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China Power International Development Limited

中國電力國際發展有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 2380)

Results Announcement for Year 2014

The board of directors (the “**Board**”) of China Power International Development Limited (the “**Company**”) is pleased to announce the audited financial results of the Company and its subsidiaries (collectively, the “**Group**” or “**We**”) for the year ended 31 December 2014.

Financial Highlights

	Year ended 31 December		Change %
	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>	
Revenue	20,447,151	18,826,728	8.61
Profit for the year	3,642,532	3,275,392	11.21
Profit attributable to owners of the Company	2,765,886	2,289,888	20.79
	<i>RMB</i>	<i>RMB</i>	<i>%</i>
Basic earnings per share	0.42	0.40	5.00
Proposed final dividend	0.168	0.16	5.00
	<i>MWh</i>	<i>MWh</i>	<i>%</i>
Total power generation	61,692,480	55,582,400	10.99
Total electricity sold	58,957,127	52,795,155	11.67

- The increase in revenue was mainly due to the additional contributions from the newly operated and newly acquired generating units with large installed capacity, plus the surge in hydropower generation that coupled with increased average on-grid tariff of hydropower.
- The increase in profit for the year and profit attributable to owners were mainly due to substantial increase in operating profit from hydropower generation (after deducting an one-off gain on disposal of a hydropower plant in 2013), a significant reduction in fuel costs of coal-fired power generation, the continued strong growth in profit contribution from associates, and some of the Group’s subsidiaries obtained investment tax credits for their environmental friendly facilities that reduced the taxation charges.
- For the year under review, the synergy of the Group’s strategy of “balanced hydro- and coal-fired power generation” was significant, both the electricity sold and the net profit hit a ten-year record high since our listing in 2004, and a number of performance indicators also achieved satisfactory growth.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	Year ended 31 December	
		2014 RMB'000	2013 RMB'000
Revenue	2	20,447,151	18,826,728
Other income	3	396,985	228,145
Fuel costs		(7,941,928)	(9,006,559)
Depreciation		(2,819,811)	(2,208,793)
Staff costs		(1,599,793)	(1,238,237)
Repairs and maintenance		(704,839)	(571,236)
Consumables		(235,792)	(260,956)
Other (losses)/gains, net	4	(247,437)	540,068
Other operating expenses		<u>(1,404,743)</u>	<u>(1,127,595)</u>
Operating profit	5	5,889,793	5,181,565
Finance income	6	52,430	64,480
Finance costs	6	(2,366,120)	(1,511,774)
Share of profits of associates		640,374	435,704
Share of profits of joint ventures		<u>86,270</u>	<u>64,083</u>
Profit before taxation		4,302,747	4,234,058
Taxation	7	<u>(660,215)</u>	<u>(958,666)</u>
Profit for the year		<u><u>3,642,532</u></u>	<u><u>3,275,392</u></u>
Attributable to:			
Owners of the Company		2,765,886	2,289,888
Non-controlling interests		<u>876,646</u>	<u>985,504</u>
		<u><u>3,642,532</u></u>	<u><u>3,275,392</u></u>
Earnings per share for profit attributable to owners of the Company during the year (expressed in RMB per share)			
- Basic	8	<u>0.42</u>	<u>0.40</u>
- Diluted	8	<u>0.38</u>	<u>0.35</u>
Dividends		<u>1,169,870</u>	<u>1,037,577</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Profit for the year	3,642,532	3,275,392
Other comprehensive gain that may be subsequently reclassified to profit or loss:		
- Fair value gain on available-for-sale financial assets, net of tax	959,240	-
Total comprehensive income for the year	<u>4,601,772</u>	<u>3,275,392</u>
Attributable to:		
Owners of the Company	3,725,126	2,289,888
Non-controlling interests	876,646	985,504
Total comprehensive income for the year	<u>4,601,772</u>	<u>3,275,392</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

		As at 31 December	
	Note	2014	2013
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	66,741,330	61,618,034
Prepayments for construction of power plants	10	432,289	1,152,350
Land use rights		716,244	712,046
Goodwill		835,165	835,165
Interests in associates		2,718,235	2,225,483
Interests in joint ventures		632,636	596,366
Available-for-sale financial assets	11	3,305,780	2,026,793
Loan to a fellow subsidiary		-	200,000
Deferred income tax assets		106,442	88,746
Pledged bank deposits		300,000	-
		<u>75,788,121</u>	<u>69,454,983</u>
Current assets			
Inventories		493,598	648,405
Accounts receivable	12	2,239,128	2,493,682
Prepayments, deposits and other receivables		1,173,496	1,199,949
Amounts due from related parties		335,580	576,050
Tax recoverable		8,053	7,957
Pledged bank deposits		41,353	49,227
Cash and cash equivalents		1,126,917	1,641,368
		<u>5,418,125</u>	<u>6,616,638</u>
Assets held for sale		589,545	667,347
		<u>6,007,670</u>	<u>7,283,985</u>
Total assets		<u><u>81,795,791</u></u>	<u><u>76,738,968</u></u>

		As at 31 December	
	<i>Note</i>	2014	2013
		RMB'000	RMB'000
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	13	12,730,145	6,161,388
Share premium		-	5,773,347
		<hr/>	<hr/>
Share capital and share premium		12,730,145	11,934,735
Reserves		9,133,624	6,486,921
		<hr/>	<hr/>
		21,863,769	18,421,656
Non-controlling interests		5,385,992	4,865,487
		<hr/>	<hr/>
Total equity		27,249,761	23,287,143
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
LIABILITIES			
Non-current liabilities			
Deferred income		31,423	50,636
Bank borrowings		25,584,998	26,914,155
Borrowings from related parties		2,484,816	3,815,911
Other borrowings	14	3,729,444	3,737,240
Obligations under finance leases	15	1,158,171	443,388
Deferred income tax liabilities		1,354,453	1,102,506
Provisions for other long-term liabilities	16	936,257	3,467
		<hr/>	<hr/>
		35,279,562	36,067,303
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

		As at 31 December	
	<i>Note</i>	2014	2013
		RMB'000	RMB'000
Current liabilities			
Accounts and bills payables	17	1,152,049	1,746,825
Construction costs payable		3,409,235	2,893,033
Other payables and accrued charges		1,261,230	992,489
Amounts due to related parties		403,002	437,441
Bank borrowings		7,966,279	8,660,220
Borrowings from related parties		1,370,295	1,407,000
Other borrowings	14	3,135,700	600,000
Current portion of obligations under finance leases	15	118,950	111,361
Taxation payable		449,728	536,153
		19,266,468	17,384,522
		54,546,030	53,451,825
Total liabilities		54,546,030	53,451,825
		81,795,791	76,738,968
Total equity and liabilities		81,795,791	76,738,968
		13,258,798	10,100,537
Net current liabilities		13,258,798	10,100,537
		62,529,323	59,354,446
Total assets less current liabilities		62,529,323	59,354,446

Auditor’s work on the results announcement for year 2014 (the “Results Announcement”)

The figures in respect of the Group’s consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in the Results Announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the Results Announcement.

Notes to the Financial Statements

1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). These consolidated financial statements have been prepared under the historical cost convention except that certain available-for-sale financial assets are measured at fair value, as appropriate.

As at 31 December 2014, the Group had net current liabilities of RMB13,258,798,000 (2013: RMB10,100,537,000). In preparing these financial statements, the directors have taken into account all information that could reasonably be expected to be available and have ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. As of 31 December 2014, the Group had banking facilities available amounting to approximately RMB13,517,000,000 (2013: RMB13,644,000,000) and will refinance and/or restructure certain short-term loans into long-term loans or consider alternative sources of financing, where applicable. Under these circumstances, the directors are of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months and therefore have prepared the financial statements on a going concern basis.

In accordance with the transitional and saving arrangements for Part 9 of the new Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the “new Companies Ordinance”), “Accounts and Audit” as set out in sections 76 to 87 of Schedule 11 to the new Companies Ordinance, these consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32 of the Laws of Hong Kong) for this financial year and the comparative period.

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

(a) Effect of adopting amendments to standards and interpretation

The following amendments to standards and interpretation are mandatory for accounting periods beginning on or after 1 January 2014. The adoption of these amendments to standards and interpretation does not have any significant impact to the results and financial position of the Group.

HKFRS 10, 12 and HKAS 27	Investment Entities
(2011) (amendment)	
HKAS 32 (amendment)	Offsetting Financial Assets and Financial Liabilities
HKAS 39 (amendment)	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC)-Int 21	Levies

In addition, the requirements of Part 9 “Accounts and Audit” of the new Companies Ordinance come into operation as from the Company’s first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Companies Ordinance. So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

(b) New standards and amendments to standards not yet adopted by the Group

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2014 and have not been early adopted by the Group.

HKFRS 9	Financial Instruments ⁽⁴⁾
HKFRS 10 and HKAS 28 (amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽²⁾
HKFRS 10, 12 and HKAS 28 (2011) (amendment)	Investment Entities: Applying the Consolidation Exception ⁽²⁾
HKFRS 11 (amendment)	Accounting for Acquisitions of Interests in Joint Operation ⁽²⁾
HKFRS 14	Regulatory Deferral Accounts ⁽²⁾
HKFRS 15	Revenue from Contracts with Customers ⁽³⁾
HKAS 1 (amendment)	Disclosure Initiative ⁽²⁾
HKAS 16 and 38 (amendment)	Clarification of Acceptable Methods of Depreciation and Amortization ⁽²⁾
HKAS 16 and 41 (amendment)	Agriculture: Bearer Plants ⁽²⁾
HKAS 19 (2011) (amendment)	Defined Benefit Plans: Employee Contributions ⁽¹⁾
HKAS 27 (amendment)	Equity Method in Separate Financial Statements ⁽²⁾
HKFRSs (amendment)	Annual Improvements 2010-2012 Cycle ⁽¹⁾
HKFRSs (amendment)	Annual Improvements 2011-2013 Cycle ⁽¹⁾
HKFRSs (amendment)	Annual Improvements 2012-2014 Cycle ⁽²⁾

(1) Effective for the Group for annual period beginning on 1 July 2014

(2) Effective for the Group for annual period beginning on 1 January 2016

(3) Effective for the Group for annual period beginning on 1 January 2017

(4) Effective for the Group for annual period beginning on 1 January 2018

The Group will apply the above new standards and amendments to standards from 1 January 2015 or later periods and has already commenced an assessment of the related impact to the Group. The Group expects that there will be no material changes to the Group’s significant accounting policies and presentation of the financial information on adoption of the above new standards and amendments to standards.

2 Turnover, revenue and segment information

Revenue, representing turnover, recognized during the year is as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Sales of electricity to provincial power grid companies (note (a))	20,429,306	18,598,751
Provision for power generation and related services (notes (b) and (c))	17,845	227,977
	<u>20,447,151</u>	<u>18,826,728</u>

Notes:

- (a) Pursuant to the power purchase agreements entered into between the Group and the respective regional and provincial power grid companies, the Group's sales of electric power were made to these power grid companies at the tariff rates agreed with the respective regional and provincial power grid companies as approved by the relevant government authorities.
- (b) Provision for power generation and related services represents income from the provision of power generation and related services to other power plants and power grid companies which are calculated based on mutually agreed terms.
- (c) The amount for the year ended 31 December 2013 included power plant lease income of approximately RMB206,914,000 from Heimifeng Power Plant ("Heimifeng") for the year 2012 that was agreed with the provincial power grid company in February 2013. Heimifeng was disposed of in August 2013.

Segment information

The chief operating decision maker has been identified as the executive directors and certain senior management (collectively referred to as the "CODM") who make strategic decisions. The CODM reviews the internal reporting of the Company and its subsidiaries in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

Currently, it is determined that the "Generation and sales of coal-fired electricity" and "Generation and sales of hydropower electricity" in the People's Republic of China (the "PRC") are the reportable segments of the Group meeting the quantitative thresholds required by HKFRS 8. Although the "Generation and sales of wind power electricity" does not meet such quantitative thresholds required for reportable segments, management has concluded during the year ended 31 December 2014 that this segment should also be reported, as it is closely monitored by the CODM as a potential growth business and is expected to gradually increase its contribution to the Group's results in the future. The comparatives have been restated to reflect such change.

The CODM assesses the performance of the operating segments based on a measure of profit/loss before taxation, excluding dividends from available-for-sale financial assets, if any. Other information provided to the CODM is measured in a manner consistent with that in the financial statements.

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

Segment liabilities exclude taxation payable, deferred income tax liabilities and corporate liabilities which are managed on a central basis.

	Year ended 31 December 2014				
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Wind power electricity RMB'000	Others RMB'000	Total RMB'000
Revenue					
Sales of electricity	15,348,852	4,986,781	93,673	-	20,429,306
Provision for power generation and related services	17,845	-	-	-	17,845
	<u>15,366,697</u>	<u>4,986,781</u>	<u>93,673</u>	<u>-</u>	<u>20,447,151</u>
Segment results	2,887,665	3,040,611	27,068	-	5,955,344
Unallocated income	-	-	-	149,241	149,241
Unallocated expenses	-	-	-	(214,792)	(214,792)
Operating profit	2,887,665	3,040,611	27,068	(65,551)	5,889,793
Finance income	8,416	16,047	76	27,891	52,430
Finance costs	(931,560)	(1,373,147)	(30,500)	(30,913)	(2,366,120)
Share of profits of associates	623,909	-	-	16,465	640,374
Share of profits/(losses) of joint ventures	98,349	-	-	(12,079)	86,270
Profit/(loss) before taxation	2,686,779	1,683,511	(3,356)	(64,187)	4,302,747
Taxation (charge)/credit	(293,211)	(368,052)	3,655	(2,607)	(660,215)
Profit/(loss) for the year	<u>2,393,568</u>	<u>1,315,459</u>	<u>299</u>	<u>(66,794)</u>	<u>3,642,532</u>
Other segment information:					
Capital expenditure					
- Property, plant and equipment, prepayments for construction of power plants and land use rights	3,720,287	3,311,630	725,772	10,500	7,768,189
Depreciation on property, plant and equipment	1,656,952	1,123,461	29,877	9,521	2,819,811
Amortization of land use rights	10,396	4,358	-	1,144	15,898
Loss/(gain) on disposal of property, plant and equipment and land use rights, net	206,837	526	1,524	(126)	208,761
Provision for impairment of other receivables	-	67	-	-	67
Provision for impairment of property, plant and equipment	180,665	-	-	-	180,665
Provision for impairment of assets held for sale	-	77,802	-	-	77,802
Provision for impairment of inventories	4,096	-	-	-	4,096

As at 31 December 2014

	Coal-fired electricity <i>RMB'000</i>	Hydropower electricity <i>RMB'000</i>	Wind power electricity <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets					
Other segment assets	34,203,413	37,143,924	1,049,309	-	72,396,646
Goodwill	67,712	767,453	-	-	835,165
Interests in associates	2,650,417	23,851	-	43,967	2,718,235
Interests in joint ventures	389,684	-	-	242,952	632,636
Assets held for sale	-	589,545	-	-	589,545
	<u>37,311,226</u>	<u>38,524,773</u>	<u>1,049,309</u>	<u>286,919</u>	<u>77,172,227</u>
Available-for-sale financial assets					3,305,780
Deferred income tax assets					106,442
Other unallocated assets					<u>1,211,342</u>
Total assets per consolidated statement of financial position					<u><u>81,795,791</u></u>
Segment liabilities					
Other segment liabilities	(4,477,015)	(3,512,016)	(162,471)	-	(8,151,502)
Borrowings	(18,168,870)	(24,837,662)	(587,500)	(677,500)	(44,271,532)
	<u>(22,645,885)</u>	<u>(28,349,678)</u>	<u>(749,971)</u>	<u>(677,500)</u>	<u>(52,423,034)</u>
Taxation payable					(449,728)
Deferred income tax liabilities					(1,354,453)
Other unallocated liabilities					<u>(318,815)</u>
Total liabilities per consolidated statement of financial position					<u><u>(54,546,030)</u></u>

	Year ended 31 December 2013 (Restated)				
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Wind power electricity RMB'000	Others RMB'000	Total RMB'000
Revenue					
Sales of electricity	14,864,007	3,687,773	46,971	-	18,598,751
Provision for power generation and related services	21,063	206,914	-	-	227,977
	<u>14,885,070</u>	<u>3,894,687</u>	<u>46,971</u>	<u>-</u>	<u>18,826,728</u>
Segment results	2,367,512	2,853,355	18,331	-	5,239,198
Unallocated income	-	-	-	137,038	137,038
Unallocated expenses	-	-	-	(194,671)	(194,671)
Operating profit	2,367,512	2,853,355	18,331	(57,633)	5,181,565
Finance income	4,323	21,950	15	38,192	64,480
Finance costs	(775,656)	(704,764)	(10,875)	(20,479)	(1,511,774)
Share of profits of associates	435,704	-	-	-	435,704
Share of profits/(losses) of joint ventures	75,133	-	-	(11,050)	64,083
Profit/(loss) before taxation	2,107,016	2,170,541	7,471	(50,970)	4,234,058
Taxation (charge)/credit	(407,731)	(548,163)	1,614	(4,386)	(958,666)
Profit/(loss) for the year	<u>1,699,285</u>	<u>1,622,378</u>	<u>9,085</u>	<u>(55,356)</u>	<u>3,275,392</u>
Other segment information:					
Capital expenditure					
- Property, plant and equipment, prepayments for construction of power plants and land use rights	3,190,604	3,702,085	150,509	6,592	7,049,790
- Business combination	4,811,806	-	-	-	4,811,806
Depreciation on property, plant and equipment	1,344,973	839,194	10,991	13,635	2,208,793
Amortization of land use rights	5,016	3,474	1,335	881	10,706
Loss/(gain) on disposal of property, plant and equipment and land use rights, net	29,291	(797,558)	-	-	(768,267)
Provision for impairment of other receivables	-	7,366	-	-	7,366
Provision for impairment of property, plant and equipment	380,399	226,645	-	-	607,044
Provision for impairment of inventories	52,022	-	-	-	52,022
Write-off of accounts receivable	-	17,570	-	-	17,570

	As at 31 December 2013 (Restated)				
	Coal-fired electricity	Hydropower electricity	Wind power electricity	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets					
Other segment assets	33,405,156	34,494,663	733,755	-	68,633,574
Goodwill	67,712	767,453	-	-	835,165
Interests in associates	2,168,444	23,851	-	33,188	2,225,483
Interests in joint ventures	341,335	-	-	255,031	596,366
Assets held for sale	-	667,347	-	-	667,347
	<u>35,982,647</u>	<u>35,953,314</u>	<u>733,755</u>	<u>288,219</u>	<u>72,957,935</u>
Available-for-sale financial assets					2,026,793
Loan to a fellow subsidiary					200,000
Deferred income tax assets					88,746
Other unallocated assets					<u>1,465,494</u>
Total assets per consolidated statement of financial position					<u><u>76,738,968</u></u>
Segment liabilities					
Other segment liabilities	(4,383,403)	(2,028,020)	(138,128)	-	(6,549,551)
Borrowings	<u>(19,389,006)</u>	<u>(24,666,020)</u>	<u>(392,500)</u>	<u>(687,000)</u>	<u>(45,134,526)</u>
	<u>(23,772,409)</u>	<u>(26,694,040)</u>	<u>(530,628)</u>	<u>(687,000)</u>	<u>(51,684,077)</u>
Taxation payable					(536,153)
Deferred income tax liabilities					(1,102,506)
Other unallocated liabilities					<u>(129,089)</u>
Total liabilities per consolidated statement of financial position					<u><u>(53,451,825)</u></u>

All revenues from external customers are generated from the PRC. Except that certain cash and bank balances equivalent to approximately RMB235,000,000 were deposited in certain banks in Hong Kong at 31 December 2014 (31 December 2013: approximately RMB186,000,000), substantially all of the Group's assets, liabilities and capital expenditure are located or utilized in the PRC.

The Group's major customers are regional and provincial power grid companies. During the year ended 31 December 2014, the Group's external revenue amounting to approximately RMB16,679,000,000 (2013: RMB17,633,000,000) was generated from 5 (2013: 6) major customers, each of which accounted for 10% or more of the Group's external revenue.

3 Other income

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Rental income	65,612	68,261
Clean development mechanism income	-	7,868
Hotel operations income	34,729	38,008
Income from the provision of repairs and maintenance services	44,209	21,953
Dividend income	84,399	60,520
Management fee income	26,770	31,535
Value-added tax refund (note)	128,488	-
Compensation income	12,778	-
	<u>396,985</u>	<u>228,145</u>

Note:

To support the development of the hydropower industry and standardize the value added tax (“VAT”) policies applicable to large-scale hydropower companies, in February 2014, the Ministry of Finance and State Administration of Taxation jointly released Caishui [2014] No. 10 (“Circular 10”). Circular 10 specifies that hydropower plants with installed capacity over 1 million kilowatt and selling self-produced electricity products could apply for VAT preferential policies. Eligible enterprises are entitled to a refund of actual VAT paid exceeding 8% for the period from 1 January 2013 to 31 December 2015, and a refund of actual VAT paid exceeding 12% for the period from 1 January 2016 to 31 December 2017.

4 Other (losses)/gains, net

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Gain on disposal of electricity quota	-	326,310
Gain on disposal of emission quota	632	23,292
(Loss)/gain on disposal of property, plant and equipment and land use rights, net (note)	(208,761)	768,267
Gain on disposal of a joint venture	-	8,326
Government subsidy	3,294	9,392
Sales of unused power production quota	200,793	-
Amortization of deferred income	1,659	26,941
Loss on termination of derivative financial instruments	-	(26,634)
Provision for impairment of property, plant and equipment	(180,665)	(607,044)
Provision for impairment of assets held for sale	(77,802)	-
Profits on trading of coal, coal by-products and spare parts	11,695	15,636
Others	1,718	(4,418)
	<u>(247,437)</u>	<u>540,068</u>

Note:

The amount for the year ended 31 December 2013 mainly represented a gain on disposal of Heimifeng of RMB771,603,000. In July 2013, the Group entered into an agreement with State Grid Xinyuan Company Limited* and Hunan Heimifeng Pumped Storage Power Company Ltd.* (collectively, the “Purchaser”) pursuant to which the Group agreed to sell and the Purchaser agreed to purchase assets of RMB2,771,197,000 and assume liabilities of RMB2,437,922,000 of Heimifeng at a consideration of approximately RMB1,104,878,000. The disposal was completed in August 2013.

5 Operating profit

Operating profit is stated after charging the following:

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Amortization of land use rights	15,898	10,706
Auditor's remuneration	7,734	7,827
Depreciation of property, plant and equipment		
- owned property, plant and equipment	2,776,829	2,165,811
- property, plant and equipment under finance leases	42,982	42,982
Operating lease rentals in respect of		
- equipment	11,417	6,936
- leasehold land and buildings	42,783	41,853
Provision for impairment of other receivables	67	7,366
Write-off of accounts receivable	-	17,570
Provision for impairment of inventories	4,096	52,022
Reservoir maintenance and usage fees	130,738	100,243
Staff costs including directors' emoluments	1,599,793	1,238,237
Write-off of pre-operating expenses	28,194	55,188

6 Finance income and finance costs

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Finance income		
Interest income from bank deposits	37,024	23,765
Interest income from an associate	14,449	24,178
Interest income from a fellow subsidiary	957	16,537
	<u>52,430</u>	<u>64,480</u>
Finance costs		
Interest expense on		
- bank borrowings wholly repayable within five years	701,789	262,878
- bank borrowings not wholly repayable within five years	1,434,051	1,729,494
- long-term borrowings from related parties wholly repayable within five years	202,798	184,900
- long-term borrowings from related parties not wholly repayable within five years	684	743
- short-term borrowings from related parties	17,050	33,134
- long-term other borrowings wholly repayable within five years	229,217	132,652
- long-term other borrowings not wholly repayable within five years	-	46,256
- short-term other borrowings	16,660	82,111
- obligations under finance leases	36,410	38,892
- provisions for other long-term liabilities (Note 16)	66,644	-
	<u>2,705,303</u>	<u>2,511,060</u>
Less: Amounts capitalized	<u>(266,307)</u>	<u>(757,969)</u>
	2,438,996	1,753,091
Net foreign exchange gains	<u>(72,876)</u>	<u>(241,317)</u>
	<u>2,366,120</u>	<u>1,511,774</u>

The weighted average interest rate on capitalized borrowings was approximately 5.73% (2013: 6.10%) per annum.

7 Taxation

No Hong Kong profits tax was provided for as the Group did not have any estimated assessable profit in Hong Kong for the year (2013: Nil).

The provision for PRC current income tax was calculated based on the statutory tax rate of 25% (2013: 25%) on the estimated assessable income for the year except as disclosed below.

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

	2014	2013
	RMB'000	RMB'000
PRC current income tax	745,711	853,848
Deferred income tax (credit)/charge	(85,496)	104,818
	660,215	958,666

During the year ended 31 December 2014, two subsidiaries of the Group were granted investment tax credits ("Tax credits") of RMB177,892,000 (2013: Nil) of which RMB79,124,000 (2013: Nil) was utilized against their taxation charges. The Tax credits are calculated based on 10% of the purchase price of specific environmental friendly, water and energy-saving, safety enhanced facilities used in the Group's coal-fired electricity business. The Tax credits are recognized as a reduction of current income tax when they are realized. The portion of Tax credits that has not been utilized in the current year can be carried forward over a period of no more than five years.

Share of taxation charge attributable to associates and joint ventures for the year ended 31 December 2014 of RMB202,293,000 (2013: taxation charge of RMB146,590,000) and RMB28,905,000 (2013: taxation credit of RMB21,634,000) respectively were included in the Group's share of results of associates/joint ventures for the year.

A subsidiary of the Group, which started operations in 2011, is entitled to a two-year exemption and subsequent three-year 50% reduction in income tax rate (i.e. 7.5%) until 2016. It is also entitled to the preferential income tax rate of 15% until 2020.

8 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of shares in issue during the year.

	2014	2013
Profit attributable to owners of the Company (RMB'000)	2,765,886	2,289,888
Weighted average number of shares in issue (shares in thousands)	6,629,933	5,735,717
Basic earnings per share (RMB)	0.42	0.40

(b) **Diluted**

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares arising from the Company's share options and convertible bonds. For the years ended 31 December 2014 and 2013, the Company has share options and convertible bonds that had dilutive potential ordinary shares. The convertible bonds are assumed to have been converted into ordinary shares, and the profit attributable to owners of the Company is adjusted to eliminate the interest expense less the tax effect.

For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2014	2013
Profit attributable to owners of the Company (RMB'000)	2,765,886	2,289,888
Adjustment for finance costs on convertible bonds (after tax) (RMB'000)	52,078	73,700
	<hr/>	<hr/>
Profit used to determine diluted earnings per share (RMB'000)	2,817,964	2,363,588
	<hr/> <hr/>	<hr/> <hr/>
Weighted average number of shares in issue (shares in thousands)	6,629,933	5,735,717
Adjustment for convertible bonds (shares in thousands)	687,909	1,000,681
Adjustment for share options (shares in thousands)	6,587	4,729
	<hr/>	<hr/>
Weighted average number of shares for the purpose of calculating diluted earnings per share (shares in thousands)	7,324,429	6,741,127
	<hr/> <hr/>	<hr/> <hr/>
Diluted earnings per share (RMB)	0.38	0.35
	<hr/> <hr/>	<hr/> <hr/>

9 Property, plant and equipment

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Opening net book amount as at 1 January	61,618,034	55,942,962
Additions (note)	5,327,673	5,803,998
Disposals	(344,382)	(2,924,321)
Depreciation	(2,819,811)	(2,208,793)
Transfer from prepayments for construction of power plants (Note 10)	3,140,481	1,718,017
Impairment charge for the year	(180,665)	(607,044)
Acquisition of a subsidiary	-	4,560,562
Reclassification to assets held for sale	-	(667,347)
	<hr/>	<hr/>
Closing net book amount as at 31 December	<u>66,741,330</u>	<u>61,618,034</u>

Note:

Additions for property, plant and equipment for the year included a provision of RMB931,296,000 (2013: Nil) in relation to compensations for inundation caused by the construction of two hydropower plants of the Group (Note 16).

10 Prepayments for construction of power plants

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Opening balance as at 1 January	1,152,350	1,655,650
Additions	2,420,420	1,214,717
Transfer to property, plant and equipment (Note 9)	(3,140,481)	(1,718,017)
	<hr/>	<hr/>
Closing balance as at 31 December	<u>432,289</u>	<u>1,152,350</u>

11 Available-for-sale financial assets

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Unlisted equity investments outside Hong Kong		
- at cost	154,712	154,712
Equity securities listed outside Hong Kong		
- at fair value (note)	<u>3,151,068</u>	<u>1,872,081</u>
	<u>3,305,780</u>	<u>2,026,793</u>
Market value of equity securities listed outside Hong Kong	<u>3,151,068</u>	<u>1,872,081</u>

Note:

Details of the equity securities listed outside Hong Kong as at 31 December 2014 are as follows:

Name of company	Place of establishment and operation	Registered and paid up capital	Equity interest attributable to the Group	Type of legal entity	Principal activity
Interests held directly:					
Shanghai Electric Power Co., Ltd	The PRC	RMB2,139,739,000	18.86%	Joint stock company with limited liability with its A-shares listed on the Shanghai Stock Exchange	Investment holdings and the generation and sale of electricity

12 Accounts receivable

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Accounts receivable from provincial power grid companies (note (a))	2,014,032	2,290,004
Accounts receivable from other companies (note (a))	8,221	13,990
	2,022,253	2,303,994
Notes receivable (note (b))	216,875	189,688
	2,239,128	2,493,682

Notes:

- (a) The Group normally grants 15 to 90 days credit period to customers from the end of the month in which the sales are made. The ageing analysis of the accounts receivable is as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
1 to 3 months	2,022,523	2,303,994

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

- (b) The notes receivable are normally with maturity period of 180 days (2013: 180 days).
- (c) As at 31 December 2014, certain bank borrowings and long-term borrowings from CPI Financial Company Limited were secured by the rights on accounts receivable of certain subsidiaries of the Group. The accounts receivable secured under these facilities as at 31 December 2014 amounted to RMB1,302,959,000 (2013: RMB1,515,666,000).
- (d) The fair values of accounts and notes receivables approximate their carrying amounts as the impact of discounting is not significant. All accounts and notes receivables are denominated in RMB.

13 Share capital

Under the new Companies Ordinance which came into effect on 3 March 2014, share premium of approximately RMB5,801,913,000 was entirely incorporated into share capital of the Company during the year under review as a result of the abolition of par or nominal value concept.

14 Other borrowings

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Non-current		
Corporate bonds issued by:		
- Company (note (a))	2,800,000	800,000
- a subsidiary	<u>1,496,590</u>	<u>1,495,693</u>
	4,296,590	2,295,693
Less:		
Current portion of corporate bonds issued by:		
- Company (note (a))	(800,000)	-
- a subsidiary	<u>(500,000)</u>	<u>-</u>
	2,996,590	2,295,693
Convertible bonds issued by the Company (note (b))	<u>732,854</u>	<u>1,441,547</u>
	<u>3,729,444</u>	<u>3,737,240</u>
Current		
Corporate bonds issued by the Company reclassified as current (note (a))	800,000	-
Corporate bonds issued by a subsidiary reclassified as current	500,000	-
Short-term other borrowings:		
- corporate bonds issued by a subsidiary	-	500,000
- others	-	100,000
- commercial notes (note (c))	<u>1,835,700</u>	<u>-</u>
	<u>3,135,700</u>	<u>600,000</u>
	<u>6,865,144</u>	<u>4,337,240</u>

Notes:

- (a) Unsecured RMB denominated corporate bonds of RMB800,000,000 (2013: RMB800,000,000) were issued by the Company in December 2010 for a term of 5 years at an interest rate of 3.20% (2013: 3.20%) per annum and is repayable in full in 2015. The amount has been reclassified as current liability as at 31 December 2014.

Unsecured RMB denominated corporate bonds of RMB2,000,000,000 (2013: Nil) were issued by the Company in May 2014 for a term of 3 years at interest rate of 4.50% per annum.

(b) Convertible bonds

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
2011 Convertible Bonds	-	435,846
2012 Convertible Bonds	732,854	1,005,701
	<u>732,854</u>	<u>1,441,547</u>

During the year ended 31 December 2014, all the remaining 2011 Convertible Bonds were fully converted. The aggregate amount of RMB441,453,000 (2013: RMB465,498,000) was converted into 312,632,049 (2013: 311,880,447) new shares, resulting in an increase in share capital of approximately RMB422,919,000 (2013: RMB248,816,000) and share premium of approximately RMB28,566,000 (2013: RMB281,700,000). These shares rank pari passu in all respects with the existing shares.

During the year ended 31 December 2014, the aggregate amount of RMB304,686,000 (2013: RMB527,000) of the 2012 Convertible Bonds was converted into 185,138,254 (2013: 253,579) new shares, resulting in an increase of share capital of approximately RMB335,500,000 (2013: RMB202,000). These shares rank pari passu in all respects with the existing shares.

- (c) Pursuant to the Commercial Paper Dealer Agreement entered into by the Company on 8 July 2014, the Company may issue US\$ denominated commercial notes to institutional accredited investors in the United States with an aggregate amount of not more than US\$300,000,000 (approximately RMB1,835,700,000) for a 3-year period starting 8 July 2014. The term of each commercial note is not more than 270 days. Commercial notes of US\$300,000,000 (approximately RMB1,835,700,000) were issued by the Company as at 31 December 2014. The commercial notes do not bear nominal interest rates but were issued at discount rates ranging from 0.42% to 0.50%.

15 Obligations under finance leases

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Obligations under finance leases	1,277,121	554,749
Current portion of obligations under finance leases	(118,950)	(111,361)
Non-current portion of obligations under finance leases	<u>1,158,171</u>	<u>443,388</u>

Note:

The Group entered into a finance lease agreement during the year ended 31 December 2014 to acquire power generators and equipment amounted to RMB832,595,000 (2013: Nil).

16 Provisions for other long-term liabilities

Provisions for other long-term liabilities as at 31 December 2014 represent provision of RMB982,452,000 (2013: Nil) in relation to compensations for inundation caused by the construction of two hydropower plants of the Group and provision of RMB1,705,000 (2013: RMB3,467,000) for early retirement benefits.

The provision in relation to compensations for inundation is measured at the present value of the expenditures expected to be required to settle the compensations using a pre-tax rate that reflects current assessments of the time value of money and the risks specific to the compensations. The increase in the provision due to the passage of time is recognized as interest expense.

Analysis of the provision in relation to compensations for inundation as at 31 December 2014 is as follows:

	2014 RMB'000
Non-current liabilities (included in provisions for other long-term liabilities)	934,552
Current liabilities (included in other payables and accrued charges)	47,900
	<hr/> 982,452 <hr/> <hr/>

The movement of the provision during the year is as follows:

	2014 RMB'000
Opening balance as at 1 January	-
Recognized during the year (Note 9)	931,296
Interest expense (Note 6)	66,644
Payment	(15,488)
	<hr/> 982,452 <hr/> <hr/>

17 Accounts and bills payables

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Accounts payable (note (a))	917,992	1,362,877
Amounts due to non-controlling shareholders (note (a))	50,499	10,510
	968,491	1,373,387
Bills payable (note (b))	183,558	373,438
	1,152,049	1,746,825

Notes:

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
1 to 6 months	933,807	1,323,955
7 to 12 months	22,658	44,333
Over 1 year	12,026	5,099
	968,491	1,373,387

Amounts due to non-controlling shareholders are mainly related to purchase of fuels made by the Group and are included under accounts payable. The balances are unsecured, interest free and should be settled in accordance with the respective trading terms.

- (b) Bills payable are bills of exchange with average maturity period of 3 to 6 months (2013: 3 to 6 months). As at 31 December 2014, bank deposits of RMB2,353,000 (2013: RMB14,227,000) were pledged against bills payable of RMB11,432,000 (2013: RMB70,916,000) as security.
- (c) The fair values of accounts and bills payables approximate their carrying amounts as the impact of discounting is not significant. All accounts and bills payables are denominated in RMB.

Business Review

The Group is principally engaged in investment, development, operation and management of coal-fired power, hydropower and wind power plants in Mainland China. Its power generation businesses are mainly located in the power grid regions of Eastern, Southern, Central and Northern China.

In 2014, China's domestic economic growth slowed down, the national total electricity consumption and total power generation in China only rose by 3.80% and 3.60% respectively year on year. The overall electricity supply and demand in China remained in balance.

The total power generation and total electricity sold of the Group recorded a satisfactory growth in 2014. During the year under review, the total power generation of the Group reached 61,692,480MWh, representing a year-on-year increase of 10.99% which was higher than the 3.60% year-on-year growth in the national total power generation in China; the total electricity sold was 58,957,127MWh, representing a year-on-year increase of 11.67%. New power generating units commencing commercial operation, continuing decline in coal prices and the considerable increase in profit contribution from associates, all helped sustaining the Group's earnings growth. The Group's operational strategy of "balanced hydro and coal-fired power generation" continued to exert its strengths last year, the performance of hydropower generation was particularly prominent. Abundant rainfall favored the hydropower plants of Wu Ling Power, plus through its effective centralized regulating watershed management of hydroelectric power generation, the actual power generation of some of its hydropower plants exceeded its designed power generation capacity. In addition, the increase in power generation of newly operated hydropower generating units caused the overall total power generation and electricity sold of the Group last year to hit a record high. The above favorable factors sustained the strong business performance of the Group in 2014, the consolidated net profit was at its highest since the Group's listing on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") in 2004.

In 2014, the Group recorded revenue of approximately RMB20,447,151,000, representing an increase of approximately 8.61% as compared with the previous year, while the profit attributable to owners of the Company amounted to approximately RMB2,765,886,000, representing an increase of approximately 20.79% as compared with the previous year. The basic earnings per share was approximately RMB0.42. Net assets per share, excluding non-controlling interests, was approximately RMB3.17, representing an increase of approximately 10.07% as compared with the previous year.

Attributable Installed Capacity

As the new generating units commencing operation, the attributable installed capacity of the power plants of the Group reached 15,028.4MW at 31 December 2014, representing an increase of approximately 206.8MW as compared with the previous year. Among which, the attributable installed capacity of coal-fired power was 12,030.6MW, representing approximately 80.05% of the total attributable installed capacity, and the attributable installed capacity of hydropower and wind power were 2,912.7MW and 85.1MW respectively, representing approximately 19.95% of the total attributable installed capacity.

The Group's new power generating units that commenced commercial operation during the year under review included:

Power Plant	Type of Power Plant	Installed		Attributable	
		Capacity (MW)	Interest %	Capacity (MW)	Expected Timeline for Production
Tuokou Power Plant	Hydropower	830	59.85	496.8	March 2014
Yaoposhan Power Plant	Wind power	36	63	22.7	November 2014
Total		866		519.5	

Note: Apart from the above additional power generating units, as compared to the previous year, the Group recorded a net increase in attributable installed capacity of approximately 206.8MW when we accounted for the closure of generating units of Shentou I Power Plant as well as the changes in the installed capacity of Shanghai Power.

Power Generation, Electricity Sold and Utilization Hours

In 2014, the aggregate gross power generation of the Group reached 61,692,480MWh, representing an increase of 10.99% as compared with the previous year, among which the generation from coal-fired power, hydropower and wind power were 44,356,580MWh, 17,133,764MWh and 202,136MWh respectively. The aggregate total electricity sold also reached 58,957,127MWh, representing an increase of 11.67% as compared with the previous year, among which the electricity sold from coal-fired power, hydropower and wind power were 41,909,640MWh, 16,849,780MWh and 197,707MWh respectively.

In 2014, the average utilization hours of coal-fired power generating units of the Group was 4,431 hours, representing a decrease of 567 hours as compared with the previous year. The average utilization hours of hydropower generating units was 3,734 hours, representing an increase of 298 hours as compared with the previous year. The average utilization hours of wind power generating units, which was first time in operation for the whole year, was 1,939 hours. A significant surge in the average utilization hours for hydropower generating units was mainly due to the abundant rainfall in Guizhou and Hunan regions where our principal hydropower plants are located during the second half of last year that coupled with our effective centralized regulating watershed management of hydroelectric power generation.

The decrease in the average utilization hours for coal-fired power generating units was mainly affected by (i) the declining electricity demand as a result of slowdown in economic growth in China, the direct impact is on the coal-fired power sector in particular; (ii) the substantial increase in hydropower generation in some regions where our coal-fired power plants are located; and (iii) the weak demand for electricity during the peak consumption period in summer in Eastern and Central China regions as a result of an unusual cool weather.

On-Grid Tariff

In 2014, the average on-grid tariff of coal-fired power of the Group was RMB366.66/MWh, representing a decrease of RMB6.85/MWh as compared with the previous year; while the average on-grid tariff of hydropower was RMB295.95/MWh, representing an increase of RMB7.39/MWh as compared with the previous year. Our wind power generating units were first in operation for the whole year, the average on-grid tariff of wind power for the whole year was RMB471.36/MWh.

The decrease in the average on-grid tariff of coal-fired power was mainly attributable to the downward adjustments of on-grid tariffs for coal-fired power generating enterprises made by the National Development and Reform Commission in September 2013 and September 2014 respectively. Such decrease in on-grid tariff was partly offset by the green electricity subsidies provided by the local government to our certain coal-fired power plants in the year under review. The increase in the average on-grid tariff of hydropower was mainly due to the greater volume of power generated by those hydropower plants with higher on-grid tariffs per unit, thus raising the average on-grid tariff of hydropower in general.

Unit Fuel Cost

In 2014, the average unit fuel cost of the Group's coal-fired power generation business was approximately RMB189.50/MWh, representing a decrease of approximately 16.15% from that of RMB226.00/MWh of the previous year.

The decrease in the unit fuel cost was primarily due to the continuing decline in coal prices during the year under review, the merits of large capacity energy-saving power generating units driving down the coal consumption, and the Group's efforts on strengthening the coal price management. The decrease in the unit fuel cost offset the adverse effects of the downward adjustments on tariffs for coal-fired power, and thus raising the Group's profit margin from coal-fired power generation business as well as improving the overall gross profit margin.

The Group continues to implement measures to control the overall fuel costs, such as enhancing the facilities to lower the coal consumption; seizing market opportunities to adjust the procurement and inventory structure; strengthening internal management to enhance the calorific value and optimize the operation.

Coal Consumption

The Group is committed to improve equipment efficiency and reduce fuel consumption through the construction and acquisition of new coal-fired power generating units with large installed capacity, upgrading of old power generating units and various other measures.

In 2014, the average net coal consumption rate of the Group was 310.91g/KWh, representing a decrease of 3.93g/KWh as compared with the previous year, equivalent to approximately a saving of 170,000 tonnes of standard coal.

Operating Results of 2014

In 2014, the net profit of the Group amounted to approximately RMB3,642,532,000, representing an increase of approximately RMB367,140,000 as compared with the previous year. Among which, the net profit mainly from coal-fired power business amounted to approximately RMB2,326,774,000 while the net profit mainly from hydropower and wind power businesses amounted to approximately RMB1,315,758,000, representing their respective ratio of contribution to the total net profit of 64%:36% (2013: 50%:50%).

As compared with 2013, the increase in net profit was mainly due to the following factors:

- the total electricity sold increased by 6,161,972MWh and the average on-grid tariff of hydropower increased as compared with the previous year, resulting in an overall increase in revenue by approximately RMB1,620,423,000;
- the significant fall in unit fuel cost of electricity sold by RMB36.50/MWh as a result of decreases in coal price and coal consumption, cutting down the operating expenses by approximately RMB1,064,631,000;
- certain power plants obtained investment tax credits for their environmental friendly facilities and decrease in taxable profit of our hydropower business (an one-off gain was recorded in 2013 on disposal of a hydropower plant), resulting in the decrease in taxation charges by approximately RMB298,451,000; and
- a new large capacity power generating unit of an associate commenced operation at the end of 2013 that led to the increase in the share of profits of associates by approximately RMB204,670,000.

However, part of the profit increase for the year under review was offset by the following factors:

- the increase in the number of new power generating units led to increases in depreciation of property, plant and equipment as well as repairs and maintenance expenses by approximately RMB744,621,000;
- the increase in staff number for increased number of power generating units led to the increase in staff costs by approximately RMB361,556,000;
- the increase in finance costs by approximately RMB854,346,000 was mainly due to a number of new power generating units commencing operation (the relevant interest incurred would no longer be capitalized but expensed to the income statement as finance costs after commencing operation) and the significant decrease in exchange gain; and
- an one-off gain on disposal of a pumped storage hydropower plant of approximately RMB771,603,000 in 2013 but no material disposal gain incurred during the year under review.

Revenue

The revenue of the Group was mainly derived from the sales of electricity. In 2014, the Group recorded a revenue of approximately RMB20,447,151,000, representing an increase of 8.61% as compared with approximately RMB18,826,728,000 of the previous year. The increase in revenue was mainly due to the increased total electricity sales driven by the additional contributions from the newly operated and newly acquired coal-fired power generating units with large installed capacity, the surge in hydropower generation as a result of new hydropower generating units commencing operation, and the abundant rainfall in Guizhou and Hunan regions in the second half of last year that coupled with our effective centralized regulating watershed management of hydroelectric power generation, plus the increase in average on-grid tariff of hydropower as compared with the previous year.

Segment Information

The reportable segments identified by the Group meeting the quantitative thresholds required by HKFRS 8 are now the “generation and sales of coal-fired electricity” and “generation and sales of hydropower electricity”. Although the “generation and sales of wind power electricity” does not meet such quantitative thresholds required for reportable segments, this segment was also reported separately, as it is closely monitored by the chief operating decision maker as a potential growth business and is expected to gradually make a greater contribution to the Group’s results in the future.

Operating Costs

Operating costs of the Group mainly consist of coal and fuel costs for coal-fired power generation, repairs and maintenance expenses for power generating units and facilities, depreciation and amortization, staff costs, consumables and other operating expenses.

In 2014, the operating costs of the Group amounted to approximately RMB14,706,906,000, representing an increase of 2.04% as compared with approximately RMB14,413,376,000 of the previous year. The increase was mainly because of the increases in, among others, depreciation, staff costs and repairs and maintenance expenses as a result of increase in number of power generating units in operation. The declining coal prices and the decrease of coal consumption cut down the fuel costs and offset part of the increase in operating costs.

Fuel costs were the Group’s major operating costs. In 2014, the fuel costs of the Group were approximately RMB7,941,928,000, representing 54.00% of the total operating costs and a decrease of 11.82% as compared with approximately RMB9,006,559,000 of the previous year.

Operating Profit

In 2014, the Group’s operating profit was approximately RMB5,889,793,000, representing an increase of 13.67% as compared with the operating profit of approximately RMB5,181,565,000 of the previous year.

Finance Costs

In 2014, the finance costs of the Group amounted to approximately RMB2,366,120,000, representing an increase of 56.51% as compared with approximately RMB1,511,774,000 of the previous year. The increase in finance costs was mainly due to (i) a number of new power generating units commencing operation (the relevant interest incurred would no longer be capitalized but expensed to the income statement as finance costs after commencing operation), and (ii) the significant decrease in the exchange gain arising from the translation of certain foreign currencies denominated borrowings as compared with the previous year.

Share of Results of Associates

In 2014, the share of profits of associates was approximately RMB640,374,000, representing an increase in profits of approximately RMB204,670,000 or 46.98% as compared with the share of profits of approximately RMB435,704,000 of the previous year. The increase in profits was mainly because of the commencing commercial operation of the second 1,000MW new coal-fired power generating unit of Changshu Power Plant at the end of 2013.

Share of Results of Joint Ventures

In 2014, the share of profits of joint ventures was approximately RMB86,270,000, representing an increase in profits of approximately RMB22,187,000 or 34.62% as compared with the share of profits of approximately RMB64,083,000 of the previous year. The increase in profits was mainly because of the increased contribution from a joint venture, Xintang Power Plant.

Taxation

In 2014, taxation charges of the Group were approximately RMB660,215,000, representing a decrease of approximately RMB298,451,000 as compared with approximately RMB958,666,000 of the previous year. Such reduction was mainly caused by the investment tax credits obtained by some subsidiaries of the Group, and the reduction in the taxation charges from hydropower business as compared with the previous year because of an one-off gain on disposal of a pumped storage hydropower plant of approximately RMB771,603,000 in 2013.

A subsidiary of the Group, which started operation in 2011, is entitled to a two-year exemption and subsequent three-year 50% reduction in income tax rate (i.e. 7.5%) until 2016. It is also entitled to the preferential income tax rate of 15% until 2020.

For the year ended 31 December 2014, two subsidiaries of the Group are granted investment tax credits ("Tax credits") of RMB177,892,000 (2013: Nil) of which RMB79,124,000 (2013: Nil) are utilized against their taxation charges. The Tax credits are calculated based on 10% of the purchase price of specific environmental friendly, water- and energy-saving, safety enhanced facilities used in the Group's coal-fired power business. The Tax credits are recognized as a reduction of current tax when they are realized. The portion of Tax credits that has not been utilized in the current year can be carried forward over a period of no more than five years.

Profit Attributable to Owners of the Company

In 2014, profit attributable to owners of the Company was approximately RMB2,765,886,000, representing an increase of approximately RMB475,998,000 or 20.79% as compared with approximately RMB2,289,888,000 of the previous year.

Earnings per Share and Final Dividend

In 2014, the basic and diluted earnings per share attributable to owners of the Company were approximately RMB0.42 (2013: RMB0.40) and RMB0.38 (2013: RMB0.35) respectively.

At the Board meeting held on 18 March 2015, the Board recommended the payment of a final dividend for the year ended 31 December 2014 of RMB0.168 (equivalent to HK\$0.2119 at the exchange rate announced by the People's Bank of China on 18 March 2015) per ordinary share (2013: RMB0.16 (equivalent to HK\$0.2025) per ordinary share), totaling RMB1,169,870,000 (equivalent to HK\$1,475,568,000) (2013: RMB1,030,240,000 (equivalent to HK\$1,303,897,000)), which is based on 6,963,509,222 shares (2013: 6,438,999,357 shares) in issue on 18 March 2015 (2013: 19 March 2014).

Change of Share Capital

For the year ended 31 December 2014, the number of shares of the Company increased by 501,965,703 shares as compared with the previous year as a result of the conversion of convertible bonds into the shares of the Company and the issue of new shares upon exercise of share options.

Under the new Hong Kong Companies Ordinance which came into effect on 3 March 2014, share premium of approximately RMB5,801,913,000 was entirely incorporated into share capital of the Company during the year under review as a result of the abolition of par or nominal value concept.

Projects under Construction

As at 31 December 2014, the Group's projects under construction were as follows:

Power Plant	Type of Power Plant	Attributable			
		Installed Capacity (MW)	Interest %	Installed Capacity (MW)	Expected Timeline for Production
Pingwei Power Plant III	Coal-fired power	2,000	100	2,000	2015
Suoluogou Power Plant	Hydropower	24	63	15.1	2015
Jiesigou Power Plant	Hydropower	24	44.1	10.6	2015
Luoshuidong Power Plant	Hydropower	35	63	22.1	2016
Mawo Power Plant	Hydropower	32	63	20.2	2017
Yaoposhan Power Plant (note)	Wind power	14	63	8.8	2015
Shanshan Power Plant	Wind power	49.5	63	31.2	2015
Donggangling Power Plant	Wind power	50	63	31.5	2015
Total		2,228.5		2,139.5	

Note: The last seven new wind power generating units of Yaoposhan Power Plant of total 14MW have commenced commercial operation in February 2015.

New Development Projects

The Group has been actively seeking development opportunities for energy saving and environmental friendly coal-fired power and hydropower projects with large capacities and high parameters in areas with rich resources as well as regional and market advantages. Currently, the total installed capacity of new projects in a preliminary development stage (including projects which the PRC government approvals have been applied for) is over 11,301MW.

Among which, the installed capacity for coal-fired power projects amounts to 10,640MW. These projects include:

- the expansion project of the two 1,000MW ultra super-critical coal-fired generating units of CP Shentou Power Plant II;
- the expansion project of the four 1,000MW ultra super-critical coal-fired generating units of Pingwei Power Plant IV;
- the expansion project of the two 1,000MW ultra super-critical coal-fired generating units of Yaomeng Power Plant ;
- the project of the two 660MW super-critical coal-fired generating units of Guizhou Pu'an Power Plant; and
- the expansion project of the two 660MW ultra super-critical coal-fired generating units of Dabieshan Power Plant.

In addition, the Group will continue to seek opportunities in the southeastern coastal economically developed regions, the coal-rich areas and cross-regional coal and power transmission channels to further expand coal-fired power projects.

As for clean energy, the total installed capacity of hydropower, wind power and solar power projects currently under preliminary development and anticipated acquisition is approximately 661MW which are mainly located in Sichuan, Hunan, Xinjiang and Shanxi, the regions with rich resources and where the Group has competitive advantages.

Significant Investment

As at 31 December 2014, the Group had interest in 18.86% of the issued share capital of Shanghai Power, whose A-shares were listed on the Shanghai Stock Exchange.

The Group recognizes its shareholding in Shanghai Power as “Available-for-sale financial assets”. As at 31 December 2014, the fair value of the shareholding held by the Group was approximately RMB3,151,068,000, representing an increase of 68.32% as compared with the corresponding amount at 31 December 2013.

Material Acquisitions and Disposals

On 7 November 2014, the Company and Huainan Mining entered into the Capital Contribution Agreement, pursuant to which Huainan Mining has agreed to make a capital contribution of RMB628,720,000 in cash to the registered capital of Pingwei Power Plant III, a wholly-owned subsidiary of the Company. Upon completion, the shareholding of the Company in Pingwei Power Plant III will be diluted from 100% to 60% of the enlarged registered capital. The equity interest of Pingwei Power Plant III will then be owned as to 60% by the Company and 40% by Huainan Mining accordingly. As at the date of this announcement, the transaction is not yet completed and is pending for approval of the relevant governmental authorities. For details, please refer to the announcement of the Company dated 7 November 2014.

During the year under review, the Group did not have material acquisition.

Liquidity and Financial Resources

As at 31 December 2014, cash and cash equivalents of the Group were approximately RMB1,126,917,000 (31 December 2013: RMB1,641,368,000). The financial resources of the Group were mainly derived from cash inflow from operating activities, borrowings from banks and related parties, project financing, bonds and commercial notes issue. Current assets amounted to approximately RMB6,007,670,000 (31 December 2013: RMB7,283,985,000) and current ratio was 0.31 (31 December 2013: 0.42).

Debts

As at 31 December 2014, total borrowings of the Group amounted to approximately RMB44,271,532,000 (31 December 2013: RMB45,134,526,000). All of the Group's bank and other borrowings are denominated in Renminbi, Japanese Yen ("JPY") and United States Dollars ("USD").

Set out below are details of the bank and other borrowings of the Group as at 31 December 2014 and 2013:

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings, secured	17,749,723	20,281,582
Bank borrowings, unsecured	15,801,554	15,292,793
Corporate bonds issued by the Company	2,800,000	800,000
Convertible bonds issued by the Company	732,854	1,441,547
Corporate bonds issued by Wu Ling Power	1,496,590	1,995,693
Commercial notes	1,835,700	-
Borrowings from group companies	3,855,111	5,222,911
Other borrowings	-	100,000
	<u>44,271,532</u>	<u>45,134,526</u>

The above bank and other borrowings were repayable as follows:

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	12,472,274	10,667,220
In the second year	4,802,672	6,586,877
In the third to fifth year	15,530,086	13,427,040
After the fifth year	11,466,500	14,453,389
	<u>44,271,532</u>	<u>45,134,526</u>

Included in the above bank and other borrowings, about approximately RMB13,350,410,000 (31 December 2013: RMB13,238,926,000) are subject to fixed interest rates and the remaining bank borrowings are subject to adjustment based on the relevant rules of People's Bank of China and bearing interest rates ranging from 4.70% to 6.81% (2013 : 5.40% to 7.21%) per annum.

The Group's gearing ratios, calculated as net debt (being total borrowings plus obligations under finance leases less cash and cash equivalents) divided by total capital (being total equity plus net debt), as at 31 December 2014 and 2013 were approximately 62% and 65% respectively.

Significant Financing Activities

In May 2011, the Company issued 5-year convertible bonds with initial principal amount of RMB982,000,000. During the year under review, all outstanding bonds have been fully converted into the shares of the Company.

In September 2012, the Company issued 5-year convertible bonds with initial principal amount of RMB1,140,000,000 with carrying amount of RMB732,854,000 as at 31 December 2014. During the year under review, bondholders exercised conversion rights with a total carrying value amounted to RMB304,686,000.

In May 2014, the Company issued in Hong Kong RMB denominated bonds of RMB2,000,000,000 which bear interest at 4.50% per annum with 3-year maturity. The bonds were listed on the Hong Kong Stock Exchange on 12 May 2014. Among the total proceeds raised, around RMB1,700,000,000 were used for repayment of relatively high interest rate loans, around RMB273,000,000 were used for capital expenditure, and the remaining RMB27,000,000 were used for general working capital.

In July 2014, the Company entered into agreements under which commercial notes may be issued from time to time during the period of three years from 8 July 2014 and with an aggregate principal amount of up to US\$300,000,000 (equivalent to RMB1,835,700,000). The notes will be issued in various maturities, but with a maximum maturity of 270 days in each case, solely to institutions in the United States. Among the total proceeds raised, around RMB1,400,000,000 were used for repayment of relatively high interest rate loans, around RMB390,000,000 were used for capital expenditure, and the remaining RMB45,700,000 were used for general working capital.

Capital Expenditure

In 2014, capital expenditure of the Group was approximately RMB7,768,189,000, which was mainly used for construction of new power generating units and technical upgrade for the existing power generating units. Sources of funds were mainly from project financing, bonds issue and self-generated funds.

Pledge of Assets

As at 31 December 2014, the Group pledged certain property, plant and equipment with a net book value of approximately RMB637,889,000 (31 December 2013: RMB661,965,000) to certain banks to secure bank borrowings in the amount of RMB819,820,000 (31 December 2013: RMB388,320,000). In addition, certain bank borrowings and borrowings from a related party were secured by the rights on accounts receivable of certain subsidiaries of the Group. The accounts receivable secured under these borrowings as at 31 December 2014 amounted to approximately RMB1,302,959,000 (31 December 2013: RMB1,515,666,000). As at 31 December 2014, bank deposits of certain subsidiaries of the Group amounting to RMB341,353,000 (31 December 2013: RMB49,227,000) were pledged as security for an obligation under finance lease in the amount of RMB314,790,000 (31 December 2013: RMB406,800,000), bank borrowings in the amount of RMB394,388,000 (31 December 2013: Nil) and bills payables in the amount of RMB11,432,000 (31 December 2013: RMB70,916,000).

Contingent Liabilities

As at 31 December 2014, the Group had no material contingent liabilities.

Risk Management

The investment and business operation of the Group are exposed to risks from exchange rates, interest rates, commodity prices and liquidity. Amid global financial uncertainties, the financial risks and operational risks the Group encountered had increased accordingly.

To effectively control its risk exposure, the Group has implemented all-round risk management and has established a systematic, comprehensive risk management mechanism and internal control system. It has a designated risk management department in place for execution and implementation of risk management measures and taking measures to control the scales of assets and liabilities so as to maintain a reasonable level of gearing ratio.

Foreign Exchange Rate Risks

The Group is principally operating in the Mainland China, with most transactions denominating in Renminbi. Apart from certain cash, bank balances and borrowings, most of the Group's assets and liabilities were denominated in Renminbi. The Group held commercial notes denominated in USD, and held borrowings denominated in JPY and USD. Increased fluctuation on Renminbi, USD and JPY exchange rates resulted in the increase in the Group's fluctuation in exchange gain/loss, thereby affecting its financial condition and operating results. As at 31 December 2014, the balance of the Group's borrowings denominated in foreign currencies amounted to approximately RMB2,993,866,000 (31 December 2013: RMB1,031,150,000).

Energy Saving and Emission Reduction

The Group has always committed to the full utilization of its clean energy generation. In 2014, the hydropower and the wind power generation amounted to 28.10% (2013: 23.62%) of the total power generation of the Group. The rise in the proportion of clean energy was mainly due to a significant increase in hydropower generation by 31.49% as compared with the previous year.

During the year 2014, in positive response to the national environmental protection policy, the Group continued to strengthen the environmental protection measures to its coal-fired power generating units. The Group installed flue gas dedusting facilities and desulphurization facilities for all its coal-fired power generating units with the relevant operational ratio up to 99.99% (2013: 98.96%), and the efficiency ratio of desulphurization was 95.03% (2013: 95.07%).

In 2014, the Group completed the denitration and renovation projects for generating unit no. 3 of Pingwei Power Plant II, generating unit no. 1 of Dabieshan Power Plant, generating unit nos. 3 and 4 of Yaomeng Power Plant II. So far, except generating unit nos. 1 and 2 of Yaomeng Power Plant II, all the other coal-fired power generating units have been installed denitration facilities to reduce the emission of nitrogen oxide (NO_x). The operation ratio of denitration reached 97.75% and the efficiency ratio of denitration reached 78.86%.

During the year under review, environmental protection indicators for coal-fired power generating units were further improved:

- the emission rate of sulphur dioxide (SO₂) at 0.283g/KWh, representing a decrease of 0.062g/KWh compared with the previous year;
- the emission rate of nitrogen oxide (NO_x) at 0.389g/KWh, representing a decrease of 0.738g/KWh compared with the previous year, and
- the emission rate of dusts at 0.118g/KWh, representing a decrease of 0.071g/KWh compared with the previous year.

Operational Safety

In 2014, no material safety accident in the aspects of employees, facilities and environmental protection occurred in the Group.

Employees and Remuneration Policies

As at 31 December 2014, the Group had a total of 9,675 full-time employees (31 December 2013: 9,456).

The Group put great emphasis on the establishment of performance evaluation as well as rewarding and punishment mechanism. The Group determined the emoluments of its directors and employees based on their respective performance, working experience, duties and the prevailing market rates. The Group also implemented incentive policy linking emoluments with performance.

The Group also focused on the training of employees and communication between employees of different positions. It continued to improve the professional and technical skills and overall competence of its employees to satisfy the needs of its expanding business.

Outlook for 2015 and Beyond

2015 is the final year of the national economic “Twelfth Five-Year Plan” period in China. China enters into an era of new normal for economic and social development, under which the national economic growth rate turns from a high-speed growth to a medium-to-high-speed growth. In the era of new normal, the projected total demand for electricity and the growth in installed capacity of power generation facilities will remain considerable, despite the growth rate for electricity demand will slow down. The degree of liberalization of the energy sector will continue to rise in the coming future; power generation companies are expected to become true market players with a mixed blessing of opportunities and challenges.

Looking to the future, the Group will take proactive steps as follows:

- Capturing opportunities for development and further optimizing the structure of energy composition: Firstly, we strive to develop clean energy in accordance to the national strategic plans for energy development in China; secondly, we will continue our strategy to develop multiple large capacity power generating units during the national economic “Thirteenth Five-Year Plan” period, ensuring the projects under development will begin operation as scheduled and the new development projects will be granted approvals by relevant authorities for initiating preliminary works as soon as possible; thirdly, we will enhance the quality of assets through technical upgrade and improvement of existing old power generating units as well as acquisitions; and we also hope entering the energy servicing sector timely by gradual transformation from an energy producer to an enterprise of being both energy producer and energy service provider.
- Improving efficiency and performance whilst reducing costs to increase profitability progressively: we will strengthen benchmarking fuel management to further reduce fuel costs, keenly optimize energy conservation and reduce energy consumption level of power generating units, expand direct transaction dealing with customers who have high electricity usage, seek for government funds on decommissioning obsolete small-scale coal-fired power generating units, green energy subsidies and incentive power generation. In addition, we will expand the percentage of low-cost offshore financing and efficiently utilize internal funds with an aim to reduce financing cost and gearing ratio.
- Further enhancing corporate governance as well as safe and green operation: we plan a safe and effective commercial model closely tracking the progress of the national reforms on energy sector so as to adapt the economic new normal, optimize preventive measures against risks relating to our operations, improve enterprise information technology infrastructure and continue to strengthen staff trainings in order to meet the needs of expanding business by means of professional management.

The Group is fully confident of its future development.

Audit Committee and Review of Financial Statements

The audit committee of the Company (the “Audit Committee”), which comprises three independent non-executive Directors, has discussed and reviewed with the management and the auditors of the Company, PricewaterhouseCoopers, the annual results and the consolidated financial statements for the year ended 31 December 2014.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2014.

Corporate Governance

The Company always strives to raise the standard of its corporate governance and regards corporate governance as part of value creation. This reflects the commitment of the Board and management on abiding by the standards of corporate governance, as well as our willingness to maintain transparency and accountability to maximise the value of our shareholders as a whole.

Except for the deviation from the code provisions of A.2.1, A.4.2 and E.1.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the “Code”) (as stated below), the Company has strictly complied with the code provisions of the Code in 2014.

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

The Code provision A.4.2 requires that all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. In accordance with the articles of association of the Company, the executive Director who is also the chief executive officer of the Company shall not be subject to retirement by rotation which reflects the importance of this position and ensures that the impact of the change of personnel on the operation of the Company is kept minimal.

According to the Code provision E.1.2, chairman of the board should attend the annual general meeting. The Chairman of the Board, Ms. Li Xiaolin, was unable to attend the Company's annual general meeting held on 22 May 2014, she had arranged Mr. Gu Dake, the executive Director and President of the Company at that time, who is very familiar with the Group's business and operations, to attend and chair the general meeting. Other Directors, including two independent non-executive Directors, being the chairman/members of the Audit Committee and the members of the Remuneration and Nomination Committee, together with the external independent auditor, attended the annual general meeting and answered questions from shareholders and investors. All resolutions proposed were duly passed by shareholders' voting at the meeting.

Securities Transactions by Directors

The Company has adopted a set of Code of Conduct for Securities Transactions by Directors ("Code of Conduct"), the terms of which are no less than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific inquiries to all Directors, they confirmed that they have complied with the Code of Conduct throughout the entire period of year 2014.

Publication of Results Announcement on the Websites of the Hong Kong Stock Exchange and the Company

This results announcement is published on the website of the Hong Kong Stock Exchange at <http://www.hkexnews.hk> and on the Company's websites at <http://www.chinapower.hk> and <http://www.irasia.com/listco/hk/chinapower/index.htm> respectively.

The 2014 annual report will be sent to those shareholders of the Company who have selected to receive the printed version of corporate communication only, and the soft copy of the annual report will also be made available for review on the above websites in due course.

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

By order of the Board
China Power International Development Limited
Li Xiaolin
Chairman and Chief Executive Officer

Hong Kong, 18 March 2015

As at the date of this announcement, the directors of the Company are: executive directors Li Xiaolin and Yu Bing, non-executive directors Guan Qihong and Wang Zichao, and independent non-executive directors Kwong Che Keung, Gordon, Li Fang and Tsui Yiu Wa, Alec.