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)

Clean Energy Green Enterprise

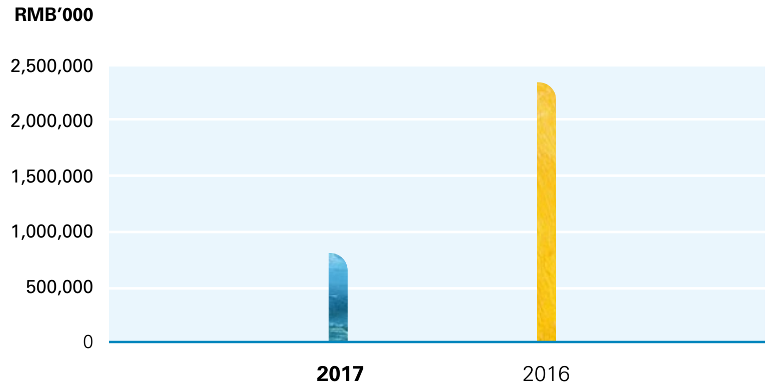
2017 Annual Report

Contents

2017 Financial Highlights

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

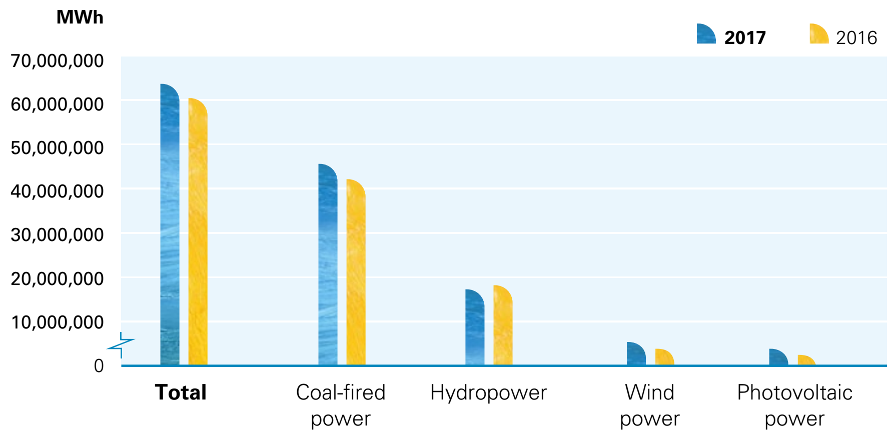
for the year ended 31 December



	2017 RMB'000	2016 RMB'000	Change %
Profit attributable to owners of the Company	**795,272**	2,365,868	-66.39

TOTAL ELECTRICITY SOLD

for the year ended 31 December

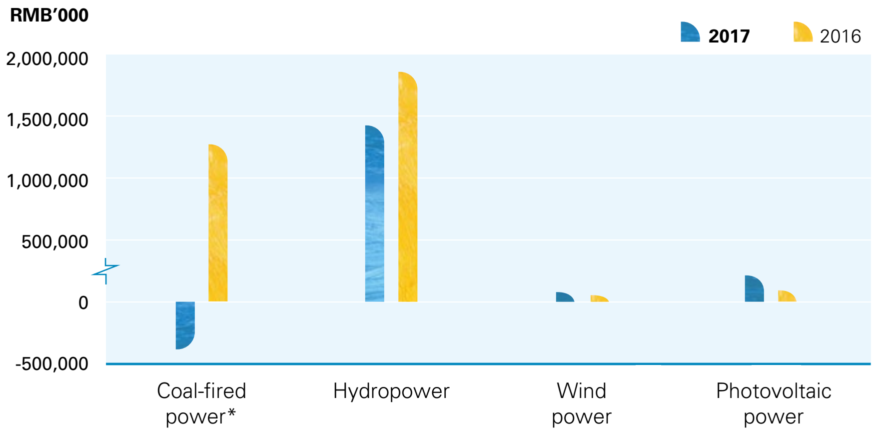


	2017 MWh	2016 MWh	Change %
Total power generation of subsidiaries	**66,683,402**	63,403,445	5.17
Total electricity sold of subsidiaries	**64,053,714**	60,760,318	5.42
— Coal-fired power	**45,653,048**	42,244,478	8.07
— Hydropower	**16,852,555**	17,819,196	–5.42
— Wind power	**877,683**	441,614	98.74
— Photovoltaic power	**670,428**	255,030	162.88
Total electricity sold of major associates and joint ventures	**19,579,150**	20,498,973	–4.49
Changshu Power Plant (50%-owned by the Group)			
— Coal-fired power	**16,138,900**	16,988,901	–5.00
— Photovoltaic power	**62,323**	14,693	324.17
Xintang Power Plant (50%-owned by the Group)			
— Coal-fired power	**3,377,927**	3,495,379	–3.36

2017 Financial Highlights

NET PROFIT

for the year ended 31 December



	2017 RMB'000	Proportion %	2016 RMB'000	Proportion %
Net profit	**1,280,707**	**100**	3,255,487	100
— Coal-fired power*	**(392,215)**	**-30.62**	1,294,237	39.76
— Hydropower	**1,449,809**	**113.20**	1,890,131	58.06
— Wind power	**29,759**	**2.32**	11,841	0.36
— Photovoltaic power	**193,354**	**15.10**	59,278	1.82

* *It included unallocated items, please refer to the details as set out in Note 4 "Turnover, revenue and segment information" in the notes to the consolidated financial statements.*

	2017 RMB'000	2016 RMB'000	Change %
Revenue	**19,966,811**	18,866,153	5.83
Profit attributable to owners of the Company	**795,272**	2,365,868	-66.39

	RMB	RMB	%
Earnings per share			
Basic	**0.10**	0.30#	-66.67
Diluted	**0.10**	0.30#	-66.67

	2017 RMB'000	2016 RMB'000	Change %
Equity attributable to owners of the Company	**29,801,880**	27,266,993	9.30
Total assets	**98,026,599**	91,187,161	7.50
Cash and cash equivalents	**4,577,786**	1,809,415	153.00
Total debts	**51,640,030**	47,734,850	8.18

\# Restated

Corporate Information

BOARD OF DIRECTORS

Executive Directors

YU Bing *(Chairman)*
TIAN Jun *(President)*

Non-executive Directors

GUAN Qihong
WANG Xianchun

Independent Non-executive Directors

KWONG Che Keung, Gordon
LI Fang
YAU Ka Chi

AUDIT COMMITTEE

KWONG Che Keung, Gordon *(Chairman)*
LI Fang
YAU Ka Chi

RISK MANAGEMENT COMMITTEE

YU Bing *(Chairman)*
KWONG Che Keung, Gordon
LI Fang
YAU Ka Chi

REMUNERATION AND NOMINATION COMMITTEE

LI Fang *(Chairman)*
KWONG Che Keung, Gordon
YAU Ka Chi

EXECUTIVE COMMITTEE

YU Bing *(Chairman)*
TIAN Jun
All vice presidents of the Company

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

BEIJING OFFICE

East Building, Hui Huang Shi Dai Plaza
56 North West Fourth Ring Road, Haidian District
Beijing, China

COMPANY WEBSITE

www.chinapower.hk

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited

- Ordinary Shares (Stock Code: 2380)

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

COMPANY SECRETARY

CHEUNG Siu Lan

AUDITOR

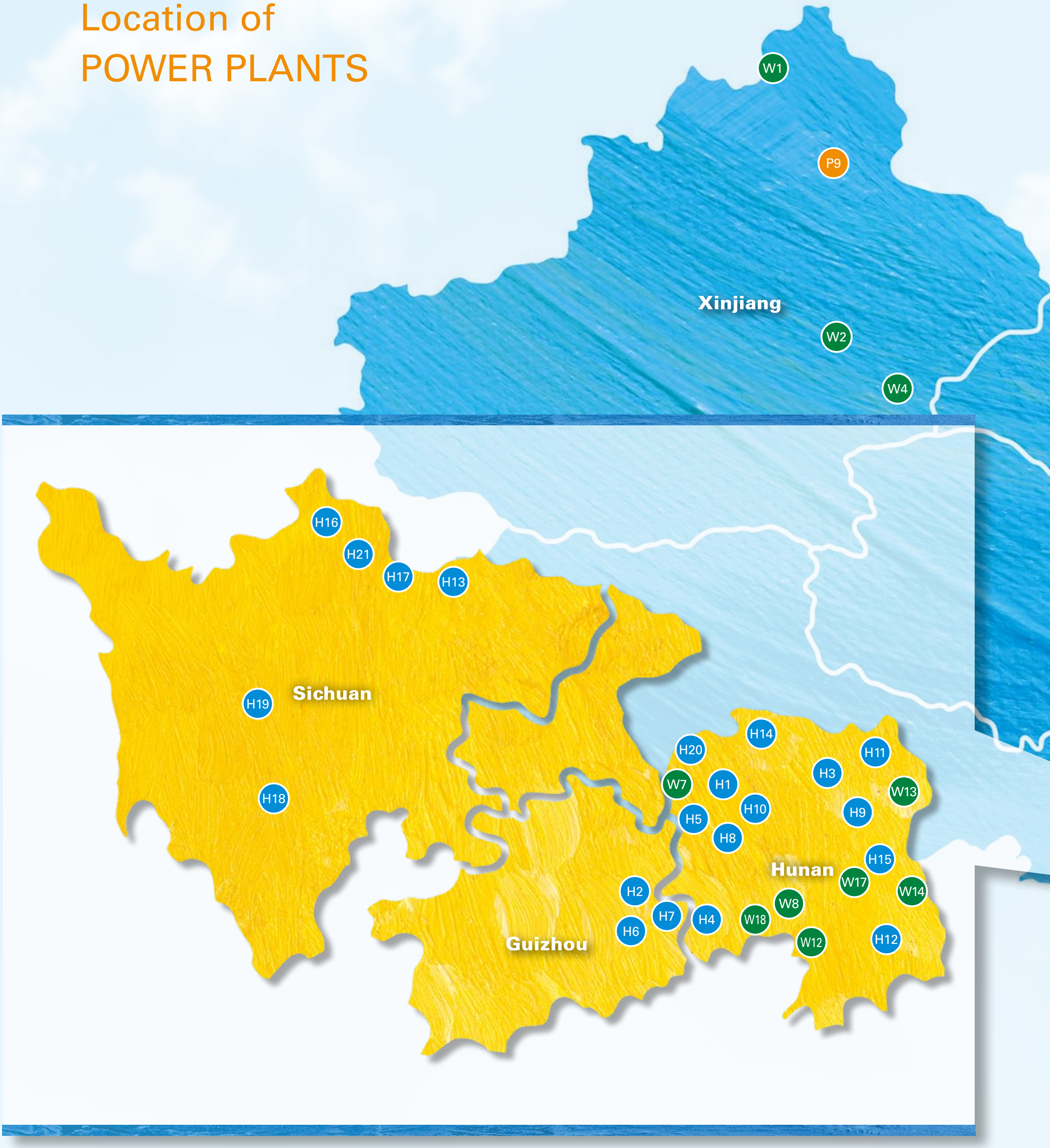
Deloitte Touche Tohmatsu

Group Structure

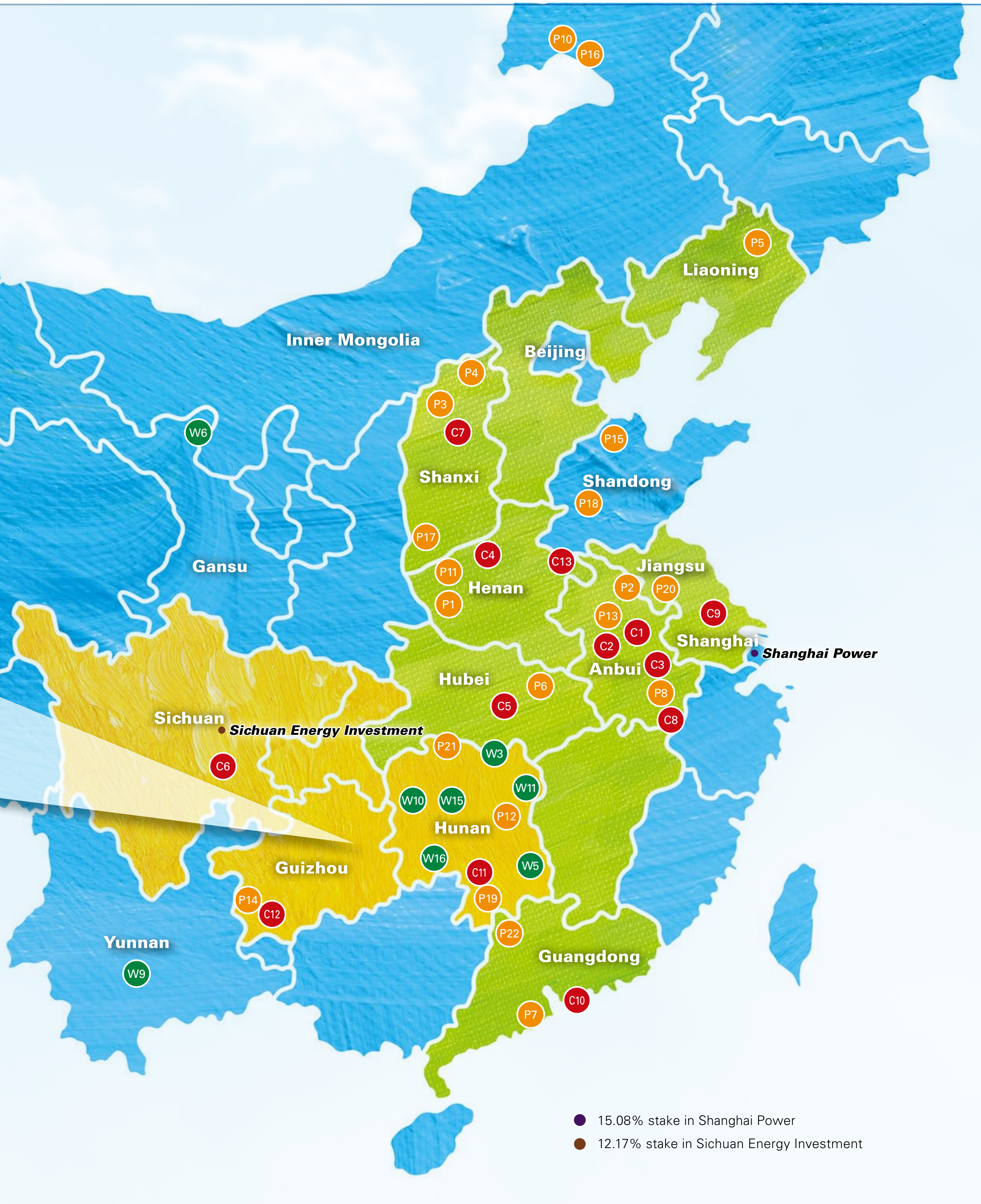
Note: The above group structure is recorded as at the date of this annual report.

Company Profile

Location of POWER PLANTS



Company Profile



China Power International Development Limited (the "Company" or "China Power") was incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance on 24 March 2004 and is a core subsidiary for conventional energy business of State Power Investment Corporation Limited ("SPIC"), the only one integrated energy group which simultaneously owns coal-fired power, hydropower, nuclear power and renewable energy resources in the People's Republic of China (the "PRC" or "China").

The shares of the Company were listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 15 October 2004. The stock code is 2380. The Company's principal business is to develop, construct, own, operate and manage large power plants in the PRC.

EXISTING POWER PLANTS

As at 31 December 2017, the Company and its subsidiaries (collectively, the "Group" or "We") owned and operated the power plants as follows:

Coal-fired Power

Nos.	Power Plant	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)
C1	Pingwei Power Plant	1,260	100	1,260
C2	Pingwei Power Plant II	1,280	75	960
C3	Pingwei Power Plant III	2,000	60	1,200
C4	Yaomeng Power Plant	2,160	100	2,160
C5	Dabieshan Power Plant	1,280	51	652.8
C6	Fuxi Power Plant	1,200	51	612
C7	CP Shentou Power Plant	1,200	80	960
C8	Wuhu Power Plant	1,320	100	1,320
C9	Changshu Power Plant	3,320	50	1,660
C10	Xintang Power Plant	600	50	300
C11	Li Yu Jiang Power Plant	600	25.20	151.2
●	Shanghai Power	7,425.5	15.08	1,119.7
Total		**23,645.5**		**12,355.7**

Hydropower

Nos.	Power Plant	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)
H1	Wu Qiang Xi Power Plant	1,200	63	756
H2	San Ban Xi Power Plant	1,000	59.85	598.5
H3	Ling Jin Tan Power Plant	270	63	170.1
H4	Hong Jiang Power Plant	270	63	170.1
H5	Wan Mi Po Power Plant	240	63	151.2
H6	Gua Zhi Power Plant	150	59.85	89.8
H7	Baishi Power Plant	420	59.85	251.4
H8	Tuokou Power Plant	830	63	522.9
H9	Zhu Xi Kou Power Plant	74	63	46.6
H10	Dong Ping Power Plant	72	63	45.4
H11	Ma Ji Tang Power Plant	55.5	63	35
H12	Jin Wei Zhou Power Plant	63.2	63	39.8
H13 – H18	Other small hydropower plants	137.5	~57.33–63	85.6
H19	Jiesigou Power Plant	24	44.1	10.6
●	Sichuan Energy Investment	141	12.17	17.2
Total		**4,947.2**		**2,990.2**

Wind Power

Nos.	Power Plant	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)
W1	Burqin Power Plant	49.5	63	31.2
W2	Toksun Power Plant	49.5	63	31.2
W3	Yaoposhan Power Plant	50	63	31.5
W4	Shanshan Power Plant	99	63	62.4
W5	Donggangling Power Plant	50	63	31.5
W6	Gulang Power Plant	100	44.1	44.1
W7	Daqingshan Power Plant	50	63	31.5
W8	Xinshao Longshan Power Plant	50	63	31.5
W9	Xinping Power Plant	49.5	32.1	15.9
●	Shanghai Power	920.8	15.08	138.9
Total		**1,468.3**		**449.7**

Photovoltaic Power

Nos.	Power Station	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)
P1	Luoyang Yituo Power Station	6	100	6
P2	Jiaoganghu Power Station	40	100	40
P3	Shuocheng District Power Station	50	100	50
P4	Datong Power Station	100	100	100
P5	Tieling Power Station	25	100	25
P6	Tiemengang Power Station	50	100	50
P7	CP Jiangmen	14	100	14
P8	Huangnitan Power Station	20	100	20
P9	Qinggil Power Station	20	63	12.6
P10	New Barag Left Banner Power Station	20	63	12.6
P11	Yiyang Power Station	20	44.1	8.8
P12	Xiangtan Power Station	11	44.1	4.9
P13	Xiejiaji Power Station	70	100	70
P14	Pu'an New Energy	100	100	100
P15	Gaotang Power Station	20	44.1	8.8
P16	Yuhan Power Station	20	44.1	8.8
P17	Ruicheng Power Station	80	100	80
P18	Xintai Power Station	100	100	100
P19	Xintian Power Station	20	63	12.6
P20	Fushan Power Station	65	50	32.5
●	Shanghai Power	879.3	15.08	132.6
Total		**1,730.3**		**889.2**

Natural Gas Power

Nos.	Power Plant	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)
●	Shanghai Power	2,432.2	15.08	366.8
Total		**2,432.2**		**366.8**

As at 31 December 2017, the Group's total attributable installed capacity was 17,051.6MW, of which attributable installed capacity of clean energy was 4,695.9MW, accounting for 27.54% of all attributable installed capacity.

PROJECTS UNDER CONSTRUCTION

As at 31 December 2017, the Group's projects under construction are as follows:

Nos.	Power Plant	Type of Power Plant	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)
C12	Pu'an Power Plant	Coal-fired power	1,320	95	1,254
C5	Dabieshan Power Plant	Coal-fired power	1,320	51	673.2
C13	Shangqiu Power Plant	Cogeneration of heat and power	700	100	700
H20	Luoshuidong Power Plant	Hydropower	35	63	22.1
H21	Mawo Power Plant	Hydropower	32	63	20.2
H1	Wu Qiang Xi Power Plant	Hydropower	500	63	315
W10	Lianyuan Longshan Power Plant	Wind power	49.9	44.1	22
W11	Jingzhushan Power Plant	Wind power	50	63	31.5
W12	Weishan Power Plant	Wind power	70	63	44.1
W13	Songmutang Power Plant	Wind power	50	63	31.5
W14	Taihexian Power Plant	Wind power	50.5	63	31.8
W15	Ziyunshan Power Plant	Wind power	50	44.1	22.1
W16	Shangjiangxu Power Plant	Wind power	70	44.1	30.9
W17	Shiziling Power Plant	Wind power	50	63	31.5
W18	Jinzixian Power Plant	Wind power	50	63	31.5
P21	Wangjiachong Power Station	Photovoltaic power	20	63	12.6
P22	Liannan Power Station	Photovoltaic power	20	44.1	8.8
Total			**4,437.4**		**3,282.8**

NEW DEVELOPMENT PROJECTS

As at the date of this annual report, the total installed capacity of new projects in a preliminary development stage (including projects which the approvals from government of the PRC have been applied for) is approximately 4,500MW. The categories are distributed as follows:

Type of Power Plant	Installed Capacity (MW)
Renewable energy (hydropower, wind power and photovoltaic power)	1,400
Natural gas power	1,100
Coal-fired power/Cogeneration of heat and power	2,000
Total, approximately	**4,500**

ULTIMATE CONTROLLING COMPANY — SPIC

The Company is ultimately owned by SPIC, a wholly State-owned enterprise established by the approval of the State Council of the PRC. The business of SPIC includes power, coal, aluminum, logistics, finance, environmental protection and high-tech industries, etc. with a total installed capacity of approximately 126GW.

Major Events in 2017

January

China Power announced its total electricity sold for the year in 2016 amounted to 60,760,318MWh, representing a decrease of 0.18% over 2015.

A coal-fired power generating unit of Yaomeng Power Plant with installed capacity of 310MW had ceased commercial operation officially.

March

China Power announced its annual results for 2016, of which the profit attributable to owners of the Company amounted to RMB2,365,868,000, representing a decrease of 28.78% (excluding the one-off after tax gain on disposal of partial interest in Shanghai Power) over 2015.

April

Xintai Power Station, a wholly-owned subsidiary of China Power, entered into an EPC contracting agreement with Shandong Institute.

China Power announced its total electricity sold for the first quarter in 2017 amounted to 14,878,524MWh, representing a decrease of 2.84% over the same period in 2016.

May

China Power announced that the RMB2 billion bonds due 2017 had been redeemed and settled in full at their principal amount together with the accrued interest and was withdrawn from listing on the Hong Kong Stock Exchange.

June

Yantai Energy Investment, a wholly-owned subsidiary of China Power, formed a joint venture with Shandong Energy and Guorui New Energy to develop, construct, invest and operate offshore wind power generation, onshore wind power generation, photovoltaic power generation, integrated intelligent energy and other energy projects in Shandong Province of the PRC.

China Power held its annual general meeting in Hong Kong. All the resolutions were passed in the meeting.

China Power announced changes in Directors that Mr. WANG Binghua resigned as a non-executive Director and the Chairman of the Board; Mr. WANG Zichao resigned as an executive Director; Mr. TIAN Jun was appointed as an executive Director and the President of the Company; Mr. WANG Xianchun was appointed as a non-executive Director; and Mr. YU Bing was appointed as the Chairman of the Board and simultaneously ceased to be the President of the Company.

China Power published the Environmental Protection and Social Responsibility Report 2016.

July

China Power announced its total electricity sold for the first half of 2017 amounted to 29,639,547MWh, representing a decrease of 8.94% over the same period in 2016.

August

Pu'an Power Plant and Shangqiu Power Plant, subsidiaries of China Power, individually entered into a project tender and facilities services agreement with CEC.

China Power announced its interim results for 2017, of which the profit attributable to owners of the Company amounted to RMB425,138,000, representing a decrease of 77.93% over the same period in 2016.

September

China Power announced that benchmark on-grid tariffs of certain coal-fired power plants operated by it were adjusted upward.

October

China Power announced the proposed acquisitions of the entire equity interest in seven target companies, including Guangdong Company (excluding Qian Zhan), Guangxi Company, Sihui Company, Anhui Company, Hubei Company, Shandong Company and Shouxian Company from SPIC and CPI Holding, its holding companies, at a consideration of RMB4,969,321,000, most of which would be financed by way of fund raised through rights issue; it simultaneously announced not to proceed with the proposed acquisition of SPIC Henan Electric Power Co., Ltd. for the time being.

China Power announced the proposed rights issue on the basis of up to one rights share for every three then existing shares held to those qualifying persons whose names appeared on the register of the Company on the record date.

China Power announced its total electricity sold for the first three quarters in 2017 amounted to 49,164,465MWh, representing a slight increase of 0.89% over the same period in 2016.

China Power announced the adoption of new company logo with effect from 26 October 2017.

November

China Power held its extraordinary general meeting in Hong Kong. The ordinary resolution to approve, confirm and ratify certain agreements in relation to the acquisitions of clean energy projects dated 9 October 2017 entered into between the Company, SPIC and CPI Holding and all the transactions contemplated thereunder was duly passed at the extraordinary general meeting.

China Power announced the rights issue on the basis of one rights share for every three then existing shares held on the record date at the subscription price of HK$1.82 per rights share.

December

China Power announced the results of the rights issue and 2,451,721,580 rights shares were allotted and issued, resulting in an increase in the number of issued shares of the Company to 9,806,886,321 shares.

Letter to Shareholders

BUSINESS REVIEW OF 2017

In 2017, the Group adhered to the efficiency-oriented principle and actively responded to market changes. Proactive measures were adopted to promote transformation and development and hence ensured that the operating targets for the year can be achieved. In 2017, the Group's total electricity sold for the year increased by 5.42% as compared with the previous year, total revenue increased by 5.83% as compared with the previous year, and the net profit attributable to owners of the Company amounted to RMB795,272,000.

In 2017, the production and operation of the Group remained stable. Under the unfavourable condition of high coal price in the market, the Group gave its best effort to cope with the operating difficulties of coal-fired power segment and therefore not only obtained an increased volume of electricity sold through direct power supply, but also recorded an increase in utilization hours of coal-fired power of 10.50% as compared with the previous year, which is higher than the average growth rate nationwide. The Group also actively strived to obtain favourable tariff, increased the number of heat-supply power generating units through technical upgrades and diversified its sources of revenue. Facing the climatic condition of year-on-year decrease of rainfall in the area where the Group's hydropower plants are located, the Group maintained stable results for its hydropower segment by leveraging its advantages in whole watershed dispatchment. Meanwhile, the wind power and photovoltaic power segments also recorded significant growth in profit.

The Group continued to build cleaner energy mix. During the year under review, all of the Group's additional power generation installed capacities for the year came from clean energy. As at the end of 2017, clean energy accounted for 27.54% of the Group's attributable installed capacity, representing an increase of 3.06 percentage points as compared with that of 2016 and continued to maintain a relatively high level of clean energy proportion. In October last year, the Group entered into agreements with CPI Holding and SPIC, its parent companies, whereby the Group proposed to acquire Guangxi Company, Guangdong Company, Sihui Company, Anhui Company, Shouxian Company, Hubei Company and Shandong Company with all target assets being clean energy. It is estimated that upon the completion of the acquisitions, clean energy will exceed 40% of the Group's attributable installed capacity. The acquisitions fully demonstrated SPIC's solid support for the Group, which will help to accelerate the Group's transformation towards a clean energy company that focus on hydropower. During the year under review, the Group completed the works in relation to ultra-low-emission technical upgrade for all of its coal-fired power generating units in operation and hence realized comprehensive purification of its coal-fired power. The Group also shut down a 310MW coal-fired power generating unit and actively sought for cooperation to reduce the shareholding proportion in coal-fired power business.

The Group has also achieved good results in various aspects. The Group has strengthened its process management to ensure the proportion of long-term coal contracts and controlled against the rising fuel costs with its best endeavours. During the year under review, the Group realized year-on-year decrease in staff costs, repairs and maintenance and finance costs, demonstrating reasonably well performance in terms of cost control.

The Group optimized its debt structure, diversified its financing channels and controlled its capital expenditure. Gearing ratio recorded year-on-year decrease and remained at a reasonable level, illustrating the Group's healthier capital structure and enhanced anti-risk ability.

The Group's comprehensive energy projects in places such as Guangdong, Sichuan, Beijing and Anhui were well underway. The Group has also commenced cooperation in research and development of environmental technology with technically-advanced companies with a view to pushing forward the construction of digitalized power plant and the development of intelligent energy management system, which has in turn promoted a new form of development in the energy industry.

The Group pragmatically fulfilled its social responsibility, aiming to establish a production environment that is safe, healthy and environmental friendly and develop itself into a resource-saving and environmental friendly enterprise. Upholding the principle of creating values while fulfilling social responsibilities, the Group conducted its business in a responsible manner in the places where it operates with a view to driving local economic and social development.

The Group's development in 2017 would not have been possible without the support of its shareholders. As a reward to its shareholders, the Board has resolved to recommend a cash dividend of RMB0.081 (tax inclusive) per share for all its shareholders with all of the net profit attributable to owners of the Company for 2017 to be used for distribution of dividends.

OUTLOOK FOR 2018

Year 2018 marked the beginning of the implementation of the spirit of the 19th National Congress of the Communist Party of China as well as the 40th anniversary of the reform and opening-up of China. It is also a critical year for the implementation of the "13th Five-Year Plan", signifying that the national economic development has entered into a new era. Moreover, the government continued to deepen the supply-side structural reform, the reform of State-owned capital and State-owned enterprises and power system reform, which has brought about both opportunities and challenges for the energy industry. In this regard, the Group will continue to accelerate its transformation and enhance its market competitiveness to achieve high quality and sustainable development.

In 2018, the Group will dedicate efforts to the following key areas:

Put in all-out effort to achieve various operating targets and maintain stable profitability for the hydropower business and promote rapid growth of the wind power and photovoltaic power businesses. Based on the changes in national policies and market conditions, the Group will strengthen its efforts in management and control of fuel costs, actively strive for more favourable tariff policies, strengthen its management over direct power supply so as to turnaround from the difficult operating environment of coal-fired power segment. The Group will actively diversify its sources of revenue and strictly control various costs, at the same time enhancing the operation efficiency of its existing assets. It will also strive to complete the delivery of the newly acquired clean energy assets as soon as possible in order to realize the profitability of the new assets.

Promote transformation and development and optimize its asset structure. The Group will vigorously develop its clean energy projects and dispose some of its equity interests in coal-fired power enterprises with a view to lowering its reliance on traditional energy and expediting its transformation towards a clean energy company that focus on hydropower. It will also develop comprehensive energy projects that cater to market demand and user demand, and develop intelligent energy projects by integrating advanced energy technology and internet technology, thereby accelerating its transformation towards a comprehensive energy company.

Control leverage and prevent risks. The Group will optimize its debt structure, diversify the financing channels, and control its gearing ratio at a reasonable level. It will also control its capital expenditure, at the same time ensuring necessary investment for research and development of quality clean energy, comprehensive intelligent energy and new-high technology so as to support the smooth transformation of the Group. It will prevent and control risks in relation to operation and internal supervision so as to maintain stable operation on a continuous basis.

Deepen reform and innovation, enhance the management level and expedite the establishment of a flexible and efficient market-oriented mechanism. The Group will place strong emphasis on talent cultivation and incentive with excitation to vitalizing the enterprise. It will also adopt active measures to seize opportunities arising from the further deepening of the power system reform and the reform of State-owned capital and State-owned enterprises.

Looking forward, the Group will adhere to the transformation and development strategy to actively cope with challenges and seize opportunities, striving to become a world's leading energy enterprise with enhanced value creation ability so as to bring better return to its shareholders.

YU Bing
Chairman of the Board

22 March 2018

Directors and Senior Management Profiles

CHAIRMAN OF THE BOARD

YU Bing, born in 1967, is the Chairman of the Board, an executive Director, the chairman of the Executive Committee and the Risk Management Committee. He joined the Group in 2014. Mr. YU is a senior engineer and has a bachelor degree in thermal power engineering from Xi'an Jiaotong University and an executive master of business administration degree from Tsinghua University. Mr. YU is currently the chairman of CPI Holding and a director of CPDL. He previously served as the President of the Company, the general manager of CPI Holding, the general manager of Yaomeng Power Plant, the general manager of CP Maintenance Engineering, the deputy general manager of CPI Northeast China Power Company Limited and the deputy general manager of Shandong Nuclear Power Company Limited.

EXECUTIVE DIRECTOR

TIAN Jun, born in 1966, is an executive Director, the President of the Company and the member of the Executive Committee. He joined the Group in 2017. Mr. TIAN is a senior engineer at professor level and has a master degree in engineering from Taiyuan University of Technology. Mr. TIAN is currently a director and the general manager of CPI Holding. He previously served as the general manager of Hejin Power Branch of Zhangze Electric Power Co., Ltd., the deputy general manager and the chief engineer of CPI Power Operation Co., Ltd., the deputy general manager of CPI Xinjiang Energy Co., Ltd., the deputy director of the Safety and Environmental Protection Supervision Department of SPIC (formerly known as China Power Investment Corporation, "CPIC"). From June 2015 to April 2017, Mr. TIAN was a director and the general manager of State Power Investment Corporation Yuanda Environmental Protection Co., Ltd. whose shares are listed on the Shanghai Stock Exchange.

NON-EXECUTIVE DIRECTORS

GUAN Qihong, born in 1962, is a non-executive Director. He joined the Group in 2008. Mr. GUAN is a senior economist and a senior auditor and has a bachelor degree in engineering from Huazhong Institute of Technology, a master degree in economics from Zhongnan University of Economics and a doctoral degree in economics from Xiamen University. Mr. GUAN is currently the chief capital market officer of SPIC, a director of the SPIC Financial and a director of the CPI Holding. He previously served as the commissioner of Asset Assessment Centre of National Asset Management Bureau, the deputy secretary-general of China Appraisal Society, the assistant to the head of Finance and Property Ownership Management Department of the State Power Corporation of China, the chief economist of State Grid Shenzhen Energy Development Group Co., Ltd and the supervisor of the Capital Market and Equity Department of CPIC.

Directors and Senior Management Profiles

WANG Xianchun, born in 1962, is a non-executive Director. He joined the Group in 2017. Mr. WANG is a senior engineer and has a bachelor degree in power equipment for hydropower plant from Wuhan University of Water and Power Resources. Mr. WANG is currently a director of CPI Holding, a special duty director and supervisor of SPIC, a director of Shanghai Power and a supervisor of Jilin Electric Power Co., Ltd.. He previously served as the deputy manager of the Planning and Development Department of CPIC, the supervisor of the Department of Integrated Industry of CPIC, the general manager of the branch company of CPIC in Southern China, an executive director and the general manager of CPI Southern Power Co., Ltd. and an executive director of Guangdong Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

KWONG Che Keung, Gordon, born in 1949, is an independent non-executive Director, the chairman of the Audit Committee, a member of the Remuneration and Nomination Committee and the Risk Management Committee. He joined the Group in 2004. Mr. KWONG is currently an independent non-executive director of a number of companies listed in Hong Kong and overseas, including NWS Holdings Limited, OP Financial Investments Limited, Global Digital Creations Holdings Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Agile Group Holdings Limited, Chow Tai Fook Jewellery Group Limited, FSE Engineering Holdings Limited and Piraeus Port Authority S.A.. Mr. KWONG was a partner of Pricewaterhouse from 1984 to 1998 and was a council member of the Hong Kong Stock Exchange from 1992 to 1997. Mr. KWONG has a bachelor degree in social science from The University of Hong Kong and is a fellow member of the Institute of Chartered Accountants in England and Wales and a fellow member of Hong Kong Institute of Certified Public Accountants.

LI Fang, born in 1962, is an independent non-executive Director, the chairman of the Remuneration and Nomination Committee, a member of the Audit Committee and the Risk Management Committee. He joined the Group in 2004. Mr. LI has a bachelor degree in mechanical engineering from University of Science and Technology Beijing and a juris doctoral degree from the College of Law of Arizona State University in the United States in 1995. Mr. LI is currently an independent non-executive director of China Power Clean Energy Development Company Limited and a director of Qinhuangdao Chincell-Town Foods Co., Ltd.. Mr. LI has extensive experience in business management and corporate finance. He previously served as an executive director of Goldman Sachs (Asia) L.L.C. and a lawyer with Davis Polk and Wardwell LLP in the United States.

YAU Ka Chi, born in 1958, is an independent non-executive Director, a member of the Remuneration and Nomination Committee, the Audit Committee and the Risk Management Committee. He joined the Group in 2016. Mr. YAU has over 30 years of professional accounting services experience including 20 years in serving China enterprises. He had worked for Ernst & Young in its Hong Kong, Toronto and Beijing offices with primary focus in providing professional services in accounting and audit, initial public offering, and corporate restructuring before retiring in September 2015. During his professional career with Ernst & Young, Mr. YAU had been appointed as the professional practice director of Greater China, the assurance leader for China North Region, the oil & gas industry leader of Greater China and the assurance leader of the Energy & Resources Markets Segment of Greater China. Mr. YAU is currently an independent non-executive director of Yihai International Holding Ltd. and China Mengniu Dairy Company Limited, both companies are listed on the Main Board of the Hong Kong Stock Exchange.

Mr. YAU holds a professional diploma in company secretaryship and administration from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) and is a member of the American Institute of Certified Public Accountants, the Illinois CPA Society and the Hong Kong Institute of Certified Public Accountants. Mr. YAU is also holds a certified public accountant license issued by the Illinois Department of Financial and Professional Regulation, the United States.

SENIOR MANAGEMENT

HUANG Yuntao, born in 1965, is a vice president of the Company. Mr. HUANG is a senior engineer. He graduated from HeFei University of Technology with a bachelor degree in power system and automation. Mr. HUANG also acts as the deputy general manager of CPI Holding. He was involved in the works of the Group's power plants prior to the Company's listing in 2004. Mr. HUANG previously served as the chief human resource officer of the Company, the chief human resource office of CPI Holding, the general manager of Wuhu Power Plant and the general manager of the Information Technology Department of CPI Holding.

Directors and Senior Management Profiles

HE Lianhui, born in 1970, is the financial controller of the Company. Mr. HE is a senior accountant. He graduated from Dongbei University of Finance and Economics with a master degree in accounting. Mr. HE also acts as the financial controller of CPI Holding. He joined the Group in 2008. Mr. HE previously served as the chief accountant of Jilin Power Supply Bureau, the deputy head of the finance department of Jilin Province Electric Power Company Limited, the general manager of the Finance and Property Management Department and the Finance Department of CPI Holding, the deputy chief accountant of CPI Holding, the financial controller of Wu Ling Power and the financial controller of the Hunan branch of CPIC.

SUN Guigen, born in 1966, is a vice president of the Company. Mr. SUN is a senior engineer. He graduated from Shanghai University of Finance and Economics with an executive master of business administration degree. Mr. SUN also acts as the deputy general manager of CPI Holding. He was involved in the works of the Group's power plants prior to the Company's listing in 2004. Mr. SUN previously served as the chief engineer of the Company and CPI Holding, the deputy chairman of Changshu Power Plant, the chairman of Fuxi Power Plant, the general manager of Dabieshan Power Plant, the deputy general manager of CP Maintenance Engineering and the deputy general manager of Pingwei Power Plant.

ZENG Xuefeng, born in 1976, is a vice president of the Company. Mr. ZENG is a senior engineer. He graduated from Shanghai Jiao Tong University with a bachelor degree in thermal power engineering and a master degree in power engineering. Mr. ZENG also acts as the secretary of the disciplinary commission and the chairman of labour committee of CPI Holding. He joined the Group in 2016. Mr. ZENG previously served as the secretary of the disciplinary commission of SPIC, the general manager of Shanghai-Electric-Power Caojing Power (Shanghai) Co., Ltd., the head of the General Office of Shanghai Power, the deputy general manager of Huaihu Coal Power Co., Ltd. and the factory director of Tianji Power Plant.

XU Wei, born in 1973, is a vice president and the chief legal advisor of the Company. Ms. XU holds a bachelor degree in law from China University of Political Science and Law, an LLM from Peking University and a lawyer qualification in China. Ms. XU also acts as the deputy general manager and chief legal advisor of CPI Holding. She joined the Group in 2004. Ms. XU previously served as the head of the General Office of the Board of Directors and the general manager of the Legal Affairs Department of the Company and CPI Holding.

SHOU Rufeng, born in 1974, is a vice president of the Company. Mr. SHOU is a certified public accountant. He graduated from Renmin University of China with a bachelor degree in economics and Cranfield University in the United Kingdom with a master degree in business administration. Mr. SHOU also acts as the deputy general manager of CPI Holding. He was involved in the capital planning of the Group prior to the Company's listing in 2004. Mr. SHOU previously served as the senior manager of the Capital Markets & Investor Relations Department of CPI Holding, the capital operations director and the general manager of the Capital Markets & Investor Relations Department of the Company and CPI Holding.

YANG Yufeng, born in 1976, is the chief economist of the Company. Mr. YANG is a senior economist. He graduated from Renmin University of China with a master degree in business administration. Mr. YANG also acts as the chief economist of CPI Holding. He joined the Group in 2004. Mr. YANG previously served as the general manager of Human Resources Department of the Company, the general manager of Yaomeng Power Plant, and the senior manager of Human Resources Department of SPIC.

XUE Xinchun, born in 1966, is the chief engineer of the Company. Mr. XUE is a senior engineer. He graduated from Southeast University with a master degree in electrical engineering. Mr. XUE also acts as the chief engineer of CPI Holding. He was involved in the works of the Group's power plants prior to the Company's listing in 2004. Mr. XUE previously served as the deputy general manager of Pingwei Power Plant, the general manager of Liaoning Qinghe Electric Power Company Limited, Wuhu Power Plant and China Power Hua Chuang Electric Power Technology Research Company Limited, the deputy chief engineer and the general manager of the Technology and Information Department of the Company, the general manager of Beijing China Power Huizhi Technology Company Limited.

COMPANY SECRETARY

CHEUNG Siu Lan is the Company Secretary of the Company. Ms. CHEUNG is a fellow member of The Hong Kong Institute of Chartered Secretaries, The Institute of Chartered Secretaries and Administrators in the United Kingdom, Hong Kong Institute of Certified Public Accountants and CPA Australia. She has a bachelor degree in commerce from The University of Queensland, Australia and obtained a master degree in professional accounting and a postgraduate diploma in corporate administration from The Hong Kong Polytechnic University. Ms. CHEUNG previously served as the company secretary and the group financial controller of a listed group in Hong Kong. She has extensive experience in the fields of corporate governance, corporate finance and mergers and acquisitions.

Management's Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in generation and sales of electricity in Mainland China, including investment, development, operation and management of coal-fired power, hydropower, wind power and photovoltaic power plants. Its businesses are located in the major power grid regions of China.

In 2017, the national total electricity consumption rose by 6.6% as compared with the previous year, representing an increase of 1.6 percentage points in growth rate over 2016. The national power generation recorded an increase of 6.5% as compared with the previous year. Among which, coal-fired power increased by 5.2% as compared with the previous year; and hydropower increased by 1.7% as compared with the previous year. As of the end of 2017, the additional national power generation installed capacity recorded a year-on-year increase of 7.6%, the growth rate slowed down as compared with the previous year. Overall, the growth rate of national electricity supply and demand in 2017 was more stable than in the previous year.

In 2017, affected by the coal industry de-capacity policy and the volume restriction on imported coal, the coal prices in the PRC remained high throughout the year, and the average coal price during the year was significantly higher than in 2016. Impacted by the high coal price, the Group's fuel costs had increased substantially over the previous year with a rise in unit fuel cost of more than 30%, resulting in a loss in the coal-fired power business. However, the result performance of the clean energy business was satisfactory. Profits from hydropower supported the Group's overall profitability. The newly operating wind power plants and photovoltaic power stations also contributed to the full-year profit.

In 2017, the total electricity sold by the Group amounted to 64,053,714MWh, representing an increase of 5.42% as compared with the previous year, and the profit attributable to owners of the Company was RMB795,272,000, representing a decrease of 66.39% as compared with the previous year. Basic earnings per share was RMB0.10. As at 31 December 2017, net assets per share, excluding non-controlling interests, was RMB3.04.

In 2017, the Group adhered to the "transformational development" strategy to accelerate the transformation towards low-carbon enterprise. The Group has stepped up its efforts in the development of clean energy in recent years and the total installed capacity of clean energy continued to grow, among which the total installed capacity of operating wind power and photovoltaic power has exceeded 1,000MW. The Group acquired high-quality asset companies from its parent companies during the last quarter of last year. The companies are located in five provinces and autonomous regions in Guangdong, Guangxi, Anhui, Hubei and Shandong, and owned a number of clean energy projects in operation or under construction. It is expected that the Group's installed capacity of clean energy under commercial operation will increase by nearly 2,000MW upon completion of the acquisitions, which will help to enhance the Group's profitability and bring about opportunity for further expansion.

The Group devoted its efforts in enhancing the operational capacity of its coal-fired power segment, strengthening its electricity sales initiatives, developing the direct power supply market in an orderly manner, and actively promoting direct power supply transactions with large-volume end-users. During the year under review, the average utilization hours of coal-fired power of the Group recorded a year-on-year increase of 390 hours, which was higher than the increase in the national average utilization hours of coal-fired power. In order to proactively strive for favorable tariff policies, all the nineteen coal-fired power generating units of the Group had completed the ultra-low-emission technical upgrades, of which seventeen generating units secured ultra-low emission tariffs, which in turn resulted in an increase in the average on-grid tariffs of the Group's coal-fired power. Moreover, in order to expand its source of income, the Group took proactive measures to develop its market share in sales of heat and the volume of heat sold (including an associate and a joint venture) grew by 24.28% year-on-year.

The Group continued to explore new business models for the development of the energy industry. Significant efforts were devoted to develop integrated energy projects (i.e. to supply electricity, heat, cold energy and industrial water simultaneously to users) and focused on investment in the key economic development zones in the PRC. Among which, the integrated energy projects in Anhui Hefei, Sichuan Chengdu, Sichuan Deyang, Guangdong Jiangmen and other cities have been progressing smoothly and the intelligent energy project located in Beijing has also obtained approval from the government. These integrated energy and intelligent energy projects have laid a sound and solid foundation for the Group's development layout in the future.

Power Generation and Electricity Sold

In 2017, the details of power generation and electricity sold of the Group are set out as follows:

	2017 MWh	2016 MWh	Changes %
Total power generation	**66,683,402**	63,403,445	5.17
— Coal-fired power	**48,021,260**	44,604,876	7.66
— Hydropower	**17,067,759**	18,075,229	–5.57
— Wind power	**912,880**	465,293	96.19
— Photovoltaic power	**681,503**	258,047	164.10
Total electricity sold	**64,053,714**	60,760,318	5.42
— Coal-fired power	**45,653,048**	42,244,478	8.07
— Hydropower	**16,852,555**	17,819,196	–5.42
— Wind power	**877,683**	441,614	98.74
— Photovoltaic power	**670,428**	255,030	162.88

In 2017, the electricity sold of the Group's major associates and joint ventures are set out as follows:

	2017 MWh	2016 MWh	Changes %
Total electricity sold	**19,579,150**	20,498,973	–4.49
Changshu Power Plant			
— Coal-fired power	**16,138,900**	16,988,901	–5.00
— Photovoltaic power	**62,323**	14,693	324.17
Xintang Power Plant			
— Coal-fired power	**3,377,927**	3,495,379	–3.36

In 2017, the total electricity sold by the Group increased by 5.42% as compared with the previous year. In respect of coal-fired power, despite the Group arranged suspension of certain coal-fired power generating units for ultra-low-emission technical upgrade works and overhaul maintenance and repairs in the first half of the year, resulting in a slight year-on-year decrease in electricity sold in the first half of the year, the overall annual electricity sold of coal-fired power still grew by 8.07% as compared with the previous year. Electricity sold of wind power and photovoltaic power were up by 98.74% and 162.88% year-on-year respectively under the Group's vigorous efforts in promoting the development of clean energy.

Heat Sold

In 2017, the total heat sold by the Group (including an associate and a joint venture) was 17,458,011GJ, representing an increase of 3,410,517GJ or 24.28% as compared with the previous year.

In recent years, the Group has started to develop heat supply projects and carried out heat supply renovations for existing coal-fired power generating units which are suitable for heat supply in order to use residual heat as a new source to boost profit growth. As of 31 December 2017, the Group has accumulatively completed the heat supply renovations for ten power generating units (including an associate) and the heat supply renovations of another two power generating units are expected to complete within 2018.

Direct Power Supply

The Group actively participated in the reform of national power system and market, closely tracked the roll-out of relevant reform policies and analyzed opportunities arising therefrom to increase electricity sold through direct power supply transactions, and gradually expand its market share. In 2017, a number of coal-fired power plants of the Group participated in direct power supply transactions, the electricity sold through direct power supply transactions amounted to 13,317,562MWh, accounting for approximately 20.79% of the Group's total electricity sold.

Direct power supply is a way of open market trading of electricity. The tariffs will vary with supply and demand in the electricity market. In 2017, the Group exercised effective control over the tariffs of direct power supply, the average post-tax tariff of direct power supply in the second half of the year increased by 4.82% as compared with the first half of the year. For those power plants of the Group which participated in direct power supply transactions, the average post-tax tariff of direct power supply was at a discount of approximately 8.70% as compared with the average post-tax benchmark on-grid tariff.

On-Grid Tariffs

In 2017, the Group's average on-grid tariffs as compared to the previous year were as follows:

- coal-fired power was RMB313.14/MWh, representing an increase of RMB4.06/MWh;
- hydropower was RMB284.62/MWh, representing a decrease of RMB18.14/MWh;
- wind power was RMB443.34/MWh, representing a decrease of RMB31.67/MWh; and
- photovoltaic power was RMB723.98/MWh, representing a decrease of RMB77.37/MWh.

The year-on-year increase in average on-grid tariff of coal-fired power of the Group was because of the upward adjustments to on-grid tariffs for coal-fired power from 1 July 2017. The decrease in average on-grid tariff of hydropower was mainly due to the downward adjustments of on-grid tariffs for hydropower plants located in Hunan Province from 1 September 2016. The decrease in average on-grid tariff of wind power was mainly due to some wind power plants located in northwest area participated in the market trading of electricity at discounted on-grid tariffs. The decrease in average on-grid tariff of photovoltaic power was mainly due to the downward adjustments of on-grid tariffs by the National Development and Reform Commission for new photovoltaic power stations during the year.

The Group will continue to closely monitor the developments of environmental protection policies of the PRC government and strengthen the research on green energy tariff policies in order to actively seek for more green energy subsidies and increase revenue.

Unit Fuel Cost

In 2017, the average unit fuel cost of the Group's coal-fired power business was RMB209.19/MWh, representing an increase of 35.48% from that of RMB154.41/MWh of the previous year. Since the second half of 2016, market coal price rose rapidly and continued to hover at high levels this year, resulting in a significant increase in fuel costs as compared with the previous year. During the year under review, the Group continued to strengthen the management over coal procurement, conduct detailed fuel indicator analysis, and explore new channels of coal supply by enlarging the scale of centralized procurement and making timely adjustment to its coal inventory level in response to market changes with a view to enhancing its bargaining power and proactively controlling the fuel costs.

Coal Consumption

In 2017, the net coal consumption rate of the Group was 304.23g/kWh, representing a decrease of 0.70g/kWh as compared with the previous year.

In recent years, several of the Group's environmental friendly power generating units with large capacity and high parameter have commenced operation, which have achieved substantial effect in energy saving and emission reduction and helped maintaining the net coal consumption rate at a low level.

Utilization Hours of Power Generating Units

In 2017, with the rise in national total electricity consumption and the Group's proactive participations in direct power supply transactions, compounded with the notable results achieved by the PRC government in controlling the pace of coal-fired power development in the year, the newly-installed capacity of coal-fired power nationwide fell significantly year-on-year. The average utilization hours of the Group's coal-fired power generating units had rebounded to 4,104 hours, representing an increase of 390 hours as compared with the previous year. The average utilization hours of hydropower generating units was 3,553 hours, representing a decrease of 227 hours as compared with the previous year. The average utilization hours of wind power generating units was 1,853 hours, representing an increase of 272 hours as compared with the previous year. The average utilization hours of photovoltaic power stations was 1,530 hours.

OPERATING RESULTS OF 2017

In 2017, the net profit of the Group amounted to RMB1,280,707,000, representing a decrease of RMB1,974,780,000 as compared with the previous year. During the year under review, clean energy business (hydropower, wind power and photovoltaic power) kept making significant profit contribution to the Group, while coal-fired power business reported an operating loss as a result of the substantial rise in fuel costs. In 2017, the net profits and losses from the principal business segments and their respective ratio of contribution to the total net profit were as follows:

- net profit from hydropower was RMB1,449,809,000 (113.20%, 2016: 58.06%);
- net profit from wind power was RMB29,759,000 (2.32%, 2016: 0.36%);
- net profit from photovoltaic power was RMB193,354,000 (15.10%, 2016: 1.82%); and
- net loss from coal-fired power was RMB392,215,000 (-30.62%, 2016: 39.76%).

As compared with 2016, the decrease in net profit was mainly due to the following factors:

- an increase in fuel costs of RMB3,023,070,000 due to the surge in unit fuel cost by RMB54.78/MWh as a result of the sustained high coal prices during the year; and

- a decrease in share of profits of associates and joint ventures by totaling RMB423,138,000.

However, the decrease in profit for the year under review was partly offset by the following factors:

- driven by a rise in electricity sold and the average on-grid tariff of coal-fired power, there is an increase in revenue of the coal-fired power of RMB1,238,656,000;

- with continuous efforts to control operating costs, other operating expenses decreased by RMB270,383,000; and

- the decrease in income tax expense by RMB458,711,000.

Revenue

The revenue of the Group was mainly derived from the sales of electricity. In 2017, the Group recorded a revenue of RMB19,966,811,000, representing an increase of 5.83% as compared with RMB18,866,153,000 of the previous year. The increase in revenue was mainly attributable to the increases in electricity sold and average on-grid tariff for coal-fired power as compared with the previous year, and the commencement of operation of a number of wind power plants and photovoltaic power stations during the year.

Segment Information

The reportable segments identified by the Group are now the "Generation and sales of coal-fired electricity", "Generation and sales of hydropower electricity", "Generation and sales of wind power electricity", and "Generation and sales of photovoltaic power electricity". During the year ended 31 December 2017, management has concluded that the "Generation and sales of wind and photovoltaic power electricity" segment should be reported separately, namely "Generation and sales of wind power electricity" and "Generation and sales of photovoltaic power electricity", which are both high potential growth businesses of the Group and therefore, are assessed and monitored separately by the chief operating decision maker. The comparative figures have been restated to reflect such change.

Operating Costs

Operating costs of the Group mainly consist of 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 2017, the operating costs of the Group amounted to RMB17,161,571,000, representing a rise of 18.91% as compared with RMB14,432,405,000 of the previous year. The increase in operating costs was mainly driven by the rapidly increase in coal prices during the second half of 2016 which maintained at high levels throughout 2017, resulting in a significant surge in fuel costs year-on-year. Under the Group's efforts to strengthen cost management, optimize resource allocation and stringently control expenses, the other operating costs other than fuel costs and depreciation fell, partly offsetting the negative effects brought by the increase in fuel costs.

Operating Profit

In 2017, the Group's operating profit was RMB3,108,454,000, representing a decrease of 41.90% as compared with the operating profit of RMB5,350,578,000 of the previous year. The decrease in operating profit was mainly due to the significant surge in fuel costs for coal-fired power.

Finance Costs

In 2017, the finance costs of the Group amounted to RMB1,855,603,000, representing a decrease of 10.27% as compared with RMB2,067,966,000 of the previous year. The Group strived to increase capital efficiency and actively replaced high-interest rate debts, while devoting efforts to monitor over the debt's interest rates level by utilizing the funding platform provided by SPIC Financial, making the actual interest rate of debts similar to that of 2016.

Share of Profits of Associates

In 2017, the share of profits of associates was RMB222,630,000, representing a decrease in profits of RMB317,723,000 or 58.80% as compared with the share of profits of RMB540,353,000 of the previous year. The decrease in profits was mainly because of the decreased profit contribution from an associate, Changshu Power Plant (principally engaged in coal-fired power generation and heat supply).

Share of Profits of Joint Ventures

In 2017, the share of profits of joint ventures was RMB44,743,000, representing a decrease in profits of RMB105,415,000 or 70.20% as compared with the share of profits of RMB150,158,000 of the previous year. The decrease in profits was mainly attributable to the significant decrease in profit contribution from a joint venture, Xintang Power Plant (principally engaged in cogeneration of heat and power).

Income Tax Expense

In 2017, income tax expense of the Group was RMB279,930,000, representing a decrease of RMB458,711,000 as compared with RMB738,641,000 of the previous year. The decrease was mainly due to the decline in operating profit.

For the years ended 31 December 2017 and 2016, certain subsidiaries of the Group were either exempted from PRC Enterprise Income Tax or entitled to the preferential tax rates of 7.5%, 12.5% or 15%.

Earnings per Share and Final Dividend

In 2017, the basic and diluted earnings per share for profit attributable to owners of the Company were RMB0.10 (2016 (Restated): RMB0.30) and RMB0.10 (2016 (Restated): RMB0.30) respectively.

At the Board meeting held on 22 March 2018, the Board recommended the payment of a final dividend for the year ended 31 December 2017 of RMB0.081 (equivalent to HK$0.1006 at the exchange rate announced by PBOC on 22 March 2018) per ordinary share (2016: RMB0.160 (equivalent to HK$0.1805) per ordinary share), totaling RMB794,358,000 (equivalent to HK$986,573,000) (2016: RMB1,176,826,000 (equivalent to HK$1,327,607,000)), which is based on 9,806,886,321 shares (2016: 7,355,164,741 shares) in issue on 22 March 2018 (2016: 23 March 2017).

ATTRIBUTABLE INSTALLED CAPACITY

As at 31 December 2017, the attributable installed capacity of the Group's power plant reached 17,051.6MW, representing a year-on-year increase of 323MW. Among which, the attributable installed capacity of coal-fired power was 12,355.7MW, representing 72.46% of the total attributable installed capacity, and the attributable installed capacity of clean energy including hydropower, wind power, photovoltaic power and natural gas power was 4,695.9MW in total, accounting for 27.54% of the total attributable installed capacity, representing an increase of 3.06 percentage points as compared with the previous year. All of the attributable installed capacity of the Group's existing natural gas power were originated from Shanghai Power.

In 2017, the Group continued to promote the construction of clean energy power plants, whereby the proportion of clean energy in our assets portfolio has gradually increased and is approaching further towards the goal of a resource-saving and environmental friendly enterprise.

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

Power Plant	Type of Power Plant	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)	Timeline for Commercial Operation
Jiesigou Power Plant	Hydropower	24	44.1	10.6	February 2017
Daqingshan Power Plant	Wind power	50	63	31.5	March 2017
Xinshao Longshan Power Plant	Wind power	50	63	31.5	April 2017
Xinping Power Plant	Wind power	49.5	32.1	15.9	September 2017
Yiyang Power Station	Photovoltaic power	20	44.1	8.8	April 2017
Xiangtan Power Station	Photovoltaic power	11	44.1	4.9	May 2017
New Barag Left Banner Power Station	Photovoltaic power	10	63	6.3	July 2017
Pu'an New Energy^	Photovoltaic power	100	100	100	July to December 2017
Gaotang Power Station	Photovoltaic power	20	44.1	8.8	July 2017
Yuhan Power Station	Photovoltaic power	20	44.1	8.8	July 2017
Xiejiaji Power Station	Photovoltaic power	70	100	70	August 2017
Ruicheng Power Station	Photovoltaic power	80	100	80	September 2017
Xintai Power Station	Photovoltaic power	100	100	100	November 2017
Xintian Power Station	Photovoltaic power	20	63	12.6	December 2017
Total		**624.5**		**489.7**	

^ Pu'an New Energy included two photovoltaic power projects, namely Xindian (50MW) and Qingshan (50MW).

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 323MW after taking into account the followings (i) the attributable installed capacity of 22.5MW from the second phase of a photovoltaic power station of Changshu Power Plant, an associate, commencing commercial operation, (ii) the shutting down of a generating unit of 310MW of Yaomeng Power Plant, and (iii) the changes in the installed capacity of Shanghai Power.

PROJECTS UNDER CONSTRUCTION

As at 31 December 2017, the Group's projects under construction are as follows:

Power Plant	Type of Power Plant	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)	Expected Timeline for Commercial Operation
Pu'an Power Plant	Coal-fired power	1,320	95	1,254	2018
Dabieshan Power Plant	Coal-fired power	1,320	51	673.2	2019
Shangqiu Power Plant	Cogeneration of heat and power	700	100	700	2018
Luoshuidong Power Plant	Hydropower	35	63	22.1	2018
Mawo Power Plant	Hydropower	32	63	20.2	2018
Wu Qiang Xi Power Plant	Hydropower	500	63	315	2020
Lianyuan Longshan Power Plant	Wind power	49.9	44.1	22.0	2018
Jingzhushan Power Plant	Wind power	50	63	31.5	2018
Weishan Power Plant	Wind power	70	63	44.1	2019
Songmutang Power Plant	Wind power	50	63	31.5	2019
Taihexian Power Plant	Wind power	50.5	63	31.8	2020
Shangjiangxu Power Plant	Wind power	70	44.1	30.9	2018
Shiziling Power Plant	Wind power	50	63	31.5	2019
Jinzixian Power Plant	Wind power	50	63	31.5	2020
Ziyunshan Power Plant	Wind power	50	44.1	22.1	2019
Wangjiachong Power Station	Photovoltaic power	20	63	12.6	2018
Liannan Power Station	Photovoltaic power	20	44.1	8.8	2018
Total		**4,437.4**		**3,282.8**	

Note: During the year under review, Pu'an Power Plant entered into the capital contribution agreement with Qianxinan Industrial Investment (Group) Co., Ltd.. Upon completion of the capital contribution, the equity interest of Pu'an Power Plant held by the Company decreased from 100% to 95%.

NEW DEVELOPMENT PROJECTS

In response to the national supply-side reform, the Group actively stepped up its efforts in developing clean energy projects, and appropriately adjusted the development and construction of coal-fired power projects and controlled the relevant capital expenditure. The Group plans to slow down the construction of certain coal-fired power generating units and suspend certain development plans of coal-fired power generating units.

The coal-fired power projects that the Group has started construction are all projects that have been approved by the government, progressed according to the government's stipulated construction schedule, and matched with the planning of electricity demand in places where the project users are located.

Currently, the total installed capacity of new projects at a preliminary development stage (including projects with applications submitted to the PRC government for approvals) is approximately 4,500MW. In recent years, the Group has been actively seeking development opportunities in areas with rich resources as well as regional and market advantages, and devoting efforts to expedite the development of projects in the relevant locations. Currently, the total installed capacity of the clean energy projects (including natural gas power projects) at a preliminary development stage is approximately 2,500MW which are mainly located in Hunan, Shanxi and Xinjiang, the regions where the Group has competitive advantages.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group recognizes its shareholding in Shanghai Power as "Available-for-sale financial assets". As at 31 December 2017, the Group had interest in 15.08% of the issued share capital of Shanghai Power, whose A-shares were listed on the Shanghai Stock Exchange.

In December 2017, Shanghai Power issued consideration shares for acquisition of assets from its parent company, resulting in an increase in its registered capital, and thus the percentage of equity interest held by the Group in Shanghai Power was diluted from 16.98% to 15.08%.

As at 31 December 2017, the fair value of the shareholding held by the Group was RMB3,320,491,000, representing a decrease of 24.71% from that of RMB4,410,367,000 as at 31 December 2016.

MATERIAL ACQUISITIONS AND DISPOSALS

In October 2017, the Company entered into Acquisition Agreements with CPI Holding and SPIC respectively, pursuant to which the Company agreed to acquire 100% of equity interest in various companies principally engaging in clean energy power generation, including Guangdong Company (excluding Qian Zhan), Guangxi Company, Sihui Company, Anhui Company, Hubei Company, Shandong Company and Shouxian Company. The transactions would enlarge the Group's assets and business coverage and enhance its overall market competitiveness (please refer to the Company's announcement dated 9 October 2017 and circular dated 23 October 2017). Upon completion of the transactions, the Company would further hold a higher proportion of clean energy assets including large-scale hydropower, wind power, natural gas power, and centralized and distributed photovoltaic power projects. At present, the acquisitions are in the final stage for delivery, and the Group will expedite its completion and delivery of assets as soon as possible.

On 9 October 2017, the Company also announced that the Board had resolved not to proceed with the letter of intent dated 18 January 2016 regarding the proposed acquisition of 100% of the equity interest in SPIC Henan Electric Power Co., Ltd. (國家電投集團河南電力有限公司) from SPIC.

During the year under review, the Group did not have any other material acquisition or disposal.

LIQUIDITY, CASH FLOWS AND FINANCIAL RESOURCES

As at 31 December 2017, cash and cash equivalents of the Group were RMB4,577,786,000 (31 December 2016: RMB1,809,415,000). Current assets amounted to RMB9,319,946,000 (31 December 2016: RMB6,843,420,000), current liabilities amounted to RMB28,821,524,000 (31 December 2016: RMB22,271,150,000) and current ratio was 0.32 (31 December 2016: 0.31).

In 2016, the Company entered into a financial services framework agreement with SPIC Financial. According to the agreement, the deposit services to be provided by SPIC Financial to the Group would be on normal commercial terms or better (similar to or more favorable than those offered by other major commercial banks in PRC for the provision of comparable services), and the annual cap in respect of the maximum daily balance of deposit (including accrued interests) placed by the Group with SPIC Financial should not exceed RMB3 billion during the term of the agreement. During the period from 1 January 2017 to 31 December 2017, the Group deposited funds with SPIC Financial at the deposit rates higher than PBOC's benchmark interest rate for saving deposits and not lower than the agreed interest rate for saving deposits provided by major commercial banks in China for the same period on average, and the daily balance of deposit together with accrued interests did not exceed RMB3 billion. For the year ended 31 December 2017, the maximum amount of deposit placed by the Group with SPIC Financial was approximately RMB1.99 billion. In order to ensure that the relevant business is in compliance with the terms of the financial services framework agreement, the Company designated personnel to monitor the funds deposited with SPIC Financial and performed daily real-time inquiries on the funds deposited with the SPIC Financial, and also collected deposit rates offered by major domestic commercial banks for comparison with the deposit rates offered by SPIC Financial on a monthly basis.

During the year under review, the Group recorded a net increase in cash and cash equivalents of RMB2,829,558,000 (2016: RMB303,864,000), and its working capital is sufficient. In 2017, the details of changes in net cash of various activities were as follows:

- Net cash generated from operating activities amounted to RMB3,132,196,000 (2016: RMB6,116,849,000).
- Net cash used in investing activities amounted to RMB6,284,724,000 (2016: RMB8,438,661,000), which mainly represented the cash outflow of capital expenditure on the Group's property, plant and equipment and prepayments for construction of power plants.
- Net cash generated from financing activities amounted to RMB5,982,086,000 (2016: RMB2,625,676,000). The significant increase in cash inflow, as compared with the previous year, was mainly attributable to (i) the increase in net cash inflow from debts, and (ii) the proceeds of RMB3,734,047,000 (net of expenses) from the Company's financing by way of Rights Issue made on 15 December 2017.
- As at 31 December 2017 and up to the date of this annual report, the net proceeds raised from the Company's Rights Issue have not yet been utilized and are now deposited with certain banks in Hong Kong. It is designated to be applied towards the acquisitions of companies with clean energy projects from CPI Holding and SPIC as mentioned in the section "Material Acquisitions and Disposals" above. Such use is consistent with the intended use of proceeds from the Rights Issue as disclosed in the announcement and prospectus of the Company dated 8 November 2017 and 24 November 2017 respectively.

The financial resources of the Group were mainly derived from cash inflow from operating activities, borrowings from banks and related parties, project financing, issuance of bonds and short-term debentures/commercial paper and the Rights Issue.

DEBTS

As at 31 December 2017, total debts of the Group amounted to RMB51,640,030,000 (31 December 2016: RMB47,734,850,000). All debts of the Group are denominated in RMB, Japanese Yen ("JPY") or United States Dollars ("USD").

The Group's gearing ratio, calculated as net debt (being total debts less cash and cash equivalents) divided by total capital (being total equity plus net debt), as at 31 December 2017 was 56% (31 December 2016: 57%). The Group's gearing ratio remained stable.

In May 2014, the Company issued the corporate bonds of RMB2,000,000,000 for a term of three years at an interest rate of 4.50% per annum. In May 2017, the Company had fully redeemed and settled the principal amount of the bonds and the accrued interest as of the maturity date.

In October 2016, the Company issued the short-term commercial paper of RMB2,000,000,000 for one year at an interest rate of 2.80% per annum. In October 2017, the Company had fully redeemed and settled the principal amount of the short-term commercial paper and the accrued interest as of maturity date.

According to the above-mentioned financial services framework agreement which the Company entered into with SPIC Financial in 2016, the loan services to be provided by SPIC Financial to the Group would be on normal commercial terms or better (similar to or more favorable than those offered by other major commercial banks in PRC for the provision of comparable services), which would be beneficial to further enhancing the efficiency of fund management and controlling finance costs of the Group. As at 31 December 2017, the amount of borrowings granted by SPIC Financial was approximately RMB1.36 billion.

Set out below are details of the debts of the Group as at 31 December 2017 and 2016:

	2017 **RMB'000**	2016 RMB'000
Bank borrowings, secured	**13,516,324**	13,915,815
Bank borrowings, unsecured	**27,115,082**	19,594,595
Borrowings from related parties	**8,892,906**	5,463,511
Corporate bonds and short-term commercial paper issued by the Company	**–**	4,000,000
Corporate bonds and short-term debentures issued by Wu Ling Power	**999,544**	1,498,514
Commercial notes	**–**	2,081,100
Obligations under finance leases	**1,116,174**	1,181,315
	51,640,030	47,734,850

The above debts were repayable as follows:

	2017 RMB'000	2016 RMB'000
Within one year	**22,027,954**	16,318,561
In the second year	**5,694,607**	10,605,704
In the third to fifth year	**12,728,865**	9,579,743
After the fifth year	**11,188,604**	11,230,842
	51,640,030	47,734,850

Among the above debts, approximately RMB18,160,768,000 (31 December 2016: approximately RMB18,301,175,000) are subject to fixed interest rates, and the remaining debts denominated in RMB are subject to adjustment based on the relevant rules of PBOC and bearing interest rates ranged from 3.92% to 5.10% (2016: ranged from 3.92% to 5.39%) per annum.

SIGNIFICANT FINANCING ACTIVITIES

In the fourth quarter of 2017, the Company conducted the Rights Issue on the basis of one rights share for every three then existing shares. Upon completion of the Rights Issue, existing shares of the Company increased by 2,451,721,580 shares, with the total number of issued shares increased to 9,806,886,321 shares and raised net of expenses proceeds of RMB3,734,047,000. The proceeds will be used for the acquisitions of companies with clean energy projects from CPI Holding and SPIC as mentioned in the section "Material Acquisitions and Disposals" above.

As at 31 December 2017 and up to the date of this annual report, the net proceeds raised from the Company's Rights Issue have not yet been utilized and are now deposited with certain banks in Hong Kong. The intended use of the proceeds of the Rights Issue remains consistent with that disclosed in the announcement dated 8 November 2017 and the prospectus dated 24 November 2017 of the Company respectively.

Please refer to the announcements of the Company dated 9 October, 8 November and 14 December 2017 in relation to the acquisitions and the Rights Issue for details.

CAPITAL EXPENDITURE

In 2017, the capital expenditure of the Group was RMB8,501,931,000 (2016: RMB7,630,700,000). Among which, the capital expenditure for clean energy segment (hydropower, wind power and photovoltaic power) was RMB4,675,024,000, which was mainly used for construction of new power plants and power stations; whereas the capital expenditure for coal-fired power segment was RMB3,666,377,000, which was mainly used for construction of new environmental friendly coal-fired power generating units with large capacity and technical upgrade for the existing power generating units. Sources of funds were mainly derived from project financing, issuance of bonds and short-term commercial paper, funds generated from business operation and borrowings from related parties.

PLEDGE OF ASSETS

As at 31 December 2017, the Group pledged certain property, plant and equipment and prepaid lease payments with a net book value of RMB561,001,000 (31 December 2016: RMB604,248,000) to certain banks to secure bank borrowings in the amount of RMB257,820,000 (31 December 2016: RMB286,820,000). In addition, certain bank borrowings and borrowings from a related party totaling RMB13,267,104,000 (31 December 2016: RMB13,338,395,000) were secured by the rights on accounts receivable of certain subsidiaries of the Group. The accounts receivable secured under these borrowings amounted to RMB1,125,299,000 (31 December 2016: RMB1,125,880,000). As at 31 December 2016, bank deposit of RMB300,000,000 of a subsidiary of the Group was pledged as security for bank borrowings of RMB300,000,000. There was no such balance as at 31 December 2017.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no material contingent liabilities.

RISK MANAGEMENT

The Group has implemented all-rounded risk management, and has established a systematic and comprehensive risk management mechanism and internal control system. The Group sets up the Risk Management Committee which is accountable to the Board and responsible for assisting the Board in providing leadership, direction and oversight with regard to the overall risk appetite and tolerance and risk management framework of the Group, including risk policies, processes and controls. The Group also has the Internal Audit Department in place for execution and implementation of risk management measures. The details of the Group's risk management report for the year 2017 are set out in the section headed "Risk Management Report" of this annual report.

FOREIGN EXCHANGE RATE RISKS

The Group principally operates its businesses in Mainland China with most of its transactions denominating in RMB. Apart from certain bank and other borrowings as well as cash and cash equivalents, the Group's assets and liabilities are mainly denominated in RMB. The Group held commercial notes denominated in USD during the year and held borrowings denominated in JPY and USD at the end of 2017. The volatility of RMB exchange rate against USD and JPY increases the exchange rate risks of the Group, thus affecting its financial position and operating results.

In order to manage exchange rate risks, the Group entered into two option contracts in an aggregate amount of USD296,778,000 with Bank of America to sell RMB for USD at a fixed exchange rate in 2015 so as to hedge against the foreign exchange rate risk brought by USD denominated commercial notes. In June 2017, the option contracts were terminated and the Group had realized an accumulated pre-tax gain of RMB56,167,000.

As at 31 December 2017, the Group's borrowings denominated in foreign currencies amounted to RMB3,864,606,000 (31 December 2016: RMB2,520,170,000). The Group will continue to keep track on the exchange rate movements and, if necessary, take responsive measures to avoid excessive foreign exchange rate risks.

FUNDING RISKS

With the Group's efforts to strengthen its development of all kinds of power projects, funding adequacy will have an increasing impact on the Group's operations and development. The financing market is affected by a number of factors such as the liquidity of the lending market and the economic environment, which in turn may also affect the effectiveness and costs of the Group's borrowing.

The Group has always leveraged its capability of accessing Mainland China and overseas markets to optimize its funding sources, increase the credit facilities and lower its financing costs. Cost-saving and efficiency enhancement initiatives have also been adopted in the Group's business management to lower administrative and operating expenses. Management reports annually to the Board on the working capital budget for the year at the beginning of each year and estimates the required amount of annual credit facilities and facilities reserves to ensure that the Group has obtained adequate financial resources to support the continued operation and development of projects for the foreseeable future. Management will also review the situation regularly to make contingency measures. As at 31 December 2017, the Group had available unutilized facilities (from banks, a related party and short-term commercial paper) amounting to RMB34,725,200,000.

ENERGY SAVING AND EMISSION REDUCTION

The Group has always been placing a great emphasis on environmental protection from the perspective of corporate sustainable development, vigorously promoting energy saving and emission reduction, conscientiously fulfilling its social responsibilities and actively responding to global climate change.

In positive response to the policy of "Action Plan of the Upgrade and Renovation for Coal-fired Units to Achieve Energy Saving and Emission Reduction (2014-2020) (煤電節能減排升級與改造行動計劃 (2014-2020年))" issued by the PRC government, the Group continued to strengthen the environmental protection measures for its coal-fired power generating units. In 2017, the Group completed the ultra-low-emission technical upgrade works of six coal-fired power generating units in total. As of 31 December 2017, the Group had completed the ultra-low-emission technical upgrades of all nineteen coal-fired power generating units.

In 2017, the operational ratio of desulphurization facilities for the coal-fired power generating units of the Group was 100% (2016: 100%), and the efficiency ratio of desulphurization was 98.42% (2016: 96.67%); the operational ratio of denitration facilities reached 100% (2016: 99.92%) and the efficiency ratio of denitration reached 92.98% (2016: 84.14%).

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

- the emission rate of sulphur dioxide (SO_2) at 0.063g/kWh, representing a decrease of 0.087g/kWh as compared with the previous year;

- the emission rate of nitrogen oxide (NO_x) at 0.095g/kWh, representing a decrease of 0.090g/kWh as compared with the previous year; and

- the emission rate of flue gas and dusts at 0.013g/kWh, representing a decrease of 0.022g/kWh as compared with the previous year.

To prevent pollutants from exceeding the emission standards at source, the Group has also incorporated concepts and requirements of social responsibilities in the management of suppliers, and clearly stipulates that the materials must meet the standards of the relevant national environmental protection laws while signing material purchase contracts.

During the year under review, all the power plants in which the Group has operational control complied with the relevant environmental protection regulations of China. No fines or charges were imposed due to violation of regulations.

OPERATIONAL SAFETY

The Group's employees are equipped with labor tools and labor protection gears that are compliant with safety standards, while a variety of safety knowledge, safety skills training, as well as emergency training and drills have been arranged, as the Group continues to improve its conditions for operations in strict compliance with the Laws of The People's Republic of China on the Safety Production and the Laws of The People's Republic of China on the Prevention of Occupational Diseases and other laws and regulations relating to safety and hygiene.

In order to further enhance its core competitiveness and promote sustainable development, the Group has established the accredited QHSE "three standards" management system that complies with the international standards, which plays an important role for the Company to pioneer the innovative management model, enhance the management quality and promote transformational development.

In 2017, no material accident in the aspects of employees, facilities and environmental protection occurred in the Group.

During the year under review, all operating power plants in which the Group has operational control complied with the relevant safety production regulations of China. No fines or charges were imposed due to violation of regulations.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had a total of 9,780 (31 December 2016: 9,723) full-time employees.

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

The Group has also focused on the learning and training of employees and communication between employees of different positions, and continued to improve the professional and technical capacities and overall competence of its employees to satisfy the needs of its expanding businesses.

During the year under review, all business units in which the Group has operational controls complied with the local labor laws. No fines or charges were imposed due to violation of laws.

RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

We regard customers and suppliers as very important stakeholders. The Group have been maintaining good communication and establishing long-term and stable cooperative relationship with them. During the year ended 31 December 2017, there was no significant disputes with the customers and suppliers.

Relationship with customers

The Group is an independent power producer, because of the special nature of electricity production and sales, major customers are regional and provincial power grid companies and the Group sells the electricity generated by its power plants to power users through such power grid companies. The Group has been maintaining long-term and good customer relationships with the power grid companies in various locations where our power plants located. During the year under review, the aggregate amount of turnover attributable to the Group's five largest customers (regional power grid companies) accounted for 85.92% of the Group's total turnover.

In recent years, with the PRC government deepening the system reform of the power industry, the Group has been actively participating in the market-oriented direct electricity transactions. Moreover, the Group has established and invested in companies engaging in electricity sales and distribution business, and developed distributed and integrated intelligent energy project. In the meantime, the Group makes direct connection with the power users and develops and provides value-added services for them to maintain a good cooperation relationship. With the gradual deepening of market-oriented system reform of the power industry, the proportion of market transactions such as direct power supply will be further expanded.

Relationship with suppliers

The Group's major suppliers are coal production and sales enterprises, coal-fired power plants mainly purchase coal from neighboring coal production enterprises, and mainly under long-term contracts. The Group have been maintaining long-term and good relationships with major suppliers in order to ensure efficient coal procurement. During the year under review, the aggregate amount of purchases attributable to the Group's five largest suppliers (production materials like coal and consumables) accounted for approximately 70.02% of the Group's total purchases. The Group will continue to explore different procurement channels to ensure the stability of coal supply.

The Group strives to establish fair, just and stable mid-to-long-term cooperation with suppliers, strictly fulfills the contractual agreements, respects and treats each supplier equally. The Group has formulated a stringent and normative supplier selection and management system, established a suppliers review team and conducted strict reviews according to the integrity, quality assurance, punctuality of supply, price reasonableness, etc., in order to select better strength and more reputable suppliers to jointly maintain a healthy and orderly market environment.

The Group also incorporates concepts and requirements of social responsibilities in the management of suppliers, and clearly stipulates that the materials must meet the standards of the relevant national environmental protection laws while signing material purchase contracts, in order to prevent pollutants from exceeding the emission standards at source.

EVENTS AFTER THE REPORTING PERIOD

On 5 February 2018, Shanxi Shentou (a wholly-owned subsidiary of the Company) entered into the Joint Venture Agreement with Jiangsu Guoxin, China Coal Pingshuo, Datong Mine, Datang International and Shanxi Solar, pursuant to which the parties agreed to form a Joint Venture in Shanxi Province of the PRC. Pursuant to the Joint Venture Agreement, the registered capital of the Joint Venture is RMB6,000,000,000, and Shanxi Shentou's capital contribution shall representing 9% equity interests in the Joint Venture. The Joint Venture will invest and operate the Yanhuai UHVDC Matching Power Points Project through centralizing supply and distribution by collectively dealing of all sales and purchases of electricity from Shanxi to Jiangsu for the project.

The Company will use its interest in a non-wholly owned subsidiary (80% interest in CP Shentou) as Shanxi Shentou's second tranche contribution to the Joint Venture, which will result in a disposal of that subsidiary. Upon completion of the formalities for the relevant change of equity interest, CP Shentou will cease to be a subsidiary of the Company, and will not be consolidated into the Group's consolidated financial statements. The incidental CP Shentou Disposal is expected to reduce the overall operating costs and risks of the Group's coal-fired power business and will therefore benefit the Group. Please refer to the announcement of the Company dated 5 February 2018 for details.

OUTLOOK FOR 2018

Year 2018 is a critical year for the national economic "13th Five-Year" plan of the PRC, in which the supply-side structural reform, the reform of State-owned capital and State-owned enterprises and the power system reform will be pushed ahead on a continuous basis. The energy industry faces both opportunities and challenges simultaneously. The Central Economic Work Conference (中央經濟工作會議) noted that China's economic development has entered into a new era, and the national economy has transformed from a high-speed growth stage to a high quality development stage.

According to the forecast of China Electricity Council (中國電力企業聯合會), it is expected that the national total electricity consumption will maintain a steady growth in 2018 and increase by about 5.5% year-on-year. It is estimated that the additional national power generation installed capacity will amount to approximately 120 million kilowatt, of which the installed capacity of non-fossil energy power generation will be approximately 70 million kilowatt. The national electricity supply and demand will be basically in balance.

In 2018, the PRC government will continue to promote the supply-side structural reform in the energy industry. Pursuant to the "Guiding Opinions on Energy-related Work in 2018" (2018年能源工作指導意見) released by the National Energy Administration (國家能源局), the PRC government will further phase out outdated capacity of coal-fired power generation. It is expected that the nationwide scale of coal-fired power production throughout the year will be further reduced as compared to 2017. It will also implement the capacity replacement policy of coal-fired power and grant approval for the construction of a batch of large-scale modern coal mine in an orderly manner. Taken together, the future trend of domestic coal prices remains uncertain. However, since the power supply and demand in China will be further balanced and the proportion of the Group's clean energy installed capacity keeps expanding, the impact of coal price factors on the Group's operating results will be gradually lessened.

In 2018, the PRC government will deepen the reform of State-owned capital and State-owned enterprises in order to enhance the core competitiveness of its major businesses. It will push forward the power system reform by regulating the power market transaction behaviours, improving related complementary policies and speeding up efforts to foster new drivers for energy development. It will also continue to deepen the financial reform in order to enhance supervision on financial sector and prevent and control financial risks. Objectively speaking, the external financial environment requires enterprises to establish a more robust capital structure.

The Group's key works in 2018 include:

- Enhance the overall operating efficiency. To maintain the stable profitability of hydropower, drive the rapid growth of the wind power and photovoltaic power segments, proactively respond to the difficult operating environment of the coal-fired power industry, and more importantly, unleash the profitability of the newly acquired assets as soon as possible.

- Firmly advance transformation and development. Vigorously develop clean energy and reduce the equity interest in some coal-fired power plants; develop integrated energy projects that cater to the market and end-users; strengthen the cooperation with advanced scientific research institutions to develop intelligent energy.

- Control debt gearing and prevent business risks. Keep the debt ratio at a reasonable level; control capital expenditure yet ensuring necessary investments in high-quality projects in order to support the smooth transformation of the Group; prevent and control various risks to sustain stable operations.

- Fulfill social responsibilities and continue to build an environmental friendly enterprise.

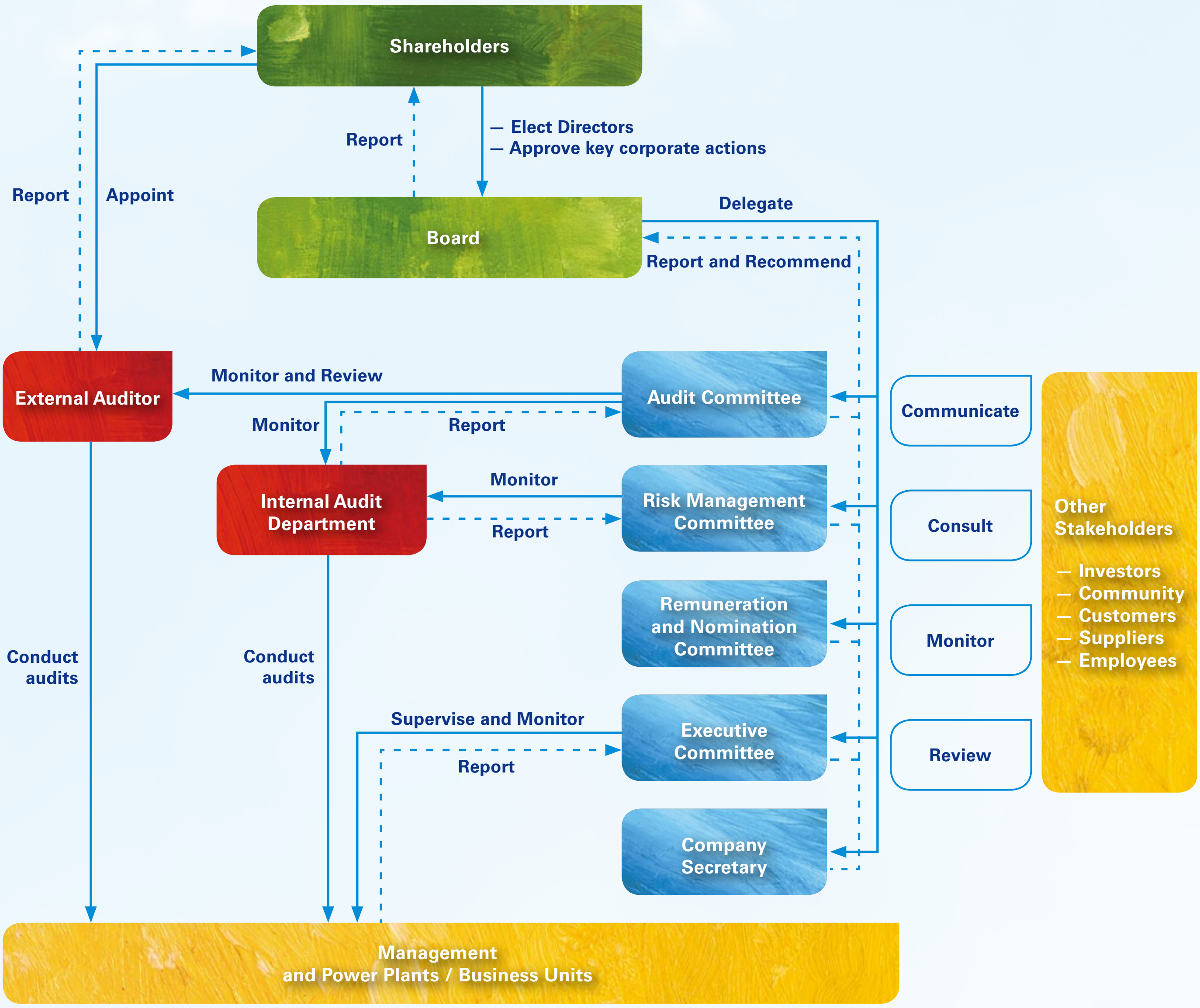
Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

China Power is committed to high standard of corporate governance. The Board recognizes that good corporate governance is vital to the healthy and sustainable development of the Group. Through continuing exploration and practice, the Company has formed a standardized governance structure and established an effective risk management and internal control system. The Board and the management always follow good governance principles to manage the Group's business effectively, treat all shareholders fairly and strive for the long-term, stable and growing return for all shareholders.

During the year ended 31 December 2017, the Company has strictly complied with the provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in the Appendix 14 of the Listing Rules, save for the deviation from the CG Code provision E.1.2.

GOVERNANCE FRAMEWORK



THE BOARD

Board Composition

The Board comprises a total of seven Directors, Chairman of the Board and executive Director, Mr. YU Bing, executive Director and the President of the Company, Mr. TIAN Jun, two non-executive Directors, Mr. GUAN Qihong and Mr. WANG Xianchun, and three independent non-executive Directors, namely Mr. KWONG Che Keung, Gordon, Mr. LI Fang and Mr. YAU Ka Chi. Profiles of the Directors are set out in the section headed "Directors and Senior Management Profiles" of this annual report.

Members of the Board possess various experience, capabilities, and expertise suitable for and relevant to the Company's businesses. The Board includes experts in electric power technology and management, professionals in finance and law. They are not only experienced, but also have progressive thinking.

More than one-third of our Board members are independent non-executive Directors who can help the Board to make more effective independent judgment. The non-executive Directors (including the independent non-executive Directors) who form the majority of the Board possess diverse expertise. As such, they are able to make decisions in an objective and professional manner, to assist the management in formulating the Company's development strategies, and to ensure that the preparation of financial and other mandatory reports by the Board are in strict adherence to appropriate standards in order to protect the interests of the shareholders and the Company.

The Board has received annual written confirmation of independence from each of the independent non-executive Directors and believed that, as at the date of this annual report, they were independent of the Company in accordance with the relevant requirements of the Listing Rules.

Chairman and Chief Executive

The Chairman, Mr. YU Bing, provides leadership for the Board. He is responsible for ensuring that all Directors receive adequate information, which must be complete and reliable, in a timely manner and that Directors are properly briefed on issues arising at the Board meetings. He also ensures that the Board works effectively and discharges its responsibilities; good corporate governance practices and procedures are established; and appropriate steps are taken to provide effective communication with shareholders and those views of shareholders are communicated to the Board as a whole.

The Chairman encourages all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Company. He encourages Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that Board decisions fairly reflect Board consensus. He promotes a culture of openness and debate by facilitating the effective contribution of non-executive Directors in particular and ensuring constructive relations between executive and non-executive Directors.

The President of the Company, Mr. TIAN Jun is the chief executive of the Company. He takes charge of the decision-making on matters concerning the Group's daily management and business, and oversees the execution of the Group's business strategies. He is also a member of the Executive Committee.

Appointment and Re-election of Directors

In accordance with the Company's articles of association, one-third of the Directors (including non-executive Directors with fixed term of three years) will retire from office by rotation for re-election by shareholders at the annual general meetings. In addition, any new appointment to the Board is subject to re-appointment by shareholders at the upcoming general meeting. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

If an independent non-executive Director serves more than nine years, his/her further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should include the reasons why the Board believes he/she is still independent and should be re-elected.

Power of and Delegation by the Board

The Board is the highest decision-making and managing body of the Company. Having regard to the best interests of the Company and its shareholders, the Board provides leadership and guidance to the Group's activities. It reviews and approves major matters such as business strategies, policies, business plans, financial budgets, major investments as well as mergers and acquisitions. In addition, the Directors have acknowledged that the principal responsibilities of the Board also include corporate governance, environmental and social responsibility governance, risk management, supervising and administrating the operation and financial position of the Company, approving the result announcements and other disclosures as required in accordance with applicable laws and regulatory rules, optimizing corporate governance structure and promoting the communication with our shareholders.

Under the Board currently have four committees, namely Audit Committee, Risk Management Committee, Remuneration and Nomination Committee and Executive Committee to implement internal supervision and control on each relevant aspects of the Group.

The Board delegates certain management and operational functions to the Executive Committee and the management, and reviews such arrangements periodically to ensure that they remain appropriate to the Group's needs.

The management has overall responsibility for the Group's daily operations. The Board establishes clear responsibilities and authorities for management to ensure the daily operational efficiency. It acts within the authority approved by the Board to fulfill the day-to-day management responsibilities and makes timely decisions. With regard to matters beyond its authority, the management will report to the Board or the Executive Committee in a timely manner in accordance with the relevant working guidelines.

BOARD COMMITTEES

Audit Committee

The Company established the Audit Committee on 24 August 2004 with written terms of reference in compliance with the Listing Rules and the CG Code provisions. The primary duties and functions of the Audit Committee set out in its terms of reference, inter alia, include the following:

- To communicate with internal auditor and determine annual internal audit plans, discuss internal audit procedures with the internal auditor at least once every six months, review and monitor the internal control system, internal audit functions and effects of annual internal audit plans.

- To make proposals to the Board on the appointment, re-appointment and removal of the external auditor, review and monitor the independence, objectivity and audit effectiveness of the external auditor in accordance with the relevant standards issued by the Hong Kong Institute of Certified Public Accountants, formulate and implement the engagement policy on the provision of non-audit services by the external auditor.

- To review financial information of the Company.

- To supervise the financial reporting system and internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget.

- To conduct any inspection authorized by the Board based on its terms of reference, in that case, the committee is entitled to solicit any necessary information from any employees while who have been instructed to assist the committee to satisfy any of its requirements.

The Audit Committee comprises of three members, namely Mr. KWONG Che Keung, Gordon, Mr. LI Fang and Mr. YAU Ka Chi, all of whom are independent non-executive Directors. The chairman and the secretary of the Audit Committee are served by Mr. KWONG Che Keung, Gordon and the Company Secretary of the Company respectively. For the purpose of reinforcing their independence, all members of the Audit Committee have appropriate professional qualifications, accounting or related financial management experience referred to in the Listing Rules.

The details of the terms of reference of the Audit Committee have been posted on the websites of the Company and the Hong Kong Stock Exchange.

The Audit Committee held two meetings during 2017 (average attendance was 100%). The committee's work performed during the year including:

- reviewed the annual financial statements and corporate governance reports for the year ended 31 December 2016 and the interim financial statements for the six months ended 30 June 2017, including the major accounting issues raised by the external auditors;

- reviewed the internal control reports prepared by the Company's Internal Audit Department relating to the Company's internal audit plan and internal control system and risk management procedures;

- reviewed the continuing connected transactions of the Company;

- reviewed and approved the audit strategy submitted by the external auditor for the year ended 31 December 2017;

- considered and approved the terms of engagement and remuneration of external auditor for its provision of audit and permitted non-audit related services; and

- reviewed the internal and independent audit results and discussed matters relating to audit, internal control system and financial reporting, including the adequacy of resources, staff qualifications and experience of the Company's accounting, internal audit and financial reporting functions, together with the senior management, internal and independent auditors of the Company.

Risk Management Committee

The Company established the Risk Management Committee on 23 March 2016 with written terms of reference in compliance with the Listing Rules and the CG Code provisions. The primary duties and functions of the Risk Management Committee set out in its terms of reference, inter alia, include the following:

- To review and recommend for the Board's approval the Group's overall risk management strategies and risk appetite/tolerance which shall take into account of the strategic, financial, operational, compliance and all the relevant risks faced by the Group and the prevailing and prospective market and economic conditions at least annually.

- To review and recommend for the Board's approval the Group's risk management framework, risk management system and corporate governance framework including their appropriateness, effectiveness and independence of risk management functions at least annually.

- To review reports from the management and to make recommendations to the Board on the Group's risk management policies which governs the identification, assessment, monitoring and reporting of the major risks faced by the Group.

- To oversee the implementation of risk management policies and the compliance with the respective statutory rules and regulations.

- To report any significant risk management issues to the Board and suggest solutions.

The Risk Management Committee comprises of four members, namely the three independent non-executive Directors, Mr. KWONG Che Keung, Gordon, Mr. LI Fang and Mr. YAU Ka Chi, and the executive Director and the Chairman of the Board, Mr. YU Bing. The chairman and the secretary of the Risk Management Committee are served by Mr. YU Bing and the Company Secretary of the Company respectively.

The details of the terms of reference of the Risk Management Committee have been posted on the websites of the Company and the Hong Kong Stock Exchange.

The Risk Management Committee held two meetings during 2017 (average attendance was 100%). The committee's work performed during the year including:

- reviewed the risk management report for the year 2016 and risk management plan for the year 2017 prepared by the Company's Internal Audit Department relating to the Group's risk management framework, effectiveness of the risk management system, risk management policies which governs the identification, assessment, monitoring and reporting of the major risks faced by the Group;

- reviewed and approved the "Human Resources Report of Internal Audit Department"; and

- reviewed, discussed and approved the major and connected transactions in relation to the acquisition of certain clean energy project companies from SPIC and CPI Holding and the proposed rights issue to finance the said acquisitions in October and November 2017, and made recommendations to the Board.

The management's annual confirmation on the effectiveness of the Group's risk management and internal control systems was reviewed/endorsed by the Risk Management Committee/Audit Committee and was reported to the Board.

Remuneration and Nomination Committee

The Company established the Remuneration and Nomination Committee on 24 August 2004 with written terms of reference in compliance with the Listing Rules and the CG Code provisions. The primary duties and functions of the Remuneration and Nomination Committee set out in its terms of reference, inter alia, include the following:

Remuneration

- To make recommendations to the Board on the remuneration policy and structure for all Directors and senior management of the Company, and to make recommendations on the establishment of a formal and transparent procedure for developing remuneration policy.

- To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives.

- To make recommendations to the Board on the remuneration packages of individual executive Directors and senior management of the Company with reference to their experience, performance, duties and market conditions. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

- To make recommendations to the Board on the remuneration of non-executive Directors.

Nomination

- To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

- To identify individuals suitably qualified to become Board members based on a range of diverse perspectives and select or make recommendations to the Board on the selection of individuals nominated for directorships.

- To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

- To assess the independence of independent non-executive Directors.

Board Diversity Policy

The policy is summarized as follows:

- for identifying suitably qualified candidates to become Board members, should be based on a number of diverse aspects, including Board members with different background, skills, regional and industry experience, gender and other qualities, that are in balanced and complementary with each other, creating synergy, and enabling the Board to function effectively as a whole.

- when reviewing and assessing the composition of the Board, it should be based on the Company's own business position and management needs from time to time, considering a number of factors including but not limited to the above mentioned background, skills, regional and industry experience, and other factors in order to achieve the Board with a reasonable structure that runs efficiently.

The Remuneration and Nomination Committee has three members, namely Mr. LI Fang, Mr. KWONG Che Keung, Gordon, and Mr. YAU Ka Chi, all of whom are independent non-executive Directors. The chairman and the secretary of the Remuneration and Nomination Committee are served by Mr. LI Fang and the Company Secretary of the Company respectively.

The details of the terms of reference of the Remuneration and Nomination Committee have been posted on the websites of the Company and the Hong Kong Stock Exchange.

The Remuneration and Nomination Committee held two meetings during 2017 (average attendance was 100%). The committee's work performed during the year including:

- considered and approved the overall remuneration package of the Directors and senior management of the Company in 2016 with reference to the remuneration system of the parent companies, reviewed the Company's matters relating to remuneration in 2017 and made recommendations to the Board; and

- considered and approved the changes of Chairman of the Board, President of the Company, executive Directors, non-executive Directors and members of the Executive Committee, and made recommendations to the Board in June 2017.

Pursuant to the CG Code provision B.1.5, the remuneration of the members of the senior management by remuneration band for the year ended 31 December 2017 is set out below:

Remuneration band (RMB)	**Number of individuals**
0 to 1,000,000	14

Executive Committee

The Company established the Executive Committee in 2008. As a committee under the Board, the Executive Committee conducts its work under the guidance of the Board and reports to the Board pursuant to the "Working Guidelines for the Executive Committee" approved by the Board. The chairman of the Executive Committee is served by Mr. YU Bing, the executive Director and the Chairman of the Board. The members of the committee include the executive Directors and all the vice presidents of the Company. It has been delegated with the responsibilities to ensure the effective direction and control of the business and to deliver the Group's long-term strategies and goals. It advises the Board in formulating policies in relation to the Group's business operations, monitors the performance and compliance of the business, and supervises the management to implement the Board resolutions.

The Executive Committee acts as a bridge for communication and connection between the Board and the management, and plays a crucial role in enhancing the quality of corporate governance as well as strengthening the management efficiency of the Company. It ensures that the Board can timely hear the voices of the operation and management staff and acts timely in respect of material operation affairs of the Company. It meets on a regular basis to review the Group's activities and discuss management and operational issues.

The Executive Committee held twelve meetings during 2017. The executive Directors, the vice presidents and the senior management of the Company attended the meetings.

COMPANY SECRETARY

Ms. CHEUNG Siu Lan, secretary of the company, is an employee of the Company, appointed by the Board, and responsible to the Board. The Company Secretary is responsible for ensuring that the activities of the Board conducted efficiently and effectively, and the procedures and all applicable laws and regulations complied with. She also supports and facilitates the training and professional development of Directors.

The Company Secretary reports to the Chairman and the Board, provides advice on corporate governance and corporate transactions, and assists the Board in discharging its obligations to shareholders pursuant to the Listing Rules. All Directors may call upon her for advice and assistance at any time in respect to their duties and the effective operation of the Board and the Board Committees.

During the year under review, Ms. CHEUNG has attended relevant professional seminars to update her skills and knowledge. She has complied with the Listing Rules to take no less than 15 hours of relevant professional training in a financial year.

CODE OF CONDUCT AND TRAINING OF DIRECTORS

Every newly appointed Director will receive a comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as 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 Statutes and Common Law, the Listing Rules, applicable rules and other regulatory requirements, and especially the governance policies of the Company. All Directors have been given the "Guidelines on Directors' Duties" and "Working Guidelines for the Board" of the Company. The Company Secretary will continuously update and refresh Directors on the latest law, rules and regulations regarding their duties and responsibilities. All Directors are required to disclose to the Company their offices held in public companies or organizations and other significant commitments.

The Company has adopted a set of Code of Conduct for Securities Transactions by Directors ("Code of Conduct"), the terms of which are not less exacting 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, all Directors confirmed that they have complied with the Code of Conduct throughout 2017.

The Company has arranged appropriate insurance cover on Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Directors' training is an ongoing process, in order to ensure that their contribution to the Board remains informed and relevant. The Company encourages all Directors to participate in appropriate training programs. During the year under review, all members of the Board have provided their records of training to the Company Secretary for record. Their trainings included attending seminars and discussion forums, reading briefings and update materials.

OPERATION OF MEETINGS AND SUPPLY OF AND ACCESS TO INFORMATION

Throughout the year under review, arrangements were in place to ensure all Directors were given an opportunity to include matters in the agenda for regular Board meetings. Notice of at least fourteen days was given of a regular Board meeting to give all Directors an opportunity to attend. For all other Board meetings, reasonable notice was also given.

Full Board or committee papers were sent to all Directors at least three days before the intended date of a Board meeting or a committee meeting. Management had supplied the Board and its committees with adequate information and explanations so as to enable them to make an informed assessment of the financial and other information put before the Board and its committees for approval. Management was also invited to join the Board or committee meetings where appropriate.

It is our principle, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter must be dealt with by a physical Board meeting rather than a written resolution. Independent non-executive Directors who, and whose close associates, have no material interest in the transaction shall be present at that Board meeting. Any Director who has a conflict of interest must abstain from voting.

During the year under review, minutes of Board meetings and meetings of Board Committee were recorded in detail the matters considered by the Board or Board Committees and decisions reached. Draft and final versions of minutes of Board meetings and meetings of Board Committees were sent to all Directors for their comments within a reasonable time after the Board or committee meetings were held. Minutes of the meetings are always kept by our Company Secretary, and the Board and committee members may inspect the documents and minutes of the Board and Board Committees at any reasonable time by giving reasonable notice.

At all time, where necessary, the Directors can seek separate independent professional advice at the Company's expenses so as to discharge his/their duties to the Company. All the Directors are also entitled to have access to timely information in relation to our business and make further enquiries where necessary, and they have separate and independent access to senior management of the Company.

DIRECTORS' ATTENDANCE RECORD

In the year 2017, the attendance records of the Directors at Board meetings, Audit Committee meetings, Risk Management Committee meetings, Remuneration and Nomination Committee meetings, the annual general meeting and the extraordinary general meeting are as follows:

Directors	Board	Audit Committee	Risk Management Committee	Remuneration and Nomination Committee	Annual General Meeting	Extraordinary General Meeting
Executive Directors:						
YU Bing *(Chairman of the Board)*	6/6	–	2/2	–	1/1	1/1
TIAN Jun *(President)* (Note 1)	2/3	–	–	–	–	0/1
WANG Zichao (Note 2)	3/3	–	–	–	0/1	–
Non-executive Directors:						
WANG Binghua (Note 3)	2/3	–	–	–	0/1	–
GUAN Qihong	6/6	–	–	–	1/1	1/1
WANG Xianchun (Note 4)	2/3	–	–	–	–	0/1
Independent non-executive Directors:						
KWONG Che Keung, Gordon *(Chairman of the Audit Committee)*	6/6	2/2	2/2	2/2	1/1	1/1
LI Fang *(Chairman of the Remuneration and Nomination Committee)*	6/6	2/2	2/2	2/2	1/1	1/1
YAU Ka Chi	6/6	2/2	2/2	2/2	1/1	1/1

Notes:

1. TIAN Jun was appointed as an executive Director and the President of the Company with effect from 8 June 2017.

2. WANG Zichao resigned as an executive Director with effect from 8 June 2017.

3. WANG Binghua resigned as the Chairman of the Board and a non-executive Director with effect from 8 June 2017.

4. WANG Xianchun was appointed as a non-executive Director with effect from 8 June 2017.

ACCOUNTABILITY AND AUDIT

Financial Reporting

Directors acknowledge their responsibility for preparing the financial statements on a going concern basis, with supporting assumptions or qualifications as necessary. The Company's financial statements are prepared in accordance with the Listing Rules, Hong Kong Companies Ordinance and also the accounting principles and practices generally accepted in Hong Kong. Appropriate accounting policies are selected and applied consistently; judgments and estimates made are prudent and reasonable.

During the year 2017, all Directors have been given on a monthly basis the latest information and briefings about the financial position, changes in the business and the development of the Group. "Letter to the Shareholders" from the Chairman contained a summary of the Company's performance in this annual report and how the Company will preserve value over the long term and our strategies for delivering the Company's objectives. The Directors ensured a balanced, clear and understandable assessment of the Company's performance, position and prospects in annual reports, interim reports, inside information announcements and other disclosures required under the Listing Rules and other statutory requirements.

Risk Management and Internal Controls

The Board puts particular emphasis on risk management and strengthening internal control system. In respect of organizational structure, the Company has set up the Audit Committee, the Risk Management Committee, the Remuneration and Nomination Committee and the Executive Committee. The principles of the internal control framework of the Company are: to strengthen the Company's internal monitoring and control in accordance with the requirements of the Hong Kong Stock Exchange, continuously improve the Company's corporate governance structure, build up corporate integrity culture, establish an effective control system, continuously assess the competence of the internal control system and the efficiency of the management through auditing, risk assessments and internal assessments, review identified risk exposures and ensure the effective running of the control system.

The Company has established the Internal Audit Department and has been ensuring the independence of its organization, staffing and work, which is crucial to the Company's internal controls. To create a good internal control environment, the Internal Audit Department provides internal control assessment reports to the management on a regular or ad hoc basis. It also reports to the Audit Committee, the Risk Management Committee and the Board at least twice a year on internal control and risk management matters. To minimize risk faced by the Company, the department evaluates and reviews the Company's internal control processes to avoid risks and provide a solid foundation for building up an effective internal control system.

The Company has a comprehensive internal control system which includes seven parts, namely "basic framework of the internal control system", "management authorization manual", "staff disciplinary code", "code on conflicts of interests", "operational standards for internal control activities", "assessment standards for internal control system", and "implementation standards for internal audit", details of which are contained in our "Risk Management and Internal Control Specifications".

While taking into full account the risk management framework requirements of The Committee of Sponsoring Organizations of the Treadway Commission (the "COSO"), the promoter of the National Commission on Fraudulent Financial Reporting, and risk management guidelines set out by the Hong Kong Institute of Certified Public Accountants, the internal control system of the Company also learns from the experience of outstanding management companies and takes into consideration our actual situation and business characteristics in formulating the control framework for assessing the efficiency and competence of the internal control system, which provide a solid foundation to ensure the effectiveness of the Company's operating activities, reliability of its financial reports and compliance of laws and regulations.

During the year under review, the Company strictly complied with the relevant code provisions of the CG Code in relations to risk management and internal control as follows:

The Board through the Audit Committee and Risk Management Committee has reviewed the efficiency of internal control system of the Company and its subsidiaries in aspects such as financial controls, operational controls, regulatory compliance and risk management. The Directors believe that the risk management and internal control systems are efficient and adequate, and controls effectively the risks that may have impacts on the Company in achieving its goals.

The Internal Audit Department assessed the internal control systems based on the "Risk Management and Internal Control Specifications", and reviewed the improvement works regarding the issues discovered during the internal control assessment in 2016. Surrounding the key areas and key links of the operational management, we have a better picture of the current conditions of internal control of each business unit by analyzing various internal control points relating to the business processes and unearthed defects and weaknesses of the internal control system for improvements in a timely manner. The results of the internal control studies are incorporated into the business performance assessments for each subsidiary company. By doing so, potential operation and management risks can be avoided and the corporate governance standards as well as economic benefits can be enhanced. For the year under review, no significant area of concern which may affect the shareholders of the Company was found.

Last year, internal audits were conducted on the basis of independent supervision and objective assessment of the adequacy and effectiveness of the risk management and internal control systems in operation. As revealed by the audits conducted by the Internal Audit Department, it set rectification requirements for 43 issues, added 53 proposals to strengthen controls and followed up actively. Meanwhile, it issued the "Notice on Intensified Implementation of Audit Rectification" to further strengthen audit supervision, push ahead the rectification of issues, enhance risk management and control, raise awareness of lawful operation, optimize the use of audit results, eliminate defects in operation management and system loopholes so as to prevent the reoccurrence of issues.

It also carried out risk assessment in the area of information collection, various business management and its key business processes for risk identification and analyses. According to the results of the risk analyses combined with the risk tolerance and the risk/reward tradeoffs to determine the corresponding risk strategies and response measures, implemented the risk management responsibility to the power plants/business units. The risks faced by each business unit and its risk management and control system capabilities were reflected to the management in a timely manner, to continuous monitoring of the risks, and evaluation of the effectiveness of the risk management, in order to improve the Group's defense capability against risks. The Internal Audit Department tracked the Company's major risk management control quarterly and updated the major risk management ledger on a timely basis. It implemented risk management responsibilities by grading, supervised business units to strengthen major risk management, and kept abreast of the conditions, changes and trends of major risk prevention and control to ensure that significant risks were controllable and under control, thereby establishing a risk prevention and control system that covers all business units from the headquarters to subordinated units and achieving synergy throughout the organization.

The Internal Audit Department has commenced the establishment of the internal control compliance system in respects of the three areas of decision-making, capital management, and contract management. By rationalizing the relevant processes and through multiple rounds of interviews, the Internal Audit Department has achieved results such as the formulation of "Internal Control Compliance Manuals", "Laws and Regulations Database" and "Proposals for Internal Control Compliance Management". The Internal Audit Department rationalized 28 processes and reached 38 compliance review points. To strengthen the publicity of compliance culture, the business units had organized 10 relevant trainings with a total of 350 participants. The compliance function of ERP and capital settlement platform and system was operating effectively, thereby comprehensively raising the level of internal control compliance.

In addition, the Internal Audit Department adopted appropriate measures to review quarterly the implementation of the Group's existing continuing connected transactions. During the year under review, the relevant companies had monitored strictly pursuant to the pricing policies and terms of the continuing connected transactions in the actual course of business operation and did not exceed those relevant annual caps as disclosed.

For good corporate governance practice, the Board approved launching a "Whistleblowing Policy" in April 2012, for employees and those who deal with the Group (e.g. customers and suppliers) to raise concerns, in secure and confidence manner, with the Internal Audit Department about possible improprieties in any matter related to the Group, and through the Internal Audit Department reports directly to the Audit Committee.

Inside Information

The Company adopted its own "Inside Information Management Policy" setting out the procedures and internal controls for handling and dissemination of inside information in August 2013 with reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012.

The Company incorporated the topic on inside information into its annual internal training to its senior management regarding the continuing disclosure obligations under the Securities and Futures Ordinance and the Listing Rules.

External Auditor's and its Remuneration

The Company appointed Deloitte Touche Tohmatsu as the Company's auditor (the "Auditor"). The Audit Committee is responsible for making recommendations to the Board on the appointment, reappointment and removal of the Auditor, and to approve the remuneration and terms of engagement of the Auditor, and any questions of its resignation or dismissal.

For the year ended 31 December 2017, the Audit Committee reviewed and monitored the Auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards.

For the year ended 31 December 2017, the fees payable by the Company to the Auditor in respect of audit and non-audit services provided were as follows:

	HK$'000
Audit services	6,450
Non-audit services:	
Interim review	1,310
Continuing connected transactions	180
Fees in connection with the services provided for acquisitions and the Rights Issue	6,544

COMMUNICATION WITH SHAREHOLDERS

Apart from reporting to the shareholders and investors on its operations and financial conditions semi-annually and annually, the Company also discloses relevant information such as electricity generation of the Company regularly so that the investors have a better understanding about the operation of the Company. The Company maintains a corporate website at www.chinapower.hk where important and updated information about the Group's activities and corporate matters such as annual and interim reports, announcements, business development and operations, corporate governance practices and other information are available for review by shareholders and other stakeholders. When announcements are made through the Hong Kong Stock Exchange, the same information is made available on the Company's website.

The Company also holds regular press conferences and meetings with financial analysts and investors, during which the Company's management will directly provide relevant information and data to the media, financial analysts, fund managers and investors, as well as answer their enquiries in a prompt, complete and accurate manner. The Company's website is updated continuously, providing up-to-date information regarding every aspect of the Company to investors and the public.

The Company has a Capital Markets & Investor Relations Department, which takes charge of the Company's relationship with investors by providing information and services to investors, promptly replying to their enquiries, and maintaining channels of active and timely communication with them.

In March 2012, the Board adopted a "Shareholders Communication Policy" of the Company which aims to set out the provisions with the objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders and potential investors to engage actively with the Company. The "Shareholders Communication Policy" of the Company is posted on the Company's website under the "Corporate Governance" section.

According to the CG Code provision E.1.2, chairman of the board should attend the annual general meeting. The then Chairman of the Board, Mr. WANG Binghua, was unable to attend the Company's annual general meeting held on 6 June 2017. He had arranged Mr. YU Bing, the executive Director and then President of the Company, who is very familiar with the Group's business and operations, to attend and chair the meeting. Other Directors, including three independent non-executive Directors, being the chairman/members of the Audit Committee, the members of the Risk Management Committee, and the chairman/members of the Remuneration and Nomination Committee, together with the external independent auditor attended the annual general meeting and answered questions from the attending shareholders and investors. All resolutions proposed were duly passed by shareholders' voting at the meeting.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene General Meeting

Shareholders of the Company (the "Shareholders") entitled to have right to request the Company to convene a general meeting pursuant to Division 12 of the Hong Kong Companies Ordinance. The procedures are as follows:

1. The Directors are required to call a general meeting if the Company has received requests to do so from the Shareholders representing at least 5% of the total voting rights of all the members having a right to vote at general meetings.

2. A request —

   (a) must state the general nature of the business to be dealt with at the general meeting; and

   (b) may include the text of a resolution that may properly be moved and is intended to be moved at the general meeting.

3. Requests may consist of several documents in like form that —

   (a) may be sent to the Company in hard copy form or in electronic form; and

   (b) must be authenticated by the person or persons making it.

4. Directors must call a general meeting with 21 days after the date on which they become subject to the requirement, and must be held on a date not more than 28 days after the date of the notice convening the general meeting.

5. If the requests received by the Company identify a resolution that may properly be moved and is intended to be moved at the general meeting, the notice of the general meeting must include notice of the resolution.

6. If the resolution is to be proposed as a special resolution, the Directors are to be regarded as not having duly called the general meeting unless the notice of the general meeting includes the text of the resolution and specifies the intention to propose the resolution as a special resolution.

Voting by Poll

Save as provided under the Listing Rules, resolutions put to vote at the general meetings of the Company (other than procedural matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the Shareholders at the commencement of each general meeting, and questions from Shareholders regarding the voting procedures are answered. The poll results are posted on the respective websites of the Company and the Hong Kong Stock Exchange on the same day of the poll.

Procedures for Shareholders Sending Enquiries to the Board

Shareholders should direct their questions about their shareholdings to the Company's registrar and whose details are as follows:

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Tel: (852) 2862 8628
Fax: (852) 2865 0990

The Company Secretary and the Capital Markets & Investor Relations Department of the Company also handle both telephone and written enquiries from Shareholders from time to time. Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board Committees of the Company, where appropriate, to answer the Shareholders' questions. For Shareholders and investors' enquiries, the contact information is set out in the "Useful Information for Investors" section of this annual report.

Other Procedures for Shareholders' Proposals

The details of the following procedures are available at the Company's website www.chinapower.hk under the "Corporate Governance" section for review.

- Procedures for Shareholders making proposals at general meetings

- Procedures for Shareholders to nominate a person to stand for election as a Director

Constitutional Documents

The Company's constitutional documents have been posted on the Company's website www.chinapower.hk under the "Corporate Governance" section. During the year under review, there was no change in the Company' articles of association.

Risk Management Report

RISK MANAGEMENT CONCEPT

The Board acknowledges that risk management can provide strong support and basic security for the high-quality and sustainable development of the Group. In this connection, the Board regarded risk management as a proactive measure for creating efficiencies and promoted risk management responsibilities to the Board, the management and all staff members as well as its whole business process. The Board has established a risk management structure with three lines of defence, namely "Business, Support and Assurance", for the Group, under which the Group further emphasized that the key leaders of each of the business units and business departments shall be the primary responsible persons for risk management. The relevant accountability system was also put in place. The Board required risk management to be "comprehensive, focused, dynamic and continuous". As such, the Board regularly studies and clarifies the comprehensive risk indicator system in relation to the Group's operation through the Risk Management Committee. It has also took a dynamic approach to set up key risk checkpoints based on the changes in the Group's internal and external environment, which will be used to monitor the management's performance in carrying out their responsibilities in relation to dynamic monitoring and ongoing risk management and control during daily operating activities. The Board consistently works on building a risk culture of "prudent, aggressive and responsible" through proactive risk management activities with a view to ensuring the high-quality and sustainable development of the Group.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee is delegated by the Board with responsibilities to oversee the Group's overall risk management framework and to advise the Board on the Group's risk-related issues. The Risk Management Committee is also responsible for approving the Group's risk management policies and assessing the effectiveness of the Group's risk controls. The details of the terms of reference of the Risk Management Committee have been posted on the websites of the Company and the Hong Kong Stock Exchange.

The Risk Management Committee held two meetings during 2017 and focused on the discussion on the following matters:

- reviewed the risk management report for the year 2016 and risk management plan for the year 2017 prepared by the Company's Internal Audit Department relating to the Group's risk management framework, effectiveness of the risk management system, risk management policies which governs the identification, assessment, monitoring and reporting of the major risks faced by the Group;

- reviewed and approved the "Human Resources Report of Internal Audit Department"; and

- reviewed, discussed and approved the major and connected transactions in relation to the acquisition of certain clean energy project companies from SPIC and CPI Holding and the proposed rights issue to finance the said acquisitions in October and November 2017, and made recommendations to the Board.

RISK MANAGEMENT FRAMEWORK

Pursuant to the standards regarding risk management framework of the COSO (including standards being updated on an ongoing basis), the Group has established a risk management framework with "three lines of defence":

- 1st line of defence: Business risk management — During the course of business activities, each of the functional department and business unit as well as personnel holding the respective business position shall be the first responsible unit for handling matters within their terms of reference for risk identification and management.

- 2nd line of defence: Oversight of and support for risk management — The Risk Management Committee under the Board and the functional departments for risk management, including functional departments such as internal audit, legal affairs, compliance, finance, human resources, safety and environmental protection monitoring, shall assist the front-line business departments to assume joint responsibilities for overseeing, inspecting and evaluating those works relating to the implementation of risk management.

- 3rd line of defence: Independent assurance — The Audit Committee under the Board and the Group's Internal Audit Department shall be responsible for auditing the results of the risk management works done and issuing an audit report.

RISK MANAGEMENT PROCEDURES

The risk management procedures of the Group comprise comprehensive risk management and specific risk management targeting major investing activities.

The procedures of comprehensive risk management are as follows:

Phase 1: Formulation of risk management policies, strategies and risk assessment standards — The Board shall determine risk policies in respect of the Group's governance, culture and development strategies, and shall take these policies into consideration when determining its business targets. The Risk Management Committee shall be entrusted by the Board to determine the risk management strategy of the Group, while the Group's Internal Audit Department shall establish common risk assessment standards and set up risk score sheet for the Group.

Phase 2: Comprehensively collect first-hand information for risk management and identify risks — Each department/business unit shall extensively and continuously collect internal and external information in relation to the risks of the Group and the risk management thereof and identify potential risks that may have impact on the key processes of their operations.

Phase 3: Conduct risk assessment and establish comprehensive risk management ledger — Each department/business unit shall assess and score the risks identified along with their impact on the business and the likelihood of their occurrence. All risks of the Group and its subordinated units shall be recorded in the risk management ledger.

Phase 4: Risk treatment and follow-up/update of risk management ledger on a quarterly basis — Based on the assessment, each department/business unit shall propose measure for monitoring and treatment of risk identified and determine the responsible person for the specific risk. All these information shall be recorded in the comprehensive risk management ledger and updated on a quarterly basis to ensure that the risks are controllable.

Phase 5: Risk reporting and monitoring — Each department/business unit shall monitor their own risk mitigating works and summarize the comprehensive risk management condition and report the same to the Risk Management Committee bi-annually, so that the committee can keep abreast of the distribution and changes of comprehensive risks on a continuous basis, evaluate the effectiveness of the risk management works and suggest measures for improvement. The Risk Management Committee submitted risk management report to the Board annually.

The risk management procedures targeting major investment projects are as follows:

- **Project Establishment and Feasibility Study Stage:** Business departments and all supporting departments for risk management shall conduct work such as feasibility study and due diligence for their investment projects, so as to fully identify and assess the risks of the investment projects and the risk cost thereof, and put forward strategies and measures against material risks.

- **Investment Decision Stage:** Before making investment decisions, the departments shall prepare risk assessment report for specific project based on the feasibility study and due diligence with a view to disclosing the risks of the investment project and the impact of the risk factors, and suggest preventive measures.

- **Construction Stage:** The departments shall conduct risk analysis on the conditions for commencement of construction, including analysis on compliance risk relating to aspects such as land, environment and energy conservation, technical risk relating to engineering design plan, risk relating to engineering management, etc.. Construction work will be commenced after establishing feasible responsive measures and passing the compliance evaluations.

A closed-loop tracking mechanism will be implemented for the risk analysis and evaluation conclusion for each of the above stages to ensure all risks are controllable and under control.

In 2017, apart from conducting the above risk management works on a continuous basis, the Group also placed strong emphasis on the building of an information platform for compliance management for the Group. Information technology will be used to manage the compliance review and assurance procedures for decision-making, contract and capital management. In addition, the Board also attached great importance to prevention and control of risks in relation to internet security. It has established system and working mechanism to enhance internet security management and the safety protection management of its power monitoring system.

Pursuant to the risk assessment for 2017, the major risks of the Group are as follows:

Group's Top Risks	Target Risk Trend 2017	Key Response Plan(s)
Risks relating to market changes — With the accelerated power system reform in the PRC, the level of marketization has also increased gradually. The power production quota obtained by power plants and the tariff thereof were determined by the market to a larger extent, and the power generation companies were thus confronted with intensified competition in the market.	↑	The Group will accelerate its strategic transformation and development. It will accelerate the development of clean energy to transform itself from carbon-heavy to low carbon generation; accelerate the development of integrated energy to transform itself from a power generation enterprise into an energy supply and service enterprise; accelerate the development of intelligent technology to transform itself from an industrial enterprise into a digital enterprise. The Group will continue to optimize its power supply structure and strive to increase its dispatching electricity. Firstly, the Group will strengthen its work in relation to inter-regional power transactions with a view to increasing the volume of power output. Secondly, the Group will actively participate in works in relation to power transactions in the market, striving for profitable electricity supply in the market. Thirdly, the Group will strive for basic electricity supply incentives through supporting policies of the PRC government for specific type of basic electricity supply, such as energy-saving power supply and the development of heat supply market. Fourthly, the Group will formulate effective marketing strategies to enhance the market competitiveness of its power generating units and increase the proportion of electricity supply obtained through market transactions. Fifthly, the Group will strengthen its work in relation to the replacement of energy. For instance, the Group will start to replace coal-fired electricity with electricity generated from wind power and photovoltaic power and reduce the abandonment rate of new energy such as wind power and photovoltaic power.
Risks relating to funding — As the Group increases its effort in project development, financial adequacy will have an increasing impact on the Group's operations and development.	—	The Group will further leverage its access to the domestic and overseas markets to optimize its financing sources, lower its financing costs and secure funding. Cost-saving and efficiency enhancement initiatives have been adopted in the Group's business management to lower administrative and operating expenses.

Group's Top Risks	Target Risk Trend 2017	Key Response Plan(s)
Risks relating to policy changes — The Group's power plants are regulated by the regulations of the PRC government and the power grid. As China is intensifying the power system reform, there is a risk of decreasing on-grid tariffs for coal-fired power. Meanwhile, the intervention and implementation of government measures such as elimination of overcapacity of the coal industry, the uncertainties existing in the coal market and the fluctuations in coal supply will bring risks to fuel cost control of the Group's coal-fired power generation.	—	The Group will continue to closely follow the national policies and actively communicate with relevant competent government departments and regulatory departments to formulate reasonable and standardized operation plans for transactions in the power market or other trading strategies. It will also strive for self-determining prices by negotiations and prevent transactions with tariff that brings zero marginal revenue. The Group will continue to promote energy saving and emission reduction, strive for ultra-low emission tariffs and clean energy power price premium. The Group will also strengthen its efforts in developing quality electricity users and enhance the collaborative marketing among power generation enterprises. To strengthen cost control, the Group will actively cooperate with large coal mining enterprises, enter into annual key coal purchase contracts, stabilize coal supply and achieve preferential unit purchase prices. The Group will constantly open up procurement channels, increase efforts in the centralized procurement of coal and reduce coal-fired power fuel costs by capitalizing on the economy of scale. The Group will strive to reduce its logistic costs by optimizing the transportation methods, such as decreasing or waiving transportation or miscellaneous fees and increasing the amount of direct transportation. It will also study the market trends to make procurement at an accurate timing, thereby maximizing the effect of staggering coal inventories.

Group's Top Risks	Target Risk Trend 2017	Key Response Plan(s)
Risks relating to approvals of power plant development or investment — The Group's continued success depends on its ability to secure, in a timely and cost-effective manner, the required PRC government and other approvals for its power plant projects. Any delay or failure to secure any of the required approvals, licenses or permits may increase costs or delay or prevent the commencement of operation or integration of the affected power plant.		The Group has made strategic adjustments in accordance with the government policies to optimize the industrial structure. Firstly, the Group actively accelerated the development of clean energy to control and slow down the development of coal-fired power, thereby transforming itself into a low-carbon generation enterprise. It has also make substantial investments in clean energy projects supported by the State. For instance, two photovoltaic "Top Runner" projects located in Shanxi Ruicheng and Shandong Xintai, respectively have commenced operation as planned, and a jointly-developed wind power project of 100MW has commenced in Shanxi Yangqu in a view to actively exploring offshore wind power resources. Secondly, the Group has accelerated the development of integrated energy to transform itself into an intergrated energy supply and service enterprise. By capitalizing on the advantages of regional location and presence, the Group actively entered the local independent electricity sales and distribution business and vigorously developed integrated energy. The focus is put on investing in the economic development zones emphasized by the State with strong power consumption capacity, which is thus able to guarantee the reliability of project revenue. For instance, the Heifei Airport Demonstration Project has been approved; the project in Chengdu Hi-Tech Industrial Development Zone has commenced construction in compliance with the highest standards; and other projects such as those in Guangdong Jiangmen and Sichuan Deyang have been progressing steadily.
Risks relating to natural factors — The level of power generation and financial performance of our hydropower business are particularly affected by natural factors such as season and climate changes (for instance, rainfall and temperature changes), which may increase costs or delay revenue and affect profitability.		The Group has been strengthening the management of riverflows, leveraging the cascade watershed dispatchment advantage and continuously stabilizing hydropower generation for the full year to reduce the negative impact brought by seasonal and rainfall changes.

Group's Top Risks	Target Risk Trend 2017	Key Response Plan(s)
Risks relating to environmental protection policy — The environmental protection laws and regulations are getting stricter in China. In particular, the PRC government focuses heavily on the control of smog weather and consistently takes strict precautions against the pollution sources. Rigid management of processes and severe punishments are exerted in enforcement. For the power generation industry, investment in environmental protection will further increase as more stringent requirements will be imposed on the operation of environmentally friendly facilities.	↓	The Group has always been placing a great emphasis on environment protection from a corporate sustainable development perspective and is currently in full compliance with the requirements of the environmental protection laws and regulations. The Group has completed the ultra-low emission and integrated energy-saving upgrades of all its coal-fired power generating units.
Risks relating to foreign exchange rate — The Group principally operates its business in the Mainland China with most of its transactions denominating in RMB. Apart from certain cash, bank balances and borrowings, the Group's assets and liabilities are mainly denominated in RMB. The Group also held borrowings denominated in USD and JPY. Increased fluctuation in the exchange rate of RMB against USD and JPY will result in the increase in fluctuation of the Group's exchange gain/loss, which will in turn affect its financial position and operating results.	↑	As of 31 December 2017, the Group held borrowings denominated in USD of approximately USD540 million (equivalent to approximately RMB3,500 million). As the exchange rate of USD against RMB continued to decrease since last year, no exchange rate hedging has been carried out. The Group will closely monitor the trend of USD exchange rate and make judgement on the impact on the Group from time to time and will timely take required actions to hedge against the exchange rate (if necessary).

Group's Top Risks	Target Risk Trend 2017	Key Response Plan(s)
Risks relating to management — On the extraordinary general meeting held on 8 November 2017, the independent Shareholders considered and approved the acquisition of companies locating in five provinces and autonomous regions, namely Guangdong, Guangxi, Anhui, Hubei and Shandong, by the Group. These companies are principally engaged in power generation by using clean energy, including hydropower, natural gas power, wind power and photovoltaic power. The continuous growth of asset and operation scale also brought about challenges for management.	↑	The Group has actively formulated various plans and policies to comprehensively integrate the newly acquired companies with the Group, including the linkage of information system, reporting and communication models, operation and development strategies, capital management, staff training (especially knowledge about corporate governance and regulatory requirements of listed company), etc.. The management of the Group is fully prepared for the integration of the acquired business.

Environmental Protection and Social Responsibility Summary Report

ENVIRONMENTAL PROTECTION

Insisting on the core value of "giving light and power to the world, leaving clear water and blue skies to our children", the Group, by virtue of its consistent inputs for energy conservation and emission reduction, advocating the development of clean energy and actively promoting sustainable development in social, economic and environmental terms, is committed to the targets of becoming a resource-saving and environment-friendly enterprise with high proportion in clean energy, low consumption of energy and resources, and low discharge of pollutants.

1 Climate Change — coping strategies and actions

The PRC government places consistently strong emphasis on environmental protection and continuously improves its legislation on renewable energy. A number of environmental protection policies were promulgated with a view to enable economically sustainable development. With China officially becoming a party to the Paris Climate Change Agreement in 2016 indicating a serious commitment to tackling climate change, the PRC government issued in the same year the national economic "13th Five-Year" plans for energy and power development, in which the targets for clean energy developments were specified up to 2020. In general, PRC enterprises are confronting new requirements for environmental protection and social responsibilities. The Group acknowledges that it is incumbent upon, and obligatory for, energy and power companies such as the Group to actively cope with global climate change, and corresponding strategies are formulated while relevant actions are engaged.

1.1 Our Strategies

Aims and Directions for Development

The Group is committed to establishing itself as a clean low-carbon integrated energy company. In order to contribute to the effective responses to global climate change, the Group's directions for development for achieving existing goals are as follows:

(1) Enhance the development of clean energy: continue to increase the proportion of clean energy by maintaining our lead in hydropower generation and making further progress in the development of quality wind power and photovoltaic power projects, while controlling and slowing down the development of coal-fired power.

(2) Achieve comprehensive purification of the existing coal-fired power: to complete the ultra-low emission technical upgrades for coal-fired power in order to reduce the pollutants and greenhouse gases emission per unit of power generated; to enhance the efficiency of the power generating units in order to reduce the consumption of fossil fuels per unit of power generated.

(3) Reduce investment in coal-fired power: shutdown those coal-fired power generating units with small capacity, low parameters and not feasible to carry out the ultra-low emission technical upgrades; actively seek for cooperation with other enterprises to develop the existing coal-fired power in order to reduce the proportion of shareholding in coal-fired power enterprises.

(4) Develop technological innovation: to strive for breakthroughs in the area of clean energy and low-carbon emission technologies with greater research and development inputs.

Basis of Actions

The actions committed by the Group are based on:

(1) Policy guidance: commitments made by the PRC government upon joining the Paris Climate Change Agreement, targets as set out in the national economic "13th Five-Year" plans for energy and power of the PRC, "Air Pollution Prevention and Control Action Plan", "Action Plan of the Upgrade and Renovation for Coal-fired Units to Achieve Energy Saving and Emission Reduction (2014–2020)", among other policies.

(2) Regulatory standards: "Environmental Protection Law of the People's Republic of China", "Air Pollution Prevention and Control Law of the People's Republic of China", "Emission Standard of Air Pollutants for Coal-fired Power Plants" and other environmental protection regulatory standards issued by the central and local governments.

Strategic Support

The Group accelerates the implementation of its transformational strategies and strives for the developments in clean energy, integration, smart technology and international expansion. In particular, developments in clean energy were ramped up in a bid to reduce reliance on traditional energies and transform from high-carbon into low-carbon generation, which is a major component in our transformational development strategy. The established strategy of the Group strongly supports various initiatives in coping with climate change.

1.2 Our Works

Air pollution

In strict compliance with the "Emission Standard of Air Pollutants for Coal-fired Power Plants", "Ambient Air Quality Standards" and other pertinent laws and regulations as well as in response to the requirements under "Action Plan of the Upgrade and Renovation for Coal-fired Units to Achieve Energy Saving and Emission Reduction (2014–2020)", the Group effectively controlled the emission of airborne pollutants by installing dedusting, desulphurization and denitration facilities and procuring coals with less pollutant contents.

During 2017, the Group carried out the denitrification and capacity increase renovation project plan. All of its power plants have taken the catalyst for increasing the SCR reserve layer, among which Fuxi Power Plant has installed SNCR devices to carry out catalyst replacement and regeneration for the initial layer. This will enhance the catalyst performance of the initial layer, thereby further reducing the emission of nitrogen oxides, increasing power output, reducing heat loss, and lowering the cost.

During 2017, as part of the ultra-low emission technical upgrade for the generating unit no. 1 of Wuhu Power Plant, the wet electrostatic dust precipitator was installed to further reduce emission of flue gas and dusts, and GGH tubes were also installed to eliminate the visual pollution from white smoke plume. Due to the elimination of outdated production capacity, Yaomeng Power Plant shut down a 310MW coal-fired power generating unit with small capacity and low parameter in order to reduce the emission of airborne pollutants.

Exhausts gas

As part of our environmental protection upgrade strategy, the Group embarked upon the third environmental protection technical upgrade with an aim for ultra-low emission. As of 2017, all the 19 power generating units of the Group's power plants have completed their ultra-low emission technical upgrades. All power plants except Pingwei Power Plant II have passed the environmental inspection and acceptance and received ultra-low emissions power incentives from the local provincial government.

Discharge of sulphur dioxides, nitrogen oxides, and flue gas and dusts by the Group reduced significantly as benefitted from our ultra-low emission technical upgrades, with the total discharge decreased year-on-year by 3,548 tonnes, 3,618 tonnes and 915 tonnes, respectively.

Although carbon dioxide emissions have risen due to the increase in power generation, the Group has reduced the emission of greenhouse gases such as carbon dioxide by developing clean energy projects, effectively curbing such increases. In 2017, the Group's clean energy power generation amounted to 18,662,142MWh, representing a reduction in carbon dioxide discharge by 14,929,714 tonnes.

SOCIAL RESPONSIBILITY

The Group complies with the safe, healthy, and environment protection principle of "Quality Products and Services, People-oriented, Risk Control, Green Operations", pursuing high standards of operations and striving to minimize the adverse impact on the society and the environment. It is improving its standards on clean production to provide safe, economical and clean products and services to customers and the society.

2 Employment and Labour Practices — A People-Oriented Approach

Our employees are the driving force behind our sustainable development. We have always been committed to the provision of a sound workplace for employees and the protection of employees' lawful rights. Health and safety of the employees are our concern and a wide-ranging platform has been in place for career development of the staff so as to create a corporate culture of loyalty and cohesiveness, promoting the mutual growth of the staff and the corporation.

3 Operational Practices — Safeguarding Stable Development

Supply chain management

The Group persists in developing fair and impartial working relationships with suppliers. Bulk purchases of fuel and other materials are subject to a management regime that separates the three functions of purchase, delivery inspection and acceptance, and supervision, in a bid to eliminate corruption at source. Contracts and agreements are performed in stringent compliance with contractual requirements and each supplier is treated with respect and equality.

While fulfilling its own social responsibility, the Group also incorporates concepts and requirements of social responsibility in the management of suppliers. A stringent and standardized system for the selection and management of suppliers has been formulated, in a bid to safeguard a healthy and orderly marketplace in a joint effort with other parties in accordance with the "Regulations for the Management of Suppliers", "Implementation Measures for the Evaluation of Material Suppliers", "Implementation Measures for the Evaluation of Tender Suppliers" and other pertinent regulations.

Approval of fuel suppliers is subject to the fulfilment of precedent conditions based on the mine resources or transport support provided by the potential suppliers, which are assessed and examined in a comprehensive manner with reference to their qualification, skill competence, product quality, pricing, after-sale service and reputation, and are graded as I, II and III in accordance with the "Catalogue for Grading and Classification of Materials". The Group focuses on examining suppliers of Grade I and II and those which are newly added or planned to be eliminated. In 2017, the Group assessed 1,811 suppliers of fuels and other materials, and identified 110 unsatisfactory suppliers, 60 of which were blacklisted.

As a power producer, the Group mainly sells electricity generated from its power plants through the local power grid companies. In 2017, seizing the opportunity directed by the PRC government in opening up the electricity market, the Group has been actively fostering its own customer base by proactively liaising with enterprises of large electricity consumption and building with them long lasting and sustainable partnerships in order to secure the increased market share in direct power supply.

Safe production

The Group regards safe production as the prerequisite for stable power supply and sustainable development for the Group in firm adherence to the safety philosophy which maintains that "no risks are uncontrollable, no breaches are unpreventable and no accidents are unavoidable" and the safety production directives of "safety as priority, prevention rather than cure, and comprehensive management". No major safety incident related to our employees, facilities or the environment occurred in 2017.

4 Community Investment — Promoting Harmony

The Group is actively involved in community building and conducts its business in a responsible manner in the places where it operates, with the aim of driving local economic and social development. Social charity, science and technology education and other campaigns that contribute to the well-being of local communities are actively organized based on their practical needs.

The full version of the "Environmental Protection and Social Responsibility Report" will be posted on the websites of the Company and the Hong Kong Stock Exchange on or before 30 June 2018.

Investor Relations and Frequently Asked Questions

INVESTOR RELATIONS

The Company, the Board and the management have always prioritized the investor relation activities and deeply acknowledge that investor relations is a strategic management activity which could enhance understanding between investors and the Company, upgrade the level of corporate governance, transparency and strategic credibility and create values for shareholders. Since the listing of the Company, we have been putting efforts in investor relation work, maintaining sufficient communications with the investors. We are also convinced that reporting to shareholders and establishing a good investor relation are important responsibilities of the Board and the management.

The Chairman of the Board, the Directors and the senior management have participated in a variety of investor relation activities to maintain communication with the investors. During the meetings with investors, we honestly answered all the questions raised by investors to enable them to gain comprehensive, deep and objective information on the operations and development strategies of the Company. Apart from introducing the development in the power industry, the relevant environmental protection, industry and tariff policies, the operations and development strategies of the coal-fired power, hydropower, wind power, photovoltaic power, and electricity sales and distribution of the Company, we also emphasize the feedback from the investors in order to form a good interaction between the Company and the investors. From this, we continuously improve our operations and management while creating greater value for the shareholders.

PRESS CONFERENCES FOR ANNUAL AND INTERIM RESULTS

In 2017, the Company organized press conferences right after the publications of its 2016 annual results and 2017 interim results. The Directors and the senior management attended the conferences and had direct communications with investors and securities analysts to keep them abreast of the development strategies and the operations of the Company as well as actively strive for investors' understanding and recognition of the future development plans and profit growth targets of the Company.

GENERAL MEETINGS

The annual general meeting and the extraordinary general meeting for last year were held on 6 June 2017 and 8 November 2017 respectively at Ballroom, Level 5, Island Shangri-La Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong. The Directors and the senior management together with the external independent auditor attended both the annual general meeting and the extraordinary general meeting and the independent financial advisor also attended the extraordinary general meeting to answer enquiries from the shareholders and investors attending the meetings. All ordinary resolutions proposed at the meetings were duly passed by shareholders' voting.

The annual general meeting for this year is proposed to be held on 5 June 2018.

ROADSHOWS

In 2017, we launched roadshows in the Mainland China, Hong Kong, Singapore and the United States to coordinate with the announcing of the results of the Company, the acquisition of assets and the Rights Issue. The senior management and investor relations team of the Company participated in the roadshows to have meetings with investors and met nearly 70 securities analysts and fund managers, which effectively promoted communication between the Company and the investors.

INVESTOR FORUM

In 2017, the senior management and investor relations team participated in seven major investor forums in Hong Kong, Beijing, Shanghai, Shenzhen, etc., and met nearly 50 securities analysts and fund managers.

REGULAR MEETINGS WITH INVESTORS

The senior management and investor relations team have meetings with investors and analysts upon their requests to introduce the information and recent operations of the Company and answer their questions. In 2017, the Company received visits of more than 30 analysts and fund managers from investment institutions.

SHAREHOLDERS AND INVESTORS ENQUIRIES

The contact information for shareholders and investors enquiries are set out in the section headed "Useful Information for Investors" of this annual report.

FREQUENTLY ASKED QUESTIONS

1. What is the Company's Development Strategy?

The Company is a core subsidiary engaged in conventional energy business of SPIC, the ultimate holding company, and has been an ultimate platform for its conventional energy business and assets reorganization and also a leader of its technological innovation and institutional innovation. The Group is proactively implementing its transformation and development strategy with commitment to the development of clean energy and the building into an integrated energy company.

2. Does the Company have any Plans to acquire the Assets from its Parent Company?

SPIC, the parent company of the Group, is an integrated energy group company mainly focused on electricity with integrated development. As of the end of 2017, the installed capacity of electric power of SPIC reached 126GW, of which clean energy accounted for approximately 45% of the total installed capacity, demonstrating its distinctive feature of clean development.

SPIC remained committed to support the development of the Company and facilitated the rapid development of the Company by injecting quality assets into the Company. In October 2017, the Company entered into agreements with SPIC and CPI Holding, a wholly-owned subsidiary of SPIC, respectively for the acquisition of their clean energy assets in five provinces and autonomous regions, namely Guangdong, Guangxi, Hubei, Anhui and Shandong, with a view to accelerating the transformation towards a clean energy company.

In the future, the Company will continue to strengthen the communication with the parent company and acquire more quality clean energy assets of the parent company at appropriate times so as to optimize its asset structure and enhance its market competitiveness on a continuous basis. Currently, apart from the information already disclosed by the Company, there is no other disclosable information in relation to the acquisition of the assets from the parent company.

3. What is the Volume of Electricity transacted and Tariff Level of the Group's Direct Transaction with Large-Volume Electricity End-Users in 2017?

In 2017, a number of coal-fired power plants of the Group participated in direct power supply transactions, the electricity sold through direct power supply transactions amounted to 13,317,562MWh. For those power plants of the Group which participated in direct power supply transactions, the average post-tax tariff of direct power supply was at a discount of approximately 8.70% as compared with the average post-tax benchmark on-grid tariff.

In 2017, the hydropower, wind power and photovoltaic power plants of the Group did not participate in direct power supply transaction.

4. What is the Company's Opinions of Supply and Demand for Coal for 2017 and 2018?

In 2017, the average coal price in China remained at high level throughout the year, the annual average coal price raised significantly as compared to 2016, which squeezed the profit margin of the coal-fired power segment.

In 2017, the government launched a number of policies to adjust and control the coal price. In 2018, it is expected that the government will continue to implement the policies to adjust and control the coal price and the supply and demand for coal will basically remain in balance.

5. What is the Company's Anticipation of Supply and Demand for Power for 2018?

In 2018, China Electricity Council anticipated that the national total electricity consumption will increase by 5.5% as compared with the previous year and the newly-installed capacity nationwide is expected to reach 120 million kilowatts, hence, the national supply of electricity will be fairly sufficient. Nevertheless, the power supply during the peak hours of electricity consumption in certain regions will remain tight. In conclusion, the Group expected that the fluctuation of utilization hours will be relatively stable in 2018 but will still be subject to uncertainties.

6. What is the Group's Capital Expenditures for 2017 and the Capital Expenditures Plan for 2018?

In 2017, the capital expenditure of the Group for the year was RMB8,501,931,000. Among which, the capital expenditure for the coal-fired power segment was RMB3,666,377,000, which was mainly used for the construction of new environmental friendly coal-fired power generating units with large capacity and technical upgrade for the existing power generating units. Meanwhile, the capital expenditure for the clean energy segment was RMB4,675,024,000, which was mainly used for the construction of new power plants and power stations.

In 2018, the Group has planned a capital expenditure of approximately RMB7,600,000,000. Of which, the expected expenditures for coal-fired power segment and clean energy segment will be approximately RMB3,400,000,000 and approximately RMB3,700,000,000 respectively, which will be mainly used for the construction of new power generating units and technical upgrade for the existing power generating units.

Report of the Board of Directors

The Board hereby presents to the shareholders its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017 (the "Consolidated Financial Statements").

PRINCIPAL ACTIVITIES

The principal activities of the Group are to develop, construct, own, operate and manage large power plants for generation and sale of electricity in China, and engage in investment holdings. Particulars of the Company's principal subsidiaries are shown in Note 43 to the Consolidated Financial Statements.

RESULTS AND DISTRIBUTION

The results of the Group for the year ended 31 December 2017 are set out in the Consolidated Income Statement on page 95. The Board has recommended the payment of a final dividend of RMB0.081 (equivalent to HK$0.1006) per ordinary share for the year ended 31 December 2017, with a total amount of RMB794,358,000 (equivalent to HK$986,573,000).

BUSINESS REVIEW AND PERFORMANCE

Review of the Group's business and performance for the year ended 31 December 2017 are set out in this annual report as follows:

Aspects	In the section headed	Page
A fair review of the Group's business and analysis of financial position	• Management's Discussion and Analysis	22–35
A description of the principal risks and uncertainties facing the Group	• Risk Management Report • Note 41 to the Consolidated Financial Statements	59–63 173–178
The outlook of the Group's business	• Letter to Shareholders • Management's Discussion and Analysis	15–16 39–40
The Group's environmental policies and performance and compliance with the relevant laws and regulations that have a significant impact on the Group	• Environmental Protection and Social Responsibility Summary Report • Management's Discussion and Analysis	64–66 36–37
An account of the Group's key relationships with its stakeholders that have a significant impact on the Group	• Management's Discussion and Analysis • Environmental Protection and Social Responsibility Summary Report • Investor Relations and Frequently Asked Questions	37–38 66–67 68–69
Particulars of important events affecting the Group that have occurred since the end of the financial year	• Management's Discussion and Analysis • Note 44 to the Consolidated Financial Statements	39 195

CORPORATE GOVERNANCE

The principles and practices of the Group's corporate governance are set out in the section headed "Corporate Governance Report" of this annual report.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out in the section headed "Five-Year Financial and Operations Summary" of this annual report.

PROPERTY, PLANT AND EQUIPMENT

During the year, the additions and transfer from prepayment for property, plant and equipment of the Group amounted to RMB7,921,614,000, mainly representing general power assets. Details of the movements in property, plant and equipment of the Group and the Company during the year are set out in Note 14 to the Consolidated Financial Statements.

SHARE CAPITAL

On 15 December 2017, the Company allotted and issued 2,451,721,580 new shares on the basis of one rights share for every three then existing shares at the subscription price of HK$1.82 per rights share to those qualifying shareholders whose names appeared on the register of members of the Company at the close of business on 22 November 2017 (the "Rights Issue"). Dealings in the rights shares, in their fully-paid form, commenced on the Hong Kong Stock Exchange on 18 December 2017.

Details of movements in the share capital of the Company during the year are set out in Note 30 to the Consolidated Financial Statements.

DEBENTURES AND COMMERCIAL PAPER ISSUED

Details of movements in the debentures and commercial paper of the Group and the Company during the year are set out in Note 34 to the Consolidated Financial Statements.

EQUITY-LINKED AGREEMENT

For the year ended 31 December 2017, the Company did not enter into any equity-linked agreement.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in Notes 31 and 45 to the Consolidated Financial Statements respectively.

DISTRIBUTABLE RESERVE

As calculated in accordance with Sections 297 and 298 of the Hong Kong Companies Ordinance, as at 31 December 2017, the distributable reserve of the Company amounted to RMB5,221,644,000 (2016: RMB4,281,662,000).

DIRECTORS

The present Directors of the Company are set out in the section headed "Corporate Information" of this annual report. Biographical details of each of the Directors are set out in the section headed "Directors and Senior Management Profiles" of this annual report, and details of Directors' emoluments are set out in Note 13 to the Consolidated Financial Statements.

Mr. WANG Binghua and Mr. WANG Zichao resigned as a non-executive Director and an executive Director respectively on 8 June 2017 due to work re-arrangements. Mr. TIAN Jun and Mr. WANG Xianchun were appointed as an executive Director and a non-executive Director respectively on the same day.

In accordance with Articles 81 and 82 of the Company's articles of association and the Listing Rules, Mr. TIAN Jun, Mr. WANG Xianchun and Mr. KWONG Che Keung, Gordon will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. If the above Directors are re-elected, they will not enter into service contracts with the Company or any of its subsidiaries which are not determinable by the employing company within one year without payment of compensation other than statutory compensation.

As at 31 December 2017, none of the Directors had a service contract with the Company or any of its subsidiaries which was not determinable by the employing company within one year without payment of compensation other than statutory compensation.

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of its independent non-executive Directors independent.

DIRECTORS OF SUBSIDIARIES

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31 December 2017 or during the period from 1 January 2018 to the date of this annual report are available on the Company's website at www.chinapower.hk.

PERMITTED INDEMNITY

Pursuant to the Company's articles of association, subject to the Statutes, every Director of the Company shall be indemnified against any liability incurred by him in the execution and discharge of his duties or in relation thereto. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of the Group.

SHARE OPTION SCHEME

A share option scheme was conditionally approved and adopted by a written resolution passed by the Company's shareholders on 24 August 2004 (the "Share Option Scheme"). The purposes of the Share Option Scheme are to attract and retain high-calibre personnel to provide them with the opportunity to acquire equity in the Company and to motivate them to higher levels of performance.

Unless otherwise terminated by the Board or the shareholders of the Company in general meeting in accordance with the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it is conditionally adopted by the resolution passed by our shareholders in general meeting (i.e. 24 August 2004) (the "Scheme Period"), and after which no further share options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting share options granted within the Scheme Period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

The Board may, at its absolute discretion, offer any employees, Directors (including executive and non-executive Directors other than independent non-executive Directors), chief executive and members of the management of the Company and the Group (the "Eligible Person") share options to subscribe for shares in the Company. Upon acceptance of the offer of the share option, the grantee shall pay HK$1.00 to the Company as a nominal consideration for the share option granted.

Except with the approval of the Company's independent shareholders at the general meeting, the total number of shares issued and to be issued upon the exercise of the share options granted or to be granted to each Eligible Person under the Share Option Scheme and other schemes of the Company or any of its subsidiaries (including exercised, cancelled and outstanding share options) in any 12-month period shall not exceed 1% of the Company's shares in issue.

The exercise price per share subject to the share options granted under the Share Option Scheme shall be determined by the Board but shall be not less than the greatest of:

(a) the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheet on the date, which must be a business day, of the written offer of the share option (the "Offer Date");

(b) the average closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and

(c) the nominal value of the shares.

In the event of a capitalization issue, rights issue, sub-division or consolidation of the shares or reduction of the capital of the Company whilst any share option remains exercisable, the Company shall make such corresponding adjustments to the exercise price per share for the outstanding share options.

As a result of the Company's Rights Issue, adjustments were required to be made to the exercise price of the outstanding share options and the number of shares falling to be issued upon exercise of the outstanding share options in accordance with the terms and conditions of the Share Option Scheme, Rule 17.03(13) of the Listing Rules and its supplementary guidance dated 5 September 2005 regarding the adjustments to share options. Immediately after completion of the Rights Issue, the exercise price and the number of shares falling to be issued upon exercise of the outstanding share options that granted on 2 July 2008 pursuant to the Share Option Scheme, were adjusted from HK$2.326 to HK$2.173 and from 11,340,000 shares to 12,135,961 shares respectively. The adjustments became effective from 15 December 2017, being the date on which the fully-paid rights shares were allotted and issued.

A share option may be exercised at any time during a period to be notified by the Board to each grantee, such period not to exceed ten years from the Offer Date of the relevant share option. Save any circumstance stated below, the share options granted under the Share Option Scheme will have a total vesting period of four years. Commencing from the first, second, third and fourth anniversaries of the Offer Date of a share option, the relevant grantee may exercise up to 25%, 50%, 75% and 100% respectively of the shares comprised in his or her share option subject to any early vesting of share options described in the following paragraphs.

(1) Rights on a General Offer

If a general offer (whether by way of take-over offer, share repurchase offer or scheme of arrangement or otherwise in similar manner) is made to the Company's shareholders, the Company shall use its best endeavours to procure that such offer is extended to all the grantees (on the same terms mutatis mutandis, and assuming that they will become, by the exercise in full of the share options granted to them, shareholders of the Company). If such offer, having been approved in accordance with applicable laws and regulatory requirements becomes, or is declared unconditional, the grantees shall be entitled to exercise the share option in full (to the extent not already exercised) within 14 days after the date on which such offer becomes or is declared unconditional.

(2) Rights on Schemes of Compromise or Arrangement

If, pursuant to the Hong Kong Companies Ordinance, a compromise or arrangement between the Company and its shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all grantees on the same date as it dispatches to each shareholder or creditor of the Company a notice summoning a meeting to consider such a compromise or arrangement, and thereupon each grantee shall be entitled to exercise all or any of his/her share options in whole or in part prior to 12:00 noon on the day immediately preceding the date of the meeting directed to be convened by the court for the purposes of considering such compromise or arrangement. With effect from the date of such meeting, the rights of all grantees to exercise their respective share options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all share options shall, to the extent that they have not been exercised, be void and lapse.

(3) Rights on a Voluntary Winding-up

In the event of an effective resolution being passed for the voluntary winding-up of the Company or an order of the court is made for the winding-up of the Company, the Company shall give notice thereof (the "winding-up notice") to all grantees on the same day as such resolution is passed or order is made. The grantee may by notice in writing to the Company within 21 days after the date of the winding-up notice elect to be treated as if the share option (to the extent not already exercised) had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in the grantee's notice, such notice to be accompanied by a remittance for the full amount of the aggregate subscription price for the shares in respect of which notice is given, whereupon the grantee will be entitled to receive out of the assets available in the liquidation pari passu with the Company's shareholders such sum as would have been received in respect of the shares the subject of such election.

The Company has used the Black-Scholes Option Pricing Model (the "Model") to assess the value of the share options at the dates of grant. The Model is one of the commonly used models to estimate the fair value of a share option. The value of a share option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of a share option. As such, the fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the valuation model used.

Pursuant to the Share Option Scheme, the share options were granted to the Directors, senior management and certain other employees on 4 April 2007 and 2 July 2008 respectively. The fair value of these share options determined at the dates of grant using the Model were HK$23,517,000 and HK$18,346,000 respectively. All such fair value had already been expensed regressively through the Group's consolidated income statement over the four-year vesting period of the relevant share options commencing from the year ended 31 December 2007 and 2008 respectively.

Movements of the share options under the Share Option Scheme (including the adjustments of the exercise price and the number of shares to be issued upon exercise of the outstanding share options after the Rights Issue) for the year ended 31 December 2017 are as follows:

		Number of shares subject to share options						
Grantee	Date of grant	As at 1 January 2017	Adjusted during the year	Lapsed or cancelled during the year	Exercised during the year	Outstanding as at 31 December 2017	Expiry date	Exercise price per share (HK$)
Directors:								
GUAN Qihong	2 July 2008	400,000	28,076	–	–	428,076	1 July 2018	2.173
Other employees	4 April 2007	6,162,000	–	(6,162,000)	–	–	3 April 2017	4.07
	2 July 2008	14,550,000	767,885	(4,359,133)	–	10,958,752	1 July 2018	2.173

The Share Option Scheme expired on 24 August 2014, i.e. at the tenth anniversary since its adoption date. Following the termination of the Share Option Scheme, no further share options may be granted after that date but the provisions of the Share Option Scheme shall remain in full force and effect.

All share options granted on 4 April 2007 under the Share Option Scheme were lapsed upon expiry pursuant to the terms of the Share Option Scheme on 3 April 2017.

As at the date of this annual report, the total number of shares in respect of which share options may be exercised under the Share Option Scheme was 10,894,540, representing approximately 0.11% of the existing issued share capital of the Company.

DIRECTORS' INTEREST IN CONTRACTS

During the year ended 31 December 2017, there was no transaction, arrangement or contract of significance in which the Company, its subsidiaries, its holding companies, fellow subsidiaries, associates and joint ventures was a party, and in which the Directors had any material interest.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, save as disclosed below, none of the Directors and their associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group:

Name of the Director	Position(s) within the Company	Other Interests
YU Bing	Chairman of the Board and executive Director	Chairman of CPI Holding
TIAN Jun	Executive Director and President	Director and general manager of CPI Holding
GUAN Qihong	Non-executive Director	Chief capital market officer of SPIC, director of SPIC Financial and director of CPI Holding
WANG Xianchun	Non-executive Director	Special duty director and supervisor of SPIC, director of CPI Holding, director of Shanghai Power and supervisor of Jilin Electric Power Co., Ltd.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 December 2017, save as disclosed below, none of the Directors or the chief executive of the Company has any interest or short positions 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, Cap. 571 of the Laws of Hong Kong (the "SFO") which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Name	Capacity	Name of company in which interests are held	Date of grant	Number of underlying shares interested under physically settled equity derivatives[1]	Percentage of issued share capital of the Company (%)	Long/Short position
GUAN Qihong	Beneficial owner	the Company	2 July 2008	428,076	0.0044	Long

Notes:

(1) The interests of the above Director in the underlying shares of the Company represent the share options granted to him under the Share Option Scheme by the Company.

(2) The above Director has no interest in any securities of the Company (except for interests held under equity derivatives disclosed above).

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2017, save as disclosed below, no person, not being a Director nor chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which should be recorded in the register kept under Section 336 of the SFO.

Name	Capacity	Number of shares in which interested other than under equity derivatives[4]	Percentage of issued share capital of the Company (%)	Long/Short position
CPDL	Beneficial owner	2,662,000,000	27.14	Long
Seth Holdings[1]	Interest of a controlled corporation	2,662,000,000	27.14	Long
CPI Holding[2]	Interest of a controlled corporation	2,662,000,000	27.14	Long
	Beneficial owner	2,791,518,000	28.47	Long
SPIC[3]	Interest of a controlled corporation	5,453,518,060	55.61	Long

Notes:

(1) On 28 December 2017, CPDL had made an issue of non-voting convertible preferred shares to Seth Holdings pursuant to an agreement entered into between Seth Holdings, CPI Holding and CPDL. If those non-voting convertible preferred shares were fully converted into ordinary shares, Seth Holdings would hold approximately 33.48% of the voting rights in CPDL. As a result of the agreement, Seth Holdings became a beneficial owner of CPDL and therefore Seth Holdings is deemed to be interested in the shares of the Company owned by CPDL for the purposes of the SFO.

(2) CPI Holding is the beneficial owner of CPDL and therefore CPI Holding is deemed to be interested in the shares of the Company owned by CPDL for the purposes of the SFO.

(3) SPIC is the beneficial owner of CPI Holding and therefore SPIC is deemed to be interested in the shares of the Company owned by CPI Holding for the purposes of the SFO.

(4) Save as disclosed above, SPIC, CPI Holding, Seth Holdings and CPDL do not have any interest in the equity derivatives of the Company.

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP

Connected Transactions

(A) EPC Contracting Agreement

Date:	18 April 2017
Parties:	(i) Xintai Power Station
	(ii) Shandong Institute (as the Contractor)
Total consideration:	RMB363,761,669

The Contractor has agreed to act as the main contractor and provide engineering, procurement and construction services for the development and construction of Xintai Power Station. The contracting fees are payable by installments.

Since Shandong Institute is an indirect subsidiary of SPIC and SPIC is the ultimate controlling company of the Company, the EPC Contracting Agreement thus constitutes a connected transaction of the Company under the Listing Rules.

(B) Formation of Joint Venture

On 1 June 2017, Yantai Energy Investment entered into the Joint Venture Agreement with Shandong Energy and Guorui New Energy, pursuant to which the parties agreed to form a Joint Venture in Shandong Province of the PRC. Pursuant to the Joint Venture Agreement, the registered capital of the Joint Venture is RMB800,000,000 which shall be contributed by Yantai Energy Investment, Shandong Energy and Guorui New Energy for the amounts of RMB336,000,000, RMB384,000,000 and RMB80,000,000 respectively, representing 42%, 48% and 10% of their respective equity interests in the Joint Venture. The investment in the Joint Venture allows the Group to expand its business into the area of offshore wind power, and can assist the Group to establish its market position in the Shandong Province of the PRC.

Since Shandong Energy is a subsidiary of SPIC and SPIC is the ultimate controlling company of the Company, the formation of the Joint Venture thus constitutes a connected transaction of the Company under the Listing Rules.

(C) Project Tender and Facilities Services Agreements

1. *Project Pu'an*

Date:	15 August 2017
Parties:	(i) Pu'an Power Plant
	(ii) CEC (as the Agent)
Total consideration:	RMB13,500,000

2. *Project Shangqiu*

Date:	15 August 2017
Parties:	(i) Shangqiu Power Plant
	(ii) CEC (as the Agent)
Total consideration:	RMB10,000,000

The services provided by the Agent for each of the above power plant projects which include technical assistance and consultancy relating to: (i) tendering for the construction of the main power generating units, all their ancillary facilities, machinery and equipment; (ii) supervising the construction of the ancillary facilities and manufacture of machinery and equipment; and (iii) acting as the agent for purchasing imported machinery, equipment and materials. The service fee is payable by instalments.

Since CEC is a subsidiary of SPIC and SPIC is the ultimate controlling company of the Company, the Project Tender and Facilities Services Agreements thus constitute connected transactions of the Company under the Listing Rules.

(D) Acquisitions of Clean Energy Project Companies

Acquisition Agreement I

Date:	9 October 2017
Parties:	(i) The Company (as the purchaser)
	(ii) CPI Holding (as the seller)
Total consideration:	RMB4,852,240,000

Acquisition Agreement II

Date:	9 October 2017
Parties:	(i) the Company (as the purchaser)
	(ii) SPIC (as the seller)
Total consideration:	RMB117,081,000

Pursuant to Acquisition Agreement I, the Company acquired the entire equity interest in Guangdong Company (excluding Qian Zhan), Guangxi Company and Sihui Company from CPI Holding. Pursuant to Acquisition Agreement II, the Company acquired the entire equity interest in Anhui Company, Hubei Company, Shandong Company and Shouxian Company from SPIC.

Guangdong Company, Guangxi Company, Sihui Company, Anhui Company, Hubei Company and Shandong Company are principally engaged in clean energy power generation, mainly including hydropower, natural gas power, wind power and photovoltaic power. The Directors believes that the Acquisitions will accelerate the Company's transformation towards a clean energy company, enlarge operational capacity with expansion potential, improve profitability and strengthen presence in the high growth regional markets in the PRC.

The aggregate consideration of RMB4,969,321,000 payable by the Company under Acquisition Agreement I and Acquisition Agreement II is subject to adjustment on completion of all the necessary formalities in relation to the transfer of the entire equity interest in the relevant target companies, and by reference to the completion audited reports to be produced within 30 business days after the completion of each of target companies.

In order to finance the Acquisitions, the Company raised further capital by way of the Rights Issue as well as internal resources of the Group. The final adjusted aggregate consideration payable by the Company will be satisfied in cash.

SPIC is the ultimate controlling company of the Company. CPI Holding, a wholly-owned subsidiary of SPIC, is also a controlling company of the Company. As SPIC and CPI Holding are both substantial shareholders of the Company, the entering into of Acquisition Agreement I and Acquisition Agreement II constitute connected transactions of the Company under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

(A) Land Lease Agreements

1. Pingwei Power Plant and Yaomeng Power Plant Land Lease Agreements

Each of Pingwei Power Plant and Yaomeng Power Plant entered into a land lease agreement with SPIC on 27 August 2004 (the "Land Lease Agreement") to lease from SPIC the land on which they are respectively situated. The Land Lease Agreement with Yaomeng Power Plant was later supplemented on 24 September 2004, 23 May 2007 and 28 October 2016 respectively. The Land Lease Agreement with Pingwei Power Plant was also supplemented on 23 May 2007 and 28 October 2016. The basic terms of the above two Land Lease Agreements as amended are as follows:

Land Lease Agreement	Area (sq. m.)	Annual rent (RMB)	Lease Commencement Date	Lease Expiry Date
Pingwei Land Lease Agreement	4,352,884	7,188,131.29*	1 August 2004	16 September 2019 (being the expiry date of the term of the operation of Pingwei Power Plant)
Yaomeng Land Lease Agreement	2,858,170.6	5,539,132.94*	1 August 2004	26 August 2019 (being the expiry date of the term of the operation of Yaomeng Power Plant)

* Inclusive of value-added tax

Pingwei Power Plant and Yaomeng Power Plant are subsidiaries of the Company. SPIC is the ultimate controlling company of the Company. Accordingly, the two Land Lease Agreements constitute continuing connected transactions of the Company under the Listing Rules.

2. Shanxi Shentou Land Use Right Lease Agreement

On 9 June 2005, Shanxi Shentou (signed by its holding company, Tianze Development Limited at that time) entered into a land use right lease agreement (the "Land Use Right Lease Agreement") with SPIC regarding the lease from SPIC of a piece of land with an area of approximately 2,925,019.15 sq. m. for a lease term of 20 years commencing from 1 July 2005. The Land Use Right Lease Agreement was later supplemented on 28 October 2016. The annual rent was then fixed at RMB5,187,000 (inclusive of value-added tax). The rental amount is subject to review by the parties with reference to an independent valuation upon expiry of the lease term.

Shanxi Shentou is situated on a parcel of land allocated by the State to SPIC. Accordingly, it is essential to enter into the Land Use Right Lease Agreement to ensure that Shanxi Shentou is entitled to continue its operation on the land.

Shanxi Shentou is a subsidiary of the Company. SPIC is the ultimate controlling company of the Company. Accordingly, the Land Use Right Lease Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

(B) Property Lease Agreement

1. Beijing Property Lease Agreement

The Company has been leasing a premises owned by CPI Holding since 2006 (the "Beijing Property Lease Agreement"). The Beijing Property Lease Agreement was renewed on 27 August 2009, 13 July 2012 and 31 August 2015, its basic terms are set out as below:

Address of Premises	Area (sq. m.)	Annual Rent	Lease Term
Premises situated on 6th to 9th and 11th to 13th Floors, East Building, Huihuang Shidai Plaza, 56 North West Fourth Ring Road, Haidian District, Beijing, PRC	8,800	RMB20,908,800 or RMB198 per square metre per month	1 September 2015 to 31 August 2018

The premises being rented is used as an office of the Company. The rent was determined after arm's length negotiations with reference to the prevailing market rent of other similar premises in the nearby locations.

CPI Holding is the controlling company of the Company, the entering into the Beijing Property Lease Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

2. Wu Ling Lease Agreement

Qian Dong Power has been leasing the transmission lines and switching facilities owned by Wu Ling Power since the beginning of 2009 for the transmission of electricity generated by Qian Dong Power Plant to the Hunan power grid (the "Wu Ling Lease Agreement") and was renewed with the following terms:

Date:	28 December 2015
Annual rent:	RMB54,110,000
Term:	1 January 2016 to 31 December 2018

The rent of the transmission lines and switching facilities is determined based on the investment and construction costs of Wu Ling Power and should be payable annually.

Wu Ling Power is a subsidiary of the Company. Qian Dong Power is a non-wholly owned subsidiary of CPI Holding and CPI Holding is the controlling company of the Company. As such, Qian Dong Power is a connected person of the Company as defined in the Listing Rules. Accordingly, the Wu Ling Lease Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

(C) Purchase Agreement

Material Purchase Framework Agreement

Date:	29 December 2015
Parties:	(i) The Company (representing its subsidiaries, individually the "Purchaser" or collectively the "Purchasers") (ii) Beijing China Power Environmental Engineering Company Limited (representing its subsidiaries, individually the "Supplier" or collectively the "Suppliers")
Term:	1 January 2016 to 31 December 2018
Proposed annual cap:	For the three financial years ending 31 December 2016, 2017 and 2018 is RMB117,700,000 each year.
Payment terms:	Settlement by cash on a monthly basis

Pursuant to Material Purchase Framework Agreement, the parties agreed that the Purchasers will purchase from the Suppliers the limestone powder for desulphurization (the "Materials"). The purchase prices of the Materials shall be determined by reference to (i) the prevailing local market prices from the other suppliers in the nearby locations where our power plants are located (not less than three latest comparable transactions), (ii) a floating space of 10% to cater for the changes in raw material cost, labour cost and transportation cost in the coming three years, and (iii) the favourable bargaining prices by bulk purchases.

As the Suppliers are subsidiaries of CPI Holding and CPI Holding is the controlling company of the Company, the Suppliers are therefore connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Material Purchase Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

(D) Service Agreements

1. Technical Repair and Maintenance Framework Agreement

Date:	1 April 2015
Parties:	(i) The Company (representing its subsidiaries, individually the "Employer" or collectively the "Employers") (ii) CP Maintenance Engineering (representing its subsidiaries, individually the "Technician" or collectively the "Technicians")
Term:	1 April 2015 to 31 December 2017
Proposed annual cap:	For each of the nine months and the two financial years ending 31 December 2015, 2016 and 2017, is RMB105,000,000, RMB140,000,000 and RMB140,000,000 respectively.
Payment terms:	Settlement by cash on a monthly basis or payable within 3 months after completion of the required services.

Pursuant to the Technical Repair and Maintenance Framework Agreement, the parties agreed that the Technicians will provide the Employers with repair and maintenance services for their power generating units and related power generation facilities. The service fee payable shall be made by reference to the market price (not less than three quotations or tenders) for provision of similar services chargeable by independent third parties in the ordinary course of business.

As the Technicians are subsidiaries of CPI Holding, and CPI Holding is the controlling company of the Company, the entering into the transactions contemplated under the Technical Repair and Maintenance Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

2. Composite Support Services Framework Agreement

Date:	1 April 2015
Parties:	(i) The Company (representing its subsidiaries, individually the "Employer" or collectively the "Employers") (ii) CPI Holding (representing its subsidiaries, individually the "Contractor" or collectively the "Contractors")
Term:	1 April 2015 to 31 December 2017
Proposed annual cap:	For each of the nine months and the two financial years ending 31 December 2015, 2016 and 2017, is RMB52,500,000, RMB70,000,000 and RMB70,000,000 respectively.
Payment terms:	Settlement by cash on a monthly basis or payable within 3 months after completion of the required services.

Pursuant to the Composite Support Services Framework Agreement, the parties agreed that the Contractors will provide the Employers with various supporting services in relation to their daily power plant operations. The service fee payable shall be made by reference to the market price (not less than three quotations or tenders) for provision of similar services chargeable by independent third parties in the ordinary course of business.

As the Contractors are subsidiaries of CPI Holding, and CPI Holding is the controlling company of the Company, the entering into the transactions contemplated under the Composite Support Services Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

(E) Coal Supply Framework Agreements

1. Huainan Mining

Date:	30 December 2016
Parties:	(i) The Company (representing its subsidiaries, collectively the "Purchasers") (ii) Huainan Mining
Term:	1 January 2017 to 31 December 2019
Proposed annual cap:	For each of the three financial years ending 31 December 2017, 2018 and 2019, is RMB7,596,000,000, RMB8,238,000,000 and RMB8,616,000,000 respectively.
Payment terms:	Settlement on a monthly basis or such other payments terms as both parties will agree from time to time in contracts.

Pursuant to the Huainan Mining Coal Supply Framework Agreement, Huainan Mining will supply coal to the Purchasers. The purchase price of coal shall be determined with reference to (i) the current transacted coal prices of the local coal exchange or market in the PRC (two or more latest comparable transactions of independent third parties); (ii) the available data published at the website of 中國煤炭市場網 (China Coal Market*) at www.cctd.com.cn; (iii) the quality of the coal; and (iv) the quantity of coal.

As Huainan Mining is the substantial shareholder of Pingwei Power Plant II, Pingwei Power Plant III and Dabieshan Power Plant, the subsidiaries of the Company, it is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Huainan Mining Coal Supply Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

2. China Coal Energy

Date:	30 December 2015
Parties:	(i) The Company (representing its subsidiaries and an associate, collectively the "Purchasers") (ii) China Coal Energy
Term:	1 January 2016 to 31 December 2018
Proposed annual cap:	For each of the three financial years ending 31 December 2016, 2017 and 2018, is RMB1,520,000,000, RMB1,658,000,000 and RMB2,286,000,000 respectively.
Payment terms:	Settlement a monthly basis or such other payments terms as both parties will agree from time to time in contracts.

Pursuant to the China Coal Energy Coal Supply Framework Agreement, China Coal Energy will supply coal to the Purchasers. The purchase price of coal shall be determined with reference to (i) the current transacted coal prices of the local coal exchange or market in the PRC (not less than three latest comparable transactions); (ii) the available data published at the website of 中國煤炭市場網 (China Coal Market*) at www.cctd.com.cn; (iii) the quality of the coal; and (iv) the quantity of coal.

As China Coal Energy is the substantial shareholder of CP Shentou Power Plant, the subsidiary of the Company, it is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the China Coal Energy Coal Supply Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

3. Pingmei Shenma

Date:	30 December 2016
Parties:	(i) The Company (representing its subsidiaries, collectively the "Purchasers") (ii) Pingmei Shenma
Term:	1 January 2017 to 31 December 2019
Proposed annual cap:	For each of the three financial years ending 31 December 2017, 2018 and 2019, is RMB2,798,000,000, RMB3,288,000,000 and RMB3,288,000,000 respectively.
Payment terms:	Settlement on a monthly basis or such other payments terms as both parties will agree from time to time in contracts.

Pursuant to the Pingmei Shenma Coal Supply Framework Agreement, Pingmei Shenma will supply coal to the Purchasers. The purchase price of coal shall be determined with reference to (i) the current transacted coal prices of the local coal exchange or market in the PRC (two or more latest comparable transactions of independent third parties); (ii) the available data published at the website of 中國煤炭市場網 (China Coal Market*) at www.cctd.com.cn; (iii) the quality of the coal; and (iv) the quantity of coal.

As Pingmei Shenma is the substantial shareholder of Henan CP Ping'an Energy Services Company Limited* (河南中電平安能源服務有限公司), the subsidiary of the Company, it is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Pingmei Shenma Coal Supply Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

(F) Financial Services Framework Agreement

Date:	27 April 2016
Parties:	(i) The Company
	(ii) SPIC Financial (formerly known as CPI Financial Company Limited)
Term:	Three years commencing 7 June 2016
Proposed Daily Deposit Cap:	The maximum daily balance of deposit (including accrued interest) placed by the Group with SPIC Financial shall not exceed RMB3 billion

SPIC Financial has agreed to provide the Group with deposit services on a non-exclusive basis. The interest rate applicable to the Group for its deposits with SPIC Financial will not be lower than (i) the benchmark interest rate specified by the PBOC for deposits of a similar type during the same period; (ii) the interest rate for deposits of a similar type offered by other major commercial banks in the PRC to the Group (at least two quotes obtained) during the same period; and (iii) the interest rate for deposits of a similar type placed by other members of the SPIC Group with SPIC Financial during the same period.

In addition, for the Group's aggregate deposit in current account(s) of SPIC Financial that exceeds RMB100,000, the applicable interest rate to the Group will be 20% higher than the benchmark interest rate for deposit agreements (協定存款基準利率) published by the PBOC from time to time.

Since SPIC Financial is a subsidiary of SPIC and SPIC is the ultimate controlling company of the Company. As such, the entering into of the transactions in relation to the deposit services contemplated under the Financial Services Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

The Company confirmed that all the above continuing connected transactions have been conducted in accordance with the specific pricing policies and guidelines of the aforesaid agreements as disclosed during the year under review.

RELATED PARTIES TRANSACTIONS

During the year 2017, those related party transactions listed under Note 42 to the Consolidated Financial Statements which were connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules include:

- (a)(iii) Rental income from a fellow subsidiary

- (b)(i) Purchase of coal, coal by-products and spare parts from companies controlled by SPIC, fellow subsidiaries and non-controlling shareholders of subsidiaries

- (b)(ii) Construction costs and other services fees to companies controlled by SPIC and fellow subsidiaries

- (b)(iv) Operating lease rental expenses to SPIC and CPI Holding

In the opinion of the Directors, the Company has complied with the disclosure requirements in accordance with the relevant Listing Rules.

REVIEW BY AUDIT COMMITTEE MEMBERS AND AUDITOR

The independent non-executive Directors have reviewed the above continuing connected transactions during the year and confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms and no less favourable than those available to or from independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has engaged the Auditor to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has reviewed these transactions and confirmed to the Board that nothing has come to their attention that causes them to believe that they have not been approved by the Board; that they were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; that they were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and that they have exceeded the caps in accordance with Rule 14A.56 of the Listing Rules.

The Company has complied with the requirements set out in Chapter 14A of the Listing Rules.

Save as disclosed above, no contracts of significance to which the Company, its subsidiaries, its holding companies, associates or joint ventures was a party subsisted at any time during the year or at the end of the year.

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 2017.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, the aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 70.02% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 45.58% of the Group's total purchases.

For the year ended 31 December 2017, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 85.92% of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 24.65% of the Group's total turnover.

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

PUBLIC FLOAT

As at the date of this annual report, based on public information available to the Company and to the best knowledge of the Directors, the Company maintained sufficient public float, being no less than 25% of the issued share capital of the Company as required under the Listing Rules.

AUDITOR

The Consolidated Financial Statements have been audited by Deloitte Touche Tohmatsu who will retire and, being eligible, offered themselves for re-appointment.

On behalf of the Board
China Power International Development Limited

YU Bing
Chairman

Hong Kong, 22 March 2018

Independent Auditor's Report

Deloitte. 德勤

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of China Power International Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 95 to 198 which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Recoverable amounts of certain CGUs included in "Generation and sales of coal-fired electricity" segment and "Generation and sales of hydropower electricity" segment	

We identified the recoverable amounts of certain CGUs (as defined below) associated with goodwill and certain property, plant and equipment included in "Generation and sales of coal-fired electricity" segment and "Generation and sales of hydropower electricity" segment as a key audit matter due to the inherent subjectivity and complexity involved in impairment assessment of these CGUs by management. The Group engaged independent professional valuer as management's expert for the purpose of certain impairment assessments.
 	
As disclosed in Note 2.7 to the consolidated financial statements, for the purposes of assessing impairment, non-financial assets are grouped at the lowest levels for which there are independent cash inflows ("CGUs"). The calculations of recoverable amounts of these CGUs based on value in use calculation require significant management judgements and key estimates in preparing cash flow projections, including applying an appropriate discount rate as well as growth rate.
 	
As disclosed in Notes 3(i), 14(g) and 17 to the consolidated financial statements, management has performed impairment assessments by measuring the recoverable amounts of these CGUs based on value in use calculation. For the year ended 31 December 2017, no impairment was recognized based on the impairment assessments performed by management.
	Our audit procedures in relation to the impairment assessment of these CGUs by management included:
	
	• evaluating the appropriateness of the classification of CGUs of the Group;
	
	• obtaining an understanding of independent professional valuer's competence, capabilities and objectivity and evaluate how the valuer's work was relied on by management for certain impairment assessments; and
	
	• challenging management's key assumptions and estimates used to determine the recoverable amounts of these CGUs which included:
	
	    • validating the discount rates adopted;
	
	    • analyzing the underlying projected cash flows used in the value in use calculation to determine whether the assumptions applied, such as the revenue growth arising from the increment of electricity sold, are reasonable and supportable given external benchmarks and expected future performance of these CGUs;
	
	    • comparing the underlying projected cash flows against historical performance to test the accuracy of management's projections; and
	
	    • evaluating the sensitivity analysis on key assumptions adopted in the value in use calculation.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter

Valuation of the provisions for compensation for inundation

We identified the valuation of the provisions for compensation for inundation caused by the construction of two hydropower plants of the Group, namely the Baishi Power Plant and Tuokou Power Plant, in accordance with the rules and regulations set out by the relevant local government authorities in the People's Republic of China ("Inundation Compensation") as a key audit matter due to the inherent level of subjective judgements and estimates required by management in assessing the provision amounts at the end of the reporting period.

As at 31 December 2017, the Group's provisions for the Inundation Compensation amounting to Renminbi ("RMB") 1,048.3 million, with a reversal of RMB141.3 million deducted from the cost of property, plant and equipment and interest expense due to the passage of time of RMB87.1 million recognized as expenses in the consolidated income statement for the year then ended.

As disclosed in Notes 2.18 and 36 to the consolidated financial statements, the provisions are measured at the present value of the expenditure expected to be required to settle the obligations using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

In determining the best estimate of the provisions for the Inundation Compensation, management is required to make subjective assumptions and judgements, including estimating the timing and duration of the compensation payments, the compensation per unit of area and its growth rate, as well as the pre-tax discount rate applied to account for time value of money and the risks specific to the compensation. Any inappropriate assumptions or judgements applied would result in different provision amounts that would potentially significantly affect the profit or loss and financial position of the Group.

Our audit procedures in relation to the valuation of the provisions for the Inundation Compensation included:

- obtaining the discounted cash flow schedule in relation to the estimation of the provisions for the Inundation Compensation from management, reconciling the key input to supporting evidence and checking the arithmetical accuracy of the calculations in the schedule;
- challenging the key assumptions made by management in determining the provisions for the Inundation Compensation, including the timing and duration of the compensation payments, the compensation per unit of area and its growth rate, as well as the discount rate applied;
- comparing the forecast prepared by management in prior year against the actual cash compensation made during the year to assess the accuracy of management's estimates; and
- obtaining an understanding of the latest updates of the relevant local rules and regulations to assess whether the expected cash outflow for the provisions for Inundation Compensation has taken into account the latest regulatory requirements and adjusted to reflect the current best estimate.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 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 content of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is YU Kin Man.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 March 2018

Consolidated Income Statement

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Revenue	4	**19,966,811**	18,866,153
Other income	5	**365,607**	530,886
Fuel costs		**(9,549,980)**	(6,526,910)
Depreciation		**(3,482,744)**	(3,282,133)
Staff costs	6	**(1,809,372)**	(1,895,093)
Repairs and maintenance		**(603,177)**	(720,190)
Consumables		**(244,214)**	(265,612)
Other gains and losses, net	7	**(62,393)**	385,944
Other operating expenses		**(1,472,084)**	(1,742,467)
Operating profit	8	**3,108,454**	5,350,578
Finance income	9	**40,413**	21,005
Finance costs	9	**(1,855,603)**	(2,067,966)
Share of profits of associates		**222,630**	540,353
Share of profits of joint ventures		**44,743**	150,158
Profit before taxation		**1,560,637**	3,994,128
Income tax expense	10	**(279,930)**	(738,641)
Profit for the year		**1,280,707**	3,255,487
Attributable to:			
Owners of the Company		**795,272**	2,365,868
Non-controlling interests		**485,435**	889,619
		1,280,707	3,255,487
			(Restated)
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
— Basic	11	**0.10**	0.30
— Diluted	11	**0.10**	0.30

Details of the dividends to owners of the Company attributable to the profit for the year are set out in Note 12.

The notes on pages 103 to 198 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit for the year	**1,280,707**	3,255,487
Other comprehensive expense that may be subsequently reclassified to profit or loss:		
— Fair value loss on available-for-sale financial assets, net of tax	**(817,407)**	(702,970)
Total comprehensive income for the year	**463,300**	2,552,517
Attributable to:		
Owners of the Company	**(22,135)**	1,662,898
Non-controlling interests	**485,435**	889,619
Total comprehensive income for the year	**463,300**	2,552,517

The notes on pages 103 to 198 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**75,118,822**	70,886,660
Prepayments for construction of power plants	15	**3,266,642**	2,809,393
Prepaid lease payments	16	**979,376**	883,505
Goodwill	17	**835,165**	835,165
Interests in associates	18	**2,732,560**	3,029,930
Interests in joint ventures	19	**471,845**	560,744
Available-for-sale financial assets	20	**3,495,933**	4,585,809
Deferred income tax assets	21	**431,878**	244,137
Restricted deposits	23	**–**	7,200
Other non-current assets	24	**1,374,432**	501,198
		88,706,653	84,343,741
Current assets			
Inventories	25	**462,942**	410,692
Prepaid lease payments	16	**23,408**	19,736
Accounts receivable	26	**2,642,383**	2,345,994
Prepayments, deposits and other receivables	27	**1,113,464**	804,590
Amounts due from related parties	28	**452,768**	730,005
Tax recoverable		**27,613**	76,723
Derivative financial instruments	22	**–**	308,471
Restricted deposits	23	**19,582**	337,794
Cash and cash equivalents	29	**4,577,786**	1,809,415
		9,319,946	6,843,420
Total assets		**98,026,599**	91,187,161
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	30	**17,268,192**	13,534,145
Reserves	31	**12,533,688**	13,732,848
		29,801,880	27,266,993
Non-controlling interests	43	**7,392,579**	7,327,841
Total equity		**37,194,459**	34,594,834

The notes on pages 103 to 198 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income		**101,937**	82,140
Bank borrowings	32	**25,089,317**	24,704,030
Borrowings from related parties	33	**2,837,800**	4,962,711
Other borrowings	34	**999,544**	998,514
Obligations under finance leases	35	**685,415**	751,034
Deferred income tax liabilities	21	**1,461,717**	1,792,623
Provisions for other long-term liabilities	36	**834,886**	1,030,125
		32,010,616	34,321,177
Current liabilities			
Accounts and bills payables	37	**1,116,348**	967,149
Construction costs payable		**3,202,088**	2,708,739
Other payables and accrued charges	38	**1,269,362**	1,254,293
Amounts due to related parties	28	**1,017,952**	844,639
Bank borrowings	32	**15,542,089**	8,806,380
Borrowings from related parties	33	**6,055,106**	500,800
Other borrowings	34	**–**	6,581,100
Current portion of obligations under finance leases	35	**430,759**	430,281
Tax payable		**187,820**	177,769
		28,821,524	22,271,150
Total liabilities		**60,832,140**	56,592,327
Total equity and liabilities		**98,026,599**	91,187,161
Net current liabilities		**19,501,578**	15,427,730
Total assets less current liabilities		**69,205,075**	68,916,011

The consolidated financial statements on pages 95 to 198 were approved and authorized for issue by the Board on 22 March 2018 and are signed on its behalf by:

YU Bing
Director

TIAN Jun
Director

The notes on pages 103 to 198 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company					
	Share capital (Note 30(a)) RMB'000	Other reserves (Note 31) RMB'000	Retained earnings (Note 31(d)) RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	13,534,145	6,012,009	7,720,839	27,266,993	7,327,841	34,594,834
Profit for the year	–	–	795,272	795,272	485,435	1,280,707
Fair value loss on available-for-sale financial assets	–	(1,089,876)	–	(1,089,876)	–	(1,089,876)
Deferred income tax on fair value loss on available-for-sale financial assets (Note 21)	–	272,469	–	272,469	–	272,469
Total comprehensive (expenses)/income for the year	–	(817,407)	795,272	(22,135)	485,435	463,300
Rights issue (Note 30)	3,734,047	–	–	3,734,047	–	3,734,047
Transfer to statutory reserves	–	160,494	(160,494)	–	–	–
Lapse of share options	–	(8,412)	8,412	–	–	–
Contributions from non-controlling shareholders of subsidiaries	–	–	–	–	58,274	58,274
Acquisition of a non-controlling interests (Note 43(i))	–	(334)	–	(334)	(10,767)	(11,101)
Disposal of interests in a subsidiary without loss of control (Note 43(ii))	–	135	–	135	33,941	34,076
Dividends recognized as distributions to non-controlling shareholders of subsidiaries	–	–	–	–	(502,145)	(502,145)
2016 final dividend	–	–	(1,176,826)	(1,176,826)	–	(1,176,826)
Total transactions recognized directly in equity	3,734,047	151,883	(1,328,908)	2,557,022	(420,697)	2,136,325
At 31 December 2017	17,268,192	5,346,485	7,187,203	29,801,880	7,392,579	37,194,459

The notes on pages 103 to 198 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company					
	Share capital (Note 30(a)) RMB'000	Other reserves (Note 31) RMB'000	Retained earnings (Note 31(d)) RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	13,534,145	6,515,242	7,271,141	27,320,528	6,905,271	34,225,799
Profit for the year	–	–	2,365,868	2,365,868	889,619	3,255,487
Fair value loss on available-for-sale financial assets	–	(937,294)	–	(937,294)	–	(937,294)
Deferred income tax on fair value loss on available-for-sale financial assets (Note 21)	–	234,324	–	234,324	–	234,324
Total comprehensive (expenses)/income for the year	–	(702,970)	2,365,868	1,662,898	889,619	2,552,517
Transfer to statutory reserves	–	214,126	(214,126)	–	–	–
Lapse of share options	–	(4,354)	4,354	–	–	–
Contributions from non-controlling shareholders of subsidiaries	–	–	–	–	170,000	170,000
Dividends recognized as distributions to non-controlling shareholders of subsidiaries	–	–	–	–	(637,049)	(637,049)
Share of reserves of an associate	–	(10,035)	–	(10,035)	–	(10,035)
2015 final dividend	–	–	(1,706,398)	(1,706,398)	–	(1,706,398)
Total transactions recognized directly in equity	–	199,737	(1,916,170)	(1,716,433)	(467,049)	(2,183,482)
At 31 December 2016	13,534,145	6,012,009	7,720,839	27,266,993	7,327,841	34,594,834

The notes on pages 103 to 198 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash generated from operations	39(a)	**5,587,128**	9,027,501
Interest paid		**(1,987,985)**	(1,815,862)
Income tax paid		**(466,947)**	(1,094,790)
Net cash generated from operating activities		**3,132,196**	6,116,849
Cash flows from investing activities			
Payments for property, plant and equipment and prepayments for construction of power plants		**(7,554,204)**	(8,570,610)
Payments for prepaid lease payments		**(123,068)**	(190,921)
Proceeds from disposal of property, plant and equipment and prepaid lease payments		**15,630**	134,000
Acquisition of a subsidiary		**–**	(114,629)
Acquisition of an associate		**–**	(198,385)
Capital injection to associates		**(840)**	(80,000)
Prepayment for proposed acquisition of a subsidiary		**(63,682)**	–
Repayment from/(advances to) related parties		**350,000**	(400,000)
Dividends received		**725,615**	969,032
Interest received		**40,413**	21,005
Increase in restricted deposits		**(54)**	(8,955)
Decrease in restricted deposits		**325,466**	802
Net cash used in investing activities		**(6,284,724)**	(8,438,661)

The notes on pages 103 to 198 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cash flows from financing activities			
Drawdown of bank borrowings	39(b)	**23,321,644**	17,026,831
Drawdown of borrowings from related parties	39(b)	**5,039,486**	3,782,000
Proceeds from issue of short-term debentures and commercial paper	39(b)	**–**	2,500,000
Contributions from non-controlling shareholders of subsidiaries	39(b)	**58,274**	170,000
Acquisition of a non-controlling interests	43(i)	**(11,101)**	–
Disposal of interests in a subsidiary without loss of control	43(ii)	**34,076**	–
Repayment of bank borrowings	39(b)	**(16,085,127)**	(16,401,938)
Repayment of borrowings from related parties	39(b)	**(1,610,091)**	(1,335,800)
Repayment of other borrowings	39(b)	**(6,541,438)**	(500,000)
Payments for obligations under finance leases	39(b)	**(431,311)**	(271,970)
Proceeds from rights issue	30(a)	**3,777,107**	–
Expenses on rights issue	30(a)	**(43,060)**	–
Dividend paid	12	**(1,166,228)**	(1,706,398)
Dividends paid to non-controlling shareholders of subsidiaries		**(360,145)**	(637,049)
Net cash generated from financing activities		**5,982,086**	2,625,676
Net increase in cash and cash equivalents		**2,829,558**	303,864
Cash and cash equivalents at 1 January		**1,809,415**	1,528,017
Exchange losses, net		**(61,187)**	(22,466)
Cash and cash equivalents at 31 December	29	**4,577,786**	1,809,415

The notes on pages 103 to 198 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

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

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

The Group is controlled by China Power International Holding Limited ("CPI Holding"), an intermediate holding company which directly holds the Company's shares and also indirectly holds through China Power Development Limited ("CPDL"), a wholly-owned subsidiary of CPI Holding.

The directors of the Company (the "Directors") regarded State Power Investment Corporation Limited (國家電力投資集團有限公司) ("SPIC"), a wholly state-owned enterprise established in the PRC which is the beneficial owner of CPI Holding, as the ultimate holding company.

These consolidated financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated, and have been approved by the board of Directors (the "Board") on 22 March 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out as belows. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and the Hong Kong Companies Ordinance. In addition, these consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). These consolidated financial statements have been prepared under the historical cost convention except that certain available-for-sale financial assets and the derivative financial instruments are measured at fair value, as appropriate.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation *(Continued)*

(a) Effect of adopting amendments to standards

The following amendments to standards are mandatory for accounting periods beginning on or after 1 January 2017:

Amendments to Hong Kong Accounting Standards ("HKAS") 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealized Losses
Amendments to HKFRSs	Amendments to HKFRS 12 "Disclosure of Interests in Other Entities" included in the Annual Improvements to HKFRSs 2014–2016 Cycle

The adoption of the above amendments to standards does not have significant impact to the results and financial position of the Group.

(b) New/revised HKFRSs in issue but not yet effective and not early adopted by the Group

The following new/revised standards and interpretations have been issued but are not yet effective and have not been early adopted by the Group:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Hong Kong (International Financial Reporting Interpretations Committee) Interpretations ("HK(IFRIC)-Int") 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for annual periods beginning on or after a date to be determined

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation *(Continued)*

(b) New/revised HKFRSs in issue but not yet effective and not early adopted by the Group *(Continued)*

HKFRS 9 "Financial Instruments"

HKFRS 9 introduced new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognized financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair values at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the Directors anticipated the following potential impact on initial application of HKFRS 9.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation *(Continued)*

(b) New/revised HKFRSs in issue but not yet effective and not early adopted by the Group *(Continued)*

HKFRS 9 "Financial Instruments" (Continued)

Classification and measurement:

- Listed equity securities classified as available-for-sale financial assets carried at fair value as disclosed in Note 20: These securities will be designated as measured at FVTOCI under HKFRS 9. The fair value gains accumulated in the available-for-sale financial assets reserve amounting to RMB1,408,395,000 as at 1 January 2018 will no longer be subsequently reclassified to profit or loss under HKFRS 9, which is different from the current treatment. This will affect the amounts recognized in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income.

- Equity securities classified as available-for-sale financial assets carried at cost less accumulated impairment as disclosed in Note 20: These securities qualified for designation as measured at FVTOCI under HKFRS 9 and the Group will measure these securities at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognized as other comprehensive income and accumulated in the available-for-sale financial assets reserve. The Directors are in the process of performing a detail review to provide a reasonable estimate of the fair value of these securities and the effect to the consolidated financial statements as at 1 January 2018 upon initial application of HKFRS 9.

Impairment:

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortized costs and other items that subject to the impairment provisions upon such application.

Based on the assessment, the Directors do not anticipate that the expected credit loss model to be applied by the Group will have a material impact on the accumulated amount of impairment loss to be recognized by the Group as at 1 January 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation *(Continued)*

(b) New/revised HKFRSs in issue but not yet effective and not early adopted by the Group *(Continued)*

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors do not anticipate that the application of HKFRS 15 will have a material impact on timing and amounts of revenue recognized in the respective reporting periods, but may result in more disclosures.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation *(Continued)*

(b) New/revised HKFRSs in issue but not yet effective and not early adopted by the Group *(Continued)*

HKFRS 16 "Leases" (Continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating leases payments are presented as operating cash flows. Upon application of HKFRS 16, leases payments in relation to lease liability will be allocated to a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognized an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use asset separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 and continues to require a lessor to classify a lease either as an operating lease or finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB208,764,000 as disclosed in Note 40. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

Furthermore, the application of new requirement may result in changes in measurement, presentation and disclosures as indicated above.

The Directors anticipate that there will be no material changes to the Group's results, financial position and presentation of the consolidated financial statements on adoption of the other new/revised standards and interpretations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation *(Continued)*

(a) Subsidiaries *(Continued)*

(i) Business combinations (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated income statement.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) Changes in ownership interests in existing subsidiaries

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(iv) Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at their respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation *(Continued)*

(b) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interests in associates are recognized in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation *(Continued)*

(c) Joint ventures

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

2.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

Exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "finance costs". All other exchange gains and losses are presented in the consolidated income statement within "other gains and losses, net".

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Foreign currency translation *(Continued)*

(c) Group companies

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

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of that reporting period;

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

(iii) all resulting exchange differences are recognized in other comprehensive income.

2.4 Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and impairment losses. Cost includes purchase price of the asset, costs transferred from construction in progress and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

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

Depreciation of property, plant and equipment (other than construction in progress) is calculated using the straight-line method to allocate their costs less accumulated impairment losses over their estimated useful lives to their residual values.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7). Such impairment losses are recognized in the consolidated income statement.

Gains or losses on disposals are determined by comparing the net sales proceeds with the carrying amount of the relevant assets and are recognized in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Construction in progress and prepayments for construction of power plants

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the costs of plant and machinery, direct labour costs and overheads and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.4 above.

Prepayments for construction of power plants represent advance payments made to contractors in connection with the construction of the Group's power plants including payments for equipment and machineries pending delivery to the relevant power plants for installation. Such prepayments are stated at cost less accumulated impairment losses, if any.

2.6 Prepaid lease payments

Prepaid lease payments are stated at cost less accumulated amortization and accumulated impairment losses (if any). Cost mainly represents consideration paid for the rights to use the land on which various plants and buildings are situated for a period of 23 to 60 years from the date the respective right was granted. Amortization of prepaid lease payments is calculated on a straight-line basis over the periods of the leases.

2.7 Impairment of non-financial assets

(a) Non-financial assets other than goodwill

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

For the purposes of impairment assessment, assets are grouped at the lowest levels for which there are independent cash inflows ("cash-generating units" or "CGUs"). The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment of non-financial assets *(Continued)*

(b) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree at acquisition date.

For the purpose of impairment assessment, goodwill acquired in a business combination is allocated to each of the CGUs or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment assessments are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

2.8 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of the Group's financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within twelve months; otherwise, they are classified as non-current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the end of the reporting period which are classified as non-current assets. The Group's loans and receivables include accounts and other receivables, deposits, amounts due from related parties and deposits at banks and SPIC Financial Company Limited ("SPIC Financial", formerly known as CPI Financial Company Limited).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within twelve months of the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets *(Continued)*

Regular way purchases and sales of financial assets are recognized on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated income statement within "other gains and losses, net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale financial assets are recognized in other comprehensive income.

When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated income statement within "other gains and losses, net".

Dividends on available-for-sale equity instruments are recognized in the consolidated income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs. However, if the range of reasonable fair value estimate is significant and the probabilities of the various estimate cannot be reasonably assessed, such financial assets are carried at cost less accumulated impairment losses.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets *(Continued)*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.9 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

For equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) is removed from equity and recognized in profit or loss. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is a designated and effective hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

2.11 Inventories

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

2.12 Accounts and other receivables

Accounts and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less impairment. If collection of accounts and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and with other financial institutions and other short-term highly liquid investments with original maturities of three months or less. Restricted deposits are separately disclosed from cash and cash equivalents.

2.14 Financial liabilities and equity

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

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

2.15 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Borrowings and borrowing costs *(Continued)*

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as these 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 capitalization.

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

2.16 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the places where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

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

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Current and deferred income tax *(Continued)*

(b) Deferred income tax *(Continued)*

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profits available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable rights to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Employee benefits

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions to the Mandatory Provident Fund Scheme established under the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed as incurred. Both the Group and its employees in Hong Kong are required to contribute 5% of each individual's relevant income with a maximum amount of Hong Kong dollars ("HK$") 1,500 per month as a mandatory contribution. Employees may also elect to contribute more than the minimum as a voluntary contribution. The assets of the scheme are held separately from those of the Group and managed by independent professional fund managers. The Group has no future payment obligation once the contributions have been paid.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Employee benefits *(Continued)*

(b) Bonus entitlements

The expected cost of bonus payments is recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(c) Share-based compensation expense

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (share options) of the Group. The fair value of the employee services received in exchange for the grant of the share options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the share options granted including any market performance conditions (for example, an entity's share price); excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets, forfeiture rate and remaining an employee of the entity over a specific period of time), and including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of share options that are expected to vest based on the non-market performance and service conditions. It recognizes the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

2.18 Provisions

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

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

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

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Government grants

Grants and subsidies from the government are recognized at their fair values for monetary asset where there is a reasonable assurance that the grant or subsidy will be received and the Group will comply with all attached conditions.

Government grants and subsidies relating to costs are deferred and recognized in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants and subsidies relating to property, plant and equipment and other environmental improvement projects are included in non-current liabilities as deferred income and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets and projects.

Non-monetary assets transferred from the government is recognized at nominal amount.

2.20 Finance lease

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

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in short-term and long-term finance lease obligations. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.21 Operating lease

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

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive Directors and certain senior management that make strategic decisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue and income recognition

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

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

(i) Sales of electricity and income from provision of power generation and related services are recognized when electricity is generated and transmitted.

(ii) Sales of unused power production quota are recognized when contracts are executed by the counterparties.

(iii) Hotel operations income from room rentals, food and beverages sales, and other ancillary services are recognized upon the provision of the relevant goods and services.

(iv) Management fee income is recognized when services are rendered.

(v) Income from provision of IT and other services is recognized when services are rendered.

(vi) Dividend income is recognized when the Group's right to receive payments is established.

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

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

(ix) Profits on trading of coal, coal by-products and spare parts are recognized when the goods are delivered to the customers.

(x) Income from provision of repairs and maintenance services is recognized when services are rendered.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or Directors as appropriate.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements used in preparing the consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of non-financial assets

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

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

For the year ended 31 December 2017, management has performed impairment assessments based on value in use calculation by measuring the recoverable amount of certain CGUs associated with goodwill as well as certain property, plant and equipment included in "Generation and sales of coal-fired electricity" segment and "Generation and sales of hydropower electricity" segment, and no impairment was recognized based on such impairment assessments performed by management (Notes 14(g) and 17).

As at 31 December 2017, the carrying amounts of property, plant and equipment and goodwill are RMB75,118,822,000 and RMB835,165,000 (2016: RMB70,886,660,000 and RMB835,165,000) respectively.

(ii) Provisions for Inundation Compensation

The Group made provisions in relation to compensations for inundation caused by the construction of two hydropower plants of the Group, namely the Baishi Power Plant and Tuokou Power Plant ("Inundation Compensation"). The provisions are measured at the present value of the expenditure expected to be required to settle the compensation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the compensation.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(ii) Provisions for Inundation Compensation *(Continued)*

In determining the best estimate of the provisions for the Inundation Compensation, management is required to make subjective assumptions and judgements, including estimating the timing and duration of the compensation payments, the compensation per unit of area and its growth rate as well as the pre-tax discount rate applied to account for time value of money and the risks specific to the compensation. Any inappropriate assumptions or judgements applied would result in different provision amounts that would potentially significantly affect the profit or loss and financial position of the Group.

As at 31 December 2017, the provisions for Inundation Compensation was RMB1,048,325,000 (2016: RMB1,164,355,000). For the year ended 31 December 2017, management has reviewed and performed assessment on such provisions to reflect the current best estimate and a reversal of provisions of RMB141,339,000 was deducted from (2016: an additional provisions of RMB157,243,000 was provided to) the cost of property, plant and equipment in the consolidated statement of financial position (Notes 14(h) and 36).

(iii) Current and deferred income tax expenses

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

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

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

The Group's management determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment, other than construction in progress. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. It could change significantly as a result of technological advancement and innovations in the power industry. Management will adjust the depreciation charge where useful lives or residual values vary with previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation charges in the future periods. As at 31 December 2017, the carrying amount of property, plant and equipment, other than construction in progress is RMB67,418,914,000 (2016: RMB64,890,340,000).

4. TURNOVER, REVENUE AND SEGMENT INFORMATION

Revenue, representing turnover net of sales related taxes, recognized during the year is as follows:

	2017 RMB'000	2016 RMB'000
Sales of electricity to regional and provincial power grid companies (note (a))	**19,938,470**	18,829,067
Provision of power generation and related services (note (b))	**28,341**	37,086
	19,966,811	18,866,153

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 electricity 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 in the PRC.

(b) Provision of power generation and related services represents income from the provision of power generation and related services to other companies in the PRC which are calculated based on mutually agreed terms.

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.

During the year ended 31 December 2016, it was determined that the "Generation and sales of coal-fired electricity", "Generation and sales of hydropower electricity" and "Generation and sales of wind and photovoltaic power electricity" in the PRC were the reportable segments of the Group meeting the quantitative thresholds required by HKFRS 8. During the year ended 31 December 2017, management has concluded that the "Generation and sales of wind and photovoltaic power electricity" segment should be reported separately, namely "Generation and sales of wind power electricity" and "Generation and sales of photovoltaic power electricity", which are both high potential growth businesses of the Group and therefore, are assessed and monitored separately by the CODM. The comparative figures 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. Other information provided to the CODM is measured in a manner consistent with that in these consolidated financial statements.

Segment assets exclude available-for-sale financial assets, deferred income tax assets, derivative financial instruments and corporate assets, which are managed on a central basis.

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

4. TURNOVER, REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information *(Continued)*

	Year ended 31 December 2017						
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Wind power electricity RMB'000	Photovoltaic power electricity RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenue							
Sales of electricity	14,274,648	4,796,644	389,109	478,069	19,938,470	–	19,938,470
Provision of power generation and related services	21,031	–	–	7,310	28,341	–	28,341
	14,295,679	4,796,644	389,109	485,379	19,966,811	–	19,966,811
Segment results	240,648	2,833,894	122,724	247,041	3,444,307	–	3,444,307
Unallocated income	–	–	–	–	–	157,858	157,858
Unallocated expenses	–	–	–	–	–	(493,711)	(493,711)
Operating profit/(loss)	240,648	2,833,894	122,724	247,041	3,444,307	(335,853)	3,108,454
Finance income	19,514	1,810	149	1,336	22,809	17,604	40,413
Finance costs	(771,798)	(989,783)	(89,477)	(73,790)	(1,924,848)	69,245	(1,855,603)
Share of profits of associates	190,975	–	–	11,095	202,070	20,560	222,630
Share of profits of joint ventures	44,594	–	–	–	44,594	149	44,743
(Loss)/profit before taxation	(276,067)	1,845,921	33,396	185,682	1,788,932	(228,295)	1,560,637
Income tax credit/(expense)	84,190	(396,112)	(3,637)	7,672	(307,887)	27,957	(279,930)
(Loss)/profit for the year	(191,877)	1,449,809	29,759	193,354	1,481,045	(200,338)	1,280,707
Other segment information							
Amounts included in the measure of segment profit or loss or segment assets:							
Capital expenditure							
— Property, plant and equipment, prepayments for construction of power plants and prepaid lease payments	3,666,377	601,192	1,286,524	2,787,308	8,341,401	160,530	8,501,931
Depreciation of property, plant and equipment	1,866,986	1,234,773	203,598	166,857	3,472,214	10,530	3,482,744
Amortization of prepaid lease payments	14,294	6,227	924	–	21,445	2,080	23,525
Loss/(gain) on disposal of property, plant and equipment, net	47,581	2,148	–	71	49,800	(61)	49,739
Impairment of inventories	1,158	–	–	–	1,158	–	1,158

4. TURNOVER, REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information *(Continued)*

	As at 31 December 2017						
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Wind power electricity RMB'000	Photovoltaic power electricity RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Segment assets							
Other segment assets	38,442,589	34,827,300	5,111,016	6,607,613	84,988,518	–	84,988,518
Goodwill	67,712	767,453	–	–	835,165	–	835,165
Interests in associates	2,227,179	–	840	109,807	2,337,826	394,734	2,732,560
Interests in joint ventures	401,209	–	–	–	401,209	70,636	471,845
	41,138,689	35,594,753	5,111,856	6,717,420	88,562,718	465,370	89,028,088
Available-for-sale financial assets	–	–	–	–	–	3,495,933	3,495,933
Deferred income tax assets	–	–	–	–	–	431,878	431,878
Other unallocated assets	–	–	–	–	–	5,070,700	5,070,700
Total assets per consolidated statement of financial position	41,138,689	35,594,753	5,111,856	6,717,420	88,562,718	9,463,881	98,026,599
Segment liabilities							
Other segment liabilities	(4,607,334)	(2,206,593)	(365,848)	(633,741)	(7,813,516)	–	(7,813,516)
Borrowings	(22,685,234)	(22,208,106)	(3,104,620)	(2,497,897)	(50,495,857)	(27,999)	(50,523,856)
	(27,292,568)	(24,414,699)	(3,470,468)	(3,131,638)	(58,309,373)	(27,999)	(58,337,372)
Deferred income tax liabilities	–	–	–	–	–	(1,461,717)	(1,461,717)
Tax payable	–	–	–	–	–	(187,820)	(187,820)
Other unallocated liabilities	–	–	–	–	–	(845,231)	(845,231)
Total liabilities per consolidated statement of financial position	(27,292,568)	(24,414,699)	(3,470,468)	(3,131,638)	(58,309,373)	(2,522,767)	(60,832,140)

4. TURNOVER, REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information *(Continued)*

	Year ended 31 December 2016						
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Wind power electricity RMB'000 (Restated)	Photovoltaic power electricity RMB'000 (Restated)	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenue							
Sales of electricity	13,022,517	5,394,992	209,770	201,788	18,829,067	–	18,829,067
Provision of power generation and related services	34,506	–	–	2,580	37,086	–	37,086
	13,057,023	5,394,992	209,770	204,368	18,866,153	–	18,866,153
Segment results	1,754,555	3,530,705	32,399	73,552	5,391,211	–	5,391,211
Unallocated income	–	–	–	–	–	304,613	304,613
Unallocated expenses	–	–	–	–	–	(345,246)	(345,246)
Operating profit/(loss)	1,754,555	3,530,705	32,399	73,552	5,391,211	(40,633)	5,350,578
Finance income	2,434	2,644	52	498	5,628	15,377	21,005
Finance costs	(726,140)	(1,097,120)	(21,753)	(18,210)	(1,863,223)	(204,743)	(2,067,966)
Share of profits of associates	515,398	–	–	2,226	517,624	22,729	540,353
Share of profits/(losses) of joint ventures	150,230	–	–	–	150,230	(72)	150,158
Profit/(loss) before taxation	1,696,477	2,436,229	10,698	58,066	4,201,470	(207,342)	3,994,128
Income tax (expense)/credit	(168,499)	(546,098)	1,143	1,212	(712,242)	(26,399)	(738,641)
Profit/(loss) for the year	1,527,978	1,890,131	11,841	59,278	3,489,228	(233,741)	3,255,487
Other segment information							
Amounts included in the measure of segment profit or loss or segment assets:							
Capital expenditure							
— Property, plant and equipment, prepayments for construction of power plants and prepaid lease payments	3,613,547	636,133	1,118,347	2,208,974	7,577,001	53,699	7,630,700
Depreciation of property, plant and equipment	1,914,115	1,192,066	115,540	49,979	3,271,700	10,433	3,282,133
Amortization of prepaid lease payments	10,310	5,785	441	–	16,536	1,451	17,987
Loss on disposal of property, plant and equipment, net	5,709	3,600	–	–	9,309	49	9,358

4. TURNOVER, REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information *(Continued)*

	As at 31 December 2016						
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Wind power electricity RMB'000 (Restated)	Photovoltaic power electricity RMB'000 (Restated)	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Segment assets							
Other segment assets	37,111,227	35,496,057	4,211,065	3,386,428	80,204,777	–	80,204,777
Goodwill	67,712	767,453	–	–	835,165	–	835,165
Interests in associates	2,641,697	–	–	2,227	2,643,924	386,006	3,029,930
Interests in joint ventures	490,257	–	–	–	490,257	70,487	560,744
	40,310,893	36,263,510	4,211,065	3,388,655	84,174,123	456,493	84,630,616
Available-for-sale financial assets	–	–	–	–	–	4,585,809	4,585,809
Deferred income tax assets	–	–	–	–	–	244,137	244,137
Derivative financial instruments	–	–	–	–	–	308,471	308,471
Other unallocated assets	–	–	–	–	–	1,418,128	1,418,128
Total assets per consolidated statement of financial position	40,310,893	36,263,510	4,211,065	3,388,655	84,174,123	7,013,038	91,187,161
Segment liabilities							
Other segment liabilities	(4,556,939)	(2,321,165)	(280,627)	(382,211)	(7,540,942)	–	(7,540,942)
Borrowings	(18,632,782)	(21,962,678)	(2,109,200)	(1,227,275)	(43,931,935)	(2,621,600)	(46,553,535)
	(23,189,721)	(24,283,843)	(2,389,827)	(1,609,486)	(51,472,877)	(2,621,600)	(54,094,477)
Deferred income tax liabilities	–	–	–	–	–	(1,792,623)	(1,792,623)
Tax payable	–	–	–	–	–	(177,769)	(177,769)
Other unallocated liabilities	–	–	–	–	–	(527,458)	(527,458)
Total liabilities per consolidated statement of financial position	(23,189,721)	(24,283,843)	(2,389,827)	(1,609,486)	(51,472,877)	(5,119,450)	(56,592,327)

All revenue from external customers are generated from the PRC.

As at 31 December 2017, except for cash and bank balances (including the net of expenses proceeds from Rights Issue (as defined in Note 30)) equivalent to RMB4,041,450,000 (2016: RMB265,355,000), which were deposited with certain banks in Hong Kong, 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. For the year ended 31 December 2017, the Group's external revenue amounting to RMB15,406,202,000 (2016: RMB15,031,224,000) was generated from four (2016: four) major customers, each of which accounted for 10% or more of the Group's external revenue.

5. OTHER INCOME

	2017 RMB'000	2016 RMB'000
Rental income	**63,366**	61,326
Hotel operations income	**30,246**	33,313
Income from provision of repairs and maintenance services	**64,643**	77,762
Dividend income (Note 42(a)(ii))	**71,133**	95,543
Management fee income	**–**	5,888
Income from provision of IT and other services	**20,885**	26,716
VAT refund (note)	**102,479**	216,727
Compensation income	**12,855**	13,611
	365,607	530,886

Note:

To support the development of the hydropower industry and standardize the 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. In respect of the period from 1 January 2016 to 31 December 2017, certain subsidiaries of the Group, being eligible enterprises, are entitled to a refund of the portion of actual VAT paid which exceeds 12% of the relevant revenue.

6. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2017 RMB'000	2016 RMB'000
Wages, salaries and bonuses	**1,112,108**	1,189,718
Staff welfare	**443,098**	438,333
Pension costs — defined contribution plans	**254,166**	267,042
	1,809,372	1,895,093

7. OTHER GAINS AND LOSSES, NET

	2017 RMB'000	2016 RMB'000
Amortization of deferred income	4,269	10,958
Government subsidies	36,076	23,268
Loss on disposal of property, plant and equipment, net	(49,739)	(9,358)
Fair value change on derivative financial instruments (Note 22)	(110,547)	105,631
Sales of unused power production quota	46,604	175,747
Profits on trading of coal, coal by-products and spare parts	48,430	46,215
Others	(37,486)	33,483
	(62,393)	385,944

8. OPERATING PROFIT

Operating profit is stated after charging the following:

	2017 RMB'000	2016 RMB'000
Amortization of prepaid lease payments	23,525	17,987
Auditor's remuneration	6,746	6,459
Research and development expenses	9,930	16,493
Depreciation (Note 14):		
— owned property, plant and equipment	3,401,426	3,196,121
— property, plant and equipment under finance leases	81,318	86,012
Operating lease rental expenses:		
— equipment	10,692	9,637
— leasehold land and buildings	55,876	50,623
Impairment of inventories	1,158	–
Reservoir maintenance and usage fees	129,569	138,146
Cost of purchase of unused power production quota	89,472	101,128

9. FINANCE INCOME AND FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Finance income		
Interest income from bank deposits	25,211	15,455
Interest income from SPIC Financial (Note 42(a)(i))	1,043	859
Interest income from a fellow subsidiary (Note 42(a)(i))	2,366	89
Interest income from an associate (Note 42(a)(i))	11,793	4,602
	40,413	21,005
Finance costs		
Interest expense on		
— bank borrowings	1,673,094	1,458,488
— long-term borrowings from related parties (Note 42(b)(iii))	192,648	196,793
— short-term borrowings from related parties (Note 42(b)(iii))	74,964	16,753
— long-term other borrowings	122,571	149,239
— short-term other borrowings	17,835	52,823
— amounts due to related parties (Note 42(b)(iii))	3,093	1,894
— obligations under finance leases	41,494	70,617
— provisions for other long-term liabilities (Note 36)	87,119	87,090
	2,212,818	2,033,697
Less: amounts capitalized	(252,621)	(164,538)
	1,960,197	1,869,159
Exchange (gains)/losses, net	(104,594)	198,807
	1,855,603	2,067,966

The weighted average interest rate on capitalized borrowings is 4.40% (2016: 4.53%) per annum.

10. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided for as the Group did not have any estimated assessable profits in Hong Kong for the years ended 31 December 2017 and 2016.

The provision for PRC current income tax is calculated based on the statutory tax rate of 25% (2016: 25%) on the estimated assessable profits for the year except as disclosed below.

10. INCOME TAX EXPENSE (CONTINUED)

The amount of income tax recognized in the consolidated income statement represents:

	2017 RMB'000	2016 RMB'000
PRC current income tax		
Charge for the year	519,730	763,639
Under provision in prior year	6,378	2,548
	526,108	766,187
Deferred income tax		
Credit for the year (Note 21)	(246,178)	(27,546)
	279,930	738,641

The income tax expense on the Group's profit before taxation differs from the theoretical amount that would arise using the income tax rate of the PRC as follows:

	2017 RMB'000	2016 RMB'000
Profit before taxation	1,560,637	3,994,128
Less: Share of profits of associates	(222,630)	(540,353)
Share of profits of joint ventures	(44,743)	(150,158)
	1,293,264	3,303,617
Calculated at the PRC statutory tax rate of 25% (2016: 25%)	323,316	825,904
Effect on tax concession	(120,107)	(88,604)
Income not subject to taxation	(17,820)	(24,419)
Expenses not deductible for taxation purpose	8,186	22,399
Reduction of tax in respect of investment tax credits ("Tax Credits")	–	(1,410)
Tax losses for which no deferred income tax asset was recognized (Note 21)	80,467	89,826
Temporary difference for which no deferred income tax asset was recognized (Note 21)	13,406	476
Utilization of tax losses previously not recognized (Note 21)	(13,023)	(45,230)
Utilization of temporary difference previously not recognized (Note 21)	(2,001)	(27,783)
Under provision in prior year	6,378	2,548
Others	1,128	(15,066)
Income tax expense	279,930	738,641

10. INCOME TAX EXPENSE (CONTINUED)

Share of taxation charge attributable to associates and joint ventures for the year ended 31 December 2017 of RMB67,072,000 (2016: RMB181,165,000) and RMB14,800,000 (2016: RMB44,841,000) respectively were included in the Group's share of profits of associates/joint ventures.

For the years ended 31 December 2017 and 2016, certain subsidiaries of the Group, were either exempted from PRC Enterprise Income Tax or entitled to the preferential tax rate of 7.5%, 12.5% or 15%.

As at 31 December 2017, two subsidiaries of the Group had Tax Credits with an accumulated amount of RMB189,308,000 (2016: RMB189,308,000) of which RMB103,983,000 (2016: RMB103,983,000) were utilized against their income tax charges since the granting of such Tax Credits. 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 income tax when they are realized. The portion of Tax Credits that has not been utilized can be carried forward over a period of no more than five years.

11. EARNINGS PER SHARE

(a) Basic

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

	2017	2016 (Restated)
Profit for the year attributable to owners of the Company (RMB'000)	**795,272**	2,365,868
Weighted average number of shares in issue (shares in thousands) (note)	**7,956,270**	7,871,428
Basic earnings per share (RMB) (note)	**0.10**	0.30

Note: These comparative figures have been restated to reflect the effect of Rights Issue (as defined in Note 30).

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume exercise of all dilutive potential ordinary shares arising from the Company's share options.

For the years ended 31 December 2017 and 2016, the Company has share options that are dilutive potential ordinary shares, and 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.

11. EARNINGS PER SHARE (CONTINUED)

(b) Diluted *(Continued)*

	2017	2016 (Restated)
Profit for the year attributable to owners of the Company (RMB'000)	**795,272**	2,365,868
Weighted average number of shares in issue (shares in thousands) (note)	**7,956,270**	7,871,428
Adjustment for share options (shares in thousands) (note)	**1,344**	4,622
Weighted average number of shares for the purpose of calculating diluted earnings per share (shares in thousands) (note)	**7,957,614**	7,876,050
Diluted earnings per share (RMB) (note)	**0.10**	0.30

Note: These comparative figures have been restated to reflect the effect of Rights Issue (as defined in Note 30).

12. DIVIDENDS

	2017 RMB'000	2016 RMB'000
Final, proposed, dividend of RMB0.081 (2016: RMB0.160) per ordinary share	**794,358**	1,176,826
2016 final dividend paid — RMB0.160 (equivalent to HK$0.1805) per ordinary share	**1,176,826**	–
2015 final dividend paid — RMB0.232 (equivalent to HK$0.2770) per ordinary share	**–**	1,706,398
	1,176,826	1,706,398

At the Board meeting held on 22 March 2018, the Board recommended the payment of a final dividend for the year ended 31 December 2017 of RMB0.081 (equivalent to HK$0.1006 at the exchange rate announced by the People's Bank of China on 22 March 2018) per ordinary share (2016: RMB0.160 (equivalent to HK$0.1805) per ordinary share), totalling RMB794,358,000 (equivalent to HK$986,573,000) (2016: RMB1,176,826,000 (equivalent to HK$1,327,607,000)), which is based on 9,806,886,321 shares (2016: 7,355,164,741 shares) in issue on 22 March 2018 (2016: 23 March 2017).

This proposed dividend is not reflected as dividend payable in these consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2018.

13. EMOLUMENTS FOR DIRECTORS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT REMUNERATION

(a) Directors' emoluments

Name of Director	Fees RMB'000	Basic salary, housing allowance, other allowances and benefits in kind RMB'000	Share-based compensation expense RMB'000	Discretionary bonuses RMB'000	Employer's contribution to pension plans RMB'000	Total RMB'000
Year ended 31 December 2017						
Executive Directors						
Mr. YU Bing(1)	–	379	–	316	41	736
Mr. WANG Zichao(2)	–	–	–	–	–	–
Mr. TIAN Jun(3)	–	261	–	–	20	281
Non-executive Directors						
Mr. WANG Binghua(4)	–	–	–	–	–	–
Mr. GUAN Qihong(5)	–	–	–	–	–	–
Mr. WANG Xianchun(6)	–	–	–	–	–	–
Independent non-executive Directors						
Mr. KWONG Che Keung, Gordon	174	105	–	–	–	279
Mr. LI Fang	174	105	–	–	–	279
Mr. YAU Ka Chi(7)	174	105	–	–	–	279
	522	955	–	316	61	1,854
Year ended 31 December 2016						
Executive Directors						
Ms. LI Xiaolin(8)	–	–	–	395	–	395
Mr. YU Bing(1)	–	358	–	316	41	715
Mr. WANG Zichao(2)	–	–	–	–	–	–
Non-executive Directors						
Mr. WANG Binghua(4)	–	–	–	–	–	–
Mr. GUAN Qihong(5)	–	–	–	–	–	–
Independent non-executive Directors						
Mr. KWONG Che Keung, Gordon	172	95	–	–	–	267
Mr. LI Fang	172	95	–	–	–	267
Mr. YAU Ka Chi(7)	7	–	–	–	–	7
Mr. TSUI Yiu Wa, Alec(9)	172	95	–	–	–	267
	523	643	–	711	41	1,918

13. EMOLUMENTS FOR DIRECTORS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT REMUNERATION (CONTINUED)

(a) Directors' emoluments *(Continued)*

(1) Mr. YU Bing, an executive Director, president of the Company and a member of the Executive Committee, was appointed to succeed Mr. WANG Binghua as the Chairman of the Board and simultaneously ceased to be the President of the Company with effect from 8 June 2017.

(2) Mr. WANG Zichao resigned as an executive Director and a member of the Executive Committee with effect from 8 June 2017. Mr. WANG has agreed to waive his director fees during his directorship with the Company in 2016 and 2017.

(3) Mr. TIAN Jun was appointed as an executive Director, the President of the Company and a member of the Executive Committee with effect from 8 June 2017.

(4) Mr. WANG Binghua resigned as a non-executive Director and the Chairman of the Board with effect from 8 June 2017. Mr. WANG has agreed to waive his director fees during his directorship with the Company in 2016 and 2017.

(5) Mr. GUAN Qihong had agreed to waive his director fees during his directorship with the Company.

(6) Mr. WANG Xianchun was appointed as a non-executive Director with effect from 8 June 2017. Mr. WANG had agreed to waive his director fees during his directorship with the Company in 2017.

(7) Mr. YAU Ka Chi was appointed as an independent non-executive Director of the Company with effect from 12 December 2016.

(8) Ms. LI Xiaolin resigned as an executive Director, the Chairman of the Board, the chairman of the Executive Committee and the chief executive officer of the Company with effect from 28 July 2015. For the year ended 31 December 2016, the discretionary bonuses included the back pay performance bonus of RMB279,000 for years 2013 and 2014 and RMB116,000 for year 2015.

(9) Mr. TSUI Yiu Wa, Alec resigned as an independent non-executive Director of the Company with effect from 12 December 2016.

The executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Group. The non-executive Directors' and independent non-executive Directors' emoluments shown above were for their services as Directors of the Company.

13. EMOLUMENTS FOR DIRECTORS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT REMUNERATION (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2016: one) Director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2016: four) individuals during the year are as follows:

	2017 **RMB'000**	2016 RMB'000
Basic salaries, housing allowance, other allowances and benefits in kind	**1,178**	1,482
Discretionary bonuses	**1,058**	941
Employer's contribution to pension plans	**141**	149
	2,377	2,572

Their emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Zero to HK$1,000,000 (equivalent to RMB835,910 (2016: RMB894,510))	**4**	4

During both years, no emoluments have been paid by the Group to the Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

(c) Senior management remuneration by band

Senior management is defined as the same persons whose biographical details are disclosed. Their emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Zero to HK$1,000,000 (equivalent to RMB835,910 (2016: RMB894,510))	**14**	11

14. PROPERTY, PLANT AND EQUIPMENT

	Dam RMB'000	Buildings and leasehold improvements RMB'000	Power generators and equipment RMB'000	Electricity supply equipment RMB'000	Furniture and fixtures, tools and other equipment RMB'000	Transportation facilities RMB'000	Construction in progress RMB'000	Total RMB'000
Cost								
At 1 January 2017	20,975,801	20,097,372	34,224,652	7,702,008	4,270,555	535,229	5,996,320	93,801,937
Additions and transfer from prepayments	–	578	19,067	17,007	18,227	8,645	7,858,090	7,921,614
Disposals (notes (h) and (i))	(141,339)	(11,238)	(122,634)	(19,829)	(15,845)	(11,439)	–	(322,324)
Transfer between categories	270,139	375,819	4,773,664	339,039	384,532	11,309	(6,154,502)	–
At 31 December 2017	21,104,601	20,462,531	38,894,749	8,038,225	4,657,469	543,744	7,699,908	101,401,227
Accumulated depreciation and impairment losses								
At 1 January 2017	2,253,457	5,201,698	10,993,467	2,540,005	1,691,422	235,228	–	22,915,277
Depreciation charge for the year	512,852	636,639	1,613,300	298,660	369,989	51,304	–	3,482,744
Disposals (note (i))	–	(4,988)	(67,709)	(17,783)	(14,383)	(10,753)	–	(115,616)
At 31 December 2017	2,766,309	5,833,349	12,539,058	2,820,882	2,047,028	275,779	–	26,282,405
Net book value								
At 31 December 2017	18,338,292	14,629,182	26,355,691	5,217,343	2,610,441	267,965	7,699,908	75,118,822

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Dam RMB'000	Buildings and leasehold improvements RMB'000	Power generators and equipment RMB'000	Electricity supply equipment RMB'000	Furniture and fixtures, tools and other equipment RMB'000	Transportation facilities RMB'000	Construction in progress RMB'000	Total RMB'000
Cost								
At 1 January 2016	20,826,055	19,867,064	31,150,604	7,513,834	4,113,330	527,506	4,033,641	88,032,034
Additions and transfer from prepayments (note (h))	157,243	1,461	3,798	2,031	64,038	24,501	5,790,422	6,043,494
Acquisition of assets through acquisition of a subsidiary	–	–	–	–	7	–	137,309	137,316
Disposals	(8,097)	(137,527)	(143,966)	(20,602)	(83,342)	(17,373)	–	(410,907)
Transfer between categories	600	366,374	3,214,216	206,745	176,522	595	(3,965,052)	–
At 31 December 2016	20,975,801	20,097,372	34,224,652	7,702,008	4,270,555	535,229	5,996,320	93,801,937
Accumulated depreciation and impairment losses								
At 1 January 2016	1,748,824	4,659,551	9,682,368	2,261,457	1,352,543	196,566	–	19,901,309
Depreciation charge for the year	506,131	627,248	1,432,041	294,587	367,406	54,720	–	3,282,133
Disposals	(1,498)	(85,101)	(120,942)	(16,039)	(28,527)	(16,058)	–	(268,165)
At 31 December 2016	2,253,457	5,201,698	10,993,467	2,540,005	1,691,422	235,228	–	22,915,277
Net book value								
At 31 December 2016	18,722,344	14,895,674	23,231,185	5,162,003	2,579,133	300,001	5,996,320	70,886,660

Notes:

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

Dam	30–50 years
Buildings	8–45 years
Leasehold improvements	Shorter of 5 years and over the lease term
Power generators and equipment	9–28 years
Electricity supply equipment	13–30 years
Furniture and fixtures	3–5 years
Tools and other equipment	3–18 years
Transportation facilities	2–12 years

(b) As at 31 December 2017, certain of the Group's property, plant and equipment with net book value of RMB2,960,381,000 (2016: RMB2,825,845,000) were situated on leasehold land in the PRC leased from SPIC which held the rights on the leasehold land. The remaining period of the Group's rights on leasehold land as at 31 December 2017 ranges from 2 to 8 years (2016: ranged 3 to 9 years).

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: (Continued)

(c) As at 31 December 2017, the legal title of certain properties of the Group with net book value of RMB3,092,007,000 (2016: RMB3,121,152,000) had not been transferred to the Group subject to certain administrative procedures to be completed by the relevant local government authorities. However, the Directors are of the opinion that the risks and rewards of using these assets have been transferred to the Group.

In addition, certain of the Group's property, plant and equipment are situated on leasehold land in the PRC which was granted, free of charge, for the use by the relevant government authorities to the relevant subsidiaries of the Group with no specific terms of usage.

(d) As at 31 December 2017, the cost and accumulated depreciation of power generators and equipment held by the Group under finance leases amounted to RMB1,089,584,000 (2016: RMB1,589,584,000) and RMB295,782,000 (2016: RMB359,205,000) respectively.

As at 31 December 2017, the construction in progress held by the Group under finance leases amounted to RMB554,196,000 (2016: RMB194,520,000).

(e) As at 31 December 2017, certain property, plant and equipment of the Group with net book value of RMB529,311,000 (2016: RMB571,146,000) were pledged as security for certain long-term bank borrowings of the Group (Note 32(d)).

(f) As at 31 December 2017, the accumulated impairment losses of property, plant and equipment amounted to RMB446,005,000 (2016: RMB459,784,000).

(g) For the year ended 31 December 2017, management has performed impairment assessments on certain property, plant and equipment with impairment indication included in "Generation and sales of coal-fired electricity" segment.

The recoverable amount of the associated CGUs had been determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management for the purposes of impairment assessment covering a five-year period. Annual cash flows beyond the five-year period are expected to be similar to that of the fifth year based on the then production capacity, taking into account of the expected remaining useful lives of the relevant underlying operating assets.

Management prepared the financial budgets taking into account of the actual and prior years performance and market development expectations. The growth rates in electricity sold and pre-tax discount rates used for value in use calculations are from 0% to 5% (2016: 0% to 12%) and from 7% to 8% (2016: 8%) respectively. Management estimates the growth rates in electricity sold by reference to the expected demand for electricity in the regions where the power plants are located. And management estimates the discount rates using pre-tax rate that reflects market assessments of the time value of money and the specific risks relating to the CGUs. Other key assumptions applied in the impairment assessments include the expected tariff rates, fuel costs and staff costs.

Based on the results of the impairment assessments, no impairment was recognized for the associated CGUs for the year ended 31 December 2017.

(h) For the year ended 31 December 2017, disposals (2016: additions) of dam represented a reversal of provisions (2016: a recognition of provisions) for Inundation Compensation caused by the construction of two hydropower plants of the Group. For the year ended 31 December 2017, management has reviewed and performed assessment on such provisions and, as a result, a reversal of provisions of RMB141,339,000 was deducted from (2016: an additional provisions of RMB157,243,000 was provided to) the cost of dam to reflect the current best estimate.

(i) Disposal of power generators and equipment for the year ended 31 December 2017 included certain power generators and equipment in coal-fired power plants, which were subjected to pollutant-reduction-related upgrades and were expected to be dismantled in 2018. As a result, a loss on disposal of RMB45,510,000 (2016: Nil) was charged to the consolidated income statement as other losses.

15. PREPAYMENTS FOR CONSTRUCTION OF POWER PLANTS

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

16. PREPAID LEASE PAYMENTS

The amount represents cost of the prepaid lease payments in respect of land located in the PRC where certain of the Group's property, plant and equipment are built on.

	2017 RMB'000	2016 RMB'000
Current asset	23,408	19,736
Non-current asset	979,376	883,505
	1,002,784	903,241

Note: As at 31 December 2017, certain prepaid lease payments of the Group with net book value of RMB31,690,000 (2016: RMB33,102,000) were pledged as security for certain long-term bank borrowings of the Group (Note 32(d)).

17. GOODWILL

	2017 RMB'000	2016 RMB'000
Cost		
At 1 January and 31 December	1,002,104	1,002,104
Accumulated impairment losses		
At 1 January and 31 December	166,939	166,939
Net book value		
At 1 January and 31 December	835,165	835,165

Goodwill is allocated to the Group's CGUs identified according to operating segments. The accumulated impairment losses relate to coal-fired electricity segment.

17. GOODWILL (CONTINUED)

A segment-level summary of the goodwill allocation at cost before impairment and at net book value is presented below:

	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Total RMB'000
Cost			
At 1 January and 31 December 2016, and 31 December 2017	234,651	767,453	1,002,104
Net book value			
At 1 January and 31 December 2016, and 31 December 2017	67,712	767,453	835,165

For the purpose of impairment assessment, the recoverable amount of the associated CGUs had been determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management for the purposes of impairment assessment covering a five-year period. Annual cash flows beyond the five-year period are expected to be similar to that of the fifth year based on the then production capacity, taking into account of the expected remaining useful lives of the relevant underlying operating assets.

There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budgets. Management prepared the financial budgets taking into account of the actual and prior years performance and market development expectations. The growth rates in electricity sold and pre-tax discount rate used for value in use calculations are from 0% to 5% (2016: 0% to 5%) and 8% (2016: 8%) respectively. Management estimates the growth rates in electricity sold by reference to the expected demand for electricity in the regions where the power plants are located. Management estimates the discount rate using pre-tax rate that reflects market assessments of the time value of money and the specific risks relating to the CGUs. Other key assumptions applied in the impairment assessments include the expected tariff rates, fuel costs (if applicable) and staff costs.

No impairment on goodwill is resulted based on the impairment assessment performed by the management.

18. INTERESTS IN ASSOCIATES

	2017 RMB'000	2016 RMB'000
Unlisted investments, at cost	**2,340,483**	2,339,643
Share of undistributed post-acquisition reserves	**392,077**	690,287
	2,732,560	3,029,930

As at 31 December 2017, interests in associates include goodwill of RMB158,732,000 (2016: RMB158,732,000).

There are no contingent liabilities relating to the Group's interests in associates and these associates did not have any material contingent liabilities as at 31 December 2017 and 2016.

Dividends from associates for the year ended 31 December 2017 amounted to RMB520,840,000 (2016: RMB728,822,000).

The followings are the details of the associates as at 31 December 2017 and 2016:

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest: Held directly by the Company	Proportion of ownership interest: Held by subsidiaries	Type of legal entity	Principal activities
Jiangsu Changshu Electric Power Generating Company Limited ("Changshu Power Plant") (江蘇常熟發電有限公司)	The PRC	RMB2,685,000,000	50%	–	Sino-foreign equity joint venture	Generation and sale of electricity
^Guizhou Pu'an Digua Coal Industry Co., Ltd. (貴州普安地瓜坡煤業有限公司)	The PRC	RMB630,000,000/ RMB94,500,000	35%	–	Sino-foreign equity joint venture	Coal management and consultancy service
Hunan China Resources Power Liyujiang Company Limited (湖南華潤電力鯉魚江有限公司)	The PRC	RMB573,660,000	–	40%	Sino-foreign equity joint venture	Generation and sale of electricity
Hunan Nuclear Power Company Limited (湖南核電有限公司)	The PRC	RMB289,000,000	–	20%	Limited liability company	Generation and sale of electricity
Jiangsu Changdian Environmental Technology Company Limited (江蘇常電環保科技有限公司)	The PRC	RMB8,000,000	–	50%	Sino-foreign equity joint venture	Sale of electricity generation by-products

18. INTERESTS IN ASSOCIATES (CONTINUED)

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest: Held directly by the Company	Proportion of ownership interest: Held by subsidiaries	Type of legal entity	Principal activities
Sichuan Energy Investment Development Co., Ltd. ("Sichuan Energy Investment") (四川能投發展股份有限公司)	The PRC	RMB805,557,700	12.17% (note)	–	Sino-foreign equity joint venture	Energy investment
Gui'an New District Power Distribution and Sales Company Limited ("Gui'an New District") (貴安新區配售電有限公司)	The PRC	RMB1,500,000,000/ RMB300,000,000	8% (note)	–	Sino-foreign equity joint venture	Distribution and sale of electricity
^#SPIC Muping Energy Development Company Limited (國家電投集團牟平能源發展有限公司)	The PRC	RMB800,000,000/ RMB2,000,000	–	42%	Sino-foreign equity joint venture	Distribution and sale of electricity

^ These associates have not commenced operation yet.

The associate was newly set up in 2017.

Note: According to the articles of association of Sichuan Energy Investment and Gui'an New District, the Company has significant influence over Sichuan Energy Investment and Gui'an New District through its representatives on the board of directors of these two companies respectively, and therefore classified Sichuan Energy Investment and Gui'an New District as associates.

Summarized unaudited financial information of a material associate

In the opinion of the Directors, Changshu Power Plant and its subsidiary (collectively referred to as "Changshu Group") is a material associate to the Group, its summarized unaudited financial information are set out below:

Summarized statement of financial position

	Changshu Group 2017 RMB'000	Changshu Group 2016 RMB'000
Non-current assets	**9,480,478**	9,622,088
Current assets	**654,617**	920,805
Non-current liabilities	**(2,438,005)**	(3,256,565)
Current liabilities	**(3,991,652)**	(3,053,734)
Net assets	**3,705,438**	4,232,594

18. INTERESTS IN ASSOCIATES (CONTINUED)

Summarized unaudited financial information of a material associate *(Continued)*

Summarized income statement and statement of comprehensive income

	Changsu Group	
	2017	2016
	RMB'000	RMB'000
Revenue	**5,535,797**	5,551,395
Profit and total comprehensive income for the year	**407,812**	946,250
Dividend received from the associate	**467,484**	622,514

Reconciliation of summarized unaudited financial information

Reconciliation of summarized unaudited financial information presented above to the carrying amount of interest in Changshu Group is as follows:

	Changshu Group	
	2017	2016
	RMB'000	RMB'000
Opening net assets	**4,232,594**	4,531,372
Profit and total comprehensive income for the year	**407,812**	946,250
Dividend paid	**(934,968)**	(1,245,028)
Closing net assets	**3,705,438**	4,232,594
Interest in associate (50%) — At carrying amount	**1,852,719**	2,116,297

Aggregate information of associates that are not individually material

	2017	2016
	RMB'000	RMB'000
The Group's share of profit and total comprehensive income for the year	**18,724**	67,228
Aggregate carrying amount of the Group's interests in these associates	**879,841**	913,633

19. INTERESTS IN JOINT VENTURES

	2017 RMB'000	2016 RMB'000
Unlisted investments, at cost	**603,200**	603,200
Share of undistributed post-acquisition reserves	**25,015**	113,914
Less: Accumulated impairment (note)	**(156,370)**	(156,370)
	471,845	560,744

Note: The balance represents the full impairment on the carrying amount of the Group's interest in Chuanjing Coal (as defined below) provided in 2015.

The followings are the details of the joint ventures as at 31 December 2017 and 2016:

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest held directly by the Company	Type of legal entity	Principal activities
Sichuan Guangwang Group Chuanjing Coal Industry Company Limited ("Chuanjing Coal") (四川廣旺集團船景煤業有限責任公司)	The PRC	RMB472,000,000/ RMB329,182,000	49%	Sino-foreign equity joint venture	Coal mining
Guangzhou China Power Lixin Industry Company Limited (廣州中電荔新電力實業有限公司)	The PRC	RMB604,000,000	50%	Sino-foreign equity joint venture	Generation and sale of electricity
Henan Zhongping Coal & Electricity Co., Ltd. (河南中平煤電有限責任公司)	The PRC	RMB132,061,000	50%	Sino-foreign equity joint venture	Coal transportation and selling

None of the joint ventures were individually material.

There were no contingent liabilities relating to the Group's interests in the joint ventures and the joint ventures did not have any material contingent liabilities as at 31 December 2017 and 2016.

Dividend from a joint venture for the year ended 31 December 2017 amounted to RMB133,642,000 (2016: RMB144,667,000).

Capital commitments in respect of property, plant and equipment

	2017 RMB'000	2016 RMB'000
Contracted but not provided for	**38,679**	4,087

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 RMB'000	2016 RMB'000
Unlisted equity investments in the PRC — at cost (note (a))	**175,442**	175,442
Equity securities listed in the PRC — at fair value (note (b))	**3,320,491**	4,410,367
	3,495,933	4,585,809
Market value of equity securities listed in the PRC	**3,320,491**	4,410,367

Notes:

(a) Unlisted equity investments mainly represent interests in certain unlisted companies which are principally engaged in financial services, coal production and water supply respectively.

These companies do not have a quoted market price in an active market and for which the range of other methods of reasonably estimating fair value is significant and the probabilities of the various estimates cannot be reasonably assessed. Accordingly, these investments are carried at cost less accumulated impairment losses.

(b) Details of the equity securities listed in the PRC held directly by the Company as at 31 December 2017 and 2016 are as follows:

Name of company	Place of establishment and operation	Registered and paid up capital	Equity interest attributable to the Company	Type of legal entity	Principal activity
Shanghai Electric Power Co., Ltd. ("Shanghai Power")#	The PRC	RMB2,409,657,149 (2016: RMB2,139,739,000)	15.08% (2016:16.98%) (note)	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

\# Shanghai Power is a subsidiary of SPIC.

Note: In December 2017, Shanghai Power issued consideration shares for acquisition of assets from its ultimate holding company, SPIC, which resulted in an increase in its share capital and thus, the Company's equity interest in Shanghai Power was diluted from 16.98% to 15.08%.

21. DEFERRED INCOME TAXES

Deferred income taxes are calculated in respect of temporary differences under the liability method using the tax rates enacted or substantively enacted by the end of reporting period.

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

	2017 RMB'000	2016 RMB'000
Deferred income tax assets	**431,878**	244,137
Deferred income tax liabilities	**(1,461,717)**	(1,792,623)
Net deferred income tax liabilities	**(1,029,839)**	(1,548,486)

21. DEFERRED INCOME TAXES (CONTINUED)

The net movements in the deferred income tax assets/(liabilities) during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Accelerated tax depreciation RMB'000	Decelerated tax depreciation RMB'000	Changes in fair value (note) RMB'000	Provisions RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017	**(1,227,669)**	**179,192**	**(821,849)**	**234,193**	**86,063**	**1,584**	**(1,548,486)**
(Charged)/credited to the consolidated income statement (Note 10)	**(24,594)**	**38,157**	**41,679**	**17,982**	**172,954**	**–**	**246,178**
Credited to other comprehensive income (Note 31)	**–**	**–**	**272,469**	**–**	**–**	**–**	**272,469**
At 31 December 2017	**(1,252,263)**	**217,349**	**(507,701)**	**252,175**	**259,017**	**1,584**	**(1,029,839)**
At 1 January 2016	(1,177,762)	120,488	(1,029,765)	241,861	33,238	1,584	(1,810,356)
(Charged)/credited to the consolidated income statement (Note 10)	(49,907)	58,704	(26,408)	(7,668)	52,825	–	27,546
Credited to other comprehensive income (Note 31)	–	–	234,324	–	–	–	234,324
At 31 December 2016	(1,227,669)	179,192	(821,849)	234,193	86,063	1,584	(1,548,486)

Note: These were fair value changes of available-for-sale financial assets and derivative financial instruments.

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. As at 31 December 2017, the Group had unrecognized tax losses to be carried forward against future taxable profits amounted to RMB815,337,000 (2016: RMB545,561,000), which will expire within 5 years.

As at 31 December 2017, the Group had deductible temporary differences of RMB299,004,000 (2016: RMB253,384,000), which mainly relates to the impairment losses of the Group's property, plant and equipment and interest in a joint venture. No deferred income tax assets had been recognized in relation to such deductible temporary difference as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilized.

As the Company is a deemed PRC Tax Resident Enterprise, the Company is exempted from the withholding tax charged on the dividends remitted to the Company by the subsidiaries, associates or joint ventures. As such, no deferred income tax liabilities on unremitted earnings of subsidiaries, associates or joint ventures would be recognized.

22. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 RMB'000	2016 RMB'000
Derivative financial instruments — Current assets	–	308,471

These derivative financial instruments were not designated as hedging instruments in accordance with HKAS 39. For the year ended 31 December 2017, a fair value change on termination of the derivative financial instruments of RMB110,547,000 (2016: a fair value change of RMB105,631,000) was recognized in the consolidated income statement as other losses (2016: other gains) (Note 7).

Derivative financial instruments represented the two option contracts which the Company entered into in 2015 to hedge the foreign currency risk for the short-term United States dollars ("USD") commercial notes issued by the Company in July 2014. Upon the termination of the derivative financial instruments in June 2017, the Group had realized an accumulated pre-tax gain of RMB56,167,000 when comparing the proceeds of RMB197,924,000 on termination with the acquisition cost of RMB141,757,000 for the two option contracts.

23. RESTRICTED DEPOSITS

Restricted deposits mainly include restricted cash deposits and bank deposits pledged as securities, which are interest bearing at rates ranged from 0.30% to 1.75% (2016: ranged from 0.30% to 4.68%) per annum.

The restricted cash deposits mainly represent cash deposits held in the "joint control account" under the names of certain subsidiaries of the Group for the co-development of wind power plants with local government. The deposits are operated with the approvals from both parties and will be released upon the completion of power plant construction.

The carrying amounts of the restricted deposits as at 31 December 2017 and 2016 are as follows:

	2017 RMB'000	2016 RMB'000
Restricted cash deposits	19,582	44,994
Bank deposits of a subsidiary secured against current portion of long-term bank borrowings (Note 32(d))	–	300,000
	19,582	344,994
Analyzed for reporting purposes as:		
— Non-current	–	7,200
— Current	19,582	337,794
	19,582	344,994

24. OTHER NON-CURRENT ASSETS

	2017 RMB'000	2016 RMB'000
Deductible VAT and other taxes	716,996	497,956
Deposits for obligations under finance leases	3,242	3,242
Accounts receivable (Note 26)	588,940	–
Prepayment for proposed acquisition of a subsidiary	63,682	–
Others	1,572	–
	1,374,432	501,198

25. INVENTORIES

	2017 RMB'000	2016 RMB'000
Coal and oil	**312,186**	274,778
Spare parts and consumables	**150,756**	135,914
	462,942	410,692

26. ACCOUNTS RECEIVABLE

	2017 RMB'000	2016 RMB'000
Accounts receivable from regional and provincial power grid companies (notes (a) and (b))	**3,057,995**	2,119,135
Accounts receivable from other companies (note (a))	**6,785**	14,047
	3,064,780	2,133,182
Notes receivable (note (c))	**166,543**	212,812
	3,231,323	2,345,994
Analyzed for repoting purposes as:		
— Non-current (included in other non-current assets) (note (b))	**588,940**	–
— Current	**2,642,383**	2,345,994
	3,231,323	2,345,994

Notes:

(a) The ageing analysis of the accounts receivable presented based on invoice date is as follows:

	2017 RMB'000	2016 RMB'000
1 to 3 months	**2,564,247**	1,983,371
4 to 6 months	**207,592**	95,590
7 to 12 months	**227,448**	54,221
Over 1 year	**65,493**	–
	3,064,780	2,133,182

The 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.

26. ACCOUNTS RECEIVABLE (CONTINUED)

Notes: (Continued)

(b) As at 31 December 2017, accounts receivable from regional and provincial power grid companies include clean energy power price premium receivable of RMB724,378,000 (2016: RMB230,286,000), which are wind and photovoltaic power price premium receivable.

The clean energy power price premium, which is a component of the government-approved on-grid tariff for wind and photovoltaic power generation, is recognized as revenue from sales of electricity in the consolidated income statement of the Group for its wind and photovoltaic power projects.

As for the collection of the price premium, the PRC government is responsible to collect and allocate the fund and make settlement through State-owned grid companies to power plants. The financial resource for the clean energy power price premium is the national renewable energy fund that accumulated through a special levy on the consumption of electricity. Pursuant to Caijian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加補助資金管理暫行辦法) jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration in March 2012, the standardized application and approval procedures on a project by project basis for the settlement of the tariff premium came into force since 2012, and such applications are accepted and approved batch by batch at intervals.

Based on the above, the Directors estimated that the approval of Group's certain wind and photovoltaic power projects which are entitled to apply will be obtained after 31 December 2018, therefore the corresponding premium receivables are estimated to be recovered after twelve months from the reporting date and are discounted at an effective annual interest rate of 4.75% to RMB588,940,000.

(c) As at 31 December 2017, notes receivable were bank acceptance notes issued by third parties and were normally with maturity period of 360 days (2016: 180 days).

(d) As at 31 December 2017, accounts receivable that were past due but not impaired amounted to RMB500,533,000 (2016: RMB149,811,000), which mainly represented the above-mentioned clean energy power price premium receivables for wind and photovoltaic power projects.

(e) As at 31 December 2017, notes receivable discounted and endorsed to banks and suppliers of RMB130,429,000 and RMB840,006,000 respectively (2016: Nil and RMB739,124,000 respectively) are derecognized by the Group (the "Derecognized Notes"). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognized Notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of Directors, the Group has transferred substantially all risks and rewards relating to the Derecognized Notes. Accordingly, it has derecognized the full carrying amounts of the Derecognized Notes and the associated trade payables and amounts due to related parties. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognized Notes and the undiscounted cash flows to repurchase these Derecognized Notes equal to their derecognized amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognized Notes are not significant.

(f) As at 31 December 2017, certain bank borrowings and long-term borrowings from SPIC Financial (Notes 32(d) and 33(b)) were secured by the rights on accounts receivable of certain subsidiaries. The accounts receivable secured under these borrowings as at 31 December 2017 amounted to RMB1,125,299,000 (2016: RMB1,125,880,000).

(g) 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.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Prepayments, deposits and other receivables mainly represent prepayments for purchasing inventories and materials, current portion of deductible VAT, deposits and other receivables.

28. AMOUNTS DUE FROM/TO RELATED PARTIES

	2017 RMB'000	2016 RMB'000
Amounts due from related parties		
Amounts due from SPIC	–	451
Amounts due from CPDL	172	172
Amounts due from CPI Holding	836	1,234
Amounts due from SPIC Financial	5,219	633
Amounts due from companies controlled by SPIC other than SPIC Financial	113,539	112,874
Amounts due from fellow subsidiaries (note (b))	135,577	132,621
Amounts due from an associate (note (c))	155,442	457,312
Amounts due from a joint venture	242	–
Amounts due from a non-controlling shareholder	41,741	24,708
	452,768	730,005
Amounts due to related parties		
Amounts due to SPIC	200,687	198,233
Amounts due to CPI Holding (note (d))	186,640	165,658
Amounts due to SPIC Financial	19,545	525
Amounts due to companies controlled by SPIC other than SPIC Financial	190,953	161,502
Amounts due to fellow subsidiaries	103,215	104,471
Amounts due to a joint venture	5,867	2,315
Amounts due to an associate (note (e))	8,196	35,238
Amounts due to non-controlling shareholders (note (f))	302,849	176,697
	1,017,952	844,639

Notes:

(a) The list of major related parties that had transactions with the Group and their relationships with the Company is disclosed in Note 42.

(b) The amounts due from fellow subsidiaries are unsecured, interest free and repayable on demand (2016: Except for a balance of RMB50,000,000 which was interest bearing at 4.35% per annum and repayable within one year, the remaining balances were interest free and repayable on demand).

(c) The amounts due from an associate are unsecured. Except for a balance of RMB155,080,000 (2016: RMB455,080,000) which is interest bearing ranged from 1.75% to 4.35% (2016: 1.75% to 3.92%) per annum and repayable within one year, the remaining balances are interest free and repayable on demand.

(d) The amounts due to CPI Holding are unsecured. Except for a balance of RMB106,440,000 (2016: RMB106,440,000) which is interest bearing at 1.75% (2016: 1.75%) per annum and repayable within one year, the remaining balances are interest free and repayable on demand.

28. AMOUNTS DUE FROM/TO RELATED PARTIES (CONTINUED)

Notes: (Continued)

(e) The amounts due to an associate are unsecured. Except for a balance of RMB8,036,000 (2016: RMB35,000,000) which is interest bearing at 1.38% (2016: 1.38%) per annum, the remaining balance is interest free and repayable on demand.

(f) The amounts due to non-controlling shareholders included dividend payable of RMB142,000,000 (2016: Nil) to a non-controlling shareholder of a subsidiary.

(g) Balances with related parties, other than those disclosed in notes (b) to (f), are unsecured, interest free and repayable on demand.

(h) The fair values of these balances approximate their carrying amounts as the impact of discounting is not significant.

29. CASH AND CASH EQUIVALENTS

	2017 RMB'000	2016 RMB'000
Cash at banks and in hand (note (a))	**4,375,035**	1,275,235
Deposits at SPIC Financial	**202,751**	534,180
	4,577,786	1,809,415
Denominated in:		
RMB	**4,445,292**	1,577,532
USD	**98,382**	170,990
HK$	**34,112**	60,893
	4,577,786	1,809,415

Notes:

(a) As at 31 December 2017, balance of the Group's cash at banks included net of expenses proceeds from the Rights Issue (as defined in Note 30) of HK$4,411,284,000 (equivalent to RMB3,734,047,000), which will be used to settle the considerations payables of the Acquisitions (as defined in Note 30) upon their completions.

Up to the date of this report, these net of expenses proceeds have not been utilized but are deposited with certain banks in Hong Kong.

(b) The Group's cash at banks and deposits at SPIC Financial are interest bearing at rates ranged from 0.30% to 4.30% (2016: ranged from 0.30% to 1.35%) per annum.

(c) The Group's cash and cash equivalents denominated in RMB of RMB536,089,000 (2016: RMB1,522,102,000) are deposited with banks and SPIC Financial in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

30. SHARE CAPITAL

(a) Share capital

	Number of shares	RMB'000
Ordinary shares, issued and fully paid:		
At 1 January and 31 December 2016	7,355,164,741	13,534,145
Rights Issue (note)	**2,451,721,580**	**3,734,047**
At 31 December 2017	**9,806,886,321**	**17,268,192**

Note:

On 9 October 2017, the Company entered into the conditional sale and purchase agreement with CPI Holding, a wholly-owned subsidiary of SPIC ("Agreement I"), pursuant to which the Company has conditionally agreed to acquire 100% equity interest of SPIC Guangdong Power Company Limited (excluding CPI Qian Zhan Gang Dian Company Limited), SPIC Guangxi Power Company Limited and China Power (Sihui) Cogeneration Company Limited, at the consideration of RMB4,852,240,000 ("Acquisition I"). The Company has also on the same day entered into the conditional sale and purchase agreement with SPIC ("Agreement II"), pursuant to which the Company has conditionally agreed to acquire 100% equity interest of SPIC Anhui New Energy Development Co., Ltd., SPIC Hubeilvdong New Energy Co., Ltd., SPIC Shandong Energy Development Co., Ltd. and SPIC Shouxian New Energy Development Co., Ltd., at the consideration of RMB117,081,000 ("Acquisition II") (collectively referred to as the "Acquisitions"). Considerations for the Acquisitions will be subject to adjustment upon completion, and its settlement shall take place within 3 calendar months after the completion date.

The Acquisitions were approved by the shareholders of the Company in the extraordinary general meeting held on 8 November 2017.

In order to finance the Acquisitions, on 15 December 2017, the Company allotted and issued 2,451,721,580 new shares on the basis of one rights share for every three then existing shares held at the subscription price of HK$1.82 per rights share to those qualifying shareholders whose names appeared on the register of members of the Company at the close of business on 22 November 2017 ("Rights Issue"). These shares rank pari passu in all respects with the existing shares. The gross proceeds and net of expenses proceeds from the Rights Issue amounted to HK$4,462,133,000 (equivalent to RMB3,777,107,000) and HK$4,411,284,000 (equivalent to RMB3,734,047,000) respectively.

As at the date of this report, the Acquisitions are still underway pending of the satisfaction of all the underlying conditions precedent.

(b) Share option scheme

Pursuant to the written resolutions passed by the shareholders of the Company on 24 August 2004, a share option scheme was approved and adopted by the Company (the "Share Option Scheme").

30. SHARE CAPITAL (CONTINUED)

(b) Share option scheme *(Continued)*

Details of the share options granted under the Share Option Scheme outstanding as at 31 December 2017 and 2016 are as follows:

Date of grant	Expiry date	Exercise price	Number of outstanding share options 2017	2016
Directors				
4 April 2007	3 April 2017	HK$4.07	**–**	804,000
2 July 2008	1 July 2018	HK$2.173 (note (ii)) (2016: HK$2.326)	**428,076**	1,100,000
Senior management and other employees				
4 April 2007	3 April 2017	HK$4.07	**–**	5,358,000
2 July 2008	1 July 2018	HK$2.173 (note (ii)) (2016: HK$2.326)	**10,958,752**	13,850,000
			11,386,828	21,112,000

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

	2017 Average exercise price per share (HK$)	**2017** Number of outstanding share options	2016 Average exercise price per share (HK$)	2016 Number of outstanding share options
At 1 January	**2.835**	**21,112,000**	2.833	27,727,000
Adjustment for Rights Issue (note (ii))	**2.173**	**795,961**	–	–
Lapsed	**3.337**	**(10,521,133)**	2.828	(6,615,000)
At 31 December	**2.173**	**11,386,828**	2.835	21,112,000

Notes:

(i) As at 31 December 2017, all of 11,386,828 (2016: 21,112,000) outstanding share options were vested and exercisable, which represents 0.12% (2016: 0.29%) of the total issued ordinary shares of the Company. During the year, no share options were exercised (2016: Nil) and 10,521,133 (2016: 6,615,000) share options were lapsed under the Share Option Scheme.

Share options granted are exercisable within a period of ten years within which there is a total vesting period of four years. Commencing from the first, second, third and fourth anniversaries of the offer date of the share options, the relevant grantee may exercise up to 25%, 50%, 75% and 100% respectively of the shares comprised in his or her share options.

Consideration in connection with all share options granted was received. Save as mentioned above, no other share options granted under the Share Option Scheme were cancelled or exercised during the year. The Group has no legal or constructive obligation to buy back or settle the share options in cash.

(ii) As a result of the Rights Issue, adjustments are required to be made to the exercise prices and the number of the ordinary shares falling to be issued upon exercise of the outstanding share options in accordance with the terms and conditions of the Share Option Scheme and applicable Listing Rules.

31. RESERVES

	Merger reserve (note (a)) RMB'000	Capital reserve (note (b)) RMB'000	Available-for-sale financial assets reserve RMB'000	Statutory reserves (note (c)) RMB'000	Share-based compensation reserve RMB'000	Others RMB'000	Other reserves sub-total RMB'000	Retained earnings (note (d)) RMB'000	Total RMB'000
At 1 January 2017	306,548	2,262,848	2,225,802	937,074	13,889	265,848	6,012,009	7,720,839	13,732,848
Profit for the year	–	–	–	–	–	–	–	795,272	795,272
Fair value loss on available-for-sale financial assets	–	–	(1,089,876)	–	–	–	(1,089,876)	–	(1,089,876)
Deferred income tax on fair value loss on available-for-sale financial assets (Note 21)	–	–	272,469	–	–	–	272,469	–	272,469
Transfer to statutory reserves	–	–	–	160,494	–	–	160,494	(160,494)	–
Lapse of share options	–	–	–	–	(8,412)	–	(8,412)	8,412	–
Acquisition of a non-controlling interests (Note 43(i))	–	–	–	–	–	(334)	(334)	–	(334)
Disposal of interests in a subsidiary without loss of control (Note 43(ii))	–	–	–	–	–	135	135	–	135
2016 final dividend	–	–	–	–	–	–	–	(1,176,826)	(1,176,826)
At 31 December 2017	306,548	2,262,848	1,408,395	1,097,568	5,477	265,649	5,346,485	7,187,203	12,533,688
At 1 January 2016	306,548	2,262,848	2,928,772	722,948	18,243	275,883	6,515,242	7,271,141	13,786,383
Profit for the year	–	–	–	–	–	–	–	2,365,868	2,365,868
Fair value loss on available-for-sale financial assets	–	–	(937,294)	–	–	–	(937,294)	–	(937,294)
Deferred income tax on fair value loss on available-for-sale financial assets (Note 21)	–	–	234,324	–	–	–	234,324	–	234,324
Transfer to statutory reserves	–	–	–	214,126	–	–	214,126	(214,126)	–
Lapse of share options	–	–	–	–	(4,354)	–	(4,354)	4,354	–
Share of reserves of an associate	–	–	–	–	–	(10,035)	(10,035)	–	(10,035)
2015 final dividend	–	–	–	–	–	–	–	(1,706,398)	(1,706,398)
At 31 December 2016	306,548	2,262,848	2,225,802	937,074	13,889	265,848	6,012,009	7,720,839	13,732,848

31. RESERVES (CONTINUED)

Notes:

(a) Merger reserve

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

(b) Capital reserve

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

(c) Statutory reserves

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

(d) Retained earnings

Accumulated profits retained by the Group, its associates and joint ventures included impairment losses on property, plant and equipment of certain subsidiaries and an associate which have been accounted for in the Group's consolidated income statement in prior years. In the local statutory financial statements of the relevant subsidiaries and associates, these impairment losses have been dealt with in the respective company's capital reserves in accordance with the relevant local accounting rules and regulations. Profit distributions made by these companies were based on the distributable reserves as reported in the statutory financial statements of the respective companies.

32. BANK BORROWINGS

Bank borrowings are analyzed as follows:

	2017 RMB'000	2016 RMB'000
Non-current		
Long-term bank borrowings		
— secured (note (d))	13,516,324	13,915,815
— unsecured (note (e))	18,059,990	14,857,505
	31,576,314	28,773,320
Less: Current portion of long-term bank borrowings	(6,486,997)	(4,069,290)
	25,089,317	24,704,030
Current		
Short-term bank borrowings — unsecured	9,055,092	4,737,090
Current portion of long-term bank borrowings	6,486,997	4,069,290
	15,542,089	8,806,380
Total bank borrowings	40,631,406	33,510,410

Notes:

(a) The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	2017 RMB'000	2016 RMB'000
RMB	36,766,800	33,071,340
Japanese Yen ("JPY")	352,994	380,715
USD	3,511,612	58,355
	40,631,406	33,510,410

(b) The repayment terms of the long-term bank borrowings are analyzed as follows:

	2017 RMB'000	2016 RMB'000
Within one year	6,486,997	4,069,290
Between one and two years	3,223,934	6,380,257
Between two and five years	10,715,990	7,166,928
Over five years	11,149,393	11,156,845
	31,576,314	28,773,320

32. BANK BORROWINGS (CONTINUED)

Notes: (Continued)

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

	2017	2016
Short-term bank borrowings	**4.04%**	4.07%
Long-term bank borrowings (including the current portion of long-term bank borrowings)	**4.47%**	4.57%

(d) As at 31 December 2017 and 2016, the bank borrowings of the Group are secured as follows:

	2017 RMB'000	2016 RMB'000
Secured against the rights on accounts receivable of certain subsidiaries (Note 26(f))	**13,258,504**	13,328,995
Secured against property, plant and equipment and prepaid lease payments of certain subsidiaries (Notes 14(e) and 16)	**257,820**	286,820
Secured against bank deposits of a subsidiary (Note 23)	**–**	300,000
	13,516,324	13,915,815

(e) As at 31 December 2017, bank borrowings amounting to RMB352,994,000 (2016: RMB380,715,000) are guaranteed by Hunan Provincial Finance Bureau.

(f) As at 31 December 2017, the Group had available unutilized banking facilities amounting to RMB25,614,400,000 (2016: RMB15,344,193,000).

(g) The fair values of short-term bank borrowings approximate their carrying amounts as the impact of discounting is not significant.

The fair values of long-term bank borrowings at floating interest rates approximate their carrying amounts.

As at 31 December 2017, the carrying amounts and fair values of long-term bank borrowings at fixed interest rates amount to RMB2,852,994,000 (2016: RMB3,900,115,000) and RMB2,851,436,000 (2016: RMB3,903,558,000) respectively. The fair values are calculated using cash flows discounted at rates ranged from 0.50% to 4.35% (2016: ranged from 0.47% to 4.75%) per annum and are within level 3 of the fair value hierarchy.

33. BORROWINGS FROM RELATED PARTIES

	2017 RMB'000	2016 RMB'000
Non-current		
Long-term borrowings from SPIC (note (a))	**5,374,111**	4,594,111
Long-term borrowings from SPIC Financial (note (b))	**1,358,600**	369,400
Less: Current portion of long-term borrowings from SPIC	**(3,894,111)**	–
Less: Current portion of long-term borrowings from SPIC Financial	**(800)**	(800)
	2,837,800	4,962,711
Current		
Short-term borrowings from SPIC Financial (note (c))	**–**	100,000
Short-term borrowings from SPIC (note (d))	**1,750,000**	–
Short-term borrowings from a fellow subsidiary (note (e))	**410,195**	400,000
Current portion of long-term borrowings from SPIC (note (a))	**3,894,111**	–
Current portion of long-term borrowings from SPIC Financial (note (b))	**800**	800
	6,055,106	500,800
	8,892,906	5,463,511

Notes:

(a) The long-term borrowings from SPIC are unsecured, interest bearing at rates ranged from 2.88% to 5.58% (2016: ranged from 2.88% to 5.58%) per annum and are wholly repayable within five years.

These borrowings are repayable as follows:

	2017 RMB'000	2016 RMB'000
Within one year	**3,894,111**	–
Between one and two years	**700,000**	3,894,111
Between two and five years	**780,000**	700,000
	5,374,111	4,594,111

33. BORROWINGS FROM RELATED PARTIES (CONTINUED)

Notes: (Continued)

(b) The long-term borrowings from SPIC Financial of RMB8,600,000 (2016: RMB9,400,000) are secured against the rights on accounts receivable of a subsidiary (Note 26(f)), interest bearing at 4.41% (2016: 4.41%) per annum. The remaining balances are unsecured and interest bearing at rates ranged from 3.92% to 4.28% (2016: ranged from 3.92% to 4.28%) per annum.

The repayment terms of these borrowings are analyzed as follows:

	2017 RMB'000	2016 RMB'000
Within one year	**800**	800
Between one and two years	**410,800**	800
Between two and five years	**942,400**	362,400
Over five years	**4,600**	5,400
	1,358,600	369,400

(c) The short-term borrowings from SPIC Financial as at 31 December 2016 were unsecured, interest bearing at 3.92% per annum and repayable within one year.

(d) The short-term borrowings from SPIC as at 31 December 2017 are unsecured, interest ranged from 2.94% to 4.45% (2016: Nil) per annum and repayable within one year.

(e) The short-term borrowings from a fellow subsidiary as at 31 December 2017 are unsecured, interest bearing at 4.35% (2016: 4.35%) per annum and repayable within one year.

(f) As at 31 December 2017, the Group had available unutilized facilities from SPIC Financial amounting to RMB4,110,800,000 (2016: RMB5,000,000,000).

(g) The fair values of short-term borrowings from related parties approximate their carrying amounts as the impact of discounting is not significant.

As at 31 December 2017, the carrying amounts and fair values of long-term borrowings from related parties at fixed interest rates amounted to RMB5,374,111,000 (2016: RMB4,594,111,000) and RMB5,351,252,000 (2016: RMB4,598,260,000) respectively. The fair values are calculated using cash flows discounted at rates ranged from 4.35% to 4.75% (2016: 4.75%) per annum and are within level 3 of the fair value hierarchy.

34. OTHER BORROWINGS

	2017 RMB'000	2016 RMB'000
Non-current		
Corporate bonds issued by:		
— the Company (note (a))	–	2,000,000
— a subsidiary (note (b))	999,544	998,514
	999,544	2,998,514
Less: Current portion of corporate bonds issued by the Company (note (a))	–	(2,000,000)
	999,544	998,514
Current		
Corporate bonds issued by the Company reclassified as current (note (a))	–	2,000,000
Short-term other borrowings:		
— Short-term debentures issued by a subsidiary (note (c))	–	500,000
— Commercial notes (note (d))	–	2,081,100
— Short-term commercial paper issued by the Company (note (e))	–	2,000,000
	–	6,581,100
	999,544	7,579,614

Notes:

(a) Balance as at 31 December 2016 represented unsecured RMB denominated corporate bonds of RMB2,000,000,000, which were issued by the Company in May 2014 for a term of three years at an interest rate of 4.50% per annum. The amount was fully redeemed and settled upon maturity in May 2017. As at 31 December 2016, the fair value of these corporate bonds amounted to RMB1,989,820,000, which was the quoted prices in active markets for identical liabilities and was within level 1 of fair value hierarchy.

(b) Balance represents certain long-term corporate bonds issued by Wu Ling Power Corporation ("Wu Ling Power") for a term of ten years from April 2009 which are interest bearing at 4.60% per annum. These bonds are guaranteed by SPIC.

As at 31 December 2017, the fair value of these corporate bonds amounted to RMB992,865,000 (2016: RMB1,011,990,000), which was the quoted prices from pricing services and was within level 2 of fair value hierarchy.

34. OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

(c) Balance as at 31 December 2016 represented two tranches of unsecured RMB denominated short-term debentures issued by Wu Ling Power bearing interest at 2.86% and 3.10% per annum respectively for a term of one year. Both tranches were fully repaid in year 2017.

(d) Pursuant to the Commercial Paper Dealer Agreement entered into by the Company on 8 July 2014, the Company may issue USD denominated commercial notes to institutional accredited investors in the United States with an aggregate amount of no more than USD300,000,000 for a 3-year period starting 8 July 2014. The term of each commercial note is not more than 270 days.

These commercial notes do not bear nominal interest rates but were issued at discount rates ranged from 1.35% to 1.42% (2016: ranged from 0.85% to 1.40%) during the year ended 31 December 2017, and were fully redeemed and settled upon maturity in July 2017 (2016: an outstanding balance of USD300,000,000 (equivalent to RMB2,081,100,000)).

The incidental costs arising from the issue of the commercial notes for the year ended 31 December 2017 amounted to RMB7,696,000 (2016: RMB16,555,000).

(e) Balance as at 31 December 2016 represented 2016 first tranche of the short-term commercial paper of RMB2,000,000,000 issued by the Company in October 2016 for a term of one year at an interest rate of 2.80% per annum. The short-term commercial paper was unsecured and denominated in RMB. The amount was fully repaid upon maturity in October 2017.

As at 31 December 2017, the Company had available unutilized short-term commercial paper facilities amounting to RMB5,000,000,000 (2016: RMB3,000,000,000).

35. OBLIGATIONS UNDER FINANCE LEASES

	2017 RMB'000	2016 RMB'000
Obligations under finance leases	**1,116,174**	1,181,315
Less: Current portion of obligations under finance leases	**(430,759)**	(430,281)
Non-current portion of obligations under finance leases	**685,415**	751,034

35. OBLIGATIONS UNDER FINANCE LEASES (CONTINUED)

Certain property, plant and equipment of the Group are under finance leases. As at 31 December 2017 and 2016, the Group's obligations under finance leases are repayable as follows:

	Minimum lease payments	
	2017	2016
	RMB'000	RMB'000
Within one year	**503,023**	490,299
Between one and two years	**391,914**	368,036
Between two and five years	**322,251**	385,323
Over five years	**36,099**	73,939
	1,253,287	1,317,597
Future finance charges on obligations under finance leases	**(137,113)**	(136,282)
Present value of obligations under finance leases	**1,116,174**	1,181,315

During the year ended 31 December 2017, the Group entered into two finance lease agreements with aggregated amount of RMB359,676,000 (2016: Nil) with independent leasing companies to lease property, plant and equipment for a 4-year period. The Group has an option to purchase these facilities at a nominal price of RMB1 at the end of the lease period.

Underlying interest rates of all obligations under finance leases are fixed at respective contract dates ranged from 4.19% to 5.82% (2016: ranged from 4.19% to 5.82%) per annum. These leases have no terms of renewal or purchase options and escalation clauses.

The present value of the Group's obligations under finance leases is as follows:

	Present value of minimum lease payments	
	2017	2016
	RMB'000	RMB'000
Within one year	**430,759**	430,281
Between one and two years	**360,329**	330,536
Between two and five years	**290,475**	351,901
Over five years	**34,611**	68,597
Present value of obligations under finance leases	**1,116,174**	1,181,315

36. PROVISIONS FOR OTHER LONG-TERM LIABILITIES

Provisions for other long-term liabilities represent provisions for Inundation Compensation caused by the construction of two hydropower plants of the Group.

The provisions are measured at the present value of the expenditures expected to be required to settle the compensation, based on the latest rules and regulations as set out by the relevant local government authorities in the PRC and the expected useful lives of the two hydropower plants, using a pre-tax discount rate that reflects current assessments of the time value of money and the risks specific to the compensation. The increase in the provision due to the passage of time is recognized as interest expense.

Analysis of the provisions for Inundation Compensation as at 31 December 2017 and 2016 is as follows:

	2017 RMB'000	2016 RMB'000
Non-current liabilities (included in provisions for other long-term liabilities)	**834,886**	1,030,125
Current liabilities (included in other payables and accrued charges) (Note 38)	**213,439**	134,230
	1,048,325	1,164,355

The movements in the provisions for Inundation Compensation for the years ended 31 December 2017 and 2016 are as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	**1,164,355**	1,024,921
(Reversal)/recognition during the year (Note 14(h))	**(141,339)**	157,243
Interest expense (Note 9)	**87,119**	87,090
Payment	**(61,810)**	(104,899)
At 31 December	**1,048,325**	1,164,355

37. ACCOUNTS AND BILLS PAYABLES

	2017 RMB'000	2016 RMB'000
Accounts payable (note (a))	**929,460**	590,222
Bills payable (note (b))	**186,888**	376,927
	1,116,348	967,149

Notes:

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

	2017 RMB'000	2016 RMB'000
1 to 6 months	**878,418**	539,937
7 to 12 months	**16,261**	5,599
Over 1 year	**34,781**	44,686
	929,460	590,222

(b) As at 31 December 2017, bills payable are bills of exchange with maturity period ranged from 3 to 12 months (2016: ranged from 3 to 12 months).

(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.

38. OTHER PAYABLES AND ACCRUED CHARGES

	2017 RMB'000	2016 RMB'000
Salaries and staff welfare payable	**95,983**	127,610
VAT payable	**74,730**	74,246
Other taxes payable	**317,327**	298,896
Repairs and maintenance expense payable	**64,266**	75,770
Insurance expense payable	**7,638**	5,285
Discharge fees payable	**10,073**	5,705
Reservoir maintenance and usage fees payables	**15,710**	20,059
Interest payable	**164,981**	99,198
Current portion of provisions for other long-term liabilities (Note 36)	**213,439**	134,230
Other payables and accrued operating expenses	**305,215**	413,294
	1,269,362	1,254,293

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2017 RMB'000	2016 RMB'000
Profit before taxation	1,560,637	3,994,128
Share of profits of associates	(222,630)	(540,353)
Share of profits of joint ventures	(44,743)	(150,158)
Finance income	(40,413)	(21,005)
Finance costs	1,855,603	2,067,966
Dividend income	(71,133)	(95,543)
Depreciation of property, plant and equipment	3,482,744	3,282,133
Impairment of inventories	1,158	–
Amortization of prepaid lease payments	23,525	17,987
Amortization of deferred income	(4,269)	(10,958)
Loss on disposal of property, plant and equipment, net	49,739	9,358
Fair value change on derivative financial instruments	110,547	(105,631)
Operating cash flows before working capital changes	6,700,765	8,447,924
Increase in accounts receivable	(1,136,395)	(447,182)
Increase in prepayments, deposits and other receivables	(343,874)	(205,118)
Increase in inventories	(53,408)	(91,591)
Increase in amounts due from related parties	(72,758)	(252,475)
Increase in amounts due to related parties	416,785	350,977
Increase in accounts and bills payables	574,326	857,887
(Decrease)/increase in other payables and accrued charges	(721,705)	330,969
Proceeds from termination of derivative financial instruments	197,924	–
Increase in deferred income	25,468	36,110
Cash generated from operations	5,587,128	9,027,501

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Analysis of changes in financing during the year

	Bank borrowings and other borrowings RMB'000	Borrowings from related parties RMB'000	Obligations under finance leases RMB'000	Non-controlling interests RMB'000
At 1 January 2017	41,090,024	5,463,511	1,181,315	7,327,841
Drawdown of bank borrowings	23,321,644	–	–	–
Repayment of bank borrowings	(16,085,127)	–	–	–
Repayment of other borrowings	(6,541,438)	–	–	–
Interest element for corporate bonds	1,030	–	–	–
Drawdown of borrowings from related parties	–	5,039,486	–	–
Repayment of borrowings from related parties	–	(1,610,091)	–	–
Payment for obligations under finance leases	–	–	(431,311)	–
Decrease in deposits for obligations under finance leases as settlement of payment	–	–	(35,000)	–
Interest expense on obligations under finance leases	–	–	41,494	–
New finance leases (note (c)(ii))	–	–	359,676	–
Contributions from non-controlling shareholders of subsidiaries	–	–	–	58,274
Acquisition of a non-controlling interests	–	–	–	(10,767)
Disposal of interests in a subsidiary without loss of control	–	–	–	33,941
Profit for the year attributable to non-controlling interests	–	–	–	485,435
Dividends recognized as distributions to non-controlling shareholders of subsidiaries	–	–	–	(502,145)
Exchange gains, net	(155,183)	–	–	–
At 31 December 2017	41,630,950	8,892,906	1,116,174	7,392,579

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Analysis of changes in financing during the year *(Continued)*

	Bank borrowings and other borrowings RMB'000	Borrowings from related parties RMB'000	Obligations under finance leases RMB'000	Non-controlling interests RMB'000
At 1 January 2016	38,287,806	3,017,311	1,382,668	6,905,271
Drawdown of bank borrowings	17,026,831	–	–	–
Proceeds from issue of short-term debentures and commercial paper	2,500,000	–	–	–
Repayment of bank borrowings	(16,401,938)	–	–	–
Repayment of other borrowings	(500,000)	–	–	–
Interest element for corporate bonds	984	–	–	–
Drawdown of borrowings from related parties	–	3,782,000	–	–
Repayment of borrowings from related parties	–	(1,335,800)	–	–
Payments for obligations under finance leases	–	–	(271,970)	–
Interest expense on obligations under finance leases	–	–	70,617	–
Contributions from non-controlling shareholders of subsidiaries	–	–	–	170,000
Profit for the year attributable to non-controlling interests	–	–	–	889,619
Dividends recognized as distributions to non-controlling shareholders of subsidiaries	–	–	–	(637,049)
Exchange losses, net	176,341	–	–	–
At 31 December 2016	41,090,024	5,463,511	1,181,315	7,327,841

(c) Major non-cash transactions

(i) For the year ended 31 December 2017, trade payables and amounts due to related parties of RMB425,127,000 (2016: RMB509,983,000) and RMB414,879,000 (2016: RMB229,141,000) (Note 26(e)) respectively have been settled through notes receivables endorsed to the relevant suppliers.

(ii) The Group entered into two finance lease agreements during the year ended 31 December 2017 to acquire property, plant and equipment amounted to RMB359,676,000 (2016: Nil) (Note 35).

40. COMMITMENTS

(a) Capital commitments

	2017 RMB'000	2016 RMB'000
Contracted but not provided for in respect of		
— property, plant and equipment	**12,770,133**	11,977,684
— proposed acquisition of subsidiaries	**5,117,913**	–
— capital contribution to associates	**562,473**	227,313
	18,450,519	12,204,997

(b) Commitments under operating leases

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

	2017 RMB'000	2016 RMB'000
Land and buildings		
— Within one year	**41,494**	49,402
— Between one and five years	**50,144**	77,594
— Over five years	**117,126**	131,562
	208,764	258,558

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

	2017 RMB'000	2016 RMB'000
Property, plant and equipment		
— Within one year	**58,798**	55,790
— Between one and five years	**–**	57,048
	58,798	112,838

41. FINANCIAL RISK MANAGEMENT

41.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk, interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

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

The Group's assets and liabilities, and transactions arising from its operations primarily do not expose to material foreign exchange risk. Other than certain bank and other borrowings, and certain cash and cash equivalents, the Group's assets and liabilities are primarily denominated in RMB. The Group generates RMB from sales in the PRC to meet its liabilities denominated in RMB.

As at 31 December 2017, the Group was exposed to foreign exchange risk primarily with respect to certain bank borrowings which were denominated in JPY and USD, and certain cash and cash equivalents which were denominated in USD and HK$, details of which have been disclosed in Notes 32 and 29 respectively.

The Group manages its foreign currency risk by closely monitoring the movements in the foreign currency rates. Management also uses certain derivative financial instruments to manage foreign exchange exposures.

RMB experienced certain appreciation against JPY, HK$ and USD during the year which is the major reason for the exchange gains recognized by the Group for the year. Further exchange rate fluctuation of JPY, HK$ and USD against RMB will affect the Group's financial position and results of operations.

As at 31 December 2017, if RMB had weakened/strengthened by 5% (2016: 5%) against JPY, with all other variables held constant, the Group's post-tax profit for the year would have been RMB13,237,000 lower/higher (2016: RMB14,277,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of JPY denominated borrowings.

As at 31 December 2017, if RMB had weakened by 5% (2016: 5%) against USD, with all other variables held constant, post-tax profit for the year would have been RMB159,432,000 lower, mainly as a result of net foreign exchange losses on translation of USD denominated borrowings and bank deposits (2016: RMB24,569,000 lower, which is the combined results of net foreign exchange losses on translation of USD denominated borrowings and bank deposits, and fair value gain on derivative financial instruments).

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.1 Financial risk factors *(Continued)*

(a) Foreign exchange risk *(Continued)*

As at 31 December 2017, if RMB had strengthened by 5% (2016: 5%) against USD, with all other variables held constant, post-tax profit for the year would have been RMB159,432,000 higher, mainly as a result of net foreign exchange gains on translation of USD denominated borrowings and bank deposits (2016: RMB23,294,000 higher, which is the combined results of net foreign exchange gains on translation of USD denominated borrowings and bank deposits, and fair value loss on derivative financial instruments).

As at 31 December 2017, if RMB had weakened/strengthened by 5% (2016: 5%) against HK$, with all other variables held constant, post-tax profit for the year would have been RMB1,631,000 higher/lower (2016: RMB2,836,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of HK$ denominated bank deposits.

In the Group management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

(b) Interest rate risks

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing assets mainly include amounts due from an associate, cash at banks and deposits at SPIC Financial, details of which have been disclosed in Notes 28 and 29. The Group's exposure to changes in interest rates is mainly attributable to its borrowings, details of which have been disclosed in Notes 32 to 34. Borrowings carried at floating rates expose the Group to cash flow interest rate risk whereas borrowings carried at fixed rates expose the Group to fair value interest rate risk, details of which have been disclosed in Notes 32 to 34. The Group has not used any specific interest rate swap contracts to hedge its exposure to interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of People's Bank of China interest rate arising from the Group's RMB denominated floating rate bank borrowings.

As at 31 December 2017, if the interest rates on bank borrowings and borrowings from related parties had been 50 basis points (2016: 50 basis points) higher/lower than the prevailing interest rates, with all other variables held constant, post-tax profit for the year (net of interest capitalized) would have been RMB119,086,000 lower/higher (2016: RMB98,281,000 lower/higher) mainly as a result of higher/lower interest expense on floating rate bank borrowings and borrowings from related parties.

As at 31 December 2017, if the interest rates on cash at banks and deposits at SPIC Financial had been 50 basis points (2016: 50 basis points) higher/lower than the prevailing interest rates, with all other variables held constant, post-tax profit for the year (net of interest capitalized) would have been RMB17,166,000 higher/lower (2016: RMB9,046,000 higher/lower) mainly as a result of higher/lower interest income on floating rate cash at banks and deposits at SPIC Financial.

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.1 Financial risk factors *(Continued)*

(c) Price risk

The Group is exposed to equity securities price risk in respect of investments held by the Group which are classified as available-for-sale financial assets. Most of the Group's available-for-sale financial assets are publicly traded. However, the Group does not trade these investments as such investments are held for strategic rather than trading purpose. The stock market is relatively more volatile in recent years. As at 31 December 2017, if the quoted market price of the equity investments held by the Group had increased/decreased by 10% to 30% (2016: 10% to 30%), with all other variables held constant, the results of the Group would have been unaffected as these investments are classified as available-for-sale and no investments had been considered impaired; and equity would have been RMB249,037,000 to RMB747,110,000 (2016: RMB330,778,000 to RMB992,334,000) higher/lower, mainly as a result of the changes in fair value of available-for-sale financial assets.

The Group is also exposed to commodity price risk mainly in relation to the coal price. The Group manages such risk by entering into certain bulk purchase agreements with coal suppliers.

(d) Credit risk

The Group's credit risk primarily arises from cash at banks and deposits at SPIC Financial (Note 29), accounts receivable (Note 26), amounts due from related parties (Note 28), and deposits and other receivables (Note 27).

Substantially all of the Group's cash and deposits are held in major financial institutions and are at SPIC Financial, which management believes are of high credit quality. Management does not expect any losses from non-performance by these counterparties.

The Group is exposed to significant concentration of credit risk in terms of electricity sales as a majority of the Group's sales of electricity were made to regional and provincial power grid companies. The Group normally grants credit terms ranged from 15 to 90 days to these power grid companies except for clean energy power price premium is 365 days. The Group normally does not require collaterals from trade debtors. Ageing analysis of the Group's accounts receivable is disclosed in Note 26. Management does not expect any losses from non-performance by these counterparties.

Management makes periodic collective assessment as well as individual assessment on the recoverability of all loans and receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the relevant debtors. The Group's historical experience in collection of loans and receivables falls within the recorded allowances and the Directors are of the opinion that adequate provision for uncollectible receivables has been made.

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.1 Financial risk factors *(Continued)*

(e) Liquidity risk

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

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

As at 31 December 2017, the net current liabilities of the Group amounted to RMB19,501,578,000. Management monitors regularly the Group's current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of facilities to meet its working capital requirements. As at 31 December 2017, the Group had available unutilized facilities from banks, from a related party and from short-term commercial paper amounting to approximately RMB34,725,200,000 as disclosed in Notes 32(f), 33(f) and 34(e) respectively, and will refinance and/or restructure certain short-term loans into long-term loans or consider alternative sources of financing, where applicable.

The Directors believe that the Group's current operating cash flows, the above mentioned credit facilities and alternative sources of financing are sufficient for financing its capital commitments in the near future and for working capital purposes.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash outflows.

	Within one year RMB'000	Between one and two years RMB'000	Between two and five years RMB'000	Over five years RMB'000
At 31 December 2017				
Payables and accruals	**5,147,265**	**–**	**–**	**–**
Amounts due to related parties	**1,019,325**	**–**	**–**	**–**
Bank borrowings	**16,905,130**	**4,437,835**	**13,681,368**	**17,949,567**
Borrowings from related parties	**6,287,847**	**1,215,519**	**1,781,271**	**7,320**
Other borrowings	**45,979**	**1,014,115**	**–**	**–**
Obligations under finance leases	**503,023**	**391,914**	**322,251**	**36,099**
At 31 December 2016				
Payables and accruals	4,530,039	–	–	–
Amounts due to related parties	846,012	–	–	–
Bank borrowings	10,176,437	7,548,753	10,246,210	18,554,260
Borrowings from related parties	708,518	4,046,022	1,079,866	8,340
Other borrowings	6,721,903	47,079	1,061,550	–
Obligations under finance leases	490,299	368,036	385,323	73,939

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.2 Capital risk management

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debts (including current and non-current borrowings as well as obligations under finance leases as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "Total equity", as shown in the consolidated statement of financial position, plus net debt.

The table below analyzes the Group's capital structure.

	2017 RMB'000	2016 RMB'000
Bank borrowings (Note 32)	40,631,406	33,510,410
Borrowings from related parties (Note 33)	8,892,906	5,463,511
Other borrowings (Note 34)	999,544	7,579,614
Obligations under finance leases (Note 35)	1,116,174	1,181,315
Less: Cash and cash equivalents (Note 29)	(4,577,786)	(1,809,415)
Net debt	47,062,244	45,925,435
Total equity	37,194,459	34,594,834
Total capital	84,256,703	80,520,269
Gearing ratio	56%	57%

41.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into 3 levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.3 Fair value estimation *(Continued)*

The following table presents the Group's assets that are measured at fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2017				
Available-for-sale financial assets				
— equity securities	**3,320,491**	**–**	**–**	**3,320,491**
At 31 December 2016				
Available-for-sale financial assets				
— equity securities	4,410,367	–	–	4,410,367
Derivative financial instruments	–	–	308,471	308,471

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the year. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise equity investments classified as available-for-sale.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to determine the fair value of financial instruments in level 3 include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis and option pricing model.

The following table presents the changes in derivative financial instruments — assets:

	2017 RMB'000	2016 RMB'000
At 1 January	**308,471**	202,840
Fair value change on termination of derivative financial instruments recognized as other losses (Note 7)	**(110,547)**	105,631
Proceeds from termination of derivative financial instruments (Note 22)	**(197,924)**	–
At 31 December	**–**	308,471

42. RELATED PARTY TRANSACTIONS

The Group is controlled by CPI Holding, an intermediate holding company which directly holds approximately 28.47% (2016: 28.47%) of the Company's shares, and indirectly holds approximately 27.14% (2016: 27.14%) of the Company's shares through CPDL. As at 31 December 2017, CPI Holding owned approximately 55.61% (2016: 55.61%) equity interest of the Company in aggregate. The Directors regard SPIC, a wholly state-owned enterprise established in the PRC which is the beneficial owner of CPI Holding, as the ultimate holding company.

SPIC is controlled by the PRC government which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 (Revised), government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include SPIC, its subsidiaries, joint ventures and associates (other than the Group), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and SPIC as well as their close family members.

For the purpose of the related party transactions disclosures, the Directors believe that it is also meaningful to disclose the related party transactions with SPIC companies for the interests of financial statements users. The Directors believe that the information of related party transactions has been adequately disclosed in these consolidated financial statements.

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

Related parties	Relationship with the Company
SPIC (國家電投)	Ultimate holding company
CPI Holding (中電國際)	Intermediate holding company
CPDL	Immediate holding company
SPIC Financial (國家電投財務)	A company controlled by SPIC
Shanghai Power (上海電力) and its subsidiaries	Companies controlled by SPIC
SPIC Henan Electric Power Co., Ltd. (國家電投集團河南電力有限公司) and its subsidiaries	Companies controlled by SPIC
State Power Investment Corporation Yuanda Environmental Protection Co., Ltd. (國家電投集團遠達環保工程有限公司) and its subsidiaries	Companies controlled by SPIC
SPIC Jiangxi Electric Power Co., Ltd. (國家電投集團江西電力有限公司) and its subsidiaries	Companies controlled by SPIC
Jilin Electric Power Co., Ltd. (吉林電力股份有限公司) and its subsidiaries	Companies controlled by SPIC
SPIC Aluminum and Power investment Co., Ltd. (國家電投集團鋁電投資有限公司) and its subsidiaries	Companies controlled by SPIC
SPIC Logistics Co., Ltd. (國家電投物流有限責任公司)	A company controlled by SPIC
Shanghai Power Equipment Research Institute (上海發電設備成套設計研究院)	A company controlled by SPIC

42. RELATED PARTY TRANSACTIONS (CONTINUED)

Related parties	Relationship with the Company
China Power Complete Equipment Co., Ltd. (中國電能成套設備有限公司) and its subsidiaries	Companies controlled by SPIC
CPI Science and Technology Research Institute Company Limited (中電投科學技術研究院有限公司)	A company controlled by SPIC
SPIC Information Technology Co., Ltd. (國家電投集團信息技術有限公司) (formerly known as CPI Information Technology Co., Ltd. (中電投信息技術有限公司))	A company controlled by SPIC
SPIC Yunnan International Power Investment Co., Ltd. (國家電投集團雲南國際電力投資有限公司) and its subsidiaries	Companies controlled by SPIC
SPIC Sichuan Electric Power Co., Ltd. (國家電投集團四川電力有限公司) and its subsidiaries	Companies controlled by SPIC
SPIC Capital Holding Company (國家電投資本控股公司)	A company controlled by SPIC
CPI Insurance Brokers Co., Ltd. (中電投保險經紀有限公司)	A company controlled by SPIC
CPI Power Engineering Co., Ltd. (中電投電力工程有限公司)	A company controlled by SPIC
Shanghai SNERDI Engineering Consulting Co., Ltd. (上海斯耐迪工程諮詢有限公司)	A company controlled by SPIC
State Nuclear Electric Power Planning Design & Research Institute Co., Ltd. (國核電力規劃設計研究院有限公司)	A company controlled by SPIC
SPIC Xinjiang Energy and Chemical Industry Company Limited (國家電投集團新疆能源化工有限責任公司) and its subsidiaries	Companies controlled by SPIC
State Power Investment Corporation Overseas Investment Limited (國家電力投資集團海外投資有限公司)	A company controlled by SPIC
Liaoning Qinghe Electric Power Company Limited (遼寧清河發電有限責任公司) (note)	A company controlled by SPIC
SPIC Power Plant Operation Technology Institute (國家電投集團電站運營技術(北京)有限公司)	A company controlled by SPIC
State Power Investment Shandong New Energy Co,.Ltd. (國家電投集團山東新能源有限公司)	A company controlled by SPIC
SPIC Guangxi Changzhou Hydropower Development Co,.Ltd. (國家電投集團廣西長洲水電開發有限公司)	A company controlled by SPIC
Guixi Power Generation Co,.Ltd. (貴溪發電有限責任公司)	A company controlled by SPIC
Tonghua Thermal Electric Company Limited (通化熱電有限責任公司)	A company controlled by SPIC
Shanxi Shentou Electric Industry Company Limited (山西神頭電力實業有限責任公司)	A fellow subsidiary
Anhui Huainan Pingwei Electric Power Industry Company Limited (安徽淮南平圩電力實業有限責任公司)	A fellow subsidiary

42. RELATED PARTY TRANSACTIONS (CONTINUED)

Related parties	Relationship with the Company
Pingdingshan Yaomeng Power Industrial Co., Ltd. (平頂山姚孟電力實業有限責任公司)	A fellow subsidiary
Guizhou Qian Dong Power Corporation (貴州黔東電力有限公司)	A fellow subsidiary
China Power International New Energy Holdings Company Limited (中電國際新能源控股有限公司) and its subsidiaries	Fellow subsidiaries
China Power (Sihui) Thermal Electric Company Limited (中電(四會)熱電有限責任公司)	A fellow subsidiary
Beijing China Power Environmental Engineering Company Limited (北京中電環境工程有限公司) and its subsidiaries	Fellow subsidiaries
China Power Clean Energy Development Company Limited (中國電力清潔能源發展有限公司) and its subsidiaries	Fellow subsidiaries
China Power Maintenance Engineering Company Limited (中電電力檢修工程有限公司) and its subsidiaries	Fellow subsidiaries
Suzhou Tianhe Electric Power Engineering Co., Ltd. (蘇州天河中電電力工程技術有限公司)	A fellow subsidiary
China Power Huayuan Nuclear Power Engineering & Technology Co,.Ltd. (中電華元核電工程技術有限公司)	A fellow subsidiary
Changshu Power Plant (常熟電廠)	An associate
Guangzhou China Power Lixin Industry Company Limited (廣州中電荔新電力實業有限公司)	A joint venture
Henan Zhongping Coal & Electricity Co., Ltd. (河南中平煤電有限責任公司)	A joint venture
Hunan Xiangtou International Investment Limited (湖南湘投國際投資有限公司) and its subsidiaries	A non-controlling shareholder of a subsidiary
Huainan Mining Industry (Group) Company Limited (淮南礦業(集團)有限責任公司) and its subsidiaries	A non-controlling shareholder of subsidiaries
China Coal Energy Company Limited (中國中煤能源股份有限公司) and its subsidiaries	A non-controlling shareholder of a subsidiary
China Pingmei Shenma Energy & Chemical Group Co., Ltd. (中國平煤神馬能源化工集團有限責任公司) and its subsidiaries	A non-controlling shareholder of subsidiaries

Note: Liaoning Qinghe Electric Power Company Limited is changed from a fellow subsidiary to a company controlled by SPIC since 29 June 2016.

The following is a summary of significant related party transactions which, in the opinion of the Directors, are entered into in the ordinary course of the Group's business in addition to the related party information shown elsewhere in these consolidated financial statements. Management of the Group is of the opinion that meaningful information relating to related party transactions has been adequately disclosed.

42. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Income

	Note	2017 RMB'000	2016 RMB'000
Interest income from:			
— SPIC Financial	(i)	**1,043**	859
— a fellow subsidiary	(i)	**2,366**	89
— an associate	(i)	**11,793**	4,602
Dividend income from Shanghai Power	(ii)	**65,393**	90,823
Dividend income from SPIC Financial	(ii)	**5,740**	4,720
Management fee income from CPI Holding		**–**	5,888
Rental income from a fellow subsidiary	(iii)	**54,110**	54,110
Income from provision of repairs and maintenance services to:	(iii)		
— companies controlled by SPIC		**445**	8,930
— fellow subsidiaries		**6,179**	3,324
— an associate		**3,223**	377
— a non-controlling shareholder of a subsidiary		**3,944**	–
Income from provision of IT and other services to:	(iii)		
— SPIC		**–**	385
— companies controlled by SPIC		**11,882**	22,397
— fellow subsidiaries		**6,312**	4,814
— an associate		**1,642**	1,642
Sales of coal, coal by-products and spare parts to:	(iii)		
— companies controlled by SPIC		**9,724**	18,910
— fellow subsidiaries		**4,571**	61,134
— an associate		**43,368**	71,784
Provision of power generation and related services to fellow subsidiaries	(iii)	**2,360**	1,028

Notes:

(i) Interest income from SPIC Financial, a fellow subsidiary and an associate was charged ranged from 0.35% to 1.15% (2016: ranged from 0.35% to 1.35%) per annum, 4.35% (2016: 4.35%) per annum and ranged from 1.75% to 4.35% (2016: ranged from 1.75% to 3.92%) per annum respectively.

(ii) Dividend income from Shanghai Power and SPIC Financial was recognized based on dividends declared by the respective board of directors in proportion to the Group's interest in these companies.

(iii) These incomes were charged in accordance with the terms of the relevant agreements.

42. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Expenses

	Note	2017 RMB'000	2016 RMB'000
Purchases of coal, coal by-products and spare parts from:	(i)		
— companies controlled by SPIC		**39,884**	43,510
— fellow subsidiaries		**52,954**	73,054
— a joint venture		**34,866**	34,610
— non-controlling shareholders of subsidiaries		**6,395,328**	3,647,929
Construction costs and other services fees to:	(ii)		
— companies controlled by SPIC		**248,975**	203,483
— fellow subsidiaries		**181,075**	193,477
Interest expenses to:	(iii)		
— SPIC		**212,555**	182,372
— CPI Holding		**1,785**	1,894
— SPIC Financial		**41,347**	16,438
— fellow subsidiaries		**13,710**	14,736
— an associate		**1,308**	–
Operating lease rental expenses in respect of leasehold land and buildings to:	(iv)		
— SPIC		**17,061**	17,061
— CPI Holding		**18,837**	18,837
Purchase of unused power production quota from a company controlled by SPIC	(v)	**–**	336

Notes:

(i) Purchases of coal, coal by-products and spare parts were charged in accordance with the terms of the relevant agreements.

(ii) Construction costs and other services fees were mainly related to construction services, repairs and maintenance services, transportation services and other services which were charged based on mutually agreed prices.

(iii) Interest expenses to SPIC, CPI Holding, SPIC Financial, fellow subsidiaries and an associate were charged at interest rates ranged from 2.88% to 5.58% (2016: ranged from 2.88% to 5.60%) per annum, 1.75% (2016: 1.75%) per annum, ranged from 3.92% to 4.45% (2016: ranged from 3.92% to 4.75%) per annum, 4.35% (2016: 4.35%) per annum and 1.38% (2016: Nil) per annum respectively.

(iv) Operating lease rental expenses in respect of leasehold land and buildings were charged in accordance with the terms of the relevant agreements.

(v) Purchase of unused power production quota was charged in accordance with the terms of the relevant agreements.

(c) Year-end balances with related parties

Year-end balances with related parties are disclosed in Notes 28, 29 and 33.

42. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) For the years ended 31 December 2017 and 2016, the Group's significant transactions and balances with entities that are controlled, jointly-controlled or significantly influenced by the PRC government mainly include:

(i) bank deposits in state-owned banks and the related interest income

(ii) bank borrowings from state-owned banks and the related interest expenses

(iii) sales of electricity to provincial power grid companies owned by the PRC government and the related receivables

(iv) purchases of coal from state-owned enterprises and the related payables

(v) reservoir maintenance and usage fees to the PRC government

(vi) service fees to state-owned enterprises

(vii) compensation for inundation to the PRC government

The prices and terms of these transactions are set out in the relevant agreements governing these transactions or as mutually agreed.

(e) Key management personnel compensation

	2017 RMB'000	2016 RMB'000
Fees, basic salaries, housing allowance, other allowances and benefits in kind, discretionary bonuses, employer's contribution to pension plans and other benefits	**7,095**	8,253

(f) Guarantees issued by related parties as at 31 December 2017 and 2016 are set out in Note 34(b).

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2017 and 2016:

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Type of legal entity	Principal activities
Anhui Huainan Pingwei Electric Power Company Limited (安徽淮南平圩發電有限責任公司)	The PRC	RMB841,600,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
Huainan Pingwei No. 2 Electric Power Co., Ltd. (淮南平圩第二發電有限責任公司)	The PRC	USD104,153,000	75%	–	Sino-foreign equity joint venture	Generation and sale of electricity
Huainan Pingwei No. 3 Electric Power Co., Ltd. (淮南平圩第三發電有限責任公司)	The PRC	RMB1,571,800,000/ RMB1,460,079,000	60%	–	Sino-foreign equity joint venture	Generation and sale of electricity
Huanggang Dabieshan Power Company Limited (黃岡大別山發電有限責任公司)	The PRC	RMB1,667,486,000/ RMB1,003,686,000	51%	–	Sino-foreign equity joint venture	Generation and sale of electricity
Pingdingshan Yaomeng Power Company Limited (平頂山姚孟發電有限責任公司)	The PRC	RMB1,702,336,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
Tianze Development Limited (天澤發展有限公司)	British Virgin Islands	USD1	100%	–	Limited liability company	Investment holding
*Wu Ling Power (五凌電力有限公司)	The PRC	RMB7,790,000,000	63%	–	Sino-foreign equity joint venture	Generation and sale of electricity
Sichuan CPI Fuxi Power Company Limited (四川中電福溪電力開發有限公司)	The PRC	RMB968,000,000	51%	–	Sino-foreign equity joint venture	Generation and sale of electricity
CPI Hengyuan Logistics (Beijing) Company Limited (中電恒源物流(北京)有限公司)	The PRC	HK$5,000,000	100%	–	Wholly foreign-owned enterprise	Provision of logistics services
China Power Guorui Logistics Company Limited (中電國瑞物流有限公司)	The PRC	HK$123,000,000	100%	–	Wholly foreign-owned enterprise	Provision of logistics services
Beijing China Power Huizhi Technology Company Limited ("Huizhi Company") (北京中電匯智科技有限公司)	The PRC	RMB20,000,000	100% (note (i))	–	Sino-foreign equity joint venture	Provision of IT services
China Power Shentou Power Generating Company Limited ("CP Shentou") (中電神頭發電有限責任公司)	The PRC	RMB1,000,000,000/ RMB900,309,000	80%	–	Sino-foreign equity joint venture	Generation and sale of electricity
Wuhu Electric Power Generating Company Limited (蕪湖發電有限責任公司)	The PRC	USD142,500,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
**China Power (Pu'an) Power Generating Company Limited ("Pu'an Power Plant") (中電(普安)發電有限責任公司)	The PRC	RMB999,120,000/ RMB731,577,000	95% (note (ii))	–	Sino-foreign-owned equity joint venture	Generation and sale of electricity

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by subsidiaries	Type of legal entity	Principal activities
*China Power Hua Chuang Electric Power Technology Research Company Limited (中電華創電力技術研究有限公司)	The PRC	RMB70,000,000/ RMB65,000,000	100%	–	Wholly foreign-owned enterprise	Provision of technical services related to generation of electricity
#Shanxi China Power Shentou No.2 Power Generating Company Limited (山西中電神頭第二發電有限責任公司)	The PRC	USD65,000,000/ USD30,540,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
Tieling China Power Photovoltaic Power Generating Company Limited (鐵嶺中電光伏發電有限公司)	The PRC	RMB97,420,000/ RMB81,000,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
Huainan China Power Jiaoganghu Photovoltaic Power Generating Company Limited (淮南中電焦崗湖光伏發電有限責任公司)	The PRC	RMB123,012,000/ RMB101,000,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
Datong China Power Photovoltaic Power Generating Company Limited (大同中電光伏發電有限公司)	The PRC	RMB310,000,000/ RMB279,000,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
Yangzhou China Power Lvyanghu Photovoltaic Power Generating Company Limited (揚州中電綠洋湖光伏發電有限公司)	The PRC	RMB25,000,000/ RMB15,000,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
*China Power (Jiangmen) Comprehensive Energy Company Limited (中電(江門)綜合能源有限公司)	The PRC	RMB168,000,000/ RMB29,100,000	100%	–	Wholly foreign-owned enterprise	Investment on new energy power resources
#Dayao China Power Photovoltaic Power Generating Company Limited (大姚中電光伏發電有限公司)	The PRC	RMB135,000,000/ Nil	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
#Yao'an China Power Photovoltaic Power Generating Company Limited (姚安中電光伏發電有限公司)	The PRC	RMB135,000,000/ Nil	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
Hubei China Power Zhiguang New Energy Company Limited (湖北中電智光新能源有限公司)	The PRC	RMB140,000,000/ RMB112,500,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
#*China Power (Shangqiu) Thermal Power Company Limited (中電(商丘)熱電有限公司)	The PRC	RMB1,097,000,000/ RMB323,630,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
China Power Hefei Energy Co., Ltd. (中電合肥能源有限公司)	The PRC	RMB100,000,000/ RMB20,000,000	100%	–	Wholly foreign-owned enterprise	Investment on new energy power resources
#*China Power (Guigang) Comprehensive Energy Co., Ltd. (中電(貴港)綜合能源有限公司)	The PRC	RMB293,400,000/ RMB7,700,000	100%	–	Wholly foreign-owned enterprise	Investment on new energy power resources
#*China Power (Chengdu) Comprehensive Energy Co., Ltd. (中電(成都)綜合能源有限公司)	The PRC	RMB300,000,000/ RMB59,612,000	100%	–	Wholly foreign-owned enterprise	Investment on new energy power resources

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by subsidiaries	Type of legal entity	Principal activities
#China Power (Gui'an New District) Power Sales and Distriution Company Limited (中電(貴安新區)配售電有限公司)	The PRC	RMB200,000,000/ RMB2,000,000	100%	–	Wholly foreign-owned enterprise	Sale and distribution of electricity
#China Power (Yantai) Energy Investment Co., Ltd. (中電(煙台)能源投資有限公司)	The PRC	USD30,000,000/ USD11,000,000	100%	–	Wholly foreign-owned enterprise	Investment on comprehensive energy resources
Xintai China Power Photovoltaic Power Generating Co., Ltd. (新泰中電光伏發電有限公司)	The PRC	RMB272,000,000/ RMB125,000,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
#*China Power (Yizhou) Thermal Power Company Limited (中電(宜州)熱電有限公司)	The PRC	RMB861,300,000/ RMB16,790,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
*Ruicheng China Power Photovoltaic Power Generating Co., Ltd. (芮城中電光伏發電有限公司)	The PRC	RMB200,000,000/ RMB130,000,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
#China Power (Longmen) Photovoltaic Power Generating Co., Ltd. (中電(龍門)光伏發電有限公司)	The PRC	USD25,000,000/ Nil	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
^#China Power Changshu Thermal Power Company Limited (中電常熟熱電有限公司)	The PRC	RMB344,000,000/ RMB10,000,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
^#Pingdingshan China Power Photovoltaic Power Generating Co., Ltd (平頂山中電光伏發電有限公司)	The PRC	RMB265,244,400/ Nil	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
^Huainan China Power Shijiahu Photovoltaic Power Generating Company Limited (淮南中電施家湖光伏發電有限責任公司)	The PRC	RMB220,260,000/ RMB189,120,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
^#China Power (Wuzhou) Comprehensive Energy Company Limited (中電(梧州)綜合能源有限公司)	The PRC	RMB265,200,000/ RMB2,000,000	100%	–	Wholly foreign-owned enterprise	Investment on new energy power resources
^#Zhongdian Zhihui Comprehensive Energy Limited (中電智慧綜合能源有限公司)	The PRC	RMB200,000,000/ RMB20,000,000	100%	–	Wholly foreign-owned enterprise	Investment on new energy power resources
^#China Power (Deyang) Comprehensive Energy Company Limited (中電(德陽)綜合能源有限公司)	The PRC	RMB260,000,000/ RMB3,000,000	100%	–	Wholly foreign-owned enterprise	Investment on new energy power resources
^#Hubei China Power Juxin Energy Company Limited (湖北中電聚鑫能源有限公司)	The PRC	RMB18,000,000/ Nil	51%	–	Sino-foreign equity joint venture	Generation and sale of electricity
^#China Power (Shenyang) Energy Investment Company Limited (中電(瀋陽)能源投資有限公司)	The PRC	RMB200,000,000/ Nil	100%	–	Wholly foreign-owned enterprise	Investment on new energy power resources

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest Held by the Company	Held by subsidiaries	Type of legal entity	Principal activities
^#Henan China Power Ping'an Energy Services Company Limited (河南中電平安能源服務有限公司)	The PRC	RMB210,000,000/ RMB21,000,000	–	60%	Sino-foreign equity joint venture	Distribution and sale of electricity
^China Power (Pu'an) New Energy Company Limited (中電(普安)新能源有限責任公司)	The PRC	RMB287,540,000/ RMB237,080,000	–	100%	Wholly foreign-owned enterprise	Generation and sale of electricity
^Chongzuo China Power Comprehensive Energy Company Limited (崇左中電綜合能源有限公司)	The PRC	RMB200,000,000/ RMB13,000,000	–	100%	Wholly foreign-owned enterprise	Investment on new energy power resources
^#China Power (Anlong) Comprehensive Energy Company Limited (中電(安龍)綜合能源有限公司)	The PRC	RMB15,000,000/ Nil	–	100%	Wholly foreign-owned enterprise	Investment on new energy power resources
^#China Power Hua Chuang (Suzhou) Electric Power Technology Research Company Limited (中電華創(蘇州)電力技術研究有限公司)	The PRC	RMB50,000,000/ Nil	–	100%	Wholly foreign-owned enterprise	Provision of technical services related to generation of electricity
^#Changshu China Power Photovoltaic Power Generating Company Limited (常熟中電光伏發電有限公司)	The PRC	RMB187,000,000/ Nil	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
^#China Power Dabieshan (Hubei) Power Sales Company Limited (中電大別山(湖北)售電有限公司)	The PRC	RMB20,000,000/ Nil	100%	–	Wholly foreign-owned enterprise	Investment on comprehensive energy resources
^#Yulong China Power Photovoltaic Power Generating Company Limited (玉龍中電光伏發電有限公司)	The PRC	RMB17,000,000/ Nil	–	85%	Sino-foreign equity joint venture	Generation and sale of electricity
Shanxi Shentou Power Generating Company Limited) ("Shanxi Shentou") (山西神頭發電有限責任公司)	The PRC	RMB501,681,000	–	100%	Wholly foreign-owned enterprise	Generation and sale of electricity
SPIC (Wuhu) Power Sales Company Limited (國家電投(蕪湖)售電有限公司)	The PRC	RMB65,000,000	–	100%	Wholly foreign-owned enterprise	Investment on comprehensive energy resources
Wuhu Huangnitan Photovoltaic Power Generating Company Limited (蕪湖黃泥灘光伏發電有限公司)	The PRC	RMB35,000,000	–	100%	Wholly foreign-owned enterprise	Generation and sale of electricity
#Wuhu Taoxin Photovoltaic Power Generating Co., Ltd. (蕪湖陶辛光伏發電有限公司)	The PRC	RMB35,000,000/ Nil	–	100%	Wholly foreign-owned enterprise	Generation and sale of electricity
Guizhou Qingshuijiang Hydropower Co., Ltd. (貴州清水江水電有限公司)	The PRC	RMB3,400,000,000	–	95%	Limited liability company	Generation and sale of electricity
Huaihua Yuanjiang Power Development Co., Ltd. (懷化沅江電力開發有限責任公司)	The PRC	RMB3,800,000,000	–	100%	Limited liability company	Generation and sale of electricity

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest Held by the Company	Held by subsidiaries	Type of legal entity	Principal activities
Hunan Wuhua Hotel Co., Ltd. (湖南五華酒店有限公司)	The PRC	RMB162,100,000	–	70%	Sino-foreign equity joint venture	Hotel ownership and operation
Hunan Wuling Engineering Co., Ltd. (湖南五凌電力工程有限公司)	The PRC	RMB48,000,000	–	100%	Limited liability company	Provision of repair and maintenance services
Hunan Xiangzhong Power Co., Ltd. (湖南湘中電力有限公司)	The PRC	RMB50,000,000	–	95%	Limited liability company	Generation and sale of electricity
Lixian Huacheng Hydropower Development Company Limited (理縣華成水電開發有限責任公司)	The PRC	RMB227,818,000	–	100%	Limited liability company	Generation and sale of electricity
Sichuan Jiuyuan Electric Power Development Company Limited (四川九源電力開發有限責任公司)	The PRC	RMB130,000,000	–	100%	Limited liability company	Generation and sale of electricity
Zhangjiajie Tumuxi Water Plant Co., Ltd. (張家界市土木溪水電開發有限公司)	The PRC	RMB42,000,000	–	100%	Limited liability company	Generation and sale of electricity
Sichuan Hongye Electric Power Company Limited (四川紅葉電力有限責任公司)	The PRC	RMB50,000,000	–	91%	Limited liability company	Generation and sale of electricity
Sichuan Xingtie Electrical Equipment Company Limited (四川興鐵電氣設備有限公司)	The PRC	RMB46,000,000	–	70%	Limited liability company	Generation and sale of electricity
Xiaojinxian Xinhong Electric Power Development Company Limited (小金縣鑫鴻電力開發有限公司)	The PRC	RMB46,000,000	–	100%	Limited liability company	Generation and sale of electricity
Chalingxian Lianguan Hydropower Development Company Limited (茶陵縣聯冠水電開發有限公司)	The PRC	RMB25,080,000	–	100%	Limited liability company	Generation and sale of electricity
*Wuling Toksun Electric Power Co., Ltd. (五凌托克遜電力有限公司)	The PRC	RMB120,000,000	–	100%	Limited liability company	Generation and sale of electricity
*Wuling Burqin Electric Power Co., Ltd. (五凌布爾津電力有限公司)	The PRC	RMB118,000,000	–	100%	Limited liability company	Generation and sale of electricity
Xinlongxian Xida Hydropower Development Co., Ltd. (新龍縣西達水電開發有限公司)	The PRC	RMB20,000,000	–	65%	Limited liability company	Generation and sale of electricity
*Wuling Rucheng Electric Power Co., Ltd. (五凌汝城電力有限公司)	The PRC	RMB145,000,000	–	100%	Limited liability company	Generation and sale of electricity
*Wuling Shanshan Electric Power Co., Ltd. (五凌鄯善電力有限公司)	The PRC	RMB236,000,000	–	100%	Limited liability company	Generation and sale of electricity
*Wuling Linxiang Electric Power Co., Ltd. (五凌臨湘電力有限公司)	The PRC	RMB146,000,000	–	100%	Limited liability company	Generation and sale of electricity

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by subsidiaries	Type of legal entity	Principal activities
Zhangjiajie Tumuxi Hydropower Plant Co., Ltd. (張家界土木溪水廠有限公司)	The PRC	RMB14,000,000	–	100%	Limited liability company	Generation and sale of water
*Wuling Tulufan New Energy Business Service Co., Ltd. (五凌吐魯番新能源運營服務有限公司)	The PRC	RMB12,000,000	–	100%	Limited liability company	Provision of repair and maintenance services
#Wuling Yongshun Electric Power Co., Ltd. (五凌永順電力有限公司)	The PRC	RMB88,000,000	–	100%	Limited liability company	Generation and sale of electricity
*Wuling Qinggil Electric Power Co., Ltd. (五凌青河電力有限公司)	The PRC	RMB66,000,000	–	100%	Limited liability company	Generation and sale of electricity
#Wuling Xinshao Electric Power Co., Ltd. (五凌新邵電力有限公司)	The PRC	RMB88,000,000	–	100%	Limited liability company	Generation and sale of electricity
#*Wuling Youxian Electric Power Co., Ltd. (五凌攸縣電力有限公司)	The PRC	RMB88,000,000/ RMB23,250,000	–	100%	Limited liability company	Generation and sale of electricity
#*Wuling Taojiang Electric Power Co., Ltd. (五凌桃江電力有限公司)	The PRC	RMB88,000,000	–	100%	Limited liability company	Generation and sale of electricity
*Gulangxian Yonghe New Energy Investment Co., Ltd. (古浪縣雍和新能源投資有限責任公司)	The PRC	RMB140,000,000	–	70%	Limited liability company	Generation and sale of electricity
#*Wuling Huaning Electric Power Co., Ltd. (五凌華寧電力有限公司)	The PRC	RMB88,000,000/ RMB25,940,000	30%	70%	Sino-foreign equity joint venture	Generation and sale of electricity
#Guangyuan CPI Electric Power Co., Ltd. (廣元中電投電力有限公司)	The PRC	RMB88,000,000/ Nil	–	100%	Limited liability company	Generation and sale of electricity
#Wuling Shangdu Electric Power Co., Ltd. (五凌商都電力有限公司)	The PRC	RMB20,000,000/ Nil	–	100%	Limited liability company	Generation and sale of electricity
#Wuling Xinjiang Dabancheng Electric Power Co., Ltd. (五凌新疆達阪城電力有限公司)	The PRC	RMB70,000,000/ Nil	–	100%	Limited liability company	Generation and sale of electricity
#Wuling Fuyun Electric Power Co., Ltd. (五凌富蘊電力有限公司)	The PRC	RMB70,000,000/ Nil	–	100%	Limited liability company	Generation and sale of electricity
#*Wuling Yanling Electric Power Co., Ltd. (五凌炎陵電力有限公司)	The PRC	RMB88,000,000/ RMB24,060,000	–	100%	Limited liability company	Generation and sale of electricity
#*Hunan Province Hongzhao Wind Power Co., Ltd. (湖南省鴻兆風力發電有限公司)	The PRC	RMB85,000,000	–	70%	Limited liability company	Generation and sale of electricity

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by subsidiaries	Type of legal entity	Principal activities
#Wuling Shaodong Electric Power Co., Ltd. (五凌邵東電力有限公司)	The PRC	RMB88,000,000/ Nil	–	100%	Limited liability company	Generation and sale of electricity
#*Wuling Electric Hunan Energy Sales Co., Ltd. (五凌電力湖南能源銷售有限公司)	The PRC	RMB210,000,000	–	100%	Limited liability company	Sales of energy
#*Wuling Xinhua Electric Power Co., Ltd. (五凌新化電力有限公司)	The PRC	RMB125,000,000/ RMB17,500,000	–	100%	Limited liability company	Generation and sale of electricity
*Wuling Xintian Electric Power Co., Ltd. (五凌新田電力有限公司)	The PRC	RMB32,000,000	–	100%	Limited liability company	Generation and sale of electricity
#Wuling Jiangyong Electric Power Co., Ltd. (五凌江永電力有限公司)	The PRC	RMB100,000,000	–	70%	Limited liability company	Generation and sale of electricity
#*Wuling Shuangfeng Electric Power Co., Ltd. (五凌雙峰電力有限公司)	The PRC	RMB80,000,000	–	70%	Limited liability company	Generation and sale of electricity
#*Wuling Shimen Electric Power Co., Ltd. (五凌石門電力有限公司)	The PRC	RMB37,200,000	–	100%	Limited liability company	Generation and sale of electricity
Luoyang Huamei Electric Power Co., Ltd. (洛陽華美電力有限公司)	The PRC	RMB32,000,000/ RMB22,400,000	–	70%	Limited liability company	Generation and sale of electricity
Xinping Wind Power Fengzhizi Wind Electric Power Co., Ltd. (新平風能風之子風電有限公司)	The PRC	RMB80,000,000/ RMB16,000,000	–	51%	Limited liability company	Generation and sale of electricity
Wuling Xin Barag Left Banner Electric Power Co., Ltd. (五凌新巴爾虎左旗電力有限公司)	The PRC	RMB80,000,000/ RMB32,000,000	–	100%	Limited liability company	Generation and sale of electricity
Gaotang Jiatou New Energy Co., Ltd. (高唐縣嘉投新能源有限公司)	The PRC	RMB34,000,000/ RMB30,600,000	–	70%	Limited liability company	Generation and sale of electricity
Hunan Wuling Electric Technology Co., Ltd. (湖南五凌電力科技有限公司)	The PRC	RMB48,000,000/ RMB10,000,000	–	100%	Limited liability company	Provision of technical services in relation to generation of electricity
Xiangtan Weitai Photovoltaic Power Generation Co., Ltd. (湘潭威泰光伏發電有限公司)	The PRC	RMB14,000,000	–	70%	Limited liability company	Generation and sale of electricity
^Hunan Wuling Liyuan Economic Development Co., Ltd. (湖南五凌力源經濟發展有限公司)	The PRC	RMB10,000,000	–	100%	Limited liability company	Provision of property management services related to generation of electricity
^Hunan Zhongshui Investment Company Limited (湖南中水投資有限公司)	The PRC	RMB5,000,000	–	100%	Limited liability company	Generation and sale of electricity
^Longshan Zhongshui Hydropower Development Co., Ltd. (龍山中水水電開發有限責任公司)	The PRC	RMB99,946,000	–	100%	Limited liability company	Generation and sale of electricity

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest Held by the Company	Held by subsidiaries	Type of legal entity	Principal activities
^#Wuling Wuhai Electric Power Company Limited (五凌烏海電力有限公司)	The PRC	RMB72,000,000/ RMB6,650,000	–	100%	Limited liability company	Generation and sale of electricity
^Liannan Yingli Photovoltaic Power Development Co., Ltd. (連南瑤族自治縣英利光伏電力開發有限公司)	The PRC	RMB30,360,000/ RMB25,276,000	–	70%	Limited liability company	Generation and sale of electricity
^Hulun Buir Yuhan New Energy Development Co., Ltd. (呼倫貝爾市宇涵新能源開發有限公司)	The PRC	RMB29,770,000/ RMB20,840,000	–	70%	Limited liability company	Generation and sale of electricity
^#Changsha High-Tech Development Zone Energy Comprehensive Service Co., Ltd. (長沙高新開發區能源綜合服務有限公司)	The PRC	RMB100,000,000/ RMB13,750,000	–	55%	Limited liability company	Provision of comprehensive energy services
^#CPI Qiubei Jingtai New Energy Company Limited (中電投丘北京泰新能源有限公司)	The PRC	RMB80,000,000/ Nil	–	70%	Limited liability company	Investment on new energy power resources

^ These subsidiaries were newly set up/acquired in 2017.

The power plant is under development.

* These subsidiaries' registered/paid up capital or proportion of ownership interest were changed during the year ended 31 December 2017 (note (iii)).

Notes:

(i) During the year ended 31 December 2017, the Company acquired 49% interests in Huizhi Company, therefore its interests in Huizhi Company has increased from 51% at the end of year 2016 to 100%. The consideration of RMB11,101,000 has been paid in cash. The difference between the consideration paid of RMB11,101,000 and the carrying amount of non-controlling interests of RMB10,767,000 (being the proportionate share of the carrying amount of the net assets of Huizhi Company) is debited to other reserve.

(ii) On 15 September 2017, the Company and Qianxinan Industrial Investment (Group) Co., Ltd. (黔西南州工業投資(集團)有限公司) ("Qianxinan Industrial") entered into a capital contribution agreement, pursuant to which Qianxinan Industrial agreed to make capital contribution in cash to the registered capital of Pu'an Power Plant, which was a wholly-owned subsidiary of the Company. The related transaction was completed in 2017, the shareholding of the Company in Pu'an Power Plant was diluted from 100% at the end of year 2016 to 95% of the enlarged registered capital without losing control. The difference between the contribution from Qianxinan Industrial of RMB34,076,000 and the carrying amount of 5% equity interest in Pu'an Power Plant of RMB33,941,000 is credited to other reserve.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes: (Continued)

(iii) During the year ended 31 December 2017, there were changes in the registered/paid up capital of the following subsidiaries:

	Registered/paid up capital 2017	2016
Wu Ling Power	**RMB7,790,000,000**	RMB5,000,000,000
Pu'an Power Plant	**RMB999,120,000/ RMB731,577,000**	RMB600,000,000/ RMB480,178,000
China Power (Jiangmen) Comprehensive Energy Company Limited	**RMB168,000,000/ RMB29,100,000**	RMB168,000,000/ RMB25,100,000
China Power Hua Chuang Electric Power Technology Research Company Limited	**RMB70,000,000/ RMB65,000,000**	RMB50,000,000
China Power (Shangqiu) Thermal Power Company Limited	**RMB1,097,000,000/ RMB323,630,000**	RMB1,097,000,000/ RMB100,000,000
China Power (Guigang) Comprehensive Energy Co., Ltd.	**RMB293,400,000/ RMB7,700,000**	RMB293,400,000/ RMB5,000,000
China Power (Chengdu) Comprehensive Energy Co., Ltd.	**RMB300,000,000/ RMB59,612,000**	RMB300,000,000/ RMB29,958,000
Xintai China Power Photovoltaic Power Generating Co., Ltd.	**RMB272,000,000/ RMB125,000,000**	RMB272,000,000/ RMB15,000,000
Ruicheng China Power Photovoltaic Power Generating Co., Ltd.	**RMB200,000,000/ RMB130,000,000**	RMB200,000,000/ Nil
China Power (Yizhou) Thermal Power Company Limited	**RMB861,300,000/ RMB16,790,000**	RMB861,300,000/ RMB15,000,000
Wuling Toksun Electric Power Co., Ltd	**RMB120,000,000**	RMB70,000,000
Wuling Burqin Electric Power Co., Ltd	**RMB118,000,000**	RMB70,000,000
Wuling Rucheng Electric Power Co., Ltd.	**RMB145,000,000**	RMB86,000,000
Wuling Shanshan Electric Power Co., Ltd	**RMB236,000,000**	RMB145,000,000
Wuling Linxiang Electric Power Co., Ltd	**RMB146,000,000**	RMB93,000,000
Wuling Tulufan New Energy Business Service Co., Ltd	**RMB12,000,000**	RMB12,000,000/ RMB7,000,000
Wuling Qinggil Electric Power Co., Ltd.	**RMB66,000,000**	RMB36,000,000
Wuling Youxian Electric Power Co., Ltd.	**RMB88,000,000/ RMB23,250,000**	RMB88,000,000/ RMB10,000,000
Wuling Taojiang Electric Power Co., Ltd.	**RMB88,000,000**	RMB88,000,000/ RMB17,600,000
Gulangxian Yonghe New Energy Investment Co., Ltd.	**RMB140,000,000**	RMB167,000,000/ RMB144,800,000
Wuling Yanling Electric Power Co., Ltd.	**RMB88,000,000/ RMB24,060,000**	RMB88,000,000/ RMB12,000,000
Hunan Province Hongzhao Wind Power Co., Ltd.	**RMB85,000,000**	RMB85,000,000/ RMB66,500,000
Wuling Electric Hunan Energy Sales Co., Ltd	**RMB210,000,000**	RMB210,000,000/ Nil
Wuling Xinhua Electric Power Co., Ltd	**RMB125,000,000/ RMB17,500,000**	RMB125,000,000/ RMB9,000,000
Wuling Xintian Electric Power Co., Ltd.	**RMB32,000,000**	RMB32,000,000/ RMB1,000,000
Wuling Shuangfeng Electric Power Co., Ltd.	**RMB80,000,000**	RMB80,000,000/ RMB1,700,000
Wuling Shimen Electric Power Co., Ltd.	**RMB37,200,000**	RMB37,200,000/ RMB500,000

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Material non-controlling interests

The total non-controlling interests as at 31 December 2017 were RMB7,392,579,000 (2016: RMB7,327,841,000), of which RMB4,824,112,000 (2016: RMB4,596,693,000) was for Wu Ling Power and its subsidiaries (collectively referred to as the "Wu Ling Group"). The total comprehensive income attributable to non-controlling interests for the year ended 31 December 2017 was RMB485,435,000 (2016: RMB889,619,000), of which RMB519,719,000 (2016: RMB673,671,000) was for Wu Ling Group.

The non-controlling interests in respect of the rest of entities with non-controlling interests were individually not material. Set out below are the summarized financial information for Wu Ling Group.

Summarized consolidated statement of financial position

	Wu Ling Group	
	2017	2016
	RMB'000	RMB'000
Non-current assets	**41,246,030**	40,232,254
Current assets	**1,369,789**	1,090,099
Non-current liabilities	**(20,729,680)**	(21,348,859)
Current liabilities	**(8,458,191)**	(7,230,160)
Net assets	**13,427,948**	12,743,334
Non-controlling interests within Wu Ling Group	**(389,808)**	(319,840)
Net assets attributable to owners of Wu Ling Power	**13,038,140**	12,423,494
Non-controlling interests of Wu Ling Power (at 37%)	**4,824,112**	4,596,693

Summarized consolidated income statement and consolidated statement of comprehensive income

	Wu Ling Group	
	2017	2016
	RMB'000	RMB'000
Revenue	**5,269,444**	5,615,119
Profit before taxation	**1,826,739**	2,397,543
Income tax expense	**(401,981)**	(547,153)
Profit and total comprehensive income for the year	**1,424,758**	1,850,390
Total comprehensive income for the year attributable to non-controlling interests within Wu Ling Group	**(20,112)**	(29,657)
Total comprehensive income for the year attributable to owners of Wu Ling Power	**1,404,646**	1,820,733
Total comprehensive income allocated to non-controlling interests of Wu Ling Power (at 37%)	**519,719**	673,671

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Material non-controlling interests *(Continued)*

Summarized consolidated statement of cash flows

	Wu Ling Group	
	2017	2016
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	**4,063,438**	4,574,458
Interest paid	**(1,130,466)**	(1,080,391)
Income tax paid	**(402,294)**	(533,432)
Net cash generated from operating activities	**2,530,678**	2,960,635
Net cash used in investing activities	**(2,432,184)**	(2,642,755)
Net cash used in financing activities	**(60,207)**	(599,081)
Net increase/(decrease) in cash and cash equivalents	**38,287**	(281,201)
Cash and cash equivalents at 1 January	**81,524**	362,725
Cash and cash equivalents at 31 December	**119,811**	81,524

The financial information presented above is before inter-company eliminations.

44. EVENT AFTER THE REPORTING PERIOD

Proposed disposal of a subsidiary

In February 2018, Shanxi Shentou (a wholly-owned subsidiary of the Company) entered into a joint venture agreement with Jiangsu Guoxin Company Limited, China Coal Pingshuo Group Co.,Ltd., Datong Coal Mine Group Co., Ltd., Datang International Power Generation Co.,Ltd. and Jinneng Electricity Group Co.,Ltd. ("Joint Venture Agreement"), pursuant to which the parties agreed to form a joint venture, namely Sujin Energy Holding Company Limited ("Sujin Energy") in Shanxi Province of the PRC.

Pursuant to the Joint Venture Agreement, Shanxi Shentou's capital contribution shall represent 9% equity interests in Sujin Energy.

The Company will dispose its 80% interest in CP Shentou (a non-wholly owned subsidiary, owns and operates two 600 MW coal-fired power generating units in Shanxi Province) as part of Shanxi Shentou's capital contribution to Sujin Energy. As a result, CP Shentou will cease to be a subsidiary of the Company and will not be consolidated into the Group's consolidated financial statements. The fair value of such equity interest will be subject to independent valuation results.

Sujin Energy will serve as the platform for the long-term strategic cooperation between Shanxi and Jiangsu Provinces, which aims to complement the advantages of Shanxi Province in coal prices and power capacity with the electricity market advantages of Jiangsu Province, having attained strong support from the two provincial governments. The Directors are of the opinion that the injection of the interest in CP Shentou into Sujin Energy will increase the utilization hours of its generating units and improve their operating efficiency and competitiveness.

As at the date of this report, the proposed disposal is still underway subject to satisfaction of all the conditions precedent.

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**1,540**	977
Investments in subsidiaries	**14,002,036**	13,044,851
Interests in associates	**1,680,376**	1,680,376
Interests in joint ventures	**372,504**	372,504
Available-for-sale financial assets	**3,320,491**	4,410,367
Loans to subsidiaries	**–**	4,250,000
	19,376,947	23,759,075
Current assets		
Loans to subsidiaries	**7,070,195**	5,567,195
Prepayments, deposits and other receivables	**9,825**	5,935
Amounts due from related parties	**156,351**	459,151
Amounts due from subsidiaries	**162,659**	122,997
Dividends receivable	**427,396**	903,583
Derivative financial instruments	**–**	308,471
Cash and cash equivalents	**4,182,183**	799,369
	12,008,609	8,166,701
Total assets	**31,385,556**	31,925,776
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital (Note 30)	**17,268,192**	13,534,145
Reserves (note)	**6,790,950**	6,676,787
Total equity	**24,059,142**	20,210,932

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
LIABILITIES		
Non-current liabilities		
Bank borrowings	**–**	2,500,000
Deferred income tax liabilities	**507,701**	821,849
	507,701	3,321,849
Current liabilities		
Other payables and accrued charges	**107,016**	48,017
Amounts due to related parties	**177,151**	183,142
Amounts due to subsidiaries	**621,287**	850,736
Bank borrowings	**5,913,259**	1,230,000
Other borrowings	**–**	6,081,100
	6,818,713	8,392,995
Total liabilities	**7,326,414**	11,714,844
Total equity and liabilities	**31,385,556**	31,925,776
Net current assets/(liabilities)	**5,189,896**	(226,294)
Total assets less current liabilities	**24,566,843**	23,532,781

The statement of financial position was approved and authorized for issue by the Board on 22 March 2018 and is signed on its behalf by:

YU Bing
Director

TIAN Jun
Director

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Note:

Movements in the Company's reserves

	Available-for-sale financial assets reserve RMB'000	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2017	2,381,236	13,889	4,281,662	6,676,787
Profit for the year	–	–	2,108,396	2,108,396
Fair value loss on available-for-sale financial assets	(1,089,876)	–	–	(1,089,876)
Deferred income tax on fair value loss on available-for-sale financial assets	272,469	–	–	272,469
Lapse of share options	–	(8,412)	8,412	–
2016 final dividend	–	–	(1,176,826)	(1,176,826)
At 31 December 2017	1,563,829	5,477	5,221,644	6,790,950
At 1 January 2016	3,084,206	18,243	2,997,346	6,099,795
Profit for the year	–	–	2,986,360	2,986,360
Fair value loss on available-for-sale financial assets	(937,294)	–	–	(937,294)
Deferred income tax on fair value loss on available-for-sale financial assets	234,324	–	–	234,324
Lapse of share options	–	(4,354)	4,354	–
2015 final dividend	–	–	(1,706,398)	(1,706,398)
At 31 December 2016	2,381,236	13,889	4,281,662	6,676,787

The profit for the year attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB2,108,396,000 (2016: RMB2,986,360,000).

Five-Year Financial and Operations Summary

	2017 RMB million	2016 RMB million	2015 RMB million	2014 RMB million	2013 RMB million
Revenue	**19,966.8**	18,866.2	20,196.7	20,447.2	18,826.7
Profit before taxation	**1,560.6**	3,994.1	6,553.0	4,302.7	4,234.1
Income tax expense	**(279.9)**	(738.6)	(1,223.4)	(660.2)	(958.7)
Profit for the year	**1,280.7**	3,255.5	5,329.6	3,642.5	3,275.4
Attributable to:					
Owners of the Company	**795.3**	2,365.9	4,149.0	2,765.9	2,289.9
Non-controlling interests	**485.4**	889.6	1,180.6	876.6	985.5
Basic earnings per share (RMB) (note)	**0.10**	0.30	0.54	0.39	0.37
Dividend per share (RMB)	**0.081**	0.160	0.232	0.168	0.160
Total non-current assets	**88,706.7**	84,343.7	81,033.6	76,155.4	69,455.0
Total current assets	**9,319.9**	6,843.4	5,209.6	5,640.4	7,284.0
Total assets	**98,026.6**	91,187.1	86,243.2	81,795.8	76,739.0
Total current liabilities	**28,821.5**	22,271.1	16,638.7	19,266.5	17,384.6
Total non-current liabilities	**32,010.6**	34,321.2	35,378.7	35,279.5	36,067.3
Net assets	**37,194.5**	34,594.8	34,225.8	27,249.8	23,287.1
Equity attributable to owners of the Company	**29,801.9**	27,267.0	27,320.5	21,863.8	18,421.6
Non-controlling interests	**7,392.6**	7,327.8	6,905.3	5,386.0	4,865.5
Total equity	**37,194.5**	34,594.8	34,225.8	27,249.8	23,287.1
Attributable installed capacity (MW)	**17,051.6**	16,728.6	16,254.6	15,028.4	14,821.6
Gross power generation (MWh)	**66,683,402**	63,403,445	63,531,141	61,692,480	55,582,400
Total electricity Sold (MWh)	**64,053,714**	60,760,318	60,868,493	58,957,127	52,795,155
Net coal consumption rate (g/kWh)	**304.23**	304.93	307.08	310.91	314.84

Note: Basic earnings per share for 2013 to 2016 have been restated to reflect the effect of rights issue of the Company in 2017.

Technical Glossary and Definitions

"Anhui Company"	SPIC Anhui New Energy Development Co., Ltd. * (國家電力投資集團安徽新能源有限公司)
"attributable installed capacity"	the proportionate amount of installed capacities of a power plant attributable to a company based on the percentage of equity interest held by the company in that power plant
"average utilization hours"	for a specified period, the amount of electricity (MWh) produced in such period divided by the average installed capacity (MW) in such period
"Baishi Power Plant"	the hydropower plant project in Baishi of Guizhou Qingshuijiang Hydropower Co., Ltd.* (貴州清水江水電有限公司白市水電站項目)
"Board"	the board of Directors of the Company
"CEC"	China Power Complete Equipment Co., Ltd.* (中國電能成套設備有限公司)
"Changshu Power Plant"	Jiangsu Changshu Electric Power Generating Company Limited (江蘇常熟發電有限公司)
"China Coal Energy"	China Coal Energy Company Limited* (中國中煤能源股份有限公司)
"China Power" or "Company"	China Power International Development Limited
"CP Maintenance Engineering"	China Power Maintenance Engineering Company Limited* (中電電力檢修工程有限公司)
"CP Shentou" or "CP Shentou Power Plant"	China Power Shentou Power Generating Company Limited* (中電神頭發電有限責任公司)
"CPDL"	China Power Development Limited (中國電力發展有限公司*)
"CPI Holding"	China Power International Holding Limited (中國電力國際有限公司)
"Dabieshan Power Plant"	Huanggang Dabieshan Power Company Limited* (黃岡大別山發電有限責任公司)
"Director(s)"	director(s) of the Company
"Fuxi Power Plant"	Sichuan CPI Fuxi Power Company Limited (四川中電福溪電力開發有限公司)
"Group" or "We"	the Company and its subsidiaries from time to time
"Guangdong Company"	SPIC Guangdong Power Company Limited* (國家電投集團廣東電力有限公司)

"Guangxi Company"	SPIC Guangxi Power Company Limited* (國家電投集團廣西電力有限公司)
"Guorui New Energy"	Shandong Guorui New Energy Company Limited* (山東國瑞新能源有限公司)
"GW"	gigawatt, that is, one million kilowatts
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Hong Kong Companies Ordinance"	Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended from time to time)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huainan Mining"	Huainan Mining Industry (Group) Company Limited* (淮南礦業(集團)有限責任公司)
"Hubei Company"	SPIC Hubeilvdong New Energy Co., Ltd.* (國家電投集團湖北綠動新能源有限公司)
"installed capacity"	the manufacturers' rated power output of a generating unit or a power plant, usually denominated in MW
"kWh"	kilowatt-hour, a standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"MW"	megawatt, that is, one million watts. The installed capacity of a power plant is generally expressed in MW
"MWh"	megawatt-hour, which is equal to one thousand kWh
"net coal consumption rate"	average consumption of standard coal for supplying 1kWh power (deducting self-used power)
"PBOC"	People's Bank of China* (中國人民銀行)
"Pingmei Shenma"	China Pingmei Shenma Energy & Chemical Group Co., Ltd.* (中國平煤神馬能源化工集團有限責任公司)
"Pingwei Power Plant"	Anhui Huainan Pingwei Electric Power Company Limited (安徽淮南平圩發電有限責任公司)

Technical Glossary and Definitions

"Pingwei Power Plant II"	Huainan Pingwei No. 2 Electric Power Co., Ltd. (淮南平圩第二發電有限責任公司)
"Pingwei Power Plant III"	Huainan Pingwei No. 3 Electric Power Co., Ltd.* (淮南平圩第三發電有限責任公司)
"PRC" or "China" or "State"	the People's Republic of China (for the purpose of this annual report excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan)
"Pu'an New Energy"	China Power (Pu'an) New Energy Company Limited* (中電(普安)新能源有限責任公司)
"Pu'an Power Plant"	China Power (Pu'an) Power Generating Company Limited* (中電(普安)發電有限責任公司)
"Qian Dong Power" or "Qian Dong Power Plant"	Guizhou Qian Dong Power Corporation* (貴州黔東電力有限公司)
"Qian Zhan"	CPI Qian Zhan Gang Dian Company Limited* (中電投前詹港電有限公司)
"RMB"	Renminbi, the lawful currency of the PRC
"Seth Holdings"	Seth Holdings Corporation Limited* (賽斯控股有限公司)
"Shandong Company" or "Shandong Energy"	SPIC Shandong Energy Development Co., Ltd.* (國家電投集團山東能源發展有限公司)
"Shandong Institute"	Shandong Power Engineering Consulting Institute Company Limited* (山東電力工程諮詢院有限公司)
"Shanghai Power"	Shanghai Electric Power Co., Ltd.* (上海電力股份有限公司)
"Shangqiu Power Plant"	China Power (Shang Qiu) Cogeneration Company, Limited* (中電(商丘)熱電有限公司)
"Shanxi Shentou"	Shanxi Shentou Power Generating Company Limited* (山西神頭發電有限責任公司)
"Shouxian Company"	SPIC Shouxian New Energy Development Co., Ltd.* (國家電力投資集團壽縣新能源有限公司)
"Sichuan Energy Investment"	Sichuan Energy Investment Development Co., Ltd.* (四川能投發展股份有限公司)

"Sihui Company"	China Power (Sihui) Cogeneration Company Limited* (中電(四會)熱電有限責任公司)
"SPIC"	State Power Investment Corporation Limited* (國家電力投資集團有限公司)
"SPIC Financial"	SPIC Financial Company Limited* (國家電投財務有限公司), formerly known as CPI Financial Company Limited
"standard coal"	coal with an energy content of 7,000 kilocalories per kilogram
"Tuokou Power Plant"	the hydropower plant project in Tuokou of Huaihua Yuanjiang Power Development Co., Ltd.* (懷化沅江電力開發有限責任公司托口水電站項目)
"Wu Ling Power"	Wu Ling Power Corporation* (五凌電力有限公司)
"Wuhu Power Plant"	Wuhu Electric Power Generating Company Limited* (蕪湖發電有限責任公司)
"Xintai Power Station"	Xintai China Power Photovltaic Power Generating Company Limited* (新泰中電光伏發電有限公司)
"Xintang Power Plant"	Guangzhou China Power Lixin Industry Company Limited* (廣州中電荔新電力實業有限公司)
"Yantai Energy Investment"	China Power (Yantai) Energy Investment Limited* (中電(煙台)能源投資有限公司)
"Yaomeng Power Plant"	Pingdingshan Yaomeng Power Company Limited (平頂山姚孟發電有限責任公司)

* For identification purpose only

Useful Information for Investors

ANNUAL REPORT

This annual report has been posted on our website at www.chinapower.hk on 17 April 2018. The reports are sent to the shareholders of the Company who have selected to receive the printed version of corporate communication by 20 April 2018.

ANNUAL GENERAL MEETING (AGM)

The Company's AGM will be held on 5 June 2018. Information regarding the business to be considered in the AGM is set out in the circular to the shareholders of the Company dated 20 April 2018 together with a proxy form.

INVESTOR CALENDAR

Closure of register of members for determining shareholders' eligibility to attend and vote at the AGM	31 May 2018 to 5 June 2018 (both days inclusive)
AGM date	5 June 2018
Ex-dividend date	7 June 2018
Closure of register of members for entitlement to 2017 Final Dividend	11 June 2018 to 13 June 2018 (both days inclusive)
Record date for 2017 Final Dividend	13 June 2018
Proposed 2017 Final Dividend payable* ***RMB0.081 (equivalent to HK$0.1006) per ordinary share***	29 June 2018

* Subject to approval by shareholders of the Company at the AGM to be held on 5 June 2018.

INVESTOR ENQUIRIES

For enquiries about share transfer and registration, please contact the share registrar of the Company:

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Tel.: (852) 2862 8628
Fax: (852) 2865 0990
Email: chinapower.ecom@computershare.com.hk

For enquiries from investors and securities analysts, please contact:

Capital Markets & Investor Relations Department
China Power International Development Limited
Suite 6301, 63/F, Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Tel.: (852) 2802 3861
Fax: (852) 2802 3922
Email: ir@chinapower.hk
Website: www.chinapower.hk

China Power International Development Limited
中國電力國際發展有限公司

Hong Kong Office:
Suite 6301, 63/F, Central Plaza,
18 Harbour Road,
Wanchai, Hong Kong
Tel: (852) 2802 3861
Fax: (852) 2802 3922

Beijing Office:
East Building, Hui Huang Shi Dai Plaza,
56 North West Fourth Ring Road, Haidian District,
Beijing, China
Tel: (86-10) 6260 1888
Fax: (86-10) 6260 1777

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