CR Power

Annual Report 2006

A Unique
Power Producer

Stock Code: 836

What Makes Us Unique?

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.


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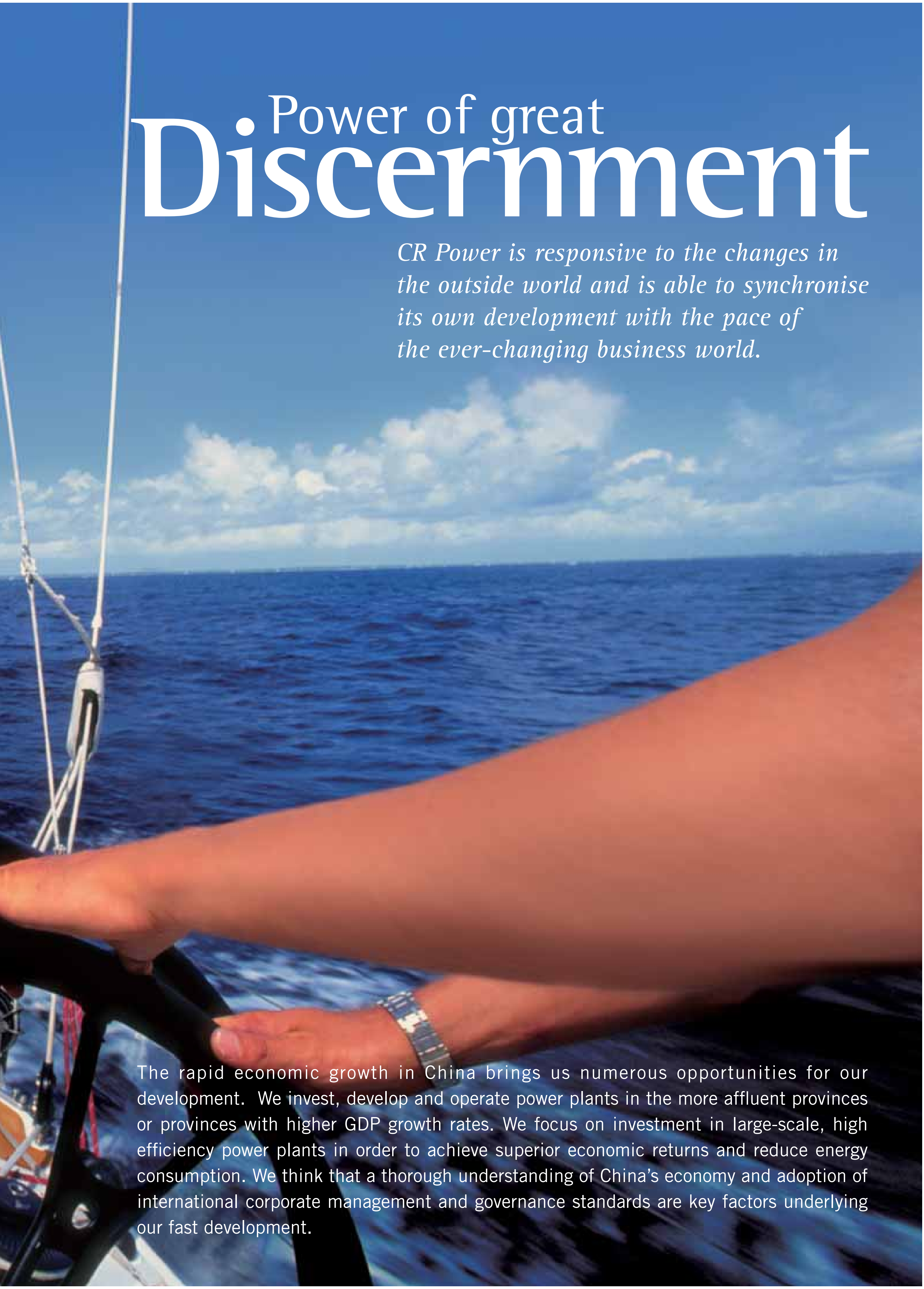


Power of great Discernment

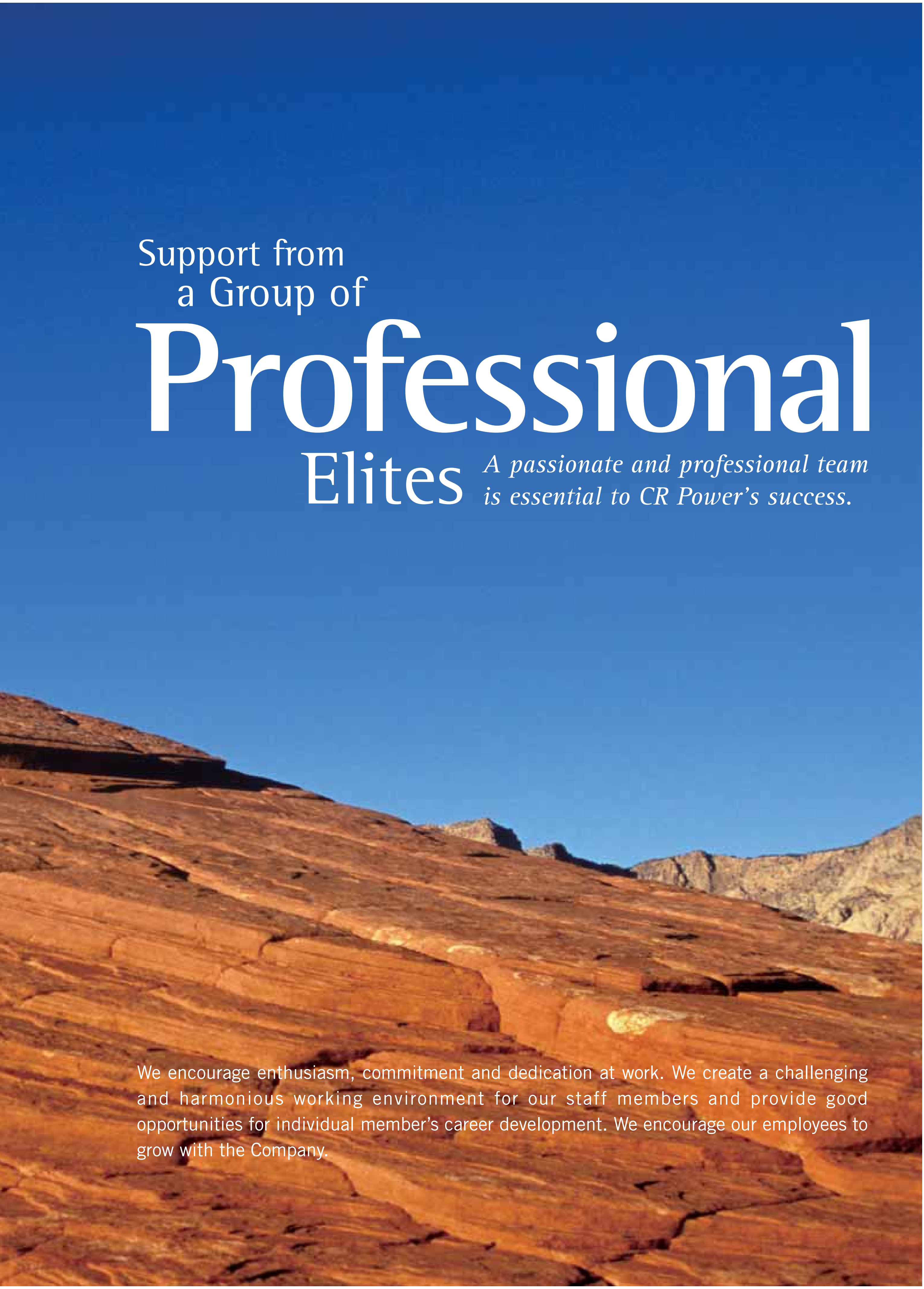
CR Power is responsive to the changes in the outside world and is able to synchronise its own development with the pace of the ever-changing business world.

The rapid economic growth in China brings us numerous opportunities for our development. We invest, develop and operate power plants in the more affluent provinces or provinces with higher GDP growth rates. We focus on investment in large-scale, high efficiency power plants in order to achieve superior economic returns and reduce energy consumption. We think that a thorough understanding of China's economy and adoption of international corporate management and governance standards are key factors underlying our fast development.

Mission for Value Creation

CR Power's mission is to create value for our shareholders.

To maximise shareholder value, CR Power decides to do it right from the start. In every process of project development, from planning, design, construction to operation, CR Power ensures total cost control. We adopted economic value added (EVA) for employee performance evaluation.



Support from a Group of Professional Elites

A passionate and professional team is essential to CR Power's success.

We encourage enthusiasm, commitment and dedication at work. We create a challenging and harmonious working environment for our staff members and provide good opportunities for individual member's career development. We encourage our employees to grow with the Company.

Strong Belief in Better Life Together

CR Power aims to be a responsible and respected corporate citizen in each of our service areas and respective communities.

We invest in power plants with well-established environmental facilities and participate in the improvement of local economy and environment. We are increasing our investment in the renewable energy and clean energy sectors. We also actively take part in social services, for example, contribution to natural disaster relief fund, tuition assistance, scholarships and grants for impoverished students. We aim to build a mutually trusted and beneficial relationship with our partners and customers.

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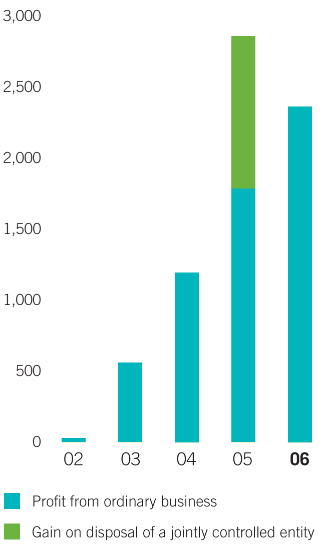
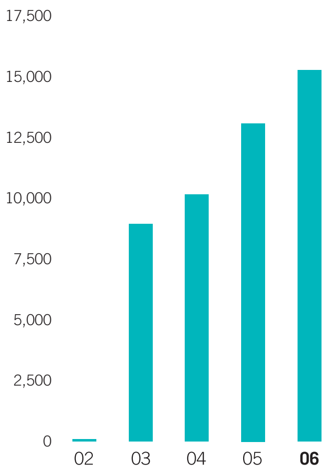
FIVE-YEAR FINANCIAL SUMMARY

	2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000	2002 HK$'000
Consolidated income statement					
Turnover	**9,740,371**	5,927,328	1,898,317	491,114	—
Profit for the year attributable to equity holders of the Company					
- Profit from ordinary busiuess	**2,364,856**	1,787,144	1,195,735	560,838	28,108
- Gain on disposal of a jointly controlled entity	—	1,071,081	—	—	—
Total	**2,364,856**	2,858,225	1,195,735	560,838	28,108
Consolidated balance sheet					
Non-current assets	**32,456,679**	21,999,540	17,206,822	10,933,449	5,578,583
Current assets	**5,581,802**	6,456,631	4,198,988	4,060,857	150,945
Current liabilities	**(8,285,656)**	(5,466,802)	(3,639,865)	(2,878,814)	(1,128,936)
Non-current liabilities	**(12,618,263)**	(9,074,823)	(6,623,884)	(2,612,511)	(4,243,991)
Minority interests	**(1,849,703)**	(821,647)	(983,888)	(558,328)	(257,019)
Equity attributable to equity holders of the Company	**15,284,859**	13,092,899	10,158,173	8,944,653	99,582

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



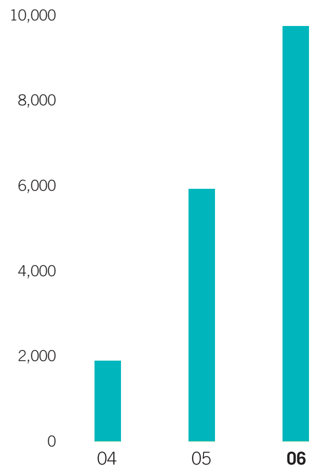
Equity attributable to equity holders of the Company
(HK$ million)



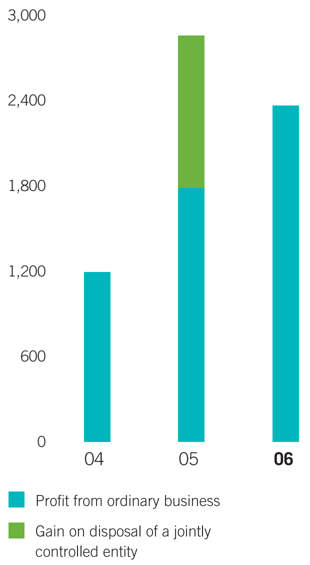
PERFORMANCE HIGHLIGHTS

	2006	2005	2004
Earnings per share (HK cents)			
Basic	**61.99**	75.04	31.40
Diluted	**60.10**	74.37	31.25
Turnover (HK$'000)	**9,740,371**	5,927,328	1,898,317
Profit attributable to equity holders of the Company (HK$'000)			
Operating power plants			
Subsidiaries	**1,703,439**	1,023,339	327,694
Associates	**649,591**	706,832	799,711
Jointly controlled entity	**—**	194,815	249,916
Others	**11,826**	933,239	(181,586)
Total	**2,364,856**	2,858,225	1,195,735
Extracts of balance sheet (HK$'000)			
Equity attributable to equity holders of the Company	**15,284,859**	13,092,899	10,158,173
Total assets	**38,038,481**	28,456,171	21,405,810
Bank balances, cash and pledged bank deposits	**2,786,245**	4,449,208	3,309,283
Bank and other borrowings	**16,590,998**	11,045,267	9,059,549
Key financial ratios			
Current ratio (times)	**0.67**	1.18	1.15
Quick ratio (times)	**0.61**	1.13	1.11
Net debt to equity (%)	**90.3**	50.4	56.6
EBITDA interest coverage (times)	**5.48**	6.98	5.47
Generation volume of operating power plants (MWh)			
Total gross generation	**63,388,794**	52,757,611	34,960,666
Total net generation	**59,512,429**	49,633,323	32,913,284
Attributable operational generation capacity (MW)			
Eastern China	**3,380**	2,026	693
Central China	**2,961**	1,401	1,161
Southern China	**1,125**	1,053	945
Northern China	**537**	460	150
Total	**8,003**	4,940	2,949

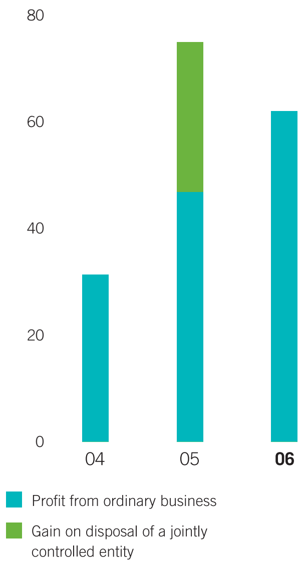
Turnover
(HK$ million)



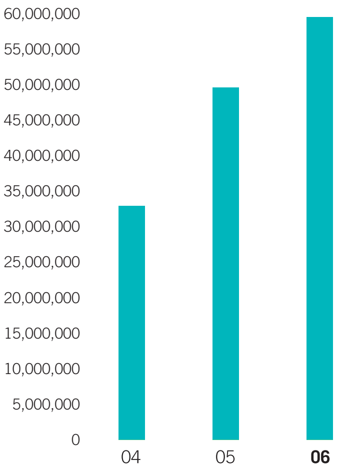
Profit attributable to equity holders of the Company
(HK$ million)



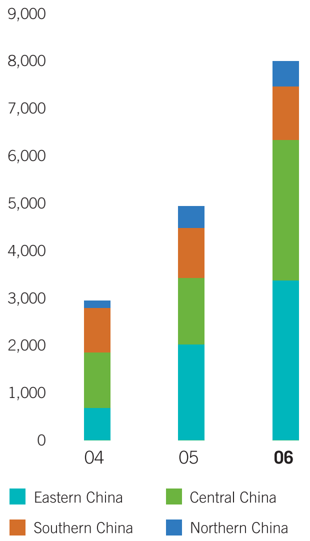
Basic EPS
(HK cents)



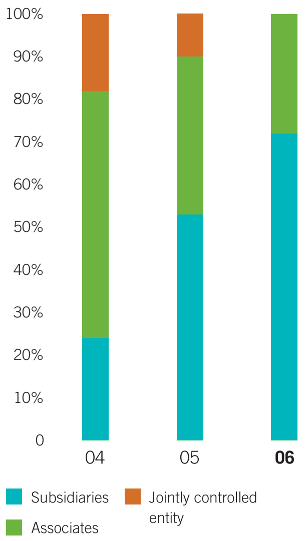
Net generation volume of operating power plants
(MWh)



Attributable operational generation capacity
(MW)



Percentage of profit contribution



MAJOR EVENTS 2006

1/2006 3/2006 5/2006

January 2006

The third 650MW super-critical coal-fired generation unit of China Resources Power (Changshu) Company Limited ("Changshu Power Plant") commenced commercial operation. Changshu Power Plant is a wholly-owned subsidiary of China Resources Power Holdings Company Limited ("CR Power").

1 CR Power completed the acquisition of a 55% equity interest in Shantou Dannan Wind Power Company Limited from Nuon Group. Shantou Dannan Wind Power Company Limited has a total capacity of 24MW.

March 2006

China Resources National Corporation ("CRNC") issued corporate bond with a tenor of 15 years in the PRC domestic markets. On 31 March 2006, CRNC provided RMB 2.0 billion bond proceeds to our power plants. Inclusive of commissions and other issue expenses, total annual funding costs for our power plants were approximately 4.68%.

May 2006

2 The first 600MW super-critical coal-fired generation unit of China Resources Power Henan Shouyangshan Company Limited ("Shouyangshan Power Plant") successfully passed a 168-hour full-load pilot run. The construction of the first generation unit took approximately 19 months, setting a new record of shortest construction period for 600MW class super-critical generation units in China, and breaking the record set by Changshu Power Plant in 2005.

1


2


6/2006 9/2006 10/2006 12/2006

June 2006

CR Power completed the acquisition of an additional 2.5% equity interest in Resources Shajiao C Investments Limited. CR Power's effective interest in Shajiao C Power Plant increased from 35% to 36%.

The second 180MW CCGT heat and electricity cogeneration unit of Guangzhou China Resources Thermal Power Company Limited was approved by the PRC government.

3 The two 75MW CCGT heat and electricity cogeneration units of China Resources Concord (Beijing) Thermal Power Company Limited passed a 72-hour full-load pilot run and commenced commercial operation.

September 2006

The two 300MW coal-fired heat and electricity cogeneration units of Cangzhou China Resources Thermal Power Company Limited were approved by the PRC government.

4 The first 300MW coal-fired generation unit of Henan China Resources Power Gu Cheng Company Limited ("Gucheng Power Plant") passed a 168-hour full-load pilot run.

5 CR Power completed the acquisitions of a 55% equity interest in Fuyang China Resources Power Company Limited and a 65% equity interest in Yunnan China Resources Power (Honghe) Company Limited from its parent company, China Resources (Holdings) Company Limited.

October 2006

The second 600MW super-critical coal-fired generation unit of Shouyangshan Power Plant successfully passed a 168-hour full-load pilot run.

The first unit of Guangdong Xingning Xingda Power Company Limited passed a 72 plus 24 hours' full-load pilot run.

The 26MW wind farm of China Resources Wind Power (Shantou) Co., Ltd., which is wholly owned by CR Power, was approved by the PRC government.

December 2006

The second 300MW coal-fired generation unit of Gucheng Power Plant successfully passed a 168-hour full-load pilot run.

3

4

5

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 rates in China.

As at 31 December 2006, CR Power has 19 power plants in commercial operation with an attributable operational capacity of 8,003MW. The Company also has five power plants and the second unit of Xingning Power Plant under construction with an attributable generation capacity of 2,024MW. Out of the total attributable generation capacity of 10,027MW, approximately 33.7% is located in Eastern China, 29.5% in Central China, 27.8% in Southern China and 9.0% in Beijing-Tianjin-Tangshan area.

CORPORATE STRUCTURE

CHINA RESOURCES (HOLDINGS) CO., LTD.

71.8%

CHINA RESOURCES POWER HOLDINGS CO., LTD.

Coal-fired ≥ 600MW
- CHANGSHU
- SHOUYANGSHAN
- FUYANG
- SHAJIAO C
- LIYUJIANG B

Coal-fired 300MW
- PUQI
- GUCHENG
- DENGFENG
- LIYUJIANG
- WENZHOU
- XUZHOU
- HENGFENG
- HENGXING
- CANGZHOU

Coal-fired ≤ 200MW
- JIAOZUO
- TANGSHAN
- YIXING
- LUOYANG
- XINGNING

Alternative Energy Source
- DANNAN
- BEIJING
- YUNPENG
- GUANGZHOU
- SHANTOU

* Fonts in blue colour represent power plants in operation
* Fonts in red colour 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 2006.

I am pleased to report that CR Power achieved satisfactory financial and operational results for the fiscal year of 2006 and also made progress in the improvement of corporate governance.

ANNUAL RESULTS

For the year ended 31 December 2006, CR Power recorded a consolidated turnover of HK$9,740 million, representing an increase of 64.3% from the turnover of HK$5,927 million for last year. Net profit from ordinary business amounted to HK$2,365 million, representing an increase of 32.3% from HK$1,787 million for last year. In 2005, our Company recorded a non-recurring gain of HK$1,071 million from the disposal of an interest in a jointly controlled entity.

In 2006, the total number of operational subsidiary power plants increased, hence, our operating profit increased to HK$2,553 million, representing a significant growth of 90.1% over last year. Profit contribution from our subsidiary power plants also increased to 72% from 53% for last year. We believe contributions from our subsidiary power plants will increase further in the future.

The Board recommended the payment of a final dividend of HK14 cents per share for 2006. Together with the interim dividend of HK4 cents per share, total dividend for the year was HK18 cents per share, representing a dividend payout ratio of 29.0%.

STRATEGIC REVIEW

In 2006, our management team continued to follow a "focused" business development strategy and the "low-cost" operational strategy, and fully achieved our development and operational targets for the year.

Our attributable operational capacity increased significantly during the year. As at 31 December 2006, our attributable operational capacity was 8,003MW, increased substantially by 62% from 4,940MW as at the end of 2005, and was four times more than the 1,545MW attributable capacity as at the time of our listing in The Stock Exchange of Hong Kong Limited in November 2003. As for our future development, our management team has made tremendous efforts, and we have a number of greenfield and brownfield project proposals in our target markets pending approvals from the PRC government. This will enable us to lay a solid foundation for our strong development in the coming years.

Song Lin
Chairman

As for construction and operation of power plants, we have maintained our leading position as a low-cost producer in the PRC power sector. The construction cost of our five 600MW class coal-fired generation units which commenced operation in 2006 was significantly below the PRC power industry average. The average standard coal cost of our subsidiary power plants for 2006 decreased by 2.7% year on year and the average unit fuel cost decreased by 5.8% year on year. In addition, our management team continued to take advantage of the flexibility of raising funds in both PRC domestic and international capital markets in order to minimise our funding cost as well as mitigate interest rate risks.

CORPORATE GOVERNANCE

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 enforcing a good corporate governance structure and complying with the best corporate governance practices in order to improve its accountability and transparency, to be fair to each shareholder and create value for all shareholders.

Since the Code on Corporate Governance Practices (the "Code") was promulgated by The Stock Exchange of Hong Kong Limited, CR Power has been improving its corporate governance based on the requirements under the Code. During the year, CR Power 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 44 to page 55.

INVESTOR RELATIONS

The Board and management believe that maintaining effective communication with shareholders is an important aspect of corporate governance and is critical to our long term development. In order to ensure that shareholders' feedback and concerns are understood by the management team and directors in a timely manner and also to keep our shareholders closely informed of our latest developments, we have been actively maintaining effective communications with our shareholders.

Apart from participating in various investment conferences and forums held by various investment banks and securities brokers, we conducted road shows in Hong Kong, Singapore, Europe and the U.S. after the announcements of our interim and annual results. We also organise plant visits or cocktail receptions in order to provide opportunities for our shareholders and analysts to understand more about our opearations and our management team. In September 2006, we organised a cocktail reception for analysts and fund managers to meet and to communicate directly with our front-line plant managers. Our senior management team and I, together with most of our plant managers attended the event. During the year, CR Power was awarded Asia's 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 the business strategies, dividend pay-outs and communications with shareholders.

SOCIAL RESPONSIBILITIES

We place significant emphasis on our social responsibilities such as environmental protection, community development and community aid. All of our power plants comply with the PRC Environmental Protection Law and the regulations of the PRC government in all stages of development, construction and operation. All of our power plants have installed waste water recycling facilities and most of our plants have attained zero waste water discharge. Over 95% of our coal-fired power plants have installed or are in the process of installing flue gas desulphurisation ("FGD") facilities. All of our coal-fired power plants will be equipped with FGD facilities in a year or two.

Our power plants have also been actively contributing to the improvement of the local economy and environment, including building infrastructure, providing employment opportunities, driving local consumption and economic growth. Our Company and our power plants have also actively participated in social services, for example, natural disaster relief fund and tuition assistance, scholarships and grants. In 2006, our employees and our power plants made donations to the communities which were affected by typhoon in Xingning, Guangdong Province and Chenzhou in Hunan Province. We also participated in the charity functions organised by the Red Cross to help children with leukemia. In February 2007, we contributed to an education subsidy fund set up by China Resources (Holdings) Company Limited to help the impoverished students in Hebei Province.

OUTLOOK

Looking forward, the macroeconomic condition in China will continue to provide a favourable market environment for the development of the power industry. The PRC government forecasts that Chinese Gross Domestic Product ("GDP") is likely to grow by 8% this year. The China Electricity Council forecasts that electricity demand in China is likely to increase by 12.5% this year. In addition, the PRC government places more emphasis on reducing energy and resources consumption and building environmentally friendly community with a target to lower energy consumption rate of GDP per capita by 20% and emission level by 10% by 2010. This will provide more opportunities for the development of large-capacity, efficient and environmentally friendly power plants, and more development opportunities for the clean and renewable energy sector.

The PRC government is also stepping up its efforts in closing down small-scale coal-fired generation units with a target of closing down a total of 50GW small generation units between 2007 to 2010. This will not only help to lower the coal consumption rate and the total demand for coal in the country, but also mitigate the pressure on utilisation hours, and improve utilisation rate of large-scale and high efficiency generation units. In the meantime, the PRC government has also started to implement energy saving dispatchment system in more provinces. Generation units with higher capacity and efficiency will have priority over less efficient units in the allocation of dispatchment hours. This will enable large generation units to improve their utilisation rates in the coming years.

As for coal supply, the mining capacity and production volume of coal have been continuously rising in China. According to China National Coal Association, total fixed assets investment in the coal industry in the PRC amounted to RMB 300.5 billion over the period from 2001 to October of 2006, which amount exceeded the total investment in the PRC coal industry in the last 45 years. In accordance with the research conducted by the National Development and Reform Commission (NDRC), there are 1,563 coal mining projects under construction nationwide, with a production capacity of 653 million tonnes in total. The additional mining capacity is expected to commence operation in 2007 and 2008, which will make coal production increase significantly. The NDRC believes that the coal supply situation will improve in 2007, however, transportation bottleneck, closing down of small coal mines and weather conditions may still result in tightness in coal supply in some parts of the country during certain period in the year. We believe improvement in coal production volume and transportation capacities will result in an improvement in the coal supply in the country.

CR Power will continue to grow rapidly in the next couple of years. We aim to maximise our operation synergies in the areas of coal procurement, financial management, project development and human resources management, and maintain our leading position in the construction and operation cost in the power industry, in order to continue to deliver sustainable earnings growth and create 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 precious contributions, dedication and commitment 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, 26 March 2007

REPORT FROM CHIEF EXECUTIVE OFFICER

We have fully achieved our development and operational targets for the year through successful execution of our business strategies.

REVIEW FOR 2006

In 2006, our attributable operational capacity continued to grow at a fast pace whilst our achievements in the control of construction, fuel and financing costs were remarkable.

Fast Growth of attributable operational capacity

In 2006, CR Power had 10 generation units commencing operation, including five 600MW class coal-fired generation units, two 300MW coal-fired generation units, and two 75MW gas-fired cogeneration units. As at 31 December 2006, our attributable operational capacity reached 8,003MW, representing an increase of 62% from 4,940MW as at the end of 2005; the total attributable operational capacity of our consolidated power plants reached 6,291MW which almost doubled year on year.

Maintaining a high utilisation rate

Despite the rapid growth in generation capacity in our service areas, our power plants still recorded satisfactory utilisation hours and some even recorded a higher utilisation rate year on year. The average utilisation hours of our eight power plants which were operational throughout the entire year of 2005 and 2006 were 6,380 hours, which was still a relatively high level. In 2006, total net generation of our consolidated power plants reached 30,400 GWh, representing an increase of 62.2% year on year. Due to the growth in net generation of our consolidated power plants and tariff adjustments made by the PRC government in May 2005 and June 2006, the consolidated turnover of our Company reached HK$9,470 million, representing an increase of 64.3% year on year.

Wang Shuai Ting
Chief Executive Officer

Leading position in power plant construction

We continued to maintain a leading position in the area of the construction period, cost and quality, in the PRC power industry in 2006. The unit construction cost of our five 600MW class coal-fired generation units which commenced operation in 2006 was much lower than the industry average. In May 2006, the first generation unit of Shouyangshan Power Plant passed the 168-hour full-load pilot run. It only took us 19 months to complete the construction, setting a new record of shortest period for the construction of a 600 MW class super-critical generation unit in the PRC power industry and breaking the record set by Changshu Power Plant in 2005. As for the construction quality of Shouyangshan Power Plant, all construction works passed standards set by the PRC government with 100% of our construction works achieved the standard of excellence, which was unprecedented in the history of the PRC power industry.

Effective control on coal cost

During the reporting period, we strived to lower our coal prices by centralising coal procurement, signing long-term supply agreements with coal suppliers, increasing contract fulfillment rate and improving coal qualities. In 2006, we had more large-capacity, high efficiency generation units commencing operation, which helped to reduce our fuel consumption rate. The average net generation standard coal consumption rate of our coal-fired plants in 2006 was 345g/kWh, representing a decrease of approximately 3.1% from 356g/kWh in 2005. During the reporting period, the average standard coal cost of our consolidated power plants decreased by about 2.7% year on year; the average unit fuel cost decreased by 5.8% year on year.

Efforts to lower financing cost

In 2006, we continued to fix and lower financing costs through corporate bonds issued by China Resources National Corporation ("CRNC") in the PRC domestic market. On 31 March 2006, CRNC lent the proceeds of RMB 2 billion from the issuance of 15-year corporate bonds to CR Power's power plants. Together with the commissions and other issue expenses, total annual funding cost for our power plants was approximately 4.68%, lower than the prevailing most favourable long-term (more than five years) lending rates set by the People's Bank of China.

Progress in development of new projects

Our business development team continued to explore investment opportunities in our target markets in 2006. The second 180MW gas-fired generation unit of Guangzhou Thermal Power Plant, the two 300MW coal-fired cogeneration units of Cangzhou Power Plant in Hebei, and the 26MW Shantou Wind Power Plant were approved by the PRC government in June, September and October of 2006, respectively. In addition, we have a number of greenfield and brownfield projects pending approvals from the PRC government.

TARGETS FOR 2007

In 2007, we will maintain a relatively high earnings growth through the development of new power plants and asset acquisitions. At the same time, we will continue to increase our profitability by maximising utilisation hours of our power plants and exercising tight cost control.

Capacity Growth

The attributable operational capacity of our Company is expected to maintain a relatively high growth rate in 2007. Liyujian B Power Plant, Yunpeng Power Plant, Guangzhou Thermal Power Plant, the first generation unit of Cangzhou Power Plant, and the second generation unit of Xingning Power Plant will come into commercial operation within the year and boost our attributable operational capacity by approximately 1,818MW. During the year, we will actively pursue various acquisition opportunities, including generation assets held by our parent company and independent third parties. As for the disposal of generation assets held by the State Power Grid Company, we are bidding for some power plants which fit our strategic objectives. It is estimated that the PRC government will complete the disposal of the first batch in 2007 whilst the disposal of the second batch will likely to commence within the same year. Apart from that, we are looking for opportunities for the development of new power plants and expansion of some existing power plants.

Utilisation hours

There will still be a strong growth in the installed generation capacity in China in 2007. The China Electricity Council forecasts that total new capacity to be installed in 2007 will exceed 90GW, whilst the nationwide growth of electricity consumption is likely to grow by approximately 12.5%. Electricity supply and demand are basically in a balanced position, and utilisation hours are expected to be under a downward pressure. However, the utilisation hours of most of our power plants are likely to retain a high and reasonable level as demand for power in our service areas is still growing strongly year on year . The management teams of our power plants will endeavor to achieve higher utilisation hours than the average in the provinces where our power plants are located. In 2007, our large-scale, high efficiency generation units will endeavor to improve their generation volume and their profitability in provinces where the energy saving dispatchment system has been implemented.

Fuel cost control

Mainly due to factors relating to industrial policies, coal prices in 2007 have increased. In January 2007, we contracted over 90% of our total annual coal demand. We aim to lower our fuel cost and maximise our profitability by improving contract fulfillment rate, implementing the technology of blending coal of different grades, and improving our operation of generation units.

Finance and funding management

In 2007, our Company will further improve its financial management, internal control systems and cashflow management. We will keep on looking for low cost funding through various channels in both domestic and global markets to lower our overall financing costs and mitigate the risk of any potential interest rate hikes.

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, with an emphasis on team work and providing good opportunities for individual member's career development.

Wang Shuai Ting
Chief Executive Officer

Hong Kong, 26 March 2007

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 Vice Chairman and the President of China Resources (Holdings) Company Limited and China Resources National Corporation, an Executive Director and the Chairman of China Resources Enterprise, Limited and China Resources Land Limited. Mr. Song is also an Independent Non-executive Director of Geely Automobile Holdings Limited and Deputy Chairman of China Vanke Co., Ltd. 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 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 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 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 City Government. He was also Deputy Secretary-general of the Government of Xuzhou City. Mr. Wang holds an EMBA Master's degree in business administration 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 General Manager of China Resources Power (Changshu) Co., Ltd. From July 2001 to October 2002, he was 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 Master's degree in business administration from China Europe International Business School.

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 experience in the development of power plants. He was 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 Phase II and the acquisitions of Shajiao C Power Plant and Wenzhou Telluride Phase II. Mr. Zhang joined China Resources National Corporation in 1994 and worked at Hebei Harv 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 the 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 received 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.

NON-EXECUTIVE DIRECTOR

Mr. Jiang Wei

Mr. Jiang Wei was appointed a Non-executive Director of the Company in August 2003. Mr. Jiang is a Non-executive Director of China Resources Enterprise, Limited, China Resources Land Limited, and China Resources Logic Limited. He is also an Independent Non-executive Director of Greentown China Holdings Limited. He is also Chief Financial Officer of China Resources (Holdings) Company Limited ("CRH"), and General Manager of Finance Department of CRH. Mr. Jiang holds a Bachelor's degree in international trade and a Master's degree in International Business and Finance from the University of International Business and Economics in China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Anthony H. Adams

Mr. Anthony H. Adams was appointed an Independent Non-executive Director in 2003. Mr. Adams is based in Hong Kong and is the Head of Great China Infrastructure for J.P. Morgan, which he joined in 2006. Prior to that, he was a Managing Director with Emerging Markets Partnership ("EMP"), which is the principal adviser to the AIG Infrastructure Funds, a set of private equity funds that target opportunities in Asia, Latin America, emerging 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. 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 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. Mr. Wu spent nearly 18 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 and Deputy Chief of Design Team of the General Power Construction Bureau. Mr. Wu was graduated from the Power Department at the Shanghai Jiao Tong University.

Mr. Chen Ji Min

Mr. Chen Ji Min was appointed as an Independent Non-executive Director in February 2006. Mr. Chen is also a member of the Standing Committee ("Standing Committee") of the People's Congress of Zhejiang Province 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 was graduated from the Electricity Engineering Department of Zhejiang University.

Mr. Ma Chiu-Cheung, Andrew

Mr. Ma Chiu-Cheung, Andrew, has been an Independent Non-executive Director of the Company since 13th December 2006. Mr. Ma is a Director of Andrew Ma DFK (CPA) Limited. He has more than 30 years' experience in 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 and a fellow member (practising) of the Hong Kong Institute of Certified Public Accountants. He is also a fellow member of The Hong Kong Institute of Directors and The Taxation Institute of Hong Kong. He is currently Independent Non-executive Director of several 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. He is also General Manager of CR Power Fuel (China) Co., Ltd. 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 20 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. Li She Tang

Mr. Li She Tang was appointed Chief Technical Officer of the Company in September 2003. Mr. Li has over 22 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 of China.

Mr. Bu Fan Sen

Mr. Bu Fan Sen was appointed Assistant Vice President of the Company in December 2005. 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 the Head of Business Department of State Development & Investment Corp. Mr. Bu holds a Bachelor of Science degree in water conservancy and hydro power engineering from Hohai University.

Mr. Ding Qi

Mr. Ding Qi joined the Company in 2001 and has been General Manager of the Human Resources and Administration Department of the Company since November 2001. 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 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. Du Hua Dong

Mr. Du Hua Dong has been General Manager of China Resources Power Hubei Co., Ltd. since July 2002. Mr. Du has almost 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. 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 2006

Growth of generation capacity

As at 31 December 2006, we had 19 power plants in commercial operation with a total attributable operational capacity of 8,003MW. As a comparison, our attributable operational generation capacity was 4,940MW as at 31 December 2005.

Our attributable operational generation capacity increased by 3,063MW or 62.0% in 2006, mainly due to the commencement of commercial operation of a number of greenfield power projects during the year, including:

- commencement of commercial operation of unit 3 of Changshu Power Plant in January 2006;
- commencement of commercial operation of Beijing Thermal Power Plant in June 2006;
- commencement of commercial operation of the two generation units of Shouyangshan Power Plant in June and October 2006, respectively;
- commencement of commercial operation of the two generation units of Gucheng Power Plant in September and December 2006, respectively; and
- commencement of commercial operation of unit 1 of Xingning Power Plant in October 2006.

The rapid capacity growth was also attributable to a number of acquisitions which we completed during the year, including:

- acquisition of a 55% equity interest in Dannan Wind Power Plant in January 2006;
- acquisition of a 2.5% equity interest in Resources Shajiao C Investments Limited ("Resources Shajiao C") or a 1% effective equity interest in Shajiao C Power Plant in June 2006; and
- acquisition of a 55% equity interest in Fuyang Power Plant from our immediate holding company, China Resources (Holdings) Company Limited ("CRH") in September 2006. The two generation units of Fuyang Power Plant commenced commercial operation in March and June 2006, respectively.

The following table sets out the attributable operational capacity of our power plants in the context of geographical distribution as at 31 December 2006:

	Attributable operational generation capacity	
	MW	%
Eastern China	3,380	42.2
Central China	2,961	37.0
Southern China	1,125	14.1
Northern China	537	6.7
Total	8,003	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 September 2006, we obtained approval from the PRC government for the construction of Cangzhou Power Plant. Cangzhou Power Plant consists of two 300MW coal-fired heat and electricity cogeneration units with desulphurisation and other environmental facilities and is located in Cangzhou City, Hebei Province. The two units are expected to commence commercial operation in 2007 and 2008, respectively. The Company owns a 60% equity interest in Cangzhou Power Plant.

In addition, during the year, we also received approval from the PRC government for the construction of the second 180MW combined cycle gas turbine ("CCGT") heat and electricity cogeneration unit of Guangzhou China Resources Thermal Power Company Limited and approval for the construction of a 26MW wind farm in Shantou, Guangdong Province.

Increase in generation volume

Total gross generation volume of our 19 operating power plants amounted to 63,388,794MWh in 2006, representing an increase of 20.2% from 52,757,611MWh in 2005.

Total net generation volume of our 19 operating power plants amounted to 59,512,429MWh in 2006, representing an increase of 19.9% from 49,633,323MWh in 2005.

The increase in gross and net generation volume was primarily due to the growth of attributable operational generation capacity from 4,940MW as at 31 December 2005 to 8,003MW as at 31 December 2006.

For the eight power plants (namely, Shajiao C Power Plant, Xuzhou Power Plant, Liyujiang Phase II, Puqi Power Plant, Wenzhou Telluride Phase II, Dengfeng Power Plant, Hengfeng Power Plant and Luoyang Power Plant) which were in commercial operation for the entire year of 2005 and 2006, gross and net generation volume decreased by 1.8% and 2.1%, respectively. The full-load equivalent utilisation hours for 2006 of the eight power plants amounted to 6,380 hours, representing a decrease of 1.8% from 6,497 hours for 2005.

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 2005 and 2006:

Gross generation

	2006 (MWh)	2005 (MWh)	Increase (Decrease) (%)
Shajiao C Power Plant	**13,145,697**	13,784,034	(4.6)
Changshu Power Plant	**10,368,325**	5,853,265	N/A(1)
Xuzhou Power Plant(2)	**6,494,983**	7,336,039	(11.5)
Liyujiang Phase II	**4,823,830**	3,839,190	25.6
Puqi Power Plant	**4,147,888**	3,181,650	30.4
Wenzhou Telluride Phase II	**3,923,280**	4,427,520	(11.4)
Dengfeng Power Plant	**3,701,327**	3,623,430	2.1
Hengfeng Power Plant	**3,651,310**	3,811,931	(4.2)
Hengfeng Phase II	**3,621,150**	3,402,318	N/A(1)
Fuyang Power Plant	**2,100,752(3)**	N/A	N/A
Shouyangshan Power Plant	**2,085,817**	N/A	N/A
Jiaozuo Thermal Power Plant	**1,430,298**	1,094,521	N/A(1)
Tangshan Thermal II Power Plant	**1,294,967**	852,223	N/A(1)
Yixing Power Plant	**841,873**	754,630	N/A(1)
Luoyang Power Plant	**798,883**	796,860	0.3
Beijing Thermal Power Plant	**453,506**	N/A	N/A
Gucheng Power Plant	**302,874**	N/A	N/A
Xingning Power Plant	**142,929**	N/A	N/A
Dannan Wind Power Plant	**59,105**	N/A	N/A
	63,388,794	52,757,611	20.2

Net generation

	2006 (MWh)	2005 (MWh)	Increase (Decrease) (%)
Shajiao C Power Plant	**12,184,886**	12,876,107	(5.4)
Changshu Power Plant	**9,816,227**	5,568,971	N/A[1]
Xuzhou Power Plant[2]	**6,169,358**	6,967,120	(11.5)
Liyujiang Phase II	**4,501,777**	3,610,275	24.7
Puqi Power Plant	**3,937,377**	3,028,690	30.0
Wenzhou Telluride Phase II	**3,726,175**	4,225,307	(11.8)
Dengfeng Power Plant	**3,492,649**	3,389,694	3.0
Hengfeng Power Plant	**3,457,060**	3,612,597	(4.3)
Hengfeng Phase II	**3,408,630**	3,191,855	N/A[1]
Fuyang Power Plant	**1,980,021**[3]	N/A	N/A
Shouyangshan Power Plant	**1,954,551**	N/A	N/A
Jiaozuo Thermal Power Plant	**1,323,505**	991,958	N/A[1]
Tangshan Thermal II Power Plant	**1,156,643**	772,335	N/A[1]
Yixing Power Plant	**772,585**	686,231	N/A[1]
Luoyang Power Plant	**709,415**	712,183	(0.4)
Beijing Thermal Power Plant	**446,043**	N/A	N/A
Gucheng Power Plant	**286,806**	N/A	N/A
Xingning Power Plant	**131,286**	N/A	N/A
Dannan Wind Power Plant	**57,435**	N/A	N/A
	59,512,429	49,633,323	19.9

Utilisation hours

	2006 (hours)	2005 (hours)
Shajiao C Power Plant	**6,639**	6,962
Changshu Power Plant	**5,317**	4,503[4]
Xuzhou Power Plant[2]	**5,412**	6,113
Liyujiang Phase II	**6,608**	6,399
Puqi Power Plant	**6,913**	5,303
Wenzhou Telluride Phase II	**6,539**	7,379
Dengfeng Power Plant	**6,169**	6,039
Hengfeng Power Plant	**6,086**	6,353
Hengfeng Phase II	**6,035**	5,671[4]
Fuyang Power Plant	**1,641**[3][4]	N/A
Shouyangshan Power Plant	**1,738**[4]	N/A
Jiaozuo Thermal Power Plant	**5,297**	4,054[4]
Tangshan Thermal II Power Plant	**6,475**	4,261[4]
Yixing Power Plant	**7,016**	6,289[4]
Luoyang Power Plant	**7,989**	7,969
Beijing Thermal Power Plant	**3,023**[4]	N/A
Gucheng Power Plant	**505**[4]	N/A
Xingning Power Plant	**1,059**[4]	N/A
Dannan Wind Power Plant	**2,463**	N/A

Notes:

(1) These power plants commenced commercial operation during 2005. Comparison of increase in generation volume is not meaningful.

(2) Xuzhou Power Plant includes both Phase I and Phase II.

(3) The generation volume and utilisations hours of Fuyang Power Plant represents data for the period from the date of completion of acquisition from CRH to 31 December 2006.

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

Tariff adjustment

In June and July 2006, the National Development and Reform Commission of the PRC and various provincial pricing bureaus issued notices on adjustments to on-grid tariffs for power plants in China. The notices allowed coal-fired power plants to raise their on-grid tariffs to various extent with effect from 30 June or 1 July 2006.

The following table sets out revised on-grid tariffs inclusive of valued-added tax ("VAT"), as approved by the PRC government, for our operating power plants:

	On-grid tariff on or after 30 June 2006 (RMB/MWh)	On-grid tariff before 30 June 2006 (RMB/MWh)
Shajiao C Power Plant	**472.00**(1)	437.85
Changshu Power Plant	**390.00**	386.00
Xuzhou Power Plant	**387.40**	380.70
Liyujiang Phase II	**444.70**	430.50
Liyujiang Phase I (2)	**400.50**	378.00
Puqi Power Plant	**467.63**	451.63
Wenzhou Telluride Phase II (3)	**441.80**	438.30
Dengfeng Power Plant	**349.20**	336.00
Hengfeng Power Plant	**385.60**	369.00
Hengfeng Phase II	**349.20**	339.00
Fuyang Power Plant	**371.00**	369.00
Shouyangshan Power Plant	**349.20**	336.00
Jiaozuo Thermal Power Plant	**349.20**	336.00
Tangshan Thermal II Power Plant	**349.30**	348.30
Yixing Power Plant	**469.00**	465.00
Luoyang Power Plant	**334.20**	321.00

Notes:

(1) Revised on-grid tariff for Shajiao C Power Plant was effective from 1 July 2006.

(2) Liyujiang Phase I represents two 65MW coal-fired generating units injected by the minority shareholder of CR Liyujiang in the form of capital contribution in July 2005.

(3) Tariff on excess output over 5,500 hours for Wenzhou Telluride Phase II is RMB360.80/MWh.

Control of fuel costs

Average unit fuel cost for our consolidated operating power plants was RMB166.0/MWh, representing a decrease of 5.8% compared to the average unit fuel cost of 2005. Average standard coal cost for our consolidated operating power plants decreased by 2.7% in 2006 compared to 2005.

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 2006, environmental fees paid by each of the operating power plants were in the range from RMB0.1 million to RMB27.2 million and the total amount of environmental fee paid by our subsidiary power plants was RMB57.4 million.

PROSPECTS FOR YEAR 2007

A number of our power plants are expected to commence commercial operation in 2007 with a total attributable capacity of 1,818MW, including:

- unit 2 of Xingning Power Plant;
- two 180MW gas-fired generation units of Guangzhou Thermal Power Plant;
- three 70MW hydro generation units of Yunpeng Power Plant;
- two 600MW coal-fired generation units of Liyujiang B Power Plant; and
- unit 1 of Cangzhou Power Plant.

Meanwhile, 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 2005 and 2006 are as follows:

Consolidated Income Statement
For the year ended 31 December 2006

	2006 HK$'000	2005 HK$'000
Turnover	**9,740,371**	5,927,328
Operating expenses		
Fuel	**(5,132,756)**	(3,231,148)
Repair and maintenance	**(179,184)**	(110,972)
Depreciation and amortisation	**(985,742)**	(587,734)
Others	**(1,122,604)**	(727,294)
Total operating expenses	**(7,420,286)**	(4,657,148)
Other income	**232,564**	72,265
Profit from operations	**2,552,649**	1,342,445
Finance costs	**(541,148)**	(381,220)
Share of results of associates	**686,672**	854,993
Discount on acquisition of a subsidiary	**46,925**	—
Share of result of jointly controlled entity	**—**	194,815
Gain on disposal of jointly controlled entity	**—**	1,071,081
Profit before taxation	**2,745,098**	3,082,114
Taxation	**(11,133)**	(11,371)
Profit for the year	**2,733,965**	3,070,743
Attributable to:		
Equity holders of the Company	**2,364,856**	2,858,225
Minority interests	**369,109**	212,518
	2,733,965	3,070,743
Dividend paid	**762,613**	346,602
Dividend proposed	**538,259**	609,747
Earnings per share		
- basic	**61.99 cents**	75.04 cents
- diluted	**60.10 cents**	74.37 cents

Consolidated Balance Sheet
As at 31 December 2006

	2006 HK$'000	2005 HK$'000
Non-current assets		
Property, plant and equipment	**27,341,499**	17,560,738
Prepaid lease payments	**361,840**	228,067
Interests in associates	**3,769,171**	3,890,134
Goodwill	**213,506**	107,718
Investment in investee companies	**108,186**	19,220
Deposit paid for investment in an associate	**77,942**	—
Deposit paid for acquisition of property, plant and equipment	**109,540**	—
Amount due from an associate	**432,173**	124,930
Pledged bank deposits	**37,337**	37,225
Deferred taxation assets	**5,398**	5,695
Derivative financial instruments	**87**	25,813
	32,456,679	21,999,540
Current assets		
Inventories	**499,176**	291,586
Trade receivables, other receivables and prepayments	**2,316,773**	1,578,689
Amounts due from minority shareholders of subsidiaries	**3,024**	133,305
Amounts due from associates	**13,848**	31,350
Amounts due from group companies	**73**	9,718
Pledged bank deposits	**1,666**	499
Bank balances and cash	**2,747,242**	4,411,484
	5,581,802	6,456,631
Current liabilities		
Trade payables, other payables and accruals	**4,097,677**	3,452,396
Amount due to an associate	**—**	188
Amounts due to group companies	**100,293**	774
Amounts due to minority shareholders of subsidiaries	**92,723**	30,418
Taxation payable	**1,017**	—
Bank and other borrowings - repayable within one year	**3,993,946**	1,983,026
	8,285,656	5,466,802
Net current (liabilities) assets	**(2,703,854)**	989,829
Total assets less current liabilities	**29,752,825**	22,989,369
Non-current liabilities		
Bank and other borrowing - repayable over one year	**12,597,052**	9,062,241
Deferred taxation liabilities	**21,211**	12,582
	12,618,263	9,074,823
	17,134,562	13,914,546
Capital and reserves		
Share capital	**3,831,162**	3,810,044
Share premium and reserves	**11,453,697**	9,282,855
	15,284,859	13,092,899
Minority interests	**1,849,703**	821,647
	17,134,562	13,914,546

Consolidated Cash Flow Statement
For the year ended 31 December 2006

	2006 HK$'000	2005 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**2,745,098**	3,082,114
Adjustments for:		
Amortisation of prepaid lease payments	**17,016**	9,333
Depreciation for property, plant and equipment	**968,726**	578,401
Recognition of share-based payments	**113,230**	106,256
Interest expense	**541,148**	381,220
Interest income	**(145,860)**	(45,524)
Discount on acquisition of a subsidiary	**(46,925)**	—
Share of results of associates	**(686,672)**	(854,993)
Share of result of jointly controlled entity	**—**	(194,815)
Loss on disposal of property, plant and equipment	**32**	—
Gain on disposal of jointly controlled entity	**—**	(1,071,081)
Operating cash flows before movements in working capital	**3,505,793**	1,990,911
Increase in inventories	**(151,535)**	(133,666)
Increase in trade receivables, other receivables and prepayments	**(329,929)**	(802,388)
Decrease (increase) in amount due from minority shareholders of subsidiaries	**51,306**	(51,306)
Decrease in amounts due from associates	**1,686**	—
Decrease (increase) in amounts due from group companies	**9,645**	(4,841)
(Decrease) increase in trade payables, other payables and accruals	**(422,228)**	404,768
(Decrease) increase in amounts due to an associate	**(188)**	188
Increase (decrease) in amounts due to group companies	**3,865**	(4)
Increase in amounts due to minority shareholders of subsidiaries	**7,457**	29,178
PRC profits tax paid	**(1,886)**	—
NET CASH FROM OPERATING ACTIVITIES	**2,673,986**	1,432,840

Consolidated Cash Flow Statement *(cont'd)*
For the year ended 31 December 2006

	2006 HK$'000	2005 HK$'000
INVESTING ACTIVITIES		
Proceeds on disposal of interest in jointly controlled entity	—	2,452,992
Dividends received from associates	**997,290**	1,240,474
Interest received	**134,281**	45,524
(Increase) decrease in pledged bank deposits	**(1,279)**	25,005
Purchase and deposit paid for acquisition of property, plant and equipment	**(4,992,194)**	(3,909,487)
Acquisition of additional interest in an associate	**(37,495)**	(327,018)
Loan advanced to an associate	**(279,695)**	(147,061)
Capital contribution for investment in associates	**(105,995)**	(151,942)
Acquisition of an associate	**(42,359)**	(61,315)
Deposits paid for investment in an associate	**(77,942)**	—
Loan repayment from (advance to) a minority shareholder of a subsidiary	**78,975**	(81,999)
Investment in investee companies	**(88,258)**	(26,216)
Acquisition of additional interest in a subsidiary	—	(10,743)
Acquisitions of subsidiaries	**(579,825)**	(8,000)
Proceeds from disposal of property, plant and equipment	**825**	—
NET CASH USED IN INVESTING ACTIVITIES	**(4,993,671)**	(959,786)
FINANCING ACTIVITIES		
New bank and other borrowings raised	**8,246,507**	7,409,582
Capital contribution from minority shareholders	**171,543**	66,294
Proceeds on issue of shares	**60,224**	5,499
Repayment of bank loans	**(6,558,571)**	(5,676,145)
Interest paid	**(445,395)**	(505,351)
Dividend paid	**(762,613)**	(346,602)
Dividend paid to minority shareholders of subsidiaries	**(116,976)**	(310,164)
Repayment of loans raised from minority shareholders of subsidiaries	—	(18,786)
NET CASH FROM FINANCING ACTIVITIES	**594,719**	624,327
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(1,724,966)**	1,097,381
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**4,411,484**	3,246,554
EFFECT ON FOREIGN EXCHANGE RATE CHANGE	**60,724**	67,549
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTING BANK BALANCES AND CASH	**2,747,242**	4,411,484

Overview

Net profit for the year ended 31 December 2006 amounted to HK$2,364.9 million, all of which were derived from recurring ordinary business. Compared to the net profit from ordinary business of HK$1,787.1 million for 2005, this represents a year on year increase of 32.3%. Net profit for 2005 amounted to HK$2,858.2 million, including a one-off gain on disposal of a 10% effective equity interest in Huaneng International Power Development Corporation ("HIPDC") of HK$1,071.1 million.

The increase in the net profit from ordinary business is mainly attributable to the increase in the Group's operational attributable generation capacity from 4,940MW as at 31 December 2005 to 8,003MW as at 31 December 2006 and full year operation of power plants which were commissioned in 2005.

In particular, during the year,

- we acquired a 55% equity interest in Fuyang Power Plant, a 55% equity interest in Dannan Wind Power Plant and a 1% effective equity interest in Shajiao C Power Plant;
- a number of generation units including unit 3 of Changshu Power Plant and Shouyangshan Power Plant commenced commercial operation; and
- a number of power plants including Changshu Power Plant, Hengfeng Phase II, Yixing Power Plant, Jiaozuo Thermal Power Plant and Tangshan Thermal II Power Plant, which were commissioned during 2005, had their first full year of operation.

As a result, net profit from ordinary business for the year increased by 32.3% or HK$577.8 million to HK$2,364.9 million from HK$1,787.1 million in 2005.

Principal accounting policies

The financial statements have been prepared under the historical cost convention 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 (the "Stock Exchange") and the Companies Ordinance.

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. 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 amounts received and receivable for electricity delivered, and to a limited extent, the amounts received and receivable for heat delivered by thermal power plants, net of VAT, during the year. Turnover for the year ended 31 December 2006 was HK$9,740.4 million, representing a 64.3% increase from HK$5,927.3 million for the year ended 31 December 2005.

The significant increase in turnover was mainly due to the commencement of commercial operation of new power plants during 2006 and full year operation of power plants which were commissioned during 2005. Four subsidiary power plants, including Beijing Thermal Power Plant, Shouyangshan Power Plant, Gucheng Power Plant and unit 3 of Changshu Power Plant, commenced operation during the year, resulting in their turnover being consolidated by the Group. Power plants, namely Yixing Power Plant, Jiaozuo Thermal Power Plant, two generation units of Changshu Power Plant and Tangshan Thermal II Power Plant, which commenced commercial operation in 2005, had their first full year of operation. In addition, we also acquired Fuyang Power Plant in September 2006. The increase in turnover was also attributable to tariff increases approved by the PRC government in June 2006.

Operating expenses

Operating expenses amounted to HK$7,420.3 million for the year ended 31 December 2006, representing a 59.3% increase from HK$4,657.1 million for the year ended 31 December 2005. 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.

The increase in operating expenses was mainly due to the commencement of commercial operation of new subsidiary power plants in 2006 and full year operation of the power plants which were commissioned in 2005.

Fuel costs for the year ended 31 December 2006 amounted to approximately HK$5,132.8 million, representing an increase of 58.9% from HK$3,231.1 million for the year ended 31 December 2005. The increase in fuel costs was primarily due to the commencement of operation of new subsidiary power plants and full year operation of power plants which were commissioned in 2005. Fuel costs accounted for approximately 69.2% of the total operating expenses for the year ended 31 December 2006, compared to 69.4% for the year ended 31 December 2005.

Profit from operations

Profit from operations represents profit from subsidiaries before deduction of finance costs and minority interests. Profit from operations amounted to HK$2,552.6 million for the year ended 31 December 2006, representing a 90.2% increase from HK$1,342.4 million for the year ended 31 December 2005. The increase was mainly due to the commencement of commercial operation of new subsidiary power plants in 2006 and full year operation of the power plants which were commissioned in 2005.

Finance costs

Finance costs amounted to HK$541.1 million for the year ended 31 December 2006, representing a 41.9% increase from HK$381.2 million for the year ended 31 December 2005. The increase in finance costs is mainly due to the commencement of commercial operation of new subsidiary power plants in 2006, as well as reflecting full year operation of the power plants which were commissioned in 2005. Interest expenses incurred during the construction of the power plants are capitalised and included as part of total construction costs of power plants.

	2006 HK$'000	2005 HK$'000
Interest on bank and other borrowings		
- repayable within five years	**349,847**	387,367
- not repayable within five years	**429,369**	192,938
	779,216	580,305
Less: Interest capitalised	**(238,068)**	(199,085)
	541,148	381,220

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 2006 amounted to HK$686.7 million, representing a 19.7% decrease from HK$855.0 million for the year ended 31 December 2005. The decrease is mainly due to the following reasons:

(1) Share of results of associates for the year ended 31 December 2006 and 2005 included a discount on acquisition of an associate in the amount of HK$5.9 million and HK$40.4 million, respectively. Excluding the discount on acquisition of an associate, share of results of associates for 2006 decreased by HK$133.8 million or 16.4% compared to 2005;

(2) a decrease in our share of results of Shajiao C Power Plant from HK$451.0 million in 2005 to HK$313.8 million in 2006, being a decrease of HK$137.2 million or 30.4%. According to the joint venture contract signed between Resources Shajiao C and Guangdong Province Shajiao (Plant-C) Power Generation Corporation ("Shajiao Power"), Resources Shajiao C is entitled to a share of 40% of the profit generated by Guangdong Guanghope Power Co., Ltd. ("Guangdong Guanghope") after the deduction of a special electricity fund to be distributed to Shajiao Power. The special electricity fund is calculated as to 30% of the net profit generated by Guangdong Guanghope for the initial ten years of the co-operation period and as to 60% of the net profit generated by Guangdong Guanghope for the remaining ten years of the co-operation period. Therefore, Resources Shajiao C's effective share of net profit of Shajiao C Power Plant 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; and

(3) offset by an increase in our share of results from Hengfeng Power Plant and Hengfeng Phase II.

Share of result of jointly controlled entity

Share of result of jointly controlled entity in 2005 represents our 40% share of post-tax results of BOCGI China Resources Power Co., Ltd., an investment holding company which held a 25% equity interest in HIPDC. In September 2005, we entered into a number of agreements for the disposal of our 10% effective equity interest in HIPDC. As a result, no share of result of jointly controlled entity is recorded in 2006.

Gain on disposal of jointly controlled entity

In September 2005, we entered into a number of agreements in relation to the disposal of a 10% effective equity interest in HIPDC. Gain on disposal of jointly controlled entity amounted to approximately HK$1,071.1 million.

Taxation

Taxation charge for the year ended 31 December 2006 was HK$11.1 million, compared to HK$11.4 million for the year ended 31 December 2005.

Details of the taxation charge for the year ended 31 December 2005 and 2006 are set out below:

	2006 HK$'000	2005 HK$'000
The charge comprises:		
The Company and its subsidiaries		
- PRC Enterprise Income Tax	**2,842**	—
- Deferred taxation	**8,291**	11,371
	11,133	11,371

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.

Pursuant to the prevailing relevant laws and regulations in the PRC, the Company's PRC subsidiaries are exempted from PRC Enterprise Income Tax for two years from their first profit-making year, and enjoy a 50% reduction for the subsequent three years.

Profit for the year

	2006 HK$'000	2005 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration		
- Fees	**615**	518
- Other emoluments	**12,296**	7,779
- Pension costs	**196**	124
- Share option benefits expenses	**5,274**	8,419
	18,381	16,840
Other staff costs	**283,099**	164,839
Pension costs, excluding directors	**56,370**	35,316
Share option benefits expense, excluding directors	**107,956**	97,837
Total staff costs	**465,806**	314,832
Less: Staff costs included in pre-operating expenses of subsidiaries	**(9,959)**	(6,210)
	455,847	308,622
Amortisation of prepaid lease payments	**17,016**	9,333
Auditors' remuneration	**3,100**	2,304
Depreciation of property, plant and equipment	**968,726**	578,401
Loss on disposal of property, plant and equipment	**32**	—
Minimum lease payments under operating leases in respect of:		
- land and buildings	**54,838**	51,191
- other assets	**806**	362
Share of tax of associates (included in share of results of associates)	**104,220**	126,173
Share of tax of a jointly controlled entity (included in share of result of a jointly controlled entity)	**—**	61,637
Write-off of pre-operating expenses of subsidiaries	**71,817**	32,385
and after crediting:		
Recognition of discount on acquisition of an associate (included in share of results of associates)	**5,883**	40,412
Recognition of discount on acquisition of a subsidiary	**46,925**	—
Net exchange gain	**23,822**	—
Interest income	**145,860**	45,524
Expenses capitalised in construction in progress:		
Other staff costs	**85,619**	78,306
Pension costs	**1,173**	5,781
Depreciation	**1,659**	1,050

Profit for the year attributable to equity holders of the Company

As a result of the above, the Group's net profit from ordinary business increased from HK$1,787.1 million for 2005 to HK$2,364.9 million for the year ended 31 December 2006, representing a 32.3% increase year on year. Total net profit for 2005 amounted to HK$2,858.2 million, including a non-recurring gain on disposal of a 10% effective interest in a jointly controlled entity of HK$1,071.1 million.

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:

	2006 HK$'000	2005 HK$'000
Profit attributable to equity holders of the Company	**2,364,856**	2,858,225
Represented by:		
Profit from ordinary business	**2,364,856**	1,787,144
Gain on disposal of jointly controlled entity	**—**	1,071,081
	2,364,856	2,858,225

	Number of ordinary shares	
	2006	2005
Weighted average number of ordinary shares for the purposes of basic earnings per share	**3,814,667,934**	3,808,876,816
Effect of dilutive potential ordinary shares on share options	**120,489,057**	34,583,272
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**3,935,156,991**	3,843,460,088

	2006 HK cents	2005 HK cents
Basic earnings per share		
- Profit from ordinary business	**61.99**	46.92
- Gain on disposal of jointly controlled entity	**—**	28.12
	61.99	75.04
Diluted earnings per share		
- Profit from ordinary business	**60.10**	46.50
- Gain on disposal of jointly controlled entity	**—**	27.87
	60.10	74.37

Final dividend and closure of register of members

The Board of Directors resolved to declare a final dividend of HK14 cents per share for the year ended 31 December 2006.

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 Wednesday, 30 May 2007. The register of members of the Company will be closed from Friday, 25 May 2007 to Wednesday, 30 May 2007 (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 Wednesday, 23 May 2007. The dividend will be payable on or about 11 June 2007.

Liquidity and capital resources

The bank balances, cash and pledged bank deposits as at 31 December 2006 denominated in local currency and foreign currencies amounted to HK$173 million, RMB1,065 million and US$199 million.

For the year ended 31 December 2006, the Group's primary sources of funding included loans provided by the PRC domestic commercial banks, proceeds from bond issuance by the ultimate holding company which was lent to the subsidiaries of the Company, net cash inflow from operating activities and dividend received from associates, which amounted to HK$6,254 million, HK$1,993 million, HK$2,674 million and HK$997 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, payment of dividend to shareholders, acquisition of subsidiaries and payment of interest, which amounted to HK$6,559 million, HK$4,992 million, HK$763 million, HK$580 million and HK$445 million, respectively.

Borrowings

The bank and other borrowings of the Group as at 31 December 2005 and 2006 were as follows:

	2006 **HK$'000**	2005 HK$'000
Secured bank loans	**4,610,630**	3,308,915
Unsecured bank loans	**6,993,912**	4,810,365
Other loans	**4,986,456**	2,925,987
	16,590,998	11,045,267

The maturity profile of the above loans is as follows:

	2006 **HK$'000**	2005 HK$'000
Within 1 year	**3,993,946**	1,983,026
More than 1 year, but not exceeding 2 years	**633,487**	824,538
More than 2 years, but not exceeding 5 years	**2,273,635**	2,900,378
More than 5 years	**9,689,930**	5,337,325
	16,590,998	11,045,267

The bank and other borrowings as at 31 December 2006 denominated in local currency and foreign currency amounted to HK$1,000 million, RMB15,296 million and US$6 million.

During the year ended 31 December 2006, the Group repaid bank and other borrowings amounting to HK$6,559 million (2005: HK$5,676 million) and obtained new bank and other borrowings amounting to HK$8,247 million (2005: HK$7,410 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

	2006	2005
Current ratio (times)	**0.67**	1.18
Quick ratio (times)	**0.61**	1.13
Net debt to equity (%)	**90.3**	50.4
EBITDA interest coverage (times)	**5.48**	6.98

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 equity attributable to equity holder of the Company 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. Dividends receivable from the Company's subsidiaries and associates can be collected in either RMB, US Dollar ("USD") or Hong Kong Dollar ("HKD").

As at 31 December 2006, the Group had HK$173 million and US$199 million cash in deposit, and HK$1 billion and US$6 million bank borrowings on its balance sheet, the remaining assets and liabilities of our power plants were denominated in RMB. The appreciation of RMB against HKD and USD has an overall positive impact on the Group.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2006.

Charge of assets

As at 31 December 2006, 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$37,337,000 (2005: HK$37,225,000) to a bank as securities for the bank loans granted to Zhejiang Wenzhou of approximately HK$307,748,000 (2005: HK$413,980,000).

The bank deposits carried an annual average floating interest rate of 3.1%. The pledged bank deposits will be released upon the repayment of relevant bank borrowings. The fair values of bank deposits as at 31 December 2006 approximated to the corresponding carrying amounts.

As at 31 December 2006, bank loans were secured by the Group's land use rights and buildings with a carrying value of HK$102,752,000 (2005: HK$10,147,000). In addition, bank loans were secured by the Group's power generating plant and equipment with a carrying value of HK$3,141,567,000 (2005: HK$8,863,274,000).

Legal liabilities

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

Employees

As at 31 December 2006, the Company and its subsidiaries employed approximately 3,300 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 2006:

Shajiao C Power Plant

	2006	2005	2004
Installed capacity at year end (MW)	**1,980**	1,980	1,980
Average utilisation hours	**6,639**	6,962	7,235
Gross generation (MWh)	**13,145,697**	13,784,034	14,325,706
Net generation (MWh)	**12,184,886**	12,876,107	13,403,485
Equivalent availability factor (%)	**89**	97	94
Net generation standard coal consumption rate (grams/kWh)	**328**	322	322

Changshu Power Plant

	2006	2005	2004
Installed capacity at year end (MW)	**1,950**	1,300	N/A
Average utilisation hours	**5,317**	N/A	N/A
Gross generation (MWh)	**10,368,325**	5,853,265	N/A
Net generation (MWh)	**9,816,227**	5,568,971	N/A
Equivalent availability factor (%)	**100**	92	N/A
Net generation standard coal consumption rate (grams/kWh)	**321**	327	N/A

Xuzhou Power Plant

	2006	2005	2004
Installed capacity at year end (MW)	**1,200**	1,200	1,200
Average utilisation hours	**5,412**	6,113	N/A
Gross generation (MWh)	**6,494,983**	7,336,039	5,091,803
Net generation (MWh)	**6,169,358**	6,967,120	4,823,530
Equivalent availability factor (%)	**95**	96	95
Net generation standard coal consumption rate (grams/kWh)	**345**	349	349

Liyujiang Phase II

	2006	2005	2004
Installed capacity at year end (MW)	**730**	600	600
Average utilisation hours	**6,608**	6,399	6,680
Gross generation (MWh)	**4,823,830**	3,839,190	4,007,840
Net generation (MWh)	**4,501,777**	3,610,275	3,757,170
Equivalent availability factor (%)	**93**	81	86
Net generation standard coal consumption rate (grams/kWh)	**362**	351	366

Puqi Power Plant

	2006	2005	2004
Installed capacity at year end (MW)	**600**	600	600
Average utilisation hours	**6,913**	5,303	N/A
Gross generation (MWh)	**4,147,888**	3,181,650	941,340
Net generation (MWh)	**3,937,377**	3,028,690	902,152
Equivalent availability factor (%)	**98**	90	63
Net generation standard coal consumption rate (grams/kWh)	**347**	342	348

Wenzhou Telluride Phase II

	2006	2005	2004
Installed capacity at year end (MW)	**600**	600	600
Average utilisation hours	**6,539**	7,379	7,870
Gross generation (MWh)	**3,923,280**	4,427,520	4,722,083
Net generation (MWh)	**3,726,175**	4,225,307	4,506,873
Equivalent availability factor (%)	**89**	96	98
Net generation standard coal consumption rate (grams/kWh)	**329**	329	332

Dengfeng Power Plant

	2006	2005	2004
Installed capacity at year end (MW)	**600**	600	600
Average utilisation hours	**6,169**	6,039	N/A
Gross generation (MWh)	**3,701,327**	3,623,430	1,562,682
Net generation (MWh)	**3,492,649**	3,389,694	1,459,170
Equivalent availability factor (%)	**96**	92	99
Net generation standard coal consumption rate (grams/kWh)	**339**	360	363

Hengfeng Power Plant

	2006	2005	2004
Installed capacity at year end (MW)	**600**	600	600
Average utilisation hours	**6,086**	6,353	6,503
Gross generation (MWh)	**3,651,310**	3,811,931	3,902,020
Net generation (MWh)	**3,457,060**	3,612,597	3,700,210
Equivalent availability factor (%)	**93**	96	92
Net generation standard coal consumption rate (grams/kWh)	**341**	342	344

Hengfeng Phase II

	2006	2005	2004
Installed capacity at year end (MW)	**600**	600	N/A
Average utilisation hours	**6,035**	N/A	N/A
Gross generation (MWh)	**3,621,150**	3,402,318	N/A
Net generation (MWh)	**3,408,630**	3,191,855	N/A
Equivalent availability factor (%)	**86**	90	N/A
Net generation standard coal consumption rate (grams/kWh)	**343**	342	N/A

Fuyang Power Plant

	2006	2005	2004
Installed capacity at year end (MW)	**1,280**	N/A	N/A
Average utilisation hours	**N/A**	N/A	N/A
Gross generation (MWh)	**2,100,752**	N/A	N/A
Net generation (MWh)	**1,980,021**	N/A	N/A
Equivalent availability factor (%)	**84**	N/A	N/A
Net generation standard coal consumption rate (grams/kWh)	**332**	N/A	N/A

Shouyangshan Power Plant

	2006	2005	2004
Installed capacity at year end (MW)	**1,200**	N/A	N/A
Average utilisation hours	**N/A**	N/A	N/A
Gross generation (MWh)	**2,085,817**	N/A	N/A
Net generation (MWh)	**1,954,551**	N/A	N/A
Equivalent availability factor (%)	**95**	N/A	N/A
Net generation standard coal consumption rate (grams/kWh)	**326**	N/A	N/A

Jiaozuo Thermal Power Plant

	2006	2005	2004
Installed capacity at year end (MW)	**270**	270	N/A
Average utilisation hours	**5,297**	N/A	N/A
Gross generation (MWh)	**1,430,298**	1,094,521	N/A
Net generation (MWh)	**1,323,505**	991,958	N/A
Equivalent availability factor (%)	**91**	99	N/A
Net generation standard coal consumption rate (grams/kWh)	**376**	407	N/A

Tangshan Thermal II Power Plant

	2006	2005	2004
Installed capacity at year end (MW)	**200**	200	N/A
Average utilisation hours	**6,475**	N/A	N/A
Gross generation (MWh)	**1,294,967**	852,223	N/A
Net generation (MWh)	**1,156,643**	772,335	N/A
Equivalent availability factor (%)	**87**	89	N/A
Net generation standard coal consumption rate (grams/kWh)	**365**	389	N/A

Yixing Power Plant

	2006	2005	2004
Installed capacity at year end (MW)	**120**	120	N/A
Average utilisation hours	**7,016**	N/A	N/A
Gross generation (MWh)	**841,873**	754,630	N/A
Net generation (MWh)	**772,585**	686,231	N/A
Equivalent availability factor (%)	**95**	92	N/A
Net generation standard coal consumption rate (grams/kWh)	**412**	420	N/A

Luoyang Power Plant

	2006	2005	2004
Installed capacity at year end (MW)	**100**	100	100
Average utilisation hours	**7,989**	7,969	N/A
Gross generation (MWh)	**798,883**	796,860	407,192
Net generation (MWh)	**709,415**	712,183	360,694
Equivalent availability factor (%)	**97**	93	67
Net generation standard coal consumption rate (grams/kWh)	**420**	439	516

Beijing Thermal Power Plant

	2006	2005	2004
Installed capacity at year end (MW)	**150**	N/A	N/A
Average utilisation hours	**N/A**	N/A	N/A
Gross generation (MWh)	**453,506**	N/A	N/A
Net generation (MWh)	**446,043**	N/A	N/A
Equivalent availability factor (%)	**66**	N/A	N/A
Net generation standard gas consumption rate (Nm^3/MWh)	**240**	N/A	N/A

Gucheng Power Plant

	2006	2005	2004
Installed capacity at year end (MW)	**600**	N/A	N/A
Average utilisation hours	**N/A**	N/A	N/A
Gross generation (MWh)	**302,874**	N/A	N/A
Net generation (MWh)	**286,806**	N/A	N/A
Equivalent availability factor (%)	**77**	N/A	N/A
Net generation standard coal consumption rate (grams/kWh)	**338**	N/A	N/A

Xingning Power Plant

	2006	2005	2004
Installed capacity at year end (MW)	**135**	N/A	N/A
Average utilisation hours	**N/A**	N/A	N/A
Gross generation (MWh)	**142,929**	N/A	N/A
Net generation (MWh)	**131,286**	N/A	N/A
Equivalent availability factor (%)	**68**	N/A	N/A
Net generation standard coal consumption rate (grams/kWh)	**424**	N/A	N/A

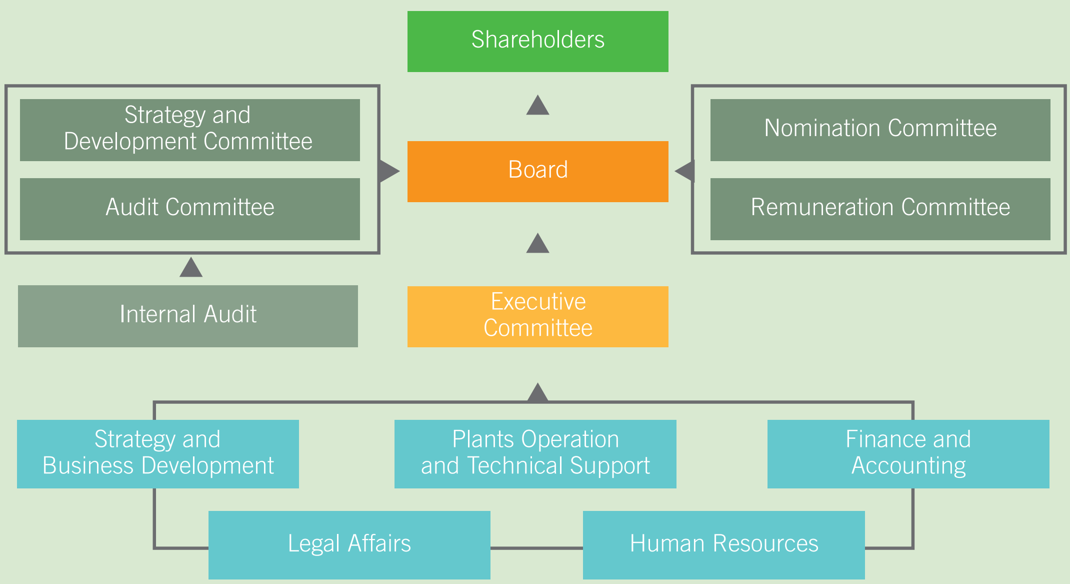
Dannan Wind Power Plant

	2006	2005	2004
Installed capacity at year end (MW)	**24**	N/A	N/A
Average utilisation hours	**2,463**	N/A	N/A
Gross generation (MWh)	**59,105**	N/A	N/A
Net generation (MWh)	**57,435**	N/A	N/A
Equivalent availability factor (%)	**N/A**	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 2006, 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 take 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 on new power plants, expansion of existing power plants and acquisition of power plants and related business and assets, as well as all commitment to syndicated loans, among others, 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:

Board/ Board Committees	**Board**	**Board Committees**			
		Strategy and Development	**Audit**	**Remuneration**	**Nomination**
No. of meetings held	4	3	2	1	2
Directors	No. of meetings attended				
Song Lin		3		1	
Wang Shuai Ting	4	3			2
Shen Zhong Min[1]	1	2	1		
Tang Cheng	4	3			
Zhang Shen Wen	3	3			
Wang Xiao Bin[2]	4		2		1
Jiang Wei	1				
Fong Ching, Eddy[3]	2		2	1	
Anthony H. Adams	4		2	1	2
Wu Jing Ru	4		1		2
Chen Ji Min[4]	4		1		
Ma Chiu-Cheung, Andrew[5]	1				

Note 1: Mr. Shen Zhong Min resigned as an executive director of the Company and a member of the Strategy and Development Committee of the Board on 30 June 2006.

Note 2: Ms. Wang Xiao Bin was appointed as an executive director of the Company on 13 February 2006.

Note 3: Mr. Fong Ching, Eddy, resigned as an independent non-executive director of the Company, the Chairman and a member of the Audit Committee and a member of the Remuneration Committee of the Board on 20 October 2006.

Note 4: Mr. Chen Ji Min was appointed as an independent non-executive director of the Company, a member of the Audit Committee and a member of the Strategy and Development Committee of the Board on 13 February 2006.

Note 5: Mr. Ma Chiu-Cheung, Andrew, was appointed as an independent non-executive director of the Company, the Chairman and a member of the Audit Committee, and a member of the Remuneration Committee of the Board on 13 December 2006.

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 10 directors, 5 of whom are executive directors, 1 is non-executive director 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:

		Committee Membership			
Name of Director	Board Role	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				
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 16 to page 18 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 2006, the Nomination Committee held two meetings to evaluate the effectiveness of the Board as a whole and to nominate Mr. Ma Chiu-Cheung, Andrew, to be an independent non-executive director and as the Chairman of the Audit Committee of the Board and made its recommendation to the Board.

Mr. Ma Chiu-Cheung, Andrew, has been appointed as an independent non-executive director of the Company and the Chairman of the Audit Committee of the Board with effect from 13 December 2006. Mr. Ma has entered into a 3-year term service contract with the Company. Pursuant to the Articles of Association of the Company, Mr. Ma 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 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. The Company issues notices to all directors and senior management and relevant employees and provide written guidelines to prohibit any dealings by such persons in the securities of the Company commencing at least one month prior to the date of any board meeting convened for review and approval of the Company's results for any report period.

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 2006.

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 12 under the section "Notes to the Financial Statements" in this Annual Report on pages 92 to 93 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 2006, 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 to any and all aspects of the Company's and the subsidiaries' activities and business functions. 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 2006, the internal audit department completed the internal audit and the follow-up audits on a number of power plants and representative offices of the Company, 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 (appointed as a director on 13 December 2006), Mr. Anthony H. Adams, Mr. Wu Jing Ru and Mr. Chen Ji Min (appointed as a director on 13 February 2006) as members. Mr. Ma Chiu-Cheung is the Chairman of the Committee (Mr Fong Ching, Eddy, the former Chairman of the Committee, resigned as an independent non-executive director of the Company and the Chairman of the Audit Committee on 20 October 2006). Mr. Ma Chiu-Cheung is a Certified Public Accountant (Practising) 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 to 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 two meetings in 2006. External and internal auditors, representatives of the executive directors as well as senior management were invited to attend the Audit Committee meetings. In addition, the Board held a meeting in December 2006 to review the progress and results and findings of internal audits conducted in the second half of 2006 and to approve the internal audit plan for 2007.

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

During 2006, the fees paid to the Company's external auditor amounted to HK$5,257,000, of which fees paid for non-audit related services amounted to HK$2,157,000. Non-audit related services mainly include financial due diligence work carried out in connection with acquisitions of certain business and assets.

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, the Chairman of the Audit Committee Mr. Fong Ching, Eddy and independent non-executive director Anthony H. Adams attended the annual general meeting held on 26 May 2006.

Resolutions are proposed at the annual general meeting on each substantially separate issue, including the election of individual directors.

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 2006 are set out on page 56 to page 57 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 believe that maintaining effective communication with our shareholders is an important aspect of corporate governance and is critical to our long term success. We believe that communication with our shareholders is not only to inform them of our present operation and our prospects and industry development, but also include conveying shareholders' opinions, requirements and feedback to the management team and the Board in a timely manner, so that we can continuously improve our corporate governance and management and enhance our competitiveness.

In 2006, our management participated in a series of investor conferences and forums organised by various securities brokers and investment banks. We also conducted road shows in Hong Kong, Singapore, Europe and the U.S. after the announcements of our interim and final results.

We also arranged power plant visits and cocktail receptions for analysts and fund managers to enable them to gain a more thorough understanding of our Company. In September of 2006, we held a cocktail reception for a second time to provide analysts and fund managers an opportunity to directly meet with our front-line power plant managers. Our Chairman, Chief Executive Officer, representatives of senior management and most of our power plant general managers were available to answer any questions our investors may have. This event also enabled our power plant managers to gain a better understanding of the requirements and concerns of our shareholders.

In 2006, we had the most number of company visits and conference calls in a year, ever since our listing on the Hong Kong Stock Exchange in 2003. During the year, we had more than 100 Company visits and conferences calls with over 150 analysts and fund managers coming from different parts of the world.

In addition to meetings with investors, we also provided other channels to inform our shareholders of our latest development. Our Company website also contains information on our corporate profile, operating results and latest developments. We also issue press releases on our latest developments including information on monthly net generation statistics, commissioning of new generation units and new project development and acquisitions in a timely manner. All of the above information is also available on our website.

We were awarded Asia's best managed medium-cap corporate for 2006 in China by Asiamoney. This award was mainly based on the comments of analysts and fund managers upon candidate listed companies' business strategies, dividend pay-outs and communications with shareholders. We will continue to put emphasis on communications with shareholders and investors and provide as many as possible channels and opportunities for our shareholders and potential investors to gain a better understanding of our business strategies, management team, operating performance and latest developments.

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 2006.

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 18 and 19 to the financial statements, respectively.

GROUP PROFIT

The consolidated income statement is set out on page 72 and shows the Group's profit for the year ended 31 December 2006. 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 21 to 43 of this Annual Report.

DIVIDENDS

An interim dividend of HK4 cents per share was paid on 3 October 2006.

The Board of Directors resolved to recommend the payment of a final dividend of HK14 cents per share for the year ended 31 December 2006 to shareholders whose names appear on the Register of Members of the Company on 30 May 2007. The proposed dividend will be paid on or about 11 June 2007 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 16 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 35 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$3,777.9 million as at 31 December 2006 (2005: HK$3,063.5 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 76 of this Annual Report and note 37 to the financial statements, respectively.

BANK LOANS AND OTHER BORROWINGS

The total borrowings of the Group as at 31 December 2006 amounted to HK$16,591.0 million (2005 HK$11,045.3 million). Particulars of borrowings are set out in note 33 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. Shen Zhong Min	(resigned on 30 June 2006)
Mr. Tang Cheng	
Mr. Zhang Shen Wen	
Ms. Wang Xiao Bin	(appointed on 13 February 2006)

Non-Executive Director:

Mr. Jiang Wei

Independent Non-Executive Directors:

Mr. Fong Ching, Eddy	(resigned on 20 October 2006)
Mr. Anthony H. Adams	
Mr. Wu Jing Ru	
Mr. Chen Ji Min	(appointed on 13 February 2006)
Mr. Ma Chiu-Cheung, Andrew	(appointed on 13 December 2006)

As at 31 December 2006, 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. Tang Cheng, Mr. Zhang Shen Wen, Mr. Jiang Wei and Mr. Anthony H. Adams 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, Mr. Ma Chiu-Cheung, Andrew, who was appointed on 13 December 2006, 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 16 to 18 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 director 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 60 to 62 of this Annual Report. Details of Directors' remuneration are provided under note 12 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 2006, a total of 136,795,000 Shares (representing approximately 3.6% 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 2006 is as follows:

Name of Director	Date of grant	Number of options outstanding as at 1 January 2006	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 2006	Date of expiry	Exercise price (HK$)
Song Lin	6 Oct 2003	2,000,000	—	—	2,000,000	5 Oct 2013	2.80
Wang Shuai Ting	6 Oct 2003	4,500,000	—	(2,150,000)	2,350,000	5 Oct 2013	2.80
Shen Zhong Min (2)	6 Oct 2003	3,000,000	(1,800,000)	(1,200,000)	—	5 Oct 2013	2.80
Tang Cheng	6 Oct 2003	3,000,000	—	—	3,000,000	5 Oct 2013	2.80
Zhang Shen Wen	6 Oct 2003	3,000,000	—	—	3,000,000	5 Oct 2013	2.80
Wang Xiao Bin	6 Oct 2003	2,800,000	—	—	2,800,000	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	97,635,000	(3,856,000)	(12,220,000)	81,559,000	5 Oct 2013	2.80
Aggregate total of other participants	6 Oct 2003	47,202,000	(1,408,000)	(4,708,000)	41,086,000	5 Oct 2013	2.80
		164,137,000	(7,064,000)	(20,278,000)	136,795,000		

Notes: 1. The weighted average closing prices of the Shares immediately before the dates on which the options were exercised was HK$9.53.

2. Mr. Shen Zhong Min resigned on 30 June 2006.

(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 5 September 2006, in consideration of HK$1.00 per grant, options to subscribe for an aggregate of 27,700,000 Shares at an exercise price of HK$7.05 (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 58 grantees under the Share Option Scheme.

As at 31 December 2006, a total of 144,420,000 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.

Movement of the options granted under the Share Option Scheme during the year ended 31 December 2006 is as follows:

Name of Director	Date of grant	Number of options outstanding as at 1 January 2006	Number of options granted during the year[1]	Number of options lapsed or cancelled during the year	Number of options exercised during the year	Number of options outstanding as at 31 December 2006[2]	Date of expiry	Exercise price (HK$)
Song Lin	18 Mar 2005	900,000	—	—	—	900,000	17 Mar 2015	3.99
Wang Shuai Ting	18 Mar 2005	900,000	—	—	—	900,000	17 Mar 2015	3.99
Shen Zhong Min [3]	18 Mar 2005	600,000	—	(480,000)	(120,000)	—	17 Mar 2015	3.99
Tang Cheng	18 Mar 2005	600,000	—	—	—	600,000	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	—	—	—	600,000	17 Mar 2015	3.99
Jiang Wei	18 Mar 2005	600,000	—	—	—	600,000	17 Mar 2015	3.99
Fong Ching, Eddy [4]	18 Nov 2005	200,000	—	(200,000)	—	—	17 Nov 2015	4.725
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
Aggregate total of employees	1 Sep 2004	23,200,000	—	(3,640,000)	(360,000)	19,200,000	31 Aug 2014	4.25
	18 Mar 2005	21,700,000	—	(1,520,000)	(200,000)	19,980,000	17 Mar 2015	3.99
	18 Nov 2005	52,050,000	—	(400,000)	—	51,650,000	17 Nov 2015	4.725
Aggregate total of other participants	1 Sep 2004	4,300,000	—	—	—	4,300,000	31 Aug 2014	4.25
	18 Mar 2005	8,500,000	—	—	(160,000)	8,340,000	17 Mar 2015	3.99
	18 Nov 2005	9,150,000	—	—	—	9,150,000	17 Nov 2015	4.725
	5 Sep 2006	—	27,700,000	(500,000)	—	27,200,000	4 Sep 2016	7.05
		124,300,000	27,700,000	(6,740,000)	(840,000)	144,420,000		

Notes:

1. The closing price of the Shares immediately before the date on which the options were granted was HK$6.88.

2. The weighted average closing price of the Shares immediately before the date on which the options were exercise was HK$7.38.

3. Mr. Shen Zhong Min resigned on 30 June 2006.

4. Mr. Fong Ching, Eddy resigned on 20 October 2006.

5. Details of the value of options granted during the year are set out in note 36 to the financial statements.

DIRECTORS' INTERESTS IN SECURITIES

Save as disclosed below, as at 31 December 2006, 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 2006 are as follows:

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Wang Shuai Ting	Beneficial Owner	2,000,000	0.052%

Name of Director	Capacity	Date of grant	Date of expiry	Exercise price (HK$)	Number of options and underlying shares as at 1 Jan 2006	Number of options lapsed during the year	Number of options exercised during the year	Number of options and underlying shares as at 31 Dec 2006	Percentage of the issued share capital of the Company
Song Lin	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	2,000,000	—	—	2,000,000	0.052%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	900,000	—	—	900,000	0.023%
Wang Shuai Ting	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	4,500,000	—	(2,150,000)	2,350,000	0.061%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	900,000	—	—	900,000	0.023%
Shen Zhong Min [1]	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	3,000,000	(1,800,000)	(1,200,000)	—	—
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	600,000	(480,000)	(120,000)	—	—
Tang Cheng	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	3,000,000	—	—	3,000,000	0.078%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	600,000	—	—	600,000	0.016%
Zhang Shen Wen	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	3,000,000	—	—	3,000,000	0.078%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	600,000	—	—	600,000	0.016%
Wang Xiao Bin	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	2,800,000	—	—	2,800,000	0.073%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	600,000	—	—	600,000	0.016%
Jiang Wei	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	1,000,000	—	—	1,000,000	0.026%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	600,000	—	—	600,000	0.016%
Fong Ching, Eddy [2]	Beneficial Owner	18 Nov 2005	17 Nov 2015	4.725	200,000	(200,000)	—	—	—
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%

Notes: 1. Mr. Shen Zhong Min resigned on 30 June 2006.

2. Mr. Fong Ching, Eddy resigned on 20 October 2006.

(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 2006 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	1,800,000	0.076%
Wang Shuai Ting	Beneficial Owner	30,000	0.001%
Jiang Wei	Beneficial Owner	240,000	0.010%

Name of Director	Capacity	Date of grant	Date of expiry	Exercise price (HK$)	Number of options and underlying shares as at 1 Jan 2006	Number of options granted during the year	Number of options exercised during the year	Number of options and underlying shares as at 31 Dec 2006	Percentage of the issued share capital of CRE
Song Lin	Beneficial Owner	7 Feb 2002	6 Feb 2012	7.17	2,000,000	—	(2,000,000)	—	—
	Beneficial Owner	14 Jan 2004	13 Jan 2014	9.72	2,500,000	—	(2,500,000)	—	—
	Family Interest (Note)	20 Jun 2000	19 Jun 2010	7.19	200,000	—	(200,000)	—	—
Zhang Shen Wen	Beneficial Owner	5 Mar 2002	4 Mar 2012	7.35	50,000	—	—	50,000	0.002%
Jiang Wei	Beneficial Owner	8 Mar 2002	7 Mar 2012	7.50	600,000	—	(600,000)	—	—

Note: The options were held by the spouse of Mr. Song Lin.

(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 2006 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	3,600,000	0.130%

Name of Director	Capacity	Date of grant	Date of expiry	Exercise price (HK$)	Number of options and underlying shares as at 1 Jan 2006	Number of options granted during the year	Number of options exercised during the year	Number of options and underlying shares as at 31 Dec 2006	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	0.249%
	Beneficial Owner	13 Jan 2004	12 Jan 2014	0.906	2,000,000	—	—	2,000,000	0.072%
Wang Shuai Ting	Beneficial Owner	9 Apr 2002	8 Apr 2012	0.82	540,000	—	—	540,000	0.020%
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%

(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 2006 are as follows:

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of CR Land
Jiang Wei	Beneficial Owner	892,000	0.027%

Name of Director	Capacity	Date of grant	Date of expiry	Exercise price (HK$)	Number of options and underlying shares as at 1 Jan 2006	Number of options granted during the year	Number of options exercised during the year	Number of options and underlying shares as at 31 Dec 2006	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	0.027%
Wang Shuai Ting	Beneficial Owner	4 Mar 2002	31 Jan 2012	1.59	540,000	—	—	540,000	0.016%
Tang Cheng	Beneficial Owner	4 Mar 2002	31 Jan 2012	1.59	100,000	—	(100,000)	—	—
Zhang Shen Wen	Beneficial Owner	4 Mar 2002	31 Jan 2012	1.59	60,000	—	—	60,000	0.002%
Jiang Wei	Beneficial Owner	4 Mar 2002	3 Mar 2012	1.59	720,000	—	(720,000)	—	—
	Beneficial Owner	1 Jun 2005	31 May 2015	1.23	700,000	—	(700,000)	—	—

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 2006, 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	71.8%
CRC Bluesky Limited	Interest of a controlled corporation	2,750,000,000	71.8%
China Resources Co., Limited ("CRL")	Interest of a controlled corporation	2,750,000,000	71.8%
China Resources National Corporation ("CRNC")	Interest of a controlled corporation	2,750,000,000	71.8%

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.

(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.

(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.

(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.

(e) A deed of option dated 17 October 2003 was executed by CRH in favour the Company, under which the Company was granted an option, in consideration of a nominal amount of HK$1.00, to acquire from CRH its entire 65% interest in Yunnan China Resources Power (Honghe) Company Limited ("Yunpeng") and 55% interest in Fuyang China Resources Power Company Limited ("Fuyang"). The Company exercised its right of acquisition on 27 July 2006. The considerations for the acquisitions of Yunpeng and Fuyang were HK$119,220,000 and HK$436,480,000, respectively. The acquisitions were completed on 5 September 2006.

(f) The Company entered into a management agreement dated 17 October 2003 with CRH. The management agreement relates to CRH entrusting the Company to manage CRH's 65% and 55% interests in Yunpeng and Fuyang, respectively, for a term of three years in return for a fixed service fee of HK$2,000,000 in aggregate per annum. The management agreement expired on 5 September 2006 when the acquisitions of Yunpeng and Fuyang from CRH were completed.

(g) In 2006, Guangzhou China Resource Thermal Power Company Limited, a 70% owned subsidiary of the Company, has been purchasing, through a tender bidding process, fuel oil from Shenzhen China Resources Petroleum Company Limited, a wholly owned subsidiary of CRH. For the year ended 31 December 2006, the total amount of the purchase of fuel oil was approximately RMB12,237,000.

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) had 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) had 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.

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 32.4% of the Group's total purchases during the year. The five largest suppliers are 上海中煤華東有限公司 (Shanghai China Coal East China Co., Ltd.) (8.8%), 平頂山天安煤業股份有限公司 (Pingdingshan Tianan Coal Mining Co., Ltd.) (8.1%), 內蒙古伊泰煤炭股份有限公司 (Inner Mongolia Yitai Coal Company Limited) (6.4%), 上海神華煤炭運銷有限公司 (Shanghai Shenhua Coal Transport & Sale Co., Ltd.) (5.7%), and 湖南省資興礦業（集團）有限責任公司 (Hunan Zixing Mining Group Co., Ltd.) (3.4%).

Sales to the Group's five largest customers together accounted for 87.8% of the Group's total turnover during the year. The five largest customers are 江蘇省電力公司 (Jiangsu Electric Power Company) (34.1%), 河南省電力公司 (Henan Provincial Power Company) (19.9%), 廣東省電網公司 (Guangdong Power Grid Company) (14.9%), 湖北省電力公司 (Hubei Electric Power Company) (13.6%), and 安徽省電力公司 (Anhui Electric Power Corporation) (5.3%).

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 2006.

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 44 to 55 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 2006.

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, 26 March 2007

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 consolidated financial statements of China Resources Power Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 72 to 129, which comprise the consolidated and Company balance sheets as at 31 December 2006, 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 CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 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
26 March 2007

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	NOTES	2006 HK$'000	2005 HK$'000
Turnover	7	**9,740,371**	5,927,328
Operating expenses			
Fuel		**(5,132,756)**	(3,231,148)
Repairs and maintenance		**(179,184)**	(110,972)
Depreciation and amortisation		**(985,742)**	(587,734)
Others		**(1,122,604)**	(727,294)
Total operating expenses		**(7,420,286)**	(4,657,148)
Other income		**232,564**	72,265
Profit from operations		**2,552,649**	1,342,445
Finance costs	8	**(541,148)**	(381,220)
Share of results of associates		**686,672**	854,993
Discount on acquisition of a subsidiary		**46,925**	—
Share of result of jointly controlled entity		**—**	194,815
Gain on disposal of jointly controlled entity	9	**—**	1,071,081
Profit before taxation		**2,745,098**	3,082,114
Taxation	10	**(11,133)**	(11,371)
Profit for the year	11	**2,733,965**	3,070,743
Attributable to:			
Equity holders of the Company		**2,364,856**	2,858,225
Minority interests		**369,109**	212,518
		2,733,965	3,070,743
Dividends paid	14	**762,613**	346,602
Dividends proposed	14	**538,259**	609,747
Earnings per share	15		
- basic		**61.99 cents**	75.04 cents
- diluted		**60.10 cents**	74.37 cents

CONSOLIDATED BALANCE SHEET

At 31 December 2006

	NOTES	2006 HK$'000	2005 HK$'000
Non-current assets			
Property, plant and equipment	16	**27,341,499**	17,560,738
Prepaid lease payments	17	**361,840**	228,067
Interests in associates	19	**3,769,171**	3,890,134
Goodwill	20	**213,506**	107,718
Investment in investee companies	21	**108,186**	19,220
Deposit paid for investment in an associate		**77,942**	—
Deposit paid for acquisition of property, plant and equipment		**109,540**	—
Amount due from an associate	22	**432,173**	124,930
Pledged bank deposits	23	**37,337**	37,225
Deferred taxation assets	34	**5,398**	5,695
Derivative financial instruments	24	**87**	25,813
		32,456,679	21,999,540
Current assets			
Inventories	25	**499,176**	291,586
Trade receivables, other receivables and prepayments	26	**2,316,773**	1,578,689
Amounts due from minority shareholders of subsidiaries	27	**3,024**	133,305
Amounts due from associates	22	**13,848**	31,350
Amounts due from group companies	28	**73**	9,718
Pledged bank deposits	23	**1,666**	499
Bank balances and cash	23	**2,747,242**	4,411,484
		5,581,802	6,456,631
Current liabilities			
Trade payables, other payables and accruals	29	**4,097,677**	3,452,396
Amount due to an associate	30	**—**	188
Amounts due to group companies	31	**100,293**	774
Amounts due to minority shareholders of subsidiaries	32	**92,723**	30,418
Taxation payable		**1,017**	—
Bank and other borrowings - repayable within one year	33	**3,993,946**	1,983,026
		8,285,656	5,466,802
Net current (liabilities) assets		**(2,703,854)**	989,829
Total assets less current liabilities		**29,752,825**	22,989,369

At 31 December 2006

	NOTES	**2006 HK$'000**	2005 HK$'000
Non-current liabilities			
Bank and other borrowings - repayable over one year	33	**12,597,052**	9,062,241
Deferred taxation liabilities	34	**21,211**	12,582
		12,618,263	9,074,823
		17,134,562	13,914,546
Capital and reserves			
Share capital	35	**3,831,162**	3,810,044
Share premium and reserves		**11,453,697**	9,282,855
		15,284,859	13,092,899
Minority interests		**1,849,703**	821,647
		17,134,562	13,914,546

The financial statements on pages 72 to 129 were approved by the Board of Directors and authorised for issue on 26 March 2007 and are signed on its behalf by:

SONG LIN
DIRECTOR

WANG SHUAI TING
DIRECTOR

BALANCE SHEET

At 31 December 2006

	NOTES	2006 HK$'000	2005 HK$'000
Non-current assets			
Property, plant and equipment	16	**2,158**	2,561
Investments in subsidiaries	18	**4,958,148**	4,808,366
Loans to subsidiaries	18	**806,068**	1,003,904
Interest in an associate	19	**111,829**	111,829
Deposit paid for investment in an associate		**29,892**	—
Interest in an investee company		**8,546**	—
Derivative financial instruments	24	**87**	25,813
		5,916,728	5,952,473
Current assets			
Other receivables and prepayments	26	**34,462**	69,161
Amount due from an associate	22	**1,011**	6,045
Amounts due from group companies	28	**6,430,185**	3,600,687
Bank balances and cash		**1,204,311**	3,001,375
		7,669,969	6,677,268
Current liabilities			
Other payables and accruals	29	**12,015**	9,902
Amounts due to group companies	31	**93,484**	774
		105,499	10,676
Net current assets		**7,564,470**	6,666,592
Total assets less current liabilities		**13,481,198**	12,619,065
Non-current liability			
Bank borrowings repayable over one year	33	**1,000,000**	1,000,000
		12,481,198	11,619,065
Capital and reserves			
Share capital	35	**3,831,162**	3,810,044
Reserves	37	**8,650,036**	7,809,021
		12,481,198	11,619,065

SONG LIN
DIRECTOR

WANG SHUAI TING
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006

	Attributable to the equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	General reserve HK$'000	Special reserve HK$'000	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 2005	3,808,080	4,469,257	137,271	40,782	(20,534)	140,622	—	1,675,799	10,251,277	983,888	11,235,165
Exchange differences from translation of operations outside Hong Kong recognised directly in equity	—	—	—	—	113,853	—	—	—	113,853	24,690	138,543
Share of changes in reserve of associates	—	—	—	—	76,591	—	—	—	76,591	—	76,591
Share of changes in reserve of jointly controlled entity	—	—	—	—	26,658	—	—	—	26,658	—	26,658
Gains on cash flow hedges	—	—	—	—	—	—	25,813	—	25,813	—	25,813
Net income recognised directly in equity	—	—	—	—	217,102	—	25,813	—	242,915	24,690	267,605
Profit for the year	—	—	—	—	—	—	—	2,858,225	2,858,225	212,518	3,070,743
Realised on disposal of jointly controlled entity	—	—	—	—	(24,671)	—	—	—	(24,671)	—	(24,671)
Total recognised income and expenses for the year	—	—	—	—	192,431	—	25,813	2,858,225	3,076,469	237,208	3,313,677
Share issued upon exercise of options	1,964	3,535	—	—	—	—	—	—	5,499	—	5,499
Recognition of equity settled share based payments	—	—	—	—	—	106,256	—	—	106,256	—	106,256
Transfer of share option reserve on exercise of share options	—	2,961	—	—	—	(2,961)	—	—	—	—	—
Capital contribution by minority shareholders	—	—	—	—	—	—	—	—	—	286,809	286,809
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	—	(310,164)	(310,164)
Acquisition of additional interests	—	—	—	—	—	—	—	—	—	(376,094)	(376,094)
Dividends paid	—	—	—	—	—	—	—	(346,602)	(346,602)	—	(346,602)
Realised on disposal of jointly controlled entity	—	—	(83,322)	—	—	—	—	83,322	—	—	—
Transfer of reserves	—	—	108,830	—	—	—	—	(108,830)	—	—	—
At 31 December 2005	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 of operations outside Hong Kong recognised directly in equity	—	—	—	—	322,393	—	—	—	322,393	61,337	383,730
Share of changes in reserve of associates	—	—	—	—	119,596	—	—	—	119,596	—	119,596
Loss 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
Share 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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2006

	NOTES	2006 HK$'000	2005 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**2,745,098**	3,082,114
Adjustments for:			
Amortisation of prepaid lease payments		**17,016**	9,333
Depreciation for property, plant and equipment		**968,726**	578,401
Recognition of share-based payments		**113,230**	106,256
Interest expense		**541,148**	381,220
Interest income		**(145,860)**	(45,524)
Discount on acquisition of a subsidiary		**(46,925)**	—
Share of results of associates		**(686,672)**	(854,993)
Share of result of jointly controlled entity		**—**	(194,815)
Loss on disposal of property, plant and equipment		**32**	—
Gain on disposal of jointly controlled entity		**—**	(1,071,081)
Operating cash flows before movements in working capital		**3,505,793**	1,990,911
Increase in inventories		**(151,535)**	(133,666)
Increase in trade receivables, other receivables and prepayments		**(329,929)**	(802,388)
Decrease (increase) in amounts due from minority shareholders of subsidiaries		**51,306**	(51,306)
Decrease in amounts due from associates		**1,686**	—
Decrease (increase) in amounts due from group companies		**9,645**	(4,841)
(Decrease) increase in trade payables, other payables and accruals		**(422,228)**	404,768
(Decrease) increase in amount due to an associate		**(188)**	188
(Increase) decrease in amounts due to group companies		**3,865**	(4)
Increase in amounts due to minority shareholders of subsidiaries		**7,457**	29,178
PRC profits tax paid		**(1,886)**	—
NET CASH FROM OPERATING ACTIVITIES		**2,673,986**	1,432,840
INVESTING ACTIVITIES			
Proceeds on disposal of interest in jointly controlled entity		**—**	2,452,992
Dividends received from associates		**997,290**	1,240,474
Interest received		**134,281**	45,524
(Increase) decrease in pledged bank deposits		**(1,279)**	25,005
Purchase and deposit paid for acquisition of property, plant and equipment		**(4,992,194)**	(3,909,487)
Acquisition of additional interest in an associate		**(37,495)**	(327,018)
Loan advanced to an associate		**(279,695)**	(147,061)
Capital contribution for investment in associates		**(105,995)**	(151,942)
Acquisition of an associate		**(42,359)**	(61,315)
Deposit paid for investment in an associate		**(77,942)**	—
Loan repayment from (advance to) a minority shareholder of a subsidiary		**78,975**	(81,999)
Investment in investee companies		**(88,258)**	(26,216)
Acquisition of additional interest in a subsidiary		**—**	(10,743)
Acquisitions of subsidiaries	38	**(579,825)**	(8,000)
Proceeds from disposal of property, plant and equipment		**825**	—
NET CASH USED IN INVESTING ACTIVITIES		**(4,993,671)**	(959,786)

For the year ended 31 December 2006

	NOTES	**2006** **HK$'000**	2005 HK$'000
FINANCING ACTIVITIES			
New bank and other borrowings raised		**8,246,507**	7,409,582
Capital contribution from minority shareholders		**171,543**	66,294
Proceeds on issue of shares		**60,224**	5,499
Repayment of bank loans		**(6,558,571)**	(5,676,145)
Interest paid		**(445,395)**	(505,351)
Dividends paid		**(762,613)**	(346,602)
Dividends paid to minority shareholders of subsidiaries		**(116,976)**	(310,164)
Repayment of loans raised from minority shareholders of subsidiaries		**—**	(18,786)
NET CASH FROM FINANCING ACTIVITIES		**594,719**	624,327
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(1,724,966)**	1,097,381
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**4,411,484**	3,246,554
EFFECT ON FOREIGN EXCHANGE RATE CHANGE		**60,724**	67,549
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTING BANK BALANCES AND CASH		**2,747,242**	4,411,484

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

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 2006 is China Resources (Holdings) Company Limited ("CRH"), a company incorporated in Hong Kong. The directors regard the ultimate holding company as at 31 December 2006 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 18 and 19, respectively.

The Group had net current liabilities as at 31 December 2006 with short-term bank borrowings which could be renewed on an annual basis at the discretion of the Company 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/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had 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 period adjustment has been required.

The Group has not early applied the new standards, interpretations and amendments that have been issued but are not yet effective as at 31 December 2006.

The Group has commenced considering the potential impact of these standards, interpretations and amendments. The management anticipates the application of these new standards, interpretations and amendments will have no material impact on how the results and financial position of the Group are prepared and presented.

HKAS 1 (Amendment)	Capital disclosures [1]
HKFRS 7	Financial instruments: Disclosures [1]
HKFRS 8	Operating segments [7]
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [2]
HK(IFRIC) - INT 8	Scope of HKFRS 2 [3]
HK(IFRIC) - INT 9	Reassessment of embedded derivatives [4]
HK(IFRIC) - INT 10	Interim financial reporting and impairment [5]
HK(IFRIC) - INT 11	HKFRS 2 - Group and treasury share transactions [6]
HK(IFRIC) - INT 12	Service concession arrangements [8]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 March 2006
3 Effective for annual periods beginning on or after 1 May 2006
4 Effective for annual periods beginning on or after 1 June 2006
5 Effective for annual periods beginning on or after 1 November 2006
6 Effective for annual periods beginning on or after 1 March 2007
7 Effective for annual periods beginning on or after 1 January 2009
8 Effective for annual periods beginning on or after 1 July 2008

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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 its subsidiaries.

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.

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.

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on an acquisition of subsidiaries or associates 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 subsidiaries or associates 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).

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(CONT'D)*

Goodwill *(cont'd)*

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of subsidiaries or associates 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 the net fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiaries or associates at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment loss.

Capitalised goodwill arising on an acquisition of subsidiaries is presented separately in the 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 subsidiary 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 subsidiaries or associates, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

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 associates 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 business combination. Discount on acquisition is recognised immediately in profit or loss. A discount on acquisition arising on an acquisition of an associate 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.

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.

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.

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(CONT'D)*

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, 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 jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Revenue recognition

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

Sales of electricity are recognised when electricity has been delivered.

Service income is recognised when services are rendered.

Interest income from a financial asset 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 is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment loss.

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 represents assets in the course of construction for production, rental or administrative purposes. 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. Costs on completed construction works are transferred to other appropriate category of property, plant and equipment.

No depreciation is provided in respect of construction in progress until it is completed and is ready for its 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.

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(CONT'D)*

Impairment (other than goodwill)

At each balance sheet date, the Group reviews the carrying amount of its assets to determine whether there is any indication that those assets have suffered an impairment loss. 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. Impairment loss is recognised as 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.

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.

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.

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 foreign operations 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 a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(CONT'D)*

Foreign currencies *(cont'd)*

Goodwill and fair value adjustments arising on acquisitions of foreign operations 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.

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.

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.

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(CONT'D)*

Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and available-for-sale financial assets. 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:

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. 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. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as loan and receivable, financial assets at fair value through profit or loss and held-to-maturity investments. The investment in an investee company is classified as an available-for-sale financial asset.

Equity investment does 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, it is measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset 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 reverse in subsequent periods.

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.

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 financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(CONT'D)*

Financial liabilities and equity *(cont'd)*

Financial liabilities

Financial liabilities including trade 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

The Group uses derivative financial instruments (primarily interest rate swap) to hedge its exposure against changes in interest rate. Such derivatives are measured at fair value and is designated as effective cash flow hedging instruments. The effective portion and the ineffective portion of any unrealised gain or loss arising on the changes in fair value of the hedging on the instrument is recognised directly in equity and in the income statement respectively. The cumulated gain or loss associated with the effective portion of the cash flow hedge is removed from equity and is generally "recycled" in the income statement in the same period or periods during which the gain or loss arising from the hedged item is recognised in the income statement.

Share-based payment transactions

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

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, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

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.

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.

For the year ended 31 December 2006

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, management had made the following estimations.

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 36 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. The carrying amount of goodwill as at 31 December 2006 are HK$213,506,000 arising from acquisitions of subsidiaries. Details of the recoverable amount calculations of goodwill arising from acquisitions of subsidiaries are disclosed in note 38.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include investment in an investee company, pledged bank deposits, bank balances and cash, trade and other receivables, trade and other payables, amounts due from associates, amount due to group companies and minority shareholders of subsidiaries and, bank and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a 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 with fluctuate because of changes in market interest rates. Except for HK$1,000 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$1,000 million issued at floating rates (see note 24 for details). Fixed rate bank and other borrowings expose the Group to fair value interest rate risk. At 31 December 2006, bank borrowings of approximately HK$15,591 million were also at fixed rates.

Currency risk

The Group 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. The management considers the Group's exposure to foreign currency risk is minimal.

For the year ended 31 December 2006

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONT'D)*

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 2006 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.

Credit risk for power plants in the PRC power industry is limited to/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 42 - Contingent liabilities.

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

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 2006, which is exposed to liquidity risk. In order to mitigate the liquidity risk, the management obtained sufficient 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.

For the year ended 31 December 2006

6. 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 made in the PRC, other than Hong Kong. Accordingly, no geographical segment information for the year is presented.

7. 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.

8. FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Interest on bank and other loans:		
- wholly repayable within five years	**(349,847)**	(387,367)
- not wholly repayable within five years	**(429,369)**	(192,938)
	(779,216)	(580,305)
Less: Interest capitalised	**238,068**	199,085
	(541,148)	(381,220)

9. GAIN ON DISPOSAL OF JOINTLY CONTROLLED ENTITY

During the year ended 31 December 2005, the Group's entire interest in Huaneng International Power Development Corporation 華能國際電力有限公司 ("HIPDC") was disposed to third parties for a consideration of HK$2,452,992,000. On 22 September 2005, the Group entered into an agreement with China Huaneng Group Hong Kong Limited (中國華能集團香港有限公司) ("Huaneng Hong Kong") in relation to the disposal of a 50% interest in the issued share capital of China Resources Power North Achievement Co., Ltd. ("North Achievement"), a wholly owned subsidiary of the Company, and a separate agreement with Bank of China Group Investment Limited ("BOCGI") in relation to the disposal of the remaining 50% interest in the issued share capital of North Achievement. North Achievement owned an indirect and effective 10% interest in HIPDC. Hence, the Group disposed of effective 5% interest in HIPDC to each of Huaneng Hong Kong and BOCGI.

The transaction was completed on 30 September 2005. The resulting gain on disposal was HK$1,071,081,000 and the share of result of HIPDC for the nine months ended 30 September 2005 was HK$194,815,000.

For the year ended 31 December 2006

10. TAXATION

	2006 HK$'000	2005 HK$'000
The charge comprises:		
The Company and its subsidiaries		
- PRC Enterprise Income Tax	**2,842**	—
- Deferred taxation (note 34)	**8,291**	11,371
	11,133	11,371

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

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

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

	2006 HK$'000	2005 HK$'000
Profit before taxation	**2,745,098**	3,082,114
Less: Share of results of associates	**(686,672)**	(854,993)
Share of result of jointly controlled entity	**—**	(194,815)
Profit before taxation attributable to the Company and its subsidiaries	**2,058,426**	2,032,306
Tax at applicable rate of 18% (2005: 18%)	**370,517**	365,815
Tax effect of income that is not taxable in determining current year taxable profit	**(29,236)**	(199,535)
Tax effect of expenses that are not deductible in determining current year taxable profit	**34,919**	15,859
Effect of tax exemptions granted to PRC subsidiaries	**(276,588)**	(155,684)
Reduction of tax in respect of Tax Benefits	**(97,218)**	(16,640)
Effect of different tax rates of subsidiaries	**(3,017)**	227
Tax effect of tax losses not recognised	**8,796**	630
Others	**2,960**	699
Tax expense for the year	**11,133**	11,371

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.

For the year ended 31 December 2006

11. PROFIT FOR THE YEAR

	2006 HK$'000	2005 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration		
- Fees	**615**	518
- Other emoluments	**12,296**	7,779
- Pension costs	**196**	124
- Share option benefits expenses	**5,274**	8,419
	18,381	16,840
Other staff costs	**283,099**	164,839
Pension costs, excluding directors	**56,370**	35,316
Share option benefits expense, excluding directors	**107,956**	97,837
Total staff costs	**465,806**	314,832
Less: Staff costs included in pre-operating expenses of subsidiaries	**(9,959)**	(6,210)
	455,847	308,622
Amortisation of prepaid lease payments	**17,016**	9,333
Auditors' remuneration	**3,100**	2,304
Depreciation of property, plant and equipment	**968,726**	578,401
Loss on disposal of property, plant and equipment	**32**	—
Minimum lease payments under operating leases in respect of:		
- land and buildings	**54,838**	51,191
- other assets	**806**	362
Share of tax of associates (included in share of results of associates) (note)	**104,220**	126,173
Share of tax of jointly controlled entity (included in share of result of jointly controlled entity) (note)	**—**	61,637
Write-off of pre-operating expenses of subsidiaries	**71,817**	32,385
and after crediting:		
Recognition of discount on acquisition of an associate (included in share of results of associates)	**5,883**	40,412
Recognition of discount on acquisition of a subsidiary	**46,925**	—
Net exchange gain	**23,822**	—
Interest income	**145,860**	45,524
Expenses capitalised in construction in progress:		
Other staff costs	**85,619**	78,306
Pension costs	**1,173**	5,781
Depreciation	**1,659**	1,050

Note: PRC Enterprise Income Tax has been provided for based on the estimated assessable profits in accordance with the relevant tax laws applicable to the associates and jointly controlled entity in the PRC.

For the year ended 31 December 2006

12. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

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

The emoluments paid or payable to each of the twelve (2005: nine) directors were as follows:

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 2006 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 benefits 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

For the year ended 31 December 2005

	Song Lin HK$'000	Wang Shuai Ting HK$'000	Tang Cheng HK$'000	Zhang Shen Wen HK$'000	Jiang Wei HK$'000	Anthony H. Adams HK$'000	Wu Jing Ru HK$'000	Shen Zhong Min* HK$'000	Fong Ching, Eddy* HK$'000	Total 2005 HK$'000
Fees	70	—	—	—	70	126	126	—	126	518
Other emoluments										
Salaries and other benefits	—	1,266	600	595	—	—	—	863	—	3,324
Pension costs	—	58	—	27	—	—	—	39	—	124
Share option benefits expenses	1,198	2,069	1,379	1,379	682	111	111	1,379	111	8,419
Bonus (Note)	—	870	1,744	641	—	—	—	1,200	—	4,455
Total emoluments	1,268	4,263	3,723	2,642	752	237	237	3,481	237	16,840

* 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.

For the year ended 31 December 2006

12. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(CONT'D)*

(ii) Employees

Details of remuneration paid by the Group to the five highest paid individuals (including four (2005: four) directors, and the remaining (2005: one) employee) for the year are as follows:

	2006 HK$'000	2005 HK$'000
Salaries and other benefits	**4,964**	4,553
Pension costs	**170**	185
Bonus	**8,810**	5,035
Share option benefits expenses	**3,588**	7,585
	17,532	17,358

Emoluments of these individuals were within the following bands:

	2006	2005
HK$2,000,001 to HK$2,500,000	**1**	—
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,000,001 to HK$3,500,000	**—**	2
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.

13. 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:

	2006 HK$'000	2005 HK$'000
Amount contributed and charged to the consolidated income statement	**935**	771

For the year ended 31 December 2006

13. RETIREMENT BENEFIT SCHEMES *(CONT'D)*

(b) PRC

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.

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

	2006 **HK$'000**	2005 HK$'000
Amount contributed and charged to the consolidated income statement	**55,631**	34,669
Amount contributed and capitalised in the construction in progress	**1,173**	5,781

14. DIVIDENDS

	2006 **HK$'000**	2005 HK$'000
Interim dividend paid of HK$0.04 (2005: HK$0.03) per share on 3,815,925,000 (2005: 3,809,167,000) shares	**152,637**	114,275
2005 final dividend paid of HK$0.10 (2005: 2004 final dividend paid of HK$0.061) per share on 3,812,349,000 (2005: 3,808,634,000) shares	**381,235**	232,327
Special dividend paid of HK$0.06 (2005: nil) per share on 3,812,349,000 shares	**228,741**	—
	762,613	346,602
Final dividend proposed of HK$0.14 (2005: HK$0.10) per share	**538,259**	381,092
Special dividend proposed of HK$nil (2005: HK$0.06) per share	**—**	228,655
	538,259	609,747

The proposed final dividend for 2006 is based on 3,844,710,000 shares in issue at 23 March 2007 and to be approved by shareholders in general meeting.

For the year ended 31 December 2006

15. 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:

	2006 **HK$'000**	2005 HK$'000
Profit attributable to equity holders of the Company	**2,364,856**	2,858,225
Represented by:		
Profit from ordinary business	**2,364,856**	1,787,144
Gain on disposal of jointly controlled entity	**—**	1,071,081
	2,364,856	2,858,225

	Number of ordinary shares **2006**	2005
Weighted average number of ordinary shares for the purposes of basic earnings per share	**3,814,667,934**	3,808,876,816
Effect of dilutive potential ordinary shares on share options	**120,489,057**	34,583,272
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**3,935,156,991**	3,843,460,088

	2006 **HK cents**	2005 HK cents
Basic earnings per share		
- Profit from ordinary business	**61.99**	46.92
- Gain on disposal of jointly controlled entity	**—**	28.12
	61.99	75.04
Diluted earnings per share		
- Profit from ordinary business	**60.10**	46.50
- Gain on disposal of jointly controlled entity	**—**	27.87
	60.10	74.37

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16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Power generating plant and equipment HK$'000	Motor vehicles, furniture, fixtures, equipment and others HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP					
COST					
At 1 January 2005	1,572,032	4,678,929	51,519	5,906,084	12,208,564
Currency realignment	36,521	108,094	1,061	135,954	281,630
Additions	10,738	1,188,718	39,198	4,651,665	5,890,319
Transfer	995,637	5,420,560	—	(6,416,197)	—
At 31 December 2005	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)
Disposal	—	(420)	(904)	—	(1,324)
At 31 December 2006	6,060,212	17,907,661	172,796	5,027,800	29,168,469
DEPRECIATION					
At 1 January 2005	48,332	170,684	8,878	—	227,894
Currency realignment	2,529	9,621	280	—	12,430
Provided for the year	116,424	451,239	11,788	—	579,451
At 31 December 2005	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 disposal	—	(214)	(253)	—	(467)
At 31 December 2006	412,273	1,372,213	42,484	—	1,826,970
CARRYING VALUES					
At 31 December 2006	5,647,939	16,535,448	130,312	5,027,800	27,341,499
At 31 December 2005	2,447,643	10,764,757	70,832	4,277,506	17,560,738

For the year ended 31 December 2006

16. PROPERTY, PLANT AND EQUIPMENT *(CONT'D)*

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

Included in construction in progress is interest capitalised of HK$164,535,000 (2005: HK$171,593,000) 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 2005	4,689
Additions	871
At 31 December 2005 and 1 January 2006	5,560
Additions	470
At 31 December 2006	6,030
DEPRECIATION	
At 1 January 2005	2,135
Provided for the year	864
At 31 December 2005 and 1 January 2006	2,999
Provided for the year	873
At 31 December 2006	3,872
CARRYING VALUE	
At 31 December 2006	2,158
At 31 December 2005	2,561

17. 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.

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18. INVESTMENTS IN/LOANS TO SUBSIDIARIES

	THE COMPANY	
	2006 **HK$'000**	2005 HK$'000
Unlisted shares/capital contribution, at cost	**4,958,148**	4,808,366
Loans to subsidiaries (note)	**806,068**	1,003,904
	5,764,216	5,812,270

Note: The amounts are unsecured, bear interest at prevailing market rates 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 2006 approximates their corresponding carrying value.

Details of the Company's principal subsidiaries as at 31 December 2006 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		Principal activities
			Directly %	Indirectly %	
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

For the year ended 31 December 2006

18. INVESTMENTS IN/LOANS TO SUBSIDIARIES *(CONT'D)*

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		Principal activities
			Directly %	Indirectly %	
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) Thernal 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 capital - RMB270,490,000 Paid-up capital - RMB236,721,676	—	80	Operation of a power station
China Resources Power Henan Shouyangshan Co., Ltd. 河南華潤電力首陽山有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered capital - RMB1,237,500,000 Paid-up capital - RMB1,138,500,003	—	85	Operation of a power station

For the year ended 31 December 2006

18. INVESTMENTS IN/LOANS TO SUBSIDIARIES *(CONT'D)*

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		Principal activities
			Directly %	Indirectly %	
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 - RMB125,714,801	—	55	Operation of a power station
China Resources Power Hunan Co., Ltd. 華潤電力湖南有限公司 (Wholly-Owned Foreign Enterprises)	PRC	Registered capital - RMB1,361,000,000 Paid-up capital - RMB556,568,372	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. 華潤力工程服務有限公司 (Wholly-Owned Foreign Enterprises)	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 Enterprises)	PRC	Registered and paid-up capital - HK$35,000,000	—	100	Investment holding

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18. INVESTMENTS IN/LOANS TO SUBSIDIARIES *(CONT'D)*

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		Principal activities
			Directly %	Indirectly %	
郴州華潤煤業有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered capital - US$29,990,000 Paid-up capital - US$9,896,700	—	84	Exploration and 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 capital - RMB247,100,000 Paid-up capital - RMB197,679,920	—	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 capital - RMB279,400,000 Paid-up capital - RMB223,484,090	—	70	Development of a power station

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18. INVESTMENTS IN/LOANS TO SUBSIDIARIES *(CONT'D)*

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		Principal activities
			Directly %	Indirectly %	
偃師華潤運輸有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered and paid-up capital - RMB8,000,000	—	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 Foregin Enterprises)	PRC	Registered and paid-up capital - RMB5,000,000	—	75	Power station maintenance service

* 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.

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 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 2006, 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.

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19. INTERESTS IN ASSOCIATES

	THE GROUP	
	2006 **HK$'000**	2005 HK$'000
Cost of investment in associates - unlisted	**2,039,949**	1,968,975
Share of post-acquisition profits, net of dividend received	**1,543,394**	1,854,631
Share of reserve	**185,828**	66,528
	3,769,171	3,890,134

	THE COMPANY	
	2006 **HK$'000**	2005 HK$'000
Cost of investment in an associate - unlisted	**111,829**	111,829

Included in the cost of investment in associates is goodwill of HK$474,541,000 (2005: HK$492,851,000) arising on acquisition of certain associates. The movement of goodwill is set out below:

	Goodwill HK$'000
COST	
At 1 January 2005	472,751
Arising on acquisition of an associate	20,100
At 31 December 2005	492,851
Transfer to subsidiaries	(18,310)
At 31 December 2006	474,541

For the year ended 31 December 2006

19. INTERESTS IN ASSOCIATES *(CONT'D)*

Particulars of associates held by the Group at 31 December 2006 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. ("Guangdong Guanghope") (note a) 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 ("Wenzhou Telluride") (note b) 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 ("Xuzhou Power") (note c) 徐州華潤電有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered capital - RMB1,058,310,000 Paid-up capital - RMB863,110,000	35%	Operation of a power station
Guangdong Xingning Xingda Power Co., Ltd. 廣東省興寧市興達電力有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered and paid-up capital - RMB337,500,000	29%	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

For the year ended 31 December 2006

19. INTERESTS IN ASSOCIATES *(CONT'D)*

Name of associate	Place of registration	Registered and paid-up capital	Attributable equity interest held by the Group	Principal activities
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
Weishan (China Resources) Coal & Power Development Co., Ltd. 微山華潤煤電開發有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered capital - RMB96,000,000 Paid-up capital - RMB8,053,400	33%	Power station technical consultancy services
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

Notes:

(a) Guangdong Guanghope - significant associate

On 23 December 2002, the Company through its wholly-owned subsidiary, China Resources Power Performance Company Limited, acquired for cash consideration from a third party a 82.5% equity interest in Resources Shajiao C Investments Limited ("Resources Shajiao") which holds a 40% interest in Guangdong Guanghope.

Resources Shajiao entered into a joint venture contract and supplemental agreements with Guangdong Province Shajiao (Plant-C) Power Generation Corporation ("Shajiao Power") for the construction, operation and management of the Guangdong Province Shajiao C Power Station in Guangdong Province of the PRC, which are undertaken by Guangdong Guanghope, a co-operative joint venture company established in the PRC. The co-operation period which commenced on 15 June 1992 and will expire in June 2016 which is 20 years after the contract completion date of construction of the power station in June 1996. Upon expiry of the co-operation period, all the remaining assets of Guangdong Guanghope will revert to the PRC partner without compensation.

Resources Shajiao is entitled to a share of 40% of the profit generated by Guangdong Guanghope after the deduction of a special electricity fund to be distributed to Shajiao Power as specified in the joint venture contracts. The special electricity fund is calculated as to 30% of the net profit generated by Guangdong Guanghope for the initial ten years of the co-operation period and as to 60% of the net profit generated by Guangdong Guanghope for the remaining ten years of the co-operation period. No dividend can be declared and paid out by Guangdong Guanghope until all its syndicated borrowings, shareholders' loan and loan related to early generation profits have been repaid, and registered capital has been repatriated. Resources Shajiao is entitled to share the result of Guangdong Guanghope attributable to the Group of an amount of HK$313,818,000 (2005: HK$451,044,000) for the year ended 31 December 2006.

In September 2003, 3.9% of the issued share capital of Resources Shajiao (representing 1.56% effective equity interest in Guangdong Guanghope) was acquired by the Group pursuant to a sale and purchase agreement for a cash consideration of US$10,010,000.

In September 2003, the Group entered into a conditional contract to dispose of 12.5% of the issued share capital of Resources Shajiao for a cash consideration of US$45,454,545. The agreement was completed on 23 December 2003.

In January 2005, 1.1% of the issued share capital of Resources Shajiao (representing 0.44% effective equity interest in Guangdong Guanghope) was acquired by the Group pursuant to a sale and purchase agreement for a cash consideration of US$3,000,000.

For the year ended 31 December 2006

19. INTERESTS IN ASSOCIATES *(CONT'D)*

Notes: (cont'd)

(a) Guangdong Guanghope - significant associate *(cont'd)*

In December 2005, 12.5% of the issued share capital of Resources Shajiao (representing 5% effective equity interest in Guangdong Guanghope) was acquired by the Group pursuant to a sale and purchase agreement for a cash consideration of US$39,000,000.

The discount on acquisitions amounting to HK$40,412,000 is recognised in income statement and is included in share of results of associates.

In June 2006, 2.5% of the issued share capital of Resources Shajiao (representing 1% effective equity interest in Guangdong Guanghope) was acquired by the Group pursuant to a sale and purchase agreement for a cash consideration of US$4,830,000.

The discount on acquisitions amounting to HK$5,883,000 is recognised in income statement and is included in share of results of associates.

The extracts of the unaudited management accounts prepared under HKFRSs for the years ended 31 December 2006 and 2005 of Guangdong Guanghope, are as follows:

Balance sheet

	2006 **RMB'000**	2005 RMB'000
Non-current assets	**6,983,821**	7,750,326
Current assets	**2,252,651**	1,146,437
Current liabilities	**(654,055)**	(585,497)
Non-current liabilities	**(1,182,327)**	(1,201,184)
Shareholders' funds	**7,400,090**	7,110,082

Income statement

	2006 **RMB'000**	2005 RMB'000
Turnover	**4,764,644**	4,755,429
Profit for the year	**1,047,346**	1,558,526

Cash flow statement

	2006 **RMB'000**	2005 RMB'000
Net cash from operating activities	**2,019,067**	2,374,646
Net cash used in investing activities	**(38,095)**	(385,376)
Net cash used in financing activities	**(763,248)**	(1,543,095)
Net increase in cash and cash equivalents	**1,217,724**	446,175

Share of results of Guangdong Guanghope

Pursuant to a legally binding memorandum of understanding entered into among Resources Shajiao, a subsidiary of the Company, Shajiao Power and Guangdong Province Yudean Group Co., Ltd. dated 26 February 2004, the mandatory tariff reduction imposed by the Guangdong Province Pricing Bureau on Guangdong Guanghope as from 1 July 2002 was restored as if there were no tariff reduction and profit distributable to shareholders is to be calculated according to the terms of the operation and offtake agreement dated 18 December 1992 (as amended) between Guangdong Province Guangdian Group Co., Ltd. and Guangdong Guanghope and the joint venture agreement dated 4 June 1992 (as amended) between Shajiao Power and Resources Shajiao to the extent to which the distributable net profits related to Guangdong Guanghope's minimum on grid power output of 10,800,000,000 kWh per year.

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19. INTERESTS IN ASSOCIATES *(CONT'D)*

Notes: (cont'd)

(b) Wenzhou Telluride

The Group owned 100% effective interest in Telluride International Energy Limited Partnership ("Telluride International") which holds 40% interest in Wenzhou Telluride.

Telluride International entered into a joint venture contract with Zhejiang Provincial Electric Power Development Company and Wenzhou Electric Power Investment Company Limited for the construction, operation and management of the Wenzhou Power Station in Zhejiang Province of the PRC, which are undertaken by Wenzhou Telluride, a co-operative joint venture company established in the PRC. The co-operation period shall be approximately 23 years and six months commencing from 25 September 1998. Upon expiry of the co-operation period, all the remaining assets (other than the power generating related assets and other property, plant and equipment) of Wenzhou Telluride will be distributed to owners according to respective equity interest ratio and the power generating related assets and other property, plant and equipment will be reverted to the PRC owners without compensation. Telluride International is entitled to share 40% of the operating surplus of Wenzhou Telluride.

At 31 December 2006, Telluride International has pledged its equity interest in Wenzhou Telluride and a bank deposit amounting to HK$37,337,000 (2005: HK$37,225,000) to a bank for securing the bank loans granted to Wenzhou Telluride of approximately HK$307,748,000 (2005: HK$413,980,000).

The extracts of the unaudited management accounts prepared under HKFRSs for the years ended 31 December 2006 and 2005 of Wenzhou Telluride, are as follows:

Balance sheet

	2006 **RMB'000**	2005 RMB'000
Non-current assets	**2,290,145**	2,326,732
Current assets	**362,987**	310,926
Current liabilities	**(356,494)**	(197,658)
Non-current liabilities	**(880,737)**	(1,062,239)
Shareholders' funds	**1,415,901**	1,377,761

Income statement

	2006 **RMB'000**	2005 RMB'000
Turnover	**1,369,502**	1,482,007
Profit for the year	**278,138**	309,599

Cash flow statement

	2006 **RMB'000**	2005 RMB'000
Net cash from operating activities	**636,681**	601,386
Net cash used in investing activities	**(88,971)**	(33,040)
Net cash used in financing activities	**(382,036)**	(637,594)
Net increase (decrease) in cash and cash equivalents	**165,674**	(69,248)

For the year ended 31 December 2006

19. INTERESTS IN ASSOCIATES *(CONT'D)*

Notes: (cont'd)

(c) Xuzhou Power

On 10 September 2003, the Company acquired a 100% equity interest in China Resources Power Excellence Limited, an investment holding company which holds 35% equity interest in Xuzhou Power from CRH in the form of shareholder's loan. Such shareholder's loan was subsequently capitalised on 17 October 2003.

The extracts of unaudited management accounts prepared under HKFRSs for the years ended 31 December 2006 and 2005 of Xuzhou Power are as follows:

Consolidated balance sheet

	2006 **RMB'000**	2005 RMB'000
Non-current assets	**2,770,868**	2,877,142
Current assets	**708,974**	864,908
Current liabilities	**(1,316,674)**	(1,593,816)
Non-current liabilities	**(660,000)**	(860,000)
Shareholders' funds	**1,503,168**	1,288,234

Consolidated income statement

	2006 **RMB'000**	2005 RMB'000
Turnover	**1,941,659**	2,181,864
Profit for the year	**417,063**	467,863

Consolidated cash flow statement

	2006 **RMB'000**	2005 RMB'000
Net cash from operating activities	**852,504**	556,105
Net cash used in investing activities	**(56,016)**	(6,273)
Net cash used in financing activities	**(826,151)**	(523,003)
Net (decrease) increase in cash and cash equivalents	**(29,663)**	26,829

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

	2006 **RMB'000**	2005 RMB'000
Total assets	**5,904,007**	5,364,943
Total liabilities	**2,864,891**	2,659,649
Turnover	**2,502,698**	1,953,517
Profit for the year	**510,360**	395,245

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20. GOODWILL

	HK$'000
THE GROUP	
COST	
At 1 January 2005	105,639
Arising on acquisition of additional interest of a subsidiary	2,079
At 31 December 2005	107,718
Transfer from interest in an associate	18,310
Arising on acquisition of subsidiaries	87,478
At 31 December 2006	213,506

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 province 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 derived from the most recent financial budgets approved by management using a discount rate of 9%, 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.

21. INVESTMENT IN INVESTEE COMPANIES

It represents investment in unlisted equity securities issued by two (2005: one) private entity incorporated in the PRC. They are measured at cost less impairment at each balance sheet date because the directors of the Company are of the opinion that the fair value cannot be measured reliably as there is no active market information available. The directors of the Company considered that no impairment loss is necessary for the investment.

At the balance sheet date, the investment in an investee company is stated at cost.

For the year ended 31 December 2006

22. AMOUNTS DUE FROM ASSOCIATES

THE GROUP

	2006 HK$'000	2005 HK$'000
Loan to an associate		
Non-current (note a)	432,173	124,930
Current (note b)	—	22,131
Dividend receivable from an associate (note c)	—	5,264
Amounts due from associates (note c)	13,848	3,955
	446,021	156,280
Amounts due from associates		
- due over one year	432,173	124,930
- due within one year	13,848	31,350
	446,021	156,280

Notes:

(a) The non-current loan to an associate includes amounts of HK$408,524,000 and HK$23,649,000 which are unsecured, bears interest at 110% of the rate set by People's Bank of China for loan of the same maturity and 6.12% per annum respectively. In the opinion of the directors, the Group will not demand repayment within the next twelve months. Accordingly, it is classified as non-current loan.

(b) The current loan in 2005 to associate was unsecured, repayable on demand and bore fixed interest at 6.12% per annum.

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

The fair value of the Group's amounts due from associates at 31 December 2006 approximates the corresponding carrying amount.

THE COMPANY

	2006 HK$'000	2005 HK$'000
Amount due from an associate	1,011	6,045

The fair value of the Company's amount due from an associate at 31 December 2006 approximates the corresponding carrying value.

23. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$1,666,000 (2005: HK$499,000) have been pledged to secure short-term bank loans and are therefore classified as current assets. The remaining deposits amounting to HK$37,337,000 (2005: HK$37,225,000) 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 carried an interest rate range from 0.72% to 5.31%. The fair values of bank deposits at 31 December 2006 approximate to the corresponding carrying amounts.

For the year ended 31 December 2006

24. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives under hedge accounting

	THE GROUP AND THE COMPANY	
	2006 HK$'000	2005 HK$'000
Cash flow hedges - Interest rate swaps	**87**	25,813

Cash flow hedges

The Group uses interest rate swaps 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 same 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:

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%

During the year ended 31 December 2006, fair value loss of HK$25,726,000 (2005: fair value gains HK$25,813,000) from the interest rate swap under cash flow hedge have 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.

The above derivatives are measured at fair value, as determined by independent financial institutions.

25. INVENTORIES

	THE GROUP	
	2006 HK$'000	2005 HK$'000
Coal	**352,440**	215,021
Fuel oil	**35,746**	10,613
Spare parts and consumables	**110,990**	65,952
	499,176	291,586

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

For the year ended 31 December 2006

26. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

THE GROUP

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

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

	2006 HK$'000	2005 HK$'000
0 - 30 days	1,234,477	859,133
31 - 60 days	332,677	155,422
Over 60 days	247,734	203
	1,814,888	1,014,758

The fair value of the Group's trade and other receivables at 31 December 2006 approximates the corresponding carrying amount.

THE COMPANY

The fair value of the Company's other receivables at 31 December 2006 approximates the corresponding carrying amount.

27. AMOUNTS DUE FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES

THE GROUP

	2006 HK$'000	2005 HK$'000
Loans to minority shareholders of subsidiaries	3,024	81,999
Amount due from a minority shareholder of a subsidiary	—	51,306
	3,024	133,305

The loans to the minority shareholders of subsidiaries amounting to HK$1,812,000 and HK$1,212,000 are unsecured, repayable within one year and carry fixed interest at 5.22% per annum and LIBOR plus 0.8878% respectively. The fair value of the loans to minority shareholders of the subsidiaries at 31 December 2006 approximates their corresponding carrying value.

The amount due from a minority shareholder is unsecured, non-interest bearing and fully settled after the balance sheet date. The fair value of the Group's amount due from a minority shareholder at 31 December 2006 approximates its corresponding carrying value.

For the year ended 31 December 2006

28. AMOUNTS DUE FROM GROUP COMPANIES

THE GROUP

	2006 HK$'000	2005 HK$'000
Amounts due from related companies	**26**	21
Amounts due from fellow subsidiaries	**47**	7,434
Amount due from immediate holding company	**—**	2,263
	73	9,718

THE COMPANY

	2006 HK$'000	2005 HK$'000
Amounts due from related companies	**26**	21
Amounts due from fellow subsidiaries	**47**	420
Amount due from immediate holding company	**—**	1,846
Amounts due from subsidiaries	**6,430,112**	3,598,400
	6,430,185	3,600,687

The amounts are unsecured, non-interest bearing and repayable within one year. The fair value of the Group's and the Company's amounts due from group companies at 31 December 2006 approximates their corresponding carrying value.

For the year ended 31 December 2006

29. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

THE GROUP

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

	2006 HK$'000	2005 HK$'000
0 - 30 days	141,489	76,966
31 - 90 days	37,034	6,652
Over 90 days	79,398	5,542
	257,921	89,160

The fair value of the Group's trade and other payables at 31 December 2006 approximates their corresponding carrying amount.

THE COMPANY

The fair value of the Company's other payables as at 31 December 2006 approximates their corresponding carrying amount.

30. AMOUNT DUE TO AN ASSOCIATE

THE GROUP

The amount is unsecured, non-interest bearing and repayable on demand. The fair value of the Group's amount due to an associate at 31 December 2006 approximates its corresponding carrying value.

31. AMOUNTS DUE TO GROUP COMPANIES

THE GROUP

	2006 HK$'000	2005 HK$'000
Amounts due to related companies	3,745	—
Amounts due to fellow subsidiaries	869	774
Amount due to immediate holding company	25	—
Amount due to ultimate holding company	95,654	—
	100,293	774

For the year ended 31 December 2006

31. AMOUNTS DUE TO GROUP COMPANIES *(CONT'D)*

THE COMPANY

	2006 HK$'000	2005 HK$'000
Amounts due to fellow subsidiaries	25	—
Amount due to immediate holding company	819	774
Amount due to a subsidiary	92,640	—
	93,484	774

The amounts are unsecured, non-interest bearing and repayable within one year. The fair value of the Group's and the Company's amounts due to group companies at 31 December 2006 approximates their corresponding carrying value.

32. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

THE GROUP

The amounts due to minority shareholders of subsidiaries are unsecured, non-interest bearing and repayable within one year. The fair value of the Group's amounts due to minority shareholders of subsidiaries at 31 December 2006 approximates their corresponding carrying value.

For the year ended 31 December 2006

33. BANK AND OTHER BORROWINGS

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Secured bank loans	**4,610,630**	3,308,915
Unsecured bank loans	**6,993,912**	4,810,365
Other loans	**4,986,456**	2,925,987
	16,590,998	11,045,267
Carrying amount repayable:		
Within 1 year	**3,993,946**	1,983,026
More than 1 year, but not exceeding 2 years	**633,487**	824,538
More than 2 years, but not exceeding 5 years	**2,273,635**	2,900,378
More than 5 years	**9,689,930**	5,337,325
	16,590,998	11,045,267
Less: Amount due within 1 year shown under current liabilities	**(3,993,946)**	(1,983,026)
Amount due after 1 year	**12,597,052**	9,062,241
The above bank and other loans are supported by:		
Pledge of assets (note)	**4,610,630**	3,308,915

Included in bank borrowings amounts of HK$1,000,000,000 bears interest at HIBOR plus 0.39% and the remaining bank borrowings carry fixed interest at a range from 4.050% to 6.156% per annum.

During the year, the Group raised RMB2,000,000,000 (2005: RMB3,000,000,000) (equivalent to approximately HK$1,992,800,000 (2005: HK$2,883,000,000)) loans which are lent by CRNC through a bank in PRC. The issuing expenses and loan arrangement fee paid and payable to CRNC amounted to RMB21,680,000 (2005: RMB31,371,000) and RMB111,000,000 (2005: nil) respectively. The loan bears interest at 4.05% (2005: 5.09%) per annum and is repayable in 2021 (2005: 2015). During the year, total interest incurred is HK$213,498,000 (2005: HK$73,495,000).

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

For the year ended 31 December 2006

33. BANK AND OTHER BORROWINGS *(CONT'D)*

THE COMPANY

As at 31 December 2006, the bank borrowings of the Company amounted to HK$1,000,000,000 (2005: HK$1,000,000,000). It is unsecured and no guarantee is required. It bears interest at HIBOR plus 0.39% and is repayable in 2010.

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

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
	US$'000	HK$'000	HK$'000
As at 31 December 2006	6,440	1,000,000	1,000,000
As at 31 December 2005	—	1,000,000	1,000,000

Note: Certain bank loans are secured by the Group's land use rights and buildings, and power generating plant and equipment with carrying values of HK$102,752,000 (2005: HK$10,147,000) and HK$3,141,567,000 (2005: HK$8,863,274,000) respectively.

At 31 December 2006, the interest rate risk of the Group and the Company's borrowing of HK$1,000,000,000 was hedged using interest rate swap (floating-fixed interest swaps) (see note 24).

34. DEFERRED TAXATION

THE GROUP

	2006	2005
	HK$'000	HK$'000
At 1 January	**(6,887)**	4,648
Currency realignment	**(635)**	(164)
Charge to income statement for the year (note 10)	**(8,291)**	(11,371)
At 31 December	**(15,813)**	(6,887)

The deferred taxation assets and deferred taxation liabilities represent the tax effect of temporary differences arising as a result of the pre-operating expenses written-off and the differences between accounting depreciation and tax depreciation respectively.

For the year ended 31 December 2006

34. DEFERRED TAXATION *(CONT'D)*

THE GROUP *(cont'd)*

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

	2006 HK$'000	2005 HK$'000
Deferred taxation assets	**5,398**	5,695
Deferred taxation liabilities	**(21,211)**	(12,582)
	(15,813)	(6,887)

At 31 December 2006, the Group has unused tax losses of HK$148,198,000 (2005: HK$97,935,000) 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.

THE COMPANY

At 31 December 2006, the Company has unused tax losses of HK$142,597,000 (2005: HK$92,848,000) 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.

35. SHARE CAPITAL

	Number of shares		Amount	
	2006 '000	2005 '000	2006 HK$'000	2005 HK$'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	**3,810,044**	3,808,080	**3,810,044**	3,808,080
Issues of shares				
- upon exercise of share options	**21,118**	1,964	**21,118**	1,964
Balance at 31 December	**3,831,162**	3,810,044	**3,831,162**	3,810,044

For the year ended 31 December 2006

36. 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 2005 and 2006 is as follows:

		Number of options								
	Exercise price HK$	Outstanding at 1.1.2005	Reclassification during the year ended 31.12.2005	Lapsed or cancelled during the year ended 31.12.2005	Exercised during the year ended 31.12.2005	Outstanding at 31.12.2005	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
Directors of the Company	2.80	17,500,000	(1,000,000)	—	—	16,500,000	2,800,000	(1,800,000)	(3,350,000)	14,150,000
Directors of CRH	2.80	3,600,000	—	—	(470,000)	3,130,000	—	—	(750,000)	2,380,000
Employees of the Company	2.80	100,575,000	—	—	(140,000)	100,435,000	(2,800,000)	(3,856,000)	(12,220,000)	81,559,000
Employees of CRH and its subsidiaries	2.80	44,530,000	1,000,000	(104,000)	(1,354,000)	44,072,000	—	(1,408,000)	(3,958,000)	38,706,000
		166,205,000	—	(104,000)	(1,964,000)	164,137,000	—	(7,064,000)	(20,278,000)	136,795,000
Exercisable at the end of the year						64,428,000				72,997,000

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.

For the year ended 31 December 2006

36. SHARE OPTION *(CONT'D)*

(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.

Movement of options granted under the Share Option Scheme in 2005 and 2006 is as follows:

			Number of options								
	Exercise price HK$	Date of grant	Outstanding at 1.1.2005	Granted during the year ended 31.12.2005	Lapsed or cancelled during the year ended 31.12.2005	Outstanding at 1.1.2006	Reclassification 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
Directors of CRH and its subsidiaries	3.990	18.3.2005	—	4,400,000	—	4,400,000	—	—	—	—	4,400,000
Directors of the Company	3.990	18.3.2005	—	4,200,000	—	4,200,000	600,000	—	(480,000)	(120,000)	4,200,000
	4.725	18.11.2005	—	—	—	—	600,000	—	(200,000)	—	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	—	4,100,000	—	—	—	(160,000)	3,940,000
	4.725	18.11.2005	—	9,750,000	—	9,750,000	(600,000)	—	—	—	9,150,000
Employees of the Company	4.250	1.9.2004	23,600,000	—	(400,000)	23,200,000	—	—	(3,640,000)	(360,000)	19,200,000
	3.990	18.3.2005	—	22,300,000	—	22,300,000	(600,000)	—	(1,520,000)	(200,000)	19,980,000
	4.725	18.11.2005	—	52,050,000	—	52,050,000	—	—	(400,000)	—	51,650,000
	7.050	5.9.2006	—	—	—	—	—	27,700,000	(500,000)	—	27,200,000
			27,900,000	96,800,000	(400,000)	124,300,000	—	27,700,000	(6,740,000)	(840,000)	144,420,000
Exercisable at the end of the year						5,500,000					27,544,000
Weighted average exercise price			4.250	4.459	4.250	4.413	N/A	7.050	4.423	4.101	4.920

Total consideration received during the year for the options granted under the Share Option Scheme amounted to HK$58.

In the current year, an amount of share option expense of HK$113,230,000 (2005: HK$106,256,000) 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$8.49.

For the year ended 31 December 2006

36. SHARE OPTION *(CONT'D)*

(b) Share Option Scheme *(cont'd)*

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.

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

	5.9.2006	**18.11.2005**	**18.3.2005**
Weighted average share price	HK$7.05	HK$4.72	HK$3.85
Exercise price	HK$7.05	HK$4.725	HK$3.99
Expected life of options	7.5 years	7.5 years	7.5 years
Expected volatility	55.80%	31.44%	46.21%
Expected dividend yield	1.42%	1.93%	2.23%
Risk free rate	4.03%	4.33%	4.03%
Estimated fair value of option at grant date	HK$3.79	HK$1.61	HK$1.62
Closing share price immediately before date of grant	HK$6.88	HK$4.68	HK$3.88

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.

37. RESERVES

THE GROUP

Details of changes in reserves of the Group are set out in the consolidated statement of changes in equity on page 76.

General reserve is part of the shareholders' funds and comprises statutory surplus reserve, enterprise expansion fund and reserve fund of subsidiaries, associates and a jointly controlled entity in the PRC. The general reserve shall be used for making up losses, capitalisation into capital and expansion of the operation and production of the respective subsidiaries, associates and jointly controlled entity.

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.

At 31 December 2006, the retained profits of the Group include HK$160,667,000 (2005: HK$471,904,000) retained by associates of the Group.

For the year ended 31 December 2006

37. RESERVES *(CONT'D)*

	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 2005	4,469,257	82,309	—	140,622	157,770	4,849,958
Profit for the year	—	—	—	—	3,170,061	3,170,061
Shares issued upon exercise of share options	3,535	—	—	—	—	3,535
Recognition of share based payments	—	—	—	106,256	—	106,256
Transfer of share option reserves on exercise of share option	2,961	—	—	(2,961)	—	—
Gain on cash flow hedges	—	—	25,813	—	—	25,813
Dividends paid	—	—	—	—	(346,602)	(346,602)
At 31 December 2005	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)	—	—
Loss 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

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.

For the year ended 31 December 2006

38. ACQUISITION OF SUBSIDIARIES

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 has been accounted for by the purchase method of accounting.

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

	Acquirees' carrying amounts before combination HK$'000	Fair value HK$'000
Net assets acquired:		
Property, plant and equipment	3,655,279	3,655,279
Trade and other receivables	318,881	318,881
Inventories	43,186	43,186
Bank and cash balances	61,266	61,266
Trade and other payables	(844,294)	(844,294)
Bank borrowings	(2,355,699)	(2,355,699)
	878,619	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

This acquiree contributed approximately HK$566,075,000 to the Group's turnover and HK$74,534,000 to the Group's profit for the period between the dates of acquisition and the balance sheet date.

Had the acquisition been completed on 1 January 2006, total group revenue for the year could have been HK$10,248,238,000, and profit for the year would have been HK$2,846,474,000. 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 2006, nor is it intended to be a projection of future results.

During the year, 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 have been accounted for using the purchase method of accounting.

For the year ended 31 December 2006

38. ACQUISITION OF SUBSIDIARIES *(CONT'D)*

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

	Acquirees' carrying amounts before combination HK$'000	Fair value HK$'000
Net assets acquired:		
Property, plant and equipment	1,509,670	1,509,670
Prepaid lease payments	6,779	6,779
Trade and other receivables	67,513	67,513
Inventories	518	518
Bank and cash balances	49,467	49,467
Trade and other payables	(168,874)	(168,874)
Bank borrowings	(1,061,295)	(1,061,295)
	403,778	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

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

These acquirees contributed approximately HK$155,314,000 to the Group's turnover and HK$23,930,301 to the Group's profit for the period between the dates of acquisition and the balance sheet date.

Had the acquisition been completed on 1 January 2006, total group revenue for the year could have been HK$9,740,371,000, and profit for the year would have been HK$2,730,796,000. 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 2006, nor is it intended to be a projection of future results.

For the year ended 31 December 2006

39. MAJOR NON CASH TRANSACTIONS

During the year ended 31 December 2006, one of the minority shareholders of a subsidiary has 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**

40. 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:

	2006		2005	
	Land and buildings HK$'000	**Other assets HK$'000**	Land and buildings HK$'000	Other assets HK$'000
THE GROUP				
Within one year	**4,815**	**717**	4,947	175
In the second to fifth year inclusive	**6**	**2,140**	3,899	515
Over five years	**2**	**6,943**	3	2,171
	4,823	**9,800**	8,849	2,861

Operating lease payments represent rentals payable by the Group for its office properties 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.

	2006		2005	
	Land and buildings HK$'000	**Other assets HK$'000**	Land and buildings HK$'000	Other assets HK$'000
THE COMPANY				
Within one year	**809**	**—**	1,398	—
In the second to fifth year inclusive	**—**	**—**	893	—
	809	**—**	2,291	—

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

For the year ended 31 December 2006

41. CAPITAL COMMITMENTS

	2006 HK$'000	2005 HK$'000
THE GROUP		
Capital expenditure in respect of the acquisition of construction in progress:		
- Authorised but not contracted for	—	19,789
- Contracted for but not provided in the financial statements	2,514,387	7,104,100
	2,514,387	7,123,889
Capital expenditure in respect of the acquisition of investment in an investee company	—	76,880
	2,514,387	7,200,769
THE COMPANY		
Unpaid capital contribution to subsidiaries	1,520,761	1,501,183

42. CONTINGENT LIABILITIES

	2006 HK$'000	2005 HK$'000
THE COMPANY		
Guarantees given to banks for credit facilities granted to subsidiaries (to the extent of facilities utilised)	1,364,130	2,385,779

For the year ended 31 December 2006

43. 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.

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 (i) 48% interest in Dongguan Houjie Power Company Limited, (ii) 65% interest in Yunnan China Resources Power (Honghe) Co., Ltd. and (iii) 55% interest in Fuyang China Resources Power Co., Ltd. The Company may exercise its rights to acquire each of these power plants 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. The Company has exercised the options to acquire 65% interest in Yunnan China Resources Power (Honghe) Co., Ltd. and 55% interest in Fuyang China Resources Power Co., Ltd. during the year.

A deed of option dated 17 October 2003 was executed by CRNC in favour of the Company, under which the Company was granted an option, in consideration of a nominal amount of HK$1, to acquire all of CRNC's interest in 25% of the entire registered capital of Hengshui Hengxing Power Generation Co., Ltd. ("Hengfeng Phase II"). Subject to the approval of the shareholders, the Company may exercise its right of acquisition 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 Hengfeng Phase II which will be shown in the financial statements of CRNC 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 the option is exercised. The option was exercised and the acquisition of Hengfeng Phase II was completed in January 2005.

For the year ended 31 December 2006

43. RELATED PARTY TRANSACTIONS *(CONT'D)*

(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	**2006 HK$'000**	2005 HK$'000
China Resources Property Management Co., Ltd.	Fellow subsidiary	Rental expenses paid	**1,794**	1,416
China Resources (Shenzhen) Co., Ltd.	Fellow subsidiary	Rental expenses paid	**3,054**	2,857
Shenzhen China Resources Petroleum Co., Ltd.	Fellow subsidiary	Purchase of fuel, oil	**11,936**	—
Guangdong Guanghope	Associate	Reimbursement of repair and maintenance fee to Guangdong Guanghope	**—**	6,222
China Resources Concord (Beijing) Thermal Power Co., Ltd.	Associate	Interest income received	**—**	906
Xinging Xingda Power Co., Ltd.	Associate	Interest income received	**18,281**	2,168
CRH	Immediate holding company	Management fee income received	**1,000**	2,000
		Consideration paid for acquisition of interest in subsidiaries	**555,700**	—
CRNC	Ultimate holding company	Consideration paid for acquisition of interest in an associate	**—**	61,315
		Issuing expenses paid for loans lent by CRNC	**132,203**	31,258
		Interest expense payable in respect of on-lent loans	**215,286**	73,495
China Resources Power (Jiangsu) Investment Co., Ltd.	Fellow subsidiary	Disposal of interest in investee company	**—**	6,996

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 12.

Note: Save as the above, the Group also had balances with related parties at the balance sheet date which are set out in notes 22, 27, 28, 30, 31 and 32.

For the year ended 31 December 2006

43. RELATED PARTY TRANSACTIONS *(CONT'D)*

(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.

	2006 **HK$'000**	2005 HK$'000
Sales of electricity	**9,674,085**	5,927,328
Purchases of fuel		
- coal	**3,370,863**	1,703,188
- oil	**180,268**	32,344
Acquisition of property, plant and equipment	**9,921**	530,660
Acquisition of construction materials	**337,384**	2,218
Subcontracting cost for		
- construction and renovation	**431,804**	537,142
- maintenance	**20,268**	44,355
Drawdown of bank and other borrowings	**428,452**	338,945
Interest expense of loans paid	**515,813**	485,440

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 Director	Jiang Wei
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.

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 2006
Announcement of final results	26 March 2007
Annual report posted to shareholders	26 April 2007
Last day to register for final dividend	30 May 2007
Book close	25 May 2007 to 30 May 2007
Payment of final dividend	11 June 2007

SHAREHOLDER ENQUIRIES

For enquires about share transfer and registration, please contact the Company's Share Registrar:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong.
Telephone: (852) 2862 8628
Facsimile: (852) 2865 0990

For enquires from investors and securities analysts, please contact:

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Room 3203-3204, 32nd Floor, China Resources Building,
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OUR WEBSITE

www.cr-power.com

A Chinese version of this report is available upon request. 如有需要，可向本公司索取本年報之中文譯本。

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