China Power International Development Limited

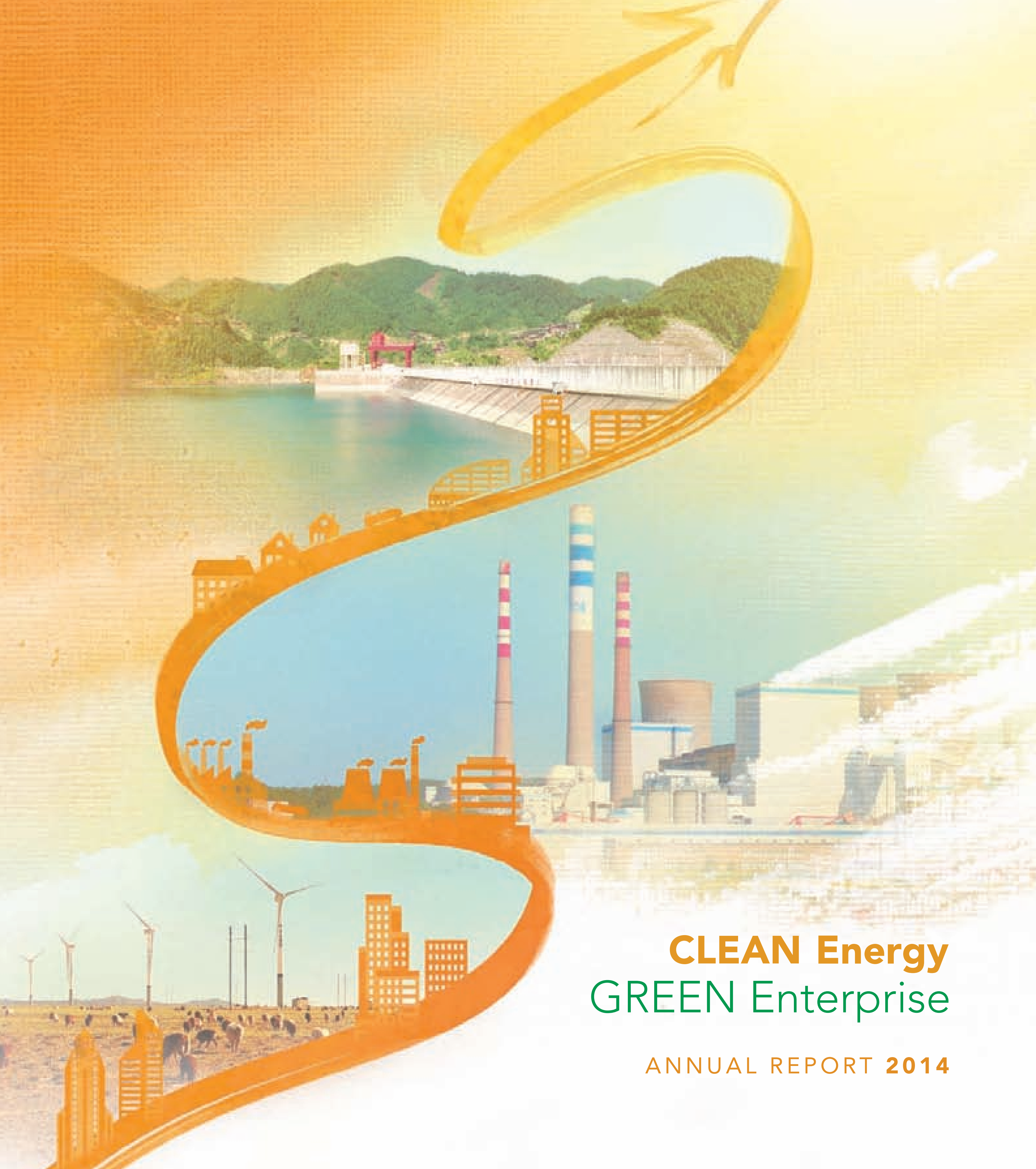
中國電力國際發展有限公司

*(incorporated in Hong Kong with limited liability)*

**(Stock Code : 2380)**

2004-2014

上市10周年



# CLEAN Energy
# GREEN Enterprise

ANNUAL REPORT **2014**

## China Power International Development Limited

was listed on the Main Board of the Hong Kong Stock Exchange in 2004 (stock code: 2380), 2014 marks the 10th anniversary of its listing. The Company's principal business is to develop, construct, own, operate and manage large power plants in the PRC. Over the past decade, we stick to power generation as our key focus industry, maintaining a clear development strategy. The Group's attributable installed capacity, total power generation, profits, total assets, market capitalization, etc. have been growing rapidly by multiples and has become a well-known energy enterprise in China.

Since listing, the Board and all staff members have made their unremitting efforts in reacting to the changing landscapes for our operations and development prudently, so as to effectively expand our scale of business as well as optimize asset structures, resulting in significant enhancement in competitiveness and governance standards. As such, our operating results have improved unceasingly over years, indicating healthy, promising and foreseeable prospects for development.

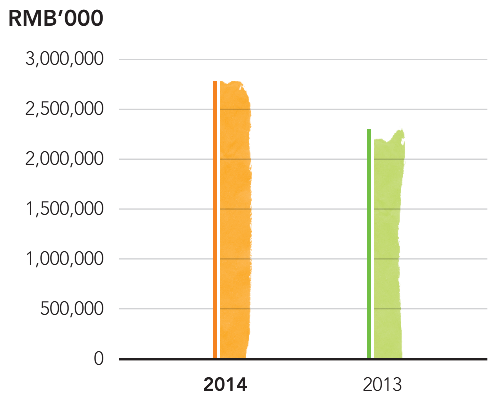
While achieving substantial long term growth, we recognize the vital importance of promoting sustainable development. The Group devotes to enhance corporate governance, promote environmental protection, and make human resources and community investment in order to realize its promises to "create value for our shareholders and shoulder social responsibilities".

2004-2014
上市10周年

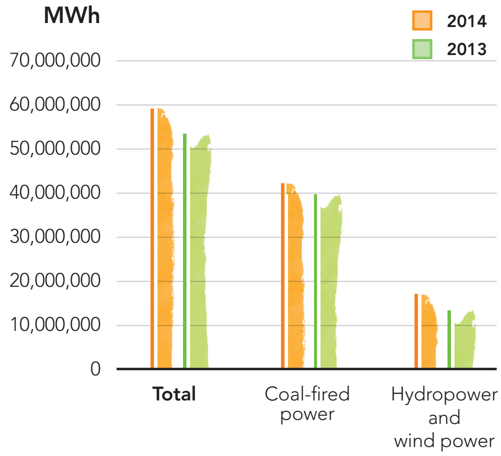
# CONTENTS

# 2014 FINANCIAL HIGHLIGHTS

**Profit attributable to owners of the Company**
*for the year ended 31 December*



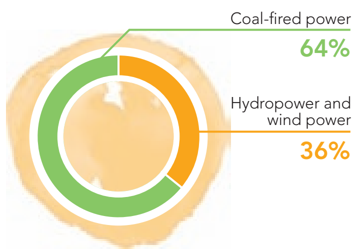

**Total electricity sold**
*for the year ended 31 December*



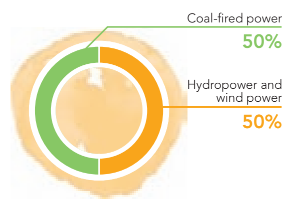

| | 2014<br>RMB'000 | 2013<br>RMB'000 | Change<br>% |
|---|---|---|---|
| Profit attributable to owners of the Company | **2,765,886** | 2,289,888 | 20.79 |

| | MWh | MWh | % |
|---|---|---|---|
| Total electricity sold | **58,957,127** | 52,795,155 | 11.67 |
| — Coal-fired power | **41,909,640** | 39,852,279 | 5.16 |
| — Hydropower | **16,849,780** | 12,850,388 | 31.12 |
| — Wind power | **197,707** | 92,488 | 113.77 |

**Net profit**
*for the year ended 31 December 2014*




**Net profit**
*for the year ended 31 December 2013*




| | 2014<br>RMB'000 | Proportion<br>% | 2013<br>RMB'000 | Proportion<br>% |
|---|---|---|---|---|
| Net profit | **3,642,532** | **100** | 3,275,392 | 100 |
| — Coal-fired power* | **2,326,774** | **64** | 1,643,929 | 50 |
| — Hydropower and wind power | **1,315,758** | **36** | 1,631,463 | 50 |

* *It included other minor items, please refer to the details as set out in Note 5 "Turnover, revenue and segment information" in the notes to the financial statements.*

# 2014 FINANCIAL HIGHLIGHTS

| | 2014<br>RMB | 2013<br>RMB | Change<br>% |
|---|---|---|---|
| Earnings per share | | | |
| Basic | **0.42** | 0.40 | 5.00 |
| Diluted | **0.38** | 0.35 | 8.57 |

| | 2014<br>RMB'000 | 2013<br>RMB'000 | Change<br>% |
|---|---|---|---|
| Revenue | **20,447,151** | 18,826,728 | 8.61 |
| Profit attributable to owners of the Company | **2,765,886** | 2,289,888 | 20.79 |
| Shareholders' equity, excluding non-controlling interests | **21,863,769** | 18,421,656 | 18.69 |
| Total assets | **81,795,791** | 76,738,968 | 6.59 |
| Cash and cash equivalents | **1,126,917** | 1,641,368 | -31.34 |
| Total borrowings | **44,271,532** | 45,134,526 | -1.91 |

| | 2014<br>MWh | 2013<br>MWh | Change<br>% |
|---|---|---|---|
| Total power generation* | **61,692,480** | 55,582,400 | 10.99 |
| Total electricity sold* | **58,957,127** | 52,795,155 | 11.67 |

* *Excluding associates and joint ventures*

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

LI Xiaolin *(Chairman of the Board and Chief Executive Officer)*
YU Bing *(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)*
YU Bing
All vice presidents of the Company

## COMPANY SECRETARY

CHEUNG Siu Lan

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## BEIJING OFFICE

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

## COMPANY WEBSITE

www.chinapower.hk

## LISTING INFORMATION

*The Stock Exchange of Hong Kong Limited*

- Ordinary Shares (Stock Code: 2380)
- RMB1,140,000,000 USD Settled 2.75% Convertible Bonds Due 2017 (Stock Code: 4564)
- RMB2,000,000,000 4.50% Corporate Bonds Due 2017 (Stock Code: 85960)

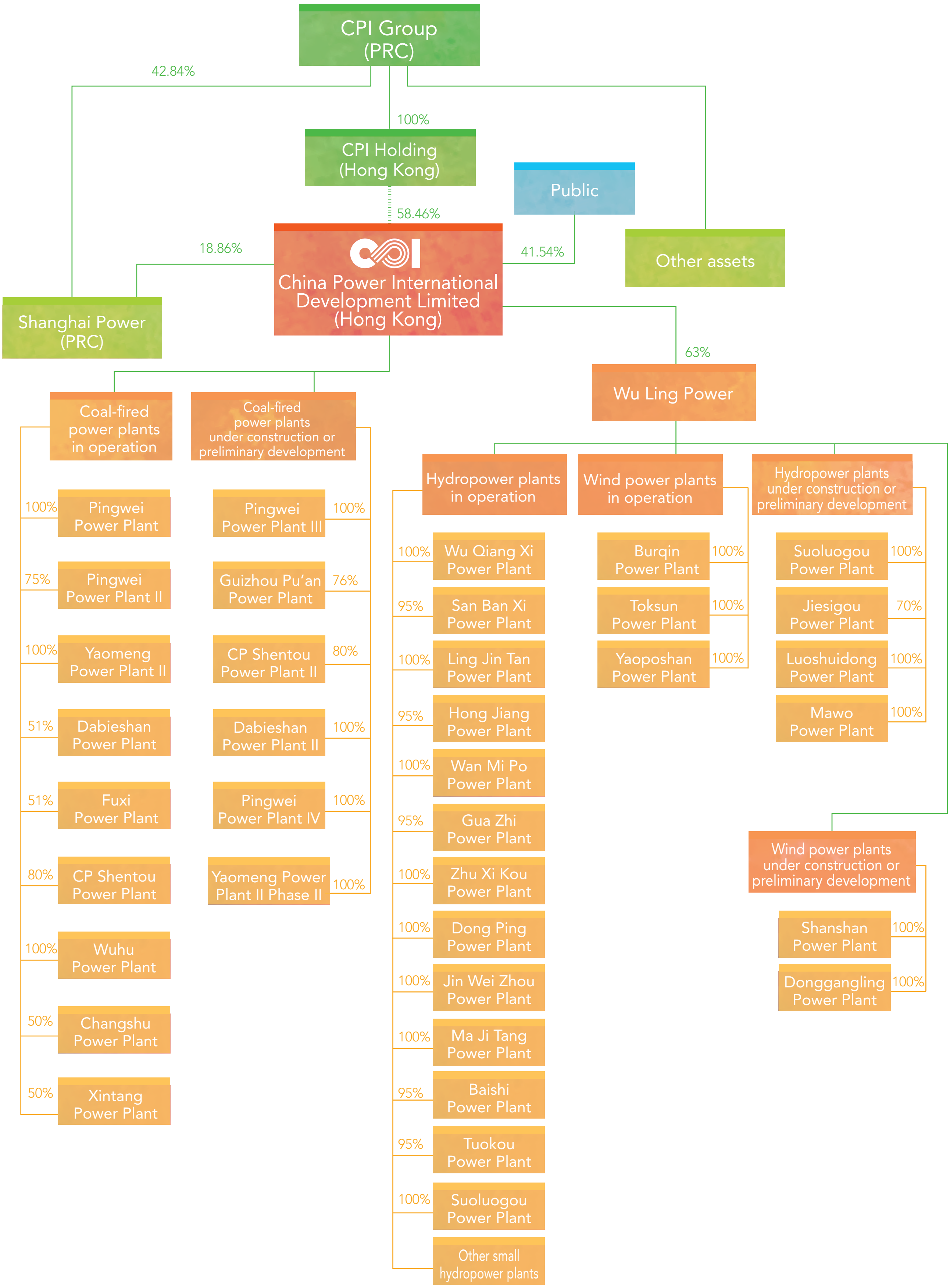
## SHARE REGISTRAR AND TRANSFER OFFICE

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

## AUDITOR

PricewaterhouseCoopers

# GROUP STRUCTURE




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

# Location of Power Plants


| | | | |
|---|---|---|---|
| 1 | Wu Qiang Xi Power Plant | 10 | Ma Ji Tang Power Plant |
| 2 | Ling Jin Tan Power Plant | 11 | Zhu Xi Kou Power Plant |
| 3 | Hong Jiang Power Plant | 12 | Dong Ping Power Plant |
| 4 | Wan Mi Po Power Plant | 13 | Suoluogou Power Plant |
| 5 | San Ban Xi Power Plant | 14 – 18 | Other small hydropower plants |
| 6 | Gua Zhi Power Plant | 19 | Jiesigou Power Plant |
| 7 | Baishi Power Plant | 20 | Li Yu Jiang Power Plant |
| 8 | Tuokou Power Plant | 21 | Luoshuidong Power Plant |
| 9 | Jin Wei Zhou Power Plant | 22 | Mawo Power Plant |


Liaoning
Qinghe Power Plant
Beijing
CP Shentou Power Plant
Shanxi
Yaomeng Power Plant II
Henan
Jiangsu
Changshu Power Plant
Shanghai
Shanghai Power
Pingwei Power Plant
Pingwei Power Plant II
Pingwei Power Plant III
Sichuan
Fuxi Power Plant
Hubei
Anhui
Dabieshan Power Plant
Wuhu Power Plant
Yaoposhan Power Plant
Wu Ling Power Plants
Hunan
Guizhou
Donggangling Power Plant
Guangdong
Xintang Power Plant
Power plants in operation
A power plant managed by the Company
Power plants under construction
18.86% stake in Shanghai Power

China Power International Development Limited (the "Company" or "China Power") was incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance on 24 March 2004 and is 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 2014, the Company and its subsidiaries (collectively, 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 II | 2,470 | 100 | 2,470 |
| Dabieshan Power Plant | 1,280 | 51 | 652.8 |
| Fuxi Power Plant | 1,200 | 51 | 612 |
| CP Shentou Power Plant | 1,200 | 80 | 960 |
| Wuhu Power Plant | 1,320 | 100 | 1,320 |
| Changshu Power Plant | 3,320 | 50 | 1,660 |
| Xintang Power Plant | 600 | 50 | 300 |
| Li Yu Jiang Power Plant | 600 | 25.20 | 151.2 |
| Shanghai Power | 8,932.2 | 18.86 | 1,684.6 |
| **Total** | **23,462.2** | | **12,030.6** |

### 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 |
| Baishi Power Plant | 420 | 59.85 | 251.4 |
| Tuokou Power Plant | 830 | 59.85 | 496.8 |
| Suoluogou Power Plant | 10 | 63 | 6.3 |
| Other small hydropower plants | 103.5 | ~57.33–63 | 64.3 |
| **Total** | **4,758** | | **2,912.7** |

### Wind Power

| Power Plant | Installed Capacity (MW) | Interest (%) | Attributable Installed Capacity (MW) |
|---|---|---|---|
| Burqin Power Plant | 49.5 | 63 | 31.2 |
| Toksun Power Plant | 49.5 | 63 | 31.2 |
| Yaoposhan Power Plant | 36 | 63 | 22.7 |
| **Total** | **135** | | **85.1** |

As at 31 December 2014, the Group's total attributable installed capacity was 15,028.4MW, of which attributable installed capacity of hydropower was 2,912.7MW, accounting for 19.38% 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 2014, the Group's projects under construction are as follows:

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

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

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

| Managed Power Plant | Employer | Installed Capacity (MW) |
|---|---|---|
| Qinghe Power Plant | CPI Holding | 1,600 |
| **Total** | | **1,600** |

## NEW DEVELOPMENT PROJECTS

As at the date of this annual report, the total installed capacity of new projects in a preliminary development stage (including where PRC government approvals have been applied for) is 11,301MW.

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

| Power Plant | Installed Capacity (MW) | Interest (%) | Attributable Installed Capacity (MW) |
|---|---|---|---|
| CP Shentou Power Plant II | 2,000 | 80 | 1,600 |
| Pingwei Power Plant IV | 4,000 | 100 | 4,000 |
| Yaomeng Power Plant II Phase II | 2,000 | 100 | 2,000 |
| Guizhou Pu'an Power Plant | 1,320 | 76 | 1,003.2 |
| Dabieshan Power Plant II | 1,320 | 100 | 1,320 |
| **Total** | **10,640** | | **9,923.2** |

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

## OUR ULTIMATE CONTROLLING 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 96.7GW.

# REVIEW OF THE GROUP'S DEVELOPMENT IN A DECADE

## 2004

China Power listed in Hong Kong successfully. China Power is the flagship company of CPI Group, one of the five national power generation groups in the PRC.

## 2005

The acquisition of Shentou I Power Plant raised the Group's attributable installed capacity by 40%.

## 2006


The Group acquired 25% equity interest in Shanghai Power, A-shares listed company.

## 2007

For promoting the State's policy of "Big Replaces Small" by upgrading coal-fired power generating units, the first four 600MW large capacity coal-fired power generating units (Pingwei Power Plant II and Yaomeng Power Plant II) commenced operation that increased the Group's attributable installed capacity more than double since listing.

## 2008

The Group successfully completed the task of "anti-ice-power-protection", i.e. maintenance of stable power generation against damage or interruption of electricity supply due to snowfall in order to provide stable power supply for the State's hosting of the Olympic Games in that year.

# REVIEW OF THE GROUP'S DEVELOPMENT IN A DECADE

## 2009

The acquisition of 63% equity interest in Wu Ling Power boosted up the Group's attributable installed capacity to over 11GW with attributable installed capacity of hydropower accounted for about 19%, making the Company having the highest percentage of hydropower installed capacity among the PRC power generation companies listed overseas. The Group formed its strategic structure of "balance hydro and coal-fired power generation".

## 2010

The Company's first RMB denominated bonds of RMB800 million 3.20% due 2015 were successfully issued.

## 2011

The Group disposed part of its equity interest of Pingwei Power Plant II and Dabieshan Power Plant to Huainan Mining that strategically marked the beginning of promoting integration of coal and electricity joint operation. In the same year, the Company issued a RMB982 million USD settled 2.25% convertible bonds due 2016 which listed on the Hong Kong Stock Exchange.

## 2012

The Company raised about USD300 million in total by way of a share placing and a global offering of convertible bonds. In the same year, Fuxi Power Plant's new power generating units achieved making profit in the same year of commencing operation.

## 2013


The first 1,000MW power generating unit of the Group, unit no. 5 of Changshu Power Plant, commenced operation. In the same year, the Group disposed of Heimifeng Power Plant at a gain of approximately RMB772 million and acquired Wuhu Power Plant from its holding company, CPI Holding. In the same year, the wind power plants of Wu Ling Power also commenced commercial operation that further expanded the Group's weighting of clean energy.

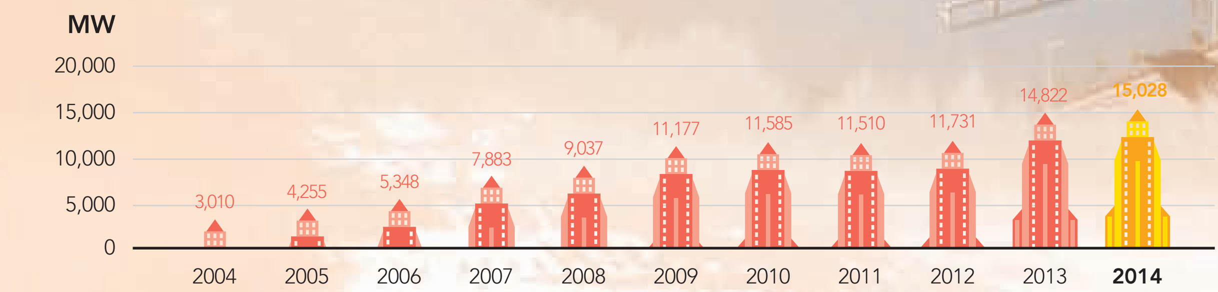
## 2014

The Company successfully issued a RMB2 billion 4.50% RMB denominated bonds due 2017.

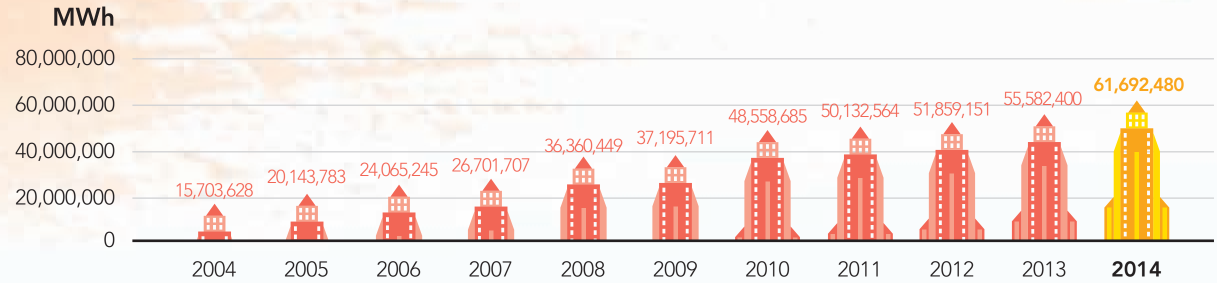
At the end of 2014, the attributable installed capacity of the Group reached over 15GW, which was about 5 times of its capacity since listing. Profit attributable to owners amounted to RMB2,766 million, which was more than 4 times the profit at the time of listing.

# REVIEW OF THE GROUP'S DEVELOPMENT IN A DECADE

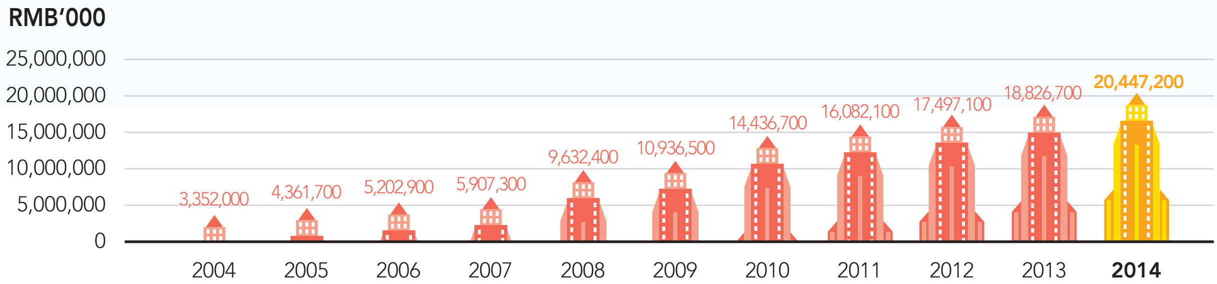
## ATTRIBUTABLE INSTALLED CAPACITY



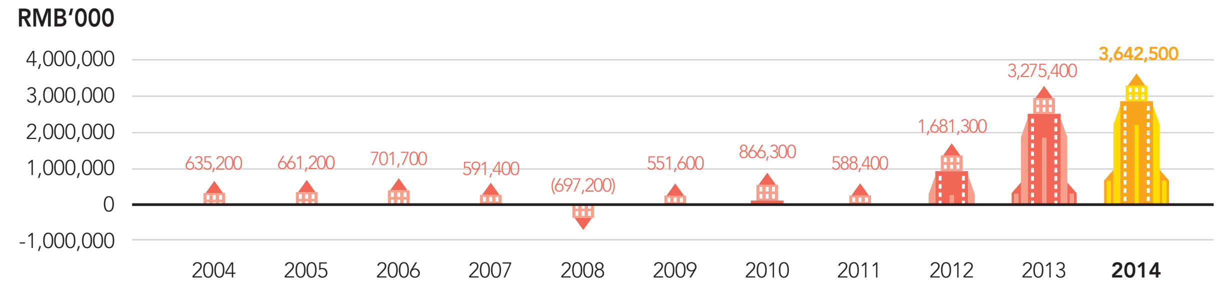

## TOTAL POWER GENERATION



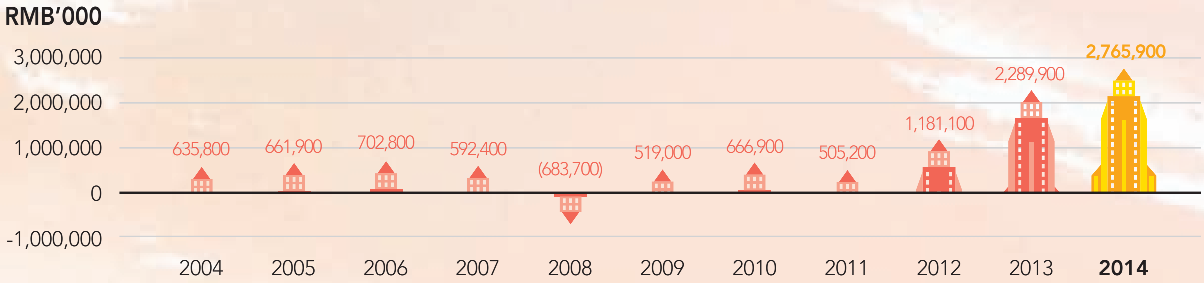

## REVENUE



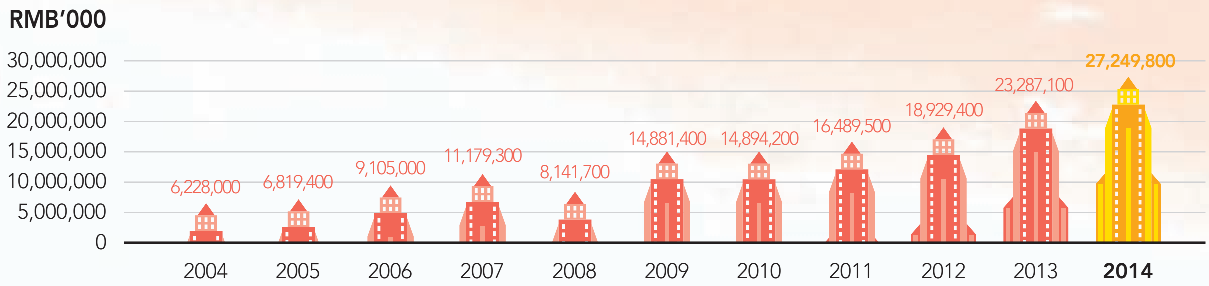

## PROFIT FOR THE YEAR



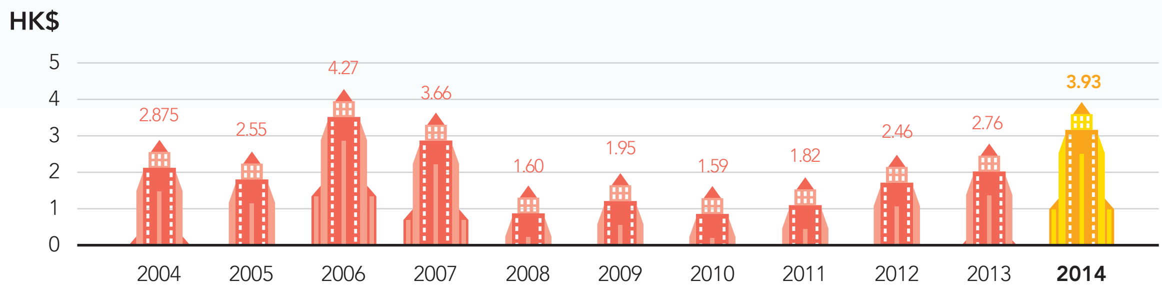
## PROFIT ATTRIBUTABLE TO OWNERS



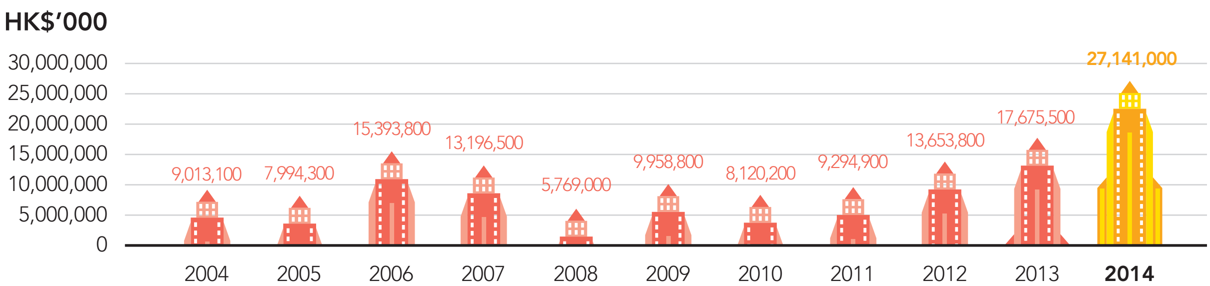

## NET ASSETS




## SHARE PRICE (note)




## MARKET CAPITALIZATION




Note: The closing share price of the last trading day of the year.

# MAJOR EVENTS IN 2014

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

### January

China Power announced its gross power generation for the year in 2013 of 55,582,400MWh, representing an increase of 7.18% over 2012.

### March

China Power announced its annual results for 2013, the profit attributable to owners of the Company was approximately RMB2,289,888,000, representing an increase of 93.87% over 2012.

Wu Ling Power announced the six hydropower generating units of a total 830MW of Tuokou Power Plant, a 95%-owned subsidiary of Wu Ling Power, commenced commercial operation.

### April

China Power announced its gross power generation for the first quarter in 2014 of 15,474,668MWh, representing an increase of 15.79% over the same period in 2013.

China Power proposed to adopt a new articles of association to replace the existing articles of association so as to bring them in line with the new Hong Kong Company Ordinance.

China Power proposed the issuance of RMB2 billion 4.50% corporate bonds due 2017.

### May

China Power announced the issuance of RMB2 billion 4.50% corporate bonds due 2017 was officially listed on the Hong Kong Stock Exchange with the stock code of 85960.

China Power announced the early redemption of RMB982 million USD settled 2.25% convertible bonds due 2016.

China Power held its annual general meeting in Hong Kong and the special resolution approving the adoption of the new articles of association to replace the existing articles of association was passed in the meeting.

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

### June

China Power announced RMB982 million USD settled 2.25% convertible bonds due 2016 have been fully converted to its shares.

China Power announced a change in Director that Mr. Yu Bing replaced Mr. Gu Dake as an executive Director, the president and authorised representative of the Company.

### July

China Power announced the issuance of US$300 million commercial paper notes in the United States of America.

China Power announced its gross power generation for the first half of 2014 of 32,729,107MWh, representing an increase of 15.47% over the same period in 2013.

China Power announced the RMB982 million USD settled 2.25% convertible bonds due 2016 was withdrawn from listing on the Hong Kong Stock Exchange.

### August

China Power announced its interim results for 2014, the profit attributable to owners of the Company was approximately RMB1,618,138,000, representing an increase of 15.48% over the same period last year.

### September

China Power announced the desulphurization benchmark on-grid tariffs for its seven coal-fired power plants were adjusted downward.

Yaomeng Power Plant II separately entered into the production target sale and purchase agreements with Luyang Power Plant and Kaifeng Power Plant.

All share options granted under the Pre-IPO share option scheme that China Power adopted on 24 August 2004 were expired and lapsed on 17 September 2014 or 10 October 2014.

### October

China Power announced its gross power generation for the first three quarters in 2014 of 48,736,989MWh, representing an increase of 15.46% over the same period in 2013.

### November

China Power entered into the capital contribution agreement with Huainan Mining where Huainan Mining agreed to make a capital contribution of RMB628,720,000 in cash to the registered capital of Pingwei Power Plant III. After the capital contribution, the equity interest of Pingwei Power Plant III would then be owned as to 60% by the Company and 40% by Huainan Mining.

### December

Wu Ling Power announced the first eighteen wind power generating units of a total 36MW of Yaoposhan Power Plant, a wholly-owned subsidiary of Wu Ling Power, commenced commercial operation.

ON BEHALF OF THE BOARD,
I HEREBY PRESENT THE RESULTS OF
**CHINA POWER**
FOR THE YEAR ENDED 31 DECEMBER 2014
TO OUR SHAREHOLDERS.

# LETTER TO SHAREHOLDERS

## DEAR SHAREHOLDERS

In 2014, the Group abided by its principles of exercising prudence in operation, while actively responding to challenges posed by slower growth in both macro-economic and power demand as well as increasingly stringent environmental policies. We strived strenuously to lift asset returns and improve our abilities to control costs and minimise risks. The annual results of last year were yet another record-breaking achievement where key performance indexes reached their historic heights, such as net profit attributable to shareholders, cash flow from operating activities, and the attributable installed capacity of the Group, etc.

During the year under review, the strategic synergy created under "balanced hydro and coal-fired power generation" showed remarkable advantages, as those environmental friendly coal-fired power generating units with large capacities and high parameters began to show their competitive edge, while the effective river flow cascade development and centralized regulating watershed management of hydropower generation led to outstanding achievements. Annual net generation and net profit of the Group amounted to 58,957,127MWh and RMB3,642,532,000 respectively last year, both of which were at its historic high.

2014 was the 10th anniversary of the Group after listing on the Main Board of the Hong Kong Stock Exchange. Throughout the decade, the Group underwent rapid development and important progress. An evergreen and lasting corporate image and corporate culture of innovative growth were built by virtue of our management philosophy in professionally run operation, sustained development and value improvement. For these, the Group prompted to ever-increasing management standards, received general recognition by society, and offered more promising prospects in its future development.

## BUSINESS REVIEW OF 2014

In 2014, the Group continued to make steady development growth:

**For coal-fired power generation, generating units with large capacities, high parameters and green operation reached sizable scale and began demonstrating their potentials.** As at the end of 2014, the installed capacity of coal-fired power attributable to the Group was 12,030.6MW, of which 80% was made up of large units of 600MW and 1,000MW. The project of two 1,000MW under Pingwei Power Plant III are scheduled to begin operation in 2015. The project of two 660MW under Guizhou Pu'an Power Plant were approved by the National Development and Reform Commission in February 2015. The project of two 1,000MW under CP Shentou Power Plant II already obtained principal documents for supporting development which aimed to get its eventual approval in 2015. Preliminary works for projects under Dabieshan Power Plant II, Pingwei Power Plant IV and expansion of Yaomeng Power Plant were being implemented as scheduled. The Group will spend considerable efforts in preparing for developing premium large coal-fired power projects in accordance with the national energy industrial plan and the construction plan for inter-regional power transmission passageways.

**For clean energy, the cross-basin river flow cascade development for hydropower generation continued to improve and the strategy of "balanced hydro and coal-fired power generation" continued to thrive.** As at the end of 2014, installed capacity of clean energy attributable to the Group from Wu Ling Power reached 2,997.8MW, effectively improved the Group's clean energy structure in power generation. Tuokou Power Plant of 830MW made a new record in hydropower construction as the entire plant began operation with all of its six generating units running successfully within one month. We also made breakthroughs in our wind power development, as Yaoposhan Power Plant of 36MW was also put into operation successfully, and a number of wind power projects including Donggangling Power Plant with an aggregate capacity of 304.5MW were already approved. We will continue to promote the preliminary development and construction work for our new clean energy projects, ensuring timely commencement of operation and gradual increase of the weighting of clean energy in our Group.

**Innovative management practices enhanced profitability.** As our fuel management was improving incessantly, prices of inland coals were aligned with market coal prices for our power plants in Anhui and other regions, effectively reducing fuel costs with the new pricing mechanism for inland coals. Overall fuel cost per unit for the Group experienced its greatest plunge since its listing with a year-on-year decrease by 16.15%. Our river flow cascade development and regulating watershed management were fine-tuned continuously as Wu Ling Power built a centralized control centre in the PRC controlling the largest number of hydropower plants and generating units. It established a new management model congregating cascaded river flow hydropower stations crossing different river basins which resulted in greater power generation efficiency and enhanced profit growth.

**Fully accomplished our mission of emission reduction.** As at the end of 2014, the Group completed comprehensive upgrades for three of its coal-fired power generating units in terms of energy conservation to improve their efficiency. Four coal-fired power generating units completed their denitration conversion, increasing the operation ratio of denitration to 97.75% in the year. Air pollutant emission index further decreased as compared to previous year, with emission of sulphur dioxide, nitrogen oxide and dusts further declined in an effort to protect our ecological environment. Meanwhile, the Group continues to establish a management system which guarantees safety, health and environmental issues, conducting investigations for potential hazards to ensure overall safe production.

Since the Group was listed in October 2004, the Board and the entire staff of the Company have been committing to their duties and abiding by the promise to create values for shareholders and shoulder responsibility for social progress. For our shareholders and the community, we planned for development, resolved business challenges, increased our asset size and installed capacity, enhanced our energy structure, improved our profitability and risk-resisting ability significantly. In the past ten years, we made countless achievements and created a whole new environment for sustainable development.

With the support of all shareholders and the hard work of all our employees in 2014, the Group broke its previous records in operating results yet again and fully met all its pre-set work targets. On behalf of the Board and the employees of the Group, I express my most sincere gratitude for all shareholders.

## OUTLOOK FOR 2015

Looking to 2015, the world economy will remain staying in a phase of deep-structural adjustment after the global financial crisis. Macro-economic conditions will continue to be positive, owing to the different reform policies being applied at a deeper level in the PRC, releasing the potential benefits of reforms and causing a shift into the "new normal" in the economic development which is marked principally by steady mid- to high-speed growth, quality and efficiency focus development mode, in depth adjustments and optimization of economic structure, and a development trend driven by innovation.

At the same time, with the reform of the power generation industry, power generation enterprises will face an environment of more intensive market competitions. In the final year of the Twelfth Five-Year Plan for domestic economy, different proposals for the Thirteenth Five-Year Plan are being put forward as well, which are expected to focus on "clean and efficient" development for future power generation.

In this context, the Group will make active efforts in adapting to the fundamental features of the new normal economic conditions and seize timely opportunities arising from reforms, creating a new strategic landscape characterized by borderless development. Based on what we achieved during the decade since our listing, we will persevere in the development strategy of generating clean and efficient energy and focus on developing clean energy projects and large capacity coal-fired generating units. Our management system will be ramped up by innovation, further nuanced by new ideas, new styles and new technologies to improve our core competitiveness for sustainable development.

It is my firm belief that the overall development of the Group will reach a higher level and achieve even greater operating results in 2015.

**Li Xiaolin**
*Chairman of the Board*

18 March 2015

# 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, 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 is also a member of the 11th (All-China Women's Federation) and 12th (Economic) National Committee of the Chinese People's Political Consultative Conference. 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

**YU Bing**, born in 1967, is an executive director and the president of the Company. Mr. Yu is a senior engineer and has a bachelor degree in thermal power engineering from Xi'an Jiaotong University and an executive master of business administration degree from Tsinghua University. Mr. Yu is currently a director and general manager of CPI Holding. He previously served as the general manager of Yaomeng Power Plant, the general manager of CP Maintenance Engineering, the deputy general manager of CPI Northeast China Power Company Limited and the deputy general manager of Shandong Nuclear Power Company Limited.

## 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, 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 previously an independent non-executive director of Quam Limited and China Chengtong Development Group Limited during the past three years. From 1984 to 1998, Mr. Kwong was a partner of Pricewaterhouse 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 mechanical engineering degree from Beijing University of Science and Technology and a juris doctoral degree from the College of Law of Arizona State University in the United States in 1995. Mr. Li is currently the director of Beijing Mainstreets Investment Group Corporation, an independent non-executive director of China Power New Energy Development Company Limited and the director of Guangdong Guanhao High-Tech Co., Ltd. Mr. Li has extensive experience in business management and corporate finance. He previously served as an executive director of Goldman Sachs (Asia) L.L.C. and a lawyer with Davis Polk and Wardwell LLP in the United States.

**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 COSCO International Holdings Limited, Melco Crown Entertainment Limited, ATA Inc, China Oilfield Services Limited, Pacific Online Limited, Summit Ascent Holdings Limited, Melco Crown (Philippines) Resorts Corporation and Kangda International Environmental Company Limited. 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.

## 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 and the general manager of China Power International New Energy Holding Limited. 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 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 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 an executive director of China Power New Energy Development Company Limited. He previously served as assistant to the general manager and general manager 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.

**XU Lihong**, born in 1966, is a vice president and 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 State Power Corporation of China and Huazhong Electric Industry Management Bureau (華中電業管理局).

**HUANG Chen**, born in 1968, is a vice president 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 is currently the vice general manager of CPI Holding. He previously served as the chief engineer of the Company, 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.

**HUANG Yuntao**, born in 1965, is a vice president of the Company. Mr. Huang is a senior engineer. He graduated from HeFei University of Technology with a bachelor degree in power system and automation. Mr. Huang is currently the vice general manager of CPI Holding. He previously served as the chief human resource officer of the Company, the chief human resource office of CPI Holding, the general manager of Wuhu Power Plant and the general manager of the information technology department of CPI Holding.

**SUN Guigen**, born in 1966, is the chief engineer of the Company. Mr. Sun is a senior engineer. He graduated from Shanghai University of Finance and Economics with an executive master of business administration degree. Mr. Sun is currently the chief engineer of CPI Holding and the deputy chairman of Changshu Power Plant. He previously served as the deputy chief engineer of the Company, the chairman of Fuxi Power Plant, the general manager of Dabieshan Power Plant, the vice general manager of CP Maintenance Engineering and the vice general manager of Pingwei Power Plant.

## COMPANY SECRETARY

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

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

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

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

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

### Attributable Installed Capacity

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

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

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

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

### Power Generation, Electricity Sold and Utilization Hours

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

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

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

### On-Grid Tariff

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

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

### Unit Fuel Cost

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

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

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

### Coal Consumption

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

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

## OPERATING RESULTS OF 2014

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

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

- the total electricity sold increased by 6,161,972MWh and the average on-grid tariff of hydropower increased as compared with the previous year, resulting in an overall increase in revenue by approximately RMB1,620,423,000;

- the significant fall in unit fuel cost of electricity sold by RMB36.50/MWh as a result of decreases in coal price and coal consumption, cutting down the operating expenses by approximately RMB1,064,631,000;

- certain power plants obtained investment tax credits for their environmental friendly facilities and decrease in taxable profit of our hydropower business (an one-off gain was recorded in 2013 on disposal of a hydropower plant), resulting in the decrease in taxation charges by approximately RMB298,451,000; and

- a new large capacity power generating unit of an associate commenced operation at the end of 2013 that led to the increase in the share of profits of associates by approximately RMB204,670,000.

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

- the increase in the number of new power generating units led to increases in depreciation of property, plant and equipment as well as repairs and maintenance expenses by approximately RMB744,621,000;

- the increase in staff number for increased number of power generating units led to the increase in staff costs by approximately RMB361,556,000;

- the increase in finance costs by approximately RMB854,346,000 was mainly due to a number of new power generating units commencing operation (the relevant interest incurred would no longer be capitalized but expensed to the income statement as finance costs after commencing operation) and the significant decrease in exchange gain; and

- an one-off gain on disposal of a pumped storage hydropower plant of approximately RMB771,603,000 in 2013 but no material disposal gain incurred during the year under review.

### Revenue

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

### Segment Information

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

### Operating Costs

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

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

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

### Operating Profit

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

### Finance Costs

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

### Share of Results of Associates

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

### Share of Results of Joint Ventures

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

### Taxation

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

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

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

### Profit Attributable to Owners of the Company

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

### Earnings per Share and Final Dividend

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

At the Board meeting held on 18 March 2015, the Board recommended the payment of a final dividend for the year ended 31 December 2014 of RMB0.168 (equivalent to HK$0.2119 at the exchange rate announced by the People's Bank of China on 18 March 2015) per ordinary share (2013: RMB0.160 (equivalent to HK$0.2025) per ordinary share), totaling RMB1,169,870,000 (equivalent to HK$1,475,568,000) (2013: RMB1,030,240,000 (equivalent to HK$1,303,897,000)), which is based on 6,963,509,222 shares (2013: 6,438,999,357 shares) in issue on 18 March 2015 (2013: 19 March 2014).

## CHANGE OF SHARE CAPITAL

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

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

## PROJECTS UNDER CONSTRUCTION

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

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

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

## NEW DEVELOPMENT PROJECTS

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

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

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

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

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

## SIGNIFICANT INVESTMENT

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

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

## MATERIAL ACQUISITIONS AND DISPOSALS

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

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

## LIQUIDITY AND FINANCIAL RESOURCES

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

## DEBTS

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

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

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

The above bank and other borrowings were repayable as follows:

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

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

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

## SIGNIFICANT FINANCING ACTIVITIES

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

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

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

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

## CAPITAL EXPENDITURE

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

## PLEDGE OF ASSETS

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

## CONTINGENT LIABILITIES

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

## RISK MANAGEMENT

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

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

## FOREIGN EXCHANGE RATE RISKS

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

## ENERGY SAVING AND EMISSION REDUCTION

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

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

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

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

- the emission rate of sulphur dioxide ($SO_2$) at 0.283g/KWh, representing a decrease of 0.062g/KWh compared with the previous year;
- the emission rate of nitrogen oxide ($NO_x$) at 0.389g/KWh, representing a decrease of 0.738g/KWh compared with the previous year, and
- the emission rate of dusts at 0.118g/KWh, representing a decrease of 0.071g/KWh compared with the previous year.

## OPERATIONAL SAFETY

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

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, the Group had a total of 9,675 (31 December 2013: 9,456) 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 2015 AND BEYOND

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

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

- Capturing opportunities for development and further optimizing the structure of energy composition: Firstly, we strive to develop clean energy in accordance to the national strategic plans for energy development in China; secondly, we will continue our strategy to develop multiple large capacity power generating units during the national economic "Thirteenth Five-Year Plan" period, ensuring the projects under development will begin operation as scheduled and the new development projects will be granted approvals by relevant authorities for initiating preliminary works as soon as possible; thirdly, we will enhance the quality of assets through technical upgrade and improvement of existing old power generating units as well as acquisitions; and we also hope entering the energy servicing sector timely by gradual transformation from an energy producer to an enterprise of being both energy producer and energy service provider.

- Improving efficiency and performance whilst reducing costs to increase profitability progressively: we will strengthen benchmarking fuel management to further reduce fuel costs, keenly optimize energy conservation and reduce energy consumption level of power generating units, expand direct transaction dealing with customers who have high electricity usage, seek for government funds on decommissioning obsolete small-scale coal-fired power generating units, green energy subsidies and incentive power generation. In addition, we will expand the percentage of low-cost offshore financing and efficiently utilize internal funds with an aim to reduce financing cost and gearing ratio.

- Further enhancing corporate governance as well as safe and green operation: we plan a safe and effective commercial model closely tracking the progress of the national reforms on energy sector so as to adapt the economic new normal, optimize preventive measures against risks relating to our operations, improve enterprise information technology infrastructure and continue to strengthen staff trainings in order to meet the needs of expanding business by means of professional management.

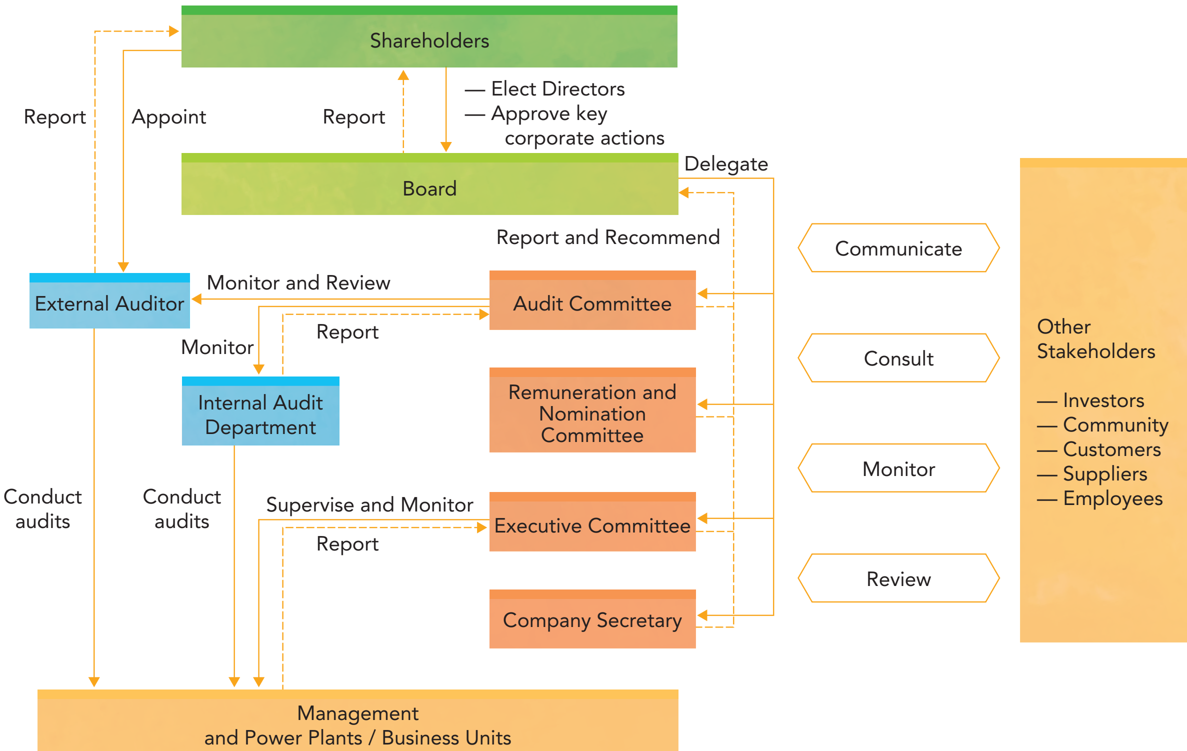
The Group is fully confident of its future development.

## CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 December 2014, save for the deviations from the code provisions of A.2.1, A.4.2 and E.1.2, the Company has strictly complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in the Appendix 14 of the Listing Rules.

## 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. Yu Bing, 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 of the Company. 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 those 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 the annual general meetings. 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 business strategies, policies, business plans, financial budgets, major investments as well as mergers and acquisitions. In addition, the Directors have acknowledged that the principal responsibilities of the Board also include corporate governance, 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 daily operational efficiency. It acts within the authority approved by the Board to fulfill the day-to-day management responsibilities and makes timely decisions. With regard to matters beyond its authority, the management will report to the Board or the Executive Committee in a timely manner in accordance with the relevant working guidelines.

## BOARD COMMITTEES

### Audit Committee

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

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

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

- To review financial information of the Company.

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

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

The Audit Committee comprises of three members, namely Mr. Kwong Che Keung, Gordon, Mr. Li Fang and Mr. 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 three meetings during 2014 (average attendance was 100%). The committee's work performed during the year included:

- reviewed the annual financial statements for the year ended 31 December 2013 and the interim financial statements for the six months ended 30 June 2014;

- reviewed and approved the audit strategy submitted by the external auditor for the year ended 31 December 2014;

- 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 based on a range of diverse perspectives and select or make recommendations to the Board on the selection of individuals nominated for directorships.

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

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

### Board Diversity Policy

The policy is summarized as follows:

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

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

The Remuneration and Nomination Committee has three members, namely Mr. Li Fang, Mr. Kwong Che Keung, Gordon, and Mr. 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 2014 (average attendance was 100%). The committee's work performed during the year included:

- reviewed the Company's matters relating to remuneration in 2014, and considered and recommended the overall remuneration package of the Directors and senior management in 2014 with reference to the remuneration system of the parent companies; and

- considered and approved the change of 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.

Pursuant to the CG Code provision B.1.5, the remuneration of the members of the senior management by remuneration band for the year ended 31 December 2014 is set out below:

| Remuneration band (RMB)* | Number of individuals |
|---|---|
| Zero to 500,000 | 3 |
| 500,001 to 1,000,000 | 2 |
| 1,000,001 to 1,500,000 | 4 |

* Including the share options exercised during the year 2014.

### Executive Committee

The Company established the Executive Committee in 2008. As a committee under the Board, the Executive Committee conducts its work under the guidance of the Board and reports to the Board pursuant to the "Working Guidelines for the Executive Committee" approved by the Board. The chairman of the Executive Committee is served by Ms. Li Xiaolin, the executive Director. The members of the committee include the executive Directors and all vice presidents of the Company. 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 nine meetings during 2014. The executive Director/chief executive officer, the president, the vice presidents and the 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 corporate transactions, and assists the Board in discharging its obligations to shareholders pursuant to the Listing Rules. All Directors may call upon her for advice and assistance at any time in respect to their duties and the effective operation of the Board and the Board Committees.

During the year under review, Ms. Cheung has attended relevant professional seminars to update her skills and knowledge. She has complied with the 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 2014.

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 briefings 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 2014, 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 | – | – | 0/1 |
| Yu Bing *(President)* (Note 1) | 1/1 | – | – | – |
| Gu Dake *(President)* (Note 2) | 4/4 | – | – | 1/1 |
| **Non-executive Directors:** | | | | |
| Guan Qihong | 5/5 | – | – | 1/1 |
| Wang Zichao | 5/5 | – | – | 1/1 |
| **Independent Non-executive Directors:** | | | | |
| Kwong Che Keung, Gordon *(Chairman of the Audit Committee)* | 5/5 | 3/3 | 2/2 | 1/1 |
| Li Fang *(Chairman of the Remuneration and Nomination Committee)* | 5/5 | 3/3 | 2/2 | 0/1 |
| Tsui Yiu Wa, Alec | 5/5 | 3/3 | 2/2 | 1/1 |

Notes:

1. Yu Bing was appointed as the executive Director and President of the Company with effect from 20 June 2014.

2. Gu Dake ceased to be the executive Director and President of the Company with effect from 20 June 2014.

## 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.

During the year 2014, 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 Audit Department which is crucial to the Company's internal controls. To create a good internal control environment, the Internal Audit Department provides internal control assessment reports to the management on a regular or ad hoc basis. It also reports to the Audit Committee 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 2014, the Internal Audit Department assessed the internal control systems based on the "Risk Management and Internal Control Specifications", and reviewed the improvement works regarding the issues discovered during the prior year internal control assessment in 2013. 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.

Last year, the Company has commenced its internal audit on economic responsibility, fund management and financial control of the Company's leading personnel. 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. As review by the audits conducted by the Internal Audit Department, it set rectification requirements for 45 issues, added 21 proposals to strengthen controls and followed up actively to ensure the relevant issues were improved. It also carried out risk assessment in the area of information collection, various business management and its key business processes for risk identification and analyses. The risks faced by each business unit and its risk management and control system capabilities were reflected to the management in a timely manner, in order to improve the Group's defense capability against risks.

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

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

### 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, re-appointment 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 2014, 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 2014, 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 | 8,600 |
| Non-audit services: | |
| Interim review | 1,220 |
| Continuing connected transactions | 200 |
| Bond issuance | 780 |

## COMMUNICATION WITH SHAREHOLDERS

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

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

The Company has a Capital Markets & Investor Relations Department, which takes charge of the Company's relationship with 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.

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

## SHAREHOLDERS' RIGHTS

### Procedures for Shareholders to Convene General Meeting

Shareholders of the Company (the "Shareholders") entitled to have right to request the Company to convene a general meeting pursuant to Division 12 of the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The procedures are as follows:

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

2. A request —

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

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

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

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

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

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

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

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

### Voting by Poll

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

### Procedures for Shareholders Sending Enquiries to the Board

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

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

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

### Other Procedures for Shareholders' Proposals

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

- Procedures for Shareholders making proposals at general meetings
- Procedures for Shareholders to nominate a person to stand for election as a Director

### Constitutional Documents

The new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) that provides a modernized legal framework for the incorporation and operation of companies in Hong Kong came into effect on 3 March 2014. In light of the changes introduced by the new Companies Ordinance, the Board proposed by means of a special resolution the adoption of the new articles of association of the Company in substitution for, and to the exclusion of, the existing memorandum and articles of associations of the Company. The special resolution was approved and passed by Shareholders at the annual general meeting held on 22 May 2014.

The Company's constitutional documents have been posted on the Company's website www.chinapower.hk under the "Corporate Governance" section.

# ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY REPORT

## 1 ENVIRONMENTAL PROTECTION — STRIVING FOR GREEN DEVELOPMENT

The Board well understands the importance of environmental protection to the sustained and steady development of the Group. Therefore, it strives for the best balance among the safety and reliability of power supply, cost control and environmental protection. Ms. Li Xiaolin, the Chairman of the Board, enthusiastically promotes the message of "give light and power to the world, leave clear water and blue skies to our children", which is also one of the fundamental corporate development missions of the Group. It targets to become a resource-saving and environment-friendly enterprise with high proportion in clean energy, low consumption of energy and resources, and low discharge of pollutants.

The Group complies with the environmental protection goal of "Human-oriented, Risk Control, Green Operations", pursuing high standards of operations and striving to minimize the adverse impact on the society and the environment. It is improving its standards on clean production to provide safe, economic and clean products and services to customers and the society. The Company's Safety and Environmental Protection Monitoring Department is dedicated to further strengthening the efforts of environmental protection and enforcing the environmental protection policy actively. It vigorously carries out environmental protection management and implements energy saving and fuel consumption reduction measures to promote reduction of pollutants emission.

### 1.1 Clean development

**Development of clean energy**

The Group's attributable installed capacity for clean energy in 2014 amounted to 2,997.8 MW, accounting for 19.95% of the Group's total attributable installed capacity. The Group's generation of clean energy such as hydropower and wind power in 2014 amounted to 17,335,900 MWh, accounting for 28.10% of the Group's total power generation and increasing by 4.48% as compared to 2013.

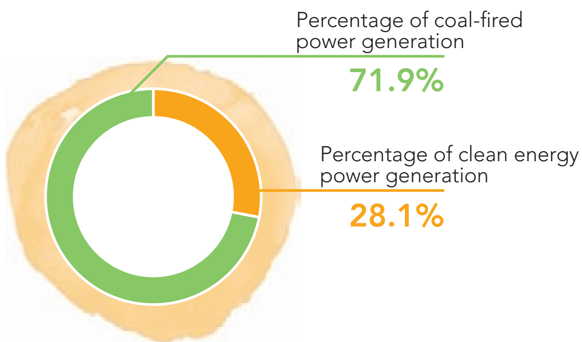



Figure: Power generation structure for 2014

**Building clean coal-fired power**

The Group is phasing out coal-fired power generating units of 200MW or below and constructing large-capacity and high-parameter coal-fired power generating units to increase the efficiency of generating units and reduce emission in the drive of clean and efficient coal-fired power generation. Over the decade since its listing, the Group has developed twelve 600MW super-critical coal-fired power generating units through acquisition and self construction. In future, the Group will continue to drive the strategy of building large coal-fired power generating units and construct such units in economically developed regions. In proactive response to the national environmental protection policies, the Group continued to increase its investments in environmental protection, and to implement the integrated coal and electricity upgrading and renovating projects by installing denitration and desulphurization facilities for all its coal-fired power generating units. The Group's total investments in environmental protection for coal-fired power generation in 2014 amounted to approximately RMB721,260,000.

Photo: Upgrade of denitration system

### 1.2 Pollutants

The Group continued to enhance management of dedusting, desulphurization and denitration facilities and formulated working plans for the reduction of discharge and environment-friendly technological upgrades, in proactive response to the national environmental policies in strict compliance with the "Emission standard of air pollutants for coal-fired power plants", "Ambient air quality standards" and other pertinent laws and regulations.

During 2014, the Group strengthened the environmental protection measures for its coal-fired power generating units, as it installed flue gas dedusting facilities and desulphurization facilities at all its coal-fired power generating units with the relevant operational ratio reached 99.99% (2013: 98.96%), while the efficiency ratio of desulphurization reached 95.03% (2013: 95.07%).

During 2014, the Group completed a total of four power generating units of denitration upgrading projects for generating unit no. 3 of Pingwei Power Plant II, generating unit no. 1 of Dabieshan Power Plant, generating unit nos. 3 and 4 of Yaomeng Power Plant II. By then, except generating unit nos. 1 and 2 of Yaomeng Power Plant II, all other coal-fired power generating units had been installed with denitration facilities to reduce the emission of nitrogen oxide ($NO_x$). The operational ratio and efficiency ratio of denitration for the full year reached 97.75% and 78.86%, respectively.

The Group's coal-fired power plants have established environmental indicator monitoring information system in order to monitor the emissions of nitrogen oxide ($NO_x$), flue gas and dusts and sulphur dioxide. In 2014, under the benefits from the technical innovation and upgrade for coal-fired power generating units such as denitration and dedusting renovation, the Group's coal-fired power generating units recorded substantial decrease in nitrogen oxide ($NO_x$), flue gas and dusts and sulphur dioxide discharge. Carbon dioxide discharge per KWh has also decreased over the same period last year. Due to the increased power generation output, the total discharge of carbon dioxide increased slightly over the same period last year.

| Nature and type of discharge | Unit | 2014 | 2013 | Decrease | Change |
|---|---|---|---|---|---|
| Density of nitrogen oxide discharge | g/KWh | **0.389** | 1.127 | 0.738 | –65.48% |
| Total discharge of nitrogen oxide | '000 tonnes | **17.258** | 47.847 | 30.589 | –63.93% |
| Density of flue gas and dusts discharge | g/KWh | **0.118** | 0.189 | 0.071 | –37.57% |
| Total discharge of flue gas and dusts | '000 tonnes | **5.241** | 8.024 | 2.783 | –34.68% |
| Density of sulphur dioxide discharge | g/KWh | **0.283** | 0.345 | 0.062 | –17.97% |
| Total discharge of sulphur dioxide | '000 tonnes | **12.571** | 14.647 | 2.076 | –14.17% |
| Density of carbon dioxide discharge | g/KWh | **866** | 895 | 29 | –3.24% |
| Total discharge of carbon dioxide | '000 tonnes | **38,396** | 38,010 | –386 | 1.02% |

The Group also increases its production efficiency and reduces the discharge of carbon dioxide and other greenhouse gases through the development of clean and green energy and technological upgrades for energy conservation. In 2014, the Group's clean energy power generation amounted to 17,335,900MWh, representing a reduction in carbon dioxide discharge by 15,006,160 tonnes.

### 1.3 Utilization of resources

In line with its strong emphasis on the efficient recycling of raw materials for production, such as coal resources and water resources, the Group conducts in-depth development of resources to realize efficient and intensive production.

#### Coal resources

The Group is engaged in ongoing efforts to enhance the efficiency of its power generating units and reduce coal consumption. Over the decade since its listing, the Group's coal consumption level has continued to trend lower. The Group's standard coal consumption in 2014 amounted to 310.91 g/KWh, which was 3.93 g/KWh lower compared to 2013 and 31.39 g/KWh lower compared to 342.30 g/KWh at the time of its listing in 2004. In the 2014 national coal-fired power generating units energy efficiency standard contest, five 600MW generating units of the Group garnered awards. Of which, the generating unit no. 4 of Pingwei Power Plant II was awarded the first-class award.

The Group has strengthened control over coal quality and priority has been given to premium coal with high heat generation and low pollutant contents, with stringent control over the calorific value and sulfuric contents of coal. In 2014, the Group's coal-fired power generating units reported an increase in power generation by 1,901,520 MWh, while raw coal consumption decreased by 248,000 tonnes, as compared to the previous year.

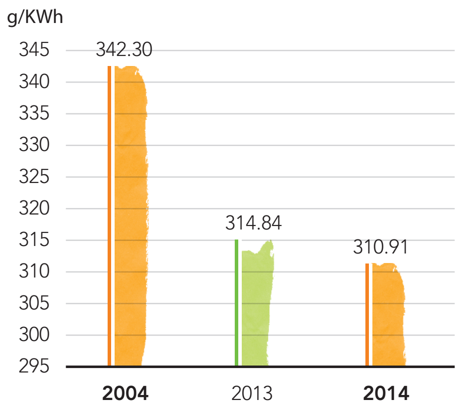



Figure: Standard coal consumption

#### Water resources

The Group has strengthened management and optimized the design of the supply water system to enable efficient recycling of water resources. The use of urban water for power generation as a means to conserve water has been investigated.

| | 2014 | 2013 | Decrease |
|---|---|---|---|
| Total water consumption (million tonnes) | **52.78** | 57.31 | 4.53 |
| Unit water consumption (g/KWh) | **1,190** | 1,350 | 160 |

*Photo: Installation of raw water treatment system to reduce water consumption*

*Photo: Floodgate of San Ban Xi Power Plant retrieves 1,961 million cubic metres of water that enables additional power generation of 565,000 MWh.*

In 2014, Pingwei Power Plant III optimized its supply water system leveraging the expansion of Pingwei Power Plant, whereby all supply water was sourced from recycled and discharged water from operations at Pingwei Power Plant to avoid direct consumption of water from the Huai River, thereby achieving "zero water consumption."

The consolidated water consumption ratio for power generation was lowered as water resources were recycled for repeated use through optimization and modulation in the process of hydropower generation. In 2014, the hydropower plant reservoirs of the Group completed additional water utilization of 5,904 million cubic metres and additional power generation of 952,000 MWh through optimization and modulation.

## 2 OPERATIONAL PRACTICES — SAFEGUARDING STABLE DEVELOPMENT

The Group works diligently to provide safe and reliable power support for economic and social development and persists in value-sharing with the industry chain, seeking to drive economic development at the places where it operates and share with the community the benefits of development. The Group incorporates the philosophy of social responsibility in its management and operations, taking into account the features of the power industry and its own characteristics, and makes contributions to the sustainable development of the society and the environment, in a bid to constantly enhance its competitiveness in terms of social responsibility.

### 2.1 Safe and reliable power supply

The Group is dedicated to the building of a reliable and stable power generation system to safeguard safer, cleaner, more economical and more sustainable electric power supply.

**Safe production**

The Group regards safe production as the prerequisite for stable power supply and sustainable development for the Company in firm adherence to the safety philosophy which maintains that "no risks are uncontrollable, no breaches are unpreventable and no accidents are unavoidable" and the safety production directives of "safety as priority, prevention rather than cure, and comprehensive management". No material safety incidents in connection with the Group's employees, equipment and environmental protection were reported in 2014.

*Improving our safety management regime*

- Improving the system: driving the development of the safety, health and environment (SHE) management system on all fronts, revising and compiling the SHE Management Regulations and improving the process for the development of the SHE management regime.

- Enhancing standardization: driving the development of safety standardization and instructing and coordinating all units to achieve compliance with standardization, all of coal-fired power plants of the Group have obtained the license for compliance with standardization.

*Enhancing safety awareness*

- The conduct of safety culture campaigns: safety culture promotion has been enhanced via multi-media, TV and billboards, while a range of safety culture campaigns such as the Safe Production Promotion Day, Safe Production Month, Safety Culture Week and Safe Production Variety Show have been organized.

- Safety contests: safety skills of employees have been enhanced through activities such as safety training and contests.

*Ensuring reliable operation of production facilities*

- Improving facility management: a series of facility management regulations, such as "Regulations for the Management of Special Equipment", "Regulations for the Management of Repair and Maintenance Preparations for Class A Generating Units" and "Regulations for the Management of Repair and Maintenance", have been formulated.

- Enhancing facility repair and maintenance: repair and maintenance of Class A/B generating units has been conducted and hazard investigation and removal have been reinforced to enhance reliability of the production facilities.

*Photo: Safety management training course for middle management staff of production departments held in 2014, with a total enrolment of 154 persons.*

*Photo: Emergency drill at a power plant of the Group in 2014.*

*Ensuring safety of the production environment*

- Strengthened emergency management: 97 emergency plan proposals have been formulated and 923 emergency drills have been organized, with a turnout of 8,297 participants.

- Enhanced safety inspection: Spring/Autumn safety inspection has been organized with a special emphasis on hazard investigation and removal as well as rectification of irregularities, in particular the rectification overhaul for substantial hazards.

**Reliable supply**

The Group has strengthened management of its power generating units to constantly improve its ability in power supply in close tandem with the demand and supply situation and policy changes. The Group recorded its combined power generation of 61,692,480 MWh in 2014, providing secure energy supply for regional economic development.

To ensure stable power supply, the Group has formulated specific regulations for production operations and set out plans for overhauls and technological upgrades, as well as adopting specific investigation to eliminate any hazards in the power generating units and increase the utilization ratio of power generating units. In 2014, the Group conducted 13 overhauls to secure stable operation of the generating units and successfully dealt with the challenges in the drought periods and the peak power consumption periods during the summer/winter seasons.

## 2.2 Supply chain management

The Group persists in developing fair and impartial working relationships with suppliers. Bulk purchases of fuel and other materials are subject to an administrative regime that separates purchase, delivery inspection and acceptance, and supervision, in a bid to eliminate corruption at source. Contracts and agreements are performed in stringent compliance with contractual requirements and all suppliers are treated with respect in an equal manner.

*Photo: Safety Cup (安康杯) contest organized by Pingwei Power Plant*


*Photo: Production safety awards won by the Group and its subsidiaries.*

While fulfilling its own social responsibility, the Group also incorporates concepts and requirements of social responsibility in the management of suppliers. A stringent and standardized system for the selection and management of suppliers has been formulated, in a bid to safeguard a healthy and orderly marketplace in a joint effort with other parties in accordance with the "Regulations for the Management of Suppliers", "Implementation Measures for the Evaluation of Material Suppliers", "Implementation Measures for the Evaluation of Tender Suppliers" and other pertinent regulations. In 2014, the Group reviewed 1,019 suppliers of fuel and other materials, identifying problems in 35 suppliers and requesting rectification from 31 of them.

Fuel and equipment suppliers of the Group in 2014 analyzed by geographic region:

| Region | Number of suppliers |
|---|---|
| North China | 140 |
| East China | 330 |
| South China | 115 |
| Central China | 244 |
| Northwestern regions | 32 |
| Southwestern regions | 120 |
| Northeastern regions | 38 |

## 2.3 Technological innovation

The Group increases its financial commitments to technological innovation on an ongoing basis and trains up specialized teams to drive its technological development. In 2014, the Group established CP Hua Chuang as a platform of technical research, technical service and technical personnel training for the Group.

In 2014, Wu Ling Power reported the following achievements in technological innovations for hydropower generation:

- Second-class award in "Classic Cases of Corporate Management Innovation Achievement in the Power Generation Industry" for our "Innovation and Practice of Centralized Production Management of Cross-area Large Hydropower Stations" (《跨流域大型水電站群集中式生產管理創新與實踐》).

- Second-class award in "Classic Cases of Corporate Management Innovation Achievement in the Power Generation Industry" for our "Study and Implementation of the Management Model of Integration of Operation and Maintenance, Centralized Off-site Control and Unmanned Shift" (《「運維合一、遠端集控、無人值班」管理模式研究及實施》).

- First-class award for Outstanding Technical Supervision of Hydropower Generators in the Technical Supervision Contest for Power Generation Enterprises of Hunan Province for the "Upgrade of Novel Cooling Fans of Once-through Bulb Generators" of Dong Ping Power Plant.

- Second-class award for Outstanding Metal Technical in the Technical Supervision Contest for Power Generation Enterprises of Hunan Province for the "Technological Upgrade of Rotating Telescopic Joints" of Dong Ping Power Plant.

### 2.4 Anti-corruption

The Group has established the "Regulation of Collective Decision Making for Three Types of Significant Businesses and One Type of Major Business", "Administrative Regulations for Letters and Calls and Whistle-blowing" and "Regulations for Integrity Talks" and made improvements to such regulations. The concepts of "dual responsibilities" and "two-way investigation" are stringently implemented. Where significant disciplinary and legal violations occur at a department or unit, both the culprit and the relevant supervisor should be held responsible. Supervision and checks over the exercise of power have been strengthened and all supervisory regulations have been stringently executed.

A month-long campaign for the promotion of and education on anti-corruption was organized under the theme of "Rectifying practices to generate positive force and tightening discipline to reinforce implementation". A range of activities, such as special seminars, counseling talks, visits, admonitory videos, personal counseling and anti-corruption tests, were held to fortify the concept of legal and disciplinary compliance and drive mental and behavioral changes among employees, in order to bolster the implementation of relevant regulations. In 2014, the Group was actively engaged in training and promotional campaigns such as centralized training and seminars on anti-corruption, which registered a total of 6,172 participants.

*Photo: Calligraphy and paintings of anti-corruption.*

## 3 COMMUNITY INVOLVEMENT — PROMOTING HARMONY

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

### 3.1 Promoting local economic development

While making substantial contributions to local finances through its tax payments, the Group also helps to drive the rapid development of the environmental protection, construction materials and servicing sectors and the formation of a cluster of power plant-related industries. In 2014, the Group paid approximately RMB2,826,077,288 in various taxes and created 428 new job opportunities in the places where it operated.

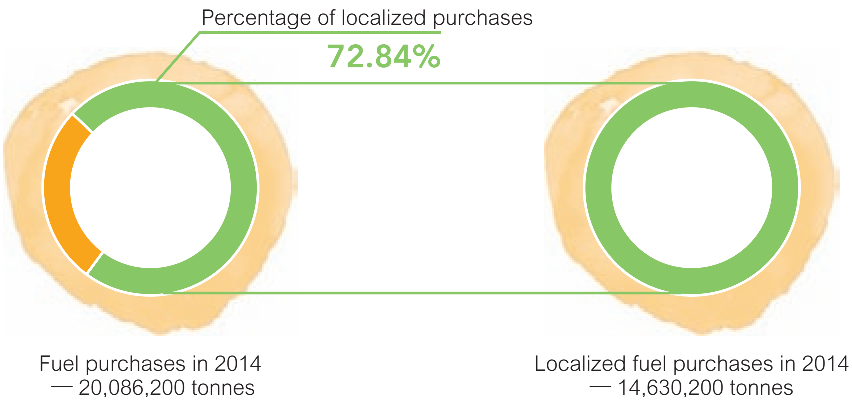



Figure: Volume and percentage of localized purchases for 2014

### 3.2 Support for education, cultural activities and charity

The Group is committed to promoting cultural and educational developments in the places where it operates. We encourage and support staff participation in volunteer services to foster a sound learning environment for local youngsters. In 2014, the Group's employees turned out 427 shifts of volunteer services for a total duration of 3,924 hours in educational assistance programmes.

- Through channels for educational assistance such as "Ying Shan Hong" (映山紅), the website of CPI Group for charitable activities, donations in the amount of RMB123,300 have been raised for schools and children in impoverished regions.

- Guizhou Pu'an Power Plant donated RMB23,980 to purchase classroom desks for Jintang Primary School in the mountain area of Guizhou.

- In July 2014, Wu Ling Power donated RMB1,000,000 worth of disaster relief supplies to help victims in Wuqiangxi of Hunan Province who had been affected by the torrential rain and flood.

*Photo: Staff volunteers of Wu Ling Power participated in the "Charity for Hope" (用善心點亮希望) campaign for orphans during the first "Aid for the Underprivileged Day" of China, paying visits to impoverished orphans in Luxi County, Xiangxi Autonomous Prefecture, a State-designated impoverished county.*

### 3.3 Environmental conservation

The Group encourages staff to take an active part in environmental activities and to advocate the green philosophy of environmental protection, in a bid to highlight the importance of protecting the ecological system and bio-diversity among our staff and other members of the society. In 2014, volunteers of Wu Ling Power participated in a campaign known as "Protect the Mother River — A Green Heart for Yang Lake" organized by the Work Committee for Organs Under Direct Supervision and Working Committee of the Communist Youth League of Hunan Province. Staff volunteers of Yaomeng Power Plant II launched another campaign known as "Protect the Mother River — Purification of Baigui Lake", in which they helped clearing refuse and promote water conservation and environmental protection to the public.

Wu Ling Power is engaged in fish breeding as part of its vigorous efforts in ecological protection work in the coastal areas where its hydropower plants are located. In 2014, San Ban Xi Power Plant, Zhu Xi Kou Power Plant and Dong Ping Power Plant of Wu Ling Power released 1,425,000 fry into the rivers, while a fish breeding station with a capacity of 800,000 fishes was constructed jointly by Baishi Power Plant and Tuokou Power Plant, offering effective protection of fish resources in the Yuan River Basin, especially the rare fishes of the Dongting Lake water bodies.

## 4 A QUALITY WORKPLACE — A PEOPLE-ORIENTED APPROACH

Our employees are the driving force behind our sustainable development. We have always been committed to the provision of a sound workplace for employees, so as to bring out their best and cultivate with care a sustainable and healthy workplace culture that encourages concerted efforts and a positive team spirit. Recreational activities are being organized from time to time to foster a stronger sense of belonging and more harmonious relations among staff.

### 4.1 Protection of rights

The Group has strictly complied with the national Labour Law, Labour Contract Law and other pertinent laws and regulations. We enter into labour contracts with employees and pay for their social insurance. We ensure freedom from sex or racial discrimination and equal salaries for male and female employees, while the practices of child labour and forced labour are strictly prohibited. The Company has established a democratic system for corporate administration based on the staff representative assembly and workers' union to offer genuine protection for employees' rights of participation, expression and supervision. Employees may report incidents of violation to the Company at any time if they note any violations in the process of recruitment and operations, such as child labour and forced labour.

The "Regulations for the Administration of Staff Recruitment" and "Administrative Measures for the Recruitment and Training of Tertiary School Graduates" were formulated in 2014. The Group had a total of 9,675 registered employees, comprising 2,605 female employees which accounted for 26.93% of total employees. All employees are covered by labour contracts and social insurance, and all are members of the workers' union. There has been no infringement upon staff rights. The Group's staff turnover for 2014 is 1.96% or 189 persons.

**Staff headcount for 2014 by employment type**

| Employment type | Headcount |
|---|---|
| Senior management | 17 |
| Middle management | 213 |
| Employees | 9,445 |

**Staff headcount for 2014 by age group**

| Age group | Headcount |
|---|---|
| 29 or under | 1,488 |
| 30–39 | 2,359 |
| 40–49 | 3,958 |
| 50 or above | 1,870 |

### 4.2 Health and safety

The Group's employees are equipped with labour tools and labour protection gear that are compliant with safety standards, while regular staff health checks are organized, as the Group continues to improve its conditions for operations in strict compliance with the Laws of The People's Republic of China on the Prevention of Occupational Diseases and other laws and regulations relating to safety and hygiene. In 2014, the Group recorded no work-related death of employees, while there was 168 cumulative working days lost due to work-related injury. The Group also places great emphasis on the health of employees as annual health examinations are given to all employees.

Following efforts to develop a safety, health and environment management regime and achieve standardization in safe production, the power plants of the Group have developed the "Emergency Management Regime" comprising unified emergency management standards. In 2014, 7 general emergency plans, 90 special emergency plans and 208 on-site handling plans were revised or issued, and all plants completed the filing of emergency plan proposals for assessment. The Group procures all its power plants to make compulsory arrangements for staff to take part in safety management training organized by the State Electricity Regulatory Commission every year, with a view to ensuring the quality of occupational safety in our production operations as well as our staff.

### 4.3 Development and training

The Group optimizes its staff allocation to maximize complementary effects in terms of age, know-how and expertise. We see the pooling of talents as a priority task, with a special emphasis on training up high-caliber young employees to provide a solid foundation for the long-term development of the Group. Technical experts are groomed to provide manpower and technical support for the Group's development.

**Training for 2014 by employment type**

| Employment type | Number of training | Per capita training hours | Training coverage (%) |
|---|---|---|---|
| Senior management | 22 | 62 | 100 |
| Middle management | 65 | 66 | 79 |
| Employees | 559 | 70 | 83 |


*Photo: Participated in the skills contest for duty roster staff of hydrogenerator in 2014.*

### 4.4 Care for staff

The Group organizes a diverse range of cultural and recreational activities that provide broad opportunities for employees to nurture interests and hobbies as well as to learn new skills. In 2014, we organized photography contest and a balloon volleyball tournament. Our staff athletes also won the tug-of-war and the 7-a-side soccer championship organized by CPI Group for its Beijing office.

Our Group continues to operate the "Golden Autumn Schooling Assistance (金秋助學)" programme as part of its ongoing effort to improve its mechanism for staff aid, helping out children of employees in financial difficulties and extending our care to the families of our employees. In 2014, the Group granted RMB882,616.3 in financial relief for serious illness to 78 employees, while offering Golden Autumn Schooling Assistance bursaries amounting to RMB64,200 to the children of 54 underprivileged employees to continue their studies.

*Photo: First Balloon Volleyball Tournament*


*Photo: Fourth Wu Ling Power Cultural and Sports Festival*

*Photo: First calligraphy class of Wu Ling Power.*


*Photo: In August 2014, Yaomeng Power Plant II was awarded the honorary title of national exemplary "Staff Library".*

# INVESTOR RELATIONS AND FREQUENTLY ASKED QUESTIONS

## INVESTOR RELATIONS

The Company, the Board and the management has always prioritized the investor relation activities and deeply acknowledge that investor relations is a strategic management activity which could enhance understanding between investors and the Company, upgrade the level of corporate governance, transparency and strategic credibility and create values for shareholders. Since the listing of the Company, we have been putting effort in investor relation works, maintaining good communications with the investors. 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 relation activities to maintain communication with the investors. Apart from introducing the development in the power industry, the relevant environmental protection, industry and tariff policies, the operations and development strategies of the coal-fired power 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 greater value for the shareholders.

## PRESS CONFERENCES FOR ANNUAL AND INTERIM RESULTS

In 2014, the Company organized the results press conferences right after the publications of its 2013 annual and 2014 interim results, to give a detailed account of the annual and interim results of the Company. The Chairman, the Directors and the senior management attended the conferences and had direct communications with investors and securities analysts to keep them abreast of the development strategies and the operations of the Company as well as gaining investors' understanding and recognition of the future development plans and profit growth targets of the Company.

## ANNUAL GENERAL MEETING

Last year the annual general meeting was held on 22 May 2014 at Ballroom, Level 5, Island Shangri-La Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong. The Directors and the senior management together with the external independent auditor attended the annual general meeting to answer enquiries from the shareholders and investors attending the meeting. All ordinary resolutions and a special resolution proposed in the meeting were duly passed by shareholders' voting.

The annual general meeting this year is proposed to be held on 10 June 2015.

## ROADSHOWS

In 2014, we launched various roadshows in Hong Kong and Singapore to coordinate with the announcing of the results of the Company, and a roadshow in the United States for promoting the issuance of US commercial paper notes. The senior management and investor relations team participated in the roadshows to interview and communicate with investors.

The Company was one of the eligible stocks for Southbound trading under "Shanghai-Hong Kong Stock Connect", a mutual market access program of the Hong Kong and Shanghai stock markets that commenced on 17 November 2014, i.e. investors in the Mainland would be able to buy and sell our shares under this program. For the Mainland investors, the Company carried out roadshows in Shanghai and Shenzhen, to communicate with the local Chinese investors, to further expanding our investor base.

## INVESTOR CONFERENCE

In 2014, the senior management and investor relations team participated in eight investor conferences organized by major investment banks in Hong Kong, Beijing, Shanghai and Shenzhen, and attended small-scale seminars held by investment banks to maintain interactive communications with investors.

## REGULAR MEETINGS WITH INVESTORS

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

In 2014, the Company conducted more than a hundred of one-on-one meetings or seminars with nearly two hundreds of 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.

# INVESTOR RELATIONS AND FREQUENTLY ASKED QUESTIONS

## FREQUENTLY ASKED QUESTIONS

### 1. What is the Company's Development Strategy?

Since the listing in 2004, 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 large coal-fired power and hydropower projects through acquisitions and construction in economically developed coastal areas or resources-rich regions, as well as more emphasis on the development of clean energy in the future so as to maintain sustainable, rapid and healthy growth of the Company.

For clean energy, the Company was mainly through its subsidiary, Wu Ling Power, to vigorously develop our clean energy projects in the advantageous region according to the national energy strategy. For coal-fired power, the Company will continuously develop large environmental friendly coal-fired power generating units with high-capacity and high parameter in Anhui, Shanxi and Guizhou so as to increase the competitiveness of our coal-fired power business.

### 2. What is the Company's Capital Injection Plan for the Next Two Years?

Since the listing in 2004, we have acquired Shentou Power Plant I in 2005, 25% equity interest of Shanghai Power in 2006 and 63% equity interest of Wu Ling Power in 2009. In 2013, the Company successfully completed the acquisition of 100% equity interest in Wuhu Electric Power. Most of these acquisitions were completed through capital injections from the parent companies, CPI Group and CPI Holding, showing their strong support for the Company.

CPI Group is a large power enterprise with a diversified and quality asset portfolio. As at the end of 2014, the total installed power capacity of CPI Group amounted to approximately 96.7GW. While developing large-scale coal-fired and hydropower projects, CPI Group has obtained the controlling rights to develop and operate nuclear power, and is currently participating in several nuclear projects with controlling stakes. Furthermore, CPI Group also owns various types of high quality clean energy such as wind power and solar power projects.

In 2015, the Company will continue to seize investment opportunities in the areas of coal-fired power, hydropower and other clean energy. Capitalized on the support of its parent companies, the Company will continue to optimize its asset structure and develop into a unique listed power company with complementary businesses of hydropower and coal-fired power generation.

### 3. What is the Current Tariff Level of the Company? What was the Impact of Adjustments of On-Grid Tariffs on the Company in 2014?

In 2014, the average on-grid tariff of coal-fired power of the Company was RMB366.66/MWh, representing a decrease of 1.83% as compared with RMB373.51/MWh of last year, while the average on-grid tariff of hydropower of the Company was RMB295.95/MWh, representing an increase of 2.56% as compared with RMB288.56/MWh of last year.

The National Development and Reform Commission announced that the downward adjustment to the on-grid tariffs for coal-fired power began in September 2014. After such adjustments to the on-grid tariffs, excluding the denitration and dedusting tariff subsidies, the weighted average on-grid tariffs for the installed capacity of the Company's coal-fired power generating units would be decreased by approximately RMB8.78/MWh.

### 4. What is the Company's Power Generation and Utilization Hours for 2014 and the Expectation for 2015?

In 2014, the power generation of the Group was 61,692,480MWh, representing a year-on-year increase of 10.99% which was higher than the growth rate of the national power generation in China of 3.60%. The proportion of generation from coal-fired power, hydropower and wind power of the Group were 71.90%, 27.77% and 0.33% respectively.

In 2014, the generation from coal-fired power of the Group was 44,356,580MWh, representing a year-on-year increase of 4.48%, which was mainly because of the additional power contribution from the large capacity new coal-fired power generating units commenced production and the newly acquired Wuhu Power Plant. The average utilization hours of coal-fired power plants of the Group was 4,431 hours, representing a decrease of 567 hours as compared with the previous year which was mainly affected by (i) the declining electricity demand as a result of slowdown in economic growth in China, the direct impact is on the coal-fired power sector in particular; (ii) the substantial increase in hydropower generation in some regions where our coal-fired power plants are located; and (iii) the weak demand for electricity during the peak consumption period in summer in Eastern and Central China regions as a result of an unusual cool weather.

In 2014, abundant rainfall favored the hydropower plants of Wu Ling Power, plus through its effective centralized regulating watershed management of hydroelectric power generation, the actual power generation of some of its hydropower plants exceeded its designed power generation capacity. In addition, the increase in power generation of newly operated hydropower generating units caused the overall total power generation of the Group last year to hit a record high. The generation from hydropower of the Group was 17,133,764MWh last year, representing a significant increase of 31.49% as compared with the previous year. The average utilization hours of hydropower plants of the Group was 3,734 hours, representing an increase of 298 hours as compared with the previous year.

In 2014, the generation from wind power of the Group was 202,136MWh, representing an increase of 107.80% as compared with the previous year, which was mainly because of the new wind power generating units that commenced operation in second half year of 2013 operated the whole year in 2014. The average utilization hours of wind power plants of the Group was 1,939 hours which was higher than that of the national average in China of 1,905 hours.

According to the estimates of China Electricity Council, the growth of the total power demand in China is expected to go up again in 2015. Taking into account of the impact of the additional installed capacity in China and barring unforeseeable circumstance, it is expected that the power generation of the Group will continue to grow in 2015.

### 5. What is the Company's Capital Expenditures for 2014 and the Plan for 2015?

In 2014, the capital expenditure of the Group for the year was RMB7,768,189,000. Of which, the capital expenditure mainly for the coal-fired power segment was RMB3,730,787,000, which was mainly used for the construction of new coal-fired power generating units and for technical upgrade of the existing power generating units. While the capital expenditure for the clean energy segment was RMB4,037,402,000, which was mainly used for the construction of hydropower plant, Tuokou Power Plant, Hunan Province. Sources of funds were mainly from project financing, bonds issue and self-generated funds.

In 2015, the Group has planned a capital expenditure of approximately RMB6,201,000,000. Of which, the expected expenditures for coal-fired power segment and clean energy segment will be RMB4,019,000,000 and RMB2,182,000,000 respectively, which will mainly use for the construction of new power generating units and project acquisition.

### 6. What is the Applicable Tax Rate for the Company at Present?

In 2014, except Fuxi Power Plant currently enjoys the preferential tax treatment, other coal-fired power plants of the Group were all subject to the income tax rate at 25% for the year.

The hydropower plants of the Group were subject to the income tax rate of 25% for the year (the income tax rate of some small hydropower plants in Sichuan is lower than 25%).

The wind power plants of the Group currently enjoy the preferential tax treatment "First three years exemption and subsequent three years 50% reduction", and were within their tax exemption period in 2014.

### 7. What is the Company's Dividend Policy?

The dividend policy of the Company has taken into account of the cash flows and development needs of the Group, and the dividend payout ratio of the peers in the industry. The dividend payout ratio of the Company for the years 2005 to 2013 (except for the year 2008) was approximately in the range of 33% to 45%. 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 RMB0.168 per ordinary share for the year 2014, and dividend payout ratio was 40%. Apart from our commitment of a dividend payout ratio of not less than 25%, we will continue to take the above mentioned factors into full consideration when formulating our dividend policy in the future.

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 2014 (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 2014 are set out in the Consolidated Income Statement on page 97. The Board has recommended the payment of a final dividend of RMB0.168 (equivalent to HK$0.2119) per ordinary share for the year ended 31 December 2014, with a total amount of approximately RMB1,169,870,000.

## BUSINESS REVIEW

Business review of the Group for the year ended 31 December 2014 are set out in the section headed "Management's Discussion and Analysis" of this annual report.

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of approximately RMB5,327,673,000, 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(a) to the Financial Statements.

## BONDS ISSUED

The Company issued in Hong Kong RMB denominated corporate bonds of RMB2 billion in May 2014, and also issued in the United States of America US$300 million commercial paper notes in July 2014.

Details of the above corporate bonds and commercial paper notes 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 Sections 297 and 298 of the Companies Ordinance, as at 31 December 2014, the distributable reserve of the Company amounted to RMB2,427,503,000 (2013: RMB2,073,970,000).

## 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. Yu Bing, Mr. Wang Zichao and Mr. Kwong Che Keung, Gordon will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. If the above Directors are re-elected, they will not enter into service contracts with the Company or any of its subsidiaries which are not determinable by the employing company within one year without payment of compensation other than statutory compensation.

As at 31 December 2014, 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 Scheme") and the share option scheme (the "Share Option Scheme") as follows:

### (A) Pre-IPO Scheme

The Company has conditionally approved and adopted the Pre-IPO Scheme on 24 August 2004. The purposes of the Pre-IPO 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 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 Scheme shall remain in full force and effect.

Save that the exercise price per share is subject to the share options granted under the Pre-IPO Scheme being the offer price per share under the IPO of the Company, the principal terms of the Pre-IPO Scheme are substantially the same as the applicable terms of the Share Option Scheme. Grantees under the Pre-IPO 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 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 consolidated income statement over the four-year vesting period of the share options commencing from the year ended 31 December 2004.

Movements of the share options granted under the Pre-IPO Scheme during the year ended 31 December 2014 are as follows:

| | | Number of shares subject to share options | | | | | |
|---|---|---|---|---|---|---|---|
| Grantee | Date of grant | As at 1 January 2014 | Lapsed or cancelled during the year | Exercised during the year | Outstanding as at 31 December 2014 | Expiry date | Exercise price per share (HK$) |
| **Directors:** | | | | | | | |
| LI Xiaolin | 18 September 2004 | 1,661,500 | (1,661,500) | – | – | 17 September 2014 | 2.53 |
| WANG Zichao | 18 September 2004 | 540,000 | – | (540,000) | – | 17 September 2014 | 2.53 |
| **Other employees** | 18 September 2004 | 3,156,900 | – | (3,156,900) | – | 17 September 2014 | 2.53 |
| | 11 October 2004 | 498,500 | – | (498,500) | – | 10 October 2014 | 2.53 |

All share options granted under the Pre-IPO Scheme were lapsed upon expiry pursuant to the terms of the Pre-IPO Scheme on 17 September 2014 and 10 October 2014 respectively.

## (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 Persons") share options to subscribe for shares in the Company. Upon acceptance of the offer of the share option, the grantee shall pay HK$1.00 to the Company as a nominal consideration for the share option granted.

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

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

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

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

(c) the nominal value of the shares.

In the event of a 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 share options in whole or in part prior to 12:00 noon on the day immediately preceding the date of the meeting directed to be convened by the court for the purposes of considering such compromise or arrangement. With effect from the date of such meeting, the rights of all grantees to exercise their respective share options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all share options shall, to the extent that they have not been exercised, be void and lapse.

**(3) Rights on a Voluntary Winding-Up**

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

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

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

Movements of the share options under the Share Option Scheme for the year ended 31 December 2014 are as follows:

| Grantee | Date of grant | Number of shares subject to share options: As at 1 January 2014 | Lapsed or cancelled during the year | Exercised during the year | Outstanding as at 31 December 2014 | 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 |
| 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 | 7,335,000 | (600,000) | – | 6,735,000 | 3 April 2017 | 4.07 |
| | 2 July 2008 | 19,910,000 | (1,030,000) | – | 18,880,000 | 1 July 2018 | 2.326 |

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

As at the date of this annual report, the total number of shares in respect of which share options may be exercised under the Share Option Scheme was 28,167,000, representing approximately 0.40% of the existing issued share capital of the Company.

## 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 |
| YU Bing | 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 joint ventures was a party, and in which the Director had any material interest, subsisted during the year.

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

As at 31 December 2014, 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 | 4 April 2007 and 2 July 2008 | 2,725,000 | 0.040 | Long |
| GUAN Qihong | Beneficial owner | the Company | 2 July 2008 | 400,000 | 0.0058 | Long |
| WANG Zichao | Beneficial owner | the Company | 4 April 2007 and 2 July 2008 | 1,504,000 | 0.022 | 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 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 2014, 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 | 28.91 | Long |
| CPI Holding[1] | Interest of a controlled corporation | 1,996,500,000 | 28.91 | Long |
| | Beneficial owner | 2,074,538,546 | 30.04 | Long |
| CPI Group[2] | Interest of a controlled corporation | 4,071,038,546 | 58.95 | Long |

Notes:

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

(2) CPI Group is the beneficial owner of CPI Holding and therefore CPI Group is deemed to be interested in the shares of the Company owned by CPI Holding 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

**(A) Production Target Sale and Purchase Agreements**

1. *Luyang Power Plant*

| | |
|---|---|
| Date: | 1 September 2014 |
| Parties: | (i) Yaomeng Power Plant II (as the seller)<br>(ii) Pingdingshan Power branch of CPI Henan Power Company Limited ("Luyang Power Plant") (as the purchaser) |
| Power Production Quota to be transacted: | 800,000MWh |
| Unit price: | RMB165/MWh |
| Maximum consideration payable: | RMB132,000,000 |

The final Power Production Quota to be transacted will be subject to the actual on-grid electricity to be generated by Luyang Power Plant and as confirmed by the State Grid Henan Electric Power Company (the provincial power grid company in Henan Province, the PRC). After Luyang Power Plant has generated electricity under the monthly Power Production Quota as determined by the provincial power grid company, Luyang Power Plant will pay Yaomeng Power Plant II within the first 5 business days in the following month a month-end power production transfer fee (based on the actual on-grid electricity generated) in a lump sum via wire transfer.

2. *Kaifeng Power Plant*

| | |
|---|---|
| Date: | 1 September 2014 |
| Parties: | (i) Yaomeng Power Plant II (as the seller)<br>(ii) Kaifeng Power branch of CPI Henan Power Company Limited ("Kaifeng Power Plant") (as the purchaser) |
| Power Production Quota to be transacted: | 550,000MWh |
| Unit price: | RMB165/MWh |
| Maximum consideration payable: | RMB90,750,000 |

The final Power Production Quota to be transacted will be subject to the actual on-grid electricity to be generated by Kaifeng Power Plant and as confirmed by the State Grid Henan Electric Power Company (the provincial power grid company in Henan Province, the PRC). After Kaifeng Power Plant has generated electricity under the monthly Power Production Quota as determined by the provincial power grid company, Kaifeng Power Plant will pay Yaomeng Power Plant II within the first 5 business days in the following month a month-end power production transfer fee (based on the actual on-grid electricity generated) in a lump sum via wire transfer.

Since each of Luyang Power Plant and Kaifeng Power Plant is a branch company of a wholly-owned subsidiary of CPI Group and CPI Group is the ultimate controlling company of the Company. As such, the Production Target Sale and Purchase Agreements constitute connected transaction of the Company under the Listing Rules.

**(B) Deemed Disposal of 40% Interest in Pingwei Power Plant III**

On 17 November 2014, the Company entered into a capital contribution agreement (the "Capital Contribution Agreement") with Huainan Mining, pursuant to which Huainan Mining has agreed to make a capital contribution of RMB628,720,000 in cash to the registered capital of Pingwei Power Plant III.

Upon completion, the shareholding of the Company in Pingwei Power Plant III will be diluted from 100% to 60% of the enlarged registered capital. The equity interest of Pingwei Power Plant III will then be owned as to 60% by the Company and 40% by Huainan Mining accordingly. Pingwei Power Plant III will continue to be a subsidiary of the Company and its financial results will continue to be consolidated into the consolidated financial statements of the Company.

As Huainan Mining 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 at the subsidiary level under the Listing Rules. Accordingly, the Capital Contribution Agreement constitutes a connected transaction of the Company.

## 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 company 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 2014 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 company of the Company. Accordingly, the Land Use Right Lease Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

**(B) Property Lease Agreement**

1. *Beijing Property Lease Agreement*

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

2. *Wu Ling Lease Agreement*

Qian Dong Power has been leasing 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: | 20 December 2013 |
| 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: | 1 January 2014 to 31 December 2015 |

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

**(C) Purchase Agreements**

*Material Purchase Framework Agreement*

| | |
|---|---|
| Date: | 4 December 2012 |
| Parties: | (i) The Company (representing its subsidiaries, Pingwei Power Plant, Pingwei Power Plant II, Yaomeng Power Plant, Yaomeng Power Plant II, Fuxi Power Plant and CP Shentou Power Plant, individually the "Purchaser" or collectively the "Purchasers")<br>(ii) Beijing CP Environmental (representing its subsidiaries, Huainan branch of Beijing CP Environmental, Pingdingshan branch of Beijing CP Environmental, Sichuan Yibin and Shuozhou CP Environmental, individually the "Supplier" or collectively the "Suppliers") |
| Term: | 1 January 2013 to 31 December 2015 |
| Proposed annual cap: | 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. |
| Payment terms: | The Purchasers shall settle by cash on a monthly basis |

Pursuant to Material Purchase Framework Agreement, the parties agreed that the Purchasers will purchase from the Suppliers the limestone powder for desulphurization (the "Materials"). The purchase 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.

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

**(D) Service Agreements**

1. *Technical Repair and Maintenance Framework Agreements*

First Agreement

| | |
|---|---|
| Date: | 28 December 2012 |
| Parties: | (i) The Company (representing its subsidiaries, Pingwei Power Plant, Yaomeng Power Plant and CP Shentou Power Plant, individually the "Employer" or collectively the "Employers")<br>(ii) CP Maintenance Engineering (representing its subsidiaries, Pingwei Maintenance Company, Yaomeng Engineering Company and Shentou Engineering Company, individually the "Technician" or collectively the "Technicians") |
| Term: | 1 January 2013 to 31 December 2015 |
| Proposed annual caps: | For the three financial years ending 31 December 2013, 2014 and 2015 are RMB154,000,000, RMB186,000,000 and RMB186,000,000 respectively. |

Second Agreement

| | |
|---|---|
| Date: | 19 December 2013 |
| Parties: | (i) The Company (representing its subsidiaries, including but not limited to Pingwei Power Plant II and Yaomeng Power Plant II, individually the "Employer" or collectively the "Employers")<br>(ii) CP Maintenance Engineering (representing its subsidiaries, including but not limited to Pingwei Maintenance Company and Yaomeng Engineering Company, individually the "Technician" or collectively the "Technicians") |
| Term: | 1 January 2014 to 31 December 2016 |
| Proposed annual cap: | For the three financial years ending 31 December 2014, 2015 and 2016 are RMB180,000,000 each year. |

Pursuant to the above two Technical Repair and Maintenance Framework Agreements, the parties agreed that the Technicians will provide the Employers with repair and maintenance services for their power generating units and related power generation facilities. The Employers shall settle the service fee by cash on a monthly basis or payable with 3 months after completion of the required services. 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.

As CP Maintenance Engineering, Pingwei Maintenance Company, Yaomeng Engineering Company and Shentou Engineering Company are subsidiaries of CPI Holding, and CPI Holding is the controlling company of the Company, the entering into the Technical Repair and Maintenance Framework Agreements constitute continuing connected transactions of the Company under the Listing Rules.

2. *Composite Support Services Framework Agreements*

First Agreement

| | |
|---|---|
| Date: | 28 December 2012 |
| Parties: | (i) The Company (representing its subsidiaries, Pingwei Power Plant, Yaomeng Power Plant and CP Shentou Power Plant, individually the "Employer" or collectively the "Employers")<br>(ii) CPI Holding (representing its subsidiaries, Pingwei Industry Company, Yaomeng Industrial Company and Shentou Industry Company, individually the "Contractor" or collectively the "Contractors") |
| Term: | 1 January 2013 to 31 December 2015 |
| Proposed annual caps: | For the three financial years ending 31 December 2013, 2014 and 2015 are RMB145,000,000, RMB177,000,000 and RMB177,000,000 respectively. |

Second Agreement

| | |
|---|---|
| Date: | 19 December 2013 |
| Parties: | (i) The Company (representing its subsidiaries, including but not limited to Pingwei Power Plant II and Yaomeng Power Plant II, individually the "Employer" or collectively the "Employers")<br>(ii) CPI Holding (representing its subsidiaries, including but not limited to Pingwei Industry Company and Yaomeng Industrial Company, individually the "Contractor" or collectively the "Contractors") |
| Term: | 1 January 2014 to 31 December 2016 |
| Proposed annual cap: | For the three financial years ending 31 December 2014, 2015 and 2016 are RMB95,000,000 each year. |

Pursuant to the above two Composite Support Services Framework Agreements, the parties agreed that the Contractors will provide the Employers with various supporting services in relation to their daily power plant operations. The Employers shall settle the service fees by cash on a monthly basis or payable within 3 months after completion of the required services. 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;
- the supporting services demanded by each power plant to meet the escalating local environmental and safety regulations;
- the expected time cost of labour required; and
- if the above are 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.

As Pingwei Industry Company, Yaomeng Industrial Company and Shentou Industry Company are subsidiaries of CPI Holding, and CPI Holding is the controlling company of the Company, the entering into the Composite Support Services Framework Agreements constitute continuing connected transactions of the Company under the Listing Rules.

**(E) Coal Supply Framework Agreement**

1. *Huainan Mining*

| | | |
|---|---|---|
| Date: | 6 December 2013 | |
| Parties: | (i) | The Company (representing Dabieshan Power Plant, Pingwei Power Plant, Pingwei Power Plant II, Pingwei Power Plant III, Wuhu Electric Power and CP Guorui, the subsidiaries of the Company, and Changshu Power Plant, an associate of the Company, individually the "Purchaser" or collectively the "Purchasers") |
| | (ii) | Huainan Mining |
| Term: | 1 January 2014 to 31 December 2016 | |

| Financial year ended 31 December | Aggregate annual amount of coal supply |
|---|---|
| 2014 | not exceed 9,300,000 tonnes |
| 2015 | not exceed 12,100,000 tonnes |
| 2016 | not exceed 14,900,000 tonnes |

| Financial year ended 31 December | Annual caps (RMB) |
|---|---|
| 2014 | 5,694,000,000 |
| 2015 | 7,388,000,000 |
| 2016 | 9,082,000,000 |

Pursuant to the Huainan Mining Coal Supply Framework Agreement, Huainan Mining will supply coal to the Purchasers. The Purchasers will settle the purchase of coal from Huainan Mining on a monthly basis or such other payments terms as both parties will agree from time to time in contracts.

As Huainan Mining 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 Huainan Mining Coal Supply Framework Agreement constitutes a continuing connected transaction of the Company.

2. *China Coal Energy*

First Agreement

| | | |
|---|---|---|
| Date: | 16 May 2013 | |
| Parties: | (i) | The Company (representing its subsidiary, CP Shentou Power Plant, the "Purchaser") |
| | (ii) | China Coal Energy |
| Term: | Commencing on the date when the agreement was signed and expiring on 31 December 2015 | |

| Financial year ended 31 December | Aggregate annual amount of coal supply |
|---|---|
| 2013 | not exceed 2,500,000 tonnes |
| 2014 | not exceed 3,600,000 tonnes |
| 2015 | not exceed 3,600,000 tonnes |

| Financial year ended 31 December | Annual caps (RMB) |
|---|---|
| 2013 | 700,000,000 |
| 2014 | 1,080,000,000 |
| 2015 | 1,116,000,000 |

Second Agreement

Date: 6 December 2013

Parties:
(i) The Company (representing Dabieshan Power Plant, Pingwei Power Plant, Pingwei Power Plant II, Pingwei Power Plant III, Wuhu Electric Power and CP Guorui, the subsidiaries of the Company, and Changshu Power Plant, an associate of the Company, individually the "Purchaser" or collectively the "Purchasers")
(ii) China Coal Energy

Term: 1 January 2014 to 31 December 2016

| Financial year ended 31 December | Aggregate annual amount of coal supply |
|---|---|
| 2014 | not exceed 1,200,000 tonnes |
| 2015 | not exceed 1,400,000 tonnes |
| 2016 | not exceed 1,400,000 tonnes |

| Financial year ended 31 December | Annual caps (RMB) |
|---|---|
| 2014 | 729,000,000 |
| 2015 | 855,000,000 |
| 2016 | 855,000,000 |

Pursuant to the above two China Coal Energy Coal Supply Framework Agreements, China Coal Energy will supply coal to the Purchasers. The Purchasers will settle the purchase of coal from China Coal Energy on a monthly basis or such other payments terms as both parties will agree from time to time in contracts.

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

3. *CPI Logistics*

| | |
|---|---|
| Date: | 18 December 2013 |
| Parties: | (i) The Company (representing, including but not limited to Dabieshan Power Plant, Pingwei Power Plant, Pingwei Power Plant II, Pingwei Power Plant III, Wuhu Electric Power and CP Guorui, the subsidiaries of the Company, and Changshu Power Plant, an associate of the Company, individually the "Purchaser" or collectively the "Purchasers") |
| | (ii) CPI Logistics |
| Term: | 1 January 2014 to 31 December 2016 |
| Aggregate amount of coal supply: | For the three financial years ending 31 December 2014, 2015 and 2016, the aggregate annual amount is up to 750,000 tonnes. |
| Proposed annual cap: | For the three financial years ending 31 December 2014, 2015 and 2016 will not exceed RMB450,000,000 each year. |

Pursuant to the CPI Logistics Coal Supply Framework Agreement, CPI Logistics will supply coal to the Purchasers. The Purchasers will settle the purchase of coal from CPI Logistics on a monthly basis or such other payments terms as both parties will agree from time to time in contracts.

As CPI Logistics is a wholly-owned subsidiary of CPI Group, the Company's ultimate controlling company, is a connected person of the Company under the Listing Rules. Accordingly, the CPI Logistics Coal Supply Framework Agreement constitutes a continuing connected transaction of the Company.

4. *Qinghe Electric Power*

| | |
|---|---|
| Date: | 18 December 2013 |
| Parties: | (i) The Company (as the agent) |
| | (ii) Qinghe Electric Power (as the purchaser) |
| Term: | 1 January 2014 to 31 December 2016 |
| Aggregate amount of coal supply: | For the three financial years ending 31 December 2014, 2015 and 2016, the aggregate annual amount is up to 500,000 tonnes. |
| Proposed annual cap: | For the three financial years ending 31 December 2014, 2015 and 2016 will not exceed RMB130,000,000 each year. |

Pursuant to the Qinghe Coal Supply Framework Agreement, the Company will procure and supply coal to Qinghe Electric Power. Qinghe Electric Power will settle the purchase of coal from the Company on a monthly basis or such other payments terms as both parties will agree from time to time in contracts.

As Qinghe Electric Power is a wholly-owned subsidiary of CPI Holding, the Company's controlling company, is a connected person of the Company under the Listing Rules. Accordingly, the Qinghe Coal Supply Framework Agreement constitutes a continuing connected transaction of the Company.

**(F) Assets Management Agreement**

*Supplemental Assets Management Agreement VIII*

| | |
|---|---|
| Date: | 29 November 2013 |
| Parties: | (i) The Company |
| | (ii) CPI Holding |
| Term: | 1 December 2013 to 31 December 2015 |
| Proposed annual cap: | 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 two financial years ending 31 December 2014 and 2015 shall not exceed RMB12,544,000. |

The Supplemental Assets Management Agreement VIII amended certain terms in the original assets management agreement, pursuant to which the Company would manage a power plant for CPI Holding in return for a management fee. The management fee is payable monthly in arrears.

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

## RELATED PARTIES TRANSACTIONS

During the year 2014, those related party transactions listed under Note 45 to the Financial Statements which were connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules include:

- (a)(iii) Rental income from a fellow subsidiary
- (a)(iv) Management fee from CPI Holding
- (b)(i) Purchase of fuel, raw materials and spare parts from fellow subsidiaries and non-controlling shareholders of subsidiaries
- (b)(ii) Service fees to fellow subsidiaries
- (b)(vi) Operating lease rental expenses paid to CPI Group and CPI Holding

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

## REVIEW BY AUDIT COMMITTEE MEMBERS AND AUDITOR

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

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

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

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

The Company has engaged the Auditor to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "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 2014 as disclosed by the Group set out on pages 84 to 92 of the annual report in accordance with Rule 14A.56 of the Listing Rules.

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

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2014, the aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 74.89% of the Group's total purchases and purchases attributable to the Group's largest supplier accounted for approximately 40.25% of the Group's total purchases.

For the year ended 31 December 2014, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 81.57% of the Group's total turnover and turnover attributable to the Group's largest customer accounted for approximately 23.89% 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, 18 March 2015

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**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 97 to 205, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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 80 of Schedule 11 to 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.

*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong*
*T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

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 2014, 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, 18 March 2015

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

| | Note | Year ended 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| Revenue | 5 | **20,447,151** | 18,826,728 |
| Other income | 6 | **396,985** | 228,145 |
| Fuel costs | | **(7,941,928)** | (9,006,559) |
| Depreciation | | **(2,819,811)** | (2,208,793) |
| Staff costs | 11 | **(1,599,793)** | (1,238,237) |
| Repairs and maintenance | | **(704,839)** | (571,236) |
| Consumables | | **(235,792)** | (260,956) |
| Other (losses)/gains, net | 7 | **(247,437)** | 540,068 |
| Other operating expenses | | **(1,404,743)** | (1,127,595) |
| Operating profit | 8 | **5,889,793** | 5,181,565 |
| Finance income | 9 | **52,430** | 64,480 |
| Finance costs | 9 | **(2,366,120)** | (1,511,774) |
| Share of profits of associates | | **640,374** | 435,704 |
| Share of profits of joint ventures | | **86,270** | 64,083 |
| Profit before taxation | | **4,302,747** | 4,234,058 |
| Taxation | 10 | **(660,215)** | (958,666) |
| Profit for the year | | **3,642,532** | 3,275,392 |
| Attributable to: | | | |
| Owners of the Company | | **2,765,886** | 2,289,888 |
| Non-controlling interests | | **876,646** | 985,504 |
| | | **3,642,532** | 3,275,392 |
| Earnings per share for profit attributable to owners of the Company during the year (expressed in RMB per share) | | | |
| — Basic | 13 | **0.42** | 0.40 |
| — Diluted | 13 | **0.38** | 0.35 |

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 107 to 205 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

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

The notes on pages 107 to 205 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

| | Note | As at 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Non-current assets | | | |
| Property, plant and equipment | 16 | **66,741,330** | 61,618,034 |
| Prepayments for construction of power plants | 17 | **432,289** | 1,152,350 |
| Land use rights | 18 | **716,244** | 712,046 |
| Goodwill | 19 | **835,165** | 835,165 |
| Interests in associates | 21 | **2,718,235** | 2,225,483 |
| Interests in joint ventures | 22 | **632,636** | 596,366 |
| Available-for-sale financial assets | 23 | **3,305,780** | 2,026,793 |
| Loan to a fellow subsidiary | 24 | **–** | 200,000 |
| Deferred income tax assets | 39 | **106,442** | 88,746 |
| Pledged bank deposits | 41 | **300,000** | – |
| | | **75,788,121** | 69,454,983 |
| Current assets | | | |
| Inventories | 25 | **493,598** | 648,405 |
| Accounts receivable | 26 | **2,239,128** | 2,493,682 |
| Prepayments, deposits and other receivables | | **1,173,496** | 1,199,949 |
| Amounts due from related parties | 27 | **335,580** | 576,050 |
| Tax recoverable | | **8,053** | 7,957 |
| Pledged bank deposits | 41 | **41,353** | 49,227 |
| Cash and cash equivalents | 28 | **1,126,917** | 1,641,368 |
| | | **5,418,125** | 6,616,638 |
| Assets held for sale | 40 | **589,545** | 667,347 |
| | | **6,007,670** | 7,283,985 |
| Total assets | | **81,795,791** | 76,738,968 |
| **EQUITY** | | | |
| Capital and reserves attributable to owners of the Company | | | |
| Share capital | 29 | **12,730,145** | 6,161,388 |
| Share premium | 29 | **–** | 5,773,347 |
| Share capital and share premium | | **12,730,145** | 11,934,735 |
| Reserves | 30 | **9,133,624** | 6,486,921 |
| | | **21,863,769** | 18,421,656 |
| Non-controlling interests | 20 | **5,385,992** | 4,865,487 |
| Total equity | | **27,249,761** | 23,287,143 |

The notes on pages 107 to 205 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

| | Note | As at 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| Non-current liabilities | | | |
| Deferred income | | **31,423** | 50,636 |
| Bank borrowings | 31 | **25,584,998** | 26,914,155 |
| Borrowings from related parties | 32 | **2,484,816** | 3,815,911 |
| Other borrowings | 33 | **3,729,444** | 3,737,240 |
| Obligations under finance leases | 34 | **1,158,171** | 443,388 |
| Deferred income tax liabilities | 39 | **1,354,453** | 1,102,506 |
| Provisions for other long-term liabilities | 35 | **936,257** | 3,467 |
| | | **35,279,562** | 36,067,303 |
| Current liabilities | | | |
| Accounts and bills payables | 36 | **1,152,049** | 1,746,825 |
| Construction costs payable | | **3,409,235** | 2,893,033 |
| Other payables and accrued charges | 37 | **1,261,230** | 992,489 |
| Amounts due to related parties | 27 | **403,002** | 437,441 |
| Bank borrowings | 31 | **7,966,279** | 8,660,220 |
| Borrowings from related parties | 32 | **1,370,295** | 1,407,000 |
| Other borrowings | 33 | **3,135,700** | 600,000 |
| Current portion of obligations under finance leases | 34 | **118,950** | 111,361 |
| Taxation payable | | **449,728** | 536,153 |
| | | **19,266,468** | 17,384,522 |
| Total liabilities | | **54,546,030** | 53,451,825 |
| Total equity and liabilities | | **81,795,791** | 76,738,968 |
| Net current liabilities | | **13,258,798** | 10,100,537 |
| Total assets less current liabilities | | **62,529,323** | 59,354,446 |

**Li Xiaolin**
*Director*

**Yu Bing**
*Director*

The notes on pages 107 to 205 are an integral part of these consolidated financial statements.

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

| | Note | As at 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Non-current assets | | | |
| Property, plant and equipment | 16 | **5,464** | 7,913 |
| Investments in subsidiaries | 20 | **11,138,823** | 10,786,414 |
| Interests in associates | 21 | **1,285,687** | 985,687 |
| Interests in joint ventures | 22 | **603,200** | 593,200 |
| Available-for-sale financial assets | 23 | **3,151,068** | 1,872,081 |
| Loans to subsidiaries | 20 | **2,000,000** | – |
| | | **18,184,242** | 14,245,295 |
| Current assets | | | |
| Loans to subsidiaries | 20 | **4,461,360** | 2,210,000 |
| Prepayments, deposits and other receivables | | **7,226** | 2,124 |
| Amounts due from related parties | 27 | **205,655** | 501,148 |
| Amounts due from subsidiaries | 20 | **97,222** | 90,133 |
| Dividends receivable | | **643,978** | 596,974 |
| Cash and cash equivalents | 28 | **511,004** | 577,958 |
| | | **5,926,445** | 3,978,337 |
| Total assets | | **24,110,687** | 18,223,632 |
| **EQUITY** | | | |
| Capital and reserves attributable to owners of the Company | | | |
| Share capital | 29 | **12,730,145** | 6,161,388 |
| Share premium | 29 | **–** | 5,773,347 |
| Share capital and share premium | | **12,730,145** | 11,934,735 |
| Reserves | 30 | **3,886,566** | 2,685,191 |
| | | **16,616,711** | 14,619,926 |

The notes on pages 107 to 205 are an integral part of these consolidated financial statements.

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

| | Note | As at 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| Non-current liabilities | | | |
| Other borrowings | 33 | **2,732,854** | 2,241,547 |
| Deferred income tax liabilities | 39 | **429,692** | 109,945 |
| | | **3,162,546** | 2,351,492 |
| Current liabilities | | | |
| Other payables and accrued charges | 37 | **54,297** | 35,196 |
| Amounts due to related parties | 27 | **126,538** | 12,813 |
| Amounts due to subsidiaries | 20 | **899,895** | 589,205 |
| Bank borrowings | 31 | **615,000** | 615,000 |
| Other borrowings | 33 | **2,635,700** | – |
| | | **4,331,430** | 1,252,214 |
| Total liabilities | | **7,493,976** | 3,603,706 |
| Total equity and liabilities | | **24,110,687** | 18,223,632 |
| Net current assets | | **1,595,015** | 2,726,123 |
| Total assets less current liabilities | | **19,779,257** | 16,971,418 |

**Li Xiaolin**
*Director*

**Yu Bing**
*Director*

The notes on pages 107 to 205 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

| | Attributable to owners of the Company | | | | | |
|---|---|---|---|---|---|---|
| | Share capital (Note 29(a)) RMB'000 | Share premium (Note 29(a)) 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 2014** | 6,161,388 | 5,773,347 | 3,745,902 | 2,741,019 | 4,865,487 | 23,287,143 |
| Profit for the year | – | – | – | 2,765,886 | 876,646 | 3,642,532 |
| Other comprehensive income/(expense): | | | | | | |
| Fair value gain on available-for-sale financial assets | – | – | 1,278,987 | – | – | 1,278,987 |
| Deferred tax on fair value gain on available-for-sale financial assets (Note 39) | – | – | (319,747) | – | – | (319,747) |
| **Total comprehensive income for the year** | – | – | 959,240 | 2,765,886 | 876,646 | 4,601,772 |
| Exercise of share options | 8,425 | – | (4,771) | 4,771 | – | 8,425 |
| Lapse of share options | – | – | (3,025) | 3,025 | – | – |
| Transfer to statutory reserves | – | – | 127,099 | (127,099) | – | – |
| Issue of new shares upon conversion of convertible bonds | 758,419 | 28,566 | (103,602) | 62,756 | – | 746,139 |
| Transition to no-par value regime on 3 March 2014 | 5,801,913 | (5,801,913) | – | – | – | – |
| Contributions from non-controlling shareholders of a subsidiary | – | – | – | – | 280,460 | 280,460 |
| Dividends paid to non-controlling shareholders of subsidiaries | – | – | – | – | (636,601) | (636,601) |
| 2013 final dividend | – | – | – | (1,037,577) | – | (1,037,577) |
| **Total transactions with owners, recognised directly in equity** | 6,568,757 | (5,773,347) | 15,701 | (1,094,124) | (356,141) | (639,154) |
| **Balance at 31 December 2014** | 12,730,145 | – | 4,720,843 | 4,412,781 | 5,385,992 | 27,249,761 |

The notes on pages 107 to 205 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

| | Attributable to owners of the Company | | | | | |
|---|---|---|---|---|---|---|
| | Share capital (Note 29(a)) RMB'000 | Share premium (Note 29(a)) 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 2013** | 5,483,753 | 4,685,455 | 3,664,724 | 1,108,312 | 3,987,178 | 18,929,422 |
| **Profit and total comprehensive income for the year** | – | – | – | 2,289,888 | 985,504 | 3,275,392 |
| Lapse of share options | – | – | (118) | 118 | – | – |
| Transfer to statutory reserves | – | – | 146,379 | (146,379) | – | – |
| Issue of new shares for acquisition of a subsidiary | 428,618 | 805,801 | – | – | – | 1,234,419 |
| Issue of new shares upon conversion of convertible bonds | 249,017 | 282,091 | (65,083) | – | – | 466,025 |
| Contributions from non-controlling shareholders of subsidiaries | – | – | – | – | 120,313 | 120,313 |
| Dividends paid to non-controlling shareholders of subsidiaries | – | – | – | – | (227,508) | (227,508) |
| 2012 final dividend | – | – | – | (510,920) | – | (510,920) |
| **Total transactions with owners, recognised directly in equity** | 677,635 | 1,087,892 | 81,178 | (657,181) | (107,195) | 1,082,329 |
| **Balance at 31 December 2013** | 6,161,388 | 5,773,347 | 3,745,902 | 2,741,019 | 4,865,487 | 23,287,143 |

The notes on pages 107 to 205 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

| | Note | Year ended 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 43(a) | **9,093,676** | 7,314,762 |
| Interest paid | | **(2,580,620)** | (2,396,511) |
| PRC income tax paid | | **(832,232)** | (597,650) |
| Net cash generated from operating activities | | **5,680,824** | 4,320,601 |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | **(2,670,146)** | (3,950,482) |
| Prepayments for construction of power plants | | **(2,420,420)** | (1,214,717) |
| Payments for land use rights | | **(20,096)** | (31,075) |
| Proceeds from disposal of property, plant and equipment and land use rights | | **135,621** | 1,272,421 |
| Proceeds from disposal of a joint venture | | **–** | 19,588 |
| Proceeds from termination of derivative financial instruments | | **–** | 12,110 |
| Acquisition of a subsidiary, net of cash acquired | 42 | **–** | (53,974) |
| Capital injection to associates | | **(304,000)** | (400,000) |
| Capital injection to a joint venture | | **(10,000)** | – |
| Advances made to an associate | | **(205,080)** | (200,000) |
| Repayment of loan from an associate | | **500,000** | – |
| Repayment of loan from a fellow subsidiary | 24 | **200,000** | 100,000 |
| Dividends received | | **596,021** | 389,322 |
| Interest received | | **52,430** | 64,480 |
| Net cash used in investing activities | | **(4,145,670)** | (3,992,327) |

The notes on pages 107 to 205 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

| | Note | Year ended 31 December 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Drawdown of bank borrowings | 43(b) | **9,293,981** | 10,876,539 |
| Drawdown of borrowings from related parties | 43(b) | **640,000** | 1,050,000 |
| Drawdown of short-term other borrowings | 43(b) | **50,000** | 600,000 |
| Proceeds from issue of commercial notes | 43(b) | **1,835,700** | – |
| Proceeds from issue of corporate bonds | 33 | **2,000,000** | 500,000 |
| Proceeds from exercise of share options | 29(b)(ii) | **8,425** | – |
| Contributions from non-controlling shareholders of subsidiaries | 43(b) | **280,460** | 120,313 |
| Repayment of bank borrowings | 43(b) | **(11,244,402)** | (10,093,365) |
| Repayment of borrowings from related parties | 43(b) | **(2,007,800)** | (950,000) |
| Repayment of other borrowings | 43(b) | **(650,000)** | (2,053,540) |
| Payments for obligations under finance leases | 43(b) | **(146,633)** | (143,139) |
| Dividend paid | 14 | **(1,037,577)** | (510,920) |
| Dividend paid to non-controlling shareholders of subsidiaries | | **(779,834)** | (84,275) |
| Increase in pledged bank deposits | | **(292,126)** | (14,227) |
| Net cash used in financing activities | | **(2,049,806)** | (702,614) |
| **Net decrease in cash and cash equivalents** | | **(514,652)** | (374,340) |
| Cash and cash equivalents at 1 January | | **1,641,368** | 2,016,418 |
| Exchange gains/(losses), net | | **201** | (710) |
| **Cash and cash equivalents at 31 December** | 28 | **1,126,917** | 1,641,368 |

The notes on pages 107 to 205 are an integral part of these consolidated financial statements.

## 1 GENERAL INFORMATION

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

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

The Group is controlled by China Power International Holding Limited ("CPIH"), an intermediate holding company which directly holds the Company's shares and also indirectly through China Power Development Limited ("CPDL"). The directors of the Company (the "Directors") regard China Power Investment Corporation (中國電力投資集團公司) ("CPI Group"), a state-owned enterprise established in the PRC which is the beneficial owner of CPIH, as the parent company.

These consolidated financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated, and have been approved by the board of Directors (the "Board") on 18 March 2015.

## 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"). These consolidated financial statements have been prepared under the historical cost convention except that certain available-for-sale financial assets are measured at fair value, as appropriate.

As at 31 December 2014, the Group had net current liabilities of RMB13,258,798,000 (2013: RMB10,100,537,000). In preparing these financial statements, the Directors have taken into account all information that could reasonably be expected to be available and have ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. As of 31 December 2014, the Group had banking facilities available amounting to approximately RMB13,517,300,000 (2013: RMB13,644,041,000) and will refinance and/or restructure certain short-term loans into long-term loans or consider alternative sources of financing, where applicable. Under these circumstances, the Directors are of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months and therefore have prepared the financial statements on a going concern basis.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation *(Continued)*

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

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

The following amendments to standards and interpretation are mandatory for accounting periods beginning on or after 1 January 2014:

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation *(Continued)*

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

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

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

(1) Effective for the Group for annual period beginning on 1 July 2014
(2) Effective for the Group for annual period beginning on 1 January 2016
(3) Effective for the Group for annual period beginning on 1 January 2017
(4) Effective for the Group for annual period beginning on 1 January 2018

The Group will apply the above new standards and amendments to standards from 1 January 2015 or later periods and has already commenced an assessment of the related impact to the Group. The Group expects 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

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

*(i) Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. 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. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

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

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

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

## 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 of the subsidiary 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.

*(iii) Disposal of subsidiaries*

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

#### (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 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. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Consolidation *(Continued)*

#### (c) Associates *(Continued)*

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.

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 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.

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

In the Company's statement of financial position, the interests in associates are stated at cost less provision for impairment (Note 2.9). The results of the associates are accounted for by the Company on the basis of dividends received and receivable.

#### (d) Joint ventures

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Consolidation *(Continued)*

#### (d) Joint ventures *(Continued)*

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

In the Company's statement of financial position, the interests in joint ventures are stated at cost less provision for impairment (Note 2.9). The results of the joint ventures are accounted for by the Company on the basis of dividends received and receivable.

### 2.3 Foreign currency translation

#### (a) Functional and presentation currency

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

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 (losses)/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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Foreign currency translation *(Continued)*

#### (c) Group companies

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

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

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

(iii) all resulting exchange differences are 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. Currency translation differences arising are recognised in other comprehensive income.

### 2.4 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Property, plant and equipment *(Continued)*

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 2.9). 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 Non-current assets held for sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets are stated at the lower of carrying amount and fair value less costs of disposal.

### 2.6 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.

### 2.7 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Goodwill

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

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

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

### 2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready 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 of disposal 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 ("CGUs"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.10 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 assets.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Financial assets *(Continued)*

#### (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 statement of financial position.

#### (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.

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the 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.

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

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

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 within "other (losses)/gains, net".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. 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)

### 2.10 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.

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

### 2.11 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.

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Impairment of financial assets *(Continued)*

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

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

### 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, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Pledged bank deposits are separately disclosed from cash and cash equivalents.

### 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. Accounts 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.

The liability component of a compound financial instrument is classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### 2.17 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.

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.18 Current and deferred income tax

The tax expense for the year 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.

**(a) Current income tax**

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

**(b) Deferred income tax**

*Inside basis differences*

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 in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is 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.

*Outside basis differences*

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.18 Current and deferred income tax *(Continued)*

#### (c) Offsetting

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.

### 2.19 Employee benefits

#### (a) Pension obligations

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

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

For employees in Mainland China, the Group contributes on a monthly basis to various defined contribution plans 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 12 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 (share options) of the Group. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the share options granted including any market performance conditions (for example, an entity's share price); excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets, forfeiture rate and remaining an employee of the entity over a specific time period), and including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of share options that are expected to vest based on the non-market performance and service conditions. It 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.

### 2.20 Provisions

Provisions (including environmental restoration 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. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are 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 of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

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

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

(iii) Sales of emission quotas are recognised when the registration of change of title has been completed.

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

(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 are agreed, and relevant electricity has been generated and transmitted.

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

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

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

### 2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company'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.

#### (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$") and United States dollars ("US$").

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

At 31 December 2014, the Group was exposed to foreign exchange risk primarily with respect to certain of its bank borrowings which were denominated in JPY and US$, commercial notes which were denominated in US$, and certain of its cash and cash equivalents which were denominated in US$ and HK$, details of which have been disclosed in Note 31, Note 33(e) and Note 28 respectively.

All derivative financial instruments used to manage foreign exchange exposures were terminated during the year ended 31 December 2013, details of which have been disclosed in Note 38. The Group and the Company manage their foreign currency risk by closely monitoring the movement of the foreign currency rates.

RMB experienced certain appreciation against JPY and depreciation against US$ during the year which is the major reason for the exchange differences recognised by the Group for the year. Further exchange rate fluctuation of JPY and US$ against RMB will affect the Group's financial position and results of operations.

At 31 December 2014, if RMB had weakened/strengthened by 5% (2013: 5%) against JPY, with all other variables held constant, post-tax profit for the year would have been approximately RMB25,217,000 lower/higher (2013: RMB31,163,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of JPY-denominated borrowings.

At 31 December 2014, if RMB had weakened/strengthened by 5% (2013: 5%) against US$, with all other variables held constant, post-tax profit for the year would have been RMB85,571,000 lower/higher (2013: RMB3,781,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of US$-denominated borrowings and bank deposits. The convertible bonds as specified in Note 33(c) are not exposed to any exchange rate risk as the convertible bonds are, although settled in US$, denominated in RMB.

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors *(Continued)*

#### (a) Foreign exchange risk *(Continued)*

At 31 December 2014, if RMB had weakened/strengthened by 5% (2013: 5%) against HK$, with all other variables held constant, post-tax profit for the year would have been RMB776,000 higher/lower (2013: RMB817,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of HK$-denominated bank deposits.

#### (b) Interest rate risks

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing assets mainly include an amount due from an associate, and bank balances and deposits, details of which have been disclosed in Notes 27 to 28. 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, 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 2014, if the interest rates on bank and other borrowings had been 50 basis points (2013: 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 RMB160,989,000 lower/higher (2013: RMB165,756,000 lower/higher) mainly as a result of higher/lower interest expense on floating rate bank and other borrowings.

#### (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 2014, if the quoted market price of the equity investments held by the Group had increased/decreased by 10% to 30% (2013: 10% to 30%), with all other variables held constant, the results of the Group would have been unaffected as these investments are classified as available-for-sale and no investments had been considered impaired; and equity would have been RMB236,330,000 to RMB708,990,000 (2013: RMB140,406,000 to RMB421,218,000) higher/lower, mainly as a result of the changes in fair value of available-for-sale financial assets.

The Group also exposes to commodity price risk mainly in relation to the coal price. The Group manages such risk by entering into certain bulk purchase agreements with coal suppliers and continues to look for development of coal mine projects.

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors *(Continued)*

#### (d) Credit risk

The Group's credit risk primarily arises from cash at bank and time deposits (Notes 28 and 41), accounts receivable (Note 26), amounts due from related parties (Note 27), and deposits and other receivables.

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 90 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.

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 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 2014, the net current liabilities of the Group amounted to RMB13,258,798,000 (2013: RMB10,100,537,000). 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 banking facilities to meet its working capital requirements. The amount of banking facilities available at the end of reporting period are disclosed in Note 31(e) 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.

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors *(Continued)*

#### (e) Liquidity risk *(Continued)*

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash outflows.

| | 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 2014** | | | | |
| Payables and accruals | **5,327,841** | **–** | **–** | **–** |
| Amounts due to related parties | **403,002** | **–** | **–** | **–** |
| Bank borrowings | **9,671,674** | **5,913,438** | **13,502,664** | **18,739,278** |
| Borrowings from related parties | **1,534,781** | **577,567** | **2,216,924** | **16,729** |
| Other borrowings | **3,335,178** | **162,322** | **3,958,538** | **–** |
| Obligations under finance leases | **188,872** | **259,601** | **1,022,254** | **12,974** |
| **At 31 December 2013** | | | | |
| Payables and accruals | 5,217,319 | – | – | – |
| Amounts due to related parties | 437,441 | – | – | – |
| Bank borrowings | 10,675,406 | 5,664,212 | 13,877,859 | 21,939,658 |
| Borrowings from related parties | 1,537,912 | 1,494,873 | 2,793,976 | 18,642 |
| Other borrowings | 894,380 | 930,431 | 2,005,931 | 1,509,998 |
| Obligations under finance leases | 143,370 | 143,370 | 314,113 | 40,309 |

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors *(Continued)*

#### (e) Liquidity risk *(Continued)*

| | Company | | |
|---|---|---|---|
| | Within 1 year RMB'000 | Between 1 and 2 years RMB'000 | Between 3 and 5 years RMB'000 |
| **At 31 December 2014** | | | |
| Payables and accruals | **53,715** | **–** | **–** |
| Amounts due to: | | | |
| Related parties | **126,538** | **–** | **–** |
| Subsidiaries | **903,045** | **–** | **–** |
| Bank borrowings | **625,918** | **–** | **–** |
| Other borrowings | **2,774,869** | **116,479** | **2,855,943** |
| **At 31 December 2013** | | | |
| Payables and accruals | 31,278 | – | – |
| Amounts due to: | | | |
| Related parties | 12,813 | – | – |
| Subsidiaries | 591,356 | – | – |
| Bank borrowings | 623,492 | – | – |
| Other borrowings | 72,000 | 871,369 | 1,868,525 |

### 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 the 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 well as obligations under finance leases as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity", as shown in the consolidated statement of financial position, plus net debt.

# 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 3.2 Capital risk management *(Continued)*

The table below analyses the Group's capital structure as at 31 December 2014.

| | **2014**<br>**RMB'000** | 2013<br>RMB'000 |
|---|---|---|
| Bank borrowings (Note 31) | **33,551,277** | 35,574,375 |
| Borrowings from related parties (Note 32) | **3,855,111** | 5,222,911 |
| Other borrowings (Note 33) | **6,865,144** | 4,337,240 |
| Obligations under finance leases (Note 34) | **1,277,121** | 554,749 |
| Less: Cash and cash equivalents (Note 28) | **(1,126,917)** | (1,641,368) |
| Net debt | **44,421,736** | 44,047,907 |
| Total equity | **27,249,761** | 23,287,143 |
| Total capital | **71,671,497** | 67,335,050 |
| Gearing ratio | **62%** | 65% |

## 3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2014 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- 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).

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.3 Fair value estimation *(Continued)*

The following table presents the Group's assets that are measured at fair value.

| | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|
| **At 31 December 2014** | | | | |
| Assets | | | | |
| Available-for-sale financial assets | | | | |
| — equity securities | **3,151,068** | **–** | **–** | **3,151,068** |
| **At 31 December 2013** | | | | |
| Assets | | | | |
| Available-for-sale financial assets | | | | |
| — equity securities | 1,872,081 | – | – | 1,872,081 |

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. 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.

- Other techniques, such as discounted cash flow analysis and option pricing model, are used to determined fair value for the remaining financial instruments.

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

### (i) 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.

### (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 of disposal. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment 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 consolidated income statement.

During the year ended 31 December 2014, impairment indicator was noted for one (2013: two) power generator of a coal-fired power plant, which belongs to the "Coal-fired electricity" segment (Note 5). The power generator ceased operation and is stated at its recoverable amount of RMB16,053,000 (2013: RMB271,628,000). Management has made a provision for impairment of property, plant and equipment of RMB165,371,000 (2013: RMB380,399,000) and it was recognised in the consolidated income statement.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (ii) Impairment of non-financial assets *(Continued)*

During the year ended 31 December 2014, management has reassessed the recoverable amount of two power generators of another coal-fired power plant which were impaired in the year 2013. A further provision for impairment of RMB15,294,000 was recognised in the consolidated income statement.

Certain hydropower electricity transmission assets, which belong to the "Hydropower electricity" segment (Note 5) and classified as assets held for sale (Note 40) as at 31 December 2014 and 2013, were further written down to their fair values less costs of disposal amounted to RMB589,545,000 (2013: RMB667,347,000). A provision for impairment of RMB77,802,000 (2013: RMB226,645,000) was recognised in the consolidated income statement.

The Group has also performed impairment assessment on certain hydropower plants as at 31 December 2014 and 2013. Changes of assumptions in annual growth rate for electricity tariff, discount rate and utilisation rate of power plant will affect the result of property, plant and equipment impairment assessment. Discount rate of 9% has been used for the purpose of impairment assessment. As at 31 December 2014, if the annual growth rate for electricity tariff had decreased by 5% from management's estimates with other variables held constant with the expectations, the carrying amounts of these hydropower plants might have to decrease by approximately RMB17,565,000 (2013: RMB162,669,000). As at 31 December 2014, if the discount rate had increased by 0.5% from management's estimates with other variables held constant with the expectations, the carrying amounts of these hydropower plants might have to decrease by approximately RMB311,998,000 (2013: RMB441,105,000). As at 31 December 2014, if the utilisation rate of these hydropower plants had decreased by 5% from management's estimates with other variables held constant with the expectations, the carrying amounts of these hydropower plants might have to decrease by approximately RMB205,217,000 (2013: RMB350,552,000).

### (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.

## 5 TURNOVER, REVENUE AND SEGMENT INFORMATION

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

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

Notes:

(a) Pursuant to the power purchase agreements entered into between the Group and the respective regional and provincial power grid companies, the Group's sales of electric power were made to these power grid companies at the tariff rates agreed with the respective regional and provincial power grid companies as approved by the relevant government authorities.

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

(c) The amount for the year ended 31 December 2013 included power plant lease income of approximately RMB206,914,000 from Heimifeng Power Plant ("Heimifeng") for the year 2012 that was agreed with the provincial power grid company in February 2013. Heimifeng was disposed of in August 2013.

### Segment information

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

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

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

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

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

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

### Segment information *(Continued)*

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

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

### Segment information *(Continued)*

| | As at 31 December 2014 | | | | |
|---|---|---|---|---|---|
| | Coal-fired electricity RMB'000 | Hydropower electricity RMB'000 | Wind power electricity RMB'000 | Others RMB'000 | Total RMB'000 |
| **Segment assets** | | | | | |
| Other segment assets | 34,203,413 | 37,143,924 | 1,049,309 | – | 72,396,646 |
| Goodwill | 67,712 | 767,453 | – | – | 835,165 |
| Interests in associates | 2,650,417 | 23,851 | – | 43,967 | 2,718,235 |
| Interests in joint ventures | 389,684 | – | – | 242,952 | 632,636 |
| Assets held for sale | – | 589,545 | – | – | 589,545 |
| | 37,311,226 | 38,524,773 | 1,049,309 | 286,919 | 77,172,227 |
| Available-for-sale financial assets | | | | | 3,305,780 |
| Deferred income tax assets | | | | | 106,442 |
| Other unallocated assets | | | | | 1,211,342 |
| **Total assets per consolidated statement of financial position** | | | | | 81,795,791 |
| **Segment liabilities** | | | | | |
| Other segment liabilities | (4,477,015) | (3,512,016) | (162,471) | – | (8,151,502) |
| Borrowings | (18,168,870) | (24,837,662) | (587,500) | (677,500) | (44,271,532) |
| | (22,645,885) | (28,349,678) | (749,971) | (677,500) | (52,423,034) |
| Taxation payable | | | | | (449,728) |
| Deferred income tax liabilities | | | | | (1,354,453) |
| Other unallocated liabilities | | | | | (318,815) |
| **Total liabilities per consolidated statement of financial position** | | | | | (54,546,030) |

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

### Segment information *(Continued)*

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

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

### Segment information *(Continued)*

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

All revenues from external customers are generated from the PRC. Except that certain cash and bank balances equivalent to approximately RMB235,000,000 were deposited in certain banks in Hong Kong at 31 December 2014 (2013: approximately RMB186,000,000), 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 2014, the Group's external revenue amounting to approximately RMB16,679,000,000 (2013: RMB17,633,000,000) is generated from 5 (2013: 6) major customers, each of which accounts for 10% or more of the Group's external revenue.

## 6 OTHER INCOME

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Rental income | **65,612** | 68,261 |
| Clean development mechanism income | **–** | 7,868 |
| Hotel operations income | **34,729** | 38,008 |
| Income from the provision of repairs and maintenance services | **44,209** | 21,953 |
| Dividend income (Note 45(a)(v)) | **84,399** | 60,520 |
| Management fee income | **26,770** | 31,535 |
| Value-added tax refund (note) | **128,488** | – |
| Compensation income | **12,778** | – |
| | **396,985** | 228,145 |

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

## 7 OTHER (LOSSES)/GAINS, NET

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Gain on disposal of electricity quota | **–** | 326,310 |
| Gain on disposal of emission quota | **632** | 23,292 |
| (Loss)/gain on disposal of property, plant and equipment and land use rights, net (note) | **(208,761)** | 768,267 |
| Gain on disposal of a joint venture | **–** | 8,326 |
| Government subsidy | **3,294** | 9,392 |
| Sales of unused power production quota | **200,793** | – |
| Amortisation of deferred income | **1,659** | 26,941 |
| Loss on termination of derivative financial instruments (Note 38) | **–** | (26,634) |
| Provision for impairment of property, plant and equipment (Note 16) | **(180,665)** | (607,044) |
| Provision for impairment of assets held for sale (Note 40) | **(77,802)** | – |
| Profits on trading of coal, coal by-products and spare parts | **11,695** | 15,636 |
| Others | **1,718** | (4,418) |
| | **(247,437)** | 540,068 |

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

## 8 OPERATING PROFIT

Operating profit is stated after charging the following:

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Amortisation of land use rights (Note 18) | **15,898** | 10,706 |
| Auditor's remuneration | **7,734** | 7,827 |
| Depreciation of property, plant and equipment (Note 16) | | |
| — owned property, plant and equipment | **2,776,829** | 2,165,811 |
| — property, plant and equipment under finance leases | **42,982** | 42,982 |
| Operating lease rentals in respect of | | |
| — equipment | **11,417** | 6,936 |
| — leasehold land and buildings | **42,783** | 41,853 |
| Provision for impairment of other receivables | **67** | 7,366 |
| Write-off of accounts receivable | **–** | 17,570 |
| Provision for impairment of inventories (Note 25) | **4,096** | 52,022 |
| Reservoir maintenance and usage fees | **130,738** | 100,243 |
| Staff costs including Directors' emoluments (Note 11) | **1,599,793** | 1,238,237 |
| Write-off of pre-operating expenses | **28,194** | 55,188 |

## 9 FINANCE INCOME AND FINANCE COSTS

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| **Finance income** | | |
| Interest income from bank deposits | **37,024** | 23,765 |
| Interest income from an associate (Note 45(a)(ii)) | **14,449** | 24,178 |
| Interest income from a fellow subsidiary (Note 45(a)(i)) | **957** | 16,537 |
| | **52,430** | 64,480 |
| **Finance costs** | | |
| Interest expense on | | |
| — bank borrowings wholly repayable within five years | **701,789** | 262,878 |
| — bank borrowings not wholly repayable within five years | **1,434,051** | 1,729,494 |
| — long-term borrowings from related parties wholly repayable within five years | **202,798** | 184,900 |
| — long-term borrowings from related parties not wholly repayable within five years | **684** | 743 |
| — short-term borrowings from related parties | **17,050** | 33,134 |
| — long-term other borrowings wholly repayable within five years | **229,217** | 132,652 |
| — long-term other borrowings not wholly repayable within five years | **–** | 46,256 |
| — short-term other borrowings | **16,660** | 82,111 |
| — obligations under finance leases | **36,410** | 38,892 |
| — provisions for other long-term liabilities (Note 35) | **66,644** | – |
| | **2,705,303** | 2,511,060 |
| Less: amounts capitalised | **(266,307)** | (757,969) |
| | **2,438,996** | 1,753,091 |
| Net foreign exchange gains | **(72,876)** | (241,317) |
| | **2,366,120** | 1,511,774 |

The weighted average interest rate on capitalised borrowings is approximately 5.73% (2013: 6.10%) 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 (2013: Nil).

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

The amount of taxation charged/(credited) to the consolidated income statement represents:

| | **2014 RMB'000** | 2013 RMB'000 |
|---|---|---|
| PRC current income tax | **745,711** | 853,848 |
| Deferred income tax (credit)/charge (Note 39) | **(85,496)** | 104,818 |
| | **660,215** | 958,666 |

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:

| | **2014 RMB'000** | 2013 RMB'000 |
|---|---|---|
| Profit before taxation | **4,302,747** | 4,234,058 |
| Less: Share of profits of associates | **(640,374)** | (435,704) |
| Share of profits of joint ventures | **(86,270)** | (64,083) |
| | **3,576,103** | 3,734,271 |
| Calculated at the PRC statutory tax rate of 25% (2013: 25%) | **894,026** | 933,568 |
| Effect of tax concession | **(46,752)** | (78,018) |
| Income not subject to taxation | **(37,837)** | (21,711) |
| Expenses not deductible for taxation purposes | **14,826** | 27,606 |
| Reduction of tax in respect of tax credit | **(79,124)** | – |
| Tax losses for which no deferred income tax asset was recognised | **36,724** | 82,982 |
| Utilisation of tax losses previously not recognised | **(69,268)** | (3,769) |
| Recognition of tax losses previously unrecognised | **(50,323)** | – |
| Others | **(2,057)** | 18,008 |
| Taxation charge | **660,215** | 958,666 |

## 10 TAXATION (CONTINUED)

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

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

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

## 11 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

| | **2014**<br>**RMB'000** | 2013<br>RMB'000 |
|---|---|---|
| Wages, salaries and bonuses | **1,033,365** | 841,058 |
| Staff welfare | **367,621** | 257,492 |
| Pension costs — defined contribution plans | **198,807** | 139,687 |
| | **1,599,793** | 1,238,237 |

## 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 RMB1,320,558,000 (2013: RMB853,532,000).

## 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.

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

### (b) Diluted

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

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

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

## 14 DIVIDENDS

| | 2014<br>RMB'000 | 2013<br>RMB'000 |
|---|---|---|
| Final, proposed, dividend of RMB0.168 (2013: RMB0.160) per ordinary share | **1,169,870** | 1,030,240 |

The 2013 final dividend paid during the year ended 31 December 2014 was RMB1,037,577,000. At a meeting held on 18 March 2015, the Directors recommended the payment of a final dividend for the year ended 31 December 2014 of RMB0.168 (equivalent to HK$0.2119) per ordinary share (2013: RMB0.160 (equivalent to HK$0.2025)), totalling RMB1,169,870,000 (equivalent to HK$1,475,568,000) (2013: RMB1,030,240,000 (equivalent to HK$1,303,897,000)), which is based on 6,963,509,222 shares (2013: 6,438,999,357 shares) in issue on 18 March 2015 (2013: 19 March 2014). 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 2015.

## 15 EMOLUMENTS FOR DIRECTORS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT REMUNERATION

### (a) Directors' emoluments

The remuneration of each of the Directors of the Company for the year ended 31 December 2014 is set out below:

| Name of Director | Fees RMB'000 | Basic salary, housing allowance, other allowances and benefits in kind RMB'000 | Share-based compensation expense RMB'000 | Discretionary bonuses RMB'000 | Employer's contribution to pension scheme RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| Ms. Li Xiaolin[(1)] | – | 571 | – | 375 | 84 | 1,030 |
| Mr. Yu Bing[(2)] | – | 332 | – | – | 29 | 361 |
| #Mr. Gu Dake[(3)] | – | 290 | – | 340 | 17 | 647 |
| **Non-executive Directors** | | | | | | |
| Mr. Guan Qihong[(4)] | – | – | – | – | – | – |
| #Mr. Wang Zichao | – | 301 | – | 203 | 62 | 566 |
| **Independent non-executive Directors** | | | | | | |
| Mr. Kwong Che Keung, Gordon | 157 | 87 | – | – | – | 244 |
| Mr. Li Fang | 157 | 79 | – | – | – | 236 |
| Mr. Tsui Yiu Wa, Alec | 157 | 87 | – | – | – | 244 |
| | 471 | 1,747 | – | 918 | 192 | 3,328 |

1 Ms. Li Xiaolin is also the Chief Executive Officer of the Company. Her discretionary bonuses received in 2014 included the back pay performance bonus of RMB131,000 for the years 2010 to 2012. Her remuneration for the year 2014 was RMB899,000.

2 Mr. Yu Bing was appointed on 20 June 2014.

3 Mr. Gu Dake resigned on 20 June 2014.

4 Mr. Guan Qihong has agreed to waive his Director fee during his directorship with the Company.

# During the year ended 31 December 2014, 872,300 share options and 540,000 share options were exercised by Mr. Gu Dake and Mr. Wang Zichao respectively. The share based compensation is 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 period. The last vesting period was year 2012.

## 15 EMOLUMENTS FOR DIRECTORS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT REMUNERATION (CONTINUED)

### (a) Directors' emoluments *(Continued)*

The remuneration of each of the Directors of the Company for the year ended 31 December 2013 is set out below:

| Name of Director | Fees RMB'000 | Basic salary, housing allowance, other allowances and benefits in kind RMB'000 | Share-based compensation expense# RMB'000 | Discretionary bonuses RMB'000 | Employer's contribution to pension scheme RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| Ms. Li Xiaolin[1] | – | 641 | – | 460 | 76 | 1,177 |
| Mr. Gu Dake | – | 603 | – | 277 | 71 | 951 |
| **Non-executive Directors** | | | | | | |
| Mr. Guan Qihong[2] | – | – | – | – | – | – |
| Mr. Wang Zichao | – | 297 | – | 202 | 69 | 568 |
| **Independent non-executive Directors** | | | | | | |
| Mr. Kwong Che Keung, Gordon | 160 | 144 | – | – | – | 304 |
| Mr. Li Fang | 160 | 144 | – | – | – | 304 |
| Mr. Tsui Yiu Wa, Alec | 160 | 144 | – | – | – | 304 |
| | 480 | 1,973 | – | 939 | 216 | 3,608 |

1 Ms. Li Xiaolin is also the Chief Executive Officer of the Company. Her discretionary bonuses received in 2013 included the back pay performance bonus of RMB360,000 for the years 2010 to 2012. Her remuneration for the year 2013 was RMB817,000.

2 During the year ended 31 December 2013, Mr. Guan Qihong waived his Director fee of RMB99,000.

# During the year ended 31 December 2013, no share options were exercised by the Directors.

## 15 EMOLUMENTS FOR DIRECTORS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT REMUNERATION (CONTINUED)

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 1 (2013: 2) Director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 4 (2013: 3) individuals during the year are as follows:

| | **2014** | 2013 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Basic salaries, housing allowance, other allowances and benefits in kind | **1,924** | 1,548 |
| Discretionary bonuses | **1,173** | 675 |
| | **3,097** | 2,223 |

Their emoluments fell within the following bands:

| | **Number of individuals** | |
|---|---|---|
| | **2014** | 2013 |
| Zero to HK$1,000,000 (equivalent to RMB792,033 (2013: RMB795,805)) | **3** | 3 |
| HK$1,000,001 to HK$1,500,000 (equivalent to RMB792,034 to RMB1,188,050) | **1** | – |

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 (2013: Nil).

### (c) Senior management remuneration by band

Senior management is defined as the same persons whose biographical details are disclosed. Their emoluments fell within the following bands:

| | **Number of individuals** | |
|---|---|---|
| | **2014** | 2013 |
| Zero to HK$1,000,000 (equivalent to RMB792,033 (2013: RMB795,805) | **8** | 7 |
| HK$1,000,001 to HK$1,500,000 (equivalent to RMB792,034 to RMB1,188,050) | **1** | – |

## 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 2014 | 11,596,053 | 17,998,163 | 26,700,946 | 5,983,773 | 2,930,451 | 318,115 | 11,508,889 | 77,036,390 |
| Additions (note (a)(vi)) | 1,112,483 | 11,435 | 196,284 | 133,630 | 249,314 | 11,958 | 3,612,569 | 5,327,673 |
| Disposals | – | (251,681) | (609,999) | (70,590) | (104,669) | (18,941) | (9,141) | (1,065,021) |
| Transfer from prepayments (Note 17) | – | – | – | – | – | – | 3,140,481 | 3,140,481 |
| Transfer between categories | 8,087,655 | 897,841 | 1,203,517 | 319,586 | 31,551 | 36,706 | (10,576,856) | – |
| **At 31 December 2014** | 20,796,191 | 18,655,758 | 27,490,748 | 6,366,399 | 3,106,647 | 347,838 | 7,675,942 | 84,439,523 |
| **Accumulated depreciation and impairment losses** | | | | | | | | |
| At 1 January 2014 | 918,305 | 3,778,872 | 7,691,407 | 2,011,053 | 892,104 | 126,615 | – | 15,418,356 |
| Depreciation charge for the year | 326,276 | 721,690 | 1,073,082 | 250,493 | 409,436 | 38,834 | – | 2,819,811 |
| Impairment charge for the year (Notes 4(ii) and 7) | – | 21,825 | 158,840 | – | – | – | – | 180,665 |
| Disposals | – | (171,159) | (417,395) | (61,687) | (61,948) | (8,450) | – | (720,639) |
| **At 31 December 2014** | 1,244,581 | 4,351,228 | 8,505,934 | 2,199,859 | 1,239,592 | 156,999 | – | 17,698,193 |
| **Net book value** | | | | | | | | |
| **At 31 December 2014** | 19,551,610 | 14,304,530 | 18,984,814 | 4,166,540 | 1,867,055 | 190,839 | 7,675,942 | 66,741,330 |

## 16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### (a) Group *(Continued)*

| | 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 2013 | 7,459,544 | 16,739,379 | 21,454,713 | 5,549,451 | 2,202,306 | 298,645 | 16,205,778 | 69,909,816 |
| Acquisition of a subsidiary (Note 42) | – | 1,105,090 | 3,087,102 | 213,316 | 31,873 | 10,321 | 112,860 | 4,560,562 |
| Additions | – | 4,058 | 21,748 | 2,373 | 39,590 | 21,890 | 5,714,339 | 5,803,998 |
| Disposals | (537,537) | (1,471,549) | (1,829,083) | (34,980) | (30,935) | (22,573) | (16) | (3,926,673) |
| Transfer from prepayments (Note 17) | – | – | – | – | – | – | 1,718,017 | 1,718,017 |
| Transfer between categories | 4,674,046 | 1,621,185 | 4,756,348 | 493,061 | 687,617 | 9,832 | (12,242,089) | – |
| Reclassification to assets held for sale (Note 40) | – | – | (789,882) | (239,448) | – | – | – | (1,029,330) |
| **At 31 December 2013** | 11,596,053 | 17,998,163 | 26,700,946 | 5,983,773 | 2,930,451 | 318,115 | 11,508,889 | 77,036,390 |
| **Accumulated depreciation and impairment losses** | | | | | | | | |
| At 1 January 2013 | 636,804 | 3,230,811 | 7,457,775 | 1,822,346 | 705,262 | 113,856 | – | 13,966,854 |
| Depreciation charge for the year | 329,126 | 523,936 | 872,753 | 247,615 | 202,610 | 32,753 | – | 2,208,793 |
| Impairment charge for the year (Notes 4(ii) and 7) | – | 308,503 | 195,612 | 97,219 | 5,710 | – | – | 607,044 |
| Disposals | (47,625) | (284,378) | (604,615) | (24,262) | (21,478) | (19,994) | – | (1,002,352) |
| Reclassification to assets held for sale (Note 40) | – | – | (230,118) | (131,865) | – | – | – | (361,983) |
| **At 31 December 2013** | 918,305 | 3,778,872 | 7,691,407 | 2,011,053 | 892,104 | 126,615 | – | 15,418,356 |
| **Net book value** | | | | | | | | |
| **At 31 December 2013** | 10,677,748 | 14,219,291 | 19,009,539 | 3,972,720 | 2,038,347 | 191,500 | 11,508,889 | 61,618,034 |

Notes:

(i) As at 31 December 2014, certain of the Group's property, plant and equipment with carrying amounts of approximately RMB2,852 million (2013: RMB4,486 million) were situated on leasehold land in the PRC leased from 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 2014 is ranging from 5 to 11 years (2013: 6 to 12 years).

(ii) As at 31 December 2014, the legal title of certain properties of the Group with carrying amounts of approximately RMB3,142 million (2013: RMB3,279 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 2014, the cost and accumulated depreciation of power generators and equipment held by the Group under finance leases amounted to RMB1,589,584,000 (2013: RMB756,989,000) and RMB196,796,000 (2013: RMB153,814,000) respectively.

(iv) As at 31 December 2014, certain property, plant and equipment of the Group with carrying amounts of approximately RMB638 million (2013: RMB662 million) were pledged as security for certain long-term bank borrowings of the Group (Note 31(d)).

(v) As at 31 December 2014, the accumulated impairment losses of property, plant and equipment amounted to RMB428,920,000 (2013: RMB380,399,000).

(vi) Additions of dam for the year ended 31 December 2014 include a provision of RMB931,296,000 (2013: Nil) in relation to compensations for inundation caused by the construction of two hydropower plants of the Group (Note 35).

## 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 2014 | **7,552** | **12,553** | **777** | **2,917** | **23,799** |
| Additions | **–** | **32** | **–** | **–** | **32** |
| Disposals | **–** | **(109)** | **(669)** | **–** | **(778)** |
| At 31 December 2014 | **7,552** | **12,476** | **108** | **2,917** | **23,053** |
| **Accumulated depreciation** | | | | | |
| At 1 January 2014 | **7,410** | **5,269** | **539** | **2,668** | **15,886** |
| Depreciation charge for the year | **–** | **2,164** | **121** | **91** | **2,376** |
| Disposals | **–** | **(24)** | **(649)** | **–** | **(673)** |
| At 31 December 2014 | **7,410** | **7,409** | **11** | **2,759** | **17,589** |
| **Net book value** | | | | | |
| At 31 December 2014 | **142** | **5,067** | **97** | **158** | **5,464** |
| **Cost** | | | | | |
| At 1 January 2013 | 7,552 | 11,365 | 482 | 2,917 | 22,316 |
| Additions | – | 1,188 | 295 | – | 1,483 |
| At 31 December 2013 | 7,552 | 12,553 | 777 | 2,917 | 23,799 |
| **Accumulated depreciation** | | | | | |
| At 1 January 2013 | 7,240 | 3,113 | 443 | 2,557 | 13,353 |
| Depreciation charge for the year | 170 | 2,156 | 96 | 111 | 2,533 |
| At 31 December 2013 | 7,410 | 5,269 | 539 | 2,668 | 15,886 |
| **Net book value** | | | | | |
| At 31 December 2013 | 142 | 7,284 | 238 | 249 | 7,913 |

## 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 | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| **Cost** | | |
| At 1 January | **1,152,350** | 1,655,650 |
| Additions | **2,420,420** | 1,214,717 |
| Transfer to property, plant and equipment (Note 16) | **(3,140,481)** | (1,718,017) |
| At 31 December | **432,289** | 1,152,350 |

## 18 LAND USE RIGHTS

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| **Cost** | | |
| At 1 January | **751,669** | 480,306 |
| Additions | **20,096** | 31,075 |
| Acquisition of a subsidiary (Note 42) | **–** | 251,244 |
| Disposals | **–** | (10,956) |
| At 31 December | **771,765** | 751,669 |
| **Accumulated amortisation** | | |
| At 1 January | **39,623** | 30,378 |
| Amortisation charge for the year | **15,898** | 10,706 |
| Disposals | **–** | (1,461) |
| At 31 December | **55,521** | 39,623 |
| **Net book amount** | | |
| At 31 December | **716,244** | 712,046 |

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 2014, substantially all of the land use rights are held on leases of between 10 to 50 years (2013: 10 to 50 years).

## 19 GOODWILL

| | Group 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| **Cost** | | |
| At 1 January | **1,002,104** | 934,392 |
| Acquisition of a subsidiary (Note 42) | **–** | 67,712 |
| At 31 December | **1,002,104** | 1,002,104 |
| **Accumulated impairment losses** | | |
| At 1 January and 31 December | **166,939** | 166,939 |
| **Net book amount** | | |
| At 31 December | **835,165** | 835,165 |

Goodwill is allocated to the Group's CGUs identified according to operating segments. The accumulated impairment losses relate to coal-fired electricity segment.

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

| | Coal-fired electricity RMB'000 | Hydropower electricity RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Cost** | | | |
| As at 31 December 2014 and 31 December 2013 | 234,651 | 767,453 | 1,002,104 |
| **Net book amount** | | | |
| As at 31 December 2014 and 31 December 2013 | 234,651 | 600,514 | 835,165 |

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% (2013: 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 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Unlisted investments, at cost | **11,749,267** | 11,396,858 |
| Provision for impairment | **(610,444)** | (610,444) |
| | **11,138,823** | 10,786,414 |
| Current: | | |
| Loans to subsidiaries (note (a)) | **4,461,360** | 2,210,000 |
| Amounts due from subsidiaries (note (b)) | **97,222** | 90,133 |
| Amounts due to subsidiaries (note (c)) | **899,895** | 589,205 |
| Non-current: | | |
| Loans to subsidiaries (note (a)) | **2,000,000** | – |

Notes:

(a) Long-term loans to subsidiaries of RMB2,000,000,000 (2013: Nil) carry interest at 5.54% (2013: Nil) per annum and are repayable in full in 2017.

Short-term loans to subsidiaries of RMB4,461,360,000 (2013: RMB2,210,000,000) carry interest at rates ranging from 3.00% to 6.00% (2013: 5.40% to 6.56%) per annum and are repayable within the next twelve months.

(b) The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

(c) The amounts due to subsidiaries are unsecured, repayable on demand, and carry interest at 0.35% (2013: 0.36%) per annum.

(d) The fair values of balances with subsidiaries approximate their carrying amounts as the impact of discounting is not significant.

The following is a list of the principal subsidiaries at 31 December 2014:

| 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:** | | | | | | |
| 安徽淮南平圩發電有限責任公司 (Anhui Huainan Pingwei Electric Power Company Limited) | The PRC | RMB841,600,000 | 100% | – | Wholly foreign-owned enterprise | Generation and sale of electricity |
| 淮南平圩第二發電有限責任公司 (Huainan Pingwei No. 2 Electric Power Co., Ltd.) | The PRC | US$104,153,000 | 75% | – | Sino-foreign equity joint venture | Generation and sale of electricity |

## 20 INVESTMENTS IN SUBSIDIARIES (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:** | | | | | | |
| **淮南平圩第三發電有限責任公司 (Huainan Pingwei No. 3 Electric Power Company Ltd.) | The PRC | US$99,990,000/ US$99,860,000 | 100% | – | Wholly foreign-owned enterprise | Generation and sale of electricity |
| 黃岡大別山發電有限責任公司 (Huanggang Dabieshan Power Company Limited) | The PRC | RMB815,526,000 | 51% | – | Sino-foreign equity joint venture | Generation and sale of electricity |
| 平頂山姚孟第二發電有限公司 (Pingdingshan Yaomeng No. 2 Power Company Limited) | The PRC | RMB1,702,336,000 | 100% | – | Wholly foreign-owned enterprise | Generation and sale of electricity |
| 天澤發展有限公司 (Tianze Development Limited) | British Virgin Islands | US$1 | 100% | – | Limited liability company | Investment holding |
| *五凌電力有限公司(「五凌」) (Wu Ling Power Corporation ("Wuling")) | The PRC | RMB5,000,000,000 | 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) | The PRC | RMB968,000,000/ RMB933,653,000 | 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 (China Power Guorui Logistics Company Limited) | The PRC | HK$60,000,000 | 100% | – | Wholly foreign-owned enterprise | Provision of logistics services |
| 北京中電匯智科技有限公司 (Beijing China Power Huizhi Technology Company Limited) | The PRC | RMB20,000,000 | 51% | – | Sino-foreign equity joint venture | Provision of IT services |
| 中電神頭發電有限責任公司 (China Power Shentou Power Company Limited) | The PRC | RMB1,000,000,000/ RMB900,309,000 | 80% | – | Sino-foreign equity joint venture | Generation and sale of electricity |
| 蕪湖發電有限責任公司 (Wuhu Electric Power Generating Company Limited) | The PRC | US$142,500,000 | 100% | – | Wholly foreign-owned enterprise | Generation and sale of electricity |
| **中電(普安)發電有限責任公司 (CPI Pu'an Power Generating Company Limited) | The PRC | RMB150,000,000/ RMB90,178,000 | 100% | – | Wholly foreign-owned enterprise | Generation and sale of electricity |

## 20 INVESTMENTS IN SUBSIDIARIES (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:** | | | | | | |
| ^中電華創電力技術研究有限公司 (China Power Hua Chuang Electric Power Technology Research Company Limited) | The PRC | RMB50,000,000 | 100% | – | Wholly foreign-owned enterprise | Provision of technical services related to generation of electricity |
| **Interests held indirectly:** | | | | | | |
| 山西神頭發電有限責任公司 (Shanxi Shentou Power Generating Company Limited) | The PRC | RMB501,681,000 | – | 100% | Wholly foreign-owned enterprise | Generation and sale of electricity |
| 貴州清水江水電有限公司 (Guizhou Qingshuijiang Hydropower Co., Ltd.) | The PRC | RMB3,285,500,000 | – | 95% | Sino-foreign equity joint venture | Generation and sale of electricity |
| *懷化沅江電力開發有限公司 (Huaihua Yuanjiang Power Development Co., Ltd.) | The PRC | RMB3,800,000,000 | – | 95% | Sino-foreign equity joint venture | Generation and sale of electricity |
| 湖南五華酒店有限公司 (Hunan Wuhua Hotel Co., Ltd.) | The PRC | RMB162,100,000 | – | 70% | Sino-foreign equity joint venture | Hotel ownership and operation |
| 湖南五凌電力工程公司 (Hunan Wuling Engineering Co., Ltd.) | The PRC | RMB48,000,000 | – | 100% | Sino-foreign equity joint venture | Provision of repair and maintenance services |
| 湖南五凌力源經濟發展有限公司 (Hunan Wuling Liyuan Economic Development Co., Ltd.) | The PRC | RMB49,795,000 | – | 100% | Sino-foreign equity joint venture | Provision of repair and maintenance services |
| 湖南湘中電力有限公司 (Hunan Xiangzhong Power Co., Ltd.) | The PRC | RMB50,000,000 | – | 95% | Sino-foreign equity joint venture | Generation and sale of electricity |
| 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 | RMB130,000,000 | – | 100% | Limited liability company | Generation and sale of electricity |

## 20 INVESTMENTS IN SUBSIDIARIES (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:** | | | | | | |
| 張家界土木溪水電開發有限公司 (Zhangjiajie Tumuxi Hydropower Development Company Limited) | 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 |
| 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 |
| *五凌電力燃料有限公司 (Wuling Power Fuel Company Limited) | The PRC | RMB80,000,000 | – | 100% | Limited liability company | Provision of fuel purchase services |
| 小金縣鑫鴻電力開發有限公司 (Xiaojinxian Xinhong Electric Power Development Company Limited) | The PRC | RMB 46,000,000 | – | 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 Toksun 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 Burqin Electric Power Co., Ltd.) | The PRC | RMB70,000,000 | – | 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 |
| ^五凌汝城電力有限公司 (Wuling Rucheng Electric Power Co., Ltd.) | The PRC | RMB93,000,000 | – | 100% | Limited liability company | Generation and sale of electricity |
| ^五凌臨湘電力有限公司 (Wuling Linxiang Electric Power Co., Ltd.) | The PRC | RMB86,000,000/ RMB61,000,000 | – | 100% | Limited liability company | Generation and sale of electricity |
| 五凌鄯善電力有限公司 (Wuling Shanshan Electric Power Co., Ltd.) | The PRC | RMB70,000,000 | – | 100% | Limited liability company | Generation and sale of electricity |

\# The power plant is under development.
^ These subsidiaries were newly set up during the year.

## 20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

* During the year ended 31 December 2014, there were changes in the registered/paid up capital of the following subsidiaries:

(i) The registered and paid up capital of Huainan Pingwei No. 3 Electric Power Company Ltd. have been increased from US$60,000,000 and US$55,610,000 to US$99,990,000 and US$99,860,000 respectively.

(ii) The registered and paid up capital of Wuling have been increased from RMB4,242,000,000 to RMB5,000,000,000.

(iii) The paid up capital of CP Pu'an Power Generating Company Limited has been increased from RMB60,211,000 to RMB90,178,000.

(iv) The registered and paid up capital of Huaihua Yuanjiang Power Development Co., Ltd. have been increased from RMB975,000,000 to RMB3,800,000,000.

(v) The registered and paid up capital of Sichuan Jiuyuan Electric Power Development Company Limited have been increased from RMB30,000,000 to RMB130,000,000.

(vi) The registered and paid up capital of Wuling Power Fuel Company Limited have been decreased from RMB110,000,000 to RMB80,000,000.

### Material non-controlling interests

The total non-controlling interests as at 31 December 2014 are RMB5,385,992,000 (2013: RMB4,865,487,000), of which RMB3,532,816,000 (2013: RMB3,239,036,000) is for Wuling and its subsidiaries (collectively, the "Wuling Group"). The total comprehensive income attributable to non-controlling interests for the year ended 31 December 2014 is RMB876,646,000 (2013: RMB985,504,000), of which RMB522,667,000 (2013: RMB633,157,000) is for Wuling Group.

The non-controlling interests in respect of the rest of entities with non-controlling interests were individually not material. Set out below are the summarised financial information for Wuling Group. Refer to Note 45 for transactions and balances with non-controlling interests.

**Summarised consolidated statement of financial position**

| | Wuling Group | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Current assets | **1,698,985** | 1,649,876 |
| Current liabilities | **(9,311,383)** | (6,623,754) |
| Net current liabilities | **(7,612,398)** | (4,973,878) |
| Non-current assets | **38,281,643** | 35,745,882 |
| Non-current liabilities | **(20,955,674)** | (21,866,927) |
| Net non-current assets | **17,325,969** | 13,878,955 |
| Net assets | **9,713,571** | 8,905,077 |
| Non-controlling interests within Wuling Group | **(165,420)** | (150,927) |
| Net assets attributable to owners of Wuling Group | **9,548,151** | 8,754,150 |
| Non-controlling interests (at 37%) | **3,532,816** | 3,239,036 |

## 20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### Material non-controlling interests *(Continued)*

**Summarised consolidated income statement and consolidated statement of comprehensive income**

| | Wuling Group | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Revenue | **5,080,454** | 3,941,658 |
| Profit before taxation | **1,792,298** | 2,263,408 |
| Taxation | **(365,192)** | (546,326) |
| Profit and total comprehensive income for the year | **1,427,106** | 1,717,082 |
| Total comprehensive income for the year attributable to non-controlling interests within Wuling Group | **(14,493)** | (5,846) |
| Total comprehensive income for the year attributable to owners of Wuling Group | **1,412,613** | 1,711,236 |
| Total comprehensive income allocated to non-controlling interests (at 37%) | **522,667** | 633,157 |

**Summarised consolidated statement of cash flows**

| | Wuling Group | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| **Cash flows from operating activities** | | |
| Cash generated from operations | **5,043,687** | 3,972,790 |
| Interest paid | **(2,115,049)** | (1,483,967) |
| PRC income tax paid | **(1,432,462)** | (1,115,661) |
| Net cash generated from operating activities | **1,496,176** | 1,373,162 |
| Net cash used in investing activities | **(1,927,050)** | (813,127) |
| Net cash generated from/(used in) financing activities | **356,245** | (435,328) |
| **Net (decrease)/increase in cash and cash equivalents** | **(74,629)** | 124,707 |
| Cash and cash equivalents at 1 January | **404,441** | 279,734 |
| Cash and cash equivalents at 31 December | **329,812** | 404,441 |

The financial information presented above is before inter-company eliminations.

## 21 INTERESTS IN ASSOCIATES

| | Group 2014 RMB'000 | Group 2013 RMB'000 | Company 2014 RMB'000 | Company 2013 RMB'000 |
|---|---|---|---|---|
| Unlisted investments, at cost | **1,939,458** | 1,635,458 | **1,285,687** | 985,687 |
| Share of undistributed post-acquisition reserves | **778,777** | 590,025 | **–** | – |
| | **2,718,235** | 2,225,483 | **1,285,687** | 985,687 |

Interests in associates include goodwill of approximately RMB158,732,000 (2013: RMB158,732,000).

There are no contingent liabilities relating to the Group's interests in the associates and the associates did not have any material contingent liabilities as at 31 December 2014 (2013: Nil).

Dividend income of RMB451,622,000 (2013: RMB139,630,000) was received from associates during the year.

The following are the details of the associates as at 31 December 2014:

| 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:** | | | | | | |
| *江蘇常熟發電有限公司 (Jiangsu Changshu Electric Power Generating Company Limited) ("Changshu Power Plant") | The PRC | RMB2,685,000,000/ RMB2,505,000,000 | 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 | RMB630,000,000/ 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 (Hunan China Resources Power 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 | RMB260,000,000/ RMB234,000,000 | – | 20% | Sino-foreign equity joint venture | Generation and sale of electricity |
| 江蘇常電環保科技有限公司 (Jiangsu Changdian Environmental Technology Company Limited) | The PRC | RMB8,000,000 | – | 50% | Sino-foreign equity joint venture | Sale of electricity generation by-products |

^ The coal mine is under development.

# The power plant is under development.

* During the year ended 31 December 2014, the paid up capital of Changshu Power Plant and Hunan Nuclear Power Company Limited have been increased from RMB1,805,000,000 to RMB2,505,000,000 and from RMB172,600,000 to RMB234,000,000 respectively.

## 21 INTERESTS IN ASSOCIATES (CONTINUED)

### Summarised unaudited financial information of a material associate

Set out below are the summarised unaudited financial information for Changshu Power Plant, which, in the opinion of the Directors, is a material associate to the Group.

**Summarised statement of financial position**

| | Changshu Power Plant | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Current assets | **1,249,430** | 1,613,092 |
| Current liabilities | **(4,409,719)** | (5,620,002) |
| Net current liabilities | **(3,160,289)** | (4,006,910) |
| Non-current assets | **10,221,476** | 9,739,211 |
| Non-current liabilities | **(2,900,291)** | (2,578,448) |
| Net non-current assets | **7,321,185** | 7,160,763 |
| Net assets | **4,160,896** | 3,153,853 |

**Summarised income statement and statement of comprehensive income**

| | Changshu Power Plant | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Revenue | **6,076,231** | 4,789,431 |
| Profit and total comprehensive income for the year | **1,098,550** | 687,123 |
| Dividend received from an associate | **345,754** | 122,067 |

## 21 INTERESTS IN ASSOCIATES (CONTINUED)

### Reconciliation of summarised unaudited financial information

Reconciliation of summarised unaudited financial information presented above to the carrying amount of interest in Changshu Power Plant is as follows:

| | Changshu Power Plant | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Opening net assets | **3,153,853** | 1,910,865 |
| Profit and total comprehensive income for the year | **1,098,550** | 687,123 |
| Capital injection | **600,000** | 800,000 |
| Dividend paid | **(691,508)** | (244,135) |
| Closing net assets | **4,160,895** | 3,153,853 |
| Interest in associate (50%) — At carrying value | **2,080,448** | 1,576,927 |

### Aggregate information of associates that are not individually material

| | **2014** | 2013 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| The Group's share of profit and total comprehensive income for the year | **91,099** | 92,143 |
| Aggregate carrying amount of the Group's interests in these associates | **637,787** | 648,556 |

## 22 INTERESTS IN JOINT VENTURES

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Unlisted investments, at cost | **603,200** | 593,200 | **603,200** | 593,200 |
| Share of undistributed post-acquisition reserves | **29,436** | 3,166 | **–** | – |
| | **632,636** | 596,366 | **603,200** | 593,200 |

The following are the details of the joint ventures as at 31 December 2014:

| 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 Company Limited) | 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) | The PRC | RMB604,000,000 | 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 | RMB132,061,000 | 50% | – | Sino-foreign equity joint venture | Coal transportation and selling |

None of the joint ventures were individually material.

There are no contingent liabilities relating to the Group's interests in the joint ventures and the joint ventures did not have any material contingent liabilities as at 31 December 2014 (2013: Nil).

Dividend income of RMB60,000,000 (2013: RMB9,632,000) was received from a joint venture during the year.

## 22 INTERESTS IN JOINT VENTURES (CONTINUED)

### Aggregate information of joint ventures that are not individually material

| | **2014 RMB'000** | 2013 RMB'000 |
|---|---|---|
| The Group's share of profit and total comprehensive income | **86,270** | 64,083 |
| Aggregate carrying amount of the Group's interests in these joint ventures | **632,636** | 596,366 |

### Capital commitments in respect of property, plant and equipment

| | **2014 RMB'000** | 2013 RMB'000 |
|---|---|---|
| Contracted but not provided for | **161,088** | 207,484 |

## 23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2014 RMB'000** | 2013 RMB'000 | **2014 RMB'000** | 2013 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)) | **3,151,068** | 1,872,081 | **3,151,068** | 1,872,081 |
| | **3,305,780** | 2,026,793 | **3,151,068** | 1,872,081 |
| Market value of equity securities listed outside Hong Kong | **3,151,068** | 1,872,081 | **3,151,068** | 1,872,081 |

## 23 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

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 2014 are as follows:

| Name of company | Place of establishment and operation | Registered and paid up capital | Equity interest attributable to the Group | Type of legal entity | Principal activity |
|---|---|---|---|---|---|
| **Interests held directly:** | | | | | |
| Shanghai Electric Power Co., Ltd ("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

During the year ended 31 December 2012, the Group granted an entrusted loan to Guizhou Qian Dong Power Corporation ("Qian Dong"), amounted to RMB300,000,000, for a term of 3 years at a fixed interest rate of 6.15% per annum. During the year ended 31 December 2013, Qian Dong repaid an amount of RMB100,000,000. The remaining balance of RMB200,000,000 was fully repaid by Qian Dong during the year ended 31 December 2014.

## 25 INVENTORIES

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Coal and oil | **332,432** | 452,140 |
| Spare parts and consumables | **161,166** | 196,265 |
| | **493,598** | 648,405 |

Spare parts and consumables with cost of RMB57,493,000 (2013: RMB53,236,000) were considered as obsolete. A provision for impairment of RMB4,096,000 (2013: RMB52,022,000) was made during the year ended 31 December 2014 (Note 8).

## 26 ACCOUNTS RECEIVABLE

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

Notes:

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

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| 1 to 3 months | **2,022,253** | 2,303,994 |

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

(b) Notes receivable are analysed as follows:

| | **2014** | 2013 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Bank acceptance notes issued by third parties | **216,875** | 189,688 |

The notes receivable are normally with maturity period of 180 days (2013: 180 days).

(c) As at 31 December 2014, certain bank borrowings and long-term borrowings from CPI Financial Company Limited ("CPIF") (Note 32(b)) were secured by the rights on accounts receivable of certain subsidiaries of the Group. The accounts receivable secured under these facilities as at 31 December 2014 amounted to RMB1,302,959,000 (2013: RMB1,515,666,000) (Note 41).

(d) The fair values of accounts and notes receivables approximate their carrying amounts as the impact of discounting is not significant. All accounts and notes receivables are denominated in RMB.

## 27 AMOUNTS DUE FROM/(TO) RELATED PARTIES

### Group

| | As at 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| **Amounts due from related parties** | | |
| Amount due from CPIF | **8,605** | 8,894 |
| Amounts due from fellow subsidiaries | **118,800** | 28,367 |
| Amounts due from associates (note (i)) | **205,631** | 500,907 |
| Amount due from a joint venture | **–** | 12,270 |
| Amount due from CPIH | **2,152** | 1,189 |
| Amount due from immediate holding company | **140** | 120 |
| Amount due from non-controlling shareholders | **252** | 24,303 |
| | **335,580** | 576,050 |
| **Amounts due to related parties** | | |
| Amount due to CPIF | **–** | 550 |
| Amounts due to fellow subsidiaries | **103,480** | 100,649 |
| Amount due to an associate | **–** | 22,001 |
| Amount due to CPI Group | **170,279** | 156,436 |
| Amount due to CPIH | **129,243** | 14,572 |
| Dividend payable to a non-controlling shareholder | **–** | 143,233 |
| | **403,002** | 437,441 |

## 27 AMOUNTS DUE FROM/(TO) RELATED PARTIES (CONTINUED)

### Company

| | As at 31 December | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| **Amounts due from related parties** | | |
| Amount due from a fellow subsidiary | **12** | 10 |
| Amount due from an associate (note (i)) | **205,364** | 500,880 |
| Amount due from CPIH | **139** | 138 |
| Amount due from immediate holding company | **140** | 120 |
| | **205,655** | 501,148 |
| **Amounts due to related parties** | | |
| Amount due to CPI Group | **269** | 265 |
| Amount due to a fellow subsidiary | **12** | – |
| Amount due to CPIH | **126,257** | 12,548 |
| | **126,538** | 12,813 |

Notes:

(i) Except for an amount due from an associate of RMB205,080,000 (2013: RMB500,000,000) which carries interest at rates ranging from 3.00% to 5.60% (2013: 5.40% to 6.00%) per annum and is repayable within 12 months, the remaining amount due from an associate is unsecured, interest free and repayable on demand.

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

(iii) The fair values of these balances approximate their carrying amounts as the impact of discounting is not significant.

## 28 CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Cash at bank and in hand | **1,126,917** | 1,641,368 | **511,004** | 577,958 |
| Denominated in: | | | | |
| RMB | **1,066,740** | 1,520,280 | **471,615** | 541,869 |
| US$ | **39,493** | 99,294 | **26,081** | 22,115 |
| HK$ | **20,684** | 21,794 | **13,308** | 13,974 |
| | **1,126,917** | 1,641,368 | **511,004** | 577,958 |

The Group's cash and cash equivalents denominated in RMB of RMB869,433,000 (2013: RMB1,370,128,000) 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) Share capital and share premium

| | At 31 December 2014 | | At 31 December 2013 | |
|---|---|---|---|---|
| | **Number of share** | **RMB'000** | Number of share | RMB'000 |
| **Authorised:** (note (i)) | | | | |
| Ordinary shares of HK$1 each (note (ii)) | – | – | 10,000,000,000 | 10,600,000 |

| | Number of share | RMB'000 |
|---|---|---|
| **Ordinary shares, issued and fully paid:** | | |
| At 1 January 2013 | 5,550,308,777 | 5,483,753 |
| Issue of new shares upon conversion of convertible bonds (Notes 33 (c)(i) and (ii)) | 312,134,026 | 249,017 |
| Issue of new shares for acquisition of a subsidiary (note (iv)) | 541,710,619 | 428,618 |
| At 31 December 2013 | 6,404,153,422 | 6,161,388 |
| Transition to no-par value regime on 3 March 2014 (note (iii)) | – | 5,801,913 |
| Issue of new shares upon conversion of convertible bonds (Notes 33 (c)(i) and (ii)) | 497,770,303 | 758,419 |
| Issue of new shares upon exercise of share options (note (b)(ii)) | 4,195,400 | 8,425 |
| **At 31 December 2014** | 6,906,119,125 | 12,730,145 |

Notes:

(i) Under the new Companies Ordinance, which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.

(ii) In accordance with section 135 of the new Companies Ordinance, the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

(iii) In accordance with the transitional provisions set out in section 37 of Schedule 11 to new Companies Ordinance, on 3 March 2014, any amount standing to the credit of the share premium account has become part of the Company's share capital.

(iv) In November 2013, the Company acquired 100% equity interests in Wuhu Power Plant for a purchase consideration of RMB1,451,919,000. The purchase consideration was satisfied by (a) cash of RMB217,500,000 and (b) issue of 541,710,619 new shares of HK$1 each to CPIH at a price of HK$2.88 per share (Note 42). The total purchase consideration by allotment of shares amounted to approximately RMB1,234,419,000. The premium on issue of new shares of RMB805,801,000 was credited to the then share premium account. These new shares rank pari passu in all respects with the then existing shares.

## 29 SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

### (b) 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 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 Persons") share options to subscribe for shares of the Company (the "Shares"). Share options may be granted without initial payment except the payment of HK$1 as nominal consideration for the grant. The exercise price of the share 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 share 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 share options under the Option Scheme which have been granted and have neither lapsed nor been cancelled or exercised in full and all outstanding share 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 share options may be granted to each Eligible Person in any 12-month period shall not exceed 1% of the Shares in issue.

The Option Scheme expired on 24 August 2014. Following the expiry of the Option Scheme, no further share options may be granted but the provisions of the Option Scheme shall remain in full force and effect.

Details of the share options granted under the Option Scheme outstanding as at 31 December 2014 are as follows:

| Date of grant | Expiry date | Exercise price | Number of Shares subject to the share options<br>At 31 December 2014 | At 31 December 2013 |
|---|---|---|---|---|
| Directors# | | | | |
| 4 April 2007 | 3 April 2017 | HK$4.07 | **2,709,000** | 4,086,000 |
| 2 July 2008 | 1 July 2018 | HK$2.326 | **1,920,000** | 2,620,000 |
| Senior management and other employees | | | | |
| 4 April 2007 | 3 April 2017 | HK$4.07 | **6,735,000** | 5,958,000 |
| 2 July 2008 | 1 July 2018 | HK$2.326 | **18,880,000** | 19,210,000 |
| | | | **30,244,000** | 31,874,000 |

# Mr. Gu Dake resigned as an executive Director and President of the Company on 20 June 2014. A total of 2,077,000 share options granted to him were reclassified from the category of "Directors" to "Senior management and other employees" accordingly.

## 29 SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

### (b) 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:

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Average exercise price in HK$ per Share** | **Number of Shares subject to the share options** | Average exercise price in HK$ per Share | Number of Shares subject to the share options |
| At 1 January | **2.876** | **31,874,000** | 2.872 | 32,074,000 |
| Lapsed | **2.968** | **(1,630,000)** | 2.326 | (200,000) |
| At 31 December | **2.871** | **30,244,000** | 2.876 | 31,874,000 |

As at 31 December 2014, all of the 30,244,000 (2013: 31,874,000) outstanding share options were exercisable. During the year, no share options were exercised (2013: Nil).

Share options granted are exercisable within a period of ten years within which there is a total vesting period of four years. Commencing from the first, second, third and fourth anniversaries of the Offer Date of 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.

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

The fair values of share 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** |
| Share 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 share options | 6.25 years | 6.25 years |
| Expected dividend yield | 2.27% | 2.75% |

Note: The volatility of the underlying stock during the life of the share 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 share options.

## 29 SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

### (b) Share option schemes *(Continued)*

#### (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 share options will be offered or granted upon the commencement of dealings in the Shares on the Stock Exchange.

Details of the share options granted under the Pre-IPO Scheme outstanding as at 31 December 2014 are as follows:

| | Date of grant | Expiry date | Exercise price | Number of Shares subject to the share options At 31 December 2014 | At 31 December 2013 |
|---|---|---|---|---|---|
| Directors | 18 September 2004 | 17 September 2014 | HK$2.53 | – | 3,073,800 |
| Senior management and other employees | 18 September 2004 | 17 September 2014 | HK$2.53 | – | 2,284,600 |
| Senior management and other employees | 11 October 2004 | 10 October 2014 | HK$2.53 | – | 498,500 |
| | | | | – | 5,856,900 |

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

| | 2014 Average exercise price in HK$ per Share | 2014 Number of Shares subject to the share options | 2013 Average exercise price in HK$ per Share | 2013 Number of Shares subject to the share options |
|---|---|---|---|---|
| At 1 January | **2.53** | **5,856,900** | 2.53 | 5,856,900 |
| Exercised | **2.53** | **(4,195,400)** | | – |
| Lapsed | **2.53** | **(1,661,500)** | | – |
| At 31 December | **–** | **–** | 2.53 | 5,856,900 |

During the year ended 31 December 2014, 4,195,400 share options were exercised and resulted in 4,195,400 Shares being issued at a weighted average price of HK$2.53 each. The related weighted average share price at the time of exercise was HK$3.50 per Share. The proceeds from exercise of share options amounted to RMB8,425,000 (2013: Nil).

## 29 SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

### (b) Share option schemes *(Continued)*

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

Share options granted are exercisable within a period of ten years within which there is a total vesting period of four years. Commencing from the first, second, third and fourth anniversaries of the offer date of 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.

Except for the share options exercised as mentioned above, all share options under the Pre-IPO Scheme were expired during the year.

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

| | Date of grant of share options | |
|---|---|---|
| | **18 September 2004** | **11 October 2004** |
| Share 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 share 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 share 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 2014 | 306,548 | 2,262,848 | 202,440 | 480,039 | 28,010 | 208,149 | 257,868 | 2,741,019 | 6,486,921 |
| Issue of new shares upon conversion of convertible bonds | – | – | – | – | – | (103,602) | – | 62,756 | (40,846) |
| Fair value gain on available-for-sale financial assets | – | – | 1,278,987 | – | – | – | – | – | 1,278,987 |
| Deferred tax on fair value gain on available-for-sale financial assets | – | – | (319,747) | – | – | – | – | – | (319,747) |
| Exercise of share options | – | – | – | – | (4,771) | – | – | 4,771 | – |
| Lapse of share options | – | – | – | – | (3,025) | – | – | 3,025 | – |
| Transfer to reserves | – | – | – | 127,099 | – | – | – | (127,099) | – |
| 2013 final dividend | – | – | – | – | – | – | – | (1,037,577) | (1,037,577) |
| Profit for the year | – | – | – | – | – | – | – | 2,765,886 | 2,765,886 |
| **At 31 December 2014** | **306,548** | **2,262,848** | **1,161,680** | **607,138** | **20,214** | **104,547** | **257,868** | **4,412,781** | **9,133,624** |
| At 1 January 2013 | 306,548 | 2,262,848 | 202,440 | 333,660 | 28,128 | 273,232 | 257,868 | 1,108,312 | 4,773,036 |
| Issue of new shares upon conversion of convertible bonds | – | – | – | – | – | (65,083) | – | – | (65,083) |
| Lapse of share options | – | – | – | – | (118) | – | – | 118 | – |
| Transfer to reserves | – | – | – | 146,379 | – | – | – | (146,379) | – |
| 2012 final dividend | – | – | – | – | – | – | – | (510,920) | (510,920) |
| Profit for the year | – | – | – | – | – | – | – | 2,289,888 | 2,289,888 |
| At 31 December 2013 | 306,548 | 2,262,848 | 202,440 | 480,039 | 28,010 | 208,149 | 257,868 | 2,741,019 | 6,486,921 |

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 in accordance with the relevant laws and regulations in the PRC.

## 30 RESERVES (CONTINUED)

### Group *(Continued)*

Notes: (Continued)

(iv) Retained earnings

Accumulated profits retained by the Group, its associates and joint ventures included impairment losses on property, plant and equipment of certain subsidiaries and an associate which have been accounted for in the Group's consolidated income statement in prior years. In the local statutory financial statements of the relevant subsidiaries and associates, these impairment losses have been dealt with in the respective company's capital reserves in accordance with the relevant local accounting rules and regulations. Profit distributions made by these companies were based on the distributable reserves as reported in the statutory financial statements of the respective companies.

### Company

| | Available-for-sale financial assets reserve RMB'000 | Share-based compensation reserve RMB'000 | Convertible option reserve RMB'000 | Retained earnings RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| At 1 January 2014 | **375,062** | **28,010** | **208,149** | **2,073,970** | **2,685,191** |
| Exercise of share options | **–** | **(4,771)** | **–** | **4,771** | **–** |
| Lapse of share options | **–** | **(3,025)** | **–** | **3,025** | **–** |
| Fair value gain on available-for-sale financial assets | **1,278,987** | **–** | **–** | **–** | **1,278,987** |
| Deferred tax on fair value gain on available-for-sale financial assets | **(319,747)** | **–** | **–** | **–** | **(319,747)** |
| Issue of new shares upon conversion of convertible bonds | **–** | **–** | **(103,602)** | **62,756** | **(40,846)** |
| 2013 final dividend | **–** | **–** | **–** | **(1,037,577)** | **(1,037,577)** |
| Profit for the year | **–** | **–** | **–** | **1,320,558** | **1,320,558** |
| **At 31 December 2014** | **1,334,302** | **20,214** | **104,547** | **2,427,503** | **3,886,566** |
| At 1 January 2013 | 375,062 | 28,128 | 273,232 | 1,731,240 | 2,407,662 |
| Lapse of share options | – | (118) | – | 118 | – |
| Issue of new shares upon conversion of convertible bonds | – | – | (65,083) | – | (65,083) |
| 2012 final dividend | – | – | – | (510,920) | (510,920) |
| Profit for the year | – | – | – | 853,532 | 853,532 |
| At 31 December 2013 | 375,062 | 28,010 | 208,149 | 2,073,970 | 2,685,191 |

## 31 BANK BORROWINGS

Bank borrowings are analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| **Non-current** | | | | |
| Long-term bank borrowings | | | | |
| — secured (note (d)) | **17,355,335** | 19,081,582 | **–** | – |
| — unsecured | **12,316,994** | 10,815,004 | **–** | – |
| | **29,672,329** | 29,896,586 | **–** | – |
| Less: | | | | |
| — current portion of long-term bank borrowings | **(4,087,331)** | (2,982,431) | **–** | – |
| | **25,584,998** | 26,914,155 | **–** | – |
| **Current** | | | | |
| Short-term bank borrowings | | | | |
| — secured (note (d)) | **394,388** | 1,200,000 | **–** | – |
| — unsecured | **3,484,560** | 4,477,789 | **615,000** | 615,000 |
| Current portion of long-term bank borrowings | **4,087,331** | 2,982,431 | **–** | – |
| | **7,966,279** | 8,660,220 | **615,000** | 615,000 |
| **Total bank borrowings** | **33,551,277** | 35,574,375 | **615,000** | 615,000 |

## 31 BANK BORROWINGS (CONTINUED)

Notes:

(a) The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| RMB | **32,393,111** | 34,543,225 | **615,000** | 615,000 |
| JPY | **485,710** | 831,025 | **–** | – |
| US$ | **672,456** | 200,125 | **–** | – |
| | **33,551,277** | 35,574,375 | **615,000** | 615,000 |

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

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Wholly repayable within five years | **6,928,870** | 3,155,970 |
| Not wholly repayable within five years | **22,743,459** | 26,740,616 |
| | **29,672,329** | 29,896,586 |

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

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Within one year | **4,087,331** | 2,982,431 |
| In the second year | **4,352,672** | 3,956,582 |
| In the third to fifth year | **9,776,826** | 9,511,677 |
| After the fifth year | **11,455,500** | 13,445,896 |
| | **29,672,329** | 29,896,586 |

## 31 BANK BORROWINGS (CONTINUED)

Notes: (Continued)

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

| | Group 2014 | 2013 |
|---|---|---|
| Current bank borrowings | **4.77%** | 5.21% |
| Non-current bank borrowings | **5.92%** | 6.11% |

(d) As at 31 December 2014, the bank borrowings of the Group were secured as follows:

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Secured against the rights on accounts receivable of certain subsidiaries of the Group (Note 26) | **15,071,910** | 18,021,087 |
| Secured against property, plant and equipment of a subsidiary of the Group (Note 16(a)(iv)) | **819,820** | 388,320 |
| Secured against bank deposits of certain subsidiaries of the Group | **394,388** | – |
| Guaranteed by Hunan Provincial Finance Bureau | **358,035** | 419,417 |
| Guaranteed by Hunan Provincial Power Company | **791,150** | 1,041,150 |
| Guaranteed by CPIF | **314,420** | 411,608 |
| | **17,749,723** | 20,281,582 |

(e) At 31 December 2014, the Group had the following available borrowing facilities:

| | Group 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Bank borrowings | **13,517,300** | 13,644,041 |

(f) The fair values of short-term bank borrowings approximate their carrying amounts as the impact of discounting is not significant.

The fair values of long-term bank borrowings at floating interest rates approximate their carrying amounts.

At 31 December 2014, the carrying amounts and fair values of long-term bank borrowings at fixed interest rates amounted to RMB1,991,855,000 (2013: RMB901,025,000) and RMB1,947,479,000 (2013: RMB971,990,000) respectively. The fair values are calculated using cash flows discounted at a rate based on the borrowing rate ranging from 0.75% to 6.00% (2013: ranging from 0.75% to 6.15%) per annum and are within level 2 of the fair value hierarchy.

## 32 BORROWINGS FROM RELATED PARTIES

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| **Non-current** | | |
| Long-term borrowings from CPI Group (note (a)) | **3,804,111** | 4,604,111 |
| Long-term borrowings from CPIF (note (b)) | **11,000** | 108,800 |
| Less: Current portion of long-term borrowings from CPI Group | **(1,330,295)** | (800,000) |
| Less: Current portion of long-term borrowings from CPIF | **–** | (97,000) |
| | **2,484,816** | 3,815,911 |
| **Current** | | |
| Short-term borrowings from CPI Group (note (c)) | **–** | 40,000 |
| Short-term borrowings from CPIF (note (d)) | **–** | 370,000 |
| Short-term borrowings from CPIH (note (e)) | **–** | 100,000 |
| Short-term borrowings from a fellow subsidiary (note (f)) | **40,000** | – |
| Current portion of long-term borrowings from CPI Group (note (a)) | **1,330,295** | 800,000 |
| Current portion of long-term borrowings from CPIF (note (b)) | **–** | 97,000 |
| | **1,370,295** | 1,407,000 |
| | **3,855,111** | 5,222,911 |

Notes:

(a) The long-term borrowings from CPI Group are unsecured, bearing interest at rates ranging from 4.93% to 6.40% (2013: ranging from 3.90% to 6.40%) per annum and wholly repayable within 5 years.

These borrowings are repayable as follows:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Within one year | **1,330,295** | 800,000 |
| In the second year | **450,000** | 1,330,295 |
| In the third to fifth year | **2,023,816** | 2,473,816 |
| | **3,804,111** | 4,604,111 |

## 32 BORROWINGS FROM RELATED PARTIES (CONTINUED)

Notes: (Continued)

(b) The long-term borrowings from CPIF of RMB11,000,000 (2013: RMB11,800,000) are secured against the rights on accounts receivable of a subsidiary of the Group (Note 41), bearing interest at 5.90% (2013: 5.90%) per annum. The balance of RMB97,000,000 as at 31 December 2013 was unsecured, bearing interest at 5.76% per annum and fully repaid during the year ended 31 December 2014. The repayment terms of these borrowings are analysed as follows:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Wholly repayable within five years | **–** | 97,000 |
| Not wholly repayable within five years | **11,000** | 11,800 |
| | **11,000** | 108,800 |

These borrowings are repayable as follows:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Within one year | **–** | 97,000 |
| After the fifth year | **11,000** | 11,800 |
| | **11,000** | 108,800 |

(c) The short-term borrowings from CPI Group were unsecured, bearing interest at 4.44% per annum and fully repaid during the year ended 31 December 2014.

(d) The short-term borrowings from CPIF were unsecured, bearing interest at 6.00% per annum and fully repaid during the year ended 31 December 2014.

(e) The short-term borrowings from CPIH were unsecured, bearing interest at 5.40% per annum and fully repaid during the year ended 31 December 2014.

(f) The short-term borrowings from a fellow subsidiary as at 31 December 2014 are unsecured, bearing interest at 5.60% per annum and repayable within one year.

(g) The fair values of short-term borrowings from related parties approximate their carrying amounts as the impact of discounting is not significant.

As at 31 December 2014, the carrying amounts and fair values of long-term borrowings from related parties at fixed interest rates amounted to RMB3,815,111,000 (2013: RMB4,604,111,000) and RMB3,810,431,000 (2013: RMB4,508,150,000) respectively. The fair values are calculated using cash flows discounted at a rate based on the borrowing rates ranging from 5.04% to 6.00% (2013: ranging from 6.03% to 6.40%) per annum and are within level 2 of the fair value hierarchy.

## 33 OTHER BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| **Non-current** | | | | |
| Corporate bonds issued by: | | | | |
| — Company (note (a)) | **2,800,000** | 800,000 | **2,800,000** | 800,000 |
| — a subsidiary (note (b)) | **1,496,590** | 1,495,693 | **–** | – |
| | **4,296,590** | 2,295,693 | **2,800,000** | 800,000 |
| Less: | | | | |
| Current portion of corporate bonds issued by: | | | | |
| — Company (note (a)) | **(800,000)** | – | **(800,000)** | – |
| — a subsidiary (note (b)) | **(500,000)** | – | **–** | – |
| | **2,996,590** | 2,295,693 | **2,000,000** | 800,000 |
| Convertible bonds issued by the Company (note (c)) | **732,854** | 1,441,547 | **732,854** | 1,441,547 |
| | **3,729,444** | 3,737,240 | **2,732,854** | 2,241,547 |
| **Current** | | | | |
| Corporate bonds issued by the Company reclassified as current (note (a)) | **800,000** | – | **800,000** | – |
| Corporate bonds issued by a subsidiary reclassified as current (note (b)) | **500,000** | – | **–** | – |
| Short-term other borrowings: | | | | |
| — corporate bonds issued by a subsidiary (note (b)) | **–** | 500,000 | **–** | – |
| — others (note (d)) | **–** | 100,000 | **–** | – |
| — commercial notes (note (e)) | **1,835,700** | – | **1,835,700** | – |
| | **3,135,700** | 600,000 | **2,635,700** | – |
| | **6,865,144** | 4,337,240 | **5,368,554** | 2,241,547 |

## 33 OTHER BORROWINGS (CONTINUED)

Notes:

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

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

At 31 December 2014, the fair value of these corporate bonds amounted to RMB2,801,400,000 (2013: RMB792,672,000), which is the quoted prices in active markets for identical liabilities and is within level 1 of fair value hierarchy.

(b) Long-term corporate bonds issued by a subsidiary include certain bonds of RMB996,590,000 (2013: RMB995,693,000) issued by Wuling Group which are bearing interest at 4.60% (2013: 4.60%) per annum for a term of 10 years from April 2009. These bonds are guaranteed by CPI Group.

In 2013, Wuling Group issued corporate bonds of RMB500,000,000 which bear interest at 5.50% per annum for a term of 2 years from June 2013. The amount has been reclassified as current liability as at 31 December 2014.

At 31 December 2014, the fair value of these corporate bonds amounted to RMB1,526,530,000 (2013: RMB1,535,081,000), which are calculated using cash flows discounted at rates based on the borrowing rates at 4.73% (2013: ranging from 4.73% to 6.15%) per annum and are within level 2 of fair value hierarchy.

At 31 December 2013, short-term corporate bonds issued by a subsidiary represented unsecured bonds issued by Wuling Group and were bearing interest at 4.86% per annum for a term of one year. The amount was fully repaid during the year 31 December 2014.

(c) Convertible bonds

| | Group and Company | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| 2011 Convertible Bonds (note (c)(i)) | **–** | 435,846 |
| 2012 Convertible Bonds (note (c)(ii)) | **732,854** | 1,005,701 |
| | **732,854** | 1,441,547 |

(i) In May 2011, the Company issued RMB denominated US$ settled 2.25% convertible bonds (the "2011 Convertible Bonds"), of an initial principal amount of RMB982,000,000 (equivalent to US$150,000,000). 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$1.75 per Share with effect from 5 June 2014 pursuant to the terms and conditions as stipulated in the offering memorandum of the 2011 Convertible Bonds) at a fixed exchange rate of RMB0.8414 to HK$1.00.

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.

## 33 OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

(c) Convertible bonds (Continued)

(i) (Continued)

The 2011 Convertible Bonds recognised in the statement of financial position was calculated as follows:

| | RMB'000 |
|---|---|
| Carrying amount as at 1 January 2013 | 880,138 |
| Conversion | (465,498) |
| Accrued interest | 21,206 |
| Carrying amount as at 31 December 2013 | 435,846 |
| Conversion | (441,453) |
| Accrued interest | 5,607 |
| **Carrying amount as at 31 December 2014** | – |

Interest expense on the liability component of the 2011 Convertible Bonds were calculated using the effective interest method, applying the effective interest rate of 5.67% (2013: 5.67%) per annum to the liability component.

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

The 2011 Convertible Bonds were delisted from the Stock Exchange on 24 July 2014.

(ii) In September 2012, the Company issued RMB denominated US$ settled 2.75% convertible bonds (the "2012 Convertible Bonds"), of an initial principal amount of RMB1,140,000,000 (equivalent to US$180,000,000). 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 (as adjusted to HK$2.214 per Share with effect from 5 June 2014) pursuant to the terms and conditions as stipulated in the offering memorandum of 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.

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.

## 33 OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

(c) Convertible bonds (Continued)

(ii) (Continued)

The 2012 Convertible Bonds recognised in the statement of financial position is calculated as follows:

| | RMB'000 |
|---|---|
| Carrying amount as at 1 January 2013 | 975,047 |
| Conversion | (527) |
| Accrued interest | 31,181 |
| Carrying amount as at 31 December 2013 | 1,005,701 |
| Conversion | (304,686) |
| Accrued interest | 31,839 |
| **Carrying amount as at 31 December 2014** | 732,854 |

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% (2013: 6.36%) per annum to the liability component.

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

(iii) The fair value of the liability component of the 2012 Convertible Bonds at 31 December 2014 amounted to RMB802,669,000 (2013: RMB1,149,134,000). The fair value is calculated using cash flows discounted at a rate based on the borrowing rate of 2.75% (2013: 2.75%) per annum and are within level 2 of the fair value hierarchy.

(d) Short-term other borrowings as at 31 December 2013 represented loans from local financial institutions which were unsecured, bearing interest at 5.70% per annum and were fully repaid during the year ended 31 December 2014. The fair values of short-term other borrowings approximate their carrying amounts as the impact of discounting is not significant.

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

The incidental costs arising from issue of the commercial notes for the year ended 31 December 2014 amounted to RMB12,921,000 (2013: Nil).

The fair values of commercial notes approximate their carrying amounts as the impact of discounting is not significant.

## 34 OBLIGATIONS UNDER FINANCE LEASES

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

As at 31 December 2014, the Group's obligations under finance leases were repayable as follows:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Within one year | **188,872** | 143,370 |
| In the second year | **259,601** | 143,370 |
| In the third to fifth year | **1,022,254** | 314,113 |
| After the fifth year | **12,974** | 40,309 |
| | **1,483,701** | 641,162 |
| Future finance charges on obligations under finance leases | **(206,580)** | (86,413) |
| Present value of obligations under finance leases | **1,277,121** | 554,749 |

The present value of the Group's obligations under finance leases was as follows:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| Within one year | **118,950** | 111,361 |
| In the second year | **197,444** | 118,872 |
| In the third to fifth year | **948,090** | 286,253 |
| After the fifth year | **12,637** | 38,263 |
| Present value of obligations under finance leases | **1,277,121** | 554,749 |

As at 31 December 2014, bank deposit of RMB35,000,000 (2013: RMB35,000,000) was pledged as security for an obligation under finance lease of RMB314,790,000 (2013: RMB406,800,000) (Note 41).

## 35 PROVISIONS FOR OTHER LONG-TERM LIABILITIES

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

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

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

| | Group<br>2014<br>RMB'000 |
|---|---|
| Non-current liabilities (included in provisions for other long-term liabilities) | **934,552** |
| Current liabilities (included in other payables and accrued charges) (Note 37) | **47,900** |
| | **982,452** |

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

| | 2014<br>RMB'000 |
|---|---|
| Opening balance as at 1 January | **–** |
| Recognised during the year (Note 16(a)(vi)) | **931,296** |
| Interest expense (Note 9) | **66,644** |
| Payment | **(15,488)** |
| Closing balance as at 31 December | **982,452** |

## 36 ACCOUNTS AND BILLS PAYABLES

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

## 36 ACCOUNTS AND BILLS PAYABLES (CONTINUED)

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

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

(b) Bills payable are bills of exchange with average maturity period of 3 to 6 months (2013: 3 to 6 months). As at 31 December 2014, bank deposits of RMB2,353,000 (2013: RMB14,227,000) were pledged against bills payable of RMB11,432,000 (2013: RMB70,916,000) as security (Note 41).

(c) The fair values of accounts and bills payables approximate their carrying amounts as the impact of discounting is not significant. All accounts and bills payables are denominated in RMB.

## 37 OTHER PAYABLES AND ACCRUED CHARGES

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Salaries and staff welfare payable | **40,234** | 35,919 | **–** | – |
| Value-added tax payable | **57,508** | 80,481 | **–** | – |
| Other taxes payable | **366,722** | 275,033 | **582** | 3,919 |
| Repairs and maintenance expense payable | **11,386** | 9,239 | **–** | – |
| Insurance expense payable | **5,796** | 5,949 | **–** | – |
| Discharge fees payable | **12,231** | 7,817 | **–** | – |
| Reservoir maintenance and usage fees payables | **171,074** | 134,471 | **–** | – |
| Interest payable | **195,699** | 181,292 | **32,272** | 22,749 |
| Current portion of provisions for other long-term liabilities (Note 35) | **47,900** | – | **–** | – |
| Other payables and accrued operating expenses | **352,680** | 250,298 | **21,443** | 8,528 |
| Considerations payable for acquisition of a subsidiary | **–** | 11,990 | **–** | – |
| | **1,261,230** | 992,489 | **54,297** | 35,196 |

## 38 DERIVATIVE FINANCIAL INSTRUMENTS

During the year ended 31 December 2013, the Group terminated 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.

The following table presents the changes in these derivative financial instruments for the year ended 31 December 2013.

| | 2013<br>RMB'000 |
|---|---|
| Opening balance as at 1 January — Assets | 38,744 |
| Loss on termination of derivative financial instruments recognised in the consolidated income statement (Note 7) | (26,634) |
| Proceeds from termination of derivative financial instruments | (12,110) |
| Closing balance as at 31 December — Assets | – |

## 39 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 end of reporting period.

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

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2014**<br>**RMB'000** | 2013<br>RMB'000 | **2014**<br>**RMB'000** | 2013<br>RMB'000 |
| Deferred income tax assets | | | | |
| — To be recovered after more than 12 months | **83,091** | 80,676 | **–** | – |
| — To be recovered within 12 months | **23,351** | 8,070 | **–** | – |
| | **106,442** | 88,746 | **–** | – |
| Deferred income tax liabilities | | | | |
| — To be recovered after more than 12 months | **(1,350,112)** | (1,067,570) | **(429,692)** | (109,945) |
| — To be recovered within 12 months | **(4,341)** | (34,936) | **–** | – |
| | **(1,354,453)** | (1,102,506) | **(429,692)** | (109,945) |
| Net deferred income tax liabilities | **(1,248,011)** | (1,013,760) | **(429,692)** | (109,945) |

## 39 DEFERRED INCOME TAX (CONTINUED)

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| At 1 January | **(1,013,760)** | (750,236) | **(109,945)** | (109,945) |
| Acquisition of a subsidiary (Note 42) | **–** | (158,706) | **–** | – |
| Credited/(charged) to the consolidated income statement (Note 10) | **85,496** | (104,818) | **–** | – |
| Charged to other comprehensive income (Note 30) | **(319,747)** | – | **(319,747)** | – |
| At 31 December | **(1,248,011)** | (1,013,760) | **(429,692)** | (109,945) |

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 | |
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| At 1 January | **(1,045,800)** | (801,268) | **(109,945)** | (109,945) | **(26,551)** | (5,461) | **(1,182,296)** | (916,674) | **(109,945)** | (109,945) |
| Acquisition of a subsidiary | **–** | (158,706) | **–** | – | **–** | – | **–** | (158,706) | **–** | – |
| (Charged)/credited to the consolidated income statement | **(68,332)** | (85,826) | **–** | – | **28,119** | (21,090) | **(40,213)** | (106,916) | **–** | – |
| Charged to other comprehensive income (Note 30) | **–** | – | **(319,747)** | – | **–** | – | **(319,747)** | – | **(319,747)** | – |
| At 31 December | **(1,114,132)** | (1,045,800) | **(429,692)** | (109,945) | **1,568** | (26,551) | **(1,542,256)** | (1,182,296) | **(429,692)** | (109,945) |

## 39 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets:

| | Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Decelerated tax depreciation | | Provisions and others | | Tax losses | | Total | |
| | 2014 RMB'000 | 2013 RMB'000 | 2014 RMB'000 | 2013 RMB'000 | 2014 RMB'000 | 2013 RMB'000 | 2014 RMB'000 | 2013 RMB'000 |
| At 1 January | **77,566** | 96,837 | **90,970** | 48,199 | **–** | 21,402 | **168,536** | 166,438 |
| Credited/(charged) to the consolidated income statement | **67,220** | (19,271) | **8,166** | 42,771 | **50,323** | (21,402) | **125,709** | 2,098 |
| At 31 December | **144,786** | 77,566 | **99,136** | 90,970 | **50,323** | – | **294,245** | 168,536 |

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. As at 31 December 2014, the Group had unrecognised tax losses to be carried forward against future taxable income amounted to RMB1,119,211,000 (2013: RMB2,058,232,000), which will expire within five years.

As the Company is a deemed Tax Resident Enterprise, the Company is exempted from the withholding tax charged on the dividends remitted to the Company by the subsidiaries, associates or joint ventures. As such, no deferred income tax liabilities on unremitted earnings of subsidiaries, associates or joint ventures would be recognised.

## 40 ASSETS HELD FOR SALE

In December 2013, the Group entered into letters of intent with Hunan Provincial Power Company to sell certain hydropower electricity transmission assets with total carrying amounts of approximately RMB893,992,000 for a total consideration of approximately RMB680,460,000. These assets were written down to their fair values less costs of disposal of RMB667,347,000 and have been reclassified as held for sale in accordance with HKFRS 5. Provision for impairment of RMB226,645,000 was recognised in the consolidated income statement for the year ended 31 December 2013.

As at 31 December 2014, due to the fact that certain necessary procedures with the government authority were in progress, the sale of these assets has not completed. As the Group commits to the sale of these assets and the sale transaction is highly probable to complete within one year, the Group has continued to classify these assets as held for sale in the consolidated statement of financial position.

Based on management's latest estimate, the fair value less costs of disposal of these assets was approximately RMB589,545,000 as at 31 December 2014. As such, the Group has further recognised a provision for impairment of RMB77,802,000 in the consolidated income statement for the year ended 31 December 2014 (Note 7).

## 41 PLEDGE OF ASSETS

Certain of the Group's assets have been pledged as securities under bank and other borrowings and the carrying amounts of the pledged assets as at 31 December 2014 are as follows:

| | **2014 RMB'000** | 2013 RMB'000 |
|---|---|---|
| Property, plant and equipment secured against bank borrowings (Note 16(a)(iv)) | **637,889** | 661,965 |
| Accounts receivable secured against bank borrowings and long-term borrowings from CPIF (Note 26(c)) | **1,302,959** | 1,515,666 |
| Bank deposits secured against | | |
| — bills payable (Note 36(b)) | **2,353** | 14,227 |
| — an obligation under finance lease (Note 34) | **35,000** | 35,000 |
| — borrowings (Note 31(d)) | **304,000** | – |
| | **341,353** | 49,227 |

## 42 BUSINESS COMBINATIONS

In November 2013, the Group acquired 100% equity interests in Wuhu Power Plant from CPIH (the "Wuhu Acquisition"). The revenue and net results contributed by Wuhu Group during the period from the acquisition date to 31 December 2013 were not significant to the Group. Had the Wuhu Acquisition been completed on 1 January 2013, the unaudited pro-forma revenue and profits attributable to the Group would have been RMB2,984,565,000 and RMB416,314,000, respectively.

Details of net assets acquired and goodwill were as follows:

| | **RMB'000** |
|---|---|
| Purchase consideration: | |
| — Paid in cash | 217,500 |
| — By allotment of Shares (Note 29(a)(iv)) | 1,234,419 |
| | 1,451,919 |
| Fair value of identifiable net assets acquired (see below) | (1,384,207) |
| Goodwill | 67,712 |

## 42 BUSINESS COMBINATIONS (CONTINUED)

The fair value of assets and liabilities arising from the Wuhu Acquisition were as follows:

| | RMB'000 |
|---|---|
| Property, plant and equipment (Note 16) | 4,560,562 |
| Land use rights (Note 18) | 251,244 |
| Cash and cash equivalents | 163,526 |
| Other assets | 295,453 |
| Net deferred income tax liabilities | (158,706) |
| Long-term bank borrowings | (2,237,950) |
| Long-term borrowings from related parties | (697,000) |
| Short-term bank borrowings | (130,000) |
| Short-term borrowings from related parties | (100,000) |
| Amounts due to related parties | (10,546) |
| Other liabilities | (552,376) |
| Identifiable net assets acquired | 1,384,207 |
| Purchase consideration — Paid in cash | (217,500) |
| Cash and cash equivalents in subsidiary acquired | 163,526 |
| Net cash outflow on acquisition | (53,974) |

## 43 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

| | 2014<br>RMB'000 | 2013<br>RMB'000 |
|---|---|---|
| Profit before taxation | **4,302,747** | 4,234,058 |
| Share of profits of associates | **(640,374)** | (435,704) |
| Share of profits of joint ventures | **(86,270)** | (64,083) |
| Finance income | **(52,430)** | (64,480) |
| Finance costs | **2,366,120** | 1,516,651 |
| Dividend income | **(84,399)** | (60,520) |
| Depreciation of property, plant and equipment | **2,819,811** | 2,208,793 |
| Provision for impairment of property, plant and equipment | **180,665** | 607,044 |
| Provision for impairment of assets held for sale | **77,802** | – |
| Amortisation of land use rights | **15,898** | 10,706 |
| Amortisation of deferred income | **(1,659)** | (26,941) |
| Loss on termination of derivative financial instruments | **–** | 26,634 |
| Loss/(gain) on disposal of property, plant and equipment and land use rights | **208,761** | (768,267) |
| Provision for impairment of inventories | **4,096** | 52,022 |
| Write-off of accounts receivable | **–** | 17,570 |
| Gain on disposal of a joint venture | **–** | (8,326) |
| Provision for impairment of other receivables | **67** | 7,366 |
| Operating profit before working capital changes | **9,110,835** | 7,252,523 |
| Decrease/(increase) in accounts receivable | **254,554** | (102,087) |
| Decrease/(increase) in prepayments, deposits and other receivables | **26,386** | (87,495) |
| Decrease/(increase) in inventories | **150,711** | (3,995) |
| Changes in balances with related parties | **63,718** | 143,374 |
| (Increase)/decrease in amounts due from associates | **(9,374)** | 8,824 |
| (Decrease)/increase in accounts and bills payables | **(705,903)** | 179,875 |
| Increase/(decrease) in other payables and accrued charges | **204,510** | (73,909) |
| Decrease in provisions for other long-term liabilities | **(1,761)** | (2,348) |
| Cash generated from operations | **9,093,676** | 7,314,762 |

## 43 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

### (b) Analysis of changes in financing during the year

| | Bank borrowings and other borrowings RMB'000 | Borrowings from related parties RMB'000 | Obligations under finance leases RMB'000 | Non-controlling interests RMB'000 |
|---|---|---|---|---|
| Balance at 1 January 2013 | 40,613,963 | 4,325,911 | 658,996 | 3,987,178 |
| Acquisition of a subsidiary | 2,367,950 | 797,000 | – | – |
| Drawdown of bank borrowings | 10,876,539 | – | – | – |
| Proceeds from issue of corporate bonds | 500,000 | – | – | – |
| Repayment of bank borrowings | (10,093,365) | – | – | – |
| Drawdown of short-term other borrowings | 600,000 | – | – | – |
| Transfer of bank borrowings to the Purchaser of Heimifeng | (2,250,000) | – | – | – |
| Repayment of other borrowings | (2,053,540) | – | – | – |
| Interest element for convertible bonds | 52,387 | – | – | – |
| Interest element for corporate bonds | 857 | – | – | – |
| Repayment of borrowings from related parties | – | (950,000) | – | – |
| Drawdown of borrowings from related parties | – | 1,050,000 | – | – |
| Payments for obligations under finance leases | – | – | (143,139) | – |
| Interest element for obligations under finance leases | – | – | 38,892 | – |
| Contributions from non-controlling shareholders of subsidiaries | – | – | – | 120,313 |
| Profit attributable to non-controlling interests | – | – | – | 985,504 |
| Dividends paid to non-controlling shareholders of subsidiaries | – | – | – | (227,508) |
| Net foreign exchange gains | (237,151) | – | – | – |
| Conversion of convertible bonds | (466,025) | – | – | – |
| Balance at 31 December 2013 | 39,911,615 | 5,222,911 | 554,749 | 4,865,487 |
| Drawdown of bank borrowings | **9,293,981** | **–** | **–** | **–** |
| Proceeds from issue of corporate bonds | **2,000,000** | **–** | **–** | **–** |
| Proceeds from issue of commercial notes | **1,835,700** | **–** | **–** | **–** |
| Repayment of bank borrowings | **(11,244,402)** | **–** | **–** | **–** |
| Drawdown of short-term other borrowings | **50,000** | **–** | **–** | **–** |
| Repayment of other borrowings | **(650,000)** | **–** | **–** | **–** |
| Interest element for convertible bonds | **37,446** | **–** | **–** | **–** |
| Interest element for corporate bonds | **897** | **–** | **–** | **–** |
| Repayment of borrowings from related parties | **–** | **(2,007,800)** | **–** | **–** |
| Drawdown of borrowings from related parties | **–** | **640,000** | **–** | **–** |
| Payments for obligations under finance leases | **–** | **–** | **(146,633)** | **–** |
| Interest element for obligations under finance leases | **–** | **–** | **36,410** | **–** |
| New finance lease (Note 43(c)(iv)) | **–** | **–** | **832,595** | **–** |
| Contributions from non-controlling shareholders of subsidiaries | **–** | **–** | **–** | **280,460** |
| Profit attributable to non-controlling interests | **–** | **–** | **–** | **876,646** |
| Dividends paid to non-controlling shareholders of subsidiaries | **–** | **–** | **–** | **(636,601)** |
| Net foreign exchange gains | **(72,677)** | **–** | **–** | **–** |
| Conversion of convertible bonds | **(746,139)** | **–** | **–** | **–** |
| **Balance at 31 December 2014** | **40,416,421** | **3,855,111** | **1,277,121** | **5,385,992** |

## 43 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

### (c) Major non-cash transactions

(i) During the year ended 31 December 2013, the purchase consideration for the Wuhu Acquisition was partly satisfied by issue of the Company's new shares (Notes 29(a)(iv) and 42).

(ii) During the year ended 31 December 2013, the consideration for disposal of Heimifeng was partly settled by transfer of assets and liabilities to the Purchaser (Note 7).

(iii) During the year ended 31 December 2014, the aggregate amount of the 2011 Convertible Bonds and 2012 Convertible Bonds of RMB441,453,000 (2013: RMB465,498,000) and RMB304,686,000 (2013: RMB527,000) were converted into 312,632,049 (2013: 311,880,447) and 185,138,254 (2013: 253,579) new Shares, resulting in increase in share capital of approximately RMB422,919,000 (2013: RMB248,816,000) and share premium of approximately RMB28,566,000 (2013: RMB281,700,000), and increase of share capital of approximately RMB335,500,000 (2013: RMB202,000) respectively (Notes 33(c)(i) and (ii)).

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

## 44 COMMITMENTS

### (a) Capital commitments

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Authorised but not contracted for in respect of | | | | |
| — property, plant and equipment | **827,036** | 1,895,578 | **–** | – |
| Contracted but not provided for in respect of | | | | |
| — property, plant and equipment | **3,688,559** | 5,338,646 | **–** | – |
| — capital contribution to an associate | **277,425** | 577,425 | **277,425** | 577,425 |
| — capital contribution to joint ventures | **584** | 10,584 | **584** | 10,584 |
| — capital contribution to subsidiaries | **–** | – | **350,713** | 406,431 |
| | **4,793,604** | 7,822,233 | **628,722** | 994,440 |

## 44 COMMITMENTS (CONTINUED)

### (b) Commitments under operating leases

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Land and buildings | | | | |
| Not later than one year | **87,840** | 36,792 | **16,669** | 22,466 |
| Later than one year and not later than five years | **21,207** | 42,516 | **3,874** | 20,724 |
| | **109,047** | 79,308 | **20,543** | 43,190 |

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 | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Property, plant and equipment | | | | |
| Not later than one year | **14,071** | 8,840 | **–** | – |
| Later than one year and not later than five years | **19,190** | 22,121 | **–** | – |
| | **33,261** | 30,961 | **–** | – |

## 45 RELATED PARTY TRANSACTIONS

The Group is controlled by CPIH, an intermediate holding company which directly holds approximately 30.04% (2013: 32.39%) of the Company's shares, and indirectly holds approximately 28.91% (2013: 31.18%) of the Company's shares through CPDL. As at 31 December 2014, CPIH owned approximately 58.95% (2013: 63.57%) equity interest of the Company on aggregate and the remaining interests were widely held. The Directors regard CPI Group, a state-owned enterprise established in the PRC which is the beneficial owner of CPIH, as the parent company.

CPI Group 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, joint ventures and associates (other than the Group), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence, and key management personnel of the Company and 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 (中電投集團) | Parent company |
| CPIH (中電國際) | Intermediate holding company |
| CPDL | Immediate holding company |
| CPIF (中電投財務) | A company controlled by CPI Group |
| Shanxi Shentou Electric 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 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 |

## 45 RELATED PARTY TRANSACTIONS (CONTINUED)

| Related parties | Relationship with the Company |
|---|---|
| Pingdingshan Yaomeng Power Industrial Co., Ltd. (平頂山姚孟電力實業有限責任公司) | Fellow subsidiary |
| Guizhou Qian Dong Power Corporation (貴州黔東電力有限公司) | Fellow subsidiary |
| 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 Henan Power Company Limited (中電投河南電力有限公司) | 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 Logistics Company Limited (中電投物流有限責任公司) | Fellow subsidiary |
| Liaoning Qinghe Electric Power Company Limited (遼寧清河發電有限責任公司) | Fellow subsidiary |
| Jiangsu Changshu Electric Power Generating Company Limited (江蘇常熟發電有限公司) | Associate |
| Guangzhou China Power Lixin Industry Company Limited (廣州中電荔新電力實業有限公司) | Joint venture |
| Henan Zhongping Coal & Electricity Co., Ltd. (河南中平煤電有限責任公司) | Joint venture |
| 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 |
| China Coal Energy Company Limited (中國中煤能源股份有限公司) | A non-controlling shareholder of a subsidiary |

## 45 RELATED PARTY TRANSACTIONS (CONTINUED)

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.

### (a) Income

| | Note | **2014 RMB'000** | 2013 RMB'000 |
|---|---|---|---|
| Interest income from a fellow subsidiary | (i) | **957** | 16,537 |
| Interest income from an associate | (ii) | **14,449** | 24,178 |
| Rental income from a fellow subsidiary | (iii) | **54,110** | 54,110 |
| Management fee from CPIH | (iv) | **10,304** | 18,096 |
| Dividend income from Shanghai Power | (v) | **80,689** | 60,520 |
| Dividend income from CPIF | (v) | **3,710** | – |
| Income from provision of repairs and maintenance services to a fellow subsidiary | (vi) | **2,964** | 2,271 |
| Income from provision of IT services to: | | | |
| — CPIH | (vii) | **214** | 19 |
| — an associate | (vii) | **1,160** | 1,291 |
| — fellow subsidiaries | (vii) | **13,626** | 12,111 |
| Sales of coal to an associate | (viii) | **104,141** | 118,138 |
| Sales of coal to a fellow subsidiary | (viii) | **43,890** | – |
| Sales of spare parts to fellow subsidiaries | (viii) | **16,127** | 12,695 |
| Sales of unused power production quota to fellow subsidiaries | (ix) | **194,896** | – |

Notes:

(i) Interest income from a fellow subsidiary was charged at a fixed interest rate of 6.15% (2013: 6.15%) per annum.

(ii) Interest income from an associate was charged at rates ranging from 3.00% to 6.30% (2013: 5.40% to 6.00%) per annum.

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

(iv) 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.

(v) Dividend income from Shanghai Power and CPIF are based on the dividends declared by the respective boards of directors in proportion to the Group's interest in the companies.

(vi) Income from the provision of repairs and maintenance services to a fellow subsidiary was charged in accordance with the terms of the relevant agreement.

(vii) Income from the provision of IT services to CPIH, an associate and fellow subsidiaries was charged in accordance with the terms of the relevant agreements.

(viii) Sales of goods were charged in accordance with the terms of the relevant agreements.

(ix) Sales of unused power production quota to fellow subsidiaries were charged in accordance with the terms of the relevant agreements.

## 45 RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Expenses

| | Note | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| Purchases of fuel, raw materials and spare parts from: | | | |
| — non-controlling shareholders of subsidiaries | (i) | **3,830,443** | 7,358,927 |
| — fellow subsidiaries | (i) | **166,906** | 67,520 |
| — a joint venture | (i) | **–** | 151,387 |
| Purchase of coal by-products from an associate | (i) | **–** | 20,155 |
| Service fees to fellow subsidiaries | (ii) | **390,157** | 455,579 |
| Interest expenses to: | | | |
| — CPIF | (iii) | **8,932** | 19,460 |
| — CPI Group | (iii) | **202,268** | 198,867 |
| — CPIH | (iii) | **2,012** | 450 |
| — a fellow subsidiary | (iii) | **7,320** | – |
| Construction costs to fellow subsidiaries | (iv) | **6,684** | 337,696 |
| Labour costs charged by fellow subsidiaries | (v) | **–** | 696 |
| Operating lease rental expenses in respect of: | | | |
| — land to CPI Group | (vi) | **17,061** | 17,061 |
| — buildings to CPIH | (vi) | **16,854** | 17,078 |

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, CPI Group, CPIH and a fellow subsidiary were charged based on outstanding loan balances at interest rates ranging from 5.76% to 6.00% (2013: 5.60% to 6.35%) per annum, from 3.90% to 6.40% (2013: 3.51% to 6.40%) per annum, at 5.40% (2013: 5.40%) per annum and at 5.60% (2013: Nil) per annum, respectively.

(iv) Construction costs were charged in accordance with the terms of contracts.

(v) Labour costs were charged on a cost reimbursement basis.

(vi) 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.

## 45 RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Year-end balances with related parties

| | Note | **2014 RMB'000** | 2013 RMB'000 |
|---|---|---|---|
| Borrowings from CPIF | (i) | **(11,000)** | (478,800) |
| Borrowings from a fellow subsidiary | (v) | **(40,000)** | – |
| Loan to a fellow subsidiary | (ii) | **–** | 200,000 |
| Borrowings from CPI Group | (iii) | **(3,804,111)** | (4,644,111) |
| Borrowings from CPIH | (iv) | **–** | (100,000) |
| Amounts due from: | | | |
| — non-controlling shareholders | (vi) | **252** | 24,303 |
| — associates | (vii) | **205,631** | 500,907 |
| — joint ventures | (vi) | **–** | 12,270 |
| — fellow subsidiaries | (vi) | **118,800** | 28,367 |
| — CPIF | (vi) | **8,605** | 8,894 |
| — CPDL | (vi) | **140** | 120 |
| Amounts due to: | | | |
| — non-controlling shareholders | (vi) | **(50,499)** | (10,510) |
| — CPI Group | (vi) | **(170,279)** | (156,436) |
| — fellow subsidiaries | (vi) | **(103,480)** | (100,649) |
| — CPIH, net | (vi) | **(127,091)** | (13,383) |
| — CPIF | (vi) | **–** | (550) |
| — an associate | (vi) | **–** | (22,001) |
| Dividend payable to a non-controlling shareholder | (vi) | **–** | (143,233) |

Notes:

(i) The long-term borrowings from CPIF of RMB11,000,000 (2013: RMB11,800,000) are secured and bearing interest at 5.90% (2013: 5.90%) per annum (refer to Notes 32(b) and (d)).

(ii) Loan to a fellow subsidiary as at 31 December 2013 was unsecured, carrying interest at a fixed interest rate of 6.15% (2013: 6.15%) per annum and was fully repaid during the year ended 31 December 2014.

(iii) Borrowings from CPI Group are unsecured, carrying interest at rates ranging from 4.93% to 6.40% (2013: 3.90% to 6.40%) per annum (refer to Notes 32(a) and (c)).

(iv) Borrowings from CPIH as at 31 December 2013 were unsecured, carrying interest at a fixed interest rate of 5.40% (2013: 5.40%) per annum and were fully repaid during the year ended 31 December 2014.

(v) Borrowings from a fellow subsidiary are unsecured, carrying interest at a fixed interest rate of 5.60% (2013: Nil) per annum and are repayable within one year.

(vi) The balances with these related parties are unsecured, interest free and are repayable on demand.

(vii) Except for an amount due from an associate of RMB205,080,000 (2013: RMB500,000,000) which carries interest at rates ranging from 3.00% to 5.60% (2013: 5.40% to 6.00%) per annum and is repayable on demand, the remaining amount due from an associate is unsecured, interest free and repayable on demand.

## 45 RELATED PARTY TRANSACTIONS (CONTINUED)

**(d)** For the years ended 31 December 2014 and 2013, 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**

| | **2014 RMB'000** | 2013 RMB'000 |
|---|---|---|
| Basic salaries, housing allowance, other allowances, discretionary bonus and other benefits | **8,811** | 8,407 |

**(f)** For guarantees issued by related parties, please refer to Note 31(d).

## 46 EVENT AFTER THE REPORTING PERIOD

On 7 November 2014, the Company and Huainan Mining Industry (Group) Company Limited ("Huainan Mining"), a non-controlling shareholder of subsidiaries, entered into a capital contribution agreement (the "Capital Contribution Agreement"), pursuant to which Huainan Mining has agreed to make a capital contribution of approximately RMB629 million in cash to the registered capital of another subsidiary of the Company, Huainan Pingwei No. 3 Electric Power Company Ltd. ("Pingwei III").

Upon completion of the Capital Contribution Agreement, the shareholding of the Company in Pingwei III will be diluted from 100% to 60% of the enlarged registered capital. The equity interest of Pingwei III will then be owned as to 60% by the Company and 40% by Huainan Mining accordingly. As the capital contribution is in proportion with the agreed equity interest held by both parties, the transaction will not result in a significant financial impact to the Group's consolidated statement of changes in equity. As at 31 December 2014, the transaction was not completed.

Up to 18 March 2015, a partial payment of approximately RMB458 million has been received from Huainan Mining.

## 47 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board on 18 March 2015.

# FIVE-YEAR FINANCIAL AND OPERATIONS SUMMARY

| | **2014 RMB million** | 2013 RMB million | 2012 RMB million | 2011 RMB million | 2010 RMB million |
|---|---|---|---|---|---|
| Revenue | **20,447.2** | 18,826.7 | 17,497.1 | 16,082.1 | 14,436.7 |
| Profit before taxation | **4,302.7** | 4,234.1 | 2,128.7 | 782.2 | 1,246.5 |
| Taxation | **(660.2)** | (958.7) | (447.4) | (193.8) | (380.2) |
| Profit for the year | **3,642.5** | 3,275.4 | 1,681.3 | 588.4 | 866.3 |
| Attributable to: | | | | | |
| Owners of the Company | **2,765.9** | 2,289.9 | 1,181.1 | 505.2 | 666.9 |
| Non-controlling interests | **876.6** | 985.5 | 500.2 | 83.2 | 199.4 |
| Basic earnings per share (RMB) | **0.42** | 0.40 | 0.22 | 0.10 | 0.13 |
| Dividend per share (RMB) | **0.168** | 0.160 | 0.090 | 0.045 | 0.045 |
| Total non-current assets | **75,788.1** | 69,455.0 | 63,299.3 | 56,945.3 | 53,015.1 |
| Total current assets | **6,007.7** | 7,284.0 | 6,610.1 | 6,447.2 | 3,775.3 |
| Total assets | **81,795.8** | 76,739.0 | 69,909.4 | 63,392.5 | 56,790.4 |
| Total current liabilities | **19,266.5** | 17,384.6 | 14,245.3 | 13,347.0 | 12,063.1 |
| Total non-current liabilities | **35,279.5** | 36,067.3 | 36,734.7 | 33,556.0 | 29,833.1 |
| Net assets | **27,249.8** | 23,287.1 | 18,929.4 | 16,489.5 | 14,894.2 |
| Equity attributable to owners of the Company | **21,863.8** | 18,421.7 | 14,942.2 | 13,125.0 | 12,238.5 |
| Non-controlling interests | **5,386.0** | 4,865.5 | 3,987.2 | 3,364.5 | 2,655.7 |
| Total equity | **27,249.8** | 23,287.1 | 18,929.4 | 16,489.5 | 14,894.2 |
| Attributable installed capacity (MW) | **15,028** | 14,822 | 11,731 | 11,510 | 11,585 |
| Gross power generation (MWh) | **61,692,480** | 55,582,400 | 51,859,151 | 50,132,564 | 48,558,685 |
| Total Electricity Sold (MWh) | **58,957,127** | 52,795,155 | 49,202,653 | 47,391,185 | 46,002,897 |
| Net coal consumption rate (g/KWh) | **310.91** | 314.84 | 316.70 | 319.40 | 324.51 |

# 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 Coal Energy" | China Coal Energy Company Limited* (中國中煤能源股份有限公司) |
| "China Power" or "Company" | China Power International Development Limited |
| "CP Guorui" | China Power Guorui Logistics Company Limited* (中電國瑞物流有限公司) |
| "CP Hua Chuang" | China Power Hua Chuang Electric Power Technology Research Company Limited* (中電華創電力技術研究有限公司) |
| "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) |
| "CPI Logistics" | CPI Logistics Company Limited* (中電投物流有限責任公司) |
| "CPIF" or "CPI Financial" | CPI Financial Company Limited* (中電投財務有限公司) |

# TECHNICAL GLOSSARY AND DEFINITIONS

| | |
|---|---|
| "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 |
| "Dong Ping Power Plant" | the hydropower plant project in Dongping of Wu Ling Power Corporation* (五凌電力有限公司東坪水電站項目) |
| "Donggangling Power Plant" | the wind power plant project in Donggangling of Wu Ling Rucheng Electric Power Co., Ltd.* (五凌汝城電力有限公司東崗嶺風電場項目) |
| "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 of 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麋峰抽水蓄能電廠) |
| "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" | 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 |
| "Kaifeng Power Plant" | Kaifeng Power Branch of CPI Henan Power Company Limited* (中電投河南電力有限公司開封發電分公司) |
| "KWh" | kilowatt-hour, a standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour |

| | |
|---|---|
| "Listing Rules" | the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange |
| "Luyang Power Plant" | Pingdingshan Power Branch of CPI Henan Power Company Limited* (中電投河南電力有限公司平頂山發電分公司) |
| "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 1 KWh 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 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 Company Ltd.* (淮南平圩第三發電有限責任公司) |
| "Power Production Quota" | the power quota of annual power production plan for relevant power plants issued by Henan Province Development and Reform Commission for the year ending 31 December 2014 |
| "PRC" or "China" | the People's Republic of China (for the purpose of this annual report excluding Hong Kong, the 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" or "Qinghe Electric Power" | Liaoning Qinghe Electric Power Company Limited (遼寧清河發電有限責任公司) |

# TECHNICAL GLOSSARY AND DEFINITIONS

| | |
|---|---|
| "RMB" | Renminbi, the lawful currency of the PRC |
| "San Ban Xi Power Plant" | the hydropower plant project in Sanbanxi of Guizhou Qingshui Jiang Hydropower Company Limited* (貴州清水江水電有限公司三板溪水電站項目) |
| "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) |
| "Shuozhou CP Environmental" | Shuozhou China Power Environmental Engineering Company Limited* (朔州中電環境工程有限公司) |
| "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" or "Wuhu Electric Power" | 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) |
| "Yaoposhan Power Plant" | the wind power plant project in Yaoposhan of Wu Ling Linxiang Electric Power Co., Ltd.* (五凌臨湘電力有限公司窯坡山風電場項目) |
| "Zhu Xi Kou Power Plant" | the hydropower plant project in Zhuxikou of Wu Ling Power Corporation* (五凌電力有限公司株溪口水電站項目) |

* For identification purpose only

# USEFUL INFORMATION FOR INVESTORS

## ANNUAL REPORT

This annual report has been posted on our website at www.chinapower.hk on 27 April 2015. The reports are sent to the shareholders of the Company who have selected to receive the printed version of corporate communication by 30 April 2015.

## ANNUAL GENERAL MEETING (AGM)

The Company's AGM will be held on 10 June 2015. Information regarding the business to be considered in the AGM is set out in the circular to the shareholders of the Company dated 30 April 2015 together with a proxy form.

## INVESTOR CALENDAR

| | |
|---|---|
| Closure of register of members for determining shareholders' eligibility to attend and vote at the AGM | 5 June 2015 to 10 June 2015 (both days inclusive) |
| AGM date | 10 June 2015 |
| Ex-dividend date | 12 June 2015 |
| Closure of register of members for entitlement to 2014 Final Dividend | 16 June 2015 to 19 June 2015 (both days inclusive) |
| Record date for 2014 Final Dividend | 19 June 2015 |
| Proposed 2014 Final Dividend payable* ***RMB0.168 (equivalent to HK$0.2119) per ordinary share*** | 30 June 2015 |

* Subject to approval by shareholders of the Company at the AGM to be held on 10 June 2015.

## INVESTOR ENQUIRIES

For enquiries about share transfer and registration, please contact the share registrar of the Company:

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

For enquiries from investors and securities analysts, please contact:

Capital Markets & Investor Relations Department
**China Power International Development Limited**
Suite 6301, 63/F, Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Tel.: (852) 2802 3861
Fax: (852) 2802 3922
Email: ir@chinapower.hk
Website: www.chinapower.hk

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

**Hong Kong Office:**
Suite 6301, 63/F, Central Plaza
18 Harbour Road, Wanchai, Hong Kong
Tel: (852) 2802 3861
Fax: (852) 2802 3922

**Beijing Office:**
East Building, Hui Huang Shi Dai Plaza, 56 North West Fourth Ring Road
Haidian District, Beijing, China
Tel: (86-10) 6260 1888
Fax: (86-10) 6260 1777