China Power International Development Limited
中國電力國際發展有限公司

(incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code : 2380)

ANNUAL REPORT **2012**


Annual 2012
Report

CONTENTS

2012 FINANCIAL HIGHLIGHTS

	RMB
Earnings per share	
Basic	0.22
Diluted	0.21

	RMB'000
Revenue	17,497,128
Profit attributable to owners of the Company	1,181,125
Shareholders' equity	14,942,244
Total assets	69,909,398
Cash and cash equivalents	2,016,418
Total bank and other borrowings	44,939,874

	MWh
Gross generation	51,859,151*
Net generation	49,202,653*

* Excluding the associates and the jointly controlled entities

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

LI Xiaolin *(Chairman of the Board and Chief Executive Officer)*
GU Dake *(President)*

Non-Executive Directors

GUAN Qihong
WANG Zichao

Independent Non-Executive Directors

KWONG Che Keung, Gordon
LI Fang
TSUI Yiu Wa, Alec

AUDIT COMMITTEE

KWONG Che Keung, Gordon *(Chairman)*
LI Fang
TSUI Yiu Wa, Alec

REMUNERATION AND NOMINATION COMMITTEE

LI Fang *(Chairman)*
KWONG Che Keung, Gordon
TSUI Yiu Wa, Alec

EXECUTIVE COMMITTEE

LI Xiaolin *(Chairman)*
GU Dake
All vice presidents of the Company

COMPANY SECRETARY

CHEUNG Siu Lan

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

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 WEBSITE

www.chinapower.hk

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited

Ordinary Shares (Stock Code 2380)

RMB982 Million USD Settled 2.25% Convertible Bonds Due 2016 (Stock Code 4517)

RMB1,140 Million USD Settled 2.75% Convertible Bonds Due 2017 (Stock Code 4564)

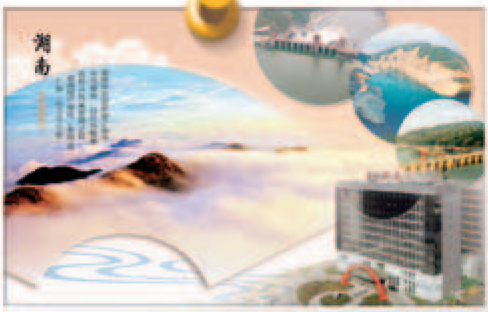
AUDITOR

PricewaterhouseCoopers

COMPANY PROFILE

Location of Power Plants

Shanxi Province



Hunan Province

Hubei Province

Jiangsu Province

Sichuan Province

Henan Province

Guangdong Province

Anhui Province

COMPANY PROFILE

China Power International Development Limited (the "Company" or "China Power") was incorporated in Hong Kong with limited liability under the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) on 24 March 2004 and is the flagship company of China Power Investment Corporation ("CPI Group"), one of the five national power generation groups 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 2012, the Company and its subsidiaries (the "Group" or "We") owned and operated the power plants as follows:

Coal-fired Power

Power Plant	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)
Pingwei Power Plant	1,260	100%	1,260
Pingwei Power Plant II	1,280	75%	960
Yaomeng Power Plant	1,210	100%	1,210
Yaomeng Power Plant II	1,260	100%	1,260
Shentou I Power Plant	400	100%	400
Dabieshan Power Plant	1,280	51%	652.8
Fuxi Power Plant	1,200	51%	612
Changshu Power Plant	1,320	50%	660
Xintang Power Plant	600	50%	300
Liyujiang Power Plant	600	25.20%	151.2
Shanghai Power	7,162	18.86%	1350.8
Total	**17,572**		**8,816.8**

Hydropower

Power Plant	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)
Wu Qiang Xi Power Plant	1,200	63%	756
San Ban Xi Power Plant	1,000	59.85%	598.5
Ling Jin Tan Power Plant	270	63%	170.1
Hong Jiang Power Plant	270	59.85%	161.6
Wan Mi Po Power Plant	240	63%	151.2
Gua Zhi Power Plant	150	59.85%	89.8
Zhu Xi Kou Power Plant	74	63%	46.6
Dong Ping Power Plant	72	63%	45.4
Jin Wei Zhou Power Plant	63	63%	39.7
Ma Ji Tang Power Plant	55.5	63%	35
Heimifeng Power Plant	1,200	63%	756
Other small hydropower plants	103.5	~56.7-63%	64.1
Total	**4,698**		**2,914**

As at 31 December 2012, the Group's the total attributable installed capacity was 11,731MW, of which attributable installed capacity of hydropower was 2,914MW, accounting for approximately 25% of all attributable installed capacity, making the Company having the highest percentage of hydropower installed capacity among the PRC power generation companies listed overseas.

As at 31 December 2012, the Group's projects under construction are as follows:

Power Plant	Type of Power Plant	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)
CP Shentou Power Plant	Coal-fired power	1,200	80%	960
Changshu Power Plant *(Note)*	Coal-fired power	2,000	50%	1,000
Baishi Power Plant	Hydropower	420	59.85%	251.4
Tuokou Power Plant	Hydropower	830	59.85%	496.8
Small hydropower projects in Sichuan	Hydropower	58	~44.1-63%	32
Total		**4,508**		**2,740.2**

Note: The first 1,000MW ultra super-critical coal-fired generating units of Changshu Power Plant commenced commercial operation in January 2013.

As at the date of this annual report, the Company also manages two other power plants on behalf of China Power International Holding Limited ("CPI Holding"), the holding company of the Company. The details are as follows:

Managed Power Plant	Employer	Installed Capacity (MW)
Qinghe Power Plant	CPI Holding	1,600
Wuhu Power Plant	CPI Holding	1,320
Total		**2,920**

NEW DEVELOPMENT PROJECTS

As at the date of this annual report, the Group has total installed capacity of new projects in a preliminary development stage (including where the PRC government approvals have been applied for) is 5,450MW.

Currently, the installed capacity of the new coal-fired power projects under preliminary development is as follows:

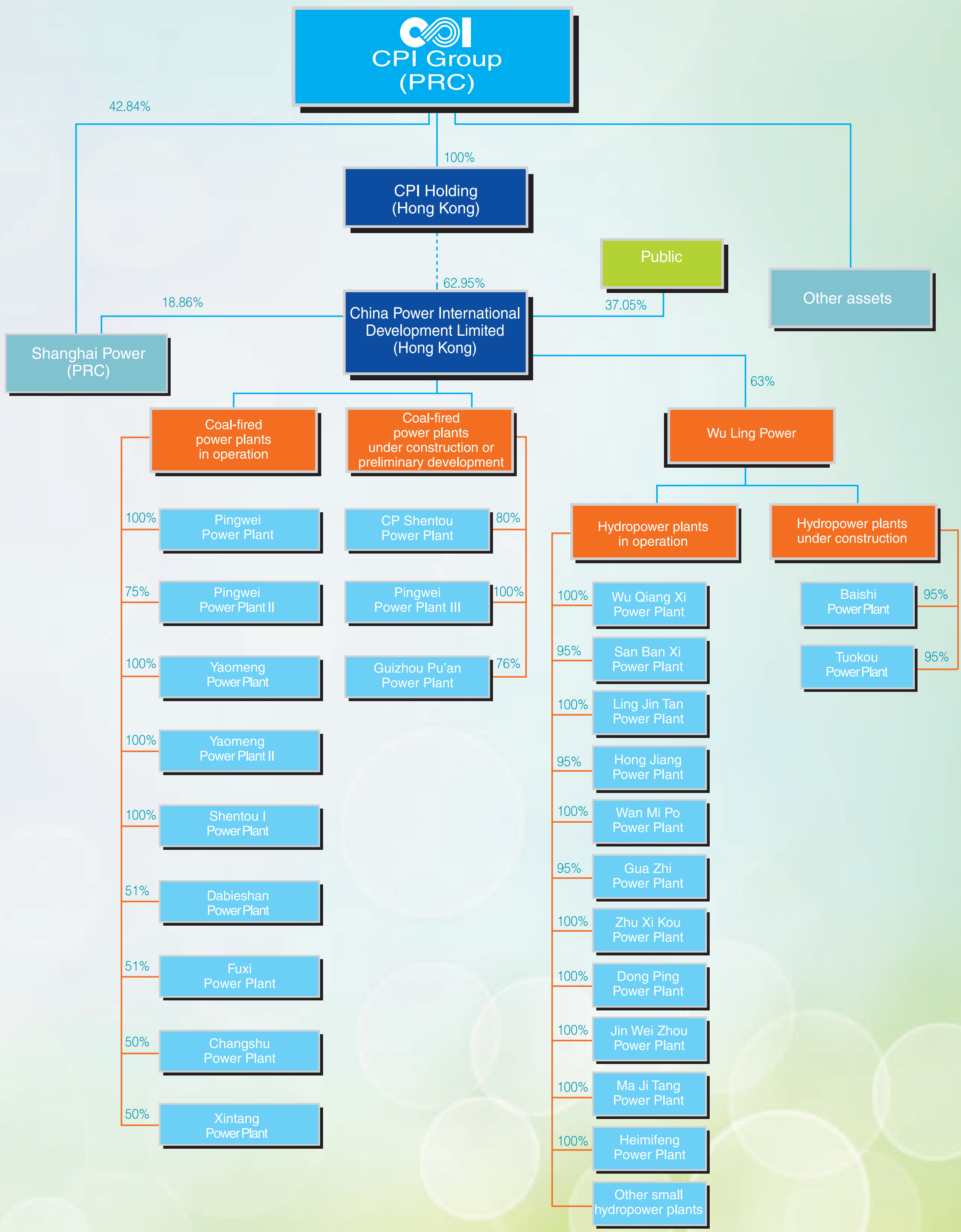
Power Plant	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)
Pingwei Power Plant III	2,000	100%	2,000
CP Shentou Power Plant	2,000	80%	1,600
Guizhou Pu'an Power Plant	1,200	76%	912
Total	**5,200**		**4,512**

Currently, the installed capacity of the hydropower projects under preliminary development work is over 250MW. They are small to medium-sized hydropower projects mainly located in the water-rich resources area of Sichuan and Hunan.

OUR ULTIMATE HOLDING COMPANY - CPI GROUP

The Company is ultimately owned by CPI Group, which is one of the five national power generation groups in China established pursuant to the restructuring of the power industry of the PRC in 2002. The power plants of CPI Group spread across 28 provinces, municipalities and autonomous regions in the PRC with a controllable installed capacity of approximately 80GW.

GROUP STRUCTURE



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

MAJOR EVENTS IN 2012

REVIEW OF MAJOR CORPORATE EVENTS IN THE FIRST HALF OF THE YEAR

JANUARY

China Power announced its gross generation for the year in 2011 of 50,132,564MWh, representing an increase of 3.28% over the same period in 2010.

MARCH

China Power announced its annual results for 2011, the profit attributable to owners of the Company was approximately RMB505,202,000, representing a decrease of 24.25% over the same period last year.

APRIL

China Power announced its gross generation for the first quarter in 2012 of 12,889,551MWh, representing an increase of 0.36% over the same period in 2011.

Wu Ling Power announced the re-issue of RMB1 billion short-term debentures in the PRC and completed the issuance of the first tranche of RMB500 million short-term debentures with the interest rate at 5.15% per annum.

MAY

China Power held its annual general meeting in Hong Kong.

China Power announced the acquisition of 50% equity interest in Henan Zhongping at a consideration of RMB70,504,000, for realization of the Company's strategy in promoting the integration and cooperation of coal and electricity businesses.

JUNE

Wu Ling Power announced the non-public issuance of RMB1 billion debt financing instrument in the PRC and completed the issuance of the first tranche of RMB500 million non-public issuance of debt financing instrument with the interest rate at 4.91% per annum.

China Power announced a change in Director, Mr. Wang Zichao replaced Mr. Gu Zhengxing as a non-executive Director of the Company.

REVIEW OF MAJOR CORPORATE EVENTS IN THE SECOND HALF OF THE YEAR

JULY

China Power announced its gross generation for the first half of 2012 of 27,021,075MWh, representing an increase of 4.31% over the same period in 2011.

AUGUST

China Power announced its interim results for 2012, the profit attributable to owners of the Company was approximately RMB547,796,000, representing an increase of approximately RMB136,288,000 over the profit in the same period last year, an increase of 33.12%.

China Power announced the placing of 443,248,000 shares by way of placing existing shares and subscription of new shares with placing price of HK$2.10 per share and raised a net proceeds of approximately RMB745 million (equivalent to approximately USD120 million); and at the same time proposed the issue of RMB1,140 million USD settled 2.75% convertible bonds due 2017.

China Power announced the first 300MW co-generating unit of Xintang Power Plant, a 50%-owned jointly controlled entity of the Company, commenced commercial operation.

SEPTEMBER

Wu Ling Power announced the completion of the issuance of the second tranche of RMB500 million non-public issuance of debt financing instrument with the interest rate at 5.30% per annum.

China Power announced the issue of RMB1,140 million (equivalent to approximately USD180 million) USD settled 2.75% convertible bonds due 2017 officially listed on the Hong Kong Stock Exchange with the stock code of 4564.

OCTOBER

China Power announced its gross generation for the first three quarters in 2012 of 39,877,712MWh, representing an increase of 1.94% over the same period in 2011.

NOVEMBER

Wu Ling Power announced that under the RMB1.5 billion entrusted loan agreements with Qian Dong Power, Qian Dong Power repaid Wu Ling Power a net RMB1.2 billion, the remaining RMB300 million of the outstanding debt was granted as a new entrusted loan for a term of 3 years.

China Power announced the second 300MW co-generating unit of Xintang Power Plant, a 50%-owned jointly controlled entity of the Company, commenced commercial operation.

China Power announced the expansion project of 2x1000MW ultra super-critical coal-fired generating units of Changshu Power Plant, a 50%-owned associate of the Company, was approved by National Development and Reform Commission of the PRC.

China Power appointed Mr. Huang Chen as the chief engineer of the Company.

LETTER TO SHAREHOLDERS

On behalf of the Board, I hereby present the results of China Power for the year ended 31 December 2012 to our shareholders.

DEAR SHAREHOLDERS,

2012 was a year the Company achieved outstanding results in both operations and development. Last year, the slightly slowing down growth of China's macro-economy resulted in a lower growth rate of market demand for electric power, but thanks to the diligence and efforts of all staff, the Group managed to fulfill our various tasks and targets for the year with excellent performance. The Group's power plants recorded overall profits and delivered the best performance since its listing, showing strong and robust growth potential.

BUSINESS REVIEW OF 2012

As at 31 December 2012, the attributable installed capacity of the Group was approximately 11,731MW, of which the attributable installed capacity of hydropower accounted for approximately 25%. Consolidated total assets amounted to approximately RMB69,909 million, representing an increase of 10.28% over 2011. Consolidated operating revenue amounted to approximately RMB17,497 million, representing an increase of about 8.80% over the previous year. Profit available for distribution to shareholders of the Company amounted to approximately RMB1,181 million, representing an increase of about 133.79% over the previous year. Basic earnings per share amounted to approximately RMB0.22, representing an increase of about RMB0.12 over the previous year. The Board recommended the payment of a final dividend of RMB0.090 per share.

In 2012, the average on-grid tariff of coal-fired power of the Group was RMB377.61/MWh, representing an increase of RMB29.22/MWh as compared with the previous year. As a result of our active measures on energy saving and reduction in coal consumption, the Group achieved an average coal consumption rate of 316.70g/KWh for power generation in 2012, representing a decrease of 2.70g/KWh as compared with the previous year. The unit fuel cost was approximately RMB254.60/MWh, representing year on year decrease of approximately 0.62%.

In 2012, the Group made equal progress on its two major business segments of hydropower and coal-fired power, and realized stable development of new projects. In respect of the coal-fired power business, we further implemented the strategy of "large generation units", in order to optimize the distribution and structure of its coal-fired power assets and further improve its profitability by developing a number of 1,000MW ultra super-critical coal-fired power generation units in East China, South China and North China regions where contribute higher profit margin. In particular, we will construct

two 1,000MW generation units for Pingwei Power Plant III in Huainan of Anhui Province by leveraging on the existing Pingwei Power Plant and taking advantage of the Huaihu Ultra High-voltage Project, with an aim to develop Pingwei Power Plants into one of the most important coal-fired power bases in East China and even the whole country and the Company's major profit driver. This project was approved by the National Energy Administration at the beginning of this year. Additionally, the construction of the two 600MW generation units under the "Replacement of Small Units with Large Units" project of CP Shentou Power Plant went smoothly, with scheduled commencement of commercial operation in 2013. In respect of the expansion progress of the two 1,000MW coal-fired generation units of Changshu Power Plant (an associate), the first unit commenced commercial operation in early 2013, and the second 1,000MW unit is expected to commence commercial operation during this year.

As for the hydropower business, the Group has been actively developing or acquiring small to medium-sized hydropower plants in Sichuan and Hunan provinces, both of which boast abundant hydropower resources, while steadily developing new projects. Currently, the attributable capacity of small to medium-sized hydropower projects which have launched preliminary work exceeds 250MW.

In 2012, with the support from our shareholders and the hard work of all staff, the Group was able to realize its promises to "create value for our shareholders and shoulder social responsibilities" by delivering the best-ever performance since its listing. I hereby give my sincerest thanks to all shareholders on behalf of the Board and all employees of the Group.

OUTLOOK FOR 2013

In 2013, the PRC government will continue to focus its macro-economic policies on accelerating economic structure adjustment and improving the quality and efficiency of national development. The on-going urbanization process in China also determines that the short-term fluctuation in demand growth will not affect the long-term growth momentum of energy and electric power. Against this background, the Group will continue to ensure constant improvement in its profitability and effectively practise its development strategies by optimizing its asset structure, promoting management efficiency, controlling fuel costs, and promoting energy conservation and emission reduction.

In 2013, the Group will strive to make continuous improvements in production and operation, internal management and project development on the basis of the "management enhancement" strategy implemented last year. Firstly, we will optimize our industrial distribution and improve the strategic structure of "balanced hydro and coal-fired generation" by making more efforts to acquire quality small to medium-sized hydropower projects in Southwest China and further developing clean energy. Secondly, we intend to accelerate the commencement of production at new generation units, especially by promoting the construction and expansion of high-capacity and high-parameter coal-fired power projects in the regions that contribute high profitability. Thirdly, we will promptly take advantage of the "alignment of coal-electricity pricing policy" to improve the fuel management model and technical methods, to propel quality coal and electricity joint operation projects, and effectively lower the net coal consumption rate and fuel costs. Fourthly, we will promote the "informationized management" initiative to further improve our management level and management efficiency.

Facing the new changes and situations, I believe that the Group will surely show stronger growth potential and deliver more astonishing performance to make a good start for the Group's leap forward with the attention and supports of all shareholders as well as the dedication of the Board and all staff in 2013.

Li Xiaolin

Chairman of the Board

20 March 2013

DIRECTORS AND SENIOR MANAGEMENT PROFILES

CHAIRMAN OF THE BOARD

LI Xiaolin, born in 1961, is the chairman of the Board, an executive director and the chief executive officer of the Company. Ms. Li is a senior engineer and has a master of engineering degree in power system and automation from Tsinghua University and was a visiting scholar at the Sloan Business School of Massachusetts Institute of Technology in the United States. Ms. Li is currently the deputy general manager of CPI Group, the chairman of CPI Holding, the chairman of the board of China Power New Energy Development Company Limited and a director of Companhia de Electricidade de Macau. She previously served as the commissioner of the International Economic and Trade Division of the Ministry of Electric Power Industry and the deputy commissioner of the International Economic and Trade Division of the Ministry of Energy.

EXECUTIVE DIRECTOR

GU Dake, born in 1954, is an executive director and the president of the Company. Mr. Gu is a senior engineer and has a professional qualification in thermal power from the Northeast China Institute of Electric Power Engineering. Mr. Gu is currently a director and the general manager of CPI Holding. He previously served as the chief operational officer in the power generation of CPI Group, the deputy general manager of the branch company of CPI Group in Northern China, the general manager of Shanxi Zhangze Power Company Limited, the vice president of the Company, the deputy general manager and the chief engineer of CPI Holding, the deputy general manager and the chief engineer of Beijing Guohau Power Limited and the vice president of CLP Guohau Corporation.

NON-EXECUTIVE DIRECTORS

GUAN Qihong, born in 1962, is a non-executive director of the Company. Mr. Guan is a senior economist and a senior auditor and has a bachelor of engineering degree 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 supervisor of the Capital Market and Equity Department of the CPI Group, a director of the CPI 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（國家電力公司）and the chief economist of State Grid Shenzhen Energy Development Group Co., Ltd.

WANG Zichao, born in 1970, is a non-executive director of the Company. Mr. Wang is a senior engineer and has a master of engineering degree in power system and automation from North China Electric Power University and a master degree in business administration from China Europe International Business School. Mr. Wang is currently the chairman of Wu Ling Power and the general manager of the branch company of CPI Group in Hunan. Mr. Wang previously served as the vice president of the Company, the deputy general manager of Wu Ling Power, the deputy general manager of CPI Holding and also the general manager of various departments of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

KWONG Che Keung, Gordon, born in 1949, is an independent non-executive director of the Company. Mr. Kwong has been the chairman of the audit committee and a member of the remuneration and nomination committee of the Company since August 2004. Mr. Kwong is currently an independent non-executive director of a number of companies listed on the Hong Kong Stock Exchange, including China COSCO Holdings Company Limited, NWS Holdings Limited, OP Financial Investments Limited, China Chengtong Development Group Limited, Global Digital Creations Holdings Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Agile Property Holdings Limited, CITIC Telecom International Holdings Limited and Chow Tai Fook Jewellery Group Limited. Mr. Kwong was also an independent non-executive director of COSCO International Holdings Limited, Beijing Capital International Airport Company Limited, Frasers Property (China) Limited, Tianjin Development Holdings Limited, China Oilfield Services Limited and Quam Limited. From 1984 to 1998, Mr. Kwong was a partner of PricewaterhouseCoopers and was a council member of the Hong Kong Stock Exchange from 1992 to 1997. Mr. Kwong has a bachelor of social science degree 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 of the Company. Mr. Li has been the chairman of the remuneration and nomination committee and a member of the audit committee of the Company since August 2004. Mr. Li has a bachelor of engineering degree from Beijing University of Science and Technology and a juris scientiae doctoral degree from the College of Law of Arizona State University in the United States in 1995. Mr. Li is currently a director of Beijing Mainstreets Investment Group Corporation and an independent non-executive director of China Power New Energy Development Company Limited. 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.

TSUI Yiu Wa, Alec, born in 1949, is an independent non-executive director of the Company, a member of the remuneration and nomination committee and the audit committee of the Company. Mr. Tsui has a bachelor of science degree in industrial engineering and a master degree in industrial engineering from the University of Tennessee in the United States and completed the Program of Senior Managers in Government at the John F. Kennedy School of Government at Harvard University of the United States in 1993. Mr. Tsui is currently the chairman of WAG Worldsec Corporate Finance Limited and an independent non-executive director of a number of companies listed in Hong Kong, Shanghai, Philippines and NASDAQ in the United States, including China Chengtong Development Group Limited, COSCO International Holdings Limited, Melco Crown Entertainment Limited, ATA Inc, China Oilfield Services Limited, Pacific Online Limited, Summit Ascent Holdings Limited and Manchester International Holdings Unlimited Corporation. Mr. Tsui has substantial experience in the operations of listed companies in Hong Kong. He previously served as a director of the Finance & Operations Services Division of the Hong Kong Stock Exchange, the chief executive of the Hong Kong Stock Exchange, chief operating officer of The Hong Kong Exchanges and Clearing Limited and the chief executive officer of the Regent Pacific Group.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

SENIOR MANAGEMENT

WANG Zhiying, born in 1957, is a vice president of the Company. Mr. Wang is a professor level senior engineer. He graduated from the Northeast China Institute of Electric Power Engineering with a bachelor of engineering degree in power system and relaying protection. Mr. Wang is currently the vice general manager of CPI Holding. He previously served in various positions, including the general manager of the department of engineering, the deputy chief engineer and the chief engineer of CPI Holding and the deputy commissioner of the Production Coordination Department and Integrated Planning Department in the Ministry of Electric Power Industry.

ZHAO Yazhou, born in 1959, is a vice president of the Company. Mr. Zhao is a senior accountant. He studied technological economics at postgraduate level at the Harbin Institute of Technology and completed training courses for the chief accountants of major enterprises of the State Power Company at the National Accounting Institute. Mr. Zhao also acts as the vice general manager of CPI Holding. He previously served in various positions, including the general manager of finance department, the deputy chief accountant and the chief financial controller of CPI Holding and the head of the finance department of Heilongjiang Provincial Power Bureau.

ZHAO Xinyan, born in 1962, is a vice president of the Company. Mr. Zhao is a senior engineer. He graduated from Chongqing University with a bachelor degree in materials engineering, and from Guanghua School of management, Peking University with a master of business administration degree. Mr. Zhao is currently the vice general manager of CPI Holding and executive director of China Power New Energy Development Company Limited. He previously served as an assistant to the general manager and the general managers in various departments of CPI Holding.

GU Xiaodong, born in 1956, is a vice president of the Company. Mr. Gu is a senior political engineer. He graduated from Liaoning Party School (遼寧省委黨校) with a master degree. Mr. Gu is head of disciplinary commission and the chairman of the labour union of CPI Holding. He previously served as the secretary of disciplinary commission and the chairman of the labour union of Wu Ling Power, the head of the disciplinary commission and the supervisor of labour committee of the branch company of CPI Group in Hunan, the senior manager of the personnel and labour department of CPI Group and the deputy head of the management department of personnel and directors of Northeast China Grid Company of State Grid Company.

CHENG Boru, born in 1962, is a vice president of the Company. Mr. Cheng is a senior engineer. He graduated from Xi'an Jiaotong University with a bachelor degree in computing and an executive master of business administration degree from Naning University. Mr. Cheng is the deputy general manager of CPI Holding. He previously served as the general manager of Pingwei Power Plant, the general manager of the engineering department of CPI Holding and the general manager of Yaomeng Power Plant II.

XU Lihong, born in 1966, is the financial controller of the Company. Ms. Xu is a senior accountant. She graduated from the Faculty of Finance, Changsha University of Electric Power and obtained a master degree in business administration from Northeast China University. She is currently a director and the financial controller of CPI Holding, and a director of Shanghai Power. She previously served as the deputy chief accountant of CPI Holding, the general manager of various departments of the Company, the deputy commissioner of the Economic and Operation Division of Power Department under the State Economic and Trade Commission, and a principal staff member of finance department of Huazhong Electric Industry Management Bureau (華中電業管理局) and State Power Corporation of China.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

HUANG Chen, born in 1968, is the chief engineer of the Company. Mr. Huang is a senior engineer. He graduated from Shanghai University of Electric Power with a qualification in thermal power engineering and a master degree in thermal power engineering from Southeast University. Mr. Huang previously served as the deputy factory director and the chief engineer of Wuhu Power Plant, and the general manager of Shentou I Power Plant, Pingwei Power Plant and Pingwei Power Plant II.

WANG Shengrong, born in 1962, is the chief administrative officer of the Company. Mr. Wang obtained a master degree in management from Air Force Engineering University. He is currently the chief administrative officer of CPI Holding. He previously served as an officer of the Air Force of the People's Liberation Army with the rank of senior colonel and the deputy secretary of party committee and the secretary of disciplinary commission and the chairman of labour union of Shenhua (Beijing) Remote Sensing & Geo-engineering Company Ltd.

XU Wei, born in 1973, is the chief legal advisor of the Company. Ms. Xu is a qualified lawyer of the PRC and has a bachelor degree in law from the China University of Political Science and Law and an LLM from Peking University. Ms. Xu is also the chief legal advisor and the secretary of the board of CPI Holding. She was a partner and a lawyer of Beijing Han Hua Law Firm.

LI Bin, born in 1965, is the chief corporate culture officer of the Company. Mr. Li is a senior economist. He obtained a bachelor degree in Chinese Linguistics from Anhui Normal University, a master degree in business administration from University of Science and Technology of China, a master degree in professional accounting from The Hong Kong Polytechnic University and an executive master of business administration degree from HEC Paris - International Business School. Mr. Li is the chief corporate officer, the officer of news dissemination and corporate culture centre of CPI Holding and the Company. He previously served as the deputy office supervisor and the head of policy research office of CPI Holding.

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 another 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 engaged in investment, development, operation and management of coal-fired power and hydropower plants in China. Its power generation business is mainly located in Eastern China power grid, Central China power grid and Northern China power grid.

In general, the power supply and demand in China were balanced in 2012. Affected by the overall slowdown in economic growth in China, the total electricity consumption in China rose by 5.5% year on year, the growth rate declined as compared to that of the previous year. During the year under review, there were new coal-fired power generating units commencing commercial operation and significant increase in hydropower generation resulted from sufficient rainfall, the aggregate power generation of the Group for last year still recorded reasonable increment.

In 2012, the average on-grid tariff of the Group's coal-fired power generation increased significantly due to the carry over effect of the upward tariff adjustments in 2011. Since market price of coal has been decreasing steadily in the first half of the year coupled with the Group's continual effort in enhancing facilities efficiency, the coal consumption rate was reduced during the year and the fuel cost was controlled effectively. As a result of the above factors, the Group achieved satisfactory growth in net profit for the year.

In 2012, the Group recorded a revenue of approximately RMB17,497,128,000, while the profit attributable to the owners of the Company amounted to approximately RMB1,181,125,000, representing year on year increase of approximately 8.80% and 133.79% respectively. The basic earnings per share was approximately RMB0.22, representing an increase of RMB0.12 from RMB0.10 as compared with the previous year. Net assets per share, excluding interests of non-controlling shareholders, was RMB2.69.

Attributable Installed Capacity

For the year ended 31 December 2012, the total attributable installed capacity of the Group reached 11,731MW, of which the attributable installed capacity of hydropower was 2,914MW, representing approximately 25% of the total attributable installed capacity.

Power Generation and Utilization Hours

In 2012, the aggregate gross power generation of the Group reached 51,859,151MWh, representing an increase of 3.44% year on year, of which the coal-fired power and hydropower generation reached 39,678,851MWh and 12,180,300MWh respectively. In 2012, the average utilization hours of coal-fired power plants reached 4,959 hours, representing a decrease of 824 hours as compared with the previous year, while the average utilization hours of hydropower plants was 3,482 hours, representing an increase of 980 hours as compared with the previous year.

On-Grid Tariff

In 2012, the average on-grid tariff of coal-fired power of the Group was RMB377.61/MWh, representing an increase of RMB29.22/MWh as compared with the previous year, while the average on-grid tariff of hydropower of the Group was RMB278.87/MWh, representing a decrease of RMB2.97/MWh as compared with the previous year.

The increase in the average on-grid tariff of coal-fired power was mainly attributable to the tariff adjustments made by the National Development and Reform Commission in 2011. After the adjustments, all the on-grid tariffs of the coal-fired power plants of the Group were up to the provincial benchmark tariff level.

The decrease in the average on-grid tariff of hydropower was mainly due to a higher tariff was implemented during the drought period in the first quarter of 2011, while an approved normal tariff (lower than the drought period tariff) was implemented throughout the year 2012.

Unit Fuel Cost

In 2012, the unit fuel cost of the Group was approximately RMB254.60/MWh, representing year on year decrease of approximately 0.62% from the average unit fuel cost of RMB256.19/MWh of the previous year.

The decrease in unit fuel cost was mainly due to the decrease of market coal price.

In addition to coal price control, the Group continued to implement measures, such as optimizing coal sourcing structure, increasing heat value, controlling monthly procurement plan in advance, raising the fulfillment rate for major contracted coal, minimizing the difference in heat value between coal received and fired to control the overall fuel cost. New units with large capacity commenced production while old units were upgraded and renovated. These measures enhanced the Group's facility efficiency by lowering coal consumption and fuel cost.

Significant Investment

As at 31 December 2012, the Group is interested in 18.86% of the issued share capital of Shanghai Power, whose A-shares were listed on the Shanghai Stock Exchange.

The Group recognizes its shareholding in Shanghai Power as "Available-for-sale financial assets". As at 31 December 2012, the fair value of the shareholding held by the Group was approximately RMB1,872,081,000.

Material Acquisitions and Disposals

On 1 January 2012, the Group acquired 100% equity interest in Lianguan Hydropower Plant from an independent third party at a consideration of RMB25,085,000.

On 31 May 2012, the Company acquired 50% equity interest in Henan Zhongping from CPI Holding at a consideration of RMB70,504,000. Henan Zhongping is a jointly controlled entity established under a contractual arrangement.

Save as disclosed above, the Group did not make any material acquisition or disposal during the year under review.

Significant Financing Activities

In order to satisfy the capital demand for the development of the Group and minimize the finance costs and improve the asset and liabilities structure of the Group, the Company placed a total of 443,248,000 shares at the placing price of HK$2.10 per share on 29 August 2012, which raised a net proceeds of approximately RMB744,624,000.

The Company issued a five-year convertible bonds in the amount of RMB1,140,000,000 with interest rate of 2.75% per annum on 13 September 2012 and listed on the Hong Kong Stock Exchange on 18 September 2012. The issue was well received by the market. Given the domestic tightening monetary policy, financing difficulties and interest rate hikes, the proceeds from the issue of the bonds provided crucial liquidity for the Group at relatively lower costs.

A 63%-owned subsidiary of the Group, Wu Ling Power made a non-public issuance of RMB1 billion debt financing instrument in the PRC and completed the issuance of the first tranche and second tranche each at RMB500 million in June and September 2012 respectively.

The net proceeds from the above placing of shares and the issue of bonds, the Company intended to use for its future capital expenditure, repayment of existing borrowings and general working capital.

New Power Plants

The Group's coal-fired power project currently under construction include CP Shentou Power Plant's "Replacement of Small Units with Large Units" project with two 600MW super-critical coal-fired generating units and the expansion project of two 1,000MW ultra super-critical coal-fired generating units of Changshu Power Plant (an associate). The Group's hydropower projects currently under construction includes Baishi Power Plant, Tuokou Power Plant and small hydropower projects in Sichuan which have a total installed capacity of 1,308MW. Currently, such projects are all underway smoothly.

The Group's 51%-owned subsidiary, Fuxi Power Plant had already completed the construction of two 600MW super-critical coal-fired generating units and commenced commercial operation in November 2011 and May 2012 respectively.

The Group's jointly controlled entity, Xintang Power Plant's two 300MW generating units (co-generation plants), its first and second generating units of 300MW each had also commenced commercial operation in August and November last year respectively.

New Development Projects

The Group has been actively seeking development opportunities for both coal-fired power and hydropower projects which have large capacities and high parameters, and are energy saving and environment-friendly in areas with resources, geographical and market advantages. Currently, the total installed capacity of new projects in a preliminary development stage (including where the PRC government approvals have been applied for) is over 5,450MW.

The new installed capacity of coal-fired projects amounts to 5,200MW. These projects include the expansion project of two 1,000MW ultra super-critical coal-fired generating units of Pingwei Power Plant III, the expansion project of two 1,000MW ultra super-critical coal-fired generating units of CP Shentou Power Plant's "Replacement of Small Units with Large Units" and the project of two 600MW super-critical coal-fired generating units of Guizhou Pu'an Power Plant. In addition, the Group will continue to further expand coal-fired projects in developed areas such as the coastal areas of Guangdong Province.

Currently, the installed capacity of the hydropower projects under preliminary development work is over 250MW. They are small to medium-sized hydropower projects mainly located in the water-rich resources area of Sichuan and Hunan.

Environmental Protection and Energy Conservation

The Group puts high priority on environmental protection and shoulders social responsibilities. The Group fully utilized the hydropower clean energy generation. The portion of hydropower generation to the total power generation of the Company was approximately 23.49% in 2012. The Group strengthened environmental protection management of its coal-fired power generating units by installing all coal-fired power generating units with desulphurization facilities which resulted in lower discharge of pollutants with a desulphurization rate of 94.95%. As a result of our active measures on energy saving and reduction in coal consumption, the Group achieved an average coal consumption rate of 316.70g/KWh for power generation in 2012, representing a decrease of 2.70g/KWh as compared with the previous year.

OPERATING RESULTS OF 2012

In 2012, the revenue of the Group was approximately RMB17,497,128,000, representing an increase of approximately 8.80% as compared with the previous year. Profit attributable to owners of the Company was approximately RMB1,181,125,000, representing an increase of approximately 133.79% as compared with the previous year.

In 2012, the net profit of the Group amounted to approximately RMB1,681,276,000, representing an increase of approximately RMB1,092,906,000 as compared with the previous year. Among which, the net profit mainly from coal-fired power amounted to approximately RMB911,990,000 while the net profit from hydropower amounted to approximately RMB769,286,000, representing a profit contribution ratio of 1.19:1.

The net profit increased as compared to 2011 mainly due to the following factors:

- as a result of the carry over effect of the tariff adjustments in 2011, the average on-grid tariff of coal-fired power in 2012 increased as compared with the previous year. The increase contributed approximately RMB1,086,876,000 to the net profit of the Group;
- in 2012, the total power generation increased by 1,726,587MWh as compared with the previous year, contributing approximately RMB814,861,000 to the net profit of the Group.

However, the increase was partly offset by the following:

- with Fuxi Power Plant's two 600MW super-critical coal-fired generating units commenced commercial operation in November 2011 and May 2012 respectively, depreciation increased approximately RMB150,420,000 year on year;
- increased profit led to higher tax expenses increased approximately RMB253,550,000 year on year;
- interest-bearing liabilities increased and led to an increase of 7.32% in the finance expenses as compared with the previous year.

Revenue

In 2012, the revenue of the Group was approximately RMB17,497,128,000, representing an increase of 8.80% as compared with approximately RMB16,082,062,000 of the previous year. The increase in revenue was mainly attributed to the carry over impact of the tariff adjustments since 2011 and significant increase in hydropower generation because of sufficient rainfall in 2012 which resulted in rising operating income.

The revenue of hydropower sector in 2012 included the power plant lease income of approximately RMB103,000,000 from Heimifeng Power Plant (a 63%-owned subsidiary of the Group). Part of its revenue of approximately RMB207,000,000 last year was not accounted for in the year 2012 because it would take time to execute the lease charges approved by the National Reform and Development Commission last year. At the moment, the management is unable to determine the final recognition as to the amount and the timing of that income.

Segment Information

The reportable segments identified by the Group are now the "Generation and sales of coal-fired electricity" and "Generation and sales of hydropower electricity".

Operating Costs

Operating costs of the Group mainly comprise fuel costs, repairs and maintenance, depreciation and amortization, staff costs, consumables and other operating expenses.

In 2012, the operating costs of the Group amounted to approximately RMB14,388,688,000, representing an increase of 1.99% as compared with approximately RMB14,108,455,000 of the previous year. The increase was mainly due to the increase in depreciation.

Fuel costs were the largest component of the Group's operating costs. In 2012, the fuel costs of the Group was approximately RMB9,470,027,000, representing 65.82% of the total operating costs and a decrease of 4.73% over approximately RMB9,940,476,000 of the previous year. Unit fuel costs was approximately RMB254.60/MWh, representing a decrease of 0.62% over approximately RMB256.19/MWh of the previous year.

Operating Profit

In 2012, the Group's operating profit was approximately RMB3,559,640,000, representing an increase of 56.58% as compared with the operating profit of approximately RMB2,273,429,000 of the previous year.

Finance Costs

In 2012, the finance costs of the Group amounted to approximately RMB1,687,029,000, representing an increase of 7.32% as compared with approximately RMB1,572,016,000 of the previous year. In 2012, the Company issued convertible bonds in the amount of RMB1,140,000,000 and Wu Ling Power made a non-public issuance of RMB1,000,000,000 debt financing instruments in the PRC which led to increase in the Group's total loan amount.

Share of Results of Associates

In 2012, the share of profits of associates was approximately RMB146,144,000, representing an increase in profits of approximately RMB150,217,000 as compared with the share of losses of approximately RMB4,073,000 of the previous year. The increase in profits was mainly attributed to the increased profitability of both Changshu Power Plant and Liyujiang Power Plant.

Share of Results of Jointly Controlled Entities

In 2012, the share of losses of jointly controlled entities was approximately RMB5,774,000, representing a reduction in losses of approximately RMB18,250,000 as compared with the share of losses of approximately RMB24,024,000 of the previous year. The reduction in losses was mainly attributed to the commencement of commercial operation and generation of profits of Xintang Power Plant's new power generating units during the year under review.

Taxation

In 2012, taxation charges of the Group were approximately RMB447,399,000, representing an increase of approximately RMB253,550,000 as compared with approximately RMB193,849,000 of the previous year.

Among the coal-fired power plants of the Group, Yaomeng Power Plant II, Dabieshan Power Plant and Fuxi Power Plant currently enjoy the preferential tax treatment "First two years exemption and subsequent three years 50% reduction". The preferential period for Yaomeng Power Plant II and Dabieshan Power Plant ended in 2012, while that for Fuxi Power Plant will end in 2016. Fuxi Power Plant is also entitled to a preferential income tax rate of 15% until 2020. Pingwei Power Plant, Pingwei Power Plant II, Yaomeng Power Plant, Shentou I Power Plant and Changshu Power Plant were subject to the applicable income tax rate of 25% for the year. All hydropower plants of the Group were subject to the applicable income tax rate of 25% for the year (the applicable tax rate of some small hydropower plants in Sichuan is less than 25%).

Profit Attributable to Owners of the Company

In 2012, profit attributable to owners of the Company was approximately RMB1,181,125,000, representing an increase of approximately RMB675,923,000 as compared with approximately RMB505,202,000 of the previous year.

Earnings per Share and Final Dividend

In 2012, the basic and diluted earnings per share attributable to owners of the Company were approximately RMB0.22 (2011: RMB0.10) and RMB0.21 (2011: RMB0.10) respectively.

At the Board meeting held on 20 March 2013, the Board recommended the payment of a final dividend for the year ended 31 December 2012 of RMB0.090 (equivalent to HK$0.1113 at the exchange rate announced by the People's Bank of China on 20 March 2013) per ordinary share (2011: RMB0.045 (equivalent to HK$0.0555) per ordinary share), totaling RMB504,587,000 (equivalent to HK$624,006,000) (2011: RMB229,818,000 (equivalent to HK$283,198,000)), which is based on 5,606,524,604 shares (2011: 5,107,060,777 shares) in issue on 20 March 2013.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, cash and cash equivalents of the Group were approximately RMB2,016,418,000 (31 December 2011: RMB1,179,817,000). The Group derived its funds mainly from cash inflow from operating activities, bank borrowings, project finance, issuing bonds and placing shares. Current assets amounted to approximately RMB6,610,060,000 (31 December 2011: RMB6,447,187,000) and current ratio was 0.46 time (31 December 2011: 0.48 time).

DEBTS

As at 31 December 2012, total borrowings of the Group amounted to approximately RMB44,939,874,000 (31 December 2011: RMB41,915,836,000). All of the Group's bank and other borrowings are denominated in Renminbi, Japanese Yen ("JPY") and United States Dollars ("USD").

Set out below are details of the bank and other borrowings of the Group as at 31 December 2012 and 2011:

	2012	2011
	RMB'000	RMB'000
Bank borrowings, secured	**22,279,420**	21,526,381
Bank borrowings, unsecured	**12,630,982**	11,256,810
Corporate bonds issued by the Company	**800,000**	800,000
Convertible bonds issued by the Company	**1,855,185**	853,454
Corporate bonds issued by Wu Ling Power	**2,494,836**	1,994,020
Borrowings from group companies	**4,325,911**	4,985,911
Other borrowings	**553,540**	499,260
	44,939,874	41,915,836

The above bank and other borrowings were repayable as follows:

	2012	2011
	RMB'000	RMB'000
Within one year	**9,654,738**	9,352,255
In the second year	**4,313,797**	3,601,660
In the third to fifth year	**14,735,703**	9,736,804
After the fifth year	**16,235,636**	19,225,117
	44,939,874	41,915,836

Included in the above bank and other borrowings, about approximately RMB13,242,839,000 (2011: RMB12,831,217,000) are subject to fixed interest rates and the remaining bank borrowings are subject to adjustment based on the relevant rules of People's Bank of China and bearing interest at rates ranging from 5.53% to 7.22% (2011: 4.78% to 7.76%) per annum.

In May 2011, the Company issued 5-year convertible bonds of RMB982,000,000 with carrying amount of RMB880,000,000 as at 31 December 2012 and bearing interest at 2.25% per annum. The bonds were listed on the Hong Kong Stock Exchange on 17 May 2011.

In September 2012, the Company issued 5-year convertible bonds of RMB1,140,000,000 with carrying amount of RMB975,000,000 as at 31 December 2012 and bearing interest at 2.75% per annum. The bonds were listed on the Hong Kong Stock Exchange on 18 September 2012.

The debts incurred by the Group were used for general corporate purpose, including capital expenditure and working capital requirements.

The Group's debt to equity ratios (total borrowings/shareholders' equity) as at 31 December 2012 and 31 December 2011 were approximately 300.76% and 319.36% respectively.

CAPITAL EXPENDITURE

In 2012, capital expenditure of the Group was approximately RMB7,889,250,000 (2011: RMB7,484,509,000), which was primarily used for the construction of new power generating units and technical upgrade projects for the existing power generating units. Sources of funds were mainly from project financing, issuing bonds, placing shares and self-generated funds.

RISK MANAGEMENT

The investment and business operation of the Group are exposed to risks from exchange rates, interest rates, commodity prices and liquidity. Affected by factors such as the uncertainties of global financial condition, the tightening of China's credit policies and the soaring coal prices, the financial risks and operational risks that the Group encountered increased.

To effectively control its risk exposure, the Group has implemented all-round risk management and has established a systematic, comprehensive risk management mechanism and internal control system. It has a designated risk management department in place for execution and implementation of risk management measures.

After the Company acquired Wu Ling Power in 2009, the consolidated gearing ratio rose significantly which intensified the Group's financial risks. In order to control liquidity risks, the Group adjusted the structure for strategic development, increased its strength in fund concentration management and adopted measures to control the asset and liability scale, so as to achieve a reasonable level of gearing ratio.

FOREIGN EXCHANGE RATE RISKS

The Group is principally operating in the Mainland China, with most transactions denominating in Renminbi. Apart from certain cash and bank balances and bank borrowings, most of the Group's assets and liabilities were denominated in Renminbi. The acquisition of Wu Ling Power increased the borrowings denominated in JPY and USD. Increased fluctuation on Renminbi exchange rate and JPY exchange rate resulted in the increase in the Group's fluctuation in exchange gain/loss, thereby affecting its financial condition and operating results. As at 31 December 2012, the balance of the Group's borrowings denominated in foreign currencies amounted to approximately RMB1,268,740,000 (31 December 2011: RMB1,729,702,000).

Wu Ling Power, entered into a derivative financial instrument contract with a view to managing the foreign exchange exposure of its JPY borrowings. The derivative financial instrument contract is mainly to sell USD for JPY with an aggregate notional principal amount of JPY2,601,520,000 (31 December 2011: JPY2,861,672,000).

PLEDGE OF ASSETS

As at 31 December 2012, the Group pledged its property, plant and equipment with a net book value of approximately RMB533,119,000 (31 December 2011: RMB555,619,000) to certain banks to secure bank loans in the amount of RMB261,820,000 (31 December 2011: RMB277,320,000). In addition, certain bank borrowings were secured by the rights on accounts receivable of certain subsidiaries of the Group. The accounts receivable secured under these borrowings as at 31 December 2012 was amounting to approximately RMB1,575,920,000 (31 December 2011: RMB1,161,965,000). As at 31 December 2012, bank deposit of a subsidiary of the Group amounting to RMB35,000,000 (31 December 2011: Nil) was pledged as security for an obligation under finance lease in the amount of RMB492,373,000 (31 December 2011: Nil).

CONTINGENT LIABILITIES

As at 31 December 2012, the Group had no material contingent liabilities.

EMPLOYEES

As at 31 December 2012, the Group had a total of 7,669 full-time employees.

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

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

OUTLOOK FOR 2013

Last year, the growth of China's economy was affected by the slowing global economic growth, the growth rate of electricity consumption in China declined as compared to the past. However, since September 2012, domestic electricity consumption data have been gradually showing a rebound. Since January 2013 to present, the accumulated year on year growth rate of the total power generation has seen acceleration, indicating that the momentum of China's stable economic growth has been consolidated.

The economic development of China remains satisfactory and will be favourable to the electricity industry. It is expected that the national social electricity consumption will continue to grow steadily this year. In addition, with the coal market price fell gradually since last year, the coal cost is anticipated to decrease this year, benefiting to our gross profit margin.

In 2013, the Group will adapt to internal and external changes in response to the complicated market environment. The Group will adhere to the profit management for increasing revenue and reducing expenses to improve operating results. On deepening the strategic implementation, the Group will reserve the competitive development projects to enhance development potential. It will speed up advancing infrastructure to facilitate its management and create synergies. It will strive for technological innovation and speed up facility renewal and upgrade to improve power generation efficiency. By closely monitoring the trend of the capital market, the Group will enhance its market communication mechanism to build a positive market image. With its commitment to human-oriented and good corporate governance culture, the Company will strengthen its competence.

CORPORATE GOVERNANCE REPORT

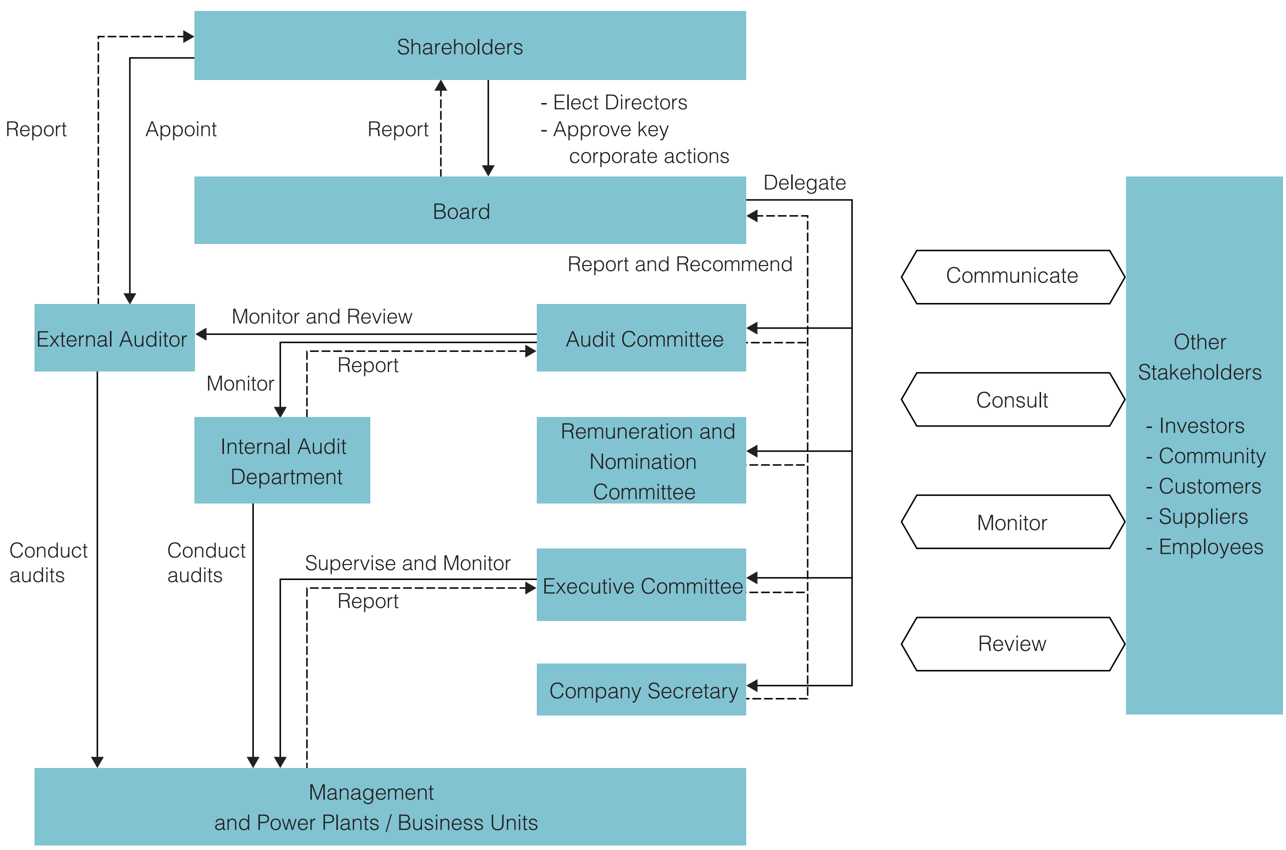
CORPORATE GOVERNANCE PRACTICES

China Power strives to raise the standard of corporate governance and regards corporate governance as part of value creation. This reflects the commitment of the Board and senior management on abiding by the standards of corporate governance, as well as our willingness to maintain transparency and accountability to maximize the value of our shareholders as a whole.

In compliance with the Hong Kong Stock Exchange's implementation of the revised Listing Rules Appendix 14 of the Corporate Governance Code and Corporate Governance Report (the "CG Code") and the associated Listing Rules in early 2012, the Board has reviewed the revised CG Code and the revised Listing Rules and their impact to the Company, and has taken measures to comply with the new requirements.

Save for the deviations from the CG Code provisions of A.2.1 and A.4.2, the Company has strictly complied with the provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and the CG Code (effective from 1 April 2012) as set out in Appendix 14 to the Listing Rules for the year ended 31 December 2012.

GOVERNANCE FRAMEWORK



THE BOARD

Board Composition

The Board comprises Chairman of the Board and chief executive officer, Ms. Li Xiaolin, executive Director and the president, Mr. Gu Dake, two non-executive Directors, namely Mr. Guan Qihong and Mr. Wang Zichao, and three independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Mr. Li Fang and Mr. Tsui Yiu Wa, Alec. 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 as well as scholars. 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 Officer

The CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Ms. Li Xiaolin currently serves as Chairman of the Board and chief executive officer. The Board believes that Ms. Li Xiaolin has served as the chief executive officer of the Company and accumulated extensive experience in the capital market and the industry. It will be more effective in developing the Company's long-term business strategies and in execution of the Company's business plans if Ms. Li Xiaolin continues to serve as the chief executive officer of the Company. To help maintain a balance of power, the Company has set up an Executive Committee. The Executive Committee was formed by all executive Directors and senior management and meetings were convened regularly to make decisions on matters concerning the daily management and business of the Company.

The Chairman, Ms. Li Xiaolin, provides leadership for the Board. She 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. She 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 that views of shareholders are communicated to the Board as a whole.

Appointment, Re-election and Removal

In accordance with the Company's Articles of Association, one-third of the Directors (including non-executive Directors with fixed term of three years, but with the exception of the executive Director who is also the chief executive officer of the Company) will retire from office by rotation for re-election by shareholders at all the subsequent annual general meetings after the annual general meeting in year 2007. In addition, any new appointment to the Board is subject to re-appointment by shareholders at the upcoming general meeting.

The CG Code provision A.4.2 also stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, as provided in the Articles of Association of the Company, the executive Director who is also the chief executive officer of the Company shall not be subject to retirement by rotation.

The Company is of the view that the position of chief executive officer is crucial to the operation of the Company. The Articles of Association of the Company stipulate that the chief executive officer shall not be subject to retirement by rotation, which reflects the importance of this position and ensures that the impact of the change of personnel on the operation of the Company is kept to minimal.

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 reviews and approves major matters such as 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, 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 three committees, namely Audit Committee, Remuneration and Nomination Committee and Executive Committee to implement internal supervision and control on each relevant aspects of the Company.

The Board delegates certain management and operational functions to the Executive Committee and the management, and reviews such arrangements periodically to ensure that such arrangements 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 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. Tsui Yiu Wa, Alec, 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 Audit Committee held two meetings during 2012 (average attendance was 100%). The committee's work performed during the year included:

- reviewed the Company's corporate governance policies and practices according to the new amendments to the Listing Rules Appendix 14 of the CG Code;
- reviewed the annual financial statements for the year ended 31 December 2011 and the interim financial statements for the six months ended 30 June 2012;
- reviewed and approved the audit strategy submitted by the external auditor for the year ended 31 December 2012;
- 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 together with the senior management, internal and independent auditors of the Company.

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.

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 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 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.

The Remuneration and Nomination Committee has three members, namely Mr. Li Fang, Mr. Kwong Che Keung, Gordon, and Mr. Tsui Yiu Wa, Alec, 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 Remuneration and Nomination Committee held two meetings during 2012 (average attendance was 100%). The committee's work performed during the year included:

- reviewed and approved the Company's remuneration and nomination policies and practices according to the new amendments to the Listing Rules Appendix 14 of the CG Code;
- reviewed the Company's matters relating to remuneration in 2012, and considered and recommended the overall remuneration package of the Directors and senior management in 2012; and
- considered and approved the change of non-executive Director, and recommended to the Board.

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.

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 Board acts as the chairman of the committee. The members of the committee include the president, vice presidents, financial controller and other senior management. It has been delegated with the responsibility 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 eight meetings during 2012. The Chairman of the Board, the president and senior management of the Company all attended each meeting.

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 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 revised 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 2012.

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 they received to the Company Secretary for record. Their trainings included attending seminars and discussion forums, reading briefing and update materials.

OPERATION OF MEETINGS AND SUPPLY OF AND ACCESS TO INFORMATION

Full Board or committee papers will be sent to all Directors at least three days before the intended date of a Board meeting or a committee meeting.

Management has 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 is also invited to join the Board or committee meetings where appropriate.

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. Minutes of the meetings are kept by our Company Secretary, and the Board and committee members may inspect the documents and minutes of the Board and the committees at any time.

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.

DIRECTORS' ATTENDANCE RECORD

In the year 2012, the attendance records of the Directors at Board meetings, Audit Committee meetings, Remuneration and Nomination Committee meetings and the Annual General Meeting are as follows:

Directors	Board	Audit Committee	Remuneration and Nomination Committee	Annual General Meeting
Executive Directors:				
Li Xiaolin *(Chairman of the Board and chief executive officer)*	4/5	—	—	1/1
Gu Dake *(President)*	5/5	—	—	1/1
Non-executive Directors:				
Guan Qihong	5/5	—	—	1/1
Wang Zichao (Note 1)	3/3	—	—	—
Gu Zhengxing (Note 2)	2/2	—	—	1/1
Independent Non-executive Directors:				
Kwong Che Keung, Gordon *(Chairman of the Audit Committee)*	5/5	2/2	1/1	1/1
Li Fang *(Chairman of the Remuneration and Nomination Committee)*	5/5	2/2	1/1	1/1
Tsui Yiu Wa, Alec	5/5	2/2	1/1	1/1

Notes:

1. Wang Zichao was appointed as the non-executive Director of the Company with effect from 28 June 2012.

2. Gu Zhengxing ceased to be the non-executive Director of the Company with effect from 28 June 2012.

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, 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.

From January 2012, all Directors have been given on a monthly basis the latest information and briefing about the financial position, changes in the business and the development of the Group. The Directors endeavour to ensure a balanced, clear and understandable assessment of the Company's position and prospects in annual reports, interim reports, inside information announcements and other disclosures required under the Listing Rules and other statutory requirements.

Internal Controls

The Board puts particular emphasis on risk management and strengthening internal monitoring system. In respect of organizational structure, the Company has set up the Audit 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 Control Department which is crucial to the Company's internal controls. To create a good internal control environment, the Internal Control Department provides internal control assessment reports to the management on a regular or ad hoc basis. It also reports to the Audit Committee and the Board at least twice a year on internal control 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 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.

The Board through the Audit 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 internal control system is efficient and effectively controls the risks that may have impacts on the Company in achieving its goals.

In 2012, the Internal Control Department completed the "Risk Management and Internal Control Specifications", replacing the old "Internal Control Manual", adding 10 items of businesses for covering all businesses of the Company, ensuring capability of core controls, protecting against all environmental impacts of "super structure, high standards, whole process, strict mandate, emphasizing supervision, strengthening assessment" for management control system. The new "Risk Management and Internal Control Specifications" acts as the basis for evaluation of internal control.

In 2012, the Internal Control 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 prior year internal control assessment in 2011. By analyzing various internal control points relating to the business processes, we have a better picture of the current conditions of internal control of each business unit and unearthed defects and weaknesses of the internal control system. 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. During the year under review, no significant area of concern which may affect the shareholders of the Company was found.

In addition, the Internal Control 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 terms of the continuing connected transactions in the actual course of business operation and did not exceed the annual cap 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 Control Department about possible improprieties in any matter related to the Group, and through the Internal Control Department reports directly to the Audit Committee.

The Company has enhanced its efforts in internal audit this year to develop the audit of economic responsibility, fund management and financial control of the Company leadership. With enhanced effective internal audit function, internal audits were conducted on the basis of independent supervision and objective assessment of the adequacy and effectiveness of the internal control system in operation.

External Auditor's and its Remuneration

The Company appointed PricewaterhouseCoopers 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 2012, 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 2012, 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	7,700
Non-audit services:	
Interim review	1,040
Work in connection with continuing connected transactions and the offering memorandum for issue of convertible bonds	1,150

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 and Investor Relations Department, which takes charge of the Company's relationship with investor relations 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.

Ms. Li Xiaolin, the chairman of the Board, attended the annual general meeting of the Company held on 18 May 2012 and took the chair of that meeting. All other Directors from the Board and the external independent auditor, PricewaterhouseCoopers, who is responsible for the audit work of the Company, were also present thereat to be available to answer questions to ensure effective communication with shareholders of the Company.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene Extraordinary General Meeting

Shareholders of the Company (the "Shareholders") entitled to have right to request the Company to convene an extraordinary general meeting pursuant to Section 113 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The procedures are as follows:

1. Shareholders should hold at the date of the deposit of the requisition not less than one-twentieth of the paid-up capital of the Company and such share capital at the date of the deposit of the requisition carries the right of voting at general meeting of the Company.

2. The requisition must state the objects of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company to propose the requisition in writing to the Company, and may consist of several documents in like form, each signed by one or more requisitionists.

3. Directors should be within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting for a day not more than 28 days after the date on which the notice convening the meeting is given.

4. If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting for a day not more than 28 days after the date on which the notice convening the meeting is given, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date.

5. A meeting convened under this section by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by Directors.

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 and 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 "Corporate Information" 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 significant change in the Company's Memorandum and Articles of Associations.

INVESTOR RELATIONS

The Company, the Board and the management has always prioritized the investor relations 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. We are also convinced that reporting to shareholders as well as establishing a good investor relation are important responsibilities of the Board and the management.

The Chairman, the Directors and the senior management has participated in a variety of investor relations activities to maintain communication with the investors. Apart from introducing the development in the power industry, the relevant industry policies, the operations and development strategies of the coal-fired power and hydropower of the Company, we also emphasize the feedback from the investors during the meetings with 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 the greater value for the shareholders.

PRESS CONFERENCES FOR ANNUAL AND INTERIM RESULTS

In 2012, the Company organized the results press conferences right after the publications of its 2011 annual and 2012 interim results, to give a detailed account of the annual and interim results of the Company. The Chairman, the Directors and the senior management both attended the conferences and had direct communications with investors, securities analysts and financial media to keep them abreast of the business development and overall strategic planning of the Company as well as the future expansion plans and profit growth of the Company.

ANNUAL GENERAL MEETING

The 2012 annual general meeting was held on 18 May 2012 at Tianshan and Lushan Room, Level 5, Island Shangri-La, Two Pacific Place, Supreme Court Road, Central, Hong Kong. The Chairman, the Directors and the senior management together with the external independent auditor attended the annual general meeting to answer enquiries from the shareholders and investors attending the meeting. All ordinary resolutions proposed in the meeting were duly passed by shareholders' voting.

The 2013 annual general meeting proposes to be held on 28 May 2013.

INVESTOR RELATIONS

ROADSHOWS

In 2012, the Company held one overseas roadshow for announcing the annual results. The senior management and investor relation team participated in the roadshow to interview and communicate with investors.

INVESTOR CONFERENCE

In 2012, the senior management and investor relation team participated in six investor conferences organized by major investment banks in Macau, Hong Kong, Beijing and Shanghai, and attended small-scale seminars held by investment banks to maintain interactive communications with investors.

REGULAR MEETINGS WITH INVESTORS

The senior management and investor relation team have meetings with investors and analysts upon their requests to introduce the information and recent operations of the Company and answer questions raised by investors.

In 2012, the Company conducted more than a hundred of one-on-one meetings or seminars with several hundred investors and analysts, thereby maintaining good communication with securities analysts, investors and financial media.

SHAREHOLDERS AND INVESTORS ENQUIRIES

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

QUESTIONS FREQUENTLY ASKED BY INVESTORS

1. WHAT IS THE COMPANY'S DEVELOPMENT STRATEGY?

Since the IPO, the development strategy of the Company has been consistent and distinctive. With the support of the parent companies CPI Group and CPI Holding, we focus on the development of coal-fired power and large hydropower projects through acquisitions and construction in economically developed coastal areas or resources-rich regions, so as to maintain sustainable, rapid and healthy growth of the Company.

Currently, the Company is progressing forward in both of its core segments of coal-fired electricity and hydropower electricity and has successfully differentiated itself from its peers in the industry. The percentage of hydropower installed capacity of the Company is the highest among the PRC power generation companies listed overseas.

In the future, the Company will utilize the high quality platform brought by Wu Ling Power to build and acquire hydropower projects in Hunan and Sichuan and expand the percentage of hydropower capacity. For conventional coal-fired power, the Company will establish coal-fired power generation units with high-capacity and high parameter so as to increase the competitiveness of its coal-fired power business. Furthermore, the Company will promote the integration and joint-operation of coal and electricity businesses and expand its business to the coal markets in Sichuan, Guizhou, Shanxi and Anhui.

2. WHAT IS THE COMPANY'S CAPITAL INJECTION PLAN FOR THE NEXT TWO YEARS?

Since the IPO in 2004, we have acquired Shentou Power Plant I in 2005 and 25% equity interest of Shanghai Power in 2006. In 2009, the Company successfully completed the acquisition of 63% equity interests in Wu Ling Power. Most of these acquisitions were completed through capital injections from the parent company CPI Group, showing its strong support for the Company.

CPI Group is a large power enterprise with a diversified and quality asset portfolio. As at the end of 2012, the total installed capacity of CPI Group amounted to approximately 80GW. While developing large-scale and regular coal-fired power and hydropower projects, CPI Group has obtained the controlling rights to develop nuclear power, and is currently participating in several nuclear projects with controlling stakes. Furthermore, CPI Group also has expanded its presence in the development of coal mining, port and electrolytic aluminium.

In 2013, the Company will continue to seize investment opportunities in the areas of hydropower, coal-fired power and coal mining. Capitalised on the support of its parent company, the Company will continue to optimize its asset structure and develop into an unique listed power company with complementary businesses of hydropower and coal-fired power generation.

3. WHAT IS THE CURRENT TARIFF LEVEL OF THE COMPANY?

In 2012, the average on-grid tariff of coal-fired power of the Company was RMB377.61/MWh, representing an increase of 8.39% as compared with RMB348.39/MWh of last year, while the average on-grid tariff of hydropower of the Company was RMB278.87/MWh, representing a decrease of 1.05% as compared with RMB281.84/MWh of last year.

4. WHAT IS THE COMPANY'S UTILIZATION HOURS FOR 2012 AND THE EXPECTATION FOR 2013?

In 2012, due to a slowdown in global economic growth, the electricity consumption in the PRC recorded a moderate year-on-year growth of 5.5%. The average utilization hours of power generation facilities in the PRC were 4,572 hours, representing a year-on-year decrease of 158 hours. Of which, the average utilization hours of coal-fired power generation facilities were 4,965 hours, representing a year-on-year decrease of 340 hours, while the average utilization hours of hydropower generation facilities were 3,555 hours, representing a year-on-year increase of 536 hours.

In 2012, the average utilization hours of coal-fired power plants of the Group realized were 4,959 hours, representing a year-on-year decrease of 824 hours, a reduction of 14.25%. The average utilization hours of hydropower plants realized were 3,482 hours, representing a year-on-year increase of 980 hours, an increment of 39.17%.

According to the estimate of China Electricity Council, the PRC economy will remain steady with a slight growth in 2013 and the demand and supply of electricity will stay in a general equilibrium. The electricity consumption in the PRC will be 5.3-5.4 trillion KWh, representing a year-on-year increase of 6.5%-8.5%. The annual average utilization hours of power generation facilities will be approximately 4,700-4,800 hours.

5. WHAT IS THE APPLICABLE TAX RATE FOR CHINA POWER AT PRESENT?

Among the coal-fired power plants of the Group, Yaomeng Power Plant II, Dabieshan Power Plant and Fuxi Power Plant currently enjoy the preferential tax treatment "First two years exemption and subsequent three years 50% reduction". The preferential period for Yaomeng Power Plant II and Dabieshan Power Plant ended in 2012, while that for Fuxi Power Plant will end in 2016. Fuxi Power Plant is also entitled to a preferential income tax rate of 15% until 2020. Pingwei Power Plant, Pingwei Power Plant II, Yaomeng Power Plant, Shentou I Power Plant and Changshu Power Plant were subject to the applicable income tax rate of 25% for the year. All hydropower plants of the Group were subject to the applicable income tax rate of 25% for the year (the applicable tax rate of some small hydropower plants in Sichuan is less than 25%).

6. WHAT IS THE COMPANY'S DIVIDEND POLICY?

The dividend policy of the Company has taken into account of the Company's cash flow and development needs and the dividend payout ratio of peers. The dividend payout ratio of the Company for the year 2005, 2006, 2007, 2009, 2010 and 2011 were 37.5%, 41.0%, 32.9%, 44.3%, 34.46% and 45.49%, respectively. In 2008, the Board did not declare dividend payment because the Company recorded a loss in annual results.

The Board recommended the dividend payment of RMB0.090 per share for the year 2012, and dividend payout ratio was 40.91%.

Apart from our commitment of a dividend payout ratio of not less than 25%, we will also take the above factors into full consideration when formulating our dividend policy in the future.

ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY

ENVIRONMENTAL PROTECTION

Principles of Energy Saving and Environmental Protection

In 2012, the PRC government proposed a concept "to build a beautiful China" by further emphasizing the strategic importance of environmental protection and taking the reduction of major pollutants emission as a restrictive indicator for economic and social development. The Board attaches high emphasis on energy saving and environmental protection. Ms. Li Xiaolin, the Chairman of the Board, strongly promotes the message of "light and power to the world, and clear water and blue sky to our children", which is also one of the fundamental missions of the Company. In 2012, the Company established the Department of Safety and Environmental Protection with a view to further reinforce our environmental protection works by implementing energy saving and consumption reduction measures to boost the reduction of pollutants emission.

Energy Saving and Environmental Protection Measures

1. **Improving the Environmental Indicators of Coal-fired Power Generation Units**

   In 2012, the environmental indicators of the coal-fired power generation units of the Company were further improved with a emission rate of dusts of 0.22g/KWh, representing a year-on-year emission reduction of 3,883 tons; a emission rate of sulphur dioxide of 0.39g/KWh, representing a year-on-year emission reduction of 4,430 tons; a emission rate of nitrogen oxide of 1.45g/KWh, representing a year-on-year emission reduction of 10,825 tons; and an average coal consumption rate of 316.70g/KWh, representing a year-on-year decrease of 2.70g/KWh.

2. **Strengthening the Environmental Management of Coal-fired Power Generation Units**

   The Company attaches great importance on the environmental management of coal-fired power generation units. In 2012, the desulphurization rate of the Company reached 94.95%, representing a year-on-year increase of 1.38%, which significantly reduced the emission of sulphur dioxide. During the "Twelfth Five-year Plan" period of China, the Company installed denitration facilities for all of its coal-fired power generation units in order to reduce the emission of nitrogen oxide. Among which, two denitration facilities for coal-fired power generation units at the Fuxi Power Plant have commenced operation, which has been confirmed by the Sichuan provincial Department of Environmental Protection, and are thus entitled to a denitration tariff subsidy of RMB8/MWh.

3. **Realizing a Significant Growth in Hydropower Generation with Remarkable Effects in Energy Saving and Environmental Protection**

   In 2012, the Company realized a significant year-on-year growth in hydropower generation, which brought remarkable effects in energy saving and environmental protection. The total sales volume of hydropower of Wu Ling Power reached 12,006,346MWh, which could be interpreted as a decrease in a standard coal consumption of 3,709,400 tons, a reduction in sulphur dioxide emission by 186,900 tons, a reduction in carbon dioxide emission of 10,292,100 tons, a reduction in nitrogen oxide emission of 49,400 tons and a reduction in smoke and dust discharging of 44.894 billion standard cubic meters.

SOCIAL RESPONSIBILITIES

Staff Care

For caring of our staff, staff members of the Company established the "Serious Illness Assistance Fund (特重病救助基金)" in 2005 with encouragement from the Company and have been making contributions to the fund ever since. The fund provides financial assistances once a year to staff members suffering from serious illnesses. In 2012, the number of staff members or their family members who were provided with financial assistance was 60, and the total amount of such financial assistance was approximately RMB753,000.

Social Donations

In 2012, charity donations made by the Company amounted to RMB370,000 in total. Staff members of the Company donated RMB277,000 to schools and children in poverty-stricken areas through various channels, such as the activities of "Assisting Impoverished Students in Autumn" organized by various provincial and municipal labour unions and the charity website of "Yingshanhong" sponsored by CPI Group.

Biological Constructions

Wu Ling Power, a principal subsidiary of the Company, made great efforts on the biological construction works of the reservoir area where it is located and has carried out fishery stock enhancement and fish fries releasing activities for a long time. In 2012, a number of hydropower companies of Wu Ling Power released more than one million fish fries at various locations. Such activities not only enriched the fishery resources, improved the water quality and protected the biological environment in the reservoir area, but also demonstrated the positive image of the Company to fulfil social responsibilities and emphasize environmental protection and scientific development.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors (the "Board") hereby presents to the shareholders its report together with the audited financial statements of the Group for the year ended 31 December 2012 (the "Financial Statements").

PRINCIPAL ACTIVITIES

The principal activities of the Group are to develop, construct, own, operate and manage large power plants in China, and engage in investment holdings. Particulars of the Company's principal subsidiaries are shown in Note 20 to the Financial Statements.

RESULTS AND DISTRIBUTION

The results of the Group for the year ended 31 December 2012 are set out in the Consolidated Income Statement on page 81. The Board has recommended the payment of a final dividend of RMB0.090 (equivalent to HK$0.1113) per share for the year ended 31 December 2012, with a total amount of approximately RMB504,587,000.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of approximately RMB6,757,741,000, 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 16 to the Financial Statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 29 to the Financial Statements.

BONDS ISSUED

The Company issued RMB1,140,000,000 USD settled 2.75% convertible bonds due 2017 in September 2012. The proceeds were used for the Company's future capital expenditure, existing borrowings, and general working capital.

Wu Ling Power, a 63%-owned subsidiary of the Company, issued by two tranches in an aggregate amount of RMB1 billion one-year non-public debt financing instrument in June and September 2012, and also re-issued the first tranche RMB500 million one-year-debentures in April 2012. Details of the corporate bonds of the Group and the Company are set out in Note 33 to the Financial Statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in Note 30 to the Financial Statements.

DISTRIBUTABLE RESERVE

Calculated under Section 79B of the Companies Ordinance, as at 31 December 2012, the distributable reserve of the Company amounted to RMB1,731,240,000 (2011: RMB1,730,351,000).

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 15 to the Financial Statements.

In accordance with Articles 81 and 82 of the Company's Articles of Association and the Listing Rules, Mr. Wang Zichao, Mr. Kwong Che Keung, Gordon, Mr. Li Fang and Mr. Tsui Yiu Wa, Alec 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 2012, 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.

SHARE OPTION SCHEMES

The Company has two share option schemes, namely the Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and the share option scheme (the "Share Option Scheme") as follows:

(A) Pre-IPO Share Option Scheme

The Company has conditionally approved and adopted the Pre-IPO Share Option Scheme on 24 August 2004. The purposes of the Pre-IPO Share Option Scheme are to retain high-calibre personnel who have contributed to the Company's long-term development and profitability and to motivate them to higher levels of performance by providing them with the opportunity to acquire equity in the Company.

The Pre-IPO Share Option Scheme ended on the date on which dealings in the shares commenced on the Hong Kong Stock Exchange (i.e. 15 October 2004). No further share options may be granted after that date but the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect.

As at the date of this annual report, a total of 5,856,900 shares (representing approximately 0.10% of the existing issued share capital of the Company) may be issued by the Company if all share options which had been granted under the Pre-IPO Share Option Scheme have been exercised.

Save that the exercise price per share is subject to the share options granted under the Pre-IPO Share Option Scheme being the offer price per share under the IPO of the Company, the principal terms of the Pre-IPO Share Option Scheme are substantially the same as the applicable terms of the Share Option Scheme. Grantees under the Pre-IPO Share Option Scheme were required to pay HK$1.00 to the Company as the nominal consideration of each share option granted.

Each share option has a 10-year exercise period 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 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 (less any number of shares in respect of which the share option has been previously exercised).

The Company has used the Black-Scholes Option Pricing Model (the "Model") to assess 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 due to the assumptions made and the limitations of the valuation model used.

The share options of the Pre-IPO Share Option Scheme were granted to the Directors, senior management and certain other employees of the Company on 18 September 2004 and to certain other employees of the Company on 11 October 2004. The fair value of these share options determined at the dates of grant using the Model were HK$9,875,200 and HK$4,006,000 respectively. All such fair value has already been expensed regressively through the Group's income statement over the four-year vesting period of the share options commencing from the year ended 31 December 2004 and no share option expense (2011: Nil) has been recognised for the year ended 31 December 2012.

Movements of the share options granted under the Pre-IPO Share Option Scheme during the year ended 31 December 2012 are as follows:

		Number of shares subject to share options						
Grantee	Date of grant	As at 1 January 2012	Granted during the year	Lapsed or cancelled during the year	Exercised during the year	Outstanding as at 31 December 2012	Expiry date	Exercise price per share (HK$)
Directors:								
LI Xiaolin	18 September 2004	1,661,500	—	—	—	1,661,500	17 September 2014	2.53
GU Dake	18 September 2004	872,300	—	—	—	872,300	17 September 2014	2.53
WANG Zichao	18 September 2004	540,000	—	—	—	540,000	17 September 2014	2.53
Other employees	18 September 2004	2,284,600	—	—	—	2,284,600	17 September 2014	2.53
	11 October 2004	498,500	—	—	—	498,500	10 October 2014	2.53

(B) Share Option Scheme

The Share Option Scheme was conditionally approved and adopted by a written resolution passed by the Company's shareholders on 24 August 2004. 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.

As at the date of issue of this annual report, the total number of shares in respect of which share options may be granted under the Share Option Scheme was 32,074,000 shares, representing approximately 0.57% of the existing issued share capital of the Company.

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 capitalisation 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.

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 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 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 ("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. For the year ended 31 December 2012, an amount of share option expense of RMB318,000 has been recognised, with a corresponding adjustment recognised in the Group's employee share-based compensation reserve.

Movements of the share options under the Share Option Scheme for the year ended 31 December 2012 are as follows:

Grantee	Date of grant	Number of shares subject to share options: As at 1 January 2012	Granted during the year	Lapsed or cancelled during the year	Exercised during the year	Outstanding as at 31 December 2012	Expiry date	Exercise price per share (HK$)
Directors:								
LI Xiaolin	4 April 2007	1,905,000	—	—	—	1,905,000	3 April 2017	4.07
	2 July 2008	820,000	—	—	—	820,000	1 July 2018	2.326
GU Dake	4 April 2007	1,377,000	—	—	—	1,377,000	3 April 2017	4.07
	2 July 2008	700,000	—	—	—	700,000	1 July 2018	2.326
GUAN Qihong	2 July 2008	400,000	—	—	—	400,000	1 July 2018	2.326
WANG Zichao	4 April 2007	804,000	—	—	—	804,000	3 April 2017	4.07
	2 July 2008	700,000	—	—	—	700,000	1 July 2018	2.326
Other employees	4 April 2007	6,558,000	—	(600,000)	—	5,958,000	3 April 2017	4.07
	2 July 2008	20,200,000	—	(790,000)	—	19,410,000	1 July 2018	2.326

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 Company	Other Interests
LI Xiaolin	Chairman, Executive Director and Chief Executive Officer	Deputy general manager of CPI Group; chairman of CPI Holding; chairman of China Power New Energy Development Limited and director of Companhia de Electricidade de Macau
GU Dake	Executive Director and President	Director and general manager of CPI Holding
GUAN Qihong	Non-executive Director	Director of CPI Holding, director of CPI Financial and supervisor of the Capital Market and Equity Management Department of CPI Group
WANG Zichao	Non-executive Director	General manager of the branch company of CPI Group in Hunan and the chairman of Wu Ling Power, a 63%-owned subsidiary of the Company

DIRECTORS' INTEREST IN CONTRACTS

There is no contract of significance in which the Company, its subsidiaries, its holding companies, fellow subsidiaries, associates and jointly controlled entities was a party, and in which the Director of the Company had any material interest, subsisted during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 December 2012, save as disclosed below, none of the Directors or the chief executive 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
LI Xiaolin	Beneficial owner	the Company	18 September 2004, 4 April 2007 and 2 July 2008	4,386,500	0.079	Long
GU Dake	Beneficial owner	the Company	18 September 2004, 4 April 2007 and 2 July 2008	2,949,300	0.053	Long
GUAN Qihong	Beneficial owner	the Company	2 July 2008	400,000	0.0072	Long
WANG Zichao	Beneficial owner	the Company	18 September 2004, 4 April 2007 and 2 July 2008	2,044,000	0.037	Long

Notes:

(1) The interests of the above Directors in the underlying shares of the Company represent the share options granted to them under the Pre-IPO Share Option Scheme and Share Option Scheme by the Company.

(2) None of the above Directors has interests in any securities of the Company (except for interests held under equity derivatives disclosed above).

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2012, 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[3]	Percentage of issued share capital of the Company (%)	Long/Short position
CPDL	Beneficial owner	1,996,500,000	35.97	Long
CPI Holding[1]	Interest of a controlled corporation	1,996,500,000	35.97	Long
	Beneficial owner	1,532,827,927	27.62	Long
CPI Group[2]	Interests of controlled corporations	3,529,327,927	63.59	Long

Notes:

(1) CPI Holding is the beneficial owner of CPDL and therefore CPI Holding is deemed to be interested in 1,996,500,000 shares owned by CPDL for the purposes of the SFO.

(2) CPI Group is the beneficial owner of CPI Holding and therefore CPI Group is deemed to be interested in 1,532,827,927 and 1,996,500,000 shares owned by CPI Holding and CPDL respectively for the purposes of the SFO.

(3) CPI Group, CPI Holding and CPDL do not have any interest in the equity derivatives of the Company.

CONNECTED TRANSACTIONS ENTERED BY THE GROUP

Connected Transactions

1. Share Transfer Agreement

On 31 May 2012, the Company entered into a share transfer agreement with CPI Holding ("Share Transfer Agreement"), pursuant to which the Company acquired 50% equity interest in Henan Zhongping from CPI Holding at a consideration of RMB70,504,000. The consideration was determined based on a valuation report prepared by an independent professional valuer in the PRC, and was paid in HK$ in a lump sum in cash financed by the Group's internal resources.

Henan Zhongping is principally engaged in construction and operation of steam coal rapid coal transport system, coal processing and coal selling. The transaction will enhance the Company's participation in the upstream coal field business. Henan Zhongping would supply coal to some power plants of the Company's subsidiaries, Yaomeng Power Plant and Yaomeng Power Plant II, located in Henan Province in the PRC.

CPI Holding is the holding company of the Company, the entering into the Share Transfer Agreement constitutes a connected transaction of the Company under the Listing Rules.

2. Wu Ling Entrusted Loan Agreement

Date:	2 November 2012
Parties:	(1) Wu Ling Power (the lender); (2) Changsha Xiaoxiang Branch of Bank of Communications Limited (the lending agent); and (3) Qian Dong Power (the borrower).
Principal sum:	RMB300,000,000
Interest rate:	6.15% per annum (the benchmark interest rate to be charged for the same level of loans of financial institutions in RMB for the same period as announced by the People's Bank of China)
Term:	3 years

The Entrusted Loan is used for supplementing the working capital of Qian Dong Power. The lending agent provides the services to release and manage the use and repayment of the Entrusted Loan by Qian Dong Power. The terms of the Wu Ling Entrusted Loan Agreement were negotiated on an arm's length basis between all parties thereto and were determined on normal commercial terms.

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 holding company of the Company. As such, Qian Dong Power is a connected person of the Company as defined in the Listing Rules. Accordingly, Wu Ling Entrusted Loan Agreement constitutes a connected transaction 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 CPI Group on 27 August 2004 (the "Land Lease Agreements") to lease from CPI Group the land on which they are respectively situated. The Land Lease Agreement with Yaomeng Power Plant was later supplemented on 24 September 2004 and 23 May 2007 respectively. In addition, the Land Lease Agreement with Pingwei Power Plant was also supplemented on 23 May 2007. 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	6,845,839.32	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	5,275,364.7	1 August 2004	26 August 2019 (being the expiry date of the term of the operation of Yaomeng Power Plant)

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

2. Shentou I Power Plant Land Use Right Lease Agreement

On 9 June 2005, Tianze Development Limited, the holding company of Shentou I Power Plant, entered into a land use right lease agreement (the "Land Use Right Lease Agreement") with CPI Group regarding the lease from CPI Group 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 annual rent for the period up to 31 December 2012 is fixed at RMB4,940,000. The rental amount is subject to review by the parties with reference to an independent valuation upon expiry of the said period.

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

Shentou I Power Plant is a subsidiary of the Company. CPI Group is the ultimate controlling shareholder 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

On 13 July 2012, the Company entered into an agreement with CPI Holding to renew a property lease (the "Beijing Property Lease Agreement") in which the premises being rented is used as an office of the Company. The basic terms of the Beijing Property Lease Agreement are set out as below:

Address of Premises	Area (sq. m.)	Use	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	Office	US$2,745,600 or US$26 per square metre per month	1 September 2012 to 31 August 2015

The rent is determined after arm's length negotiations and is more favourable than the market rent for other comparable office buildings in the proximity.

CPI Holding is the holding 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 a switching station and transmission lines 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"). The details of the Wu Ling Lease Agreement are set out in the following:

Renewal date:	8 June 2012
Annual consideration:	RMB54,110,000 (the consideration shall be payable annually, on normal commercial terms and not more favourable than that given to any independent third party)
Term:	9 June 2012 to 31 December 2013

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 holding 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 Agreements

1. Pingwei Power Plant II and Yaomeng Power Plant II Purchase Agreements

On 21 December 2009, each of Pingwei Power Plant II and Yaomeng Power Plant II entered into the purchase agreements with the Beijing CP Environmental (the "Supplier") respectively pursuant to which each of Pingwei Power Plant II and Yaomeng Power Plant II agreed to purchase from the Supplier the limestone power for desulphurization (the "Materials").

The purchase price of the Materials is determined on arm's length, with reference to the market condition and the quantity of Materials purchased. The parties also agree to review the above purchase prices annually and may adjust the purchase price by reference to the cost of the Materials, production cost, transportation cost and market conditions. The principal terms of the two purchase agreements are as follows:

Pingwei Power Plant II Purchase Agreement

- Term: 1 January 2010 to 31 December 2012
- Maximum amount: 47,500 tons of the Materials for each financial year
- Annual cap: RMB9,900,000

Yaomeng Power Plant II Purchase Agreement

- Term: 1 January 2010 to 31 December 2012
- Maximum amount: 57,500 tons of the Materials for each financial year
- Annual cap: RMB11,500,000

2. Pingwei Power Plant and Yaomeng Power Plant Purchase Agreements

On 28 December 2010, Pingwei Power Plant and Yaomeng Power Plant entered into the Pingwei Purchase Agreement and Yaomeng Purchase Agreement with the Supplier for purchase from it the Materials respectively. The principal terms of the two purchase agreements are as follows:

Pingwei Purchase Agreement

- Term: 1 January 2011 to 31 December 2012
- Maximum amount: 45,000 tons of the Materials for each financial year
- Annual cap: RMB9,360,000

Yaomeng Purchase Agreement

- Term: 1 January 2011 to 31 December 2012
- Maximum amount: 65,000 tons of the Materials for each financial year
- Annual cap: RMB11,800,000

3. Fuxi Power Plant Purchase Agreement

On 6 May 2011, Fuxi Power Plant entered into a purchase agreement with Sichuan Yibin (the "Supplier"), and agreed to purchase the limestone power for desulphurization (the "Materials"). The principal terms of the purchase agreement are as follows:

- Term: 1 December 2011 to 31 December 2012
- Maximum amount: 250,000 tons of the Materials for each financial year
- Annual cap: RMB39,875,000

4. Material Purchase Framework Agreement

On 4 December 2012, the Company entered into a framework agreement with Beijing CP Environmental ("Material Purchase Framework Agreement") pursuant to which the parties agreed that Pingwei Power Plant, Pingwei Power Plant II, Yaomeng Power Plant, Yaomeng Power Plant II, Fuxi Power Plant and CP Shentou Power Plant, subsidiaries of the Company (collectively "Purchasers"), will purchase from Huainan branch of Beijing CP Environmental, Pingdingshan branch of Beijing CP Environmental, Sichuan Yibin and Shuozhou China Power Environmental Engineering Company Limited* (朔州中電環境工程有限公司), subsidiaries of Beijing CP Environmental (collectively "Suppliers"), the limestone powder for desulphurization (the "Materials") after the above original purchase agreements expired on 31 December 2012.

The term of Material Purchase Framework Agreement is three years commencing from 1 January 2013 and ending 31 December 2015.

The purchase price of the Materials is calculated on a cost plus profit basis and shall be determined by the parties each year by reference to the market conditions. If the circumstances warrant an adjustment in the purchase price of the Materials due to objective market factors, the increment shall not exceed 10% of the original price set by Material Purchase Framework Agreement, which will be negotiated between the parties at arm's length.

It is anticipated that the annual caps of the Material Purchase Framework Agreement for the three financial years ending 31 December 2013, 2014 and 2015 should not exceed RMB131,582,000 including an assumed increment of 10% in purchase price.

As Pingwei Power Plant, Yaomeng Power Plant, Pingwei Power Plant II, Yaomeng Power Plant II, Fuxi Power Plant and CP Shentou Power Plant are subsidiaries of the Company, and the Suppliers are subsidiaries of CPI Holding, the Suppliers are connected persons of the Company under the Listing Rules. The above purchase agreements and the Material Purchase Framework Agreement constitute continuing connected transactions of the Company.

(D) Service Agreements

1. Pingwei Power Plant and Yaomeng Power Plant Service Agreements

On 21 December 2009, Pingwei Power Plant entered into a series of service agreements with Pingwei Maintenance Company and Pingwei Industry Company (the "Pingwei Service Agreements"), and Yaomeng Power Plant also entered into a series of service agreements with Yaomeng Engineering Company and Yaomeng Industrial Company (the "Yaomeng Service Agreements") in relation to the provision of various services in connection with their day-to-day businesses and operations. The relevant terms of the service agreements are summarised below:

Pingwei Service Agreements

- Term: 1 January 2010 to 31 December 2012

	Annual caps (RMB)
• Composite repair and maintenance service agreement (with Pingwei Maintenance Company)	55,630,000
• Fuel related service agreement (with Pingwei Industry Company)	26,900,000
• Composite service agreement (with Pingwei Industry Company)	25,300,000

Yaomeng Service Agreements

- Term: 1 January 2010 to 31 December 2012

	Annual caps (RMB)
• Composite repair and maintenance service agreement (with Yaomeng Engineering Company)	46,680,000
• Fuel related service agreement (with Yaomeng Industrial Company)	7,050,000
• Composite service agreement (with Yaomeng Industrial Company)	33,250,000

2. Pingwei Power Plant II, Yaomeng Power Plant II, Dabieshan Power Plant and Shentou I Power Plant Service Agreements

On 30 December 2010, the Company entered into a framework agreement with CPI Holding (the "Framework Agreement"). Pursuant to the Framework Agreement, the parties agreed that Pingwei Maintenance Company, Yaomeng Engineering Company, Shentou Engineering Company, Pingwei Industry Company, Yaomeng Industrial Company, Shentou Industry Company (collectively "Suppliers" or individually "Supplier"), subsidiaries of CPI Holding, will provide the provision of various services in connection with their day-to-day businesses and operations to the Pingwei Power Plant II, Yaomeng Power Plant II, Dabieshan Power Plant and Shentou I Power Plant (collectively "Employers" or individually "Employer"), subsidiaries of the Company.

The term of the Framework Agreement is three years, commencing from 1 January 2011 and ending on 31 December 2013.

The service fee payable shall be determined by the following mechanism:

- the applicable State tariffs set by the PRC government, if any;
- if there are no such stipulated State tariffs, tariffs recommended by the PRC government;
- if there are neither State tariffs nor recommended tariffs, prices determined in accordance with the prevailing market prices; and
- in the absence of the above, an agreed price reflecting the reasonable cost incurred by the relevant Suppliers in providing the services.

The estimated annual caps for the consideration payable under the Framework Agreement for the three financial years ending 31 December 2011, 2012 and 2013 are estimated to be RMB300,000,000.

3. Technical Repair and Maintenance Framework Agreement

On 28 December 2012, the Company entered into a framework agreement ("Technical Repair and Maintenance Framework Agreement") with CP Maintenance Engineering pursuant to which the parties agreed that the Pingwei Maintenance Company, Yaomeng Engineering Company and Shentou Engineering Company (collectively "Technicians"), subsidiaries of CP Maintenance Engineering, will provide the Pingwei Power Plant, Yaomeng Power Plant and CP Shentou Power Plant (collectively "Employers"), subsidiaries of the Company, with repair and maintenance services for their power generation units and related power generation facilities.

The term of Technical Repair and Maintenance Framework Agreement is three years commencing from 1 January 2013 and ending 31 December 2015.

The service fee payable to relevant Technician from the relevant Employer shall be determined by the following:

- the applicable State tariffs set by the PRC government, if any;
- if there are no such stipulated State tariffs, tariffs recommended by the PRC government;
- if there are neither State tariffs nor recommended tariffs, prices determined in accordance with the tariffs for similar services provided by independent third parties in the prevailing market; and
- in the absence of the above, an agreed price at arm's length negotiation reflecting the reasonable costs incurred by the relevant Technician in providing the services plus profit basis.

It is anticipated that the proposed annual caps of Technical Repair and Maintenance Framework Agreement for the three financial years ending 31 December 2013, 2014 and 2015, are RMB154,000,000, RMB186,000,000 and RMB186,000,000 respectively.

4. Composite Support Services Framework Agreement

On 28 December 2012, the Company entered into a framework agreement ("Composite Support Services Framework Agreement") with CPI Holding pursuant to which the parties agreed that the Pingwei Industry Company, Yaomeng Industrial Company and Shentou Industry Company (collectively "Contractors"), subsidiaries of CPI Holding, will provide the Pingwei Power Plant, Yaomeng Power Plant and CP Shentou Power Plant (collectively "Employers"), subsidiaries of the Company, with various supporting services in relation to their daily power plant operations.

The term of Composite Support Services Framework Agreement is three years commencing from 1 January 2013 and ending 31 December 2015.

The service fee payable to relevant Contractor from the relevant Employer shall be determined by the following:

- the tariffs for similar services provided by independent third parties in the prevailing market; or
- if the above is not applicable, an agreed price at arm's length negotiation reflecting the reasonable cost incurred by the relevant Contractor in providing the services plus profit basis.

It is anticipated that the proposed annual caps of Composite Support Services Framework Agreement for the three financial years ending 31 December 2013, 2014 and 2015, are RMB145,000,000, RMB177,000,000 and RMB177,000,000 respectively.

As Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company, Yaomeng Industrial Company, Shentou Engineering Company and Shentou Industry Company are subsidiaries of CPI Holding, and CPI Holding is the holding company of the Company, the entering into the above service agreements, the Technical Repair and Maintenance Framework Agreement and the Composite Support Services Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

(E) Production Target Sale and Purchase Agreement

On 29 December 2010, the Company entered into a product target sale and purchase agreement (the "Production Target Sale and Purchase Agreement") with CPI Group for a term of three years, commencing from 1 January 2011 and ending on 31 December 2013.

According to the agreement, the parties agreed that their respective subsidiaries, associates or power plants may trade the production targets with each other to the extent permissible under the PRC laws, rules, regulations and policies. In addition, if any subsidiaries, associates or power plants of the CPI Group decides to transfer their production targets to the Company's subsidiaries or power plants, they will enter into a replacement agreement (the "Replacement Agreement") setting out details of the terms and amount of the production targets being transferred. The Replacement Agreement will then be submitted to the relevant PRC government department for approval and confirmation.

The consideration payable under the Replacement Agreements will be determined by the following principles:

- the applicable State tariffs set by the PRC government, if any;
- if there are no such stipulated State tariffs, tariffs recommended by the PRC government;
- if there are neither State tariffs nor recommended tariffs, prices determined in accordance with the prevailing market prices; or
- in the absence of the above, an agreed price will be determined on the reasonable cost plus a profit basis. The parties will enter into negotiation so as to determine the amount of reasonable profit and cost with reference to the profit and cost permissible under the relevant PRC standards.

The estimated annual caps for the consideration payable under the Production Target Sale and Purchase Agreement for the three financial years are as follows:

Financial year ended 31 December	Annual cap (RMB)
2011	156,000,000
2012	228,000,000
2013	228,000,000

As CPI Group is the ultimate holding company of the Company, the entering into the Production Target Sale and Purchase Agreement constitutes a continuing connected transaction of the Company.

(F) Huainan Mining Coal Supply Framework Agreement

On 26 July 2011, the Company entered into a coal supply framework agreement (the "Coal Supply Framework Agreement") with Huainan Mining Group in relation to the supply of coal to Pingwei Power Plant, Pingwei Power Plant II and Dabieshan Power Plant from Huainan Mining Group for a term of three years, commencing on the date when the Coal Supply Framework Agreement was signed and expiring on 31 December 2013 (both days inclusive).

The estimated aggregate annual amount of coal supply under the Coal Supply Framework Agreement for the three financial years is as follows:

Financial year ended 31 December	Aggregate annual amount of coal supply
2011	not exceed 8,500,000 tonnes
2012	not exceed 9,000,000 tonnes
2013	not exceed 10,000,000 tonnes

The estimated annual caps under the Coal Supply Framework Agreement for the three financial years are as follows:

Financial year ended 31 December	Annual caps (RMB)
2011	5,200,000,000
2012	6,400,000,000
2013	7,300,000,000

As Huainan Mining Group is the substantial shareholder of Pingwei Power Plant II and Dabieshan Power Plant, the subsidiaries of the Company, therefore is a connected person of the Company under the Listing Rules. Accordingly, the above Coal Supply Framework Agreement constitutes a continuing connected transaction of the Company.

(G) Assets Management Agreement

On 17 December 2012, the Company entered into a supplemental assets management agreement VII ("Supplemental Assets Management Agreement VII") with CPI Holding to amend certain terms in the original assets management agreement, pursuant to which the Company would manage certain power plants for CPI Holding in return for a management fee.

The term lasts for three years from 1 January 2013 to 31 December 2015.

The management fee payable by CPI Holding to the Company consists of the following three components:

1. management costs in the sum of RMB16,352,000 (covering the set-up, operational and other recurrent items to be incurred by the Company in management the power plants) (the "Management Costs");
2. a fixed premium to cover estimated risks set at 15% of the Management Costs; and
3. a profit/loss margin which is an incentive/penalty calculated by reference to the confirmed results of the power plants under management but which shall not exceed 15% of the Management Costs.

The first two components of the management fee are payable monthly in arrears. The profit/loss margin component is payable based on the annual evaluation of performance of the management but no later than 90 days after the end of each year.

It is anticipated that the maximum annual management fee (including an assumed profit margin of 15% on Management Costs and an assumed increment in Management Costs of 10%) for each of the three financial years ended 31 December 2013, 2014 and 2015 shall not exceed RMB22,892,800.

CPI Holding is the holding company of the Company, the entering into the Supplemental Assets Management Agreement VII constitutes a continuing connected transaction of the Company under the Listing Rules.

During the year 2012, those related party transactions listed under Note 43 to the Financial Statements which were connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules include:

- (a)(ii) Rental income from a fellow subsidiary
- (b)(i) Purchase of fuel, raw materials and spare parts from fellow subsidiaries and a non-controlling shareholder of a subsidiary
- (b)(ii) Service fees to fellow subsidiaries
- (b)(vi) Labour costs charged by fellow subsidiaries
- (b)(vii) Operating lease rental expenses paid to CPI Group and CPI Holding
- (c)(ii) Loan to a fellow subsidiary

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 of the Company 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 "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 issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions for the year ended 31 December 2012 as disclosed by the Group set out on pages 68 to 76 of the annual report in accordance with Rule 14A.38 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 and associates 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 2012.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2012, the aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 77.50% of the Group's total purchases and purchases attributable to the Group's largest supplier accounted for approximately 42.48% of the Group's total purchases.

For the year ended 31 December 2012, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 85.25% of the Group's total turnover and turnover attributable to the Group's largest customer accounted for approximately 21.52% 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 Financial Statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offered themselves for re-appointment.

On behalf of the Board
China Power International Development Limited

Li Xiaolin
Chairman

Hong Kong, 20 March 2013

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Power International Development Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 81 to 199, which comprise the consolidated and company balance sheets as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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羅兵咸永道

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED (CONTINUED)

(incorporated in Hong Kong with limited liability)

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2013

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Note	Year ended 31 December	
		2012	2011
		RMB'000	RMB'000
Revenue	5	**17,497,128**	16,082,062
Other income	6	**179,467**	234,442
Fuel costs		**(9,470,027)**	(9,940,476)
Depreciation		**(2,081,650)**	(1,809,808)
Staff costs	11	**(983,603)**	(824,685)
Repairs and maintenance		**(549,488)**	(490,136)
Consumables		**(240,842)**	(187,214)
Other gains, net	7	**271,733**	65,380
Other operating expenses		**(1,063,078)**	(856,136)
Operating profit	8	**3,559,640**	2,273,429
Finance income	9	**115,694**	108,903
Finance costs	9	**(1,687,029)**	(1,572,016)
Share of profits/(losses) of associates		**146,144**	(4,073)
Share of losses of jointly controlled entities		**(5,774)**	(24,024)
Profit before taxation		**2,128,675**	782,219
Taxation	10	**(447,399)**	(193,849)
Profit for the year		**1,681,276**	588,370
Attributable to:			
Owners of the Company		**1,181,125**	505,202
Non-controlling interests		**500,151**	83,168
		1,681,276	588,370
Earnings per share for profit attributable to owners of the Company during the year (expressed in RMB per share)			
– basic	13	**0.22**	0.10
– diluted	13	**0.21**	0.10

Details of dividends payable to owners of the Company attributable to the profit for the year are set out in Note 14.

The notes on pages 92 to 199 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Profit for the year	**1,681,276**	588,370
Other comprehensive (loss)/income		
– Fair value (loss)/gain on available-for-sale financial assets, net of tax	**(27,234)**	226,949
Total comprehensive income for the year	**1,654,042**	815,319
Attributable to:		
Owners of the Company	**1,153,891**	732,151
Non-controlling interests	**500,151**	83,168
Total comprehensive income for the year	**1,654,042**	815,319

The notes on pages 92 to 199 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**55,942,962**	49,350,730
Prepayments for construction of power plants	17	**1,655,650**	2,385,556
Land use rights	18	**449,928**	457,764
Goodwill	19	**767,453**	767,365
Interests in associates	21	**1,529,410**	1,523,617
Interests in jointly controlled entities	22	**553,177**	351,949
Available-for-sale financial assets	23	**2,026,793**	2,063,105
Loan to a fellow subsidiary	24	**300,000**	—
Deferred income tax assets	38	**73,965**	45,187
		63,299,338	56,945,273
Current assets			
Inventories	25	**662,883**	730,971
Accounts receivable	26	**2,170,030**	1,911,467
Prepayments, deposits and other receivables		**1,114,807**	791,627
Derivative financial instruments	37	**38,744**	—
Amounts due from related companies	27	**565,378**	332,109
Current portion of loans to a fellow subsidiary	24	**—**	1,500,000
Tax recoverable		**6,800**	1,196
Pledged bank deposit	34	**35,000**	—
Cash and cash equivalents	28	**2,016,418**	1,179,817
		6,610,060	6,447,187
Total assets		**69,909,398**	63,392,460

The notes on pages 92 to 199 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	29(a)	**5,483,753**	5,121,473
Share premium	29(b)	**4,685,455**	4,303,111
Reserves	30	**4,773,036**	3,700,408
		14,942,244	13,124,992
Non-controlling interests		**3,987,178**	3,364,510
Total equity		**18,929,422**	16,489,502
LIABILITIES			
Non-current liabilities			
Deferred income		**64,497**	75,289
Long-term bank borrowings	31	**27,929,204**	26,881,231
Long-term borrowings from ultimate holding company and CPI Financial Company Limited ("CPIF")	32	**3,705,911**	2,635,616
Corporate bonds	33	**1,794,836**	1,794,020
Convertible bonds	33	**1,855,185**	853,454
Long-term other borrowings	33	**—**	399,260
Obligations under finance leases	34	**555,085**	166,623
Deferred income tax liabilities	38	**824,201**	741,934
Other long-term liabilities		**5,815**	8,557
		36,734,734	33,555,984

The notes on pages 92 to 199 are an integral part of these consolidated financial statements.

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
Current liabilities			
Accounts and bills payables	35	**795,363**	875,389
Construction costs payable		**2,296,777**	1,987,536
Other payables and accrued charges	36	**993,462**	875,384
Derivative financial instruments	37	**—**	32,965
Amounts due to related companies	27	**151,799**	128,110
Current portion of long-term bank borrowings	31	**3,978,397**	2,702,450
Current portion of long-term other borrowings	33	**283,540**	—
Short-term bank borrowings	31	**3,002,801**	2,987,800
Other current bank borrowings	31	**—**	211,710
Short-term borrowings from ultimate holding company and CPIF	32	**620,000**	1,680,000
Current portion of long-term borrowings from ultimate holding company	32	**—**	670,295
Short-term other borrowings	33	**1,770,000**	1,100,000
Current portion of obligations under finance leases	34	**103,911**	17,714
Taxation payable		**249,192**	77,621
		14,245,242	13,346,974
Total liabilities		**50,979,976**	46,902,958
Total equity and liabilities		**69,909,398**	63,392,460
Net current liabilities		**7,635,182**	6,899,787
Total assets less current liabilities		**55,664,156**	50,045,486

Li Xiaolin
Director

Gu Dake
Director

The notes on pages 92 to 199 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 December 2012

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**8,963**	1,770
Investments in subsidiaries	20	**8,735,478**	7,993,050
Interests in associates	21	**585,687**	552,500
Interests in jointly controlled entities	22	**593,200**	386,198
Available-for-sale financial assets	23	**1,872,081**	1,908,393
		11,795,409	10,841,911
Current assets			
Prepayments, deposits and other receivables		**8,959**	11,650
Amounts due from related companies	27	**480,465**	202,387
Amounts due from subsidiaries	20	**2,035,605**	2,252,759
Dividends receivable		**923,026**	869,357
Cash and cash equivalents	28	**1,408,643**	584,945
		4,856,698	3,921,098
Total assets		**16,652,107**	14,763,009
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	29(a)	**5,483,753**	5,121,473
Share premium	29(b)	**4,685,455**	4,303,111
Reserves	30	**2,407,662**	2,286,452
		12,576,870	11,711,036

The notes on pages 92 to 199 are an integral part of these consolidated financial statements.

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
LIABILITIES			
Non-current liabilities			
Corporate bonds	33	**800,000**	800,000
Convertible bonds	33	**1,855,185**	853,454
Deferred income tax liabilities	38	**109,945**	119,023
		2,765,130	1,772,477
Current liabilities			
Other payables and accrued charges	36	**29,819**	31,774
Amounts due to related companies	27	**14,551**	7,720
Amounts due to subsidiaries	20	**841,460**	1,022,708
Short-term bank borrowings	31	**424,277**	—
Other current bank borrowings	31	**—**	211,710
Taxation payable		**—**	5,584
		1,310,107	1,279,496
Total liabilities		**4,075,237**	3,051,973
Total equity and liabilities		**16,652,107**	14,763,009
Net current assets		**3,546,591**	2,641,602
Total assets less current liabilities		**15,342,000**	13,483,513

Li Xiaolin
Director

Gu Dake
Director

The notes on pages 92 to 199 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to owners of the Company					
	Share capital (Note 29(a)) RMB'000	Share premium (Note 29(b)) RMB'000	Other reserves (Note 30) RMB'000	Retained earnings (Note 30(iv)) RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2012	**5,121,473**	**4,303,111**	**3,482,568**	**217,840**	**3,364,510**	**16,489,502**
Other comprehensive (loss)/income:						
Fair value loss on available-for-sale financial assets	—	—	(36,312)	—	—	(36,312)
Deferred tax on fair value loss on available-for-sale financial assets (Note 38)	—	—	9,078	—	—	9,078
Other comprehensive loss, net of tax	—	—	(27,234)	—	—	(27,234)
Profit for the year	—	—	—	1,181,125	500,151	1,681,276
Total comprehensive (loss)/income	—	—	**(27,234)**	**1,181,125**	**500,151**	**1,654,042**
Share-based compensation expense	—	—	318	—	—	318
Lapse of share options	—	—	(1,000)	1,000	—	—
Transfer to statutory reserves	—	—	61,835	(61,835)	—	—
Equity component of convertible bonds (Note 33(c))	—	—	148,237	—	—	148,237
Issue of ordinary shares	362,280	382,344	—	—	—	744,624
Contributions from non-controlling shareholders of subsidiaries	—	—	—	—	143,406	143,406
Dividends paid to a shareholder of a subsidiary	—	—	—	—	(20,889)	(20,889)
2011 final dividend	—	—	—	(229,818)	—	(229,818)
Total contributions by and distributions to owners of the Company	**362,280**	**382,344**	**209,390**	**(290,653)**	**122,517**	**785,878**
Balance at 31 December 2012	**5,483,753**	**4,685,455**	**3,664,724**	**1,108,312**	**3,987,178**	**18,929,422**

The notes on pages 92 to 199 are an integral part of these consolidated financial statements.

	Attributable to owners of the Company					
	Share capital (Note 29(a)) RMB'000	Share premium (Note 29(b)) RMB'000	Other reserves (Note 30) RMB'000	(Accumulated losses)/ retained earnings (Note 30(iv)) RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2011	5,121,473	4,303,111	2,854,444	(40,529)	2,655,698	14,894,197
Other comprehensive income/(loss):						
Fair value gain on available-for-sale financial assets	—	—	302,599	—	—	302,599
Deferred tax on fair value gain on available-for-sale financial assets (Note 38)	—	—	(75,650)	—	—	(75,650)
Other comprehensive income, net of tax	—	—	226,949	—	—	226,949
Profit for the year	—	—	—	505,202	83,168	588,370
Total comprehensive income	—	—	226,949	505,202	83,168	815,319
Share-based compensation expense	—	—	1,297	—	—	1,297
Lapse of share options	—	—	(4,451)	4,451	—	—
Transfer to statutory reserves	—	—	21,466	(21,466)	—	—
Equity component of convertible bonds (Note 33(c))	—	—	124,995	—	—	124,995
Contributions from non-controlling shareholders of subsidiaries	—	—	—	—	249,575	249,575
Dividends paid to a shareholder of a subsidiary	—	—	—	—	(78,440)	(78,440)
2010 final dividend	—	—	—	(229,818)	—	(229,818)
Total contributions by and distributions to owners of the Company	—	—	143,307	(246,833)	171,135	67,609
Acquisition of subsidiaries (Note 40)	—	—	—	—	167	167
Transactions with non-controlling interests (Note 41)	—	—	257,868	—	454,342	712,210
Total transactions with owners	—	—	401,175	(246,833)	625,644	779,986
Balance at 31 December 2011	5,121,473	4,303,111	3,482,568	217,840	3,364,510	16,489,502

The notes on pages 92 to 199 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Note	Year ended 31 December **2012** RMB'000	2011 RMB'000
Cash flows from operating activities			
Cash generated from operations	39(a)	**5,157,734**	3,656,781
Interest paid		**(2,590,371)**	(2,139,152)
PRC income tax paid		**(220,861)**	(276,527)
Net cash generated from operating activities		**2,346,502**	1,241,102
Cash flows from investing activities			
Payments for property, plant and equipment		**(5,577,944)**	(4,028,220)
Prepayments for construction of power plants		**(1,130,352)**	(1,221,315)
Payment for land use rights		**(1,157)**	(8,280)
Proceeds from disposal of property, plant and equipment and land use rights		**8,231**	94,398
Acquisition of subsidiaries, net of cash acquired	40	**(22,545)**	(312)
Acquisition of a jointly controlled entity		**(70,504)**	—
Proceeds from partial disposal of subsidiaries	41	**—**	743,899
Payment of purchase consideration for acquisition of Wuling Group		**—**	(98,387)
Payment of considerations payable for acquisition of subsidiaries		**(9,020)**	(48,883)
Repayment of loans to a fellow subsidiary	24	**1,500,000**	—
Acquisition of additional interests in a subsidiary		**—**	(31,689)
Capital injection to associates		**(39,188)**	—
Capital injection to jointly controlled entities		**(136,498)**	(240,092)
Investments in available-for-sale financial assets		**—**	(26,856)
Advances made to an associate		**(100,000)**	(200,000)
New loan to a fellow subsidiary	24	**(300,000)**	—
Dividends received		**25,513**	50,248
Interest received		**115,694**	108,903
Net cash used in investing activities		**(5,737,770)**	(4,906,586)

The notes on pages 92 to 199 are an integral part of these consolidated financial statements.

	Note	Year ended 31 December 2012 RMB'000	2011 RMB'000
Cash flows from financing activities			
New bank borrowings	39(b)	**10,904,896**	10,244,620
New borrowings from ultimate holding company and CPIF	39(b)	**1,640,295**	2,082,500
New short-term other borrowings	39(b)	**1,800,000**	1,499,260
Proceeds from issue of convertible bonds	33(c)	**1,140,000**	982,000
Convertible bonds issurance expenses	33(c)	**(25,484)**	(19,654)
Proceeds from issue of new shares	29	**760,788**	—
Share issuance expenses	29	**(16,164)**	—
Contributions from non-controlling shareholders of subsidiaries	39(b)	**143,406**	249,575
Repayment of bank borrowings	39(b)	**(8,670,577)**	(8,199,571)
Repayment of borrowings from ultimate holding company and CPIF	39(b)	**(2,300,295)**	(2,300,000)
Repayment of other borrowings	39(b)	**(1,317,720)**	(335,201)
Proceeds from a finance lease	39(b)	**489,315**	—
Payments for obligations under finance leases	39(b)	**(27,334)**	(27,335)
Dividend paid to a shareholder of a subsidiary	39(b)	**—**	(78,440)
Dividend paid		**(250,707)**	(229,818)
Increase in pledged bank deposit		**(35,000)**	—
Net cash generated from financing activities		**4,235,419**	3,867,936
Net increase in cash and cash equivalents		**844,151**	202,452
Cash and cash equivalents at 1 January		**1,179,817**	977,365
Exchange differences		**(7,550)**	—
Cash and cash equivalents at 31 December	28	**2,016,418**	1,179,817

The notes on pages 92 to 199 are an integral part of these consolidated financial statements.

NOTES TO THE 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 were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

In 2009, the Group acquired 63% equity interests in Wu Ling Power Corporation ("Wuling") from China Power International Holding Limited ("CPIH"), an intermediate holding company of the Company. Wuling and its subsidiaries (together, "Wuling Group"), are principally engaged in the generation and sales of hydropower electricity, and the development and construction of hydropower plants, mainly in Hunan and Guizhou Provinces in the PRC.

These consolidated financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated, and have been approved for issue by the Board of Directors on 20 March 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

As at 31 December 2012, the Group had net current liabilities of RMB7,635,182,000 (2011: RMB6,899,787,000). In preparing these financial statements, the Directors have taken into account all information that could reasonably be expected to be available and have ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. As of 31 December 2012, the Group had undrawn committed banking facilities amounting to approximately RMB10,348 million (2011: RMB11,597 million) and will refinance and/or restructure certain short-term loans into long-term loans or to consider alternative sources of financing, where applicable. Under these circumstances, the Directors are of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months and therefore have prepared the financial statements on a going concern basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. 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 4.

(a) Effect of adopting amendments to standards

The following amendments to standards are mandatory for accounting periods beginning on or after 1 January 2012. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group.

HKFRS 7 (amendment)	Disclosures - Transfers of Financial Assets
HKAS 12 (amendment)	Deferred Tax: Recovery of Underlying Assets

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

(b) New standards and amendments to standards that have been issued but are not effective for the financial year ended 31 December 2012 and have not been early adopted by the Group:

HKFRS 1 (amendment)	Government Loans (1)
HKFRS 7 (amendment)	Disclosures - Offsetting Financial Assets and Financial Liabilities (1)
HKFRS 9	Financial Instruments (3)
HKFRS 10	Consolidated Financial Statements (1)
HKFRS 11	Joint Arrangements (1)
HKFRS 12	Disclosure of Interests in Other Entities (1)
HKFRS 10, 11 and 12 (amendment)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (1)
HKFRS 10, 12 and HKAS 27 (2011) (amendment)	Investment Entities (2)
HKFRS 13	Fair Value Measurement (1)
HKAS 1 (amendment)	Presentation of Items of Other Comprehensive Income (1)
HKAS 19 (2011)	Employee Benefits (1)
HKAS 27 (2011)	Separate Financial Statements (1)
HKAS 28 (2011)	Investments in Associates and Joint Ventures (1)
HKAS 32 (amendment)	Offsetting Financial Assets and Financial Liabilities (2)
HK (IFRIC)-Int 20 (amendment)	Stripping Costs in the Production Phase of a Surface Mine (1)
HKFRSs (amendment)	Annual Improvements 2009-2011 Cycle (1)

(1) Effective for the Group for annual period beginning on 1 January 2013

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

(3) Effective for the Group for annual period beginning on 1 January 2015

The Group will apply the above new standards and amendments to standards from 1 January 2013 or later periods and has already commenced an assessment of their related impact to the Group. The Group expects there will be no material changes to the Group's significant accounting policies and presentation of the financial information on adoption of the above new standards and amendments to standards.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

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

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(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. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Consolidation *(Continued)*

(a) Subsidiaries *(Continued)*

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised 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 recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Consolidation *(Continued)*

(c) Associates *(Continued)*

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 recognises the amount adjacent to "share of profits/ (losses) of associates" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised 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.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

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

(d) Jointly controlled entities

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

The Group's interests in jointly controlled entities are accounted for using the equity method of accounting.

The consolidated income statement includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities.

In the Company's balance sheet, the interests in jointly controlled entities are stated at cost less provision for impairment (Note 2.8). The results of the jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 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. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

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

(c) Group companies

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

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

(ii) income and expenses for each 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 recognised in other comprehensive income.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial 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, 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 fixture	3 - 5 years
Tools and other equipment	3 - 18 years
Motor vehicles	2 - 12 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at 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 2.8). Such impairment losses are recognised in the 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 recognised in the income statement.

2.5 Construction in progress

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the costs of plant and machinery, direct labour costs and overheads and, for qualifying assets, borrowing costs capitalised 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 other property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.4 above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.6 Land use rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses (if any). Cost mainly represents consideration paid for the rights to use the land on which various plants and buildings are situated for a period of 23 to 69 years from the date the respective right was granted. Amortisation of land use rights is calculated on a straight-line basis over the period of the land use rights.

2.7 Goodwill

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

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

2.8 Impairment of investments in subsidiaries, associates, jointly controlled entities and non-financial assets

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

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Impairment testing of the investments in subsidiaries, associates and jointly controlled entities is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, associates or jointly controlled entity in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.9 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. 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 categorised 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 12 months; otherwise, they are classified as non-current.

(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 12 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, loans and amounts due from related parties and bank deposits and balances in the consolidated balance sheet.

(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 12 months of the end of the reporting period.

Investments are initially recognised at fair value plus transaction costs for all financial assets not classified as fair value through profit or loss. Financial assets classified as at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in income statement. Financial assets are derecognised 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 amortised cost using the effective interest method, less any provision for impairment.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.9 Financial assets *(Continued)*

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.

2.10 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. The method of recognising the resulting gains or losses depends on whether the derivative is designated and qualified as a hedging instrument, and if so, the nature of the item being hedged. Since the derivative financial instruments entered into by the Group do not qualify for hedge accounting, changes in the fair value of any derivative instruments are recognised immediately in the income statement.

2.11 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.

The Group first assesses whether objective evidence of impairment exists. 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 asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

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 recognised, the reversal of the previously recognised impairment loss is recognised in the 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 an evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.12 Inventories

Inventories comprise coal, oil, consumable supplies and spare parts held for consumption and usage and are stated at the lower of cost and net realisable value after provision for obsolete items, and are expensed to fuel costs or repairs and maintenance expense when used, or capitalised 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.

2.13 Accounts and other receivables

Accounts and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. 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.

2.14 Cash and cash equivalents

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

2.15 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. Trade and other payables (including construction costs payable and amounts payable to group companies) are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. An equity instrument is any contract that does not meet the definition of financial liability and evidences a residual interest in the assets of the Group after deducting all of its liabilities.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.16 Convertible bonds

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry or when the Company redeems some or all of the convertible bonds upon exercise of the put option by the bond holders.

2.17 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.18 Current and deferred income tax

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

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

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable rights to offset current tax assets against current 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.19 Employee benefits

(a) Pension obligations

The Group's contributions to the Mandatory Provident Fund Scheme established under the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed as incurred. Both the Group and its employees in Hong Kong are required to contribute 5% of each individual's relevant income with a maximum amount of HK$1,250 per month as a mandatory contribution. Employees may also elect to contribute more than the minimum as a voluntary contribution. The assets of the scheme are held separately from those of the Group and managed by independent professional fund managers.

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

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

(b) Bonus entitlements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.19 Employee benefits *(Continued)*

(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 (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted including any market performance conditions; excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specific time period, and including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specific vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the 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 (nominal value) and share premium when the options are exercised.

2.20 Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.21 Government grants

Grants and subsidies from the government are recognised at their fair value 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 recognised in the 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 income statement on a straight-line basis over the expected lives of the related assets and projects.

2.22 Finance lease

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

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

2.23 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 income statement on a straight-line basis over the period of the lease.

2.24 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)*

2.25 Revenue and income recognition

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

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

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

(ii) Sales of electricity quotas are recognised when electricity is generated and transmitted by the buyers of the quotas.

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

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

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

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

(vii) Clean development mechanism income is recognised when the counterparties have committed to purchase the carbon credits, the sales prices have been agreed, and relevant electricity has been generated and transmitted.

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

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised 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 FINANCIAL RISK MANAGEMENT

3.1 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 minimise potential adverse effects on the Group's financial performance. The use of financial derivatives to hedge certain risk exposures is governed by the Group's policies approved by the Board of Directors. The Group does not use derivative financial instruments for speculative purposes.

(a) Foreign exchange risk

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

The Group's assets and liabilities, and transactions arising from its operations primarily do not expose to material foreign exchange risk. Other than certain bank balances and bank borrowings, the Group's assets and liabilities are primarily denominated in RMB. The Group generates RMB from sales in the PRC to meet its liabilities denominated in RMB.

As at 31 December 2012, certain of the Group's cash and bank balances were denominated in HK$ and USD, details of which have been disclosed in Note 28.

As at 31 December 2012, the Group was exposed to foreign exchange risk primarily with respect to certain of its bank borrowings which were denominated in JPY and USD, details of which have been disclosed in Note 31. RMB experienced certain appreciation against JPY and USD during the year which is the major reason for the exchange differences recognised by the Group for the year. Further appreciation and depreciation of JPY and USD against RMB will affect the Group's financial position and results of operations.

The Group manages its foreign exchange risk by performing regular reviews of its net foreign exchange exposures. Management also used certain derivative financial instruments to manage foreign exchange exposures. As at 31 December 2012, the Group had certain derivative financial instruments mainly to sell USD for JPY, details of which have been disclosed in Note 37.

At 31 December 2012, if RMB had weakened/strengthened by 5% against JPY, with all other variables held constant, post-tax profit for the year would have been approximately RMB42,951,000 lower/higher (2011: RMB51,624,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of JPY-denominated borrowings.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Foreign exchange risk *(Continued)*

At 31 December 2012, if RMB had weakened/strengthened by 5% against HK$, with all other variables held constant, post-tax profit for the year would have been RMB5,387,000 higher/lower (2011: RMB482,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of HK$-denominated cash and bank balances.

At 31 December 2012, if RMB had weakened/strengthened by 5% against USD, with all other variables held constant, post-tax profit for the year would have been RMB4,558,000 lower/higher (2011: RMB8,530,000 lower/higher) mainly as a result of foreign exchange losses/gains on translation of USD-denominated bank deposits and borrowings.

(b) Interest rate risk

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 loan to a fellow subsidiary, an amount due from an associate, and bank balances and deposits, details of which have been disclosed in Notes 24, 27 and 28 respectively. The Group's exposure to changes in interest rates is mainly attributable to its borrowings, details of which have been disclosed in Notes 31 to 33. 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 31(d), 32 and 33. The Group has not used any specific interest rate swap contracts to hedge its exposure to interest rate risk.

At 31 December 2012, if the interest rates on bank and other borrowings had been 50 basis points higher/lower than the prevailing interest rates, with all other variables held constant, post-tax profit for the year would have been RMB119,346,000 lower/higher (2011: RMB117,527,000 lower/higher), mainly as a result of higher/lower interest expense on floating rate bank and other borrowings.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 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. At 31 December 2012, if the quoted market price of the equity investments held by the Group had increased/decreased by 10% to 30%, with all other variables held constant, the results of the Group would have been unaffected as the investments are classified as available-for-sale and no investments would have been considered impaired; equity would have been RMB140,103,000 to RMB420,310,000 (2011: RMB143,129,000 to RMB429,388,000) higher or 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 coal price. The Group manages such risk by entering into certain bulk purchase agreements with coal suppliers and continues to look for development of coal mine projects to enhance its supply source.

(d) Credit risk

The Group's credit risk primarily arises from cash at bank and term deposits, accounts receivable, amounts due from related companies and loan to a fellow subsidiary, details of which are disclosed in Notes 28, 26, 27 and 24 to the financial statements respectively.

Substantially all of the Group's cash at bank and term deposits are held in major financial institutions, which management believes are of high credit quality. Management does not expect any losses from non-performance by these counterparties.

The Group is exposed to significant concentration of credit risk in terms of electricity sales as a majority of the Group's sales of electricity were made to regional and provincial power grid companies. The Group normally grants credit terms ranging from 15 to 60 days to these power grid companies and the Group normally does not require collaterals from trade debtors. Ageing analysis of the Group's accounts receivable is disclosed in Note 26. Management does not expect any losses from non-performance by these counterparties.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(d) Credit risk *(Continued)*

In addition, the Group granted a loan to a fellow subsidiary for a term of 3 years (Note 24). As the loan is indemnified by CPIH, management considers that the credit risk is low.

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.

(e) Liquidity risk

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

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

As at 31 December 2012, the net current liabilities of the Group amounted to RMB7,635,182,000 (2011: RMB6,899,787,000). Management monitors regularly the Group's current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed banking facilities to meet its working capital requirements. The amount of undrawn credit facilities at the balance sheet date are disclosed in Note 31(f) to the financial statements. The Directors believe that the Group's current operating cash flows and credit facilities from banks are sufficient for financing its capital commitments in the near future and for working capital purposes.

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(e) Liquidity risk *(Continued)*

	Group			
	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 3 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2012				
Bank borrowings	**8,958,375**	**5,253,171**	**14,277,872**	**17,206,538**
Payables and accruals	**3,674,496**	**—**	**—**	**—**
Borrowings from ultimate holding company and CPIF	**828,680**	**910,460**	**1,767,331**	**1,564,055**
Amounts due to related companies	**151,799**	**—**	**—**	**—**
Other borrowings	**2,234,697**	**124,807**	**3,199,908**	**1,055,644**
Obligations under finance leases	**143,139**	**143,139**	**428,898**	**67,644**
At 31 December 2011				
Bank borrowings	7,681,106	4,699,420	10,529,268	19,897,876
Payables and accruals	3,456,641	—	—	—
Borrowings from ultimate holding company and CPIF	2,549,811	126,440	1,439,755	1,639,391
Amounts due to related companies	128,110	—	—	—
Other borrowings	1,230,278	503,843	2,022,418	1,099,876
Derivative financial instruments, net settled	(12,623)	(9,620)	1,137	50,185
Obligations under finance leases	27,335	27,335	82,005	94,980

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(e) Liquidity risk *(Continued)*

	Company		
	Within 1 year	Between 1 and 2 years	Between 3 and 5 years
	RMB'000	RMB'000	RMB'000
At 31 December 2012			
Payables and accruals	**27,052**	**—**	**—**
Amounts due to:			
Subsidiaries	**844,405**	**—**	**—**
Related companies	**14,551**	**—**	**—**
Corporate bonds	**25,600**	**25,600**	**824,969**
Convertible bonds	**53,445**	**53,445**	**2,237,652**
Bank borrowings	**430,137**	**—**	**—**
At 31 December 2011			
Payables and accruals	28,267	—	—
Amounts due to:			
Subsidiaries	1,026,390	—	—
Related companies	7,720	—	—
Corporate bonds	25,600	25,600	850,639
Convertible bonds	22,095	22,095	1,034,604
Bank borrowings	212,125	—	—

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.2 Capital risk management

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

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

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

The table below analyses the Group's capital structure as at 31 December 2012.

	2012	2011
	RMB'000	RMB'000
Total bank borrowings (Note 31)	**34,910,402**	32,783,191
Total borrowings from ultimate holding company and CPIF (Note 32)	**4,325,911**	4,985,911
Long-term bonds (Note 33)	**3,650,021**	2,647,474
Long-term other borrowings (Note 33)	**—**	399,260
Short-term other borrowings (Note 33)	**270,000**	100,000
Short-term corporate bonds (Note 33)	**1,500,000**	1,000,000
Current portion of long-term other borrowing (Note 33)	**283,540**	—
Less: Cash and cash equivalents (Note 28)	**(2,016,418)**	(1,179,817)
Net debt	**42,923,456**	40,736,019
Total equity	**18,929,422**	16,489,502
Total capital	**61,852,878**	57,225,521
Gearing ratio	**69%**	71%

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation

HKFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or 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).

The following tables present the Group's assets and liabilities that are measured at fair value.

At 31 December 2012

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Assets				
Available-for-sale financial assets				
- equity securities	**1,872,081**	**—**	**—**	**1,872,081**
Derivative financial instruments	**—**	**—**	**38,744**	**38,744**
Liabilities				
Derivative financial instruments	**—**	**—**	**—**	**—**

At 31 December 2011

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Available-for-sale financial assets				
- equity securities	1,908,393	—	—	1,908,393
Derivative financial instruments	—	—	—	—
Liabilities				
Derivative financial instruments	—	—	32,965	32,965

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(Continued)*

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. 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 trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value of an instrument are observable, the instrument is included in level 2.

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 value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis and option pricing model, are used to determined fair value for the remaining financial instruments.

The derivative financial instruments represents certain net settled derivative financial instruments, with a contract period of 15 years, mainly to sell USD for JPY with an aggregate notional principal amount of JPY2,601,520,000 (2011: JPY2,861,672,000).

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(Continued)*

The following table presents the changes in these derivative financial instruments for the year ended 31 December 2012.

	2012	2011
	RMB'000	RMB'000
Opening balance - Liabilities	**(32,965)**	(71,902)
Fair value gain recognised in the consolidated income statement (Note 7)	**71,709**	38,937
Closing balance - Assets/(liabilities)	**38,744**	(32,965)
Total gain included in the consolidated income statement for the year for derivative financial instruments held at the end of the reporting period	**71,709**	38,937

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the 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 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) Useful lives, residual values and depreciation charge of property, plant and equipment

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

(ii) Impairment of non-financial assets

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

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

During the year ended 31 December 2012, two power generators of a subsidiary ceased operation. Management has carried out impairment assessments for these assets and provision for impairment of RMB71,796,000 (2011: Nil) was recognised in the consolidated income statement (Note 7).

Changes of assumptions in fuel price and discount rate will affect the result of property, plant and equipment impairment assessment. As at 31 December 2012, if fuel price had increased by 3% from management's estimates with other variables held constant with the expectations, the Group would not need to recognise any additional impairment losses. As at 31 December 2012, if discount rate had increased by 1% from management's estimate with other variables held constant with the expectations, the Group would have to recognise impairment loss of RMB45,708,000.

(iii) Current and deferred taxation

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

(iv) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

As at 31 December 2012, the Group held certain net settled derivative financial instruments mainly to sell USD for JPY with an aggregate notional principal amount of JPY2,601,520,000 mainly for the purpose of managing currency exposure of JPY denominated bank borrowings, details of which have been disclosed in Note 37. The fair values of these contracts are determined using valuation techniques calculated based on a number of parameters including discount rates and volatility between USD/JPY in various forecasted periods. Changes in assumptions about these factors could significantly affect the reported fair value of the financial instruments with consequential impact on the results of the Group.

5 TURNOVER, REVENUE AND SEGMENT INFORMATION

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

	2012	2011
	RMB'000	RMB'000
Sales of electricity to provincial power grid companies (note (a))	**17,331,093**	15,882,453
Provision for power generation and related services (note (b))	**166,035**	199,609
	17,497,128	16,082,062

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.

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

Segment information

The chief operating decision maker has been identified as the executive Directors and certain senior management (collectively referred to as the "CODM") that make strategic decisions. The CODM reviews the internal reporting of the Company and its subsidiaries in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. Currently, it is determined that the "Generation and sales of coal-fired electricity" and "Generation and sales of hydropower electricity" in the PRC are the reportable segments of the Group. The CODM assesses the performance of the operating segments based on a measure of profit/loss before taxation, excluding dividends from available-for-sale financial assets, if any, and effects on items of a non-recurring nature, such as impairments when the impairment is the result of an isolated, non-recurring event. Other information provided to the CODM is measured in a manner consistent with that in the financial statements.

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

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

5 TURNOVER, REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

Segment information *(Continued)*

	Year ended 31 December 2012				
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Reportable segments total RMB'000	Others RMB'000	Total RMB'000
Revenue					
Sales of electricity	13,982,946	3,348,147	17,331,093	—	17,331,093
Provision for power generation and related services	62,578	103,457	166,035	—	166,035
	14,045,524	3,451,604	17,497,128	—	17,497,128
Results of reportable segments	1,787,889	1,858,691	3,646,580	—	3,646,580
Unallocated income	—	—	—	79,871	79,871
Unallocated expenses	—	—	—	(166,811)	(166,811)
Operating profit	1,787,889	1,858,691	3,646,580	(86,940)	3,559,640
Finance income	6,165	78,038	84,203	31,491	115,694
Finance costs	(776,805)	(864,118)	(1,640,923)	(46,106)	(1,687,029)
Share of profits of associates	146,144	—	146,144	—	146,144
Share of profits/(losses) of jointly controlled entities	9,247	—	9,247	(15,021)	(5,774)
Profit before taxation	1,172,640	1,072,611	2,245,251	(116,576)	2,128,675
Taxation	(145,812)	(303,325)	(449,137)	1,738	(447,399)
Profit for the year	1,026,828	769,286	1,796,114	(114,838)	1,681,276
Other segment information:					
Capital expenditure	3,453,804	4,422,065	7,875,869	13,381	7,889,250
Depreciation on property, plant and equipment	1,201,034	872,090	2,073,124	8,526	2,081,650
Amortisation of land use rights	3,088	5,905	8,993	—	8,993
(Gain)/loss on disposal of property, plant and equipment and land use rights	(751)	7	(744)	—	(744)
Provision for impairment of other receivables	—	12,330	12,330	—	12,330
Provision for impairment of property, plant and equipment	71,796	—	71,796	—	71,796

5 TURNOVER, REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

Segment information *(Continued)*

	As at 31 December 2012				
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Reportable segments total RMB'000	Others RMB'000	Total RMB'000
Segment assets					
Other segment assets	26,342,991	36,006,976	62,349,967	—	62,349,967
Goodwill	—	767,453	767,453	—	767,453
Interests in associates	1,472,371	23,851	1,496,222	33,188	1,529,410
Interests in jointly controlled entities	275,834	—	275,834	277,343	553,177
	28,091,196	36,798,280	64,889,476	310,531	65,200,007
Available-for-sale financial assets					2,026,793
Loan to a fellow subsidiary					300,000
Deferred income tax assets					73,965
Derivative financial instruments					38,744
Other unallocated assets					2,269,889
Total assets per consolidated balance sheet					69,909,398
Segment liabilities					
Other segment liabilities	(3,277,365)	(1,629,205)	(4,906,570)	—	(4,906,570)
Borrowings	(16,733,093)	(27,702,003)	(44,435,096)	(504,778)	(44,939,874)
	(20,010,458)	(29,331,208)	(49,341,666)	(504,778)	(49,846,444)
Taxation payable					(249,192)
Deferred income tax liabilities					(824,201)
Other unallocated liabilities					(60,139)
Total liabilities per consolidated balance sheet					(50,979,976)

5 TURNOVER, REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

Segment information *(Continued)*

	Year ended 31 December 2011				
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Reportable segments total RMB'000	Others RMB'000	Total RMB'000
Revenue					
Sales of electricity	13,426,986	2,455,467	15,882,453	—	15,882,453
Provision for power generation and related services	90,977	108,632	199,609	—	199,609
	13,517,963	2,564,099	16,082,062	—	16,082,062
Results of reportable segments	1,110,909	1,229,831	2,340,740	—	2,340,740
Unallocated income	—	—	—	79,058	79,058
Unallocated expenses	—	—	—	(146,369)	(146,369)
Operating profit	1,110,909	1,229,831	2,340,740	(67,311)	2,273,429
Finance income	6,465	89,066	95,531	13,372	108,903
Finance costs	(624,441)	(942,228)	(1,566,669)	(5,347)	(1,572,016)
Share of losses of associates	(4,073)	—	(4,073)	—	(4,073)
Share of losses of jointly controlled entities	(6,624)	—	(6,624)	(17,400)	(24,024)
Profit before taxation	482,236	376,669	858,905	(76,686)	782,219
Taxation	(75,189)	(114,384)	(189,573)	(4,276)	(193,849)
Profit for the year	407,047	262,285	669,332	(80,962)	588,370
Other segment information:					
Capital expenditure	3,432,084	4,049,934	7,482,018	2,491	7,484,509
Depreciation on property, plant and equipment	994,072	808,889	1,802,961	6,847	1,809,808
Amortisation of land use rights	2,528	6,532	9,060	—	9,060
(Gain)/loss on disposal of property, plant and equipment and land use rights	(40,247)	101	(40,146)	—	(40,146)
Reversal of impairment of other receivables	(1,371)	(8,255)	(9,626)	—	(9,626)
Reversal of impairment of inventories	(3,916)	—	(3,916)	—	(3,916)

5 TURNOVER, REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

Segment information *(Continued)*

	As at 31 December 2011				
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Reportable segments total RMB'000	Others RMB'000	Total RMB'000
Segment assets					
Other segment assets	23,829,484	32,167,048	55,996,532	—	55,996,532
Goodwill	—	767,365	767,365	—	767,365
Interests in associates	1,505,766	—	1,505,766	17,851	1,523,617
Interests in jointly controlled entities	207,715	—	207,715	144,234	351,949
	25,542,965	32,934,413	58,477,378	162,085	58,639,463
Available-for-sale financial assets					2,063,105
Deferred income tax assets					45,187
Loans to a fellow subsidiary					1,500,000
Other unallocated assets					1,144,705
Total assets per consolidated balance sheet					63,392,460
Segment liabilities					
Other segment liabilities	(2,273,412)	(1,810,046)	(4,083,458)	—	(4,083,458)
Borrowings	(16,012,179)	(25,603,947)	(41,616,126)	(299,710)	(41,915,836)
	(18,285,591)	(27,413,993)	(45,699,584)	(299,710)	(45,999,294)
Derivative financial instruments					(32,965)
Taxation payable					(77,621)
Deferred income tax liabilities					(741,934)
Other unallocated liabilities					(51,144)
Total liabilities per consolidated balance sheet					(46,902,958)

5 TURNOVER, REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

Segment information *(Continued)*

All revenues from external customers are generated from the PRC. Except that certain cash and bank balances equivalent to approximately RMB1,238 million were deposited in certain banks in Hong Kong at 31 December 2012 (2011: approximately RMB359 million), substantially all of the Group's assets, liabilities and capital expenditure are located or utilised in the PRC.

The Group's major customers are regional and provincial power grid companies. During the year ended 31 December 2012, the Group's external revenue amounting to approximately RMB14,916 million (2011: RMB14,511 million) is generated from 5 (2011: 5) major customers, each of which account for 10% or more of the Group's external revenue.

6 OTHER INCOME

	2012	2011
	RMB'000	RMB'000
Rental income	**65,667**	64,446
Clean development mechanism income	—	48,489
Hotel operations income	**45,228**	48,260
Income from the provision of repairs and maintenance services	**34,832**	44,190
Dividend income (Note 43(a)(iv))	**25,513**	24,083
Management fee income	**8,227**	4,974
	179,467	234,442

7 OTHER GAINS, NET

	2012 RMB'000	2011 RMB'000
Gain on disposal of electricity quota	**141,450**	—
Gain on disposal of emission quota	**85,746**	—
Fair value gain on derivative financial instruments (Note 37)	**71,709**	38,937
Government subsidy	**23,399**	1,346
Amortisation of deferred income	**13,201**	18,674
Provision for impairment of property, plant and equipment (Note 16)	**(71,796)**	—
Others	**8,024**	6,423
	271,733	65,380

8 OPERATING PROFIT

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

	2012 RMB'000	2011 RMB'000
Amortisation of land use rights (Note 18)	**8,993**	9,060
Auditor's remuneration	**6,843**	6,563
Depreciation of property, plant and equipment (Note 16)		
- owned property, plant and equipment	**2,038,668**	1,790,422
- property, plant and equipment under finance leases	**42,982**	19,386
Gain on disposal of property, plant and equipment and land use rights	**(744)**	(40,146)
Operating lease rentals in respect of		
- equipment	**2,214**	2,242
- leasehold land and buildings	**36,970**	35,293
Provision for/(reversal of) impairment of other receivables	**12,330**	(9,626)
Reversal of impairment of inventories	**—**	(3,916)
Reservoir maintenance and usage fees	**95,391**	65,775
Staff costs including Directors' emoluments (Note 11)	**983,603**	824,685
Write-off of pre-operating expenses	**60,962**	33,323

9 FINANCE INCOME AND COSTS

	2012	2011
	RMB'000	RMB'000
Finance income		
Interest income from bank deposits	**47,605**	26,778
Interest income from a fellow subsidiary (Note 43(a)(i))	**68,089**	82,125
	115,694	108,903
Finance costs		
Interest expense on		
– bank borrowings wholly repayable within five years	**386,155**	324,690
– short-term borrowings from ultimate holding company and CPIF	**67,724**	123,400
– bank borrowings not wholly repayable within five years	**1,793,053**	1,472,247
– long-term borrowings from ultimate holding company wholly repayable within five years	**103,143**	52,396
– long-term borrowings from ultimate holding company and CPIF not wholly repayable within five years	**74,800**	74,705
– long-term other borrowings wholly repayable within five years	**116,344**	68,586
– long-term other borrowings not wholly repayable within five years	**46,767**	46,639
– short-term other borrowings	**57,895**	46,826
– obligations under finance leases	**12,678**	10,531
	2,658,559	2,220,020
Less: Amounts capitalised	**(870,556)**	(633,919)
	1,788,003	1,586,101
Net foreign exchange gains	**(100,974)**	(14,085)
	1,687,029	1,572,016

The weighted average interest rate on capitalised borrowings is approximately 6.33% (2011: 5.68%) per annum.

10 TAXATION

No Hong Kong profits tax has been provided for as the Group did not have any estimated assessable profit in Hong Kong for the year (2011: Nil).

The provision for PRC current income tax is calculated based on the statutory tax rate of 25% (2011: 25%) on the estimated assessable income for the year except as disclosed below.

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

	2012	2011
	RMB'000	RMB'000
PRC current income tax	**386,828**	97,695
Deferred income tax (Note 38)	**60,571**	96,154
	447,399	193,849

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

	2012	2011
	RMB'000	RMB'000
Profit before taxation	**2,128,675**	782,219
Less: Share of (profits)/losses of associates	**(146,144)**	4,073
Share of losses of jointly controlled entities	**5,774**	24,024
	1,988,305	810,316
Calculated at the PRC statutory tax rate of 25% (2011: 25%)	**497,076**	202,579
Effect of tax concession	**(70,182)**	(50,583)
Effect of different tax rates	**—**	(3)
Income not subject to taxation	**(46,484)**	(46,684)
Expenses not deductible for taxation purposes	**63,936**	65,594
Tax losses for which no deferred income tax asset was recognised	**37,059**	40,735
Utilisation of tax losses previously not recognised	**(12,604)**	(17,789)
Recognition of tax losses previously unrecognised	**(21,402)**	—
Taxation charge	**447,399**	193,849

10 TAXATION *(CONTINUED)*

Share of taxation charge attributable to associates and share of taxation credit attributable to jointly controlled entities for the year ended 31 December 2012 of RMB31,542,000 (2011: RMB9,229,000) and RMB8,560,000 (2011: RMB4,388,000), respectively, are included in the Group's share of results of associates/jointly controlled entities for the year.

Pursuant to the relevant PRC income tax rules and regulations, special income tax rates have been granted to certain subsidiaries of the Group and an associate as being foreign invested enterprises which are engaged in the energy, transportation or infrastructure activities. These companies are subject to a tax rate of 25% for the year 2012 (2011: 24%). A subsidiary acquired by the Group in the year 2005 is subject to a tax rate of 25% for the year 2012 (2011: 24%). Certain subsidiaries of the Group that started operations in the years 2007 and 2008 are also entitled to a two-year exemption from income tax starting from the year in operation followed by a 50% reduction in income tax rate in the ensuing three years. These companies have been subject to reduced tax rates ranging from 12.5% to 25% during the year 2012 (2011: 12% to 12.5%). The tax rates for these companies will be gradually increased to 25% towards year 2013. A subsidiary of the Group started operations in 2011 is entitled to a two-year exemption and three-year 50% reduction in income tax commencing from year 2012. It is also entitled to the preferential income tax rate of 15% unitl 2020.

11 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2012	2011
	RMB'000	RMB'000
Wages, salaries and bonuses	**668,513**	555,303
Staff welfare	**206,399**	177,620
Share-based compensation expense	**318**	1,297
Pension costs - defined contribution plans	**108,373**	90,465
	983,603	824,685

12 PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB229,707,000 (2011: RMB1,077,720,000).

13 EARNINGS PER SHARE

(a) Basic

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

	2012	2011
Profit attributable to owners of the Company (RMB'000)	**1,181,125**	505,202
Weighted average number of shares in issue (shares in thousands)	**5,258,443**	5,107,061
Basic earnings per share (RMB)	**0.22**	0.10

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares arising from the Company's share options and convertible bonds. For the years ended 31 December 2012 and 2011, the Company only has convertible bonds that have dilutive potential ordinary shares. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect.

	2012	2011
Profit attributable to owners of the Company (RMB'000)	**1,181,125**	505,202
Adjustment for finance costs on convertible bonds (after tax) (RMB'000)	**50,018**	29,901
Profit used to determine diluted earnings per share (RMB'000)	**1,231,143**	535,103
Weighted average number of shares in issue (shares in thousands)	**5,258,443**	5,107,061
Adjustment for convertible bonds (shares in thousands)	**681,973**	289,301
Weighted average number of shares for the purpose of calculating diluted earnings per share (shares in thousands)	**5,940,416**	5,396,362
Diluted earnings per share (RMB)	**0.21**	0.10

14 DIVIDENDS

	2012 RMB'000	2011 RMB'000
Final, proposed, of RMB0.090 (2011: RMB0.045) per share	**504,587**	229,818

At a meeting held on 20 March 2013, the Directors recommended the payment of a final dividend for the year ended 31 December 2012 of RMB0.090 (equivalent to HK$0.1113) per ordinary share (2011: RMB0.045 (equivalent to HK$0.0555)), totalling RMB504,587,000 (equivalent to HK$624,006,000) (2011: RMB229,818,000 (equivalent to HK$283,198,000)), which is based on 5,606,524,604 shares (2011: 5,107,060,777 shares) in issue on 20 March 2013. This proposed dividend is not reflected as dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2013.

15 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The remuneration of each of the Directors of the Company for the year ended 31 December 2012 is set out below:

Name of Director	Fees	Basic salary, housing allowance, other allowances and benefits in kind	Share-based compensation#	Discretionary bonuses	Employer's contribution to pension scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors						
Ms. Li Xiaolin (4)	—	654	12	134	52	852
Mr. Gu Dake	—	604	10	100	46	760
Non-executive Directors						
Mr. Guan Qihong (1)	—	—	6	—	—	6
Mr. Wang Zichao (1) (2)	—	276	10	173	27	486
Mr. Gu Zhengxing (1) (3)	—	—	—	—	—	—
Independent non-executive Directors						
Mr. Kwong Che Keung, Gordon	162	81	—	—	—	243
Mr. Li Fang	162	81	—	—	—	243
Mr. Tsui Yiu Wa, Alec	162	73	—	—	—	235
	486	1,769	38	407	125	2,825

1 During the year ended 31 December 2012, Mr. Guan Qihong, Mr. Wang Zichao and Mr. Gu Zhengxing waived their Director fees of RMB195,000 in total.

2 Mr. Wang Zichao was appointed on 28 June 2012.

3 Mr. Gu Zhengxing resigned on 28 June 2012.

4 Ms. Li Xiaolin is also the chief executive officer of the Company.

Share-based compensation are determined based on the fair value of the share options granted to the relevant Directors at the date of grant and recognised over the vesting periods. During the year ended 31 December 2012, none of these options has been exercised by the Directors.

15 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(CONTINUED)*

(a) Directors' emoluments *(Continued)*

The remuneration of each of the Directors of the Company for the year ended 31 December 2011 is set out below:

Name of Director	Fees	Basic salary, housing allowance, other allowances and benefits in kind	Share-based compensation#	Discretionary bonuses	Employer's contribution to pension scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors						
Ms. Li Xiaolin (4)	—	570	68	51	—	689
Mr. Gu Dake (2)	—	191	55	—	—	246
Mr. Liu Guangchi (3)	—	316	—	164	—	480
Non-executive Directors						
Mr. Gao Guangfu (1) (3)	—	—	—	—	—	—
Mr. Guan Qihong (1)	—	—	20	—	—	20
Mr. Gu Zhengxing (1) (2)	—	—	—	—	—	—
Independent non-executive Directors						
Mr. Kwong Che Keung, Gordon	166	75	—	—	—	241
Mr. Li Fang	166	75	—	—	—	241
Mr. Tsui Yiu Wa, Alec	166	75	—	—	—	241
	498	1,302	143	215	—	2,158

1 During the year ended 31 December 2011, Mr. Gao Guangfu, Mr. Guan Qihong and Mr. Gu Zhengxing waived their Director fees and other allowances of RMB199,000 and RMB91,000 in total.

2 Mr. Gu Dake and Mr. Gu Zhengxing were appointed on 30 March 2011 and 11 July 2011, respectively.

3 Mr. Liu Guangchi and Mr. Gao Guangfu resigned on 30 March 2011 and 11 July 2011, respectively.

4 Ms. Li Xiaolin is also the chief executive officer of the Company.

Share-based compensation are determined based on the fair value of the share options granted to the relevant Directors at the date of grant and recognised over the vesting periods. During the year ended 31 December 2011, none of these options has been exercised by the Directors.

15 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(CONTINUED)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 2 (2011: 1) Director(s) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 (2011: 4) individuals during the year are as follows:

	2012	2011
	RMB'000	RMB'000
Basic salaries, housing allowance, other allowances, share options and benefits in kind	**1,560**	1,640
Discretionary bonuses	**519**	430
	2,079	2,070

Their emoluments fell within the following bands:

	Number of individuals	
	2012	2011
Nil to HK$1,000,000 (equivalent to RMB813,630 (2011: RMB830,815))	**3**	4

(c) During the year, no emoluments have been paid by the Group to the Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2011: Nil).

16 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Dam RMB'000	Buildings and leasehold improvements RMB'000	Power generators and equipment RMB'000	Electricity supply equipment RMB'000	Furniture and fixture, tools and other equipment RMB'000	Motor Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost								
At 1 January 2012	7,413,936	16,055,370	20,508,561	5,282,396	1,371,972	254,064	10,316,686	61,202,985
Acquisition of a subsidiary (Note 40(a))	45,608	41,392	30,048	4,833	13,169	116	—	135,166
Additions	—	39,298	2,149	949	35,079	25,247	6,655,019	6,757,741
Disposals	—	(1,239)	(11)	(1,346)	(22,065)	(21,673)	—	(46,334)
Transfer from prepayments (Note 17)	—	—	—	—	—	—	1,860,258	1,860,258
Transfer between categories	—	604,558	913,966	262,619	804,151	40,891	(2,626,185)	—
At 31 December 2012	7,459,544	16,739,379	21,454,713	5,549,451	2,202,306	298,645	16,205,778	69,909,816
Accumulated depreciation and impairment losses								
At 1 January 2012	437,869	2,701,502	6,583,760	1,511,481	517,237	100,406	—	11,852,255
Depreciation charge for the year	198,935	530,456	802,230	312,139	209,316	28,574	—	2,081,650
Impairment charge for the year (Note 7)	—	—	71,796	—	—	—	—	71,796
Disposals	—	(1,147)	(11)	(1,274)	(21,291)	(15,124)	—	(38,847)
At 31 December 2012	636,804	3,230,811	7,457,775	1,822,346	705,262	113,856	—	13,966,854
Net book value								
At 31 December 2012	6,822,740	13,508,568	13,996,938	3,727,105	1,497,044	184,789	16,205,778	55,942,962

16 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

(a) Group *(Continued)*

	Dam	Buildings and leasehold improvements	Power generators and equipment	Electricity supply equipment	Furniture and fixture, tools and other equipment	Motor Vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost								
At 1 January 2011	7,157,827	15,005,588	17,872,903	4,972,138	901,399	234,125	9,060,208	55,204,188
Acquisition of subsidiaries (Note 40(b))	—	—	—	—	—	—	1,489	1,489
Additions	—	12,838	2,578	4,654	73,095	19,619	5,477,111	5,589,895
Disposals	—	(191)	(151,251)	(59,424)	(49,224)	(5,075)	—	(265,165)
Transfer from prepayments (Note 17)	—	—	—	—	—	—	672,578	672,578
Transfer between categories	256,109	1,037,135	2,784,331	365,028	446,702	5,395	(4,894,700)	—
At 31 December 2011	7,413,936	16,055,370	20,508,561	5,282,396	1,371,972	254,064	10,316,686	61,202,985
Accumulated depreciation and impairment losses								
At 1 January 2011	215,546	2,211,056	5,909,612	1,380,921	452,892	84,054	—	10,254,081
Depreciation charge for the year	222,323	490,630	778,569	186,876	110,038	21,372	—	1,809,808
Disposals	—	(184)	(104,421)	(56,316)	(45,693)	(5,020)	—	(211,634)
At 31 December 2011	437,869	2,701,502	6,583,760	1,511,481	517,237	100,406	—	11,852,255
Net book value								
At 31 December 2011	6,976,067	13,353,868	13,924,801	3,770,915	854,735	153,658	10,316,686	49,350,730

16 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

(a) Group *(Continued)*

Notes:

(i) As at 31 December 2012, certain of the Group's property, plant and equipment with carrying value of approximately RMB7,092 million (2011: RMB5,342 million) were situated on leasehold land in the PRC leased from China Power Investment Corporation (中國電力投資集團公司) ("CPI Group") which held the rights on the leasehold land under long-term leases. The remaining period of the Group's rights on leasehold land as at 31 December 2012 is ranging from 7 to 13 years (2011: 8 to 14 years).

(ii) As at 31 December 2012, the legal title of certain of the Group's properties with carrying amount of approximately RMB2,878 million (2011: RMB2,707 million) had not been transferred to the Group subject to certain administrative procedures to be completed by the relevant local government authorities. However, the Directors are of the opinion that the risks and rewards of using these assets have been transferred to the Group.

In addition, certain of the Group's property, plant and equipment are situated on leasehold land in the PRC which was granted for the use by the relevant government authorities to the relevant entities in the Group at nil consideration with no specific terms of usage.

(iii) As at 31 December 2012, the cost and accumulated depreciation of property, plant and equipment held by the Group under finance leases amounted to RMB756,989,000 (2011: RMB232,630,000) and RMB110,832,000 (2011: RMB67,850,000) respectively.

(iv) As at 31 December 2012, certain property, plant and equipment of the Group with carrying amount of approximately RMB535 million (2011: RMB556 million) was pledged as security for certain long-term bank borrowings of the Group (Note 31(e)).

(v) Two power generators of a subsidiary ceased operation during the year ended 31 December 2012. These assets were written down to their estimated residual values, resulting in an impairment loss of RMB71,796,000 (2011: Nil) recognised in the consolidated income statement (Note 7).

(vi) As at 31 December 2012, the accumulated impairment losses of property, plant and equipment amounted to RMB317,715,000 (2011: RMB245,919,000).

16 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

(b) Company

	Leasehold improvements RMB'000	Office and other equipment RMB'000	Furniture and fixture RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
At 1 January 2012	7,552	1,856	482	2,917	12,807
Additions	—	9,509	—	—	9,509
At 31 December 2012	7,552	11,365	482	2,917	22,316
Accumulated depreciation					
At 1 January 2012	6,863	1,316	443	2,415	11,037
Depreciation charge for the year	377	1,797	—	142	2,316
At 31 December 2012	7,240	3,113	443	2,557	13,353
Net book value					
At 31 December 2012	312	8,252	39	360	8,963

16 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

(b) Company *(Continued)*

	Leasehold improvements RMB'000	Office and other equipment RMB'000	Furniture and fixture RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
At 1 January 2011	7,552	1,404	479	2,361	11,796
Additions	—	452	3	556	1,011
At 31 December 2011	7,552	1,856	482	2,917	12,807
Accumulated depreciation					
At 1 January 2011	6,486	1,232	273	1,877	9,868
Depreciation charge for the year	377	84	170	538	1,169
At 31 December 2011	6,863	1,316	443	2,415	11,037
Net book value					
At 31 December 2011	689	540	39	502	1,770

17 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.

	Group	
	2012	2011
	RMB'000	RMB'000
Cost		
At 1 January	**2,385,556**	1,836,820
Additions	**1,130,352**	1,221,314
Transfer to property, plant and equipment (Note 16)	**(1,860,258)**	(672,578)
At 31 December	**1,655,650**	2,385,556

18 LAND USE RIGHTS

	Group	
	2012	2011
	RMB'000	RMB'000
Cost		
At 1 January	**479,149**	470,869
Additions	**1,157**	8,280
At 31 December	**480,306**	479,149
Accumulated amortisation		
At 1 January	**21,385**	12,325
Amortisation charge for the year	**8,993**	9,060
At 31 December	**30,378**	21,385
Net book amount		
At 31 December	**449,928**	457,764

The amount represents cost of the land use rights in respect of land located in the PRC where certain of the Group's property, plant and equipment are built on. As at 31 December 2012, substantially all of the land use rights are held on leases of between 10 to 50 years (2011: 10 to 50 years).

19 GOODWILL

	Group	
	2012	2011
	RMB'000	RMB'000
Cost		
At 1 January	**934,304**	934,304
Acquisition of subsidiaries (Note 40(a))	**88**	—
At 31 December	**934,392**	934,304
Accumulated impairment losses		
At 1 January and 31 December	**166,939**	166,939
Net book amount		
At 31 December	**767,453**	767,365

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to operating segments.

19 GOODWILL *(CONTINUED)*

A segment-level summary of the goodwill allocation at cost before impairment is presented below.

	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Total RMB'000
As at 31 December 2012	**166,939**	**767,453**	**934,392**
As at 31 December 2011	166,939	767,365	934,304

For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management for the purposes of impairment reviews covering a five-year period. Cash flows beyond the five-year period are expected to be similar to that of the fifth year based on the then existing 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 budget. Management prepared the financial budgets taking into account actual and prior year performance and market development expectations. The pre-tax discount rate used for value-in-use calculations for goodwill is 9% (2011: 9%). Management estimates the discount rate using pre-tax rates that reflect market assessments of the time value of money and the specific risks relating to the cash-generating units. Other key assumptions applied in the impairment tests include the expected tariff rates, fuel costs, and demand of electricity in the region where the power plants are located, where applicable.

20 INVESTMENTS IN SUBSIDIARIES

	Company	
	2012	2011
	RMB'000	RMB'000
Unlisted investments, at cost	**9,345,922**	8,603,194
Provision for impairment	**(610,444)**	(610,144)
	8,735,478	7,993,050
Amounts due from subsidiaries (note (a))	**2,035,605**	2,252,759
Amounts due to subsidiaries (note (b))	**841,460**	1,022,708

Notes:

(a) Except for an aggregate amount due from subsidiaries of RMB2,010,000,000 (2011: RMB2,180,000,000) which carries interest at rates ranging from 6.00% to 6.56% (2011: 6.10% to 6.56%) per annum and repayable within the next twelve months, amounts due from subsidiaries are unsecured, interest free and repayable on demand.

(b) The amounts due to subsidiaries are unsecured, repayable on demand, and carry interest at 0.35% (2011: 0.50%) per annum.

20 INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

The following is a list of the principal subsidiaries at 31 December 2012:

Name of companies	Place of establishment and operation	Registered/paid up capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Type of legal entity	Principal activities
Interests held directly:						
Anhui Huainan Pingwei Electric Power Company Limited	The PRC	RMB841,600,000	100%	—	Wholly foreign-owned enterprise	Generation and sale of electricity
Huainan Pingwei No. 2 Electric Power Co., Ltd.	The PRC	USD104,153,000	75%	—	Sino-foreign equity joint venture	Generation and sale of electricity
Huanggang Dabieshan Power Company Limited	The PRC	RMB815,526,000/ RMB813,270,000	51%	—	Sino-foreign equity joint venture	Generation and sale of electricity
Pingdingshan Yaomeng Electric Power Generating Company Limited	The PRC	RMB866,000,000	100%	—	Wholly foreign-owned enterprise	Generation and sale of electricity
Pingdingshan Yaomeng No. 2 Power Company Limited	The PRC	USD120,000,000/ USD109,159,000	100%	—	Wholly foreign-owned enterprise	Generation and sale of electricity
Tianze Development Limited	British Virgin Islands	USD1	100%	—	Limited liability company	Investment holding
Wu Ling Power Corporation	The PRC	RMB4,242,000,000	63%	—	Sino-foreign equity joint venture	Generation and sale of electricity
四川中電福溪電力開發有限公司 (Sichuan CPI Fuxi Power Company Limited) ("四川福溪")	The PRC	RMB968,000,000/ RMB868,998,000	51%	—	Sino-foreign equity joint venture	Generation and sale of electricity#
中電恒源物流(北京)有限公司 (CPI Hengyuan Logistics (Beijing) Company Limited)	The PRC	RMB5,000,000/ RMB4,700,000	100%	—	Wholly foreign-owned enterprise	Provision of management services
中電國瑞物流有限公司 (CPI Guorui Logistics Company Limited)	The PRC	HK$60,000,000/ HK$9,000,000	100%	—	Wholly foreign-owned enterprise	Provision of logistics services*

20 INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

The following is a list of the principal subsidiaries at 31 December 2012: *(Continued)*

Name of companies	Place of establishment and operation	Registered/paid up capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Type of legal entity	Principal activities
Interests held directly:						
北京中電匯智科技有限公司 (CPI Beijing Huizhi Technology Company Limited)	The PRC	RMB10,000,000	51%	—	Sino-foreign equity join venture	Provision of IT services*
中電神頭發電有限責任公司 (China Power Shentou Power Generating Company Limited)	The PRC	RMB1,000,000,000/ RMB830,254,000	80%	—	Sino-foreign equity joint venture	Generation and sale of electricity$*
Interests held indirectly:						
Shanxi Shentou Electric Power Company Limited	The PRC	RMB501,681,000	—	100%	Wholly foreign-owned enterprise	Generation and sale of electricity
Guizhou Qingshui Jiang Hydropower Company Limited	The PRC	RMB3,285,500,000	—	95%	Sino-foreign equity joint venture	Generation and sale of electricity
Huaihua Yuanjiang Power Development Company Limited	The PRC	RMB975,000,000	—	95%	Sino-foreign equity joint venture	Generation and sale of electricity
Hunan Wuhua Hotel Co., Ltd.	The PRC	RMB162,100,000	—	70%	Sino-foreign equity joint venture	Hotel ownership and operation
Hunan Wuling Engineering Co., Ltd.	The PRC	RMB48,000,000	—	100%	Sino-foreign equity joint venture	Provision of repair and maintenance services
Hunan Wuling Liyuan Economic Development Co., Ltd.	The PRC	RMB49,795,000	—	100%	Sino-foreign equity joint venture	Provision of repair and maintenance services

20 INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

The following is a list of the principal subsidiaries at 31 December 2012: *(Continued)*

Name of companies	Place of establishment and operation	Registered/paid up capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Type of legal entity	Principal activities
Interests held indirectly:						
Hunan Xiangzhong Power Co., Ltd.	The PRC	RMB50,000,000	—	95%	Sino-foreign equity joint venture	Generation and sale of electricity
Wuling Power Fuel Company Limited	The PRC	RMB110,000,000	—	100%	Limited liability company	Provision of fuel purchase services
湖南中水投資有限公司 (Hunan Zhongshui Investment Co., Ltd.)	The PRC	RMB67,000,000	—	100%	Limited liability company	Generation and sale of electricity
理縣華成水電開發有限責任公司 (Lixian Huacheng Hydropower Development Company Limited)	The PRC	RMB122,818,000	—	100%	Limited liability company	Generation and sale of electricity
四川九源電力開發有限責任公司 (Sichuan Jiuyuan Electric Power Development Company Limited)	The PRC	RMB30,000,000	—	100%	Limited liability company	Generation and sale of electricity
張家界土木溪水電開發有限公司 (Zhangjiajie Tumuxi Hydropower Development Company Limited) ("Tumuxi")	The PRC	RMB42,000,000	—	100%	Limited liability company	Generation and sale of electricity
四川紅葉電力有限責任公司 (Sichuan Hongye Electric Power Company Limited)	The PRC	RMB50,000,000	—	91%	Limited liability company	Generation and sale of electricity
理縣紅葉水電開發有限責任公司 (Lixian Hongye Hydropower Development Company Limited)	The PRC	RMB12,000,000	—	100%	Limited liability company	Generation and sale of electricity

20 INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

The following is a list of the principal subsidiaries at 31 December 2012: *(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 a subsidiary	Type of legal entity	Principal activities
Interests held indirectly:						
四川興鐵電氣設備有限公司 (Sichuan Xingtie Electrical Equipment Company Limited)	The PRC	RMB46,000,000	—	70%	Limited liability company	Generation and sale of electricity
小金縣鑫鴻電力開發有限公司 (Xiaojinxian Xinhong Electric Power Development Company Limited)	The PRC	RMB46,000,000	—	100%	Limited liability company	Generation and sale of electricity
茶陵縣聯冠水電開發有限公司 (Chalingxian Lianguan Hydropower Development Company Limited)	The PRC	RMB25,080,000	—	100%	Limited liability company	Generation and sale of electricity*
五凌托克遜電力有限公司 (Wuling Tuokexun Electric Power Co Ltd)	The PRC	RMB70,000,000	—	100%	Limited liability company	Generation and sale of electricity$*
五凌布爾津電力有限公司 (Wuling Bu'erjin Electric Power Co Ltd)	The PRC	RMB70,000,000/ RMB15,000,000	—	100%	Limited liability company	Generation and sale of electricity$*
新龍縣西達水電開發有限公司 (Xinlongxian Xida Hydropower Development Co Ltd)	The PRC	RMB20,000,000	—	65%	Limited liability company	Generation and sale of electricity$*

Paid up capital of 四川福溪 increased from RMB839,227,000 to RMB868,998,000 during the year.

$ The power plant is under development.

* These are subsidiaries newly set up/acquired during the year.

21 INTERESTS IN ASSOCIATES

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted investments, at cost	**1,235,458**	1,196,270	**585,687**	552,500
Share of undistributed post-acquisition reserves	**293,952**	327,347	**—**	—
	1,529,410	1,523,617	**585,687**	552,500

Interests in associates include goodwill of approximately RMB158,732,000 (2011: RMB158,732,000).

The following are the details of the associates as at 31 December 2012:

			Proportion of ownership interest			
Name of companies	**Place of establishment and operation**	**Paid up capital**	**Held by the Company**	**Held by a subsidiary**	**Type of legal entity**	**Principal activities**
Interest held directly:						
江蘇常熟發電有限公司 (Jiangsu Changshu Electric Power Generating Company Limited)	The PRC	RMB1,105,000,000	50%	—	Sino-foreign equity joint venture	Generation and sale of electricity
貴州普安地瓜坡煤業有限公司 (Guizhou Pu'an Digua Coal Industry Co., Ltd)	The PRC	RMB94,500,000	35%	—	Sino-foreign equity joint venture	Coal management and consultancy service^
Interest held indirectly:						
湖南華潤電力鯉魚江有限公司 (China Resources Power Hunan Liyujiang Company Limited)	The PRC	RMB573,660,000	—	40%	Sino-foreign equity joint venture	Generation and sale of electricity
湖南核電有限公司 (Hunan Nuclear Power Company Limited)	The PRC	RMB130,000,000	—	20%	Sino-foreign equity joint venture	Generation and sale of electricity@

^ This is a newly set up associate.

@ The power plant is under development.

21 INTERESTS IN ASSOCIATES *(CONTINUED)*

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

	2012	2011
	RMB'000	RMB'000
Operating results		
Turnover	**1,979,264**	1,978,495
Profit before taxation	**177,686**	5,156
Profit/(loss) after taxation	**146,144**	(4,073)
Financial position		
Non-current assets	**4,997,367**	4,001,418
Current assets	**675,177**	641,651
Current liabilities	**(3,193,876)**	(2,395,816)
Non-current liabilities	**(1,107,990)**	(882,368)
Net assets	**1,370,678**	1,364,885

During the year, dividend income from an associate amounted to RMB179,539,000 (2011: RMB59,875,000).

22 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group		**Company**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted investments, at cost	**610,269**	403,267	**593,200**	386,198
Share of undistributed post-acquisition reserves	**(57,092)**	(51,318)	**—**	—
	553,177	351,949	**593,200**	386,198

22 INTERESTS IN JOINTLY CONTROLLED ENTITIES *(CONTINUED)*

The following are the details of the jointly controlled entities as at 31 December 2012:

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 a subsidiary	Type of legal entity	Principal activities
Interest held directly:						
四川廣旺集團船景煤業有限責任公司 (Sichuan Guangwang Group Chuanjing Coal Industry Co., Ltd) ("船景煤業")	The PRC	RMB472,000,000/ RMB318,804,000	49%	—	Sino-foreign equity joint venture	Coal mining&
廣州中電荔新電力實業有限公司 (Guangzhou China Power Lixin Industry Company Limited) ("中電荔新")	The PRC	RMB604,000,000/ RMB584,000,000	50%	—	Sino-foreign equity joint venture	Generation and sale of electricity+
河南中平煤電有限責任公司 (Henan Zhongping Coal & Electricity Co., Ltd.)	The PRC	RMB131,880,000	50%	—	Sino-foreign equity joint venture	Coal transportation and selling*
Interest held indirectly:						
張家界國賓酒店有限公司 (Zhangjiajie State Guest Hotel Company Limited)	The PRC	RMB18,000,000	—	23.79%	Sino-foreign equity joint venture	Hotel ownership and operation

& Paid up capital of 船景煤業 was increased from RMB222,484,000 to RMB318,804,000 during the year. As at 31 December 2012, the projects have not yet commenced operations.

+ Paid up capital of 中電荔新 was increased from RMB503,831,000 to RMB584,000,000 during the year.

* This is a jointly controlled entity newly acquired from CPIH. The purchase consideration is RMB70,504,000.

22 INTERESTS IN JOINTLY CONTROLLED ENTITIES *(CONTINUED)*

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

	2012 RMB'000	2011 RMB'000
Operating results		
Turnover	**488,829**	5,836
Loss before taxation	**14,334**	28,412
Loss for the year	**5,774**	24,024
Financial position		
Non-current assets	**2,029,346**	1,202,543
Current assets	**342,001**	295,534
Current liabilities	**(474,400)**	(1,130,784)
Non-current liabilities	**(1,343,770)**	(15,344)
Net assets	**553,177**	351,949

	2012 RMB'000	2011 RMB'000
Capital commitments in respect of property, plant and equipment		
Contracted but not provided for	**110,637**	791,764

There are no contingent liabilities relating to the Group's interests in the jointly controlled entities and the jointly controlled entities did not have any material contingent liabilities as at 31 December 2012 (2011: Nil).

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted equity investments outside Hong Kong - at cost (note (a))	**154,712**	154,712	**—**	—
Equity securities listed outside Hong Kong - at fair value (note (b))	**1,872,081**	1,908,393	**1,872,081**	1,908,393
	2,026,793	2,063,105	**1,872,081**	1,908,393
Market value of equity securities listed outside Hong Kong	**1,872,081**	1,908,393	**1,872,081**	1,908,393

Notes:

(a) Unlisted equity investments principally represent interests in certain unlisted companies which do not have a quoted market price in an active market and for which the range of other methods of reasonably estimating fair value is significant and the probabilities of the various estimates cannot be reasonably assessed. Accordingly these investments are carried at cost less accumulated impairment losses.

(b) Details of the equity securities listed outside Hong Kong as at 31 December 2012 are as follows:

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

24 LOAN TO A FELLOW SUBSIDIARY

As part of the Acquisition of Wuling Group during the year ended 31 December 2009, the Group assumed the entrusted loans provided by Wuling to Qian Dong Power Corporation ("Qian Dong"), a former subsidiary of Wuling (and currently a subsidiary of CPIH), amounted to RMB1,500,000,000. These loans were granted for a term of 3 years from the respective dates of drawdown at a fixed interest rate of 5.40% per annum. These loans were fully repaid by Qian Dong during the year ended 31 December 2012.

During the year ended 31 December 2012, the Group granted a new entrusted loan to Qian Dong, amounted to RMB300,000,000, for a term of 3 years at a fixed interest rate of 6.15% per annum (the "New Loan"). The New Loan is wholly repayable by 4 November 2015.

CPIH has agreed to indemnify the Company for any losses and damages caused by or related to Qian Dong (including the failure of Qian Dong to fulfil its obligations under the entrusted loan agreements) in respect of these loans.

The fair value of these loans approximates their carrying amounts.

25 INVENTORIES

	Group	
	2012	2011
	RMB'000	RMB'000
Coal and oil	**395,622**	475,946
Spare parts and consumables	**267,261**	255,025
	662,883	730,971

26 ACCOUNTS RECEIVABLE

	Group	
	2012	2011
	RMB'000	RMB'000
Accounts receivable from provincial power grid companies (note (a))	**1,984,628**	1,778,073
Accounts receivable from other companies (note (a))	**7,749**	5,411
	1,992,377	1,783,484
Notes receivable (note (b))	**177,653**	127,983
	2,170,030	1,911,467

The carrying value of accounts and notes receivables approximate their fair values due to their short maturity. All accounts and notes receivables are denominated in RMB.

As at 31 December 2012, certain bank borrowings were secured by the rights on accounts receivable of certain subsidiaries of the Group (Note 31(e)). The accounts receivable secured under these facilities as at 31 December 2012 amounted to RMB1,575,920,000 (2011: RMB1,161,965,000).

Notes:

(a) The Group normally grants 15 to 60 days credit period to customers from the end of the month in which the sales are made. The ageing analysis of the accounts receivable is as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
1 to 3 months	**1,992,377**	1,783,484

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

(b) Notes receivable are analysed as follows:

	2012	2011
	RMB'000	RMB'000
Bank acceptance notes issued by third parties	**177,653**	127,983

The notes receivable are normally with maturity period of 180 days (2011: 180 days).

27 AMOUNTS DUE FROM/(TO) RELATED COMPANIES

Group

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Amounts due from related companies		
Amount due from CPIF	**7,976**	2,241
Amounts due from fellow subsidiaries	**74,192**	95,771
Amounts due from associates (note (i))	**479,539**	234,097
Amount due from ultimate holding company	**189**	—
Amount due from an intermediate holding company	**3,392**	—
Amount due from immediate holding company	**90**	—
	565,378	332,109
Amounts due to related companies		
Amount due to ultimate holding company	**111,997**	108,087
Amount due to an intermediate holding company	**16,706**	9,461
Amount due to CPIF	**1,570**	—
Amounts due to fellow subsidiaries	**21,526**	10,562
	151,799	128,110

27 AMOUNTS DUE FROM/(TO) RELATED COMPANIES *(CONTINUED)*

Company

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Amounts due from related companies		
Amount due from an intermediate holding company	**836**	—
Amount due from immediate holding company	**90**	—
Amount due from a fellow subsidiary	**—**	2,000
Amounts due from associates (note (i))	**479,539**	200,387
	480,465	202,387
Amounts due to related companies		
Amount due to ultimate holding company	**271**	271
Amount due to an intermediate holding company	**14,280**	7,449
	14,551	7,720

Notes:

(i) Except for an amount due from an associate of RMB300,000,000 (2011: RMB200,000,000) which carries interest at 6.00% per annum (2011: 6.10% to 6.56%) and is repayable within twelve months, the remaining amounts due from associates are unsecured, interest free and repayable on demand.

(ii) Other balances with related companies are unsecured, interest free and repayable on demand.

28 CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**1,516,418**	1,179,817	**908,643**	584,945
Time deposits with initial terms of less than 3 months	**500,000**	—	**500,000**	—
	2,016,418	1,179,817	**1,408,643**	584,945
Denominated in:				
RMB	**1,870,934**	1,041,391	**1,263,323**	446,820
HK$	**143,657**	12,846	**143,576**	12,765
USD	**1,827**	125,580	**1,744**	125,360
	2,016,418	1,179,817	**1,408,643**	584,945

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

29 SHARE CAPITAL AND SHARE PREMIUM

(a) Authorised and issued capital

	Company	
	Number of shares (of HK$1 each)	**Nominal amount** RMB'000
Authorised:		
At 1 January 2011, 31 December 2011 and 31 December 2012	10,000,000,000	10,600,000
Issued and fully paid:		
At 1 January 2011 and 31 December 2011	5,107,060,777	5,121,473
Issue of new shares (note)	443,248,000	362,280
At 31 December 2012	5,550,308,777	5,483,753

(b) Share premium

	Company RMB'000
At 1 January 2011 and 31 December 2011	4,303,111
Issue of new shares (note)	382,344
At 31 December 2012	4,685,455

Note:

On 21 August 2012, the Company completed a placing of 443,248,000 shares at a subscription price of HK$2.10 per share for aggregate consideration of HK$931 million (equivalent to approximately RMB761 million) and 443,248,000 shares of HK$1 each were issued at a premium of HK$1.10 each. The premium on issue of shares of HK$488 million (equivalent to approximately RMB399 million) net of expenses of approximately HK$20 million (equivalent to approximately RMB16 million) was credited to the share premium account. These new shares rank pari passu in all respects with the then existing shares.

29 SHARE CAPITAL AND SHARE PREMIUM *(CONTINUED)*

(c) Share option schemes

Pursuant to the written resolution passed by the shareholders of the Company on 24 August 2004, two share option schemes, namely, Share Option Scheme (the "Option Scheme"), and Pre-IPO Share Option Scheme (the "Pre-IPO Scheme") were approved and adopted by the Company.

(i) Option Scheme

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

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

Details of the options granted under the Option Scheme outstanding as at 31 December 2012 are as follows:

			Number of shares subject to the options	
Date of grant	**Expiry date**	**Exercise price**	**At 31 December 2012**	At 31 December 2011
Directors				
4 April 2007	3 April 2017	HK$4.07	**4,086,000**	4,086,000
2 July 2008	1 July 2018	HK$2.326	**2,620,000**	2,620,000
Senior management and other employees				
4 April 2007	3 April 2017	HK$4.07	**5,958,000**	6,558,000
2 July 2008	1 July 2018	HK$2.326	**19,410,000**	20,200,000
			32,074,000	33,464,000

29 SHARE CAPITAL AND SHARE PREMIUM *(CONTINUED)*

(c) Share option schemes *(Continued)*

(i) Option Scheme *(Continued)*

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

	2012		2011	
	Average exercise price in HK$ per share	**Number of shares subject to the options**	Average exercise price in HK$ per share	Number of shares subject to the options
At 1 January	**2.881**	**33,464,000**	2.908	38,719,000
Lapsed	**4.07**	**(600,000)**	4.07	(2,275,000)
Lapsed	**2.326**	**(790,000)**	2.326	(2,980,000)
At 31 December		**32,074,000**		33,464,000

Options granted are exercisable within a period of ten years within which there is a total vesting period of four years. Commencing from the first, second, third and fourth anniversaries of the offer date of an option, the relevant grantee may exercise up to 25%, 50%, 75% and 100% respectively of the Shares comprised in his or her option.

Consideration in connection with all options granted were received. Save as mentioned above, no other options granted under the Option Scheme were cancelled or exercised during the year. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The fair values of options granted under the Option Scheme determined using the Black-Scholes Option Pricing Model were as follows:

	Date of grant of share options	
	2 July 2008	**4 April 2007**
Option value	HK$0.62	HK$1.14
Significant inputs into the valuation model:		
Exercise price	HK$2.326	HK$4.07
Share price at grant date	HK$2.09	HK$4.07
Expected volatility (note)	36.44%	30.95%
Risk-free interest rate	3.41%	4.16%
Expected life of options	6.25 years	6.25 years
Expected dividend yield	2.27%	2.75%

29 SHARE CAPITAL AND SHARE PREMIUM *(CONTINUED)*

(c) Share option schemes *(Continued)*

(i) Option Scheme *(Continued)*

Note:

The volatility of the underlying stock during the life of the options was estimated based on the historical volatility of the Company since its listing on the Stock Exchange on 15 October 2004 up to the date of grant of the relevant options.

(ii) Pre-IPO Scheme

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

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

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

Details of the options granted under the Pre-IPO Scheme outstanding as at 31 December 2012 are as follows:

				Number of shares subject to the options	
	Date of grant	Expiry date	Exercise price	**At 31 December 2012**	At 31 December 2011
Directors	18 September 2004	17 September 2014	HK$2.53	**3,073,800**	3,073,800
Senior management and other employees	18 September 2004	17 September 2014	HK$2.53	**2,284,600**	2,284,600
Senior management and other employees	11 October 2004	10 October 2014	HK$2.53	**498,500**	498,500
				5,856,900	5,856,900

29 SHARE CAPITAL AND SHARE PREMIUM *(CONTINUED)*

(c) Share option schemes *(Continued)*

(ii) Pre-IPO Scheme *(Continued)*

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

	2012		2011	
	Average exercise price in HK$ per share	**Number of shares subject to the options**	Average exercise price in HK$ per share	Number of shares subject to the options
At 1 January	**2.53**	**5,856,900**	2.53	6,604,600
Lapsed	**2.53**	**—**	2.53	(747,700)
At 31 December		**5,856,900**		5,856,900

Options granted are exercisable within a period of ten years within which there is a total vesting period of four years. Commencing from the first, second, third and fourth anniversaries of the offer date of an option, the relevant grantee may exercise up to 25%, 50%, 75% and 100% respectively of the Shares comprised in his or her option.

Consideration in connection with all options granted were received. Save as mentioned above, no other options granted under the Pre-IPO Scheme were cancelled or exercised during the year. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

29 SHARE CAPITAL AND SHARE PREMIUM *(CONTINUED)*

(c) Share option schemes *(Continued)*

(ii) Pre-IPO Scheme *(Continued)*

The fair values of options granted under the Pre-IPO Scheme determined using the Dividend Adjusted Black-Scholes Option Pricing Model were as follows:

	Date of grant of options	
	18 September 2004	**11 October 2004**
Option value	HK$1.14	HK$1.13
Significant inputs into the valuation model:		
Exercise price	HK$2.53	HK$2.53
Share price at grant date	HK$2.53	HK$2.53
Expected volatility (note)	43.71%	43.28%
Risk-free interest rate	4.40%	4.41%
Expected life of options	6.3 years	6.3 years
Expected dividend yield	0.99%	0.99%

Note:

The volatility of the underlying stock during the life of the options was estimated based on the historical volatility of the comparable companies for the past four years as of the respective valuation dates since there were no trading records of the Company's shares at the respective grant dates.

30 RESERVES

Group

	Merger reserve (note (i)) RMB'000	Capital reserve (note (ii)) RMB'000	Available-for-sale financial assets reserve RMB'000	Statutory reserves (note (iii)) RMB'000	Share-based compensation reserve RMB'000	Convertible option reserve RMB'000	Other reserves RMB'000	Retained earnings (note (iv)) RMB'000	Total RMB'000
At 1 January 2012	306,548	2,262,848	229,674	271,825	28,810	124,995	257,868	217,840	3,700,408
Fair value loss on available-for-sale financial assets	–	–	(36,312)	–	–	–	–	–	(36,312)
Deferred tax on fair value loss on available-for-sale financial assets (Note 38)	–	–	9,078	–	–	–	–	–	9,078
Equity component of convertible bonds (Note 33(c))	–	–	–	–	–	148,237	–	–	148,237
Share-based compensation expense	–	–	–	–	318	–	–	–	318
Lapse of share options	–	–	–	–	(1,000)	–	–	1,000	–
Transfer to reserves	–	–	–	61,835	–	–	–	(61,835)	–
2011 final dividend	–	–	–	–	–	–	–	(229,818)	(229,818)
Profit for the year	–	–	–	–	–	–	–	1,181,125	1,181,125
At 31 December 2012	306,548	2,262,848	202,440	333,660	28,128	273,232	257,868	1,108,312	4,773,036

30 RESERVES *(CONTINUED)*

Group *(Continued)*

	Merger reserve (note (i)) RMB'000	Capital reserve (note (ii)) RMB'000	Available-for-sale financial assets reserve RMB'000	Statutory reserves (note (iii)) RMB'000	Share-based compensation reserve RMB'000	Convertible option reserve RMB'000	Other reserves RMB'000	(Accumulated losses) / retained earnings (note (iv)) RMB'000	Total RMB'000
At 1 January 2011	306,548	2,262,848	2,725	250,359	31,964	–	–	(40,529)	2,813,915
Fair value gain on available-for-sale financial assets	–	–	302,599	–	–	–	–	–	302,599
Deferred tax on fair value gain on available-for-sale financial assets (Note 38)	–	–	(75,650)	–	–	–	–	–	(75,650)
Equity component of convertible bonds (Note 33(c))	–	–	–	–	–	124,995	–	–	124,995
Transactions with non-controlling interests (Note 41)	–	–	–	–	–	–	257,868	–	257,868
Share-based compensation expense	–	–	–	–	1,297	–	–	–	1,297
Lapse of share options	–	–	–	–	(4,451)	–	–	4,451	–
Transfer to reserves	–	–	–	21,466	–	–	–	(21,466)	–
2010 final dividend	–	–	–	–	–	–	–	(229,818)	(229,818)
Profit for the year	–	–	–	–	–	–	–	505,202	505,202
At 31 December 2011	306,548	2,262,848	229,674	271,825	28,810	124,995	257,868	217,840	3,700,408

30 RESERVES *(CONTINUED)*

Group *(Continued)*

Notes:

(i) Merger reserve

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

(ii) Capital reserve

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

(iii) Statutory reserves

Statutory reserves are non-distributable and the transfers to these funds are determined by the board of Directors of the relevant PRC subsidiaries, jointly controlled entities and associates in accordance with the relevant laws and regulations in the PRC.

(iv) Retained earnings

Accumulated profits retained by the Group, its associates and jointly controlled entities 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 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.

30 RESERVES *(CONTINUED)*

Company

	Available-for-sale financial assets reserve RMB'000	Share-based compen-sation reserve RMB'000	Convertible option reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2012	**402,296**	**28,810**	**124,995**	**1,730,351**	**2,286,452**
Share-based compensation expense	**—**	**318**	**—**	**—**	**318**
Lapse of share options	**—**	**(1,000)**	**—**	**1,000**	**—**
Fair value loss on available-for-sale financial assets	**(36,312)**	**—**	**—**	**—**	**(36,312)**
Deferred tax on fair value loss on available-for-sale financial assets (Note 38)	**9,078**	**—**	**—**	**—**	**9,078**
Equity component of convertible bonds (Note 33(c))	**—**	**—**	**148,237**	**—**	**148,237**
2011 final dividend				**(229,818)**	**(229,818)**
Profit for the year	**—**	**—**	**—**	**229,707**	**229,707**
At 31 December 2012	**375,062**	**28,128**	**273,232**	**1,731,240**	**2,407,662**
At 1 January 2011	175,347	31,964	—	877,998	1,085,309
Share-based compensation expense	—	1,297	—	—	1,297
Lapse of share options	—	(4,451)	—	4,451	—
Fair value gain on available-for-sale financial assets	302,599	—	—	—	302,599
Deferred tax on fair value gain on available-for-sale financial assets (Note 38)	(75,650)	—	—	—	(75,650)
Equity component of convertible bonds (Note 33(c))	—	—	124,995	—	124,995
2010 final dividend				(229,818)	(229,818)
Profit for the year	—	—	—	1,077,720	1,077,720
At 31 December 2011	402,296	28,810	124,995	1,730,351	2,286,452

31 BANK BORROWINGS

Bank borrowings are analysed as follows:

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current				
Long-term bank borrowings				
– secured (note (e))	**22,279,420**	21,282,681	**—**	—
– unsecured (note (b))	**9,628,181**	8,512,710	**—**	211,710
	31,907,601	29,795,391	**—**	211,710
Less:				
– current portion of long-term bank borrowings	**(3,978,397)**	(2,702,450)	**—**	—
– other bank borrowings reclassified as current (note (b))	**—**	(211,710)	**—**	(211,710)
	27,929,204	26,881,231	**—**	—
Current				
Short-term bank borrowings				
– secured (note (e))	**—**	243,700	**—**	—
– unsecured	**3,002,801**	2,744,100	**424,277**	—
Current portion of long-term bank borrowings	**3,978,397**	2,702,450	**—**	—
Other bank borrowings reclassified as current (note (b))	**—**	211,710	**—**	211,710
	6,981,198	5,901,960	**424,277**	211,710
Total bank borrowings	**34,910,402**	32,783,191	**424,277**	211,710

31 BANK BORROWINGS *(CONTINUED)*

Notes:

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

	2012	2011
	RMB'000	RMB'000
RMB	**33,641,662**	31,053,489
USD	**123,373**	353,054
JPY	**1,145,367**	1,376,648
	34,910,402	32,783,191

(b) As at 31 December 2011, the Group breached a financial covenant of a bank loan of RMB211,710,000 which constituted an event of default under the relevant bank loan facilities. Accordingly, such bank borrowing was reclassified as current liabilities at that year end date. The loan was fully repaid during the year ended 31 December 2012.

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

	Group	
	2012	2011
	RMB'000	RMB'000
Wholly repayable within five years	**4,776,430**	2,375,910
Not wholly repayable within five years	**27,131,171**	27,419,481
	31,907,601	29,795,391

The Group's long-term bank borrowings were repayable as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Within one year (also see note (b) above)	**3,978,397**	2,914,160
In the second year	**3,563,797**	3,202,400
In the third to fifth year	**10,610,223**	6,933,350
After the fifth year	**13,755,184**	16,745,481
	31,907,601	29,795,391

31 BANK BORROWINGS *(CONTINUED)*

Notes: *(Continued)*

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

	Group	
	2012	2011
Current bank borrowings	**5.63%**	5.81%
Non-current bank borrowings	**6.47%**	6.13%

The Group's non-current bank borrowings are primarily carried at floating rates. As at 31 December 2012, the carrying values of non-current bank borrowings approximate their fair values.

(e) As at 31 December 2012, the long-term bank borrowings of the Group were secured as follows:

	2012	2011
	RMB'000	RMB'000
Secured against the rights on accounts receivable of certain subsidiaries of the Group (Note 26)	**18,649,083**	17,110,514
Secured against property, plant and equipment of a subsidiary of the Group (Note 16(a)(iv))	**261,820**	277,320
Guaranteed by the ultimate holding company	**1,000,000**	1,740,735
Guaranteed by Hunan Provincial Finance Bureau	**551,549**	635,912
Guaranteed by Hunan Provincial Power Company	**1,223,150**	1,518,200
Guaranteed by CPIF	**593,818**	—
	22,279,420	21,282,681

As at 31 December 2012, all short-term bank borrowings are unsecured. As at 31 December 2011, certain short-term bank borrowings were secured by the rights on accounts receivable of certain subsidiaries of the Group.

(f) At 31 December 2012, the Group had the following undrawn committed borrowing facilities:

	Group	
	2012	2011
	RMB'000	RMB'000
Bank borrowings, at floating rates	**10,347,800**	11,597,020

32 BORROWINGS FROM ULTIMATE HOLDING COMPANY AND CPIF

	Group	
	2012	2011
	RMB'000	RMB'000
Non-current		
Long-term borrowings from ultimate holding company (note (a))	**3,694,111**	3,294,111
Long-term borrowings from CPIF (note (b))	**11,800**	11,800
Less: current portion of long-term borrowings from ultimate holding company (note (a))	**—**	(670,295)
	3,705,911	2,635,616
Current		
Short-term borrowings from ultimate holding company (note (d))	**320,000**	880,000
Short-term borrowings from CPIF (note (c))	**300,000**	800,000
Current portion of long-term borrowings from ultimate holding company (note (a))	**—**	670,295
	620,000	2,350,295
	4,325,911	4,985,911

As at 31 December 2012, long-term borrowings from ultimate holding company include entrusted loans of RMB2,220,295,000 (2011: RMB1,820,295,000) through CPIF to the Group. The borrowings from CPIF and interest payable to CPIF (Note 27) as at 31 December 2011 and the related interest expenses for the year ended 31 December 2011 (Note 9) were restated to reflect the entrusted loan arrangement accordingly.

As at 31 December 2012, the fair value of non-current borrowings from ultimate holding company and CPIF amounted to RMB3,658,617,000 (2011: RMB2,597,737,000).

The carrying amounts of current borrowings from ultimate holding company and CPIF approximate their fair values.

32 BORROWINGS FROM ULTIMATE HOLDING COMPANY AND CPIF *(CONTINUED)*

Notes:

(a) The long-term borrowings from ultimate holding company are unsecured and bearing interest at rates ranging from 3.90% to 6.40% (2011: 3.80% to 5.60%) per annum. The repayment terms of these borrowings are analysed as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Wholly repayable within five years	**2,220,295**	1,820,295
Not wholly repayable within five years	**1,473,816**	1,473,816
	3,694,111	3,294,111

These borrowings are repayable as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Within one year	**—**	670,295
In the second year	**750,000**	—
In the third to fifth year	**1,470,295**	1,150,000
After the fifth year	**1,473,816**	1,473,816
	3,694,111	3,294,111

(b) The long-term borrowings from CPIF are secured, bearing interest at 6.35% (2011: 6.60%) per annum and are wholly repayable by year 2030.

(c) The short-term borrowings from CPIF are unsecured, bearing interest at rates ranging from 5.60% to 6.00% (2011: 6.56% to 7.22%) per annum and are repayable within one year.

(d) The short-term borrowings from ultimate holding company are unsecured, bearing interest at rates ranging from 3.51% to 6.30% (2011: 5.37% to 7.22%) per annum and are repayable within one year.

33 OTHER BORROWINGS

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current				
Corporate bonds issued by:				
– Company (note (a))	**800,000**	800,000	**800,000**	800,000
– a subsidiary (note (b))	**994,836**	994,020	**—**	—
	1,794,836	1,794,020	**800,000**	800,000
Convertible bonds issued by the Company (note (c))	**1,855,185**	853,454	**1,855,185**	853,454
	3,650,021	2,647,474	**2,655,185**	1,653,454
Long-term other borrowings (note (d))	**283,540**	399,260	**—**	—
Less: current portion of long-term other borrowings (note (d))	**(283,540)**	—	**—**	—
	—	399,260	**—**	—
	3,650,021	3,046,734	**2,655,185**	1,653,454
Current				
Short-term other borrowings:				
– corporate bonds issued by a subsidiary (note (b))	**1,500,000**	1,000,000	**—**	—
– others (note (e))	**270,000**	100,000	**—**	—
	1,770,000	1,100,000	**—**	—
Current portion of long-term other borrowings (note (d))	**283,540**	—	**—**	—
	2,053,540	1,100,000	**—**	—

As at 31 December 2012, the fair value of long-term bonds and long-term other borrowings amounted to RMB3,879,467,000 (2011: RMB2,992,602,000).

The carrying amounts of short-term other borrowings approximate their fair values.

33 OTHER BORROWINGS *(CONTINUED)*

Notes:

(a) Unsecured RMB denominated corporate bonds were issued by the Company in December 2010 for a term of 5 years from December 2010 at an interest rate of 3.20% (2011: 3.20%) per annum.

(b) Long-term corporate bonds issued by a subsidiary represent certain bonds issued by Wuling and are bearing interest at 4.60% (2011: 4.60%) per annum for a term of 10 years from April 2009. These bonds are guaranteed by the ultimate holding company of the Company.

Short-term corporate bonds issued by a subsidiary represent certain unsecured bonds issued by Wuling and are bearing interest at rates ranging from 4.91% to 5.30% (2011: 4.77% to 5.06%) per annum for a term of one year.

(c) Convertible bonds

	Group		**Company**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
2011 Convertible Bonds (note (c)(i))	**880,138**	853,454	**880,138**	853,454
2012 Convertible Bonds (note (c)(ii))	**975,047**	—	**975,047**	—
	1,855,185	853,454	**1,855,185**	853,454

The fair values of the liability components of the 2011 Convertible Bonds and the 2012 Convertible Bonds at 31 December 2012 amounted to RMB1,017,994,000 (2011: RMB832,091,000) and RMB1,087,616,000 (2011: Nil) respectively. The fair values are calculated using the market prices of the convertible bonds on the balance sheet date (or the nearest day of trading).

Up to 31 December 2012, there was no conversion or redemption of the 2011 Convertible Bonds and 2012 Convertible Bonds (2011: Nil).

33 OTHER BORROWINGS *(CONTINUED)*

Notes: *(Continued)*

(c) Convertible bonds *(Continued)*

(i) In May 2011, the Company issued RMB denominated USD settled 2.25% convertible bonds (the "2011 Convertible Bonds"), of an initial principal amount of RMB982,000,000 (equivalent to USD150,000,000). The value of the liability component of RMB837,351,000 and the equity conversion component of RMB124,995,000 were determined at issuance of the 2011 Convertible Bonds, after netting off transaction cost of RMB19,654,000.

At the option of bond holders, the aggregate amount of RMB982,000,000 will be convertible into fully paid shares with a par value of HK$1 each of the Company. The 2011 Convertible Bonds will, subject to other terms and conditions, mature in five years from the issue date at 100% of the nominal value or can be converted into ordinary shares of the Company on or after 27 June 2011 at an initial conversion price of HK$2.15 per share (as adjusted to HK$2.00 per share with effect from 31 May 2012) pursuant to the terms and conditions as stipulated in the 2011 Convertible Bonds at a fixed exchange rate of RMB0.8414 to HK$1.00.

The 2011 Convertible Bonds are listed on The Stock Exchange of Hong Kong Limited.

The fair value of the liability component included in long-term other borrowings was calculated using a market interest rate for an equivalent non-convertible bond. The liability component is subsequently stated at amortised cost until extinguished on conversion or maturity of the bonds. The residual amount, representing the value of the equity conversion component, is accounted for as a convertible option reserve included in reserves.

The 2011 Convertible Bonds recognised in the balance sheet is calculated as follows:

	RMB'000
Nominal value of the 2011 Convertible Bonds at the date of issuance	982,000
Issue costs	(19,654)
Equity component	(124,995)
Liability component at the date of issuance	837,351
Accrued interest	16,103
Carrying amount at 31 December 2011	853,454
Accrued interest	26,684
Carrying amount at 31 December 2012	880,138

Interest expense on the liability component of the 2011 Convertible Bonds are calculated using the effective interest method, applying the effective interest rate of 5.67% (2011: 5.67%) per annum to the liability component.

33 OTHER BORROWINGS *(CONTINUED)*

Notes: *(Continued)*

(c) Convertible bonds *(Continued)*

(ii) In September 2012, the Company issued RMB denominated USD settled 2.75% convertible bonds (the "2012 Convertible Bonds"), of an initial principal amount of RMB1,140,000,000 (equivalent to USD180,000,000). The value of the liability component of RMB966,279,000 and the equity conversion component of RMB148,237,000 were determined at issuance of the 2012 Convertible Bonds, after netting off transaction cost of RMB25,484,000.

At the option of bond holders, the aggregate amount of RMB1,140,000,000 will be convertible into fully paid shares with a par value of HK$1 each of the Company. The 2012 Convertible Bonds will, subject to other terms and conditions, mature in five years from the issue date at 100% of the nominal value or can be converted into ordinary shares of the Company on or after 28 October 2012 at an initial conversion price of HK$2.52 per share pursuant to the terms and conditions as stipulated in the 2012 Convertible Bonds at a fixed exchange rate of RMB0.8185 to HK$1.00.

The 2012 Convertible Bonds are listed on The Stock Exchange of Hong Kong Limited.

The fair value of the liability component included in long-term other borrowings was calculated using a market interest rate for an equivalent non-convertible bond. The liability component is subsequently stated at amortised cost until extinguished on conversion or maturity of the bonds. The residual amount, representing the value of the equity conversion component, is accounted for as a convertible option reserve included in reserves.

The 2012 Convertible Bonds recognised in the balance sheet is calculated as follows:

	RMB'000
Nominal value of the Convertible Bonds at the date of issuance	1,140,000
Issue costs	(25,484)
Equity component	(148,237)
Liability component at the date of issuance	966,279
Accrued interest	8,768
Carrying amount at 31 December 2012	975,047

Interest expense on the liability component of the 2012 Convertible Bonds are calculated using the effective interest method, applying the effective interest rate of 6.36% per annum to the liability component.

(d) Current portion of long-term other borrowings represent a loan from a local financial institution which is unsecured, bearing interest at 6.32% per annum and is repayable by 10 October 2013.

(e) Short-term other borrowings represent loans from local financial institutions which are unsecured, bearing interest at rates ranging from 5.58% to 5.70% (2011: 6.63%) per annum and are repayable within one year.

34 OBLIGATIONS UNDER FINANCE LEASES

	Group	
	2012	2011
	RMB'000	RMB'000
Obligations under finance leases	**658,996**	184,337
Current portion of obligations under finance leases	**(103,911)**	(17,714)
Non-current portion of obligations under finance leases	**555,085**	166,623

At 31 December 2012, the Group's finance lease liabilities were repayable as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Within one year	**143,139**	27,335
In the second to fifth year	**572,036**	109,340
After the fifth year	**67,644**	94,980
	782,819	231,655
Future finance charges on finance leases	**(123,823)**	(47,318)
Present value of finance leases	**658,996**	184,337

As at 31 December 2012, bank deposit of RMB35,000,000 (2011: Nil) was pledged as security for an obligation under finance lease of RMB492,373,000 (2011: Nil).

35 ACCOUNTS AND BILLS PAYABLES

	Group	
	2012	2011
	RMB'000	RMB'000
Accounts payable (note (a))	**739,455**	510,920
Amounts due to a non-controlling shareholder (note (a))	**3,417**	214,469
	742,872	725,389
Bills payable (note (b))	**52,491**	150,000
	795,363	875,389

The carrying amounts of accounts and bills payables approximate their fair values due to their short maturity.

Notes:

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

	Group	
	2012	2011
	RMB'000	RMB'000
1 to 6 months	**522,247**	524,216
7 to 12 months	**213,454**	186,296
Over 1 year	**7,171**	14,877
	742,872	725,389

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

(b) Bills payable are bills of exchange with average maturity period of 3 to 6 months (2011: 3 to 6 months).

36 OTHER PAYABLES AND ACCRUED CHARGES

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Salaries and staff welfare payable	**40,799**	35,741	**—**	1,047
Value-added tax payable	**111,901**	60,030	**—**	—
Other taxes payable	**299,205**	221,638	**2,767**	3,507
Repairs and maintenance expense payable	**7,804**	10,050	**—**	—
Insurance expense payable	**1,311**	7,580	**—**	—
Dividend payable to a non-controlling shareholder of a subsidiary	**17,890**	—	**—**	—
Discharge fees payable	**12,144**	2,477	**—**	—
Reservoir maintenance and usage fees payables	**130,118**	122,561	**—**	—
Interest payable	**158,879**	139,637	**13,821**	3,680
Other payables and accrued operating expenses	**181,342**	234,581	**13,231**	23,540
Considerations payable for acquisition of subsidiaries	**32,069**	41,089	**—**	—
	993,462	875,384	**29,819**	31,774

37 DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2012	2011
	RMB'000	RMB'000
Derivative financial instruments – assets/(liabilities)	**38,744**	(32,965)

At 31 December 2012, the Group had certain net settled derivative financial instruments, with a contract period of 15 years, mainly to sell USD for JPY with an aggregate notional principal amount of JPY2,601,520,000 (2011: JPY2,861,672,000).

The derivative financial instruments entered into by the Group do not qualify for hedge accounting, changes in fair value of any derivative instruments are recognised immediately in the consolidated income statement.

During the year, the Group recorded a fair value gain on the above derivative financial instruments amounting to RMB71,709,000 (2011: RMB38,937,000) (Note 7).

38 DEFERRED INCOME TAX

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

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred income tax assets	**73,965**	45,187	**—**	—
Deferred income tax liabilities	**(824,201)**	(741,934)	**(109,945)**	(119,023)
Net deferred income tax liabilities	**(750,236)**	(696,747)	**(109,945)**	(119,023)

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**(696,747)**	(524,943)	**(119,023)**	(43,373)
Credited/(charged) directly to equity (Note 30)	**9,078**	(75,650)	**9,078**	(75,650)
Acquisition of subsidiaries (Note 40)	**(1,996)**	—	**—**	—
Charged to the consolidated income statement (Note 10)	**(60,571)**	(96,154)	**—**	—
At 31 December	**(750,236)**	(696,747)	**(109,945)**	(119,023)

38 DEFERRED INCOME TAX *(CONTINUED)*

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

Deferred income tax liabilities:

	Group								Company	
	Accelerated tax depreciation		Changes in fair value of available-for-sale financial assets		Others		Total		Changes in fair value of available-for-sale financial assets	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
At 1 January	**(677,992)**	(560,936)	**(119,023)**	(43,373)	**(5,461)**	—	**(802,476)**	(604,309)	**(119,023)**	(43,373)
Acquisition of subsidiaries	**(2,023)**	—	**—**	—	**—**	—	**(2,023)**	—	**—**	—
Credited/(charged) directly to equity (Note 30)	**—**	—	**9,078**	(75,650)	**—**	—	**9,078**	(75,650)	**9,078**	(75,650)
Charged to income statement	**(121,253)**	(117,056)	**—**	—	**—**	(5,461)	**(121,253)**	(122,517)	**—**	—
At 31 December	**(801,268)**	(677,992)	**(109,945)**	(119,023)	**(5,461)**	(5,461)	**(916,674)**	(802,476)	**(109,945)**	(119,023)

38 DEFERRED INCOME TAX *(CONTINUED)*

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

Deferred income tax assets:

	Group							
	Decelerated tax depreciation		Provisions and others		Tax losses		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
At 1 January	**71,465**	55,339	**34,264**	24,027	**—**	—	**105,729**	79,366
Acquisition of subsidiaries	**27**	—	**—**	—	**—**	—	**27**	—
Credited to consolidated income statement	**25,345**	16,126	**13,935**	10,237	**21,402**	—	**60,682**	26,363
At 31 December	**96,837**	71,465	**48,199**	34,264	**21,402**	—	**166,438**	105,729

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2012, the Group had unrecognised tax losses to be carried forward against future taxable income amounted to RMB741,376,000 (2011: RMB1,803,908,000), which will expire within five years.

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Available-for-sale financial assets reserve (Note 30)	**9,078**	(75,650)	**9,078**	(75,650)

39 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2012	2011
	RMB'000	RMB'000
Profit before taxation	**2,128,675**	782,219
Share of (profits)/losses of associates	**(146,144)**	4,073
Share of losses of jointly controlled entities	**5,774**	24,024
Finance income	**(115,694)**	(108,903)
Finance costs	**1,666,045**	1,586,101
Dividend income	**(25,513)**	(24,083)
Depreciation of property, plant and equipment	**2,081,650**	1,809,808
Provision for impairment of property, plant and equipment	**71,796**	—
Amortisation of land use rights	**8,993**	9,060
Amortisation of deferred income	**(13,201)**	(18,674)
Gain on disposal of property, plant and equipment and land use rights	**(744)**	(40,146)
Impairment/(reversal of impairment) of other receivables	**12,330**	(9,626)
Reversal of impairment of inventories	**—**	(3,916)
Fair value gain on derivative financial instruments	**(71,709)**	(38,937)
Share-based compensation expense	**318**	1,297
Operating profit before working capital changes	**5,602,576**	3,972,297
Increase in accounts receivable	**(258,563)**	(194,898)
Increase in prepayments, deposits and other receivables	**(334,521)**	(64,880)
Decrease/(increase) in inventories	**68,088**	(390,919)
Decrease/(increase) in balances with related companies	**35,862**	(48,257)
Decrease/(increase) in amounts due from associates	**34,097**	(387)
(Decrease)/increase in accounts and bills payables	**(80,026)**	414,183
Increase/(decrease) in other payables and accrued charges	**92,963**	(27,012)
Decrease in other long-term liabilities	**(2,742)**	(3,346)
Cash generated from operations	**5,157,734**	3,656,781

39 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

(b) Analysis of changes in financing during the year

	Long-term and short-term bank and other borrowings (excluding convertible bonds) RMB'000	Borrowings from ultimate holding company and CPIF RMB'000	Obligations under finance leases RMB'000	Non-controlling interests RMB'000
Balance at 1 January 2011	31,073,343	5,203,411	201,141	2,655,698
Transactions with non-controlling interests and acquisition of subsidiaries	—	—	—	454,509
New bank borrowings	10,244,620	—	—	—
Repayment of bank borrowings	(8,199,571)	—	—	—
New short-term other borrowings	1,499,260	—	—	—
Repayment of other borrowings	(335,201)	—	—	—
Repayment of borrowings from ultimate holding company and CPIF	—	(2,300,000)	—	—
New borrowings from ultimate holding company and CPIF	—	2,082,500	—	—
Payments for obligations under finance leases	—	—	(27,335)	—
Interest element for obligations under finance leases	—	—	10,531	—
Contributions from non-controlling shareholders of subsidiaries	—	—	—	249,575
Non-controlling shareholders' share of profit for the year	—	—	—	83,168
Dividends paid to a shareholder of a subsidiary	—	—	—	(78,440)
Balance at 31 December 2011	34,282,451	4,985,911	184,337	3,364,510

39 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

(b) Analysis of changes in financing during the year *(Continued)*

	Long-term and short-term bank and other borrowings (excluding convertible bonds) RMB'000	Borrowings from ultimate holding company and CPIF RMB'000	Obligations under finance leases RMB'000	Non-controlling interests RMB'000
Balance at 31 December 2011	34,282,451	4,985,911	184,337	3,364,510
Transactions with non-controlling interests and acquisition of subsidiaries	94,400	—	—	—
New bank borrowings	10,904,896	—	—	—
Repayment of bank borrowings	(8,670,577)	—	—	—
New short-term other borrowings	1,800,000	—	—	—
Repayment of other borrowings	(1,317,720)	—	—	—
Repayment of borrowings from ultimate holding company and CPIF	—	(2,300,295)	—	—
New borrowings from ultimate holding company and CPIF	—	1,640,295	—	—
Payments for obligations under finance leases	—	—	(27,334)	—
Interest element for obligations under finance leases	—	—	12,678	—
Proceeds from a finance lease	—	—	489,315	—
Contributions from non-controlling shareholders of subsidiaries	—	—	—	143,406
Non-controlling shareholders' share of profit for the year	—	—	—	500,151
Dividends paid to a shareholder of a subsidiary	—	—	—	(20,889)
Net foreign exchange gains	(129,508)	—	—	—
Balance at 31 December 2012	36,963,942	4,325,911	658,996	3,987,178

40 BUSINESS COMBINATIONS

(a) Acquisition of 茶陵縣聯冠水電開發有限公司 (Chalingxian Lianguan Hydropower Development Company Limited)

On 1 January 2012, the Group acquired 100% equity interest in 茶陵縣聯冠水電開發有限公司 (Chalingxian Lianguan Hydropower Development Company Limited) ("Lianguan") from an independent third party (the "Lianguan Acquisition"). The revenue and net results contributed by Lianguan during the period from 1 January 2012 to 31 December 2012 were not significant to the Group.

Details of net assets acquired and goodwill are as follows:

	RMB'000
Purchase considerations:	
- Paid in cash	22,577
- Payable	2,508
	25,085
Fair value of net identifiable assets acquired (see below)	(24,997)
Goodwill	88

40 BUSINESS COMBINATIONS *(CONTINUED)*

(a) Acquisition of 茶陵縣聯冠水電開發有限公司 (Chalingxian Lianguan Hydropower Development Company Limited) *(Continued)*

The assets and liabilities arising from the Lianguan Acquisition are as follows:

	Fair value RMB'000	Acquiree's carrying amount RMB'000
Property, plant and equipment	135,166	127,072
Land use rights	—	109
Cash and cash equivalents	32	32
Other assets	989	989
Net deferred income tax liabilities	(1,996)	—
Long-term bank borrowings	(22,400)	(22,400)
Short-term other borrowings	(72,000)	(72,000)
Other liabilities	(14,794)	(14,794)
Net identifiable assets acquired	24,997	19,008
Purchase considerations - paid in cash	(22,577)	
Cash and cash equivalents in subsidiaries acquired	32	
Net cash outflow on acquisition	(22,545)	

40 BUSINESS COMBINATIONS *(CONTINUED)*

(b) Acquisition of 四川興鐵電氣設備有限公司 (Sichuan Xingtie Electrical Equipment Company Limited)

Effective 1 June 2011, the Group acquired 70% equity interests in 四川興鐵電氣設備有限公司 (Sichuan Xingtie Electrical Equipment Company Limited) and its subsidiary (together, "Xingtie") from an independent third party (the "Acquisition"). The revenue and net results contributed by Xingtie during the period from 1 June 2011 to 31 December 2011 is not significant to the Group. If the Acquisition had occurred on 1 January 2011, the Group's revenue and profit for the year ended 31 December 2011 would have no significant change.

Details of net assets acquired and goodwill are as follows:

	RMB'000
Purchase considerations:	
- Cash paid	390
Fair value of net identifiable assets acquired (see below)	(390)
Goodwill	—

The assets and liabilities arising from the Acquisition are as follows:

	Fair value RMB'000	**Acquiree's carrying amount RMB'000**
Property, plant and equipment	1,489	1,489
Cash and cash equivalents	78	78
Payables	(1,010)	(1,010)
	557	557
Non-controlling interests	(167)	(167)
Net identifiable assets acquired	390	390
Purchase considerations - paid in cash	(390)	
Cash and cash equivalents in subsidiaries acquired	78	
Net cash outflow on acquisition	(312)	

41 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of an additional interest in a subsidiary

On 7 January 2011, the Group acquired an additional 40.36% interest in of Tumuxi at a consideration of RMB31,689,000. The carrying amount of the non-controlling interests in Tumuxi on the date of acquisition was RMB18,709,000. The Group recognised a decrease in non-controlling interests of RMB18,709,000 and a decrease in equity attributable to owners of the Company of RMB12,980,000. The effect of changes in the ownership interest of Tumuxi on the equity attributable to owners of the Company during the year is summarised as follows:

	RMB'000
Carrying amount of non-controlling interests acquired	18,709
Consideration paid to non-controlling interests	(31,689)
Excess of consideration paid recognised within equity	(12,980)

(b) Disposal of interest in subsidiaries without loss of control

On 26 July 2011, the Company disposed of 25% and 42% of interest in Huainan Pingwei No. 2 Electric Power Co., Ltd. ("PWII") and Huanggang Dabieshan Power Generating Company Limited ("DBS") at a consideration of RMB350,000,000 and RMB393,899,000 respectively. As a result of these transactions, the Group recognised an increase in non-controlling interests of RMB473,051,000 and an increase in equity attributable to owners of the Company of RMB270,848,000. The effect of changes in the ownership interest of PWII and DBS on the equity attributable to owners of the Company during the year is summarised as follows:

	PWII RMB'000	DBS RMB'000	Total RMB'000
Carrying amount of net assets disposed of	(229,651)	(243,400)	(473,051)
Consideration received from non-controlling interests	350,000	393,899	743,899
Gain on disposal recognised within equity	120,349	150,499	270,848

41 TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(CONTINUED)*

(c) Effects of transactions with non-controlling interests on the equity attributable to owners of the Company for the year ended 31 December 2011

	2011 RMB'000
Total comprehensive income for the year attributable to owners of the Company	732,151
Changes in equity attributable to owners of the Company arising from:	
- Acquisition of additional interest in a subsidiary	(12,980)
- Disposal of interest in subsidiaries without loss of control	270,848
Net effect for transactions with non-controlling interests on equity attributable to owners of the Company	257,868
	990,019

There were no transactions with non-controlling interests in 2012.

42 COMMITMENTS

(a) Capital commitments

	Group		Company	
	2012 **RMB'000**	2011 RMB'000	**2012** **RMB'000**	2011 RMB'000
Authorised but not contracted for in respect of				
- property, plant and equipment	**975,753**	3,091,214	**—**	—
- capital contribution to an associate	**—**	813,800	**—**	813,800
- other investment	**—**	300,000	**—**	300,000
Contracted but not provided for in respect of				
- property, plant and equipment	**6,096,408**	6,299,225	**—**	—
- capital contribution to an associate	**187,425**	220,500	**187,425**	220,500
- capital contribution to jointly controlled entities	**10,584**	100,072	**10,584**	100,072
- capital contribution to subsidiaries	**—**	—	**397,615**	502,579
- acquisition of a subsidiary	**—**	30,080	**—**	—
	7,270,170	10,854,891	**595,624**	1,936,951

42 COMMITMENTS *(CONTINUED)*

(b) Commitments under operating leases

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Land and buildings				
Not later than one year	**37,680**	27,578	**20,331**	10,508
Later than one year and not later than five years	**28,762**	20,420	**28,762**	3,073
	66,442	47,998	**49,093**	13,581

Generally, the Group's operating leases are for terms of 1 to 3 years.

(c) Future operating lease arrangements

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other equipment				
Not later than one year	**9,165**	14,483	**—**	—
Later than one year and not later than five years	**23,311**	14,029	**—**	—
	32,476	28,512	**—**	—

43 RELATED PARTY TRANSACTIONS

The Group is controlled by CPIH, an intermediate holding company which directly holds approximately 27.62% (2011: 30.01%) of the Company's shares, and indirectly holds approximately 35.97% (2011: 39.09%) of the Company's shares through China Power Development Limited ("CPDL"). As at 31 December 2012, CPIH owned approximately 63.59% equity interest of the Company in aggregate and the remaining interests were widely held. The Directors regard CPI Group, a company incorporated in the PRC which is the beneficial owner of CPIH, as the ultimate holding company.

43 RELATED PARTY TRANSACTIONS *(CONTINUED)*

CPI Group is a state-owned enterprise established in the PRC and 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 CPI Group, its subsidiaries, jointly controlled entities 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 CPI Group 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 CPI Group 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
CPI Group (中國電力投資集團公司)	Ultimate holding company
CPIH	Intermediate holding company
CPDL	Immediate holding company
CPIF (中電投財務有限公司)	A company controlled by CPI Group
Shanxi Shentou Power Industry Company Limited (山西神頭電力實業有限責任公司)	Fellow subsidiary
Shanxi Shentou Engineering Company Limited (山西神頭電力檢修有限責任公司)	Fellow subsidiary
Anhui Huainan Pingwei Electric Power Industry Company Limited (安徽淮南平圩電力實業有限責任公司)	Fellow subsidiary
Anhui Huainan Pingwei Power Engineering Maintenance Company Limited (安徽淮南平圩電力檢修工程有限責任公司)	Fellow subsidiary
Pingdingshan Yaomeng Power Engineering Co., Ltd. (平頂山姚孟電力工程有限責任公司)	Fellow subsidiary
Pingdingshan Yaomeng Power Industrial Co., Ltd. (平頂山姚孟電力實業有限責任公司)	Fellow subsidiary
Guizhou Qian Dong Power Corporation (貴州黔東電力有限公司)	Fellow subsidiary

43 RELATED PARTY TRANSACTIONS *(CONTINUED)*

Related parties	Relationship with the Company
Sichuan Yibin China Power Environmental Engineering Company Limited (四川宜賓中電環境工程有限公司)	Fellow subsidiary
China Power Maintenance Engineering Company Limited (中電電力檢修工程有限公司)	Fellow subsidiary
Beijing China Power Environmental Engineering Company Limited (北京中電環境工程有限公司)	Fellow subsidiary
CPI Yuanda Environmental-Protection Engineering Co., Ltd. (中電投遠達環境工程有限公司)	Fellow subsidiary
CPI Wuhu Power Generating Company Limited (中電國際 (蕪湖) 發電有限責任公司)	Fellow subsidiary
Jiangsu Changshu Electric Power Generating Company Limited (江蘇常熟發電有限公司)	Associate
Henan Zhongping Coal & Electricity Co., Ltd. (河南中平煤電有限責任公司)	Jointly controlled entity
Hunan Xiangtou International Investment Limited (“Xiangtou”) (湖南湘投國際投資有限公司)	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)	A non-controlling shareholder of a subsidiary

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

43 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Income

	Note	2012 RMB'000	2011 RMB'000
Interest income from a fellow subsidiary	(i)	**68,089**	82,125
Rental income from a fellow subsidiary	(ii)	**54,110**	54,110
Management fee from CPIH	(iii)	**4,974**	4,974
Dividend income from Shanghai Power	(iv)	**20,173**	20,173
Dividend income from CPIF	(iv)	**5,340**	3,910
Income from provision of repairs and maintenance services to a fellow subsidiary	(v)	**3,912**	713
Service income from provision of IT services to:			
- CPIH	(vi)	**772**	—
- an associate	(vi)	**1,953**	—
- a fellow subsidiary	(vi)	**528**	—

Notes:

(i) Interest income from a fellow subsidiary was charged at a fixed interest rate ranging from 5.40% to 6.15% (2011: 5.40%) per annum.

(ii) Rental income from a fellow subsidiary was charged in accordance with the terms of the relevant agreements.

(iii) Management fee from CPIH in connection with the Group's services rendered for management of certain power plants on behalf of CPIH was charged in accordance with the terms of the relevant agreements.

(iv) Dividend income was received from CPIF and Shanghai Power based on the dividends declared by the respective boards of directors in proportion to the Group's interest in the companies.

(v) Income from the provision of repairs and maintenance services to a fellow subsidiary was charged in accordance with the terms of the relevant agreements.

(vi) Income from the provision of IT services to CPIH, an associate and a fellow subsidiary was charged in accordance with the terms of the relevant agreements.

43 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Expenses

	Note	**2012** **RMB'000**	2011 RMB'000
Purchases of fuel, raw materials and spare parts from:			
- fellow subsidiaries	(i)	**88,036**	83,556
- a non-controlling shareholder of a subsidiary	(i)	**4,371,215**	3,900,028
- a jointly controlled entity (formerly a related company)	(i)	**204,279**	55,015
Service fees to fellow subsidiaries	(ii)	**382,559**	378,254
Interest expenses to:			
- CPIF	(iii)	**37,920**	41,263
- CPI Group	(iii)	**207,747**	209,238
- a non-controlling shareholder of a subsidiary	(iv)	**—**	4,587
Construction costs to fellow subsidiaries	(v)	**113,789**	46,481
Labour costs charged by fellow subsidiaries	(vi)	**963**	1,206
Operating lease rental expenses in respect of:			
- land to CPI Group	(vii)	**17,061**	17,061
- buildings to CPIH	(vii)	**11,973**	9,549

Notes:

(i) Purchases of goods were charged in accordance with the terms of the relevant agreements.

(ii) Service fees were largely related to repairs and maintenance services and transportation services which were charged based on mutually agreed prices.

(iii) Interest expenses to CPIF and CPI Group were charged based on outstanding loan balances at 5.60% to 7.22% (2011: 4.78% to 7.22%) per annum and at 3.51% to 7.22% (2011: 3.80% to 7.22%) per annum.

(iv) Interest expense to a non-controlling shareholder of a subsidiary in 2011 was charged based on outstanding loan balances at 5.94% per annum. The whole balance was fully repaid in 2011.

(v) Construction costs were charged in accordance with the terms of contracts.

(vi) Labour costs were charged on a cost reimbursement basis.

(vii) Rental expenses in respect of certain land and buildings leased from CPI Group and CPIH were charged in accordance with the terms of the relevant agreements.

43 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(c) Year-end balances with related parties

	Note	**2012**	2011
		RMB'000	RMB'000
Borrowings from CPIF	(i)	**(311,800)**	(811,800)
Loan to a fellow subsidiary	(ii)	**300,000**	1,500,000
Borrowings from CPI Group	(iii)	**(4,014,111)**	(4,174,111)
Amounts due from:			
- non-controlling shareholders	(iv)	**378**	162
- associates	(v)	**479,539**	234,097
- fellow subsidiaries	(iv)	**74,192**	95,771
- CPIF, net	(iv)	**6,406**	2,241
- CPDL	(iv)	**90**	—
Amounts due to:			
- non-controlling shareholders	(iv)	**(4,051)**	(214,469)
- CPI Group, net	(iv)	**(111,808)**	(108,087)
- fellow subsidiaries	(iv)	**(21,526)**	(10,562)
- CPIH	(iv)	**(13,314)**	(9,461)
Dividend payable to a non-controlling shareholder	(iv)	**(17,890)**	–

Notes:

(i) Borrowings from CPIF are unsecured, carrying interest at rates ranging from 5.60% to 6.35% (2011: 6.56% to 7.22%) per annum and are repayable by year 2030.

(ii) Loan to a fellow subsidiary is unsecured, carrying interest at a fixed interest rate of 6.15% (2011: 5.40%) per annum and is repayable before the end of year 2015.

(iii) Borrowings from CPI Group are unsecured, carrying interest at rates ranging from 3.51% to 6.40% (2011: 3.80% to 7.22%) per annum and are repayable by year 2018.

(iv) The balances with these related parties are unsecured, interest free and are repayable on demand.

(v) Except for an amount due from an assoicate of RMB300,000,000 (2011: RMB200,000,000) which carries interest at 6.00% per annum (2011: 6.10% to 6.56%) and is repayable within twelve months, the remaining amounts due from an associates are unsecured, interest free and repayable on demand.

43 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(d) For the years ended 31 December 2012 and 2011, 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 the 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

The prices and terms of such transactions are set out in the relevant agreements governing these transactions or as mutually agreed.

(e) Key management compensation

	2012	2011
	RMB'000	RMB'000
Basic salaries, housing allowance, other allowances, discretionary bonus and other benefits	**6,790**	5,194
Share-based compensation expense	**84**	416
	6,874	5,610

44 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 20 March 2013.

FIVE-YEAR FINANCIAL AND OPERATIONS SUMMARY

	2012	2011	2010	2009	2008
	RMB million	RMB million	RMB million	RMB million	RMB million
Revenue	**17,497.1**	16,082.1	14,436.7	10,936.5	9,632.4
Profit/(loss) before taxation	**2,128.7**	782.2	1,246.5	574.1	(698.4)
Taxation	**(447.4)**	(193.8)	(380.2)	(22.5)	(4.3)
Profit/(loss) for the year	**1,681.3**	588.4	866.3	551.6	(702.7)
Attributable to:					
Owners of the Company	**1,181.1**	505.2	666.9	519.0	(689.2)
Non-controlling interests	**500.2**	83.2	199.4	32.6	(13.5)
Total non-current assets	**63,299.3**	56,945.3	53,015.1	49,684.9	18,374.1
Total current assets	**6,610.1**	6,447.2	3,775.3	4,521.7	3,935.5
Total assets	**69,909.4**	63,392.5	56,790.4	54,206.6	22,309.6
Total current liabilities	**14,245.3**	13,347.0	12,063.1	10,422.5	4,265.6
Total non-current liabilities	**36,734.7**	33,556.0	29,833.1	28,902.7	10,012.6
Net assets	**18,929.4**	16,489.5	14,894.2	14,881.4	8,031.4
Equity attributable to owners of the Company	**14,942.2**	13,125.0	12,238.5	12,438.4	7,963.1
Non-controlling interests	**3,987.2**	3,364.5	2,655.7	2,443.0	68.3
Total equity	**18,929.4**	16,489.5	14,894.2	14,881.4	8,031.4
Attributable installed capacity (MW)	**11,731**	11,510	11,585	11,177	9,037
Gross generation (MWh)	**51,859,151**	50,132,564	48,558,685	37,195,711	36,360,449
Net generation (MWh)	**49,202,653**	47,391,185	46,002,897	34,714,399	33,890,035
Net coal consumption rate (g/KWh)	**316.70**	319.40	324.51	329.85	334.4

TECHNICAL GLOSSARY AND DEFINITIONS

"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
"auxiliary power"	electricity consumed by a power plant in the course of power generation
"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 Qingshui Jiang Hydropower Company Limited* (貴州清水江水電有限公司白市水電站項目)
"Beijing CP Environmental"	Beijing China Power Environmental Engineering Company Limited* (北京中電環境工程有限公司)
"Board"	the board of Directors of the Company
"Changshu Power Plant"	Jiangsu Changshu Electric Power Generating Company Limited (江蘇常熟發電有限公司)
"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 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 Group"	China Power Investment Corporation* (中國電力投資集團公司)
"CPIF" or "CPI Financial"	CPI Financial Company Limited* (中電投財務有限公司)
"CPIH" or "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)
"gross generation"	for a specific period, the total amount for electrical power produced by a power plant in that period including auxiliary power
"Group" or "We"	the Company and its subsidiaries from time to time
"Guizhou Pu'an Power Plant"	CPI Guizhou Pu'an Power Co., Ltd* (貴州中電普安電力開發公司)
"GW"	gigawatt, that is, one million kilowatts
"Heimifeng Power Plant"	a pumped-storage power plant in Heimifeng of Wu Ling Power Corporation* (五凌電力有限公司黑糜峰抽水蓄能電廠)

TECHNICAL GLOSSARY AND DEFINITIONS

"Henan Zhongping"	Henan Zhongping Coal & Electricity Co., Ltd.* (河南中平煤電有限責任公司)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huainan Mining Group"	Huainan Mining Industry (Group) Company Limited* (淮南礦業(集團)有限責任公司)
"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
"Lianguan Hydropower Plant"	Chalingxian Lianguan Hydropower Development Company Limited* (茶陵縣聯冠水電開發有限公司)
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Liyujiang Power Plant"	China Resources Power Hunan Liyujiang Company Limited*（湖南華潤電力鯉魚江有限公司）
"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)
"net generation"	the actual amount of electricity sold by a power plant in a particular period of time, which equals the gross generation minus auxiliary power and any power loss occurring during the transmission from the power plant to the power grid
"Pingwei Industry Company"	Anhui Huainan Pingwei Electric Power Industry Company Limited* (安徽淮南平圩電力實業有限責任公司)
"Pingwei Maintenance Company"	Anhui Huainan Pingwei Power Engineering Maintenance Company Limited* (安徽淮南平圩電力檢修工程有限責任公司)
"Pingwei Power Plant"	Anhui Huainan Pingwei Electric Power Company Limited (安徽淮南平圩發電有限責任公司)
"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"	the People's Republic of China (for the purpose of this annual report excluding the Hong Kong, Special Administrative Region of Macau and Taiwan)
"Qian Dong Power"	Guizhou Qian Dong Power Corporation* (貴州黔東電力有限公司)
"Qinghe Power Plant"	Liaoning Qinghe Electric Power Company Limited (遼寧清河發電有限責任公司)
"RMB"	Renminbi, the lawful currency of the PRC
"Shanghai Power"	Shanghai Electric Power Co., Ltd* (上海電力股份有限公司)
"Shentou Engineering Company"	Shanxi Shentou Engineering Company Limited* (山西神頭電力檢修有限責任公司)
"Shentou I Power Plant"	Shanxi Shentou Power Generating Company Limited*(山西神頭發電有限責任公司)
"Shentou Industry Company"	Shanxi Shentou Electric Industry Company Limited (山西神頭電力實業有限責任公司)
"Sichuan Yibin"	Sichuan Yibin China Power Environmental Engineering Company Limited* (四川宜賓中電環境工程有限公司)
"standard coal"	coal with an energy content of 7,000 kilocalories per kilogram
"super-critical"	a thermodynamic expression describing the state of a substance where there is no clear distinction between the liquid and the gaseous phase. Water reaches this state at a pressure above 22.1 megapascals (MPa)
"Tuokou Power Plant"	a hydropower plant project in Tuokou of Huaihua Yuanjiang Power Development Company Limited* (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)
"Xintang Power Plant"	Guangzhou China Power Lixin Industry Company Limited* (廣州中電荔新電力實業有限公司)
"Yaomeng Engineering Company"	Pingdingshan Yaomeng Power Engineering Co., Ltd.* (平頂山姚孟電力工程有限責任公司)
"Yaomeng Industrial Company"	Pingdingshan Yaomeng Power Industrial Co., Ltd.* (平頂山姚孟電力實業有限責任公司)
"Yaomeng Power Plant"	Pingdingshan Yaomeng Electric Power Company Limited (平頂山姚孟發電有限責任公司)
"Yaomeng Power Plant II"	Pingdingshan Yaomeng No. 2 Power Company Limited (平頂山姚孟第二發電有限公司)

* *For identification purpose only*

USEFUL INFORMATION FOR INVESTORS

LISTING

The Company's shares are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 2380) in board lot size of 1,000 shares.

INVESTOR CALENDAR

Final results announcement for the year ended 31 December 2012	20 March 2013
2013 Annual General Meeting	28 May 2013
Ex-dividend date	30 May 2013
Closure of register of members for entitlement to the 2012 Final Dividend	3 June 2013 to 7 June 2013 (both days inclusive)
Record date for the 2012 Final Dividend	7 June 2013
Proposed 2012 Final Dividend payable* ***RMB0.090 (equivalent to HK$0.1113) per share***	28 June 2013

* Subject to approval by shareholders at the 2013 Annual General Meeting to be held on 28 May 2013.

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

For enquiries from investors and securities analysts, please contact:

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General Manager *Investor Relations Manager*
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Beijing, China
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Fax: (86-10) 6260 1777