for the construction of Weichang Wind Farm. Weichang Wind Farm is located in Weichang County, Chengde City of Hebei Province. It has a total installed capacity of 48MW and is expected to commence commercial operation in 2009. The Company owns 100% equity interest in Weichang Wind Farm.

In October 2007, we obtained approval from the PRC government for the construction of Penglai Wind Farm. Penglai Wind Farm is located in Penglai, Yantai City of Shandong Province. It has a total installed capacity of 48MW and is expected to commence commercial operation in 2008. The Company owns a 95% equity interest in Penglai Wind Farm.

In addition, a number of our coal-fired power plants under planning received preliminary approval from the PRC government in 2007.

Increase in generation volume

Total gross generation volume of our 26 operating power plants amounted to 88,352,860MWh in 2007, representing an increase of 39.4% from 63,388,794MWh in 2006. Total gross generation volume of our 20 consolidated power plants amounted to 56,105,849MWh in 2007, representing an increase of 72.4% from 32,552,374MWh in 2006.

Total net generation volume of our 26 operating power plants amounted to 82,702,443MWh in 2007, representing an increase of 39.0% from 59,512,429MWh in 2006. Total net generation volume of our 20 consolidated power plants amounted to 52,599,879MWh in 2007, representing an increase of 72.1% from 30,566,320MWh in 2006.

The increase in gross and net generation volume was primarily due to the growth of attributable operational generation capacity from 8,003MW as at 31 December 2006 to 12,505MW as at 31 December 2007.

For the 13 coal-fired power plants which were in commercial operation for the entire year of 2006 and 2007, gross and net generation volume increased by 0.5% and 0.1%, respectively. The full-load equivalent utilisation hours for 2007 of the 13 coal-fired power plants amounted to 6,127 hours, representing an increase of 0.5% from 6,099 hours for 2006.

The following three tables set out the gross generation, net generation and utilisation hours of our operating power plants for the year ended 31 December 2006 and 2007:

Gross generation

	2007 (MWh)	2006 (MWh)	Increase (Decrease) (%)
Consolidated power plants			
Changshu Power Plant	**11,322,289**	10,368,325	9.2
Fuyang Power Plant	**7,333,017**	2,100,752	N/A [1]
Shouyangshan Power Plant	**7,019,655**	2,085,817	N/A [1]
Liyujiang Phase II	**4,841,690**	4,823,830	0.4
Dengfeng Power Plant	**3,725,142**	3,701,327	0.6
Puqi Power Plant	**3,613,686**	4,147,888	(12.9)
Liyujiang B Power Plant	**3,480,540**	N/A	N/A
Gucheng Power Plant	**3,355,890**	302,874	N/A [1]
Jinzhou Power Plant	**3,200,160** [2]	N/A	N/A
Jiaozuo Thermal Power Plant	**1,707,031**	1,430,298	19.3
Tangshan Thermal II Power Plant	**1,422,351**	1,294,967	9.8
Xingning Power Plant	**1,420,138**	142,929	N/A [1]
Yixing Power Plant	**859,973**	841,873	2.1
Luoyang Power Plant	**798,910**	798,883	0.0
Beijing Thermal Power Plant	**749,470**	453,506	N/A [1]
Yunpeng Power Plant	**717,248**	N/A	N/A
Cangzhou Power Plant	**284,234**	N/A	N/A
Guangzhou Power Plant	**193,424**	N/A	N/A
Dannan Wind Power Plant	**61,001**	59,105	3.2
Huaxin Power Plant	**0** [3]	N/A	N/A
Total of consolidated power plants	**56,105,849**	32,552,374	72.4
Associate power plants			
Shajiao C Power Plant	**13,317,323**	13,145,697	1.3
Xuzhou Power Plant	**6,457,670**	6,494,983	(0.6)
Wenzhou Telluride Phase II	**3,723,084**	3,923,280	(5.1)
Hengfeng Phase II	**3,389,340**	3,621,150	(6.4)
Hengfeng Power Plant	**3,333,460**	3,651,310	(8.7)
Yangzhou No. 2 Power Plant	**2,026,134** [4]	N/A	N/A
Total of associate power plants	**32,247,011**	30,836,420	4.6
Total of consolidated and associate power plants	**88,352,860**	63,388,794	39.4

Net generation

	2007 (MWh)	2006 (MWh)	Increase (Decrease) (%)
Consolidated power plants			
Changshu Power Plant	**10,704,727**	9,816,227	9.1
Fuyang Power Plant	**6,903,194**	1,980,021	N/A [1]
Shouyangshan Power Plant	**6,585,592**	1,954,551	N/A [1]
Liyujiang Phase II	**4,508,743**	4,501,777	0.2
Dengfeng Power Plant	**3,520,207**	3,492,649	0.8
Puqi Power Plant	**3,427,351**	3,937,377	(13.0)
Liyujiang B Power Plant	**3,229,161**	N/A	N/A
Gucheng Power Plant	**3,161,108**	286,806	N/A [1]
Jinzhou Power Plant	**2,941,350** [2]	N/A	N/A
Jiaozuo Thermal Power Plant	**1,595,398**	1,323,505	20.5
Tangshan Thermal II Power Plant	**1,271,980**	1,156,643	10.0
Xingning Power Plant	**1,294,353**	131,286	N/A [1]
Yixing Power Plant	**789,565**	772,585	2.2
Luoyang Power Plant	**709,717**	709,415	0.0
Beijing Thermal Power Plant	**737,046**	446,043	N/A [1]
Yunpeng Power Plant	**708,313**	N/A	N/A
Cangzhou Power Plant	**265,337**	N/A	N/A
Guangzhou Power Plant	**187,582**	N/A	N/A
Dannan Wind Power Plant	**59,155**	57,435	3.0
Huaxin Power Plant	**0** [3]	N/A	N/A
Total of consolidated power plants	**52,599,879**	30,566,320	72.1
Associate power plants			
Shajiao C Power Plant	**12,296,457**	12,184,886	0.9
Xuzhou Power Plant	**6,126,645**	6,169,358	(0.7)
Wenzhou Telluride Phase II	**3,483,723**	3,726,175	(6.5)
Hengfeng Phase II	**3,158,242**	3,408,630	(7.3)
Hengfeng Power Plant	**3,110,760**	3,457,060	(10.0)
Yangzhou No. 2 Power Plant	**1,926,737** [4]	N/A	N/A
Total of associate power plants	**30,102,564**	28,946,109	4.0
Total of consolidated and associate power plants	**82,702,443**	59,512,429	39.0

Utilisation hours

	2007 (hours)	2006 (hours)
Consolidated power plants		
Changshu Power Plant	5,806	5,317
Fuyang Power Plant	5,729	1,641 (5)
Shouyangshan Power Plant	5,850	1,738 (5)
Liyujiang Phase II	6,632	6,608
Dengfeng Power Plant	6,209	6,169
Puqi Power Plant	6,023	6,913
Liyujiang B Power Plant	2,677 (5)	N/A
Gucheng Power Plant	5,593	505 (5)
Jinzhou Power Plant	2,667 (2)	N/A
Jiaozuo Thermal Power Plant	6,322	5,297
Tangshan Thermal II Power Plant	7,112	6,475
Xingning Power Plant	5,260 (5)	1,059 (5)
Yixing Power Plant	7,166	7,016
Luoyang Power Plant	7,989	7,989
Beijing Thermal Power Plant	4,996	3,023 (5)
Yunpeng Power Plant	3,415 (5)	N/A
Cangzhou Power Plant	437 (5)	N/A
Guangzhou Power Plant	537 (5)	N/A
Dannan Wind Power Plant	2,542	2,463
Huaxin Power Plant	0 (3)	N/A
Associate power plants		
Shajiao C Power Plant	6,726	6,639
Xuzhou Power Plant	5,381	5,412
Wenzhou Telluride Phase II	6,205	6,539
Hengfeng Phase II	5,649	6,035
Hengfeng Power Plant	5,556	6,086
Yangzhou No. 2 Power Plant	1,688 (4)	N/A

Notes:

(1) These power plants commenced commercial operation during 2006. Comparison of increase in generation volume is not meaningful.

(2) The generation volume and utilisation hours of Jinzhou Power Plant represents data for the period from the date of completion of acquisition to 31 December 2007.

(3) The acquisition of Huaxin Power Plant was completed on 21 December 2007. No generation volume and utilisation hours were included in these tables.

(4) The generation volume and utilisation hours of Yangzhou No. 2 Power Plant represents data for the period from the date of completion of acquisition to 31 December 2007.

(5) These power plants commenced commercial operation during the reporting years and their respective utilisation hours are not annualised.

Control of fuel costs

Average unit fuel cost for our consolidated operating power plants in 2007 was RMB170.9/MWh, representing an increase of 2.3% compared to that in 2006. Average standard coal cost for our consolidated operating power plants in 2007 increased by 4.4% compared to that in 2006.

Environmental compliance

All of our projects have been conducted in full compliance with the requirements under PRC Environmental Protection Law and the regulations promulgated by the PRC government. For the year ended 31 December 2007, environmental fees paid by each of the operating power plants were in the range from RMB0.3 million to RMB16.0 million and the total amount of environmental fee paid by our subsidiary power plants was RMB101.4 million.

PROSPECTS FOR YEAR 2008

We will continue to identify and develop new projects in line with our development strategies and investment principles in our target markets. Apart from applying for the PRC government's approval to develop new power plants, we will also continue to explore acquisition opportunities in our target markets.

For operating power plants, we will continue to monitor utilisation levels in their respective areas and aim to maximise our dispatch volume and sales revenue.

OPERATING RESULTS

The audited results of operations for the year ended 31 December 2006 and 2007 are as follows:

Consolidated Income Statement
For the year ended 31 December 2007

	2007 HK$'000	2006 HK$'000
Turnover	16,830,488	9,740,371
Operating expenses		
Fuel	(9,301,548)	(5,132,756)
Repair and maintenance	(249,503)	(179,184)
Depreciation and amortisation	(1,706,495)	(985,742)
Others	(1,516,722)	(1,122,604)
Total operating expenses	(12,774,268)	(7,420,286)
Other income	243,202	232,564
Profit from operations	4,299,422	2,552,649
Finance costs	(1,029,315)	(541,148)
Share of results of associates	575,002	686,672
Discount on acquisition of a subsidiary	30,817	46,925
Profit before taxation	3,875,926	2,745,098
Taxation	(69,523)	(11,133)
Profit for the year	3,806,403	2,733,965
Attributable to:		
Equity holders of the Company	3,220,597	2,364,856
Minority interests	585,806	369,109
	3,806,403	2,733,965
Dividends paid	734,463	762,613
Dividends proposed	829,295	538,259
Earnings per share		
- basic	82.05 cents	61.99 cents
- diluted	77.89 cents	60.10 cents

Consolidated Balance Sheet
As at 31 December 2007

	2007 HK$'000	2006 HK$'000
Non-current assets		
Property, plant and equipment	**39,522,707**	27,341,499
Prepaid lease payments	**996,630**	361,840
Mining rights	**138,787**	—
Interests in associates	**5,847,422**	3,769,171
Goodwill	**2,319,555**	213,506
Investments in investee companies	**128,416**	108,186
Deposit paid for investment in an associate	**77,942**	77,942
Deposit paid for acquisition of property, plant and equipment	**365,342**	109,540
Amount due from an associate	**—**	432,173
Pledged bank deposits	**37,433**	37,337
Deferred taxation assets	**98,061**	5,398
Derivative financial instruments	**—**	87
	49,532,295	32,456,679
Current assets		
Inventories	**957,510**	499,176
Trade receivables, other receivables and prepayments	**5,140,101**	2,316,773
Amounts due from minority shareholders of subsidiaries	**10,890**	3,024
Amounts due from associates	**270,346**	13,848
Amounts due from group companies	**95**	73
Financial assets at fair value through profit or loss	**1,057**	—
Pledged bank deposits	**15,090**	1,666
Bank balances and cash	**7,887,134**	2,747,242
	14,282,223	5,581,802

	2007 HK$'000	2006 HK$'000
Current liabilities		
Trade payables, other payables and accruals	**8,375,842**	4,097,677
Consideration payable for acquisitions of subsidiaries	**484,740**	—
Amount due to an associate	**100**	—
Amounts due to group companies	**284,769**	100,293
Amounts due to minority shareholders of subsidiaries	**734,712**	92,723
Taxation payable	**39,225**	1,017
Bank and other borrowings - repayable within one year	**8,076,194**	3,993,946
	17,995,582	8,285,656
Net current liabilities	**(3,713,359)**	(2,703,854)
Total assets less current liabilities	**45,818,936**	29,752,825
Non-current liabilities		
Bank and other borrowing - repayable after one year	**18,596,138**	12,597,052
Derivative financial instruments	**102,180**	—
Deferred taxation liabilities	**63,061**	21,211
	18,761,379	12,618,263
	27,057,557	17,134,562
Capital and reserves		
Share capital	**4,140,317**	3,831,162
Share premium and reserves	**20,673,135**	11,453,697
	24,813,452	15,284,859
Minority interests	**2,244,105**	1,849,703
	27,057,557	17,134,562

Consolidated Cash Flow Statement
For the year ended 31 December 2007

	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**3,875,926**	2,745,098
Adjustments for:		
Amortisation of prepaid lease payments	**25,262**	17,016
Depreciation for property, plant and equipment	**1,681,233**	968,726
Recognition of share-based payments	**155,685**	113,230
Interest expense	**1,029,315**	541,148
Interest income	**(101,012)**	(145,860)
Discount on acquisition of a subsidiary	**(30,817)**	(46,925)
Share of results of associates	**(575,002)**	(686,672)
(Gain) loss on disposal of property, plant and equipment	**(148)**	32
Operating cash flows before movements in working capital	**6,060,442**	3,505,793
Increase in inventories	**(240,966)**	(151,535)
Increase in trade receivables, other receivables and prepayments	**(1,107,073)**	(329,929)
Decrease in amounts due from minority shareholders of subsidiaries	**—**	51,306
Decrease in amounts due from associates	**—**	1,686
(Increase) decrease in amounts due from group companies	**(22)**	9,645
Increase (decrease) in trade payables, other payables and accruals	**855,438**	(422,228)
Increase (decrease) in amount due to an associate	**100**	(188)
Increase in amounts due to group companies	**—**	3,865
Increase in amounts due to minority shareholders of subsidiaries	**—**	7,457
PRC Enterprise Income Tax paid	**(14,384)**	(1,886)
NET CASH FROM OPERATING ACTIVITIES	**5,553,535**	2,673,986

	2007 HK$'000	2006 HK$'000
INVESTING ACTIVITIES		
Dividends received from associates	1,044,299	997,290
Interest received	99,776	134,281
Increase in pledged bank deposits	(13,520)	(1,279)
Purchase and deposit paid for acquisition of property, plant and equipment and land use rights	(6,895,325)	(4,992,194)
Acquisition of additional interest in an associate	—	(37,495)
Loan advanced to a minority shareholder of a subsidiary	(8,639)	—
Loan advanced to associates	(341,318)	(279,695)
Capital contribution for investments in associates	(592,198)	(105,995)
Acquisition of an associate	(1,879,242)	(42,359)
Deposit paid for investment of an associate	—	(77,942)
Loan repayment from a minority shareholder of a subsidiary	864	78,975
Investments in investee companies	(20,230)	(88,258)
Acquisition of additional interest in a subsidiary	(577,105)	—
Acquisitions of subsidiaries	(1,836,086)	(579,825)
Proceeds from disposal of property, plant and equipment	2,028	825
NET CASH USED IN INVESTING ACTIVITIES	(11,016,696)	(4,993,671)
FINANCING ACTIVITIES		
New bank and other borrowings raised	17,741,040	8,246,507
Capital contribution from minority shareholders	362,898	171,543
Proceeds on issue of shares	5,079,186	60,224
Repayment of advances from minority shareholders of subsidiaries	(32,314)	—
Repayment of bank loans	(10,497,550)	(6,558,571)
Interest paid	(1,124,255)	(445,395)
Dividends paid	(734,463)	(762,613)
Dividends paid to minority shareholders of subsidiaries	(373,798)	(116,976)
Expenses paid in connection with issue of shares	(42,898)	—
NET CASH FROM FINANCING ACTIVITIES	10,377,846	594,719
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,914,685	(1,724,966)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	2,747,242	4,411,484
EFFECT ON FOREIGN EXCHANGE RATE CHANGE	225,207	60,724
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTING BANK BALANCES AND CASH	7,887,134	2,747,242

Overview

Net profit for the year ended 31 December 2007 amounted to HK$3,220.6 million, representing an increase of 36.2% from HK$2,364.9 million for 2006.

The increase in net profit is mainly attributable to the increase in the Group's operational attributable generation capacity from 8,003MW as at 31 December 2006 to 12,505MW as at 31 December 2007 and full year operation of power plants which were commissioned in 2006.

In particular, during the year,

- we acquired a total of 100% equity interest in Jinzhou Power Plant, a 45% equity interest in Yangzhou No. 2 Power Plant, a 67% equity interest in Huaxin Power Plant and a 71% equity interest in Xingning Power Plant;
- a number of power plants including Liyujinag B Power Plant, Cangzhou Power Plant, Yunpeng Power Plant, unit 2 of Xingning Power Plant, and Guangzhou Power Plant commenced commercial operation; and
- a number of power plants including Shouyangshan Power Plant, Gucheng Power Plant and Beijing Thermal Power Plant, which were commissioned during 2006, had their first full year of operation.

Principal accounting policies

The financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the financial statements include applicable disclosure required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

In the current year, the Group has applied, for the first time, a number of new standards, amendment of Hong Kong Accounting Standards and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning on 1 January 2007. The adoption of the new HKFRSs has no material impact on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior adjustment has been required.

Business segments

The Group is principally engaged in a single business segment, being the development, investment and operation of power plants in the PRC.

Geographical segments

Nearly all of the Group's assets and liabilities are located in the PRC and the operations for the year were substantially carried out in the PRC. Accordingly, no geographical segment information for the year is presented.

Turnover

Turnover represents the net amount received and receivable for electricity delivered, and to a limited extent, the amount received and receivable for heat delivered by thermal power plants, net of value-added tax, during the year. Turnover for the year ended 31 December 2007 was HK$16,830.5 million, representing a 72.8% increase from HK$9,740.4 million for the year ended 31 December 2006.

The significant increase in turnover was mainly due to commencement of commercial operation and acquisition of new subsidiary power plants in 2007 and full year operation of power plants which were commissioned during 2006.

Four power plants, including Liyujiang B Power Plant, Cangzhou Power Plant, Yunpeng Power Plant, and Guangzhou Power Plant, commenced commercial operation during the year. Power plants, namely Shouyangshan Power Plant, Gucheng Power Plant, and Beijing Thermal Power Plant, which commenced commercial operation in 2006, had their first full year of operation in 2007. In addition, we also acquired a total of 100% equity interest in Jinzhou Power Plant during 2007. These power plants are subsidiaries and their turnover were consolidated by the Group.

Operating expenses

Operating expenses mainly comprise fuel costs, repair and maintenance, depreciation and amortisation, and other administrative costs such as staff costs, office rent, professional fee, travelling expense and discharge fee. Operating expenses amounted to HK$12,774.3 million for the year ended 31 December 2007, representing a 72.2% increase from HK$7,420.3 million for the year ended 31 December 2006.

The increase in operating expenses was mainly due to commencement of commercial operation and acquisition of new subsidiary power plants in 2007 and full year operation of the power plants which were commissioned during 2006.

Fuel costs for the year ended 31 December 2007 amounted to approximately HK$9,301.5 million, representing an increase of 81.2% from HK$5,132.8 million for the year ended 31 December 2006. Fuel costs accounted for approximately 72.8% of the total operating expenses for the year ended 31 December 2007, compared to 69.2% for the year ended 31 December 2006.

Profit from operations

Profit from operations represents profit from subsidiaries before deduction of finance costs and minority interests. Profit from operations amounted to HK$4,299.4 million for the year ended 31 December 2007, representing a 68.4% increase from HK$2,552.6 million for the year ended 31 December 2006. The increase was mainly due to commencement of commercial operation and acquisition of new subsidiary power plants in 2007 and full year operation of the power plants which were commissioned during 2006.

Finance costs

Finance costs amounted to HK$1,029.3 million for the year ended 31 December 2007, representing a 90.2% increase from HK$541.1 million for the year ended 31 December 2006. The significant increase in finance costs is mainly due to commencement of commercial operation and acquisition of new subsidiary power plants in 2007 and full year operation of the power plants which were commissioned during 2006. The increase is also attributable to increases in lending rates for commercial loans provided by PRC commercial banks as the People's Bank of China announced six interest hikes in 2007. Interest expenses incurred during the construction of the power plants are capitalised and included as part of total construction costs of power plants.

	2007 HK$'000	2006 HK$'000
Interest on bank and other borrowings		
- repayable within five years	**363,247**	349,847
- not repayable within five years	**826,649**	429,369
	1,189,896	779,216
Less: Interest capitalised in property, plant and equipment	**(160,581)**	(238,068)
	1,029,315	541,148

Share of results of associates

Share of results of associates mainly represents our share of post-tax results of Shajiao C Power Plant, Xuzhou Power Plant, Wenzhou Telluride Phase II, Hengfeng Power Plant and Hengfeng Phase II.

Share of results of associates for the year ended 31 December 2007 amounted to HK$575.0 million, representing a 16.3% decrease or a decrease of HK$111.7 million from HK$686.7 million for the year ended 31 December 2006. The decrease is mainly due to the following reasons:

(1) a decrease of HK$93.3 million in our share of results of Shajiao C Power Plant from HK$313.8 million in 2006 to HK$220.5 million in 2007. This reflects that the effective share of net profit of Shajiao C Power Plant by Resources Shajiao C Investments Limited, our 90% owned subsidiary, decreased from 28% for the period from 1 July 1996 to 30 June 2006 to 16% for the period from 1 July 2006 to 30 June 2016;

(2) charge of deferred tax expenses for various associates of a total of HK$66.4 million, due to a change in tax rate announced by the PRC Government; and offset by

(3) an increase of HK$32.7 million in share of results of Yangzhou No. 2 Power Plant, as we acquired a 45% equity interest in the plant in 2007.

Taxation

Taxation charge for the year ended 31 December 2007 was HK$69.5 million, compared to HK$11.1 million for the year ended 31 December 2006.

Details of the taxation charge for the year ended 31 December 2006 and 2007 are set out below:

	2007 HK$'000	2006 HK$'000
The charge comprises:		
The Company and its subsidiaries		
Current tax:		
- PRC Enterprise Income Tax	32,870	2,842
Deferred taxation		
- current year	9,460	8,291
- attributable to a change in tax rate	27,193	—
	36,653	8,291
	69,523	11,133

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits in Hong Kong for the reporting years.

PRC Enterprise Income Tax has been calculated based on the estimated assessable profits in accordance with the relevant tax laws applicable to the subsidiaries in the PRC.

In 2007, most of the Company's PRC subsidiaries were exempted from PRC Enterprise Income Tax. Tax paid in 2007 mainly relates to our Dannan Wind Power Plant and Jinzhou Power Plant.

Profit for the year

	2007 HK$'000	2006 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration		
- Fees	**690**	615
- Other emoluments	**10,522**	12,296
- Pension costs	**199**	196
- Share option benefit expenses	**2,646**	5,274
	14,057	18,381
Other staff costs	**359,553**	283,099
Pension costs, excluding directors	**49,454**	56,370
Share option benefit expenses, excluding directors	**153,039**	107,956
Total staff costs	**576,103**	465,806
Less: Staff costs included in pre-operating expenses of subsidiaries	**(7,038)**	(9,959)
	569,065	455,847
Amortisation of prepaid lease payments	**25,262**	17,016
Auditors' remuneration	**4,934**	3,100
Depreciation of property, plant and equipment	**1,681,233**	968,726
Loss on disposal of property, plant and equipment	**—**	32
Minimum lease payments under operating leases in respect of:		
- land and buildings	**56,869**	54,838
- other assets	**654**	806
Write-off of pre-operating expenses of subsidiaries	**29,154**	71,817
and after crediting:		
Recognition of discount on acquisition of an associate (included in share of results of associates)	**—**	5,883
Gain on disposal of property, plant and equipment	**148**	—
Net exchange gain	**27,099**	23,822
Interest income	**101,012**	145,860
Expenses capitalised in construction in progress:		
Other staff costs	**17,075**	85,619
Pension costs	**223**	1,173
Depreciation	**1,278**	1,659

Profit for the year attributable to equity holders of the Company

As a result of the above, the Group's net profit increased from HK$2,364.9 million for 2006 to HK$3,220.6 million for the year ended 31 December 2007, representing a 36.2% increase year on year.

Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2007 HK$'000	2006 HK$'000
Profit attributable to equity holders of the Company	**3,220,597**	2,364,856

	Number of ordinary shares	
	2007	2006
Weighted average number of ordinary shares for the purposes of basic earnings per share	**3,924,997,504**	3,814,667,934
Effect of dilutive potential ordinary shares:		
- share options	**202,857,131**	120,489,057
- issuable consideration shares for acquisition of subsidiaries	**6,772,104**	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**4,134,626,739**	3,935,156,991

	2007 HK cents	2006 HK cents
Basic earnings per share	**82.05**	61.99
Diluted earnings per share	**77.89**	60.10

Final dividend and closure of register of members

The Board of Directors resolved to declare a final dividend of HK20 cents per share for the year ended 31 December 2007.

Subject to approval of shareholders at the forthcoming annual general meeting of the Company, the final dividend will be distributed to shareholders of the Company whose names appear on the register of members of the Company at the close of business on Friday, 30 May 2008. The register of members of the Company will be closed from Monday, 26 May 2008 to Friday, 30 May 2008 (both days inclusive), during which no share transfer will be registered. To qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 23 May 2008. The dividend will be payable on or about 10 June 2008.

Liquidity and capital resources

The bank balances, cash and pledged bank deposits as at 31 December 2007 denominated in local currency and foreign currencies amounted to HK$3,112 million, RMB4,131 million and US$54 million.

For the year ended 31 December 2007, the Group's primary sources of funding included loans provided by the PRC domestic commercial banks, net cash inflow from operating activities, net proceeds from issue of new shares and dividend received from associates, which amounted to HK$17,741 million, HK$5,554 million, HK$5,079 million and HK$1,044 million, respectively. The Group's funds were primarily used in repayment of short-term bank loans, purchase of property, plant and equipment for the construction of new power plants, acquisition of or investment in subsidiaries and associates, payment of interest and payment of dividend to shareholders, which amounted to HK$10,498 million, HK$6,895 million, HK$4,885 million, HK$1,124 million and HK$734 million, respectively.

Borrowings

The bank and other borrowings of the Group as at 31 December 2006 and 2007 were as follows:

	2007 HK$'000	2006 HK$'000
Secured bank loans	**5,281,536**	4,610,630
Unsecured bank loans	**16,201,990**	6,993,912
Other loans	**5,188,806**	4,986,456
	26,672,332	16,590,998

The maturity profile of the above loans is as follows:

	2007 HK$'000	2006 HK$'000
Within 1 year	**8,076,194**	3,993,946
More than 1 year, but not exceeding 2 years	**899,198**	633,487
More than 2 years, but not exceeding 5 years	**7,262,804**	2,273,635
More than 5 years	**10,434,136**	9,689,930
	26,672,332	16,590,998

The bank and other borrowings as at 31 December 2007 denominated in local currency and foreign currency amounted to HK$4,735 million, RMB20,507 million and US$5 million respectively.

During the year ended 31 December 2007, the Group repaid bank and other borrowings amounting to HK$10,498 million (2006: HK$6,559 million) and obtained new bank and other borrowings amounting to HK$17,741 million (2006: HK$8,247 million), proceeds of which were used for general working capital, repayment of bank borrowings due and for financing the acquisition of property, plant and equipment.

Key financial ratios of the Group

	2007	2006
Current ratio *(times)*	**0.79**	0.67
Quick ratio *(times)*	**0.74**	0.61
Net debt to equity *(%)*	**75.5**	90.3
EBITDA interest coverage *(times)*	**5.56**	5.48

Current ratio	=	balance of current assets at the end of the year / balance of current liabilities at the end of the year
Quick ratio	=	(balance of current assets at the end of the year - balance of inventories at the end of the year) / balance of current liabilities at the end of the year
Net debt to shareholders' equity	=	(balance of total bank and other borrowings at the end of the year - balance of bank balances, cash and pledged bank deposits at the end of the year) / balance of shareholders' equity at the end of the year
EBITDA interest coverage	=	(profit before taxation + interest expense + depreciation and amortisation) / interest expenditure (including capitalised interests)

Foreign exchange rate risk

We collect all of our revenue in Renminbi ("RMB") and most of our expenditures including expenditures incurred in the operation of power plants as well as capital expenditures are also denominated in RMB.

As at 31 December 2007, the Group had HK$3,112 million and US$54 million cash at bank, and HK$4,735 million and US$5 million bank borrowings on its balance sheet, the remaining assets and liabilities of the Group were mainly denominated in RMB.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2007.

Charge of assets

As at 31 December 2007, Telluride International Energy Limited Partnership, a wholly owned subsidiary of the Company, pledged its equity interest in Zhejiang Wenzhou Telluride Power Generating Company Limited ("Zhejiang Wenzhou") and a bank deposit amounting to HK$37,433,000 (2006: HK$37,337,000) to a bank as securities for the bank loans granted to Zhejiang Wenzhou of approximately HK$247,666,000 (2005: HK$307,748,000).

The bank deposits carried an annual average floating interest rate of 4.8%. The pledged bank deposits will be released upon the repayment of relevant bank borrowings. The fair values of bank deposits as at 31 December 2007 approximated to the corresponding carrying amounts.

As at 31 December 2007, bank loans were secured by the Group's land use rights, buildings with a carrying value of HK$94,757,000 (2006: HK$102,752,000) and HK$1,148,681,000 (2006: HK$582,139,000) respectively. In addition, bank loans were secured by the Group's power generating plant and equipment with a carrying value of HK$3,754,996,000 (2006: HK$3,141,567,000).

Legal liabilities

The Group is not involved in any material lawsuits, in which the Group is the named defendant.

Employees

As at 31 December 2007, the Company and its subsidiaries employed approximately 12,400 employees.

OPERATION STATISTICS BY POWER PLANTS

The tables below set out certain operation statistics of our power plants for the three years ended 31 December 2007:

Changshu Power Plant

	2007	2006	2005
Installed capacity at year end *(MW)*	**1,950**	1,950	1,300
Average utilisation hours	**5,806**	5,317	N/A
Gross generation *(MWh)*	**11,322,289**	10,368,325	5,853,265
Net generation *(MWh)*	**10,704,727**	9,816,227	5,568,971
Equivalent availability factor *(%)*	**100**	100	92
Net generation standard coal consumption rate *(grams/kWh)*	**311**	321	327

Fuyang Power Plant

	2007	2006	2005
Installed capacity at year end *(MW)*	**1,280**	1,280	N/A
Average utilisation hours	**5,729**	N/A	N/A
Gross generation *(MWh)*	**7,333,017**	2,100,752	N/A
Net generation *(MWh)*	**6,903,194**	1,980,021	N/A
Equivalent availability factor *(%)*	**100**	84	N/A
Net generation standard coal consumption rate *(grams/kWh)*	**320**	332	N/A

Shouyangshan Power Plant

	2007	2006	2005
Installed capacity at year end *(MW)*	**1,200**	1,200	N/A
Average utilisation hours	**5,850**	N/A	N/A
Gross generation *(MWh)*	**7,019,655**	2,085,817	N/A
Net generation *(MWh)*	**6,585,592**	1,954,551	N/A
Equivalent availability factor *(%)*	**100**	95	N/A
Net generation standard coal consumption rate *(grams/kWh)*	**325**	326	N/A

Liyujiang Phase II

	2007	2006	2005
Installed capacity at year end *(MW)*	**730**	730	600
Average utilisation hours	**6,632**	6,608	6,399
Gross generation *(MWh)*	**4,841,690**	4,823,830	3,839,190
Net generation *(MWh)*	**4,508,743**	4,501,777	3,610,275
Equivalent availability factor *(%)*	**93**	93	81
Net generation standard coal consumption rate *(grams/kWh)*	**358**	362	351

Dengfeng Power Plant

	2007	2006	2005
Installed capacity at year end *(MW)*	**600**	600	600
Average utilisation hours	**6,209**	6,169	6,039
Gross generation *(MWh)*	**3,725,142**	3,701,327	3,623,430
Net generation *(MWh)*	**3,520,207**	3,492,649	3,389,694
Equivalent availability factor *(%)*	**97**	96	92
Net generation standard coal consumption rate *(grams/kWh)*	**338**	339	360

Puqi Power Plant

	2007	2006	2005
Installed capacity at year end *(MW)*	**600**	600	600
Average utilisation hours	**6,023**	6,913	5,303
Gross generation *(MWh)*	**3,613,686**	4,147,888	3,181,650
Net generation *(MWh)*	**3,427,351**	3,937,377	3,028,690
Equivalent availability factor *(%)*	**98**	98	90
Net generation standard coal consumption rate *(grams/kWh)*	**346**	347	342

Liyujiang B Power Plant

	2007	2006	2005
Installed capacity at year end *(MW)*	**1,300**	N/A	N/A
Average utilisation hours	**N/A**	N/A	N/A
Gross generation *(MWh)*	**3,480,540**	N/A	N/A
Net generation *(MWh)*	**3,229,161**	N/A	N/A
Equivalent availability factor *(%)*	**90**	N/A	N/A
Net generation standard coal consumption rate *(grams/kWh)*	**348**	N/A	N/A

Gucheng Power Plant

	2007	2006	2005
Installed capacity at year end *(MW)*	**600**	600	N/A
Average utilisation hours	**5,593**	N/A	N/A
Gross generation *(MWh)*	**3,355,890**	302,874	N/A
Net generation *(MWh)*	**3,161,108**	286,806	N/A
Equivalent availability factor *(%)*	**100**	77	N/A
Net generation standard coal consumption rate *(grams/kWh)*	**341**	338	N/A

Jinzhou Power Plant

	2007	2006	2005
Installed capacity at year end *(MW)*	**1,200**	N/A	N/A
Average utilisation hours	**N/A**	N/A	N/A
Gross generation *(MWh)*	**3,200,160**	N/A	N/A
Net generation *(MWh)*	**2,941,350**	N/A	N/A
Equivalent availability factor *(%)*	**94**	N/A	N/A
Net generation standard coal consumption rate *(grams/kWh)*	**377**	N/A	N/A

Jiaozuo Thermal Power Plant

	2007	2006	2005
Installed capacity at year end *(MW)*	**270**	270	270
Average utilisation hours	**6,322**	5,297	N/A
Gross generation *(MWh)*	**1,707,031**	1,430,298	1,094,521
Net generation *(MWh)*	**1,595,398**	1,323,505	991,958
Equivalent availability factor *(%)*	**94**	91	99
Net generation standard coal consumption rate *(grams/kWh)*	**367**	376	407

Tangshan Thermal II Power Plant

	2007	2006	2005
Installed capacity at year end *(MW)*	**200**	200	200
Average utilisation hours	**7,112**	6,475	N/A
Gross generation *(MWh)*	**1,422,351**	1,294,967	852,223
Net generation *(MWh)*	**1,271,980**	1,156,643	772,335
Equivalent availability factor *(%)*	**88**	87	89
Net generation standard coal consumption rate *(grams/kWh)*	**367**	365	389

Xingning Power Plant

	2007	2006	2005
Installed capacity at year end *(MW)*	**270**	135	N/A
Average utilisation hours	**N/A**	N/A	N/A
Gross generation *(MWh)*	**1,420,138**	142,929	N/A
Net generation *(MWh)*	**1,294,353**	131,286	N/A
Equivalent availability factor *(%)*	**91**	68	N/A
Net generation standard coal consumption rate *(grams/kWh)*	**421**	424	N/A

Yixing Power Plant

	2007	2006	2005
Installed capacity at year end *(MW)*	**120**	120	120
Average utilisation hours	**7,166**	7,016	N/A
Gross generation *(MWh)*	**859,973**	841,873	754,630
Net generation *(MWh)*	**789,565**	772,585	686,231
Equivalent availability factor *(%)*	**97**	95	92
Net generation standard coal consumption rate *(grams/kWh)*	**401**	412	420

Luoyang Power Plant

	2007	2006	2005
Installed capacity at year end *(MW)*	**100**	100	100
Average utilisation hours	**7,989**	7,989	7,969
Gross generation *(MWh)*	**798,910**	798,883	796,860
Net generation *(MWh)*	**709,717**	709,415	712,183
Equivalent availability factor *(%)*	**96**	97	93
Net generation standard coal consumption rate *(grams/kWh)*	**422**	420	439

Beijing Thermal Power Plant

	2007	2006	2005
Installed capacity at year end *(MW)*	**150**	150	N/A
Average utilisation hours	**4,996**	N/A	N/A
Gross generation *(MWh)*	**749,470**	453,506	N/A
Net generation *(MWh)*	**737,046**	446,043	N/A
Equivalent availability factor *(%)*	**80**	66	N/A
Net generation standard gas consumption rate *(Nm^3/MWh)*	**220**	240	N/A

Yunpeng Power Plant

	2007	2006	2005
Installed capacity at year end *(MW)*	**210**	N/A	N/A
Average utilisation hours	**N/A**	N/A	N/A
Gross generation *(MWh)*	**717,248**	N/A	N/A
Net generation *(MWh)*	**708,313**	N/A	N/A
Equivalent availability factor *(%)*	**96**	N/A	N/A

Cangzhou Power Plant

	2007	2006	2005
Installed capacity at year end *(MW)*	**650**	N/A	N/A
Average utilisation hours	**N/A**	N/A	N/A
Gross generation *(MWh)*	**284,234**	N/A	N/A
Net generation *(MWh)*	**265,337**	N/A	N/A
Equivalent availability factor *(%)*	**74**	N/A	N/A
Net generation standard coal consumption rate *(grams/kWh)*	**361**	N/A	N/A

Guangzhou Power Plant

	2007	2006	2005
Installed capacity at year end *(MW)*	**360**	N/A	N/A
Average utilisation hours	**N/A**	N/A	N/A
Gross generation *(MWh)*	**193,424**	N/A	N/A
Net generation *(MWh)*	**187,582**	N/A	N/A
Equivalent availability factor *(%)*	**98**	N/A	N/A
Net generation standard gas consumption rate *(Nm^3/MWh)*	**195**	N/A	N/A

Dannan Wind Power Plant

	2007	2006	2005
Installed capacity at year end *(MW)*	**24**	24	N/A
Average utilisation hours	**2,542**	2,463	N/A
Gross generation *(MWh)*	**61,001**	59,105	N/A
Net generation *(MWh)*	**59,155**	57,435	N/A

Shajiao C Power Plant

	2007	2006	2005
Installed capacity at year end *(MW)*	**1,980**	1,980	1,980
Average utilisation hours	**6,726**	6,639	6,962
Gross generation *(MWh)*	**13,317,323**	13,145,697	13,784,034
Net generation *(MWh)*	**12,296,457**	12,184,886	12,876,107
Equivalent availability factor *(%)*	**95**	89	97
Net generation standard coal consumption rate *(grams/kWh)*	**329**	328	322

Xuzhou Power Plant

	2007	2006	2005
Installed capacity at year end *(MW)*	**1,200**	1,200	1,200
Average utilisation hours	**5,381**	5,412	6,113
Gross generation *(MWh)*	**6,457,670**	6,494,983	7,336,039
Net generation *(MWh)*	**6,126,645**	6,169,358	6,967,120
Equivalent availability factor *(%)*	**100**	95	96
Net generation standard coal consumption rate *(grams/kWh)*	**342**	345	349

Wenzhou Telluride Phase II

	2007	2006	2005
Installed capacity at year end *(MW)*	**600**	600	600
Average utilisation hours	**6,205**	6,539	7,379
Gross generation *(MWh)*	**3,723,084**	3,923,280	4,427,520
Net generation *(MWh)*	**3,483,723**	3,726,175	4,225,307
Equivalent availability factor *(%)*	**94**	89	96
Net generation standard coal consumption rate *(grams/kWh)*	**336**	329	329

Hengfeng Phase II

	2007	2006	2005
Installed capacity at year end *(MW)*	**600**	600	600
Average utilisation hours	**5,649**	6,035	N/A
Gross generation *(MWh)*	**3,389,340**	3,621,150	3,402,318
Net generation *(MWh)*	**3,158,242**	3,408,630	3,191,855
Equivalent availability factor *(%)*	**92**	86	90
Net generation standard coal consumption rate *(grams/kWh)*	**340**	343	342

Hengfeng Power Plant

	2007	2006	2005
Installed capacity at year end *(MW)*	**600**	600	600
Average utilisation hours	**5,556**	6,086	6,353
Gross generation *(MWh)*	**3,333,460**	3,651,310	3,811,931
Net generation *(MWh)*	**3,110,760**	3,457,060	3,612,597
Equivalent availability factor *(%)*	**93**	93	96
Net generation standard coal consumption rate *(grams/kWh)*	**346**	341	342

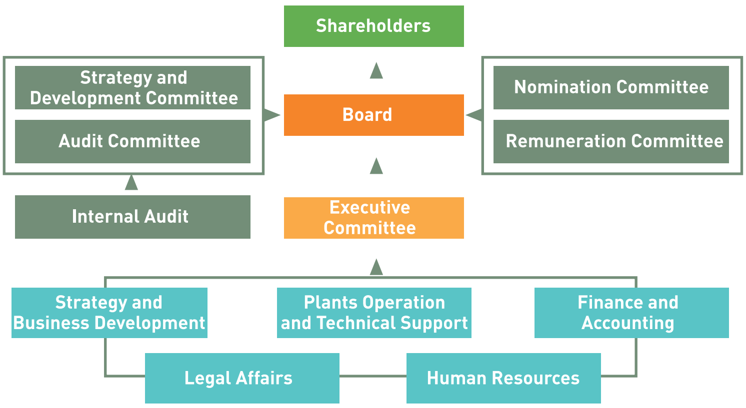
Yangzhou No. 2 Power Plant

	2007	2006	2005
Installed capacity at year end *(MW)*	**1,200**	N/A	N/A
Average utilisation hours	**N/A**	N/A	N/A
Gross generation *(MWh)*	**2,026,134**	N/A	N/A
Net generation *(MWh)*	**1,926,737**	N/A	N/A
Equivalent availability factor *(%)*	**100**	N/A	N/A
Net generation standard coal consumption rate *(grams/kWh)*	**321**	N/A	N/A

Corporate Governance Report

CR Power regards corporate governance as a part of value creation, and has been committed to improving the overall standard of corporate governance with reference to international corporate governance practices. The Board acknowledges its responsibilities in establishing and maintaining a good corporate governance structure and complying with the best corporate governance practices in order to continuously improve its accountability and transparency, to be fair to each shareholder and create value for all shareholders.

CORPORATE GOVERNANCE STRUCTURE



In 2007, CR Power applied the principles and complied with all of the provisions as well as most of the recommended best practices of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") promulgated by The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The following summarizes CR Power's corporate governance practices and explains deviations, if any, from the Code.

A. Directors

A.1 The Board

Principle

The Board should assume responsibility for leadership and control of the Company and be collectively responsible for promoting its success by directing and supervising the Company's affairs. Directors should make decisions objectively in the interests of the Company.

The Board is responsible for the Company's corporate governance, and is ultimately accountable for the Company's activities, strategies and financial performance.

The responsibilities of the Board include the following:

1) determine the strategies, objectives, policies, and business plans of the Company and supervise the execution of the Company's strategies;

2) supervise and control the operating and financial performance of the Company, and set appropriate risk control policies and procedures to ensure that the strategic objectives of the Company are fully implemented;

3) monitor the performance of the senior management and set appropriate remuneration of senior members of management; and

4) perfect the corporate governance structure in order to enhance communication with shareholders.

The Company has in place internal guidelines setting forth matters that require the Board's approval. Under the guidelines, investment in new power plants, expansion of existing power plants, acquisition of power plants and related business and assets, and borrowings (such as commitment to syndicated loans) require the approval of the Board.

The Board is supported by four committees. Each committee has its own responsibilities, power and functions. The chairmen of respective Committees report to the Board regularly and make recommendations on matters discussed when appropriate.

The directors' attendances at the meetings of the Board and Board Committees held in the period under review are as shown below:

Number of meetings attended / Director	Board	Board Committees: Strategy and Development	Audit	Remuneration	Nomination
Song Lin	1			1	
Wang Shuai Ting	8	1			2
Tang Cheng	6	1			
Zhang Shen Wen	6	1	1		
Wang Xiao Bin[1]	8	1	3		1
Jiang Wei					
Chen Xiao Ying[2]					
Anthony H. Adams	5	1	3	1	2
Wu Jing Ru	7	1	3		2
Chen Ji Min	4	1	3		
Ma Chiu-Cheung, Andrew	7	1	3	1	
Number of meetings held	8	1	3	1	2

Note 1: Ms. Wang Xiao Bin was appointed as a member of the Strategy and Development Committee of the Board on 20 July 2007.

Note 2: Ms. Chen Xiao Ying was appointed as a non-executive director of the Company on 21 August 2007.

In accordance with the recommended best practices, the Company has arranged insurance cover in respect of legal action against its directors.

The Company has complied with the above principle, code provisions A.1.1 to A.1.8 and all recommended best practices.

A.2 Chairman and Chief Executive Officer

Principle

The operation and management of the Board and the day-to-day management of the Company's business should be clearly divided at the Board level to ensure that there is a balance of power and authority and that power will not be concentrated in any one individual.

The roles of Chairman and Chief Executive Officer of the Company are performed by different individuals and the division of responsibilities between the Chairman and the Chief Executive Officer has been clearly established and set out in writing.

The Chairman of the Board of the Company is Mr. Song Lin, who is responsible for providing leadership for the Board. His duties are mainly to ensure the effective operation of the Board, and also to ensure the establishment of and compliance with the corporate governance practices and procedures. The Chairman is also responsible for ensuring that appropriate procedures are adopted to guarantee effective communications with shareholders, and that the shareholders' opinions are circulated among all Board members.

The Chief Executive Officer of the Company is Mr. Wang Shuai Ting, who is responsible for managing the Company's business and coordinating overall business operations, implementing major strategies approved by the Board and making day-to-day operation decisions.

None of the members of the Board has any connections (including financial, business, family relationship and other material/related relationships) with each other (including between the Chairman and the Chief Executive Officer).

The Company has complied with the above principles, code provisions A.2.1 to A.2.3 and all recommended best practices except A.2.7.

A.3 Composition of the Board

Principle

The Board should have a balance of skills and experience appropriate for the requirements of the business of the Company. A balanced composition of executive directors and non-executive directors helps ensure the independence of the Board and enables it to make independent judgments effectively.

The Board currently consists of 11 directors, 5 of whom are executive directors, 2 are non-executive directors and 4 are independent non-executive directors. The number of independent non-executive directors has met the requirement of Rule 3.10 of the Listing Rules.

Set out below are details of the composition of the Board and the Committees:

Director	Board Role	Committee Membership			
		Strategy and Development	Audit	Nomination	Remuneration
Song Lin	E, Chairman				Chairman
Wang Shuai Ting	E	Chairman		Chairman	
Tang Cheng	E	√			
Zhang Shen Wen	E	√			
Wang Xiao Bin	E	√			
Jiang Wei	NE				
Chen Xiao Ying	NE				
Ma Chiu-Cheung, Andrew	ID		Chairman		√
Anthony H. Adams	ID		√	√	√
Wu Jing Ru	ID	√	√	√	
Chen Ji Min	ID	√	√		

Note:

E : Executive Director

NE : Non-executive Director

ID : Independent Non-executive Director

The Company posts the names and biographical details of the Board members on its website (www.cr-power.com), in which whether they are independent non-executive directors are noted.

Each member of the Board has different background and professional abilities. Each of them is well-experienced in his/her respective area such as development, construction, operation as well as management of power plants, capital markets and financial management. Mr. Ma Chiu-Cheung, Andrew, is the independent non-executive director with appropriate professional qualifications as required under Listing Rules and is appointed to head the Audit Committee, which comprises only independent non-executive directors. Brief biographies of Board members are disclosed on page 18 to page 21 of this Annual Report.

The Company has complied with the above principles, code provision A.3.1 and all recommended best practices.

A.4 Appointments, re-election and deposition of Board members

Principle

There should be a formal, considered and transparent procedure for the appointment of new directors to the Board. There should be plans in place for orderly succession for appointments to the Board. All directors should be subject to re-election at regular intervals.

The Company has established a nomination committee with specific written terms of reference. The Nomination Committee is mainly composed of independent non-executive directors. Currently, the Nomination Committee comprises three directors, namely Mr. Wang Shuai Ting as the Chairman, and Mr. Anthony H. Adams and Mr. Wu Jing Ru as members.

The main role of the Nomination Committee is to assure the process of appointments and re-election of the Board members are transparent and to assess effectiveness of the Board as a whole and the contribution of individual directors to the effectiveness of the Board.

The responsibilities of the Nomination committee (as set out in the Company's website: www.cr-power.com) are as follows:

1) to regularly review the structure, size and composition (including skills, knowledge and experience) of the Board and make recommendations to the Board in relation to any proposed changes;

2) to identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3) to evaluate the independence of independent non-executive directors; and

4) to evaluate the performance of directors and make recommendations to the Board in respect of the appointment or re-appointment of directors and succession planning for directors in particular the Chairman and CEO.

The Chairman of the Committee reports the findings and recommendations of the Committee to the Board after each meeting.

In accordance with Article 120 of the Company's Articles of Association, one-third of the directors, including executive directors, non-executive directors as well as independent non-executive directors, retire by rotation and being eligible, offer themselves for re-election in the forthcoming annual general meeting of the Company, provided that every director of the Company shall be subject to retirement by rotation at least every three years.

During 2007, the Nomination Committee held two meetings to evaluate the effectiveness of the Board as a whole and to nominate Ms. Wang Xiao Bin to be a member of the Strategy and Development Committee of the Board, and to nominate Ms. Chen Xiao Ying to be a non-executive director.

Ms. Wang Xiao Bin has been appointed as a member of the Strategy and Development Committee of the Board with effect from 20 July 2007.

Ms. Chen Xiao Ying has been appointed as a non-executive director of the Company with effect from 21 August 2007. Ms. Chen has entered into a 3-year term service contract with the Company. Pursuant to the Articles of Association of the Company, Ms. Chen will hold office until the next annual general meeting of the Company and will then be eligible for re-election.

The Company has complied with the above principles, code provisions A.4.1 to A.4.2 and all recommended best practices.

A.5 Responsibilities of Directors

Principle

Every director is required to keep abreast of his/her responsibilities as a director of the Company and of the conduct, business activities and development of the Company. Non-executive directors have the same duties of care and skill, and fiduciary duties as executive directors.

Every newly appointed director of the Company receives a comprehensive, formal and tailored induction on the first occasion of his/her appointment in order to ensure that he/she has a proper understanding of the operations and business of the Company and that he/she is fully aware of his/her responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements.

Having made specific enquiry about all directors, the Company confirmed that all directors have complied with their obligations regarding dealings in securities under the Model Code set out in Appendix 10 of the Listing Rules.

The Company has established written guidelines for senior management in respect of their dealings in the securities of the Company for their strict compliance. The Company issued notices to all directors and senior management and relevant employees reminding them to comply with such one month prior to the results announcement.

The Company encourages directors to participate in continuous professional development seminars and courses and will fund such programmes. The non-executive directors are invited to attend plant visits and attend general meetings and develop a good understanding of our business and a balanced understanding of the views of our shareholders.

The Company has complied with the above principles, code provisions A.5.1 to A.5.4 and all recommended best practices.

A.6 Supply of and access to information

Principle

Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities.

In respect of regular board meetings and committee meetings, the Company's policy is to provide a 14-day notice prior to the meeting setting out the intended agenda. As much as practicable, an agenda and accompanying board papers are delivered in full to all Directors at least three days before the intended date of a board or board committee meeting.

All directors are entitled to have access to board papers and related materials. To enable directors to make decisions based upon the related data on hand, the Company's team is required to provide complete and reliable information and provide briefing to the Board in respect of the matters and issues under consideration.

The Company keeps the Board members informed of the latest developments of the Company in a timely manner. In addition to regular board meetings, the Company also provides the Board members with reports in relation to news releases, investor relations activities and share price performance on a monthly basis.

The Company has set out an internal guideline to enable directors to seek independent professional advice in appropriate circumstances at the Company's expense.

The Company has complied with the above principle and code provisions A.6.1 to A.6.3.

B. Remuneration of Directors and Senior Management

Principle

The Issuer should disclose its directors' remuneration policy and information on other remuneration related matters. There should be a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration packages for all directors. No director should be involved in deciding his/her own remuneration.

The Company has established a remuneration committee, comprising Mr. Song Lin, the Chairman of the Board and two independent non-executive directors, namely Mr. Ma Chiu-Cheung, Andrew and Mr. Anthony H. Adams. Mr. Song Lin is the Chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee (as set out in the Company's website:www.cr-power.com) are as follows:

1) to make recommendations to the Board on the Company's policy and structure for remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing the policy on such remuneration;

2) to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors;

3) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

4) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company; and

5) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.

The Remuneration Committee held one meeting in 2007.

The total remuneration of executive directors and senior management comprises three key components, namely basic salary, annual bonus and share options. The Company's policy is to determine executive directors' and senior managers' bonus based on the Company's and individual's performance for the year. The Company has also set up share option schemes to retain the best available personnel, to provide long-term incentive to employees and to ensure the interests of the executive directors, senior managers and staff are aligned with those of the shareholders. Please refer to note 10 under the section "Notes to the Financial Statements" in this Annual Report on pages 106 to 107 for details on directors' remuneration.

The Company has complied with the above principle, code provisions B.1.1 to B.1.5 and all recommended best practices.

C. Accountability and Audit

C.1 Financial reporting

Principle

The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.

The directors acknowledge that they are responsible for overseeing the preparation of financial statements of each financial period, which gives a true and fair view of the operating results and financial conditions of the Company.

In preparing the accounts for the year ended 31 December 2007, the directors have:

a. selected appropriate accounting policies and applied them consistently;

b. made judgments and estimates that are prudent and reasonable, and have prepared accounts on a going concern basis.

The Company has complied with the above principle and code provisions C.1.1 to C.1.3. Currently, the Company has not decided to announce and publish the quarterly result and has not complied with all recommended best practices.

C.2 Internal controls

Principle

The Board should ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investment and the Company's assets.

The Company's target is to establish an efficient and effective internal control system which comprises the following five components: control environment, risk assessment, control activities, information and communication and monitoring.

The Company believes that the control environment sets the tone of an organization and provides a foundation of all other components of internal control. It includes integrity, business ethics, management's philosophy and operating style, the way management assigns authority and responsibility, and attention and direction provided by the Board, all of which form and create a control environment.

The Company emphasizes on professional integrity and high business ethics. It creates handbooks and manuals for management and staff, explaining our fundamental value and corporate culture, which is based on honesty and integrity and focuses on value creation.

The Company and its subsidiaries provide regular training to its management and staff. The training sessions not only cover the technical and operational aspects of our businesses, but also on business ethics and corporate value.

The Company has created a Code for Managers that sets out the respective responsibilities, rights and reporting procedures of the management team, mainly the general managers, deputy general managers and chief financial officers of our power plants.

The Company has also laid out an evaluation and remuneration policy which encourages our management team to focus on return and value creation for shareholders.

The Company has an internal audit department that is independent of the activities it audits. The internal auditors report to the Chairman of the Audit Committee and administratively to the Chief Executive Officer. The internal auditors have unrestricted access and authority to review the information on the business and internal control matters of the Company. The internal auditors can employ outside resources when necessary.

The responsibilities of the internal auditors include but not limited to the following:

1) to review adequacy and effectiveness of internal systems and controls;

2) to check compliance with the Company's policies and procedures, appropriate laws and good business practices; and

3) to ensure economical and efficient use of the Company's resources.

The directors have annually reviewed the effectiveness of the system of internal controls (including financial, operational and compliance controls and risk management functions) of the Company and its subsidiaries. The directors believe that in order to manage the risk of failure in achieving the Company's goals and objectives to an ultimate extent, the Company should improve continuously its internal control system.

During 2007, the internal audit department completed the internal audit and the follow-up audits on a number of power plants, representative offices of the Company and some newly acquired power projects, and presented their findings and recommendations to the Audit Committee and the Board.

The Company has complied with the above principles, code provision C.2.1 and all recommended best practices.

C.3 Audit Committee

Principle

The Board should establish formal and transparent arrangements for considering how it applies the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors. Audit Committee established by the Company pursuant to the Listing Rules should have clear terms of reference.

The Company's Audit Committee only comprises independent non-executive directors, namely Mr. Ma Chiu-Cheung, Andrew, Mr. Anthony H. Adams, Mr. Wu Jing Ru and Mr. Chen Ji Min as members. Mr. Ma Chiu-Cheung is the Chairman of the Committee. Mr. Ma Chiu-Cheung is a Certified Public Accountant in Hong Kong, and a fellow member of the Institute of Chartered Accountants in England & Wales, Hong Kong Institute of Certified Public Accountants, The Taxation Institute of Hong Kong and The Hong Kong Institute of Directors.

The terms of reference of the Audit Committee (as set out in the Company's website:www.cr-power.com) are as follows:

1) primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

2) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

3) to develop and implement policies on the engagement of an external auditor to supply non-audit services. The Audit Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps may be taken;

4) to monitor integrity of financial statements, accounts, annual reports and interim reports of the Company and to review significant financial reporting judgments contained in them, including:

    a) any changes in accounting policies and practices;

    b) major judgment areas;

    c) significant adjustments resulting from audit;

    d) the going concern assumptions and any qualifications;

    e) compliance with accounting standards; and

    f) compliance with the Listing Rules and other legal requirements in relation to financial reporting.

5) to review the Company's financial controls, internal control and risk management systems;

6) to discuss with the management the system of internal control and ensure that the management has discharged its duty to have an effective internal control system;

7) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

8) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company; and

9) to review and monitor the effectiveness of the internal audit function.

The Audit Committee held three meetings in 2007. External and internal auditors, representatives of the executive directors as well as senior management were invited to attend the Audit Committee meetings.

There was no disagreement between the Board and Audit Committee on the selection and appointment of the internal and external auditors.

During 2007, the fees paid to the Company's external auditor amounted to HK$6,193,809, of which fees paid for non-audit related services amounted to HK$1,259,809. Non-audit related services mainly include financial due diligence work carried out in connection with acquisitions of certain business and assets, and review of interim report.

The Company has complied with the above principles, code provisions C.3.1 to C.3.6 and all recommended best practices.

D. Delegation by the Board

Principle

The Company should have a formal schedule of matters specifically reserved to the Board for its decision. The Board should give clear directions to management as to the matters that must be approved by the Board before decisions are made on behalf of the Company. There should be specified written terms of reference for the Board Committees and the authority and duties of the Committees should be expressly stated.

The Board is mainly responsible for formulating and approving the business strategies, objectives, policies and plans of the Company, and monitoring the execution of the Company's strategies. It is also responsible for overseeing the operating and financial performance of the Company and establishing appropriate risk control policies and procedures in order to ensure that the strategic objectives of the Company are materialized. In addition, the Board is also responsible for improving the corporate governance structure and enhancing communications with shareholders.

The Board has delegated the responsibilities of the execution of strategies and decision-making for day-to-day operation of the Company to the management team headed by the Chief Executive Officer.

The management reports regularly to the Board on the operating and financial performance of the Company. Development, expansion and acquisition of power plants and other major capital expenditure and commitment, as well as major financing decisions are all to be reviewed and approved by the Board.

The Company has also established written terms of reference for the four committees (namely, audit, nomination, remuneration and strategy and development) of the Board. Details on the duties of the Board Committees have been set out in the Company's website (www.cr-power.com).

The Company has complied with the above principles, code provisions D.1.1 to D.1.2 and code provisions D.2.1 to D.2.2.

E. Communication with shareholders

Principle

The Board should endeavor to maintain an on-going dialogue with shareholders and in particular, use annual general meetings to communicate with shareholders and encourage their participation. The Company should regularly inform shareholders of the poll voting procedures and ensure compliance with the poll voting requirements of the Listing Rules and the Articles of Association of the Issuer.

The Company and its Board and management highly value the opinions and requirements of our shareholders. The Company communicates with shareholders through various channels including publication of interim and annual reports, press releases and announcements of the latest developments of the Company on its corporate website in a timely manner. Shareholders may choose to receive the latest information released by the Company electronically.

The Company regards the annual general meeting as an important opportunity for communication with shareholders. The Chairman of the Board and the Chairmen of different Committees would attend the meeting as far as possible and respond to the enquiry of shareholders. The Vice Chairman of the Board and the Chief Executive Officer Mr. Wang Shuai Ting, executive director and the Chief Financial Officer Ms. Wang Xiao Bin, and independent non-executive director Anthony H. Adams attended the annual general meeting held on 30 May 2007. Mr. Wang Shuai Ting, Ms. Wang Xiao Bin and the Chairman of Audit Committee Mr. Ma Chiu-Cheng, Andrew joined the extraordinary general meeting held on 21 December 2007.

Apart from proposing resolutions on each substantially separate issue, including the election of individual directors, and provision of voting rights to independent shareholders for the acquisition of 67% equity interest in Xuzhou Huaxin Power Plant originally held by China Resources National Corporation at the annual general meeting and extraordinary general meeting respectively, the Board and our management always take these meetings as the precious opportunities to communicate with shareholders whom participate in the meetings by answering their queries towards the business environment of the China power sector and the business operation of our Company.

Details of the poll voting procedures and the rights of shareholders to demand a poll are included in the circular to shareholders dispatched together with the annual report. Details of the proposed resolutions are also set out in the circular.

The Company also enhances communication with shareholders through various investor relations activities. The principal investor relations activities of the Company in 2007 are set out on page 64 of this Annual Report.

The Company has complied with the above principles, code provisions E.1.1 to E.1.2 and code provisions E.2.1 to E.2.3.

Major Investor Relations Activities

We pay close attention to investor relations activities and believe that maintaining effective communications with our shareholders in a timely manner will enable us to create value. During the meetings with investors, we explain not only the situation and development trend of the Chinese power industry, development strategies and business prospects of our Company, we also place great emphasis on listening to investors' feedback so as to improve our management and create greater value.

In 2007, our management team actively participated in a number of major investment forums and participated in a series of investor conferences organised by the major international security brokers. In addition, we also conducted road shows in Hong Kong, Singapore, and main financial centres in the US and Europe after the announcements of our interim and final results. In September 2007, we conducted roadshows in major financial cities in mainland China for the first time and met a number of domestic institutional investors. These investor relations activities have received favourable feedback from domestic institutional investors and we aim to continue to expand our shareholders base.

In order to enhance the understandings of investors towards our power plant operations and our front-line plant managers, we arrange visits to power plants for fund managers upon request. In September 2007, we organised a cocktail reception for analysts and fund managers for the second time and invited our front-line plant managers to meet with investors directly. These direct communication opportunities enabled our investors to better understand the operations of our power plants whilst our plant managers were able to get a better understanding of capital markets' expectations, which helped to improve our internal management and thus enhance profitability.

During the year, there were more than 100 requests for company visits and teleconferences from different investors, together with the investor conferences and road shows organised by various security brokers, we had met more than 300 fund managers and analysts. The level of investor relations activities during the year reflected the level of interests from capital markets in obtaining more information and knowing more about CR Power.

In 2007, CR Power was nominated by Platts as one of the top 250 global energy enterprises. We ranked the 18th in the independent power generation and electric energy trading industry sector worldwide; we were ranked the 4th fastest growing energy enterprise in the world and the fastest growing energy company in Asia. The Institute of Industrial Economics of Chinese Academy of Social Sciences ("IIE-CASS") and China Business Press ("CBP") jointly published the 2007 enterprise competitiveness evaluation report and awarded CR Power as the "most competitive company listed in Hong Kong in 2007" and ranked our company the first in the Chinese Hong Kong listed companies evaluation.

We also provide shareholders and potential investors with a channel to obtain the latest information of the Company and have their queries answered in a timely manner. We announce our net generation volume to analysts and media on a monthly basis; we also issue press releases to inform the markets of the commencement of new generation units and our latest investments and acquisitions in a timely manner; all of the information was also available on our website simultaneously. There is a question and answer (Q&A) session established for shareholders and members of the communities on the website and we aim to provide replies as soon as possible.

Report of the Directors

The directors (the "Directors") of China Resources Power Holdings Company Limited (the "Company") have the pleasure in presenting to the shareholders their report together with the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Group is to invest, develop, operate and manage large coal-fired power plants in the more affluent regions in China. Particulars of the Company's principal subsidiaries and associates are set out in notes 17 and 18 to the financial statements, respectively.

GROUP PROFIT

The consolidated income statement is set out on page 80 and shows the Group's profit for the year ended 31 December 2007. A discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the Management's Discussion and Analysis on pages 23 to 50 of this Annual Report.

DIVIDENDS

An interim dividend of HK5 cents per share was paid on 2 October 2007.

The Board of Directors resolved to recommend the payment of a final dividend of HK20 cents per share for the year ended 31 December 2007 to shareholders whose names appear on the Register of Members of the Company on 30 May 2008. The proposed dividend will be paid on or about 10 June 2008 following approval at the Annual General Meeting.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment of the Group and the Company during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 36 to the financial statements. There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares (the "Shares") during the year.

RESERVES

Distributable reserves of the Company amounted to HK$7,952.7 million as at 31 December 2007 (2006: HK$3,777.9 million). Movement in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 84 of this Annual Report and note 38 to the financial statements, respectively.

BANK LOANS AND OTHER BORROWINGS

The total borrowings of the Group as at 31 December 2007 amounted to HK$26,672.3 million (2006: HK$16,591.0 million). Particulars of borrowings are set out in note 34 to the financial statements.

DIRECTORS

The Directors who held office during the year and as at the date of this Annual Report are as follows:

Executive Directors:

Mr. Song Lin	(Chairman)
Mr. Wang Shuai Ting	(Vice Chairman and Chief Executive Officer)
Mr. Tang Cheng	
Mr. Zhang Shen Wen	
Ms. Wang Xiao Bin	

Non-Executive Directors:

Mr. Jiang Wei	
Ms. Chen Xiao Ying	(appointed on 21 August 2007)

Independent Non-Executive Directors:

Mr. Anthony H. Adams
Mr. Wu Jing Ru
Mr. Chen Ji Min
Mr. Ma Chiu-Cheung, Andrew

As at 31 December 2007, none of the Directors had a service contract with the Company or any subsidiaries which is not determinable by the employing company within one year without payment of compensation other than statutory compensation.

In accordance with Article 120 of the Company's Articles of Association, Mr. Song Lin, Ms. Wang Xiao Bin, Mr. Wu Jing Ru and Mr. Chen Ji Min retire by rotation and being eligible, offer themselves for re-election in the forthcoming annual general meeting of the Company. In addition, in accordance with Article 98 of the Company's Articles of Association, Ms. Chen Xiao Ying, who was appointed on 21 August 2007, will retire and offer for re-election in the forthcoming annual general meeting of the Company.

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

Biographical details of the Directors as at the date of this report are set out on pages 18 to 21 of this Annual Report. The executive directors are entitled to salaries and discretionary bonuses determined by the Board at its absolute discretion having regard to the Group's performance and the prevailing market situation. The non-executive directors and the independent non-executive directors are entitled to fees approved by the Board by reference to the prevailing market conditions. The Directors are granted options to subscribe for the Company's shares. For details of the share option schemes, please refer to pages 67 to 69 of this Annual Report. Details of Directors' remuneration are provided under note 10 to the financial statements.

SHARE OPTIONS

The Company has two share option schemes, namely the pre-IPO share option scheme and the share option scheme as follows:

(A) Pre-IPO Share Option Scheme

The Company adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on 6 October 2003. The purposes of the Pre-IPO Share Option Scheme are to attract and retain the best available personnel; to provide additional incentive to employees, directors, consultants and advisors of (a) the Company, its subsidiaries and associated companies and (b) China Resources (Holdings) Company Limited ("CRH") and its subsidiaries; and to promote the success of the business of the Company, its subsidiaries and associated companies. The Pre-IPO Share Option Scheme ended on 12 November 2003, being the date on which dealings in the Shares commenced on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and no further options under the Pre-IPO Share Option Scheme can be granted after that date. The provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect for a period of 10 years from 6 October 2003.

Under the Pre-IPO Share Option Scheme, each option has a 10-year exercise period within which there is a total vesting period of five years. Commencing from the first, second, third, fourth and fifth anniversaries of the date of grant of an option, the relevant grantee may exercise up to 20%, 40%, 60%, 80% and 100% respectively of the Shares comprised in his or her option.

As at 31 December 2007, a total of 75,859,000 Shares (representing approximately 1.8% of the existing issued share capital of the Company) may be issued by the Company upon exercise of all options which had been granted under the Pre-IPO Share Option Scheme.

Movement of the options under the Pre-IPO Share Option Scheme during the year ended 31 December 2007 is as follows:

Name of Director	Date of grant	Number of options outstanding as at 1 January 2007	Number of options lapsed or cancelled during the year	Number of options exercised during the year[1]	Number of options outstanding as at 31 December 2007	Date of expiry	Exercise price (HK$)
Song Lin	6 Oct 2003	2,000,000	–	(1,200,000)	800,000	5 Oct 2013	2.80
Wang Shuai Ting	6 Oct 2003	2,350,000	–	(1,450,000)	900,000	5 Oct 2013	2.80
Tang Cheng	6 Oct 2003	3,000,000	–	(2,400,000)	600,000	5 Oct 2013	2.80
Zhang Shen Wen	6 Oct 2003	3,000,000	–	(2,400,000)	600,000	5 Oct 2013	2.80
Wang Xiao Bin	6 Oct 2003	2,800,000	–	(2,240,000)	560,000	5 Oct 2013	2.80
Jiang Wei	6 Oct 2003	1,000,000	–	–	1,000,000	5 Oct 2013	2.80
Aggregate total of employees	6 Oct 2003	81,559,000	(88,000)	(38,086,000)	43,385,000	5 Oct 2013	2.80
Aggregate total of other participants	6 Oct 2003	41,086,000	–	(13,072,000)	28,014,000	5 Oct 2013	2.80
		136,795,000	(88,000)	(60,848,000)	75,859,000		

Notes: 1. The weighted average closing prices of the Shares immediately before the dates on which the options were exercised was HK$20.98.

SHARE OPTIONS *(continued)*

(B) Share Option Scheme

A share option scheme (the "Share Option Scheme") was approved by a resolution in writing of the shareholders of the Company on 6 October 2003. The purposes of the Share Option Scheme are to attract and retain the best available personnel; to provide additional incentive to employees, directors, consultants and advisors of (a) the Company, its subsidiaries and associated companies and (b) CRH and its subsidiaries; and to promote the success of the business of the Company, its subsidiaries and associated companies.

The Board may, at its absolute discretion, offer an option to eligible person to subscribe for the Shares at an exercise price and subject to the other terms of the Share Option Scheme. Upon acceptance of the offer of a grant, the grantee shall pay HK$1.00 to the Company as nominal consideration for the grant.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 367,000,000 Shares of the Company, being 10% of the total number of Shares in issue immediately prior to the date on which dealings in the Shares commenced on the Stock Exchange.

The total number of Shares issued and to be issued upon the exercise of the options granted to or to be granted to each eligible person under the Share Option Scheme and any other schemes of the Company or any of its subsidiaries (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue.

Options granted have a 10-year exercise period within which there is a total vesting period of five years. Commencing from the first, second, third, fourth and fifth anniversaries of the date of grant of an option, the relevant grantee may exercise up to 20%, 40%, 60%, 80% and 100% respectively of the Shares comprised in his or her option.

The Share Option Scheme will remain in force for a period of 10 years from 6 October 2003.

On 30 March 2007, in consideration of HK$1.00 per grant, options to subscribe for an aggregate of 25,200,000 Shares at an exercise price of HK$12.43 (being the highest of (1) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date the share option was granted, (2) 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 date of grant, or (3) the nominal value of the Shares) were conditionally granted to 49 grantees under the Share Option Scheme.

As at 31 December 2007, a total of 158,342,000 Shares (representing approximately 3.8% of the existing issued share capital of the Company) may be issued by the Company upon exercise of all options which had been granted under the Share Option Scheme.

SHARE OPTIONS *(continued)*

(B) Share Option Scheme *(continued)*

Movement of the options granted under the Share Option Scheme during the year ended 31 December 2007 is as follows:

Name of Director	Date of grant	Number of options outstanding as at 1 January 2007	Reclassification during the year	Number of options granted during the year[1]	Number of options lapsed or cancelled during the year	Number of options exercised during the year[2]	Number of options outstanding as at 31 December 2007	Date of expiry	Exercise price (HK$)
Song Lin	18 Mar 2005	900,000	–	–	–	(360,000)	540,000	17 Mar 2015	3.99
Wang Shuai Ting	18 Mar 2005	900,000	–	–	–	(360,000)	540,000	17 Mar 2015	3.99
Tang Cheng	18 Mar 2005	600,000	–	–	–	(240,000)	360,000	17 Mar 2015	3.99
Zhang Shen Wen	18 Mar 2005	600,000	–	–	–	–	600,000	17 Mar 2015	3.99
Wang Xiao Bin	18 Mar 2005	600,000	–	–	–	(240,000)	360,000	17 Mar 2015	3.99
Jiang Wei	18 Mar 2005	600,000	–	–	–	–	600,000	17 Mar 2015	3.99
Anthony H. Adams	18 Nov 2005	200,000	–	–	–	–	200,000	17 Nov 2015	4.725
Wu Jing Ru	18 Nov 2005	200,000	–	–	–	–	200,000	17 Nov 2015	4.725
Chen Ji Min	30 Mar 2007	–	–	200,000	–	–	200,000	29 Mar 2017	12.43
Ma Chiu-Cheung Andrew	30 Mar 2007	–	–	200,000	–	–	200,000	29 Mar 2017	12.43
Aggregate total of employees	1 Sep 2004	19,200,000	–	–	(120,000)	(2,270,000)	16,810,000	31 Aug 2014	4.25
	18 Mar 2005	19,980,000	–	–	–	(2,758,000)	17,222,000	17 Mar 2015	3.99
	18 Nov 2005	51,650,000	(600,000)	–	(200,000)	(1,920,000)	48,930,000	17 Nov 2015	4.725
	5 Sep 2006	27,200,000	–	–	–	(1,070,000)	26,130,000	4 Sep 2016	7.05
	30 Mar 2007	–	–	24,800,000	–	–	24,800,000	29 Mar 2017	12.43
Aggregate total of other participants	1 Sep 2004	4,300,000	–	–	–	–	4,300,000	31 Aug 2014	4.25
	18 Mar 2005	8,340,000	–	–	–	(1,740,000)	6,600,000	17 Mar 2015	3.99
	18 Nov 2005	9,150,000	600,000	–	–	–	9,750,000	17 Nov 2015	4.725
		144,420,000	–	25,200,000	(320,000)	(10,958,000)	158,342,000		

Notes: 1. The closing price of the Shares immediately before the date on which the options were granted was HK$12.46.

2. The weighted average closing price of the Shares immediately before the date on which the options were exercised was HK$23.19.

3. Details of the value of options granted during the year are set out in note 37 to the financial statements.

DIRECTORS' INTERESTS IN SECURITIES

Save as disclosed below, as at 31 December 2007, 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 Securities and Futures Ordinance (Chapter 571 Laws of Hong Kong) ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein:

(A) The Company

Details of shares and outstanding options granted under the Pre-IPO Share Option Scheme and Share Option Scheme in the Company held by the Directors as at 31 December 2007 are as follows:

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Song Lin	Beneficial Owner	1,260,000	0.030%
Wang Shuai Ting	Beneficial Owner	3,450,000	0.083%
Tang Cheng	Beneficial Owner	2,000,000	0.048%
Zhang Shen Wen	Beneficial Owner	2,028,000	0.049%
Wang Xiao Bin	Beneficial Owner	2,480,000	0.060%
Chen Xiao Ying*	Interest in controlled corporations	37,349,178	0.902%
Anthony H. Adams	Beneficial Owner	18,000	0.0004%

* An additional 16,006,791 shares of the Company will be issued by the Company to Ms. Chen Xiao Ying or her associates during the period from 31 July 2008 to 6 August 2008 pursuant to the sale and purchase agreement dated 3 July 2007.

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

(A) The Company *(continued)*

Name of Director	Capacity	Date of grant	Date of expiry	Exercise price (HK$)	Number of options and underlying shares as at 1 January 2007	Number of options granted during the year	Number of options exercised during the year	Number of options and underlying shares as at 31 December 2007	Percentage of the issued share capital of the Company
Song Lin	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	2,000,000	–	(1,200,000)	800,000	0.019%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	900,000	–	(360,000)	540,000	0.013%
Wang Shuai Ting	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	2,350,000	–	(1,450,000)	900,000	0.022%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	900,000	–	(360,000)	540,000	0.013%
Tang Cheng	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	3,000,000	–	(2,400,000)	600,000	0.014%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	600,000	–	(240,000)	360,000	0.009%
Zhang Shen Wen	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	3,000,000	–	(2,400,000)	600,000	0.014%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	600,000	–	–	600,000	0.014%
Wang Xiao Bin	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	2,800,000	–	(2,240,000)	560,000	0.014%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	600,000	–	(240,000)	360,000	0.009%
Jiang Wei	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	1,000,000	–	–	1,000,000	0.024%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	600,000	–	–	600,000	0.014%
Anthony H. Adams	Beneficial Owner	18 Nov 2005	17 Nov 2015	4.725	200,000	–	–	200,000	0.005%
Wu Jing Ru	Beneficial Owner	18 Nov 2005	17 Nov 2015	4.725	200,000	–	–	200,000	0.005%
Chen Ji Min	Beneficial Owner	30 Mar 2007	29 Mar 2017	12.43	–	200,000	–	200,000	0.005%
Ma Chiu-Cheung, Andrew	Beneficial Owner	30 Mar 2007	29 Mar 2017	12.43	–	200,000	–	200,000	0.005%

(B) China Resources Enterprise, Limited

China Resources Enterprise, Limited ("CRE"), a fellow subsidiary of the Company, has a share option scheme to subscribe for the shares in CRE. Details of shares and outstanding options in CRE held by the Directors as at 31 December 2007 are as follows:

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of CRE
Song Lin	Beneficial Owner	1,700,000	0.071%
Jiang Wei	Beneficial Owner	240,000	0.010%
Zhang Shen Wen	Beneficial Owner	10,000	0.0002%

DIRECTORS' INTERESTS IN SECURITIES (continued)

(B) China Resources Enterprise, Limited (continued)

Name of Director	Capacity	Date of grant	Date of expiry	Exercise price (HK$)	Number of options and underlying shares as at 1 January 2007	Number of options granted during the year	Number of options exercised during the year	Number of options and underlying shares as at 31 December 2007	Percentage of the issued share capital of CRE
Zhang Shen Wen	Beneficial Owner	5 Mar 2002	4 Mar 2012	7.35	50,000	–	(30,000)	20,000	0.002%

(C) China Resources Logic Limited

China Resources Logic Limited ("CR Logic"), a fellow subsidiary of the Company, has a share option scheme to subscribe for the shares in CR Logic. Details of shares and the outstanding options in CR Logic held by the Directors as at 31 December 2007 are as follows:

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of CR Logic
Song Lin	Beneficial Owner	2,500,000	0.089%

Name of Director	Capacity	Date of grant	Date of expiry	Exercise price (HK$)	Number of options and underlying shares as at 1 January 2007	Number of options granted during the year	Number of options exercised during the year	Number of options and underlying shares as at 31 December 2007	Percentage of the issued share capital of CR Logic
Song Lin	Beneficial Owner	21 Sep 2000	20 Sep 2010	0.59	6,900,000	–	(6,900,000)	–	–
	Beneficial Owner	13 Jan 2004	12 Jan 2014	0.906	2,000,000	–	–	2,000,000	0.071%
Wang Shuai Ting	Beneficial Owner	9 Apr 2002	8 Apr 2012	0.82	540,000	–	–	540,000	0.019%
Tang Cheng	Beneficial Owner	9 Apr 2002	8 Apr 2012	0.82	90,000	–	–	90,000	0.003%
Zhang Shen Wen	Beneficial Owner	9 Apr 2002	8 Apr 2012	0.82	60,000	–	–	60,000	0.002%
Jiang Wei	Beneficial Owner	9 Apr 2002	8 Apr 2012	0.82	720,000	–	–	720,000	0.026%

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

(D) China Resources Land Limited

China Resources Land Limited ("CR Land"), a fellow subsidiary of the Company, has a share option scheme to subscribe for the shares in CR Land. Details of outstanding options in CR Land held by the Directors as at 31 December 2007 are as follows:

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of CR Land
Wang Shuai Ting	Beneficial Owner	200,000	0.005%
Jiang Wei	Beneficial Owner	892,000	0.022%

Name of Director	Capacity	Date of grant	Date of expiry	Exercise price (HK$)	Number of options and underlying shares as at 1 January 2007	Number of options granted during the year	Number of options exercised during the year	Number of options and underlying shares as at 31 December 2007	Percentage of the issued share capital of CR Land
Song Lin	Beneficial Owner	1 Jun 2005	31 May 2015	1.23	900,000	–	–	900,000	0.022%
Wang Shuai Ting	Beneficial Owner	4 Mar 2002	31 Jan 2012	1.59	540,000	–	–	540,000	0.013%
Zhang Shen Wen	Beneficial Owner	4 Mar 2002	31 Jan 2012	1.59	60,000	–	–	60,000	0.001%

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES

Other than disclosed in "Directors' Interests in Securities" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or the chief executive or their respective associates, of the Company to acquire benefits by means of the acquisition of shares in, or debt securities of, the Company or any associated corporation and none of the Directors and chief executive, or their spouse and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party and in which a Director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

In addition there was no contract of significance between the Company or any of its subsidiaries and its controlling shareholder (or its subsidiaries) (if any) and there was no contract of significance for the provision of services to the Company by its controlling shareholder (or its subsidiaries) (if any) subsisting during the year.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 December 2007, the Directors were not aware of any other persons (other than a Director or chief executive, whose interests are disclosed in the section headed "Directors' Interests in Securities" above) who had an interest or short position in the Shares or underlying shares of the Company as recorded in the register kept pursuant to Section 336 of the SFO:

Name of shareholders	Capacity	No. of Shares held	Approximate % of shareholding
CRH	Beneficial owner	2,750,000,000	66.4%
CRC Bluesky Limited	Interest of a controlled corporation	2,750,000,000	66.4%
China Resources Co., Limited ("CRL")	Interest of a controlled corporation	2,750,000,000	66.4%
China Resources National Corporation ("CRNC")	Interest of a controlled corporation	2,750,000,000	66.4%

Note: CRH is a 100% subsidiary of CRC Bluesky Limited, which is in turn owned as to 100% by CRL, which is in turn held as to 99.98% by CRNC. Each of CRNC, CRL and CRC Bluesky Limited is deemed by virtue of Part XV of the SFO to have the same interests in the share capital of the Company as those of CRH.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(a) On 11 April 2005, a rental agreement was entered into between China Resources Property Management Co., Ltd. (the "Lessor"), a wholly-owned subsidiary of CRH and the Company in respect of Rooms 3203-3204, 32nd Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The term of such rental agreement is 2 years commencing from 1 April 2005 to 31 March 2007 at a monthly rent of HK$65,877 exclusive of rates, management fee and air-conditioning fee. The total leasable area of the premises is 3,137 square feet. The total rent payable per annum is HK$790,524. Half of all the rights, interests, liabilities and obligations of the Company under this rental agreement were assigned to Resources Shajiao C Investments Limited, a subsidiary of the Company, pursuant to a novation agreement dated 17 October 2003. On 23 March 2007, a rental agreement was entered in respect of the same premises, the term of which was for the period from 1 April 2007 to 30 September 2007 at a monthly rent of HK$87,836 exclusive of rates, management fee and air-conditioning fee. In October 2007, the rental agreement was extended for the period from 1 October 2007 to 29 February 2008 with other terms remain unchanged.

(b) On 22 July 2005, a rental agreement was entered into between the Lessor and the Company in respect of Rooms 2001-2002, 20th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The term of such rental agreement is 2 years commencing from 20 September 2005 to 19 September 2007 at a monthly rent of HK$64,974 exclusive of rates, management fee and air-conditioning fee. The total leasable area of the premises is 3,094 square feet. The total rent payable per annum is HK$779,688. In October 2007, the rental agreement was extended for the period from 20 September 2007 to 30 September 2007 with other terms remain unchanged.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(continued)*

(c) On 16 September 2005, a rental agreement was entered into between the Lessor and the Company in respect of Room 20A, 20th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The term of such rental agreement is 23 months commencing from 20 October 2005 to 19 September 2007 at a monthly rent of HK$18,627 exclusive of rates, management fee and air-conditioning fee. The total leasable area of the premises is 887 square feet. The total rent payable per annum is HK$223,524. In October 2007, the rental agreement was extended for the period from 20 September 2007 to 30 September 2007 with other terms remain unchanged.

(d) In November 2004, a rental agreement was entered into between China Resources (Shenzhen) Co., Ltd., a wholly-owned subsidiary of CRH and China Resources Power Project Service Co., Ltd., a wholly-owned subsidiary of the Company in respect of 22nd Floor, China Resources Building, 5001 Shen Nan Dong Road, Shenzhen. The term of such rental agreement is three years commencing from 1 December 2004 to 30 November 2007 at a monthly rent of RMB260,955 exclusive of rates, management fee and air-conditioning fee. The total leasable area of the premises is 1,933 square meter. The total rent payable per annum is RMB3,131,460. In November 2007, a rental agreement was entered in respect of the same premises, the term of which is three years commencing from 1 December 2007 to 30 November 2010 at a monthly rent of RMB328,610 exclusive of rates, management fee and air-conditioning fee. The total rent payable per annum is RMB3,943,320.

(e) In October 2007, a rental agreement was entered into between the Lessor and the Company in respect of Rooms 2001-2005, 20th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The term of such rental agreement is 3 years commencing from 1 October 2007 to 30 September 2010 at a monthly rent of HK$305,030 exclusive of rates, management fee and air-conditioning fee. The total leasable area of the premises is 10,895 square feet. The total rent payable per annum is HK$3,660,360.

The independent non-executive directors have confirmed that the above connected transactions and continuing connected transactions:

(i) have been entered into in the ordinary course of the Company's business;

(ii) have been entered into either:

  (a) on normal commercial terms; or

  (b) where there was no available comparison to judge whether they are on normal commercial terms, on terms no less favourable than those available to or from independent third parties; and

(iii) have been entered into on terms that are fair and reasonable so far as the independent shareholders of the Company are concerned, and in accordance with the terms of the agreement governing such transactions.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

The auditors have confirmed that the above continuing connected transactions:

(i) have received the approval of the Company's board of directors;

(ii) are in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Company.

(iii) have been entered into in accordance with the relevant agreement governing the transactions; and

(iv) have not exceeded the cap disclosed in previous announcement(s).

MAJOR CUSTOMERS AND SUPPLIERS

Purchases from the Group's five largest suppliers together accounted for 24.5% of the Group's total purchases during the year. The five largest suppliers are 平頂山天安煤業股份有限公司 (Pingdingshan Tianan Coal Mining Co., Ltd.) (7.0%), 上海中煤華東有限公司 (Shanghai China Coal East China Co., Ltd.) (5.4%), 義馬煤業(集團)有限責任公司 (Yima Coal (Group) Co., Ltd.) (4.1%), 上海神華煤炭運銷有限公司 (Shanghai Shenhua Coal Transport & Sale Co., Ltd.) (4.1%), and 大同煤礦集團有限公司 (Datong Coal Mine Group Co., Ltd.) (3.9%).

Sales to the Group's five largest customers together accounted for 79.9% of the Group's total turnover during the year. The five largest customers are 河南省電力公司 (Henan Provincial Power Company) (24.7%), 江蘇省電力公司 (Jiangsu Electric Power Company) (19.4%), 廣東電網公司 (Guangdong Power Grid Company) (17.3%), 安徽省電力公司 (Anhui Electric Power Corporation) (11.0%) and 湖北省電力公司 (Hubei Electric Power Company) (7.5%).

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have any interest in any of the Group's five largest suppliers or customers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any securities of the Company during the year ended 31 December 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied, throughout the financial year, with the code provision set out in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules. For details, please refer to the Corporate Governance Report on pages 51 to 63 in this Annual Report.

MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2007.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDIT COMMITTEE

The financial statements have been reviewed by the Audit Committee. All of the four Audit Committee members are appointed from the independent non-executive Directors, with the Chairman of the Audit Committee having appropriate professional qualifications and experience in financial matters, including review of financial statements.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs Deloitte Touche Tohmatsu as the auditors of the Company.

On behalf of the Board

Song Lin
Chairman

Hong Kong, 31 March 2008

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF
CHINA RESOURCES POWER HOLDINGS COMPANY LIMITED
華潤電力控股有限公司
(incorporated in Hong Kong with limited liability)

We have audited the financial statements of China Resources Power Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 80 to 157, which comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial statements 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
31 March 2008

Consolidated Income Statement

For the year ended 31 December 2007

	NOTES	2007 HK$'000	2006 HK$'000
Turnover	6	**16,830,488**	9,740,371
Operating expenses			
Fuel		**(9,301,548)**	(5,132,756)
Repairs and maintenance		**(249,503)**	(179,184)
Depreciation and amortisation		**(1,706,495)**	(985,742)
Others		**(1,516,722)**	(1,122,604)
Total operating expenses		**(12,774,268)**	(7,420,286)
Other income		**243,202**	232,564
Profit from operations		**4,299,422**	2,552,649
Finance costs	7	**(1,029,315)**	(541,148)
Share of results of associates		**575,002**	686,672
Discount on acquisition of a subsidiary		**30,817**	46,925
Profit before taxation		**3,875,926**	2,745,098
Taxation	8	**(69,523)**	(11,133)
Profit for the year	9	**3,806,403**	2,733,965
Attributable to:			
Equity holders of the Company		**3,220,597**	2,364,856
Minority interests		**585,806**	369,109
		3,806,403	2,733,965
Dividends paid	12	**734,463**	762,613
Dividends proposed	12	**829,295**	538,259
Earnings per share	13		
- basic		**82.05 HK cents**	61.99 HK cents
- diluted		**77.89 HK cents**	60.10 HK cents

Consolidated Balance Sheet

At 31 December 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	14	**39,522,707**	27,341,499
Prepaid lease payments	15	**996,630**	361,840
Mining rights	16	**138,787**	—
Interests in associates	18	**5,847,422**	3,769,171
Goodwill	19	**2,319,555**	213,506
Investments in investee companies	20	**128,416**	108,186
Deposit paid for investment in an associate		**77,942**	77,942
Deposit paid for acquisition of property, plant and equipment		**365,342**	109,540
Amount due from an associate	21	**—**	432,173
Pledged bank deposits	22	**37,433**	37,337
Deferred taxation assets	35	**98,061**	5,398
Derivative financial instruments	23	**—**	87
		49,532,295	32,456,679
Current assets			
Inventories	24	**957,510**	499,176
Trade receivables, other receivables and prepayments	25	**5,140,101**	2,316,773
Amounts due from minority shareholders of subsidiaries	26	**10,890**	3,024
Amounts due from associates	21	**270,346**	13,848
Amounts due from group companies	27	**95**	73
Financial assets at fair value through profit or loss	28	**1,057**	—
Pledged bank deposits	22	**15,090**	1,666
Bank balances and cash	22	**7,887,134**	2,747,242
		14,282,223	5,581,802
Current liabilities			
Trade payables, other payables and accruals	29	**8,375,842**	4,097,677
Consideration payable for acquisitions of subsidiaries	30	**484,740**	—
Amount due to an associate	31	**100**	—
Amounts due to group companies	32	**284,769**	100,293
Amounts due to minority shareholders of subsidiaries	33	**734,712**	92,723
Taxation payable		**39,225**	1,017
Bank and other borrowings - repayable within one year	34	**8,076,194**	3,993,946
		17,995,582	8,285,656
Net current liabilities		**(3,713,359)**	(2,703,854)
Total assets less current liabilities		**45,818,936**	29,752,825

Consolidated Balance Sheet *(continued)*

At 31 December 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-current liabilities			
Bank and other borrowings - repayable after one year	34	**18,596,138**	12,597,052
Derivative financial instruments	23	**102,180**	—
Deferred taxation liabilities	35	**63,061**	21,211
		18,761,379	12,618,263
		27,057,557	17,134,562
Capital and reserves			
Share capital	36	**4,140,317**	3,831,162
Share premium and reserves		**20,673,135**	11,453,697
		24,813,452	15,284,859
Minority interests		**2,244,105**	1,849,703
		27,057,557	17,134,562

The financial statements on pages 80 to 157 were approved by the Board of Directors and authorised for issue on 31 March 2008 and are signed on its behalf by:

SONG LIN
DIRECTOR

WANG SHUAI TING
DIRECTOR

Balance Sheet

At 31 December 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	14	**1,476**	2,158
Investments in subsidiaries	17	**7,398,725**	4,958,148
Loans to subsidiaries	17	**1,561,068**	806,068
Interest in an associate	18	**2,352,031**	111,829
Deposit paid for investment in an associate		**29,892**	29,892
Investment in an investee company		**28,776**	8,546
Derivative financial instruments	23	**—**	87
		11,371,968	5,916,728
Current assets			
Other receivables and prepayments	25	**27,903**	34,462
Amount due from an associate	21	**238,565**	1,011
Amounts due from group companies	27	**11,699,930**	6,430,185
Bank balances and cash		**4,055,755**	1,204,311
		16,022,153	7,669,969
Current liabilities			
Other payables and accruals	29	**40,097**	12,015
Amounts due to associates		**100**	—
Amounts due to group companies	32	**1,714**	93,484
		41,911	105,499
Net current assets		**15,980,242**	7,564,470
Total assets less current liabilities		**27,352,210**	13,481,198
Non-current liabilities			
Bank borrowings repayable after one year	34	**4,735,000**	1,000,000
Derivative financial instruments	23	**102,180**	—
		4,837,180	1,000,000
		22,515,030	12,481,198
Capital and reserves			
Share capital	36	**4,140,317**	3,831,162
Reserves	38	**18,374,713**	8,650,036
		22,515,030	12,481,198

SONG LIN
DIRECTOR

WANG SHUAI TING
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to the equity holders of the Company										
	Share capital HK$'000	**Share premium** HK$'000	**General reserve** HK$'000 (note 38)	**Special reserve** HK$'000 (note 38)	**Translation reserve** HK$'000	**Share option reserve** HK$'000	**Hedging reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total** HK$'000
At 1 January 2006	3,810,044	4,475,753	162,779	40,782	171,897	243,917	25,813	4,161,914	13,092,899	821,647	13,914,546
Exchange differences from translation recognised directly in equity	–	–	–	–	322,393	–	–	–	322,393	61,337	383,730
Share of changes in reserves of associates	–	–	–	–	119,596	–	–	–	119,596	–	119,596
Fair value change on cash flow hedges	–	–	–	–	–	–	(25,726)	–	(25,726)	–	(25,726)
Net income (loss) recognised directly in equity	–	–	–	–	441,989	–	(25,726)	–	416,263	61,337	477,600
Profit for the year	–	–	–	–	–	–	–	2,364,856	2,364,856	369,109	2,733,965
Total recognised income and expenses for the year	–	–	–	–	441,989	–	(25,726)	2,364,856	2,781,119	430,446	3,211,565
Shares issued upon exercise of options	21,118	39,106	–	–	–	–	–	–	60,224	–	60,224
Recognition of equity settled share based payments	–	–	–	–	–	113,230	–	–	113,230	–	113,230
Transfer of share option reserve on exercise of share options	–	32,214	–	–	–	(32,214)	–	–	–	–	–
Capital contribution by minority shareholders	–	–	–	–	–	–	–	–	–	239,786	239,786
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	(171,824)	(171,824)
Acquisition of additional interests	–	–	–	–	–	–	–	–	–	(43,378)	(43,378)
Acquired on acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	573,026	573,026
Dividends paid	–	–	–	–	–	–	–	(762,613)	(762,613)	–	(762,613)
Transfer of reserves	–	–	(4,985)	–	–	–	–	4,985	–	–	–
At 31 December 2006	3,831,162	4,547,073	157,794	40,782	613,886	324,933	87	5,769,142	15,284,859	1,849,703	17,134,562
Exchange differences from translation recognised directly in equity	–	–	–	–	903,525	–	–	–	903,525	114,484	1,018,009
Share of changes in reserves of associates	–	–	–	–	279,835	–	–	–	279,835	–	279,835
Fair value change on cash flow hedges	–	–	–	–	–	–	(102,267)	–	(102,267)	–	(102,267)
Net income (loss) recognised directly in equity	–	–	–	–	1,183,360	–	(102,267)	–	1,081,093	114,484	1,195,577
Profit for the year	–	–	–	–	–	–	–	3,220,597	3,220,597	585,806	3,806,403
Total recognised income and expenses for the year	–	–	–	–	1,183,360	–	(102,267)	3,220,597	4,301,690	700,290	5,001,980

Consolidated Statement of Changes in Equity *(continued)*

For the year ended 31 December 2007

	Attributable to the equity holders of the Company										
	Share capital HK$'000	**Share premium** HK$'000	**General reserve** HK$'000 (note 38)	**Special reserve** HK$'000 (note 38)	**Translation reserve** HK$'000	**Share option reserve** HK$'000	**Hedging reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total** HK$'000
Shares issued upon exercise of options	71,806	147,380	–	–	–	–	–	–	219,186	–	219,186
Recognition of equity settled share based payments	–	–	–	–	–	155,685	–	–	155,685	–	155,685
Issue of shares in placing and subscription arrangement	200,000	4,660,000	–	–	–	–	–	–	4,860,000	–	4,860,000
Expenses incurred in connection with issue of shares	–	(42,898)	–	–	–	–	–	–	(42,898)	–	(42,898)
Issue of shares in consideration of acquisition of a subsidiary	37,349	732,044	–	–	–	–	–	–	769,393	–	769,393
Transfer of share option reserve on exercise of share options	–	113,560	–	–	–	(113,560)	–	–	–	–	–
Capital contribution by minority shareholders	–	–	–	–	–	–	–	–	–	362,898	362,898
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	(895,406)	(895,406)
Acquisition of additional interests of subsidiaries	–	–	–	–	–	–	–	–	–	(365,477)	(365,477)
Acquired on acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	592,097	592,097
Dividends paid	–	–	–	–	–	–	–	(734,463)	(734,463)	–	(734,463)
Transfer of reserves	–	–	301,228	–	–	–	–	(301,228)	–	–	–
At 31 December 2007	4,140,317	10,157,159	459,022	40,782	1,797,246	367,058	(102,180)	7,954,048	24,813,452	2,244,105	27,057,557

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		3,875,926	2,745,098
Adjustments for:			
Amortisation of prepaid lease payments		25,262	17,016
Depreciation for property, plant and equipment		1,681,233	968,726
Recognition of share-based payments		155,685	113,230
Interest expense		1,029,315	541,148
Interest income		(101,012)	(145,860)
Discount on acquisition of a subsidiary		(30,817)	(46,925)
Share of results of associates		(575,002)	(686,672)
(Gain) loss on disposal of property, plant and equipment		(148)	32
Operating cash flows before movements in working capital		6,060,442	3,505,793
Increase in inventories		(240,966)	(151,535)
Increase in trade receivables, other receivables and prepayments		(1,107,073)	(329,929)
Decrease in amounts due from minority shareholders of subsidiaries		—	51,306
Decrease in amounts due from associates		—	1,686
(Increase) decrease in amounts due from group companies		(22)	9,645
Increase (decrease) in trade payables, other payables and accruals		855,438	(422,228)
Increase (decrease) in amount due to an associate		100	(188)
Increase in amounts due to group companies		—	3,865
Increase in amounts due to minority shareholders of subsidiaries		—	7,457
PRC Enterprise Income Tax paid		(14,384)	(1,886)
NET CASH FROM OPERATING ACTIVITIES		5,553,535	2,673,986
INVESTING ACTIVITIES			
Dividends received from associates		1,044,299	997,290
Interest received		99,776	134,281
Increase in pledged bank deposits		(13,520)	(1,279)
Purchase and deposit paid for acquisition of property, plant and equipment and land use rights		(6,895,325)	(4,992,194)
Acquisition of additional interest in an associate		—	(37,495)
Loan advanced to a minority shareholder of a subsidiary		(8,639)	—
Loan advanced to associates		(341,318)	(279,695)
Capital contribution for investments in associates		(592,198)	(105,995)
Acquisition of an associate		(1,879,242)	(42,359)
Deposit paid for investment in an associate		—	(77,942)
Loan repayment from a minority shareholder of a subsidiary		864	78,975
Investments in investee companies		(20,230)	(88,258)
Acquisition of additional interest in a subsidiary		(577,105)	—
Acquisitions of subsidiaries	41	(1,836,086)	(579,825)
Proceeds from disposal of property, plant and equipment		2,028	825
NET CASH USED IN INVESTING ACTIVITIES		(11,016,696)	(4,993,671)

Consolidated Cash Flow Statement *(continued)*

For the year ended 31 December 2007

	2007 **HK$'000**	2006 HK$'000
FINANCING ACTIVITIES		
New bank and other borrowings raised	**17,741,040**	8,246,507
Capital contribution from minority shareholders	**362,898**	171,543
Proceeds on issue of shares	**5,079,186**	60,224
Repayment of advances from minority shareholders of subsidiaries	**(32,314)**	—
Repayment of bank loans	**(10,497,550)**	(6,558,571)
Interest paid	**(1,124,255)**	(445,395)
Dividends paid	**(734,463)**	(762,613)
Dividends paid to minority shareholders of subsidiaries	**(373,798)**	(116,976)
Expenses paid in connection with issue of shares	**(42,898)**	—
NET CASH FROM FINANCING ACTIVITIES	**10,377,846**	594,719
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**4,914,685**	(1,724,966)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**2,747,242**	4,411,484
EFFECT ON FOREIGN EXCHANGE RATE CHANGE	**225,207**	60,724
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTING BANK BALANCES AND CASH	**7,887,134**	2,747,242

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. GENERAL

The Company is a public company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The immediate holding company as at 31 December 2007 is China Resources (Holdings) Company Limited ("CRH"), a company incorporated in Hong Kong. The directors regard the ultimate holding company to be China Resources National Corporation ("CRNC"), a company established in the People's Republic of China (the "PRC"). The address of the registered office and principal place of business of the Company is Rooms 2001-2002, 20th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The financial statements are presented in Hong Kong dollars and the functional currency of the Company is Renminbi. The Company uses Hong Kong dollars as its presentation currency because the Company is a public company incorporated in Hong Kong with its shares listed on the Stock Exchange.

The Company is an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 17 and 18, respectively.

The Group had net current liabilities as at 31 December 2007 with short-term bank borrowings which could be renewed on an annual basis within limit approved by banks. The directors are of the opinion that, taking into account the presently available banking facilities and internal financial resources of the Group, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months commencing from the date of the financial statements. Hence, the financial statements have been prepared on a going concern basis.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS"s)

In the current year, the Group has applied, for the first time, the following new standard, amendment of Hong Kong Accounting Standards ("HKAS"s) and interpretations ("INT"s) (hereinafter collectively referred to as "new HKFRS"s) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC)* - INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) - INT 8	Scope of HKFRS 2
HK(IFRIC) - INT 9	Reassessment of embedded derivatives
HK(IFRIC) - INT 10	Interim financial reporting and impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS"s) (continued)

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of financial statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKAS 27 (Revised)	Consolidated and separate financial statements [2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [1]
HKFRS 3 (Revised)	Business combinations [2]
HKFRS 8	Operating segments [1]
HK(IFRIC)* - INT 11	HKFRS 2: Group and treasury share transactions [3]
HK(IFRIC) - INT 12	Service concession arrangements [4]
HK(IFRIC) - INT 13	Customer loyalty programmes [5]
HK(IFRIC) - INT 14	HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction [4]

[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 March 2007.
[4] Effective for annual periods beginning on or after 1 January 2008.
[5] Effective for annual periods beginning on or after 1 July 2008.

* IFRIC represents the International Financial Reporting Interpretations Committee.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The financial statements have been prepared in accordance with HKFRS issued by HKICPA. In addition, the financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Acquisition of additional interests in subsidiaries is recorded at historical cost and the excess of the cost of acquisition over the carrying amounts of net assets acquired is recognised as goodwill.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The fair value of the shares issued in consideration of acquisition of equity interest in a subsidiary is determined by reference to the fair value of shares alloted at date of issue is recognised as share capital and share premium. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Business combination agreements with adjustments to the cost of combination based on contingent events are included in the cost of combination at the acquisition date if the adjustment is probable and can be measured reliably.

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on an acquisition of net assets and operations of another entity represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

For previously capitalised goodwill arising on acquisitions prior to 1 January 2005, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whether there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment loss.

Capitalised goodwill arising on an acquisition of a business presented separately in the consolidated balance sheet. Capitalised goodwill arising on acquisition of associates is included in the cost of the investment of the relevant associates.

For the purposes of impairment testing, goodwill arising from an acquisition of a business is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Goodwill arising on acquisitions prior to 1 January 2005

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate recognised at the date of acquisition is recognised as goodwill. From 1 January 2005 onwards, the Group has discontinued amortisation of goodwill and such goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates *(continued)*

Goodwill arising on acquisitions on or after 1 January 2005

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

A discount on acquisition arising on an acquisition of associate for which an agreement date is on or after 1 January 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of the associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is included as income in the determination of the investor's share of results of the associate in the year in which the investment is acquired.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of sales related taxes.

Revenue from sales of electricity and heat are recognised when electricity and heat has been delivered.

Service income is recognised when services are rendered.

Interest income from a financial asset including financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments including financial assets at fair value through profit or loss is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment including building held for use in the production or supply of electricity, or for administrative purposes other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment loss.

Subsequent costs, including repair and maintenance, 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 Company and its subsidiaries and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance are charged to the income statement during the financial period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress, over their estimated useful lives from the date on which they are in the manner of intended use and after taking into account of their estimated residual values, using the straight-line method.

Construction in progress including property, plant and equipment in the course of construction for production or for its own use purpose. They are carried at cost, less any identified impairment loss. Cost includes all construction expenditure and other direct costs, including borrowing costs, attributable to such projects. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Inventories

Inventories which consist of coal, fuel, spare parts and consumables are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method. Net realisable value is determined as the estimated net selling price less all further costs of production and the related costs of marketing, selling and distribution.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of an entity on or after 1 January 2005 are treated as assets and liabilities of that entity and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Goodwill and fair value adjustments arising on acquisitions of entities prior to 1 January 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical exchange rate prevailing at the date of the acquisition.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised base on the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Investment tax credits

Tax benefit arising from the purchase of PRC produced plant and equipment for production in the PRC is recognised in the consolidated income statement when government approval is obtained and conditions for utilisation have been fulfilled.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Mining rights

Mining rights are amortised using the units of production method based on the actual production volume for the year over the total estimated production volume within the contractual life of the mining rights.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) or payments through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period.

Interest income from debts instruments and interest expense is recognised on an effective interest basis.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, available-for-sale investments and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits, bank balances and cash, amounts due from minority shareholders of subsidiaries/associates/group companies) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits which are subject to an insignificant risk of changes in value.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment of financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those financial assets at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets *(continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including trade payables and other payables, amounts due to an associate/group companies/minority shareholders of subsidiaries, bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair values at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Hedge accounting

The Group uses derivative financial instruments (primarily interest rate swap) to hedge its exposure against changes in interest rate on bank borrowings. At the inception of the hedging relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as other gain or losses.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions

Share options granted to directors and employees of the Company, directors of CRH, employees of CRH and its subsidiaries for their service to the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share option reserve.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions (continued)

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting period or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Share issued or to be issued subsequent to balance sheet date for acquisition of business are measured at the fair values of the business received, unless that fair value cannot be reliably measured, in which case the business acquired are measured by reference to the fair value of the shares issued at the completion date. The adjustment arising from the business acquired has been made to share capital and equity (share premium).

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Provisions for the Group's restoration, rehabilitation and environmental expenses are based on estimates of required expenditure at the mines in accordance with PRC rules and regulations. The Group estimates its liabilities for final reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Retirement benefit contributions

Payments to defined contribution retirement benefit plans, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 above, management had made the following key estimates that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Share option benefit expenses

The share option benefit expense is subject to the limitations of the Black-Scholes option pricing model and the uncertainty in estimates used by management in the assumptions. The estimates include limited early exercise behavior, expected interval and frequency of open exercise periods in the share option life, and other relevant parameters of the share option model (see note 37 for the estimates).

The number of options to be vested at the end of vesting period involves management estimation. Should the number of options being vested at the end of vesting period be changed, there would be material changes in the amount of share option benefits recognised in the profit and loss account and share option reserve.

Impairment review of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation are disclosed in note 19.

Estimation of contingent consideration provision

The Group has entered into contingent consideration contracts for acquisition of certain of its businesses. The shares of the Company will be issued in consideration of the acquisition. The Group based on the fair value of the shares of the Company at the date of acquisition of the subsidiaries determines the provision to be made in respect of such contingent consideration. As the process requires input of subjective assumptions, any changes to the assumptions can materially affect the provision made. As at 31 December 2007, total provision made in respect of contingent consideration by the Group amounted to HK$329,740,000, and is included in consideration payable for acquisition.

Provisions for restoration, rehabilitation and environmental expenditure

The provisions for restoration, rehabilitation and environmental costs for mining sites and facilities have been determined by the directors based on their best estimates. The directors estimated this liability for final reclamation and mine closure based upon detailed calculations of the amount and timing of future cash flows spending for a third party to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability, such that the provision reflects the present value of the expenditures expected to be required to settle the obligation. However, in so far as the effect on the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change in the near term. The provision is reviewed regularly to verify that it properly reflects the present value of the obligation arising from the current and past mining activities.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Provision for employee retirement benefits

The Group is obligated to pay employee retirement benefits for retired employees and early retired employees (i.e. retired before their statutory retirement dates) for their life time or upto their statutory retirement dates, respectively, of Jinzhou Eastern Power Co., Ltd. ("Jinzhou") and Jiangsu Tianneng Power Generation Co., Ltd. ("Jiangsu Tianneng"), two newly acquired subsidiaries during the year. The estimation requires subjective assumptions; any change to the assumptions can materially affect the fair value of the provision for employee retirement benefits. As at 31 December 2007, total provision for the employee retirement benefits is HK$234,167,000.

Mining rights

Mining rights are amortised using the unit of production method based on the actual production volume for the year over the total estimated production volume within the contractual life of the mining rights. The directors exercise their judgment in estimating the total estimated production volume of mine.

5. SEGMENT INFORMATION

Business segments

The Group's principal activities are the development and operation of power stations as a single business segment.

Geographical segments

Substantially all of the Group's assets and liabilities are located in the PRC, other than Hong Kong, and operations for the year were substantially carried out in the PRC, other than Hong Kong. Accordingly, no geographical segment information for the year is presented.

6. TURNOVER

Turnover represents the net amount received and receivable for the sales of electricity and to a limited extent, the amount received and receivable for heat delivered by thermal power plants, net of sales related taxes during the year.

7. FINANCE COSTS

	2007	2006
	HK$'000	HK$'000
Interest on bank and other loans:		
- wholly repayable within five years	**(363,247)**	(349,847)
- not wholly repayable within five years	**(826,649)**	(429,369)
	(1,189,896)	(779,216)
Less: Interest on specific loans capitalised in property, plant and equipment	**160,581**	238,068
	(1,029,315)	(541,148)

8. TAXATION

	2007 HK$'000	2006 HK$'000
The charge comprises:		
The Company and its subsidiaries		
Current tax:		
- PRC Enterprise Income Tax	32,870	2,842
Deferred taxation (note 35)		
- current year	9,460	8,291
- attributable to a change in tax rate	27,193	—
	36,653	8,291
	69,523	11,133

No provision for Hong Kong Profits Tax has been made as the Group had no taxable profit in Hong Kong or incur tax losses for both years.

PRC Enterprise Income Tax has been calculated based on the estimated assessable profits in accordance with the relevant tax rates applicable to certain subsidiaries in the PRC.

Pursuant to the relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries are exempted from PRC Enterprise Income Tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. In addition, certain of the Company's PRC subsidiaries, entitled to a tax benefit ("Tax Benefit"), which is calculated as 40% of the current year's purchase of PRC produced plant and equipment for production use. The Tax Benefit is, however, limited to the amount of increase in enterprise income tax for the current year in which the plant and equipment are acquired as compared with the tax amount of the previous year. The portion of the Tax Benefit that is not utilised in the current year can be carried forward for future application for a period of not more than seven years.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the existing tax rates for group entities from 15% and 18% to 25% progressively over 5 years for certain subsidiaries from 1 January 2008. The deferred tax has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the assets is realised or the liability is settled.

8. TAXATION *(continued)*

The taxation charge can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2007 HK$'000	2006 HK$'000
Profit before taxation	**3,875,926**	2,745,098
Less: Share of results of associates	**(575,002)**	(686,672)
Profit before taxation attributable to the Company and its subsidiaries	**3,300,924**	2,058,426
Tax at applicable rate of 18% (2006: 18%)	**594,166**	370,517
Tax effect of income that is not taxable in determining current year taxable profit	**(16,222)**	(29,236)
Tax effect of expenses that are not deductible in determining current year taxable profit	**69,197**	34,919
Effect of tax exemptions granted to PRC subsidiaries	**(335,058)**	(276,588)
Reduction of tax in respect of Tax Benefits	**(261,474)**	(97,218)
Effect of different tax rates of subsidiaries	**(23,791)**	(3,017)
Tax effect of tax losses not recognised	**17,862**	8,796
Effect of change in tax rate	**27,193**	—
Others	**(2,350)**	2,960
Tax expense for the year	**69,523**	11,133

Note: Tax rate of 18% is adopted for the taxation reconciliation as such tax rate is applicable to most of the Group's operations in the PRC for both years.

9. PROFIT FOR THE YEAR

	2007 HK$'000	2006 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration		
- Fees	**690**	615
- Other emoluments	**10,522**	12,296
- Pension costs	**199**	196
- Share option benefit expenses	**2,646**	5,274
	14,057	18,381
Other staff costs	**359,553**	283,099
Pension costs, excluding directors	**49,454**	56,370
Share option benefit expenses, excluding directors	**153,039**	107,956
Total staff costs	**576,103**	465,806
Less: Staff costs included in pre-operating expenses of subsidiaries	**(7,038)**	(9,959)
	569,065	455,847
Amortisation of prepaid lease payments	**25,262**	17,016
Auditor's remuneration	**4,734**	3,100
Depreciation of property, plant and equipment	**1,681,233**	968,726
Loss on disposal of property, plant and equipment	**—**	32
Minimum lease payments under operating leases in respect of:		
- land and buildings	**56,869**	54,838
- other assets	**654**	806
Write-off of pre-operating expenses of subsidiaries	**29,154**	71,817
and after crediting:		
Recognition of discount on acquisition of an associate (included in share of results of associates)	**—**	5,883
Gain on disposal of property, plant and equipment	**148**	—
Net exchange gain	**27,099**	23,822
Interest income	**101,012**	145,860
Expenses capitalised in construction in progress:		
Other staff costs	**17,075**	85,619
Pension costs	**223**	1,173
Depreciation	**1,278**	1,659

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(i) Details of directors' remuneration are as follows:

The emoluments paid or payable to each of the eleven (2006: twelve) directors were as follows:

For the year ended 31 December 2007

	Song Lin HK$'000	Wang Shuai Ting HK$'000	Tang Cheng HK$'000	Zhang Shen Wen HK$'000	Wang Xiao Bin HK$'00	Jiang Wei HK$'000	Chen Xiao Ying HK$'000	Anthony H. Adams HK$'000	Wu Jing Ru HK$'000	Chen Ji Min HK$'000	Ma Chiu Cheung, Andrew HK$'000	Total 2007 HK$'000
Fees	70	–	–	–	–	70	46	126	126	126	126	690
Other emoluments												
Salaries and other benefits	–	1,890	888	703	1,270	–	–	–	–	–	–	4,751
Pension costs	–	72	36	27	64	–	–	–	–	–	–	199
Share option benefit expenses	362	384	256	339	247	426	–	82	82	234	234	2,646
Bonus (Note)	–	1,190	3,081	600	900	–	–	–	–	–	–	5,771
Total emoluments	432	3,536	4,261	1,669	2,481	496	46	208	208	360	360	14,057

For the year ended 31 December 2006

	Song Lin HK$'000	Wang Shuai Ting HK$'000	Tang Cheng HK$'000	Zhang Shen Wen HK$'000	Wang Xiao Bin HK$'000	Jiang Wei HK$'000	Anthony H. Adams HK$'000	Wu Jing Ru HK$'000	Chen Ji Min HK$'000	Ma Chiu Cheung, Andrew HK$'000	Shen Zhong Min* HK$'000	Fong Ching Eddy* HK$'000	Total 2007 HK$'000
Fees	70	–	–	–	–	70	126	126	111	7	–	105	615
Other emoluments													
Salaries and other benefits	–	1,951	670	700	1,256	–	–	–	–	–	535	–	5,112
Pension costs	–	72	15	27	61	–	–	–	–	–	21	–	196
Share option benefit expenses	856	928	916	916	874	502	141	141	–	–	–	–	5,274
Bonus (Note)	–	1,072	3,412	700	600	–	–	–	–	–	1,400	–	7,184
Total emoluments	926	4,023	5,013	2,343	2,791	572	267	267	111	7	1,956	105	18,381

* Resigned as director during the year ended 31 December 2006.

Note: The bonus is determined having regard to the performance of individuals and market trends.

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

(ii) Employees

Details of remunerations paid by the Group to the five highest paid individuals (including four (2006: four) directors, and the remaining (2006: one) employee) for the year are as follows:

	2007 HK$'000	2006 HK$'000
Salaries and other benefits	**5,444**	4,964
Pension costs	**171**	170
Bonus	**6,631**	8,810
Share option benefit expenses	**1,355**	3,588
	13,601	17,532

Emoluments of these five individuals are within the following bands:

	2007	2006
HK$1,500,001 to HK$2,000,000	**2**	—
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**—**	1
HK$3,500,001 to HK$4,000,000	**1**	1
HK$4,000,001 to HK$4,500,000	**1**	1
HK$5,000,001 to HK$5,500,000	**—**	1

During the year, no remuneration has been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. No directors have waived any remunerations during the year.

11. RETIREMENT BENEFIT SCHEMES

(a) Hong Kong

The Group participates in a pension scheme, which was registered under the Mandatory Provident Fund Scheme Ordinance (the "MPF Ordinance"), for all its employees in Hong Kong. The scheme is a defined contribution scheme and is funded by contributions from employers and employees according to the provisions of the MPF Ordinance.

During the year, the total amounts contributed by the Group to the scheme in Hong Kong and charged to the consolidated income statement represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme are as follows:

	2007 HK$'000	2006 HK$'000
Amount contributed and charged to the consolidated income statement	**1,011**	935

(b) PRC

(i) Other than certain employees of Jinzhou and Jiangsu Tianneng employed by the vendors at respective acquisition dates (the "Pre-acquisition Employees", see note 41A (a) and (b) for details of the acquisitions during 2007"), the employees of the Group in the PRC are members of state-managed retirement benefit schemes operated by the respective local government in the PRC. The Group is required to contribute a specified percentage of payroll costs to the schemes to fund the benefits. The only obligation of the Group with respect to these schemes is to make the specified contributions.

(ii) For the Pre-acquisition Employees, the Group is obligated to pay employee retirement benefits for retired employees and early retired employees (i.e. retired before their statutory retirement dates) of Jinzhou and Jiangsu Tianneng. The retired and early retired employees are entitled to certain monthly benefits for their life time or upto their statutory retirement dates, respectively.

The total costs charged to the consolidated income statement or capitalised in construction in progress in respect of the above-mentioned schemes in the PRC during each of the years are as follows:

	2007 HK$'000	2006 HK$'000
Amount contributed and charged to the consolidated income statement	**48,642**	55,631
Amount contributed and capitalised in the construction in progress	**223**	1,173

12. DIVIDENDS

	2007 HK$'000	2006 HK$'000
Interim dividend paid of HK$0.05 (2006: HK$0.04) per share on 3,904,529,000 (2006: 3,815,925,000) shares	**195,227**	152,637
2006 final dividend paid of HK$0.14 (2006: 2005 final dividend paid of HK$0.10) per share on 3,851,688,000 (2006: 3,812,349,000) shares	**539,236**	381,235
Special dividend paid of HK$nil (2006: HK$0.06 per share on 3,812,349,000 shares)	**—**	228,741
	734,463	762,613
Final dividend proposed of HK$0.20 (2006: HK$0.14) per share	**829,295**	538,259

The proposed final dividend for 2007 is based on 4,146,477,178 shares in issue at 28 March 2008 and to be approved by shareholders in general meeting.

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2007 HK$'000	2006 HK$'000
Profit attributable to equity holders of the Company	**3,220,597**	2,364,856

	Number of ordinary shares	
	2007	2006
Weighted average number of ordinary shares for the purposes of basic earnings per share	**3,924,997,504**	3,814,667,934
Effect of dilutive potential ordinary shares:		
- share options	**202,857,131**	120,489,057
- issuable consideration shares for acquisition of subsidiaries	**6,772,104**	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**4,134,626,739**	3,935,156,991

13. EARNINGS PER SHARE *(continued)*

	2007 HK cents	2006 HK cents
Basic earnings per share	**82.05**	61.99
Diluted earnings per share	**77.89**	60.10

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	**Power generating plant and equipment** HK$'000	**Mining structures** HK$'000	**Motor vehicles, furniture, fixtures, equipment and others** HK$'000	**Construction in progress** HK$'000	**Total** HK$'000
THE GROUP						
COST						
At 1 January 2006	2,614,928	11,396,301	–	91,778	4,277,506	18,380,513
Currency realignment	127,921	531,428	–	3,932	210,508	873,789
Acquisition of subsidiaries	857,719	2,923,967	–	21,127	1,362,136	5,164,949
Additions	108,560	311,391	–	39,963	4,983,706	5,443,620
Transfer	1,378,056	4,398,093	–	16,900	(5,793,049)	–
Transfer to prepaid lease payment	(102,287)	–	–	–	(13,007)	(115,294)
Adjustments	1,075,315	(1,653,099)	–	–	–	(577,784)
Disposals	–	(420)	–	(904)	–	(1,324)
At 31 December 2006	6,060,212	17,907,661	–	172,796	5,027,800	29,168,469
Currency realignment	368,955	1,440,362	–	13,204	363,991	2,186,512
Acquisition of subsidiaries	1,177,449	3,072,299	588,297	108,970	177,142	5,124,157
Additions	6,206	67,950	–	76,464	7,050,975	7,201,595
Transfer	2,065,814	7,612,882	–	13,393	(9,692,089)	–
Transfer to prepaid lease payment	(54,202)	–	–	–	–	(54,202)
Adjustments	(361,048)	(35,913)	–	2,344	–	(394,617)
Disposals	–	(1,663)	–	(2,208)	–	(3,871)
At 31 December 2007	9,263,386	30,063,578	588,297	384,963	2,927,819	43,228,043

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings HK$'000	Power generating plant and equipment HK$'000	Mining structures HK$'000	Motor vehicles, furniture, fixtures, equipment and others HK$'000	Construction in progress HK$'000	Total HK$'000
DEPRECIATION						
At 1 January 2006	167,285	631,544	—	20,946	—	819,775
Currency realignment	6,800	28,880	—	1,963	—	37,643
Provided for the year	177,149	815,993	—	19,828	—	1,012,970
Adjustments	61,405	(103,990)	—	—	—	(42,585)
Transfer to prepaid lease payment	(366)	—	—	—	—	(366)
Elimination on disposals	—	(214)	—	(253)	—	(467)
At 31 December 2006	412,273	1,372,213	—	42,484	—	1,826,970
Currency realignment	38,108	162,281	—	4,232	—	204,621
Provided for the year	409,379	1,294,684	—	39,220	—	1,743,283
Adjustments	(54,510)	(6,262)	—	—	—	(60,772)
Transfer to prepaid lease payment	(6,775)	—	—	—	—	(6,775)
Elimination on disposals	—	(134)	—	(1,857)	—	(1,991)
At 31 December 2007	798,475	2,822,782	—	84,079	—	3,705,336
CARRYING VALUES						
At 31 December 2007	8,464,911	27,240,796	588,297	300,884	2,927,819	39,522,707
At 31 December 2006	5,647,939	16,535,448	—	130,312	5,027,800	27,341,499

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life as follows:

Buildings	18 to 20 years
Power generating plant and equipment	15 to 18 years
Motor vehicles, furniture, fixtures, equipment and others	3 to 10 years

The mining structures include the main and auxiliary mine shafts and underground tunnels. Amortisation is provided to write off the cost of the mining structures and related equipment using the units of production method, which is calculated based the actual units of production over the shorter of (i) their estimated useful life based on the estimated production volume for which the structure and related equipment was designed and; (ii) the total estimated production volume within the contractual life of the mining rights.

The carrying value of buildings shown above refers to land located outside Hong Kong under medium term leases.

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Included in construction in progress is interest capitalised of HK$39,090,000 (2006: HK$164,534,000) not yet transferred to the appropriate categories of property, plant and equipment.

	Motor vehicles, furniture, fixtures, equipment and others HK$'000
THE COMPANY	
COST	
At 1 January 2006	5,560
Additions	470
At 31 December 2006, 1 January 2007 and 31 December 2007	6,030
DEPRECIATION	
At 1 January 2006	2,999
Provided for the year	873
At 31 December 2006 and 1 January 2007	3,872
Provided for the year	682
At 31 December 2007	4,554
CARRYING VALUE	
At 31 December 2007	1,476
At 31 December 2006	2,158

15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments are situated in the PRC and held under medium term leases.

The prepaid lease payments are amortised over the term of the leases.

16. MINING RIGHTS

	THE GROUP
	HK$'000
COST	
At 1 January 2006 and 1 January 2007	—
Acquisition of subsidiaries	138,787
At 31 December 2007	138,787
ACCUMULATED AMORTISATION	
At 1 January 2006, 1 January 2007 and 31 December 2007	—
CARRYING VALUE	
At 31 December 2007	138,787
At 31 December 2006	—

The above mining rights were purchased as part of a business combination during the year ended 31 December 2007 and initially recognised at its fair value of HK$138,787,000. At subsequent balance sheet dates, the license is measured using the cost model.

Amortisation is provided to write off the cost of the mining rights using the units of production method based on the actual production volume for the year over the total estimated production volume within the contractual life of the mining right.

17. INVESTMENTS IN/LOANS TO SUBSIDIARIES

	THE COMPANY	
	2007 HK$'000	2006 HK$'000
Unlisted shares/capital contribution, at cost	**7,398,725**	4,958,148
Loans to subsidiaries (note)	**1,561,068**	806,068
	8,959,793	5,764,216

Note: The amounts are unsecured, bear interest at rate offered by the People's Bank of China and have no fixed terms of repayment. In the opinion of the directors, the Company will not demand for the repayment of the amounts within the twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current.

The fair value of the Company's loans to subsidiaries at 31 December 2007 approximates their corresponding carrying value.

17. INVESTMENTS IN/LOANS TO SUBSIDIARIES *(continued)*

Details of the Company's principal subsidiaries as at 31 December 2007 are set out below.

Name of subsidiary	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered and paid-up capital	Proportion of nominal value of issued capital/registered capital held by the Company Directly %	Indirectly %	Principal activities
Leader Best Limited 豐能有限公司	Hong Kong	Ordinary shares - HK$10,000 Non-voting deferred shares - HK$10,000*	100	–	Investment holding
Resources Shajiao C Investments Limited 香港潤朗沙角投資有限公司	Hong Kong	Ordinary shares - HK$9,999 Special share - HK$1**	–	90	Investment holding
China Resources Power Dengfeng Co., Ltd. 華潤電力登封有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered capital - RMB630,000,000 Paid-up capital - RMB525,019,875	85	–	Operation of a power station
China Resources (Luoyang) Thermal Power Co., Ltd. 洛陽華潤熱電有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered and paid-up capital - RMB80,000,000	51	–	Operation of a power station
China Resources Power (Changshu) Co., Ltd. 華潤電力(常熟)有限公司 (Wholly-Owned Foreign Enterprise)	PRC	Registered and paid-up capital - US$173,520,000	100	–	Operation of a power station
China Resources Power Hunan Liyujiang Co., Ltd. 湖南華潤電力(鯉魚江)有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered and paid-up capital - RMB573,660,000	60	–	Operation of a power station
China Resources Power Hubei Co., Ltd. 華潤電力湖北有限公司 (Wholly-Owned Foreign Enterprise) (note a)	PRC	Registered and paid-up capital - US$112,000,000	100	–	Operation of a power station
China Resources (Jiaozuo) Thermal Power Co., Ltd. 焦作華潤熱電有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered capital - RMB267,540,000 Paid-up capital - RMB194,748,500	–	60	Operation of a power station
China Resources Power Performance Co., Ltd.	BVI	Share - HK$0.01	100	–	Investment holding
Tangshan China Resources Thermal Power Co., Ltd. 唐山華潤熱電有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered and paid-up capital - RMB270,490,000	–	80	Operation of a power station
China Resources Power Henan Shouyangshan Co., Ltd. 河南華潤電首陽山有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered and paid-up capital - RMB1,237,500,000	–	85	Operation of a power station
Yixing China Resources Thermal Power Co., Ltd. 宜興華潤熱電有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered capital - RMB201,000,000 Paid-up capital - RMB144,425,000	–	55	Operation of a power station

17. INVESTMENTS IN/LOANS TO SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered and paid-up capital	Proportion of nominal value of issued capital/registered capital held by the Company Directly %	Indirectly %	Principal activities
China Resources Power Hunan Co., Ltd. 華潤電力湖南有限公司 (Wholly-Owned Foreign Enterprise)	PRC	Registered capital - RMB1,361,000,000 Paid-up capital - RMB1,358,545,665	100	–	Development of a power station
Henan China Resources Power Gu Cheng Co., Ltd. 河南華潤電力古城有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered capital - RMB740,500,000 Paid-up capital - RMB496,240,295	65	–	Operation of a power station
華潤電力(唐山曹妃甸)有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered and paid-up capital - RMB38,000,000	–	90	Development of a power station
China Resources Power Project Service Co., Ltd. 華潤電力工程服務有限公司 (Wholly-Owned Foreign Enterprise)	PRC	Registered and paid-up capital - HK$50,000,000	100	–	Power station project consultancy services
CR Power Fuel (Henan) Co., Ltd. 華潤電力燃料(河南)有限公司 (Wholly-Owned Foreign Enterprise)	PRC	Registered and paid-up capital - HK$35,000,000	–	100	Investment holding
郴洲華潤煤業有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered and paid-up capital - US$29,990,000	–	84	Sale of coal
Shantou Dan Nan Wind Power Co., Ltd. 汕頭丹南風能有限公司 (Sino-Foreign Equity Joint Venture) (note b)	PRC	Registered and paid-up capital -US$10,000,000	–	55	Operation of a power station
Guangzhou China Resources Thermal Power Co. Ltd. 廣州華潤熱電有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered capital - RMB200,000,000 Paid-up capital - RMB158,000,000	–	70	Development of a power station
China Resources Concord (Beijing) Thermal Power Co. Ltd. 華潤協鑫(北京)熱電有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered and paid-up capital - RMB247,100,000	–	51	Operation of a power station
Fuyang China Resources Power Co., Ltd. 阜陽華潤電力有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered capital - RMB1,259,000,000 Paid-up capital - RMB798,971,692	–	55	Operation of a power station
Yunnan China Resources Power (Honghe) Co., Ltd. 雲南華潤電力(紅河)有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered and paid-up capital - RMB279,400,000	–	70	Development of a power station
偃師華潤運輸有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered and paid-up capital - RMB11,000,000	–	64	Provision of local logistic services
China Resources Power Maintenance Henan Co., Ltd. 華潤電力檢修(河南)有限公司 (Wholly-Owned Foreign Enterprise)	PRC	Registered and paid-up capital - RMB5,000,000	–	75	Power station maintenance service

17. INVESTMENTS IN/LOANS TO SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered and paid-up capital	Proportion of nominal value of issued capital/registered capital held by the Company Directly %	Indirectly %	Principal activities
攀枝花華潤水電開發有限公司# (Sino-Foreign Equity Joint Venture)	PRC	Registered capital - RMB50,000,000 Paid-up capital - RMB30,000,000	–	70%	Development of a power station
深圳南國能源有限公司# (Wholly-Owned Foreign Enterprise)	PRC	Registered and paid-up capital - RMB50,000,000	–	100%	Investment holding
China Resources Power Investment Co., Ltd.# 華潤電力投資有限公司 (Wholly-Owned Foreign Enterprise)	PRC	Registered capital - USD300,000,000 Paid-up capital - USD45,000,000	–	100%	Investment holding
China Resources Cangzhou Co-generation Co., Ltd.## 滄州華熱電有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered capital - RMB550,000,000 Paid-up capital - RMB410.000,000	60%	–	Operation of a power station
Jinzhou Eastern Power Co., Ltd.## 錦州東港電力有限公司 (Wholly-Owned Foreign Enterprise)	PRC	Registered and paid-up capital - RMB764,922,500	–	100%	Operation of a power station
Xuzhou Huaxin Power Generation Co., Ltd.## 徐州華鑫發電有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered and paid-up capital - RMB480,000,000	–	67%	Operation of a power station
Jiangsu Tianneng Power Generation Co., Ltd.## 江蘇天能集團公司 (Wholly-Owned Foreign Enterprise)	PRC	Registered and paid-up capital - RMB95,526,000	100%	–	Exploration and sale of coal and operation of a power station
China Resources Wind Power (Shantou) Co., Ltd.# 華潤電力風能(汕頭)有限公司 (Wholly-Owned Foreign Enterprise)	PRC	Registered and paid-up capital - RMB73,430,000	–	100%	Development of a power station
Guangdong Xingning Xingda Power Co., Ltd. ("Xingning Xingda")### 廣東省興寧市興達電力有限公司 (Wholly-Owned Foreign Enterprise)	PRC	Registered and paid-up capital - RMB337,500,000	–	100%	Operation of a power station
China Resources Wind Power (Chengde) Co., Ltd.# 華潤電力風能(承德)有限公司 (Wholly-Owned Foreign Enterprise)	PRC	Registered capital - RMB176,320,000 Paid-up capital - RMB21,158,400	–	100%	Development of a power station
China Resources Power (Jining) Co., Ltd.# 華潤電力(濟寧)有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered capital - RMB29,000,000 Paid-up capital - RMB28,977,086	95%	–	Development of a power station
China Resources Power (Heze) Co., Ltd.# 華潤電力(荷澤)有限公司 (Wholly-Owned Foreign Enterprise)	PRC	Registered capital - USD29,000,000 Paid-up capital - USD28,977,000	100%	–	Development of a power station

17. INVESTMENTS IN/LOANS TO SUBSIDIARIES *(continued)*

* The non-voting deferred shares are not entitled to receive notice of or attend or vote at any general meeting nor to any participation in the profits or surplus assets on winding up.

** The special share carries same rights as ordinary shares.

\# Newly incorporated during year ended 31 December 2007.

\## Newly acquired during year ended 31 December 2007.

\### The Group acquired 71% additional interest in Xingning Xingda during year ended 31 December 2007. Xingning Xingda was an 29% owned associate of the Group as at 31 December 2006.

The above table lists the subsidiaries of the Company which in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

Notes:

(a) On 22 October 2002, the Company acquired with cash consideration a 100% equity interest in China Resources Power Hubei Co., Ltd. ("CRP Hubei") from third parties. Upon expiry of the operating period in 2026, all the remaining assets (other than the power generating related long-lived assets and other property, plant and equipment) of CRP Hubei will be distributed to the Group. The power generating related assets and other property, plant and equipment will be revert to Hubei Provincial Government or other authority department without compensation.

(b) On 23 January 2007, the Group acquired with cash consideration a 55% equity interest in Shantou Dan Nan Wind Power Co., Ltd. ("Dan Nan") from third parties. Upon expiry of the operating period in 2022, all the remaining assets (other than the power generating related assets and other property, plant and equipment) of Dan Nan will be distributed to the Group. The power generating related assets and other property, plant and equipment will revert to the minority shareholder without compensation.

18. INTERESTS IN ASSOCIATES

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Cost of investment in associates - unlisted	**4,431,538**	2,039,949
Share of post-acquisition profits, net of dividend received	**961,167**	1,543,394
Share of reserves	**454,717**	185,828
	5,847,422	3,769,171

	THE COMPANY	
	2007	2006
	HK$'000	HK$'000
Cost of investment in an associate - unlisted	**2,352,031**	111,829

Included in the cost of investment in associates is goodwill of HK$921,124,000 (2006: HK$474,541,000) arising on acquisition of certain associates. The movement of goodwill is set out below:

	Goodwill
	HK$'000
COST	
At 1 January 2006	492,851
Transfer to subsidiaries	(18,310)
At 31 December 2006	474,541
Transfer to subsidiaries	(140,263)
Arising on acquisition of associates	586,846
At 31 December 2007	921,124

18. INTERESTS IN ASSOCIATES *(continued)*

Details of the principal associates held by the Group at 31 December 2007 are as follows:

Name of associate	Place of registration	Registered and paid-up capital	Attributable equity interest held by the Group	Principal activities
Guangdong Guanghope Power Co., Ltd. 廣東廣合電力有限公司 (Sino-Foreign Co-operative Joint Venture)	PRC	Registered capital - US$391,600,000 Paid-up capital - US$241,600,000	36%	Operation of a power station
Hebei Harv Power Generation Company Limited 河北衡豐發電有限公司責任公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered and paid-up capital - RMB777,000,000	25%	Operation of a power station
Zhejiang Wenzhou Telluride Power Generating Company Limited 浙江溫州特魯萊發電有限責任公司 (Sino-Foreign Co-operative Joint Venture)	PRC	Registered and paid-up capital - RMB796,120,000	40%	Operation of a power station
China Resources (Xuzhou) Electric Power Company Limited 徐州華潤電力有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered capital - RMB1,058,310,000 Paid-up capital - RMB863,110,000	35%	Operation of a power station
Nanjing Chemical Industry Park Heat-Power Co., Ltd. 南京化學工業園熱電有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered and paid-up capital - US$21,800,000	25%	Operation of a power station
Hengshui Hengxing Power Generation Company Limited 衡水恒興發電有限責任公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered and paid-up capital - RMB475,000,000	25%	Operation of a power station
河南永華能源有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered and paid-up capital - RMB300,000,000	42%	Exploration and sale of coal
鄭州華轅煤業有限公司 * (Sino-Foreign Equity Joint Venture)	PRC	Registered and paid-up capital - RMB750,000,000	49%	Exploration and sale of coal
楊州第二發電有限公司 ** (Sino-Foreign Equity Joint Venture)	PRC	Registered and paid-up capital - RMB1,692,000,000	45%	Operation of a power station
山西晉潤煤電有限責任公司 * (Sino-Foreign Equity Joint Venture)	PRC	Registered capital - RMB750,000,000 Paid-up capital - RMB637,500,000	40%	Exploration of a power station
江蘇南熱發電有限責任公司 ** (Sino-Foreign Equity Joint Venture)	PRC	Registered and paid-up capital - RMB100,000,000	30%	Operation and sale of coal

* Newly incorporated during year ended 31 December 2007.

** Newly acquired during year ended 31 December 2007.

18. INTERESTS IN ASSOCIATES *(continued)*

The summarised financial information in respect of the Group's associates is set out below:

	2007 HK$'000	2006 HK$'000
Total assets	**27,294,628**	21,273,453
Total liabilities	**11,624,297**	7,915,178
Turnover	**13,318,528**	10,578,503
Profit for the year	**1,805,805**	2,252,907

19. GOODWILL

THE GROUP

	HK$'000
COST	
At 1 January 2006	107,718
Transfer from interest in an associate	18,310
Arising on acquisition of subsidiaries	87,478
At 31 December 2006	213,506
Transfer from interest in an associate	140,263
Arising on acquisition of subsidiaries	1,754,158
Arising on acquisition of additional interest in a subsidiary	211,628
At 31 December 2007	2,319,555

For the purpose of impairment review, goodwill set out above is allocated to the cash generating units ("CGUs"), the subsidiaries operating power plants in different provinces in PRC.

The recoverable amounts of each of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

During the year, the Group performed impairment review for goodwill based on cash flow forecasts covering a period of 5 - 17 years derived from the most recent financial budgets approved by management using discount rate of 16% for CGU engaged in operating of power station, while the forecast is based on the financial budget which assumes no growth. The value in use calculated by using the discount rate is higher than the carrying amount of the goodwill allocated to the CGUs and accordingly, no impairment loss was considered necessary.

20. INVESTMENTS IN INVESTEE COMPANIES

The Group's investments in investee companies represent investment in unlisted equity securities issued by two (2006: two) limited liability entities incorporated in the PRC. They are measured at cost less impairment at each balance sheet date as the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. The directors of the Company considered that no impairment loss is necessary for the investments.

At the balance sheet date, the investments in investee companies are stated at cost.

21. AMOUNTS DUE FROM ASSOCIATES

THE GROUP

	2007 HK$'000	2006 HK$'000
Loan to an associate		
Non-current (note a)	—	432,173
Dividend receivable from associates (note b)	123,566	—
Amounts due from associates (note b)	146,780	13,848
	270,346	446,021
Amounts due from associates		
- due over one year	—	432,173
- due within one year	270,346	13,848
	270,346	446,021

Notes:

(a) As at 31 December 2006, the non-current loan to an associate included amounts of HK$408,524,000 and HK$23,649,000 which were unsecured, carried interest at the rate set by People's Bank of China for loan of the same maturity plus 10% and 6.12% per annum respectively. In the opinion of the directors, the Group would not demand repayment within the next twelve months. Accordingly, it was classified as non-current loan. During the year ended 31 December 2007, the Group acquired additional 71% interest in the associate and it became a wholly-owned subsidiary of the Group thereafter.

(b) The dividend receivable from associates and amounts due from associates are unsecured, non-interest bearing and repayable on demand.

The fair values of the Group's dividend receivable and amounts due from associates at 31 December 2007 approximate the corresponding carrying amounts due to relatively short-term maturity.

21. AMOUNTS DUE FROM ASSOCIATES *(continued)*

THE COMPANY

	2007 HK$'000	2006 HK$'000
Amount due from an associate	238,565	1,011

The amount due from an associate at 31 December 2007 is unsecured, non-interest bearing and repayable on demand. The fair value of such amount approximates its corresponding carrying value due to relatively short-term maturity.

22. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The Group's pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$15,090,000 (2006: HK$1,666,000) have been pledged to secure short-term bank loans and are therefore classified as current assets. The remaining deposits amounting to HK$37,433,000 (2006: HK$37,337,000) have been pledged to secure long-term bank borrowings of an associate. The pledged bank deposits will be released upon the repayment of the relevant bank borrowings.

The bank balances and bank deposits of the Group and the Company carried interest rates ranging from 1.25% to 5.2% (2006: 0.72% to 5.31%). The fair values of bank deposits at 31 December 2007 approximate their corresponding carrying amounts.

23. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives under hedge accounting

	THE GROUP AND THE COMPANY	
	2007 HK$'000	2006 HK$'000
Cash flow hedges - Interest rate swaps	(102,180)	87

23. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Cash flow hedges

The Group uses interest rate swaps (net quarterly settlement) to minimise its exposure to interest expenses of its floating-rate Hong Kong Dollar bank borrowings by swapping floating interest rates to fixed interest rates. The interest rate swaps and the corresponding bank borrowings have the similar terms and the directors of the Company considered that the interest rate swaps are highly effective hedging instruments. Major terms of the interest rate swaps are set out below:

2007 **Notional amount**	**Maturity**	**Swaps**
HK$600,000,000	20 May 2010	From HIBOR + 0.39% to 4.18%
HK$400,000,000	20 May 2010	From HIBOR + 0.39% to 4.10%
HK$500,000,000	25 October 2012	From HIBOR to 4.52%
HK$500,000,000	25 October 2012	From HIBOR to 4.48%
HK$500,000,000	26 October 2012	From HIBOR to 4.48%
HK$335,000,000	08 November 2012	From HIBOR to 4.29%
HK$500,000,000	29 October 2012	From HIBOR to 4.415%
HK$500,000,000	29 October 2012	From HIBOR to 4.38%
HK$500,000,000	25 October 2012	From HIBOR to 4.50%
HK$400,000,000	31 December 2012	From HIBOR to 3.97%

2006 Notional amount	Maturity	Swaps
HK$600,000,000	20 May 2010	From HIBOR + 0.39% to 4.18%
HK$400,000,000	20 May 2010	From HIBOR + 0.39% to 4.10%

As at 31 December 2007, the fair value change from the interest rate swaps under cash flow hedge amounted to HK$102,267,000 (2006: HK$25,726,000) has been deferred in equity and are expected to be released to the income statement when the hedged interest expense is charged to profit or loss quarterly.

The above derivatives are measured at fair value which is estimated using valuation provided by the counterparty financial institutions.

24. INVENTORIES

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Coal	**644,510**	352,440
Fuel oil	**73,431**	35,746
Spare parts and consumables	**239,569**	110,990
	957,510	499,176

At the balance sheet date, all inventories were stated at cost.

25. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

THE GROUP

Trade receivables are due within 60 days from the date of billing.

The following is an aging analysis of trade and notes receivables included in trade receivables, other receivables and prepayments at the balance sheet date:

	2007	2006
	HK$'000	HK$'000
0 - 30 days	**2,815,051**	1,234,477
31 - 60 days	**551,497**	332,677
Over 60 days	**448**	247,734
	3,366,996	1,814,888

Included in Group's trade receivables, other receivables and prepayment are prepayments for purchase of coal and fuel amounted to HK$517,865,000 (2006: HK$277,075,000). In addition, included in the trade receivables, other receivables and prepayments is an amount of HK$611,909,000 (equivalent to RMB 573,056,000) receivable from the provincial government in Xuzhou City (see note 41 for details).

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$448,000 (2006: HK$247,734,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 60 days (2006: 60 days).

25. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

THE GROUP *(continued)*

The following is an ageing of trade receivables which are past due but not impaired:

	2007 HK$'000	2006 HK$'000
Overdue 0 - 30 days	**—**	247,734
Overdue over 60 days	**448**	—
	448	247,734

The Group does not provide any allowance for all receivables because historical experience is such that receivables are generally recoverable. Management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality.

The fair values of the Group's trade and other receivables at 31 December 2007 approximate the corresponding carrying amounts due to relatively short-term maturity.

THE COMPANY

The fair values of the Company's other receivables at 31 December 2007 approximate the corresponding carrying amounts due to relatively short-term maturity.

26. AMOUNTS DUE FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES

THE GROUP

	2007 HK$'000	2006 HK$'000
Loans to minority shareholders of subsidiaries	**2,251**	3,024
Amount due from a minority shareholder of a subsidiary	**8,639**	—
	10,890	3,024

As at 31 December 2007, the loans to minority shareholders of subsidiaries are unsecured, carry interest at LIBOR plus 0.8878% and are repayable on demand. The fair value of the loans to minority shareholders of the subsidiaries at 31 December 2007 approximates their corresponding carrying value due to relatively short-term maturity.

As at 31 December 2007, the amount due from a minority shareholder of a subsidiary is unsecured, non-interest bearing and repayable on demand. The fair value of the Group's amount due from a minority shareholder of a subsidiary at 31 December 2007 approximates its corresponding carrying value due to relatively short-term maturity.

As at 31 December 2006, the loans to the minority shareholders of subsidiaries amounting to HK$1,812,000 and HK$1,212,000 were unsecured, repayable within one year and carried fixed interest at 5.22% per annum and LIBOR plus 0.8878% respectively. The fair values of the loans to minority shareholders of the subsidiaries at 31 December 2006 approximated their corresponding carrying values due to relatively short-term maturity.

27. AMOUNT DUE FROM GROUP COMPANIES

	THE GROUP	
	2007 **HK$'000**	2006 HK$'000
Amounts due from related companies	**33**	26
Amounts due from fellow subsidiaries	**62**	47
	95	73

	THE COMPANY	
	2007 **HK$'000**	2006 HK$'000
Amounts due from related companies	**33**	26
Amounts due from fellow subsidiaries	**40**	47
Amounts due from subsidiaries	**11,699,857**	6,430,112
	11,699,930	6,430,185

The amounts due from group companies are unsecured, non-interest bearing and repayable on demand. The fair values of the Group's and the Company's amounts due from group companies approximate their corresponding carrying values due to relatively short-term maturity.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2007 **HK$'000**	2006 HK$'000
Financial assets at fair value through profit or loss held for trading are analysed below:		
Equity securities in PRC	**1,057**	—

29. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

THE GROUP

The following is an ageing analysis of trade payables included in trade payables, other payables and accruals at the balance sheet date:

	2007 HK$'000	2006 HK$'000
0 - 30 days	**664,193**	141,489
31 - 90 days	**100,206**	37,034
Over 90 days	**142,129**	79,398
	906,528	257,921

	2007 HK$'000	2006 HK$'000
The other payables and accruals include:		
Accrued purchases of coal and fuel	**596,095**	399,775
Payables in respect of purchase of property, plant and equipment and construction payables	**3,585,849**	2,296,564
Accrued wages	**571,426**	192,492
Accrued retirement benefit cost	**234,167**	—
Payable in respect of employee settlement cost	**456,560**	—
Other tax payables	**347,661**	239,602
Provision for restoration, rehabilitation and environmental expenditure	**199,796**	—
Other payables and accruals	**1,477,760**	711,323
	7,469,314	3,839,756

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

The fair value of the Group's trade and other payables at 31 December 2007 approximates their respective carrying amounts due to relatively short-term maturity.

THE COMPANY

The fair values of the Company's other payables as at 31 December 2007 approximate their corresponding carrying amounts due to relatively short-term maturity.

30. CONSIDERATION PAYABLE FOR ACQUISITION OF SUBSIDIARIES

The Group's consideration payable for acquisition of subsidiaries represents deferred consideration payable by the Group for the acquisition of the equity interest in 錦州東港電力有限公司 Jinzhou Eastern Power Co. Ltd. ("Jinzhou") and Guangdong Xingxing Xingda Power Co., Ltd. amounting to HK$329,740,000 and HK$155,000,000 respectively. The deferred estimated consideration for acquisition of Jinzhou is to be settled by a variable number of the Company's shares (see note 41 for details). The number of shares to be settled is contingent on certain future events, including asset impairment and undisclosed liabilities identified, as provided in the respective business combination agreements. The Group has no contingent consideration payable in 2006.

31. AMOUNT DUE TO AN ASSOCIATE

The Group's amount due to an associate is unsecured, non-interest bearing and repayable on demand. The fair value of the amount due to an associate at 31 December 2007 approximates its corresponding carrying value due to relatively short-term maturity.

32. AMOUNTS DUE TO GROUP COMPANIES

	2007 HK$'000	2006 HK$'000
THE GROUP		
Amounts due to related companies	**437**	3,745
Amounts due to fellow subsidiaries	**4,013**	869
Amount due to immediate holding company	**108**	25
Amount due to ultimate holding company	**280,211**	95,654
	284,769	100,293
THE COMPANY		
Amounts due to fellow subsidiaries	**1,606**	25
Amount due to immediate holding company	**108**	819
Amount due to a subsidiary	**—**	92,640
	1,714	93,484

The amounts are unsecured, non-interest bearing and repayable on demand. The fair values of the Group's and the Company's amounts due to group companies at 31 December 2007 approximate their corresponding carrying values due to relatively short-term maturity.

33. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

The Group's amounts due to minority shareholders of subsidiaries are unsecured, non-interest bearing and repayable on demand. The fair values of the Group's amounts due to minority shareholders of subsidiaries at 31 December 2007 approximate their corresponding carrying values due to relatively short-term maturity.

34. BANK AND OTHER BORROWINGS

	THE GROUP	
	2007 HK$'000	2006 HK$'000
Secured bank loans	**5,281,536**	4,610,630
Unsecured bank loans	**16,201,990**	6,993,912
Other loans	**5,188,806**	4,986,456
	26,672,332	16,590,998
Carrying amount repayable:		
Within 1 year	**8,076,194**	3,993,946
More than 1 year, but not exceeding 2 years	**899,198**	633,487
More than 2 years, but not exceeding 5 years	**7,262,804**	2,273,635
More than 5 years	**10,434,136**	9,689,930
	26,672,332	16,590,998
Less: Amount due within 1 year shown under current liabilities	**(8,076,194)**	(3,993,946)
Amount due after 1 year	**18,596,138**	12,597,052
The above secured bank and other loans are secured by:		
Pledge of assets (note)	**5,281,536**	4,610,630

Note: Certain bank loans are secured by the Group's land use rights, buildings, and power generating plant and equipment with carrying values of HK$94,757,000 (2006: HK$102,752,000), HK$1,148,681,000 (2006: HK$582,139,000) and HK$3,754,996,000 (2006: HK$3,141,567,000) respectively.

As at 31 December 2007, included in bank borrowings amounts of HK$1,000,000,000 and HK$3,735,000,000 bear interest at HIBOR plus 0.39% and HIBOR plus 0.3% respectively, and the remaining bank borrowings carry fixed interest at a range from 3.600% to 8.748% per annum.

As at 31 December 2006, included in bank borrowings amounts of HK$1,000,000,000 carried interest at HIBOR plus 0.39%, and the remaining bank borrowings carried fixed interest at a range from 4.050% to 6.156% per annum.

34. BANK AND OTHER BORROWINGS *(continued)*

Included in other loans is an amount of HK$5,183,163,000 (2006: HK$4,986,456,000) loans lent by CRNC through a bank in PRC ("On-lent Loan"). During the year ended 31 December 2006, the Group raised loan RMB2,000,000,000 (equivalent to approximately HK$1,992,800,000) On-lent Loan. The issuing expenses and loan arrangement fee paid or payable to CRNC amounted to RMB21,680,000 and RMB111,000,000 respectively. The On-lent Loan bears interest at 4.05% per annum and is repayable in 2021. During the year ended 31 December 2007, total interest incurred is HK$236,905,000 (2006: HK$213,498,000).

During the year, the Group acquired a piece of land in the PRC for a consideration of RMB173,278,000 (equivalent to HK$185,026,000) of which RMB64,430,000 (equivalent to HK$68,799,000) was paid in cash and the remaining consideration of RMB108,848,000 (equivalent to HK$116,227,000) was deferred and payable in whole in 2057. The discounted present value of the deferred consideration amounted to HK$5,643,000 (2006: nil) which has been accounted for by the Group as borrowing.

The fair values of the Group's bank and other borrowings approximate the corresponding carrying amounts calculated by discounting the future cash flows at the prevailing market borrowing rate for similar borrowings at the balance sheet date.

The directors estimate the fair value of the bank and other borrowings as at 31 December 2007 to be approximately HK$26,256,354,000 (2006: HK$16,590,998,000). The fair value has been calculated by discounting the future cash flows at the market borrowing interest rate.

THE COMPANY

As at 31 December 2007, included in bank borrowings amounts of HK$1,000,000,000 and HK$3,735,000,000 bear interest at HIBOR plus 0.39% and HIBOR plus 0.3% respectively, and the remaining bank borrowings carry fixed interest at a range from 3.600% to 8.748% per annum. The bank borrowings are repayable in 2010 and 2012 respectively. They are unsecured and no guarantee is required.

As at 31 December 2006, included in bank borrowings amounts of HK$1,000,000,000 carried interest at HIBOR plus 0.39%, and the remaining bank borrowings carried fixed interest at a range from 4.050% to 6.156% per annum. The bank borrowings were repayable in 2010. They were unsecured and no guarantee was required.

The fair value of the Company's bank borrowings approximates the carrying amount calculated by discounting the future cash flows at the prevailing market borrowing rate for similar borrowings at the balance sheet date.

34. BANK AND OTHER BORROWINGS *(continued)*

The Group and the Company's borrowings that are denominated in currencies other than the functional currency, Renminbi, of the relevant entities are set out below:

	THE GROUP		THE COMPANY	
Currency	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
US dollars	**39,460**	50,094	**—**	—
Hong Kong dollars	**4,735,000**	1,000,000	**4,735,000**	1,000,000

At 31 December 2007, the interest rate risk of the Group and the Company's borrowings of HK$4,735,000,000 (2006: HK$1,000,000,000) was hedged using interest rate swaps (floating-fixed interest swaps) (see note 23 for details).

35. DEFERRED TAXATION

THE GROUP

The following are the major deferred tax (liabilities) assets recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK$'000	Fair value change of mining right HK$'000	Fair value of prepaid lease payment HK$'000	Fair value of property, plant and equipment HK$'000	Retirement benefits obligation HK$'000	Allowance for trade and other receivables HK$'000	Others HK$'000	Total HK$'000
At 1 January 2006	(12,582)	–	–	–	–	–	5,695	(6,887)
Exchange realignment	(635)	–	–	–	–	–	–	(635)
Charge to income statement for the year	(7,994)	–	–	–	–	–	(297)	(8,291)
At 31 December 2006	(21,211)	–	–	–	–	–	5,398	(15,813)
Exchange realignment	(3,065)	–	–	–	–	–	–	(3,065)
Charge to income statement for the year	(9,163)	–	–	–	–	–	(297)	(9,460)
Acquisition of subsidiaries	–	(28,290)	(48,360)	79,316	58,542	27,305	2,018	90,531
Effect of change in tax rate	(29,622)	–	–	–	–	–	2,429	(27,193)
At 31 December 2007	(63,061)	(28,290)	(48,360)	79,316	58,542	27,305	9,548	35,000

35. DEFERRED TAXATION *(continued)*

THE GROUP *(continued)*

The following is the analysis of the deferred taxation balances for financial reporting purposes:

	2007 HK$'000	2006 HK$'000
Deferred taxation assets	**98,061**	5,398
Deferred taxation liabilities	**(63,061)**	(21,211)
	35,000	(15,813)

At 31 December 2007, the Group had unused tax losses of HK$169,357,000 (2006: HK$148,198,000) available to offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses at 31 December 2007 are losses of approximately HK$70,277,000 (2006: nil) that will expire within 5 years from the year of originating and in or before 2012. Other losses may be carried forward indefinitely.

THE COMPANY

At 31 December 2007, the Company had unused tax losses of HK$93,479,000 (2006: HK$142,597,000) available to offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

36. SHARE CAPITAL

	Number of shares		Amount	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Ordinary share of HK$1.00 each				
Authorised:				
Balance at 1 January and 31 December	**10,000,000**	10,000,000	**10,000,000**	10,000,000
Issued and fully paid:				
Balance at 1 January	**3,831,162**	3,810,044	**3,831,162**	3,810,044
Issues of shares:				
– upon exercise of share options	**71,806**	21,118	**71,806**	21,118
– in placing and subscription arrangement (note 1)	**200,000**	—	**200,000**	—
– in consideration of acquisition of a subsidiary (note 2)	**37,349**	—	**37,349**	—
Balance at 31 December	**4,140,317**	3,831,162	**4,140,317**	3,831,162

36. SHARE CAPITAL *(continued)*

Notes:

(1) During the year ended 31 December 2007, pursuant to a placing and subscription agreement entered into on 4 October 2007, the Company allotted and issued 200,000,000 new shares of HK$1.00 each at the subscription price of HK$24.3 per share to CRH, the holding company of the Company. The Company raised approximately HK$4,817,102,000 (net of expenses).

(2) During the year ended 31 December 2007, pursuant to sales and purchase agreement entered on 3 July 2007, the Company issued 37,349,178 new ordinary shares of the Company as the partial consideration for the acquisition of equity interest in Jinzhou Eastern Power Co. Ltd. (see note 41 for details).

All the shares which were issued during the year rank pari passu with the existing shares in all respects.

37. SHARE OPTION

Pursuant to a resolution in writing passed on 6 October 2003 by the shareholders of the Company, a Pre-IPO Share Option Scheme and a Share Option Scheme have been adopted by the Company.

(a) Pre-IPO Share Option Scheme

On 6 October 2003, the Company granted options to the grantees to subscribe for 167,395,000 shares in the Company at an exercise price of HK$2.80 per share, upon payment of HK$1 per grant. Options granted are exercisable within a period of ten years within which there is a total vesting period of five years. 20% of the share options will be allowed to exercise upon each of the first five anniversary dates.

Movement of options under Pre-IPO Share Option Scheme during the years ended 31 December 2006 and 2007 is as follows:

		Number of options								
	Exercise price HK$	Outstanding at 1.1.2006	Reclassification during the year ended 31.12.2006	Lapsed during the year ended 31.12.2006	Exercised during the year ended 31.12.2006	Outstanding at 31.12.2006	Reclassification during the year ended 31.12.2007	Lapsed during the year ended 31.12.2007	Exercised during the year ended 31.12.2007	Outstanding at 31.12.2007
Directors of the Company	2.80	16,500,000	2,800,000	(1,800,000)	(3,350,000)	14,150,000	–	–	(9,690,000)	4,460,000
Directors of CRH	2.80	3,130,000	–	–	(750,000)	2,380,000	1,980,000	–	(2,320,000)	2,040,000
Employees of the Group	2.80	100,435,000	(2,800,000)	(3,856,000)	(12,220,000)	81,559,000	–	(88,000)	(38,086,000)	43,385,000
Employees of CRH and its subsidiaries	2.80	44,072,000	–	(1,408,000)	(3,958,000)	38,706,000	(1,980,000)	–	(10,752,000)	25,974,000
		164,137,000	–	(7,064,000)	(20,278,000)	136,795,000	–	(88,000)	(60,848,000)	75,859,000
Exercisable at the end of the year						72,997,000				45,000,667

37. SHARE OPTION *(continued)*

(a) Pre-IPO Share Option Scheme *(continued)*

The purpose of the Pre-IPO Share Option Scheme is to, amongst others, give the participants an opportunity to have a personal stake in the Company and help to motivate the participants to optimise their performance and efficiency and retain participants whose contributions are important to the long-term growth and profitability of the Group.

(b) Share Option Scheme

Pursuant to the Share Option Scheme approved by the resolution of the shareholders of the Company dated 6 October 2003, the Board may, at its absolute discretion, offer any employee, director, consultant or advisor of (i) CRH and its subsidiaries; and (ii) the Company, its subsidiaries and associated companies, option to subscribe for the Company's shares, for the promotion of success of the business of the Group. The exercise price of the share option will be determined at the highest of (1) the closing price of the Company's shares on the Stock Exchange on the date of grant of the option; (2) the average closing price of the Company's shares on the Stock Exchange on the five trading days immediately preceding the date of grant; and (3) the nominal value of the shares.

Options granted are exercisable during the period from the vesting date to the last day of the ten-year period after grant date. The share options have vesting periods from one to five years and every 20% will be vested each year.

37. SHARE OPTION *(continued)*

(b) Share Option Scheme *(continued)*

Movement of options granted under the Share Option Scheme in 2006 and 2007 is as follows:

			Number of options										
	Exercise price HK$	Date of grant	Outstanding at 1.1.2006	Reclassi-fication during the year ended 31.12.2006	Granted during the year ended 31.12.2006	Lapsed during the year ended 31.12.2006	Exercised during the year ended 31.12.2006	Outstanding at 31.12.2006	Reclassi-fication during the year ended 31.12.2007	Granted during the year ended 31.12.2007	Lapsed during the year ended 31.12.2007	Exercised during the year ended 31.12.2007	Outstanding at 31.12.2007
Directors of CRH and its subsidiaries	3.990	18.3.2005	4,400,000	–	–	–	–	4,400,000	(700,000)	–	–	(1,320,000)	2,380,000
	12.430	30.3.2007	–	–	–	–	–	–	–	24,800,000	–	–	24,800,000
Directors of the Company	3.990	18.3.2005	4,200,000	600,000	–	(480,000)	(120,000)	4,200,000	–	–	–	(1,200,000)	3,000,000
	4.725	18.11.2005	–	600,000	–	(200,000)	–	400,000	–	–	–	–	400,000
	12.430	30.3.2007	–	–	–	–	–	–	–	400,000	–	–	400,000
Employees of CRH and its subsidiaries	4.250	1.9.2004	4,300,000	–	–	–	–	4,300,000	–	–	–	–	4,300,000
	3.990	18.3.2005	4,100,000	–	–	–	(160,000)	3,940,000	700,000	–	–	(420,000)	4,220,000
	4.725	18.11.2005	9,750,000	(600,000)	–	–	–	9,150,000	600,000	–	–	–	9,750,000
Employees of the Group	4.250	1.9.2004	23,200,000	–	–	(3,640,000)	(360,000)	19,200,000	–	–	(120,000)	(2,270,000)	16,810,000
	3.990	18.3.2005	22,300,000	(600,000)	–	(1,520,000)	(200,000)	19,980,000	–	–	–	(2,758,000)	17,222,000
	4.725	18.11.2005	52,050,000	–	–	(400,000)	–	51,650,000	(600,000)	–	(200,000)	(1,920,000)	48,930,000
	7.050	5.9.2006	–	–	27,700,000	(500,000)	–	27,200,000	–	–	–	(1,070,000)	26,130,000
			124,300,000	–	27,700,000	(6,740,000)	(840,000)	144,420,000	–	25,200,000	(320,000)	(10,958,000)	158,342,000
Exercisable at the end of the year			5,500,000					27,544,000					50,692,000
Weighted average exercise price			4.413	N/A	7.050	4.423	4.101	4.920	N/A	12.43	4.55	4.47	4.96

Total consideration received during the year for the options granted under the Share Option Scheme amounted to HK$49 (2006: HK$58).

In the current year, an amount of share option expense of HK$155,685,000 (2006: HK$113,230,000) has been recognised in the income statement, with a corresponding adjustment made in the Group's share option reserve.

The weighted average closing price of the Company's shares at dates on which the options were exercised during the year was HK$18.98 (2006: HK$8.49).

The fair value of the options was determined at the date of grant using the Black-Scholes option pricing model, taken into account the terms and conditions upon which the share options were granted.

37. SHARE OPTION (continued)

The following assumptions were used to calculate the fair values of share options granted in both years.

	30.3.2007	5.9.2006
Weighted average share price	**HK$12.43**	HK$7.05
Exercise price	**HK$12.43**	HK$7.05
Expected life of options	**7.5 years**	7.5 years
Expected volatility	**50.00%**	55.80%
Expected dividend yield	**1.52%**	1.42%
Risk free rate	**4.51%**	4.03%
Estimated fair value of option at grant date	**HK$5.96**	HK$3.79
Closing share price immediately before date of grant	**HK$11.98**	HK$6.88

Notes:

(i) The volatility measured at the standard deviation of expected share price returns is based on a statistical analysis of daily share prices over certain periods immediately preceding the grant date.

(ii) The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares in the Company set out above.

(iii) As the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

38. RESERVES

THE GROUP

Details of changes in reserves of the Group are set out in the consolidated statement of changes in equity on page 84.

General reserve is part of the shareholders' funds and comprises statutory surplus reserve, enterprise expansion fund and reserve fund of subsidiaries and associates in the PRC. Pursuant to the Articles of Associates, certain of the Group's subsidiaries established in the PRC shall make allocation from their profit after tax to the general reserve. The general reserve shall be used for making up losses, capitalisation into capital and expansion of the operation and production of the respective subsidiaries and associates.

38. RESERVES *(continued)*

THE GROUP *(continued)*

The special 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 share capital of subsidiaries acquired pursuant to a group reorganisation for the purpose of the preparation of the Company's share listing on the Stock Exchange.

	Share premium HK$'000	Merger reserve HK$'000	Hedging reserve HK$'000	Share option reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
THE COMPANY						
At 1 January 2006	4,475,753	82,309	25,813	243,917	2,981,229	7,809,021
Profit for the year	–	–	–	–	1,477,018	1,477,018
Shares issued upon exercise of share options	39,106	–	–	–	–	39,106
Recognition of share based payments	–	–	–	113,230	–	113,230
Transfer of share option reserves on exercise of share option	32,214	–	–	(32,214)	–	–
Fair value change on cash flow hedges	–	–	(25,726)	–	–	(25,726)
Dividends paid	–	–	–	–	(762,613)	(762,613)
At 31 December 2006	4,547,073	82,309	87	324,933	3,695,634	8,650,036
Profit for the year	–	–	–	–	4,909,196	4,909,196
Shares issued upon exercise of share options	147,380	–	–	–	–	147,380
Recognition of share based payments	–	–	–	155,685	–	155,685
Issued of shares in placing and subscription arrangement	4,660,000	–	–	–	–	4,660,000
Expenses incurred in connection with issue of shares	(42,898)	–	–	–	–	(42,898)
Issue of shares in consideration of acquisition of a subsidiary	732,044	–	–	–	–	732,044
Transfer of share option reserves on exercise of share option	113,560	–	–	(113,560)	–	–
Fair value change on cash flow hedges	–	–	(102,267)	–	–	(102,267)
Dividends paid	–	–	–	–	(734,463)	(734,463)
At 31 December 2007	10,157,159	82,309	(102,180)	367,058	7,870,367	18,374,713

38. RESERVES *(continued)*

THE COMPANY *(continued)*

The merger reserve of the Company represents the difference between the aggregate net assets of the subsidiaries acquired by the Company under the Group Reorganisation and the nominal amount of the Company's shares issued for the acquisition.

In accordance with the Company's Articles of Association, dividends can only be distributed out of the accumulated profits of the Company amounted to HK$7,870,367,000 as at 31 December 2007 (2206: HK$ 3,695,634,000).

39. CAPITAL RISK MANAGEMENT

The Group and the Company manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's and the Company's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes long-term bank borrowings, short-term bank borrowings and other loans as disclosed in note 34, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated profits. The capital structure of the Company consists of debt, which includes the long-term bank borrowings as disclosed in note 34, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated profits.

The directors of the Company review the capital structure on a periodic basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

40. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP	
	2007 **HK$'000**	2006 HK$'000
Financial assets		
Fair value through profit or loss		
Held for trading	**1,057**	—
Derivative instruments in designated hedge accounting relationships	**—**	87
Loans and receivables (including cash and cash equivalents)	**12,680,805**	5,255,668
Available-for-sale financial assets	**128,416**	108,186
Financial liabilities		
Derivative instruments in designated hedge accounting relationships	**(102,180)**	—
Amortised cost	**(34,214,157)**	(20,149,942)

40. FINANCIAL INSTRUMENTS (continued)

	THE COMPANY	
	2007 HK$'000	2006 HK$'000
Financial assets		
Loans and receivable (including cash and cash equivalents)	**17,583,221**	8,383,346
Derivative instruments in designated hedge accounting relationship	**—**	87
Financial liabilities		
Derivative instruments	**102,180**	—
Amortised cost	**4,736,964**	1,093,948

Financial risk management objectives and policies

The Group's major financial instruments include investment in investee companies, pledged bank deposits, bank balances and cash, trade and other receivables, trade and other payables, amounts due from associates, amounts due from minority shareholders of subsidiaries, amounts due to group companies, minority shareholders of subsidiaries and former shareholders of subsidiaries, bank and other borrowings and derivative financial instruments. The Company's major financial instruments comprise loans to subsidiaries, other receivables, amounts due from an associate and group companies, bank balances and cash, other payable, amounts due to group companies, bank and other borrowings and derivative financial instruments. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group's and the Company's fair value interest rate risk is the risk that the fair value of a fixed rate financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Except for HK$4,735 million bank borrowings were at floating rates, all remaining bank borrowings and other borrowings were at fixed rate. In order to keep borrowings at fixed rate and to minimise the cash flow interest rate risk, the Group uses floating to fixed interest rate swaps to manage the cash flow interest rate risk exposure associated with the borrowings amounting to HK$4,735 million issued at floating rates (see note 34 for details). Interest rate swaps, fixed rate bank and other borrowings expose the Group to fair value interest rate risk. At 31 December 2007, bank borrowings and On-lent Loan of approximately HK$21,932 million were at fixed rates.

40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk

The Group and the Company does not have significant exposure to foreign currency risk as majority of the Group's operations are in the PRC and transactions are denominated in Renminbi which is the functional currency of the Group and the respective group entity except for certain bank balances and borrowings which are denominated in HK$ and US$. The management considers the Group's exposure to foreign currency risk is not significant.

The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

THE GROUP

		Assets		Liabilities	
	Currency	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
US dollars	US$	**417,381**	1,551,401	**39,460**	50,094
Hong Kong dollars	HK$	**3,111,606**	173,215	**4,735,000**	1,000,000

THE COMPANY

		Assets		Liabilities	
	Currency	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
US dollars	US$	**8,423**	849,938	**—**	—
Hong Kong dollars	HK$	**2,748,521**	147,403	**4,735,000**	1,000,000

40. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Currency risk (continued)

The following table details the sensitivity to a 5% increase and decrease in Renminbi against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The analysis illustrates the impact for a 5% strengthening of Renminbi against the relevant currency and a positive and negative number below indicates an increase and decrease in profit and loss respectively. For a 5% weakening of Renminbi against the relevant currency, there would be an equal and opposite impact on the profit.

THE GROUP

	U.S. dollars impact		Hong Kong dollar impact	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
(Loss) profit	**(18,896)**	(75,065)	**81,170**	41,339

THE COMPANY

	U.S. dollars impact		Hong Kong dollar impact	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
(Loss) profit	**(421)**	(42,497)	**99,324**	42,630

40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk

THE GROUP

The Group's credit risk is primarily attributable to trade and other receivables. The maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has reviewed the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 31 December 2006, except for the trade receivables and amount due from an associate due over one year amounting to HK$247,734,000 (2007: HK$ 448,000) (see note 25) and HK$432,173,000 (2007: nil) respective, all the loans and receivables are not yet due as at balance sheet date. Management considers the loans and receivables are neither past due nor impaired to be of a good credit quality. Based on the historical experiences of the Group, loans and receivables are past due but not impaired are generally recoverable. The Group does not hold any collateral over these balances.

Credit risk for power plants in the PRC power industry is concentrated on a limited number of power grids. However, the management, having consider the strong financial background and good creditability of the power grids, believes there is no significant credit risk.

THE COMPANY

The Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Company arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and
- the amount disclosed in note 45 - Contingent liabilities.

Substantially all the loans and receivables are not yet due as at the balance sheet date. Management considers the loans and receivables are neither past due nor impaired to be of a good credit quality. The Company does not hold any collateral over these balances.

The credit risk is limited because the counterparties are subsidiaries with strong financial position and cash flow position.

40. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including raising of loans to cover expected cash demands, subject to certain internal control measures of the Group. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The Group has net current liabilities as at 31 December 2007, which exposed the Group to liquidity risk. In order to mitigate the liquidity risk, the management obtained sufficient long-term bank facilities at the balance sheet date. In addition, the power plants in the PRC have strong operating cash inflow. In this regard, the directors of the Company consider that the Group's liquidity risk is significantly reduced and are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	THE GROUP						
	Weighted average effective interest rate	**On demand**	**Less than 1 year**	**1 - 5 years**	**5 + years**	**Total undiscounted cash flows**	**Carrying amount**
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2007							
Non-derivative financial liabilities							
Non-interest bearing	N/A	7,386,825	155,000	–	–	7,541,825	7,541,825
Fixed interest rate instruments	6.128	–	8,201,850	7,156,398	15,389,935	30,748,183	21,937,332
Variable interest rate instruments*	3.770	–	178,496	5,423,011	–	5,601,507	4,735,000
		7,386,825	8,535,346	12,579,409	15,389,935	43,891,515	34,214,157
Derivatives – net settlement							
Interest rate swaps	N/A	–	39,559	147,402	–	186,961	102,180
At 31 December 2006							
Non-derivative financial liabilities							
Non-interest bearing	N/A	3,558,944	–	–	–	3,558,944	3,558,944
Fixed interest rate instruments	5.404	–	5,003,316	4,319,917	12,789,851	22,113,084	15,590,998
Variable interest rate instruments*	4.294	–	42,940	1,107,351	–	1,150,291	1,000,000
		3,558,944	5,046,256	5,427,268	12,789,851	26,822,319	20,149,942

40. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Liquidity and interest risk tables (continued)

	THE COMPANY						
	Weighted average effective interest rate %	On demand HK$'000	Less than 1 year HK$'000	1 - 5 years HK$'000	5 + years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2007							
Non-derivative financial liabilities							
Non-interest bearing	N/A	1,964	–	–	–	1,964	1,964
Variable interest rate instruments*	3.770	–	178,496	5,423,011	–	5,601,507	4,735,000
		1,964	178,496	5,423,011	–	5,603,471	4,736,964
Derivative – net settlement							
Interest rate swaps	N/A	–	39,559	147,402	–	186,961	102,180
At 31 December 2006							
Non-derivative financial liabilities							
Non-interest bearing	N/A	93,948	–	–	–	93,948	93,948
Variable interest rate instruments*	4.294	–	42,940	1,107,351	–	1,150,291	1,000,000
		93,948	42,940	1,107,351	–	1,244,239	1,093,948

* The interest rates applied to projected variable interest rate instrument's undiscounted future cash flows are the interest rates at the balance sheet date.

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivative.

The carrying amounts of short-term financial assets and liabilities carried at amortised cost approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

41. ACQUISITIONS OF SUBSIDIARIES

A. The following are the details of business acquired in 2007:

(a) In July 2007, the Group acquired 55% equity interest in Jinzhou and a piece of land in PRC from a third party at an aggregate consideration of approximately HK$1,634,856,000. The acquisition has been accounted for by the purchase method of accounting.

The net assets acquired in the transactions and the goodwill arising therefrom are as follows:

	Acquirees' carrying amounts before combination HK$'000	**Fair value and other adjustments** HK$'000	**Fair value** HK$'000
Net assets acquired:			
Property, plant and equipment	799,131	—	799,131
Prepaid lease payment	—	35,627	35,627
Deferred tax assets	—	21,492	21,492
Trade and other receivables	355,294	—	355,294
Inventories	52,552	—	52,552
Bank and cash balances	213,985	—	213,985
Trade and other payables	(141,938)	—	(141,938)
Accrued retirement benefits cost	—	(85,969)	(85,969)
Bank borrowings	(509,071)	—	(509,071)
	769,953	(28,850)	741,103
Less: Minority interests			(333,496)
Net assets acquired			407,607
Goodwill			1,227,249
			1,634,856
Total consideration satisfied by:			
Cash			535,723
Shares issued (Note)			769,393
Deferred consideration - share (Note)			329,740
			1,634,856
Net cash outflow arising on acquisition			
Cash consideration paid			535,723
Cash and cash equivalents acquired			(213,985)
			321,738

41. ACQUISITIONS OF SUBSIDIARIES *(continued)*

A. The following are the details of business acquired in 2007: *(continued)*

Note: The consideration of the acquisition of Jinzhou was satisfied by RMB521.5 million (equivalent to HK$535.7 million) in cash and RMB1,070.0 million (equivalent to HK$1,099.1 million) by the allotment and issue of 53,355,969 consideration shares.

As part of the consideration for the acquisition of Jinzhou. 37,349,178 ordinary shares of the Company with par value of HK$1.00 each were issued during the year ended 31 December 2007. The remaining consideration amounted to HK$329,740,000, which representing the remaining 16,006,791 consideration shares, is deferred and will be settled in 2008. The number of shares to be settled is contingent on certain future events, including asset impairment and undisclosed liabilities identified, as provided in the business combination agreements. The fair value of the ordinary shares of the Company, determined using the market value available at the date of acquisition, amounted to HK$20.6 per share.

The Group acquired the remaining 45% interest in Jinzhou in September 2007 at a consideration of HK$577,105,000 and goodwill arising on this acquisition is HK$211,628,000.

41. ACQUISITIONS OF SUBSIDIARIES *(continued)*

A. The following are the details of business acquired in 2007: *(continued)*

(b) In December 2007, the Group acquired 100% equity interest in Jiangsu Tianneng at an consideration of approximately HK$648,158,000. The acquisition has been accounted for by the purchase method of accounting.

The net assets acquired in the transactions and the goodwill arising therefrom are as follows:

	Acquirees' carrying amounts before combination HK$'000	Fair value and other adjustments HK$'000 (Note)	Fair value HK$'000
Net assets acquired:			
Property, plant and equipment	1,249,851	(280,480)	969,371
Prepaid lease payment	60,360	193,381	253,741
Mining rights	25,627	113,160	138,787
Interests in associates	152,336	—	152,336
Deposits paid for acquisition of property, plant and equipment	107,472	—	107,472
Deferred tax assets	26,045	42,994	69,039
Trade and other receivables	290,189	509,620	799,809
Amount due from an associate	15,376	—	15,376
Financial assets at fair value through profit or loss	1,057	—	1,057
Inventories	100,184	12,221	112,405
Bank and cash balances	117,324	—	117,324
Trade and other payables	(1,183,534)	(456,560)	(1,640,094)
Accrued retirement benefit cost	—	(148,198)	(148,198)
Bank borrowings	(490,498)	—	(490,498)
Taxation payable	(16,158)	—	(16,158)
	455,631	(13,862)	441,769
Less: Minority interests			(39,067)
Net assets acquired			402,702
Goodwill			245,456
Total consideration, satisfied by cash			648,158
Net cash outflow arising on acquisition			
Cash consideration paid			648,158
Cash and cash equivalents acquired			(117,324)
			530,834

41. ACQUISITIONS OF SUBSIDIARIES *(continued)*

A. The following are the details of business acquired in 2007: *(continued)*

Note: Included in fair value and other adjustments of trade and other receivables is an amount of HK$611,909,000 (equivalent to RMB 573,056,000) receivable from the provincial government in Xuzhou City. The amount is receivable from the government for the purpose to settle the termination benefits to employees, which is an one-off compensation payable to the qualified contracted employees, as approved by the relevant government authority, upon the termination of the employment contracts between the employee and the state-owned company, and employee retirement benefits cost relating to retired and early retired employees of Jiangsu Tianneng.

The fair value and other adjustments of trade and other payables is termination benefits amounting to HK$456,560,000, which is calculated based on number of years of service and the average salary determined by the PRC government. These employees continued to work in the Group.

The fair value and other adjustments of accrued retirement benefit cost is employee retirement cost amounting to HK$148,198,000. The Group is obligated to pay employee retirement benefits for retired and early retired employees of Jiangsu Tianneng for their life time or upto their statutory retirement dates, respectively.

41. ACQUISITIONS OF SUBSIDIARIES *(continued)*

A. The following are the details of business acquired in 2007: *(continued)*

(c) In December 2007, the Group acquired 67% equity interest in 徐州華鑫發電有限公司 Xuzhou Huaxin Power Generation Co., Ltd., at cash consideration of approximately HK$1,013,342,000. The acquisition has been accounted for using the purchase method of accounting.

The carrying amounts of the net assets acquired in the transactions, which approximate their fair values, and the goodwill arising therefrom are as follows:

	Acquirees' carrying amounts before combination and fair value HK$'000
Net assets acquired:	
Property, plant and equipment	2,246,714
Trade and other receivables	179,370
Inventories	18,969
Bank and cash balances	28,175
Trade and other payables	(561,235)
Amount due to a shareholder	(152,695)
Tax payable	(2,754)
Bank borrowings	(805,121)
	951,423
Less: Minority interests	(219,534)
Net assets acquired	731,889
Goodwill	281,453
	1,013,342
Net cash outflow arising on acquisition	
Cash consideration paid	1,013,342
Cash and cash equivalents acquired	(28,175)
	985,167

41. ACQUISITIONS OF SUBSIDIARIES *(continued)*

A. The following are the details of business acquired in 2007: *(continued)*

(d) During the year, the Group also acquired 100% equity interest in 滄州熱電有限公司 Cangzhou Thermal Power Co. Ltd., 滄州光明發電有限公司 Cangzhou Guangming Power Co. Ltd. and 滄州華瑞熱電有限公司 Cangzhou Huarui Thermal Power Co. Ltd. and a further 71% equity interest in an associate, Xingning Xingda, in December 2007, at an aggregate cash consideration of approximately HK$214,900,000. Upon the completion of the acquisition of a further 71% equity interest in Xingning Xingda, it becomes a 100% owned subsidiary of the Company. The transactions have been accounted for using the purchase method of accounting.

The combined carrying values of the net assets acquired in the transactions, which approximate their fair values, and the goodwill arising therefrom are as follows:

	Acquirees' carrying amounts before combination and fair value HK$'000
Net assets acquired:	
Property, plant and equipment	1,108,941
Prepaid lease payments	82,513
Trade and other receivables	169,770
Inventories	14,441
Bank and cash balances	61,553
Trade and other payables	(359,492)
Bank borrowings	(51,726)
Net assets acquired	1,026,000
Transfer from interests in an associate	(81,257)
Transfer from amount due from an associate	(699,026)
Discount on acquisition	(30,817)
	214,900
Total consideration satisfied by:	
Cash	59,900
Deferred cash consideration	155,000
	214,900
Net cash inflow arising on acquisition	
Cash consideration paid	59,900
Cash and cash equivalents acquired	(61,553)
	(1,653)

41. ACQUISITIONS OF SUBSIDIARIES *(continued)*

A. The following are the details of business acquired in 2007: *(continued)*

The goodwill arising on the acquisition of the subsidiaries is attributable to the high profitability of the acquired businesses and the anticipated future operating synergies from the combination.

During the year ended 31 December 2007, these acquirees contributed approximately HK$916,553,000 to the Group's turnover and HK$143,970,000 to the Group's profit for the period between the dates of acquisition and the balance sheet date.

Had the acquisitions been completed on 1 January 2007, total group revenue for the year would have been HK$21,500,294,000, and profit for the year would have been HK$4,152,698,000. The proforma information is for illustrative purpose only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is it intended to be a projection of future results.

B. The following are the details of business acquired in 2006:

(a) In September 2006, the Group acquired 55% equity interest in Fuyang China Resources Power Co. Ltd. (阜陽華潤電力有限公司) at an consideration of approximately HK$436,480,000. The acquisition had been accounted for by the purchase method of accounting.

The combined carrying values of the net assets acquired in the transactions, which approximate their fair values, and the goodwill arising therefrom are as follows:

	Acquirees' carrying amounts before combination and fair value HK$'000
Net assets acquired:	
Property, plant and equipment	3,655,279
Trade and other receivables	318,881
Inventories	43,186
Bank and cash balances	61,266
Trade and other payables	(844,294)
Bank borrowings	(2,355,699)
	878,619
Less: Minority interests	(395,214)
Net assets acquired	483,405
Discount on acquisition	(46,925)
Total consideration, satisfied by cash	436,480
Net cash outflow arising on acquisition	
Cash consideration paid	436,480
Cash and cash equivalents acquired	(61,266)
	375,214

41. ACQUISITIONS OF SUBSIDIARIES *(continued)*

B. The following are the details of business acquired in 2006: *(continued)*

(b) During the year ended 31 December 2006, the Group also acquired 55% equity interest in Shantou Dan Nan Wind Power Co., Ltd. (汕頭丹南風能有限公司), 100% equity interest in Chenzhou Gaotingsi Coal Mine Co., Ltd.(郴州市高亭司礦業有限責任公司), 70% equity interest in Yunnan China Resources Power (Honghe) Co. Ltd. (雲南華潤電力(紅河)有限公司) and a further 26% equity interest in an associate, China Resources Concord (Beijing) Thermal Power Co., Ltd. ("Beijing Thermal") in January 2006, January 2006, September 2006 and March 2006 respectively at an aggregate cash consideration of approximately HK$254,078,000. Upon the completion of the acquisition of a further 26% equity interest in Beijing Thermal, Beijing Thermal becomes a 51% owned subsidiary of the Company. The transactions had been accounted for using the purchase method of accounting.

The combined carrying values of the net assets acquired in the transactions, which approximate their fair values, and the goodwill arising therefrom are as follows:

	Acquirees' carrying amounts before combination and fair value HK$'000
Net assets acquired:	
Property, plant and equipment	1,509,670
Prepaid lease payments	6,779
Trade and other receivables	67,513
Inventories	518
Bank and cash balances	49,467
Trade and other payables	(168,874)
Bank borrowings	(1,061,295)
	403,778
Less: Minority interests	(177,812)
Net assets acquired	225,966
Transfer from interests in associates	(59,366)
Goodwill	87,478
Total consideration, satisfied by cash	254,078
Net cash outflow arising on acquisition	
Cash consideration paid	254,078
Cash and cash equivalents acquired	(49,467)
	204,611

41. ACQUISITIONS OF SUBSIDIARIES *(continued)*

B. The following are the details of business acquired in 2006: *(continued)*

The goodwill arising on the acquisition of the subsidiaries is attributable to the anticipated future operating synergies from the combination.

During year ended 31 December 2006, these acquirees contributed approximately HK$721,839,000 to the Group's turnover and HK$98,464,301 to the Group's profit for the period between the dates of acquisition and 31 December 2006.

Had the acquisition been completed on 1 January 2006, total group revenue for the year ended 31 December 2006 could have been HK$10,248,238,000, and profit for the year ended 31 December 2006 would have been HK$2,843,305,000. The proforma information was for illustrative purpose only and was not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

42. MAJOR NON CASH TRANSACTIONS

During the year ended 31 December 2006, one of the minority shareholders of a subsidiary had contributed capital amounting to HK$71,005,000. The contribution was in the form of property, plant and equipment and other assets and liabilities. Details of the assets and liabilities are as follows:

	HK$'000
Property, plant and equipment	328,425
Prepaid lease payments	20,675
Bank balance and cash	2,762
Trade and other receivables	35,303
Trade and other payables	(316,160)
Net assets contributed	71,005

43. OPERATING LEASE COMMITMENTS

THE GROUP AND THE COMPANY AS LESSEE

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007		2006	
	Land and buildings HK$'000	**Other assets HK$'000**	Land and buildings HK$'000	Other assets HK$'000
THE GROUP				
Within one year	**2,930**	**198**	4,815	717
In the second to fifth year inclusive	**1,332**	**2,293**	6	2,140
Over five years	**6,331**	**4,699**	2	6,943
	10,593	**7,190**	4,823	9,800

Operating lease payments represent rentals payable by the Group for its office premises and other assets which represented motor vehicles, railway and related facilities. Leases are negotiated for an average term of 2 to 25 years and rentals are fixed.

	Land and buildings	
	2007 HK$'000	2006 HK$'000
THE COMPANY		
Within one year	**2,162**	809

Operating lease payments represent rentals payable by the Company for its office premises. Leases are negotiated and rentals are fixed for an average term of 2 years.

44. CAPITAL COMMITMENTS

	2007 HK$'000	2006 HK$'000
THE GROUP		
Contracted for but not provided in the financial statements		
- Capital expenditure in respect of the additions of construction in progress	6,072,701	2,514,387
- Capital expenditure in respect of the acquisition of the subsidiaries	133,745	—
- Capital expenditure in respect of the acquisition of investment in an associate	530,000	—
	6,736,446	2,514,387
THE COMPANY		
Unpaid capital contribution to subsidiaries	476,213	1,520,761

45. CONTINGENT LIABILITIES

	2007 HK$'000	2006 HK$'000
THE COMPANY		
Guarantees given to banks for credit facilities granted to subsidiaries (to the extent of facilities utilised)	762,973	1,364,130

No financial guarantees have been recognised in the Company's financial statements during the year as the fair value of the guarantees given by the Company to its subsidiaries at the date of inception is insignificant.

46. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Group and its immediate holding company entered into an agreement to acquire entire equity interest in China Resources Power Northcity Co., Ltd. ("CRP Northcity") at a consideration of approximately RMB 840.7 million (equivalent to HK$923.8 million). CRP Northcity effectively holds 51.5% equity interest in Shenyang Shenhai Thermal Power Company Limited 瀋陽瀋海熱電有限公司("Shenhai Thermal Power"). Shenhai Thermal Power is principally engaged in the construction and operation of power plants, and the generation and sale of power, in Shenyang City, Liaoning Province, the PRC. The acquisition is not completed up to the date of this report.

47. RELATED PARTY TRANSACTIONS

The Company entered into two trademark licence agreements dated 17 October 2003 with CRNC and CRH, respectively, under which the Company was granted irrevocable, royalty free and non-exclusive licences to use certain trade marks and the rights to sub-license the same to any member of the Group in consideration of a nominal amount of HK$1 each.

47. RELATED PARTY TRANSACTIONS *(continued)*

A deed of option dated 17 October 2003 was executed by CRH in favour of the Company, under which the Company was granted options, in consideration of a nominal amount of HK$1, to acquire from CRH its entire 48% interest in Dongguan Houjie Power Company Limited. The Company may exercise its rights to acquire the power plant within 10 years from the date of the deed of option. The exercise price would be an amount equal to the net book value of each power plant which will be shown in the financial statements of CRH or a price as determined by an independent valuer as agreed by the parties to the deed of option with reference to the market value as at the date on which each option is exercised.

(a) In addition, the Group entered into the following significant transactions with related parties during the year:

Name of related company	Relationship	Nature of transactions	2007 HK$'000	2006 HK$'000
China Resources Property Management Co., Ltd.	Fellow subsidiary	Rental expenses paid	**2,656**	1,794
China Resources (Shenzhen) Co., Ltd.	Fellow subsidiary	Rental expenses paid	**3,224**	3,054
Shenzhen China Resources Petroleum Co., Ltd.	Fellow subsidiary	Purchase of fuel, oil	**—**	11,936
Xinging Xingda	Associate	Interest income received	**42,724**	18,281
河南永華能源有限公司	Associate	Purchase of fuel, coal	**127,476**	—
CRH	Immediate holding company	Management fee income received	**—**	1,000
		Consideration paid for acquisition of interest in subsidiaries	**—**	555,700
CRNC	Ultimate holding company	Issuing expenses paid for loans lent by CRNC	**—**	132,203
		Interest expense payable in respect of On-lent Loans	**257,685**	215,286
		Consideration paid for acquisition of interest in a subsidiary	**1,059,474**	—

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 10.

Note: Save as the above, the Group also had balances with related parties at the balance sheet date which are set out in notes 21, 26, 27, 31, 32 and 33.

47. RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under CRNC which is controlled by the PRC government. Apart from the transactions with CRNC, CRH, and fellow subsidiaries disclosed in (a) above, the Group also conducts business with other state-controlled entities. During the year, the Group entered into the following transactions with other state-controlled entities in the PRC.

	2007 HK$'000	2006 HK$'000
Sales of electricity	**16,700,026**	9,674,085
Purchases of fuel		
- coal	**4,951,407**	3,370,863
- oil	**40,050**	180,268
Acquisition of property, plant and equipment	**2,463,218**	9,921
Acquisition of construction materials	**259,936**	337,384
Subcontracting cost for		
- construction and renovation	**93,681**	431,804
- maintenance	**116,486**	20,268
Consideration paid for acquisition of interest in an associate	**1,867,116**	—
Consideration paid for acquisition of interest in a subsidiary	**648,158**	—
Consideration paid for acquisition of additional interests in a subsidiary	**577,105**	—

In addition, the Group has certain deposits placements, borrowings and other general banking facilities, with certain banks which are state-controlled entities in its ordinary course of business.

Corporate Information

Chairman	Song Lin
Vice Chairman and Chief Executive Officer	Wang Shuai Ting
Executive Directors	Song Lin Wang Shuai Ting Tang Cheng Zhang Shen Wen Wang Xiao Bin
Non-Executive Directors	Jiang Wei Chen Xiao Ying
Independent Non-Executive Directors	Anthony H. Adams Wu Jing Ru Chen Ji Min Ma Chiu-Cheung, Andrew
Company Secretary	Wang Xiao Bin
Auditors	Deloitte Touche Tohmatsu
Legal Advisor	Morrison & Foerster
Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
Registered Office	Rooms 2001-2002, 20th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. General Line: (852) 2593 7530 Facsimile: (852) 2593 7531

Information for Investors

SHARE LISTING AND STOCK CODE

The Company's shares are listed on The Stock Exchange of Hong Kong Limited. Our stock code is 836.

FINANCIAL DIARY

Financial year end	31 December 2007
Announcement of final results	31 March 2008
Annual report posted to shareholders	30 April 2008
Last day to register for final dividend	30 May 2008
Book close	26 May 2008 to 30 May 2008
Payment of final dividend	10 June 2008

SHAREHOLDER ENQUIRIES

For enquires about share transfer and registration, please contact the Company's Share Registrar:

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Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong.
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