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)

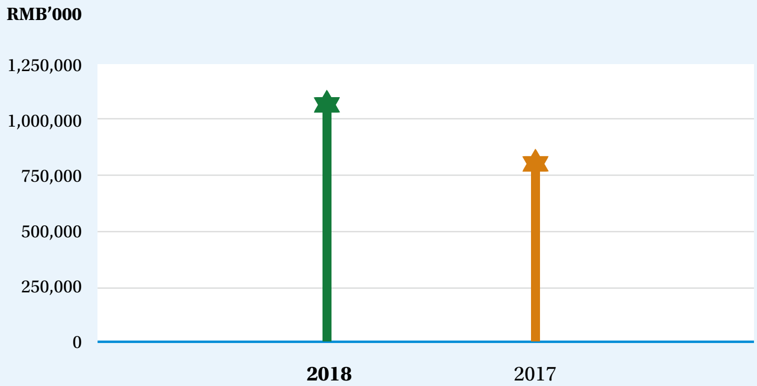
Annual Report 2018

Contents

2018 Financial Highlights

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

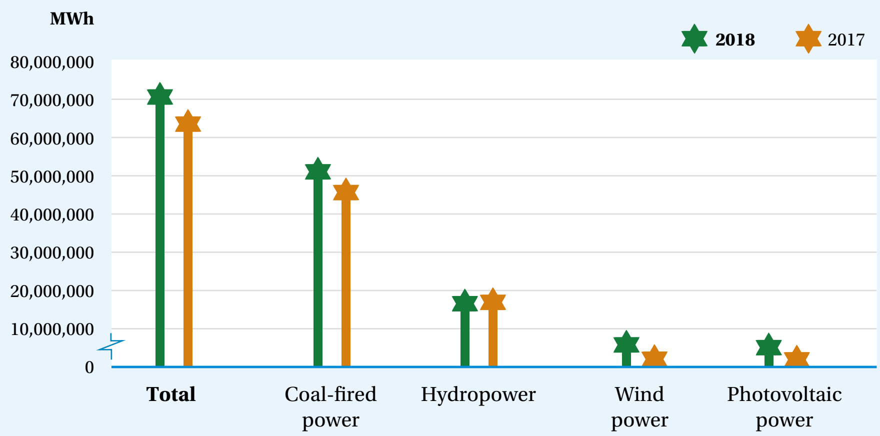
for the year ended 31 December



	2018 RMB'000	2017 RMB'000	Change %
Profit attributable to owners of the Company	**1,098,355**	795,272	38.11

TOTAL ELECTRICITY SOLD

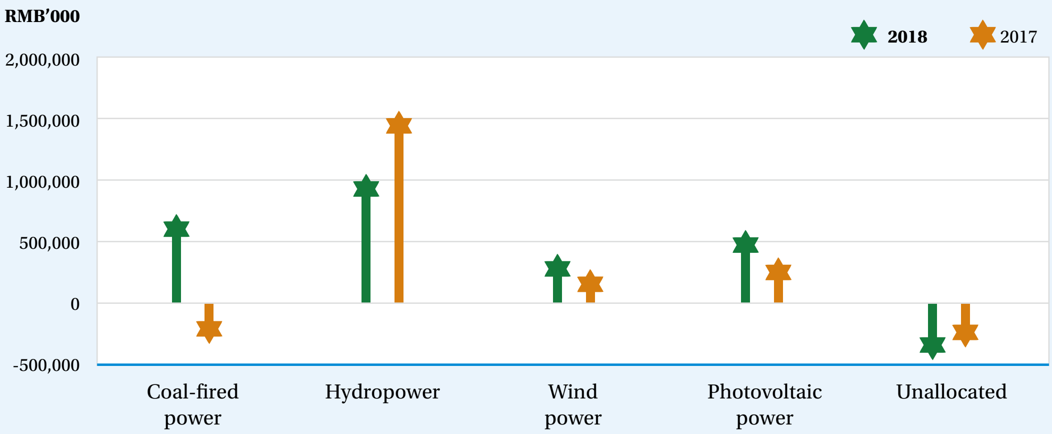
for the year ended 31 December



	2018 MWh	2017 MWh	Change %
Total power generation of subsidiaries	**74,101,429**	66,683,402	11.12
Total electricity sold of subsidiaries	**70,964,796**	64,053,714	10.79
— Coal-fired power	**51,112,016**	45,653,048	11.96
— Hydropower	**16,254,508**	16,852,555	-3.55
— Wind power	**1,953,422**	877,683	122.57
— Photovoltaic power	**1,644,850**	670,428	145.34
Total electricity sold of major associates and joint venture	**18,612,085**	19,579,150	-4.94
Associates			
— Coal-fired power	**15,230,041**	16,138,900	-5.63
— Photovoltaic power	**99,594**	62,323	59.80
Joint venture			
— Coal-fired power	**3,282,450**	3,377,927	-2.83

NET PROFIT

for the year ended 31 December



	2018 RMB'000	**Proportion %**	2017 RMB'000 (Restated)	Proportion %
Net profit	**1,637,185**	**100**	1,280,707	100
— Coal-fired power	**517,335**	**31.60**	(191,877)	-14.98
— Hydropower	**849,881**	**51.91**	1,449,809	113.20
— Wind power	**215,612**	**13.17**	29,759	2.32
— Photovoltaic power	**406,843**	**24.85**	193,354	15.10
— Unallocated	**(352,486)**	**-21.53**	(200,338)	-15.64

	2018 RMB'000	2017 RMB'000	Change %
Revenue	**23,175,626**	19,966,811	16.07
Profit attributable to owners of the Company	**1,098,355**	795,272	38.11
	RMB	RMB	%
Earnings per share			
— Basic	**0.11**	0.10	10.00
— Diluted	**0.11**	0.10	10.00

	2018 RMB'000	2017 RMB'000	Change %
Equity attributable to owners of the Company	**29,949,918**	29,801,880	0.50
Total assets	**124,958,857**	98,026,599	27.47
Cash and cash equivalents	**1,853,044**	4,577,786	-59.52
Total debts	**64,917,976**	51,640,030	25.71

Corporate Information

BOARD OF DIRECTORS

Executive Director

TIAN Jun *(President)*

Non-executive Directors

GUAN Qihong
WANG Xianchun

Independent Non-executive Directors

KWONG Che Keung, Gordon
LI Fang
YAU Ka Chi

AUDIT COMMITTEE

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

RISK MANAGEMENT COMMITTEE

KWONG Che Keung, Gordon
LI Fang
YAU Ka Chi

REMUNERATION AND NOMINATION COMMITTEE

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

EXECUTIVE COMMITTEE

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

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

BEIJING OFFICE

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

COMPANY WEBSITE

www.chinapower.hk

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited

- Ordinary Shares (Stock Code: 2380)

SHARE REGISTRAR AND TRANSFER OFFICE

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

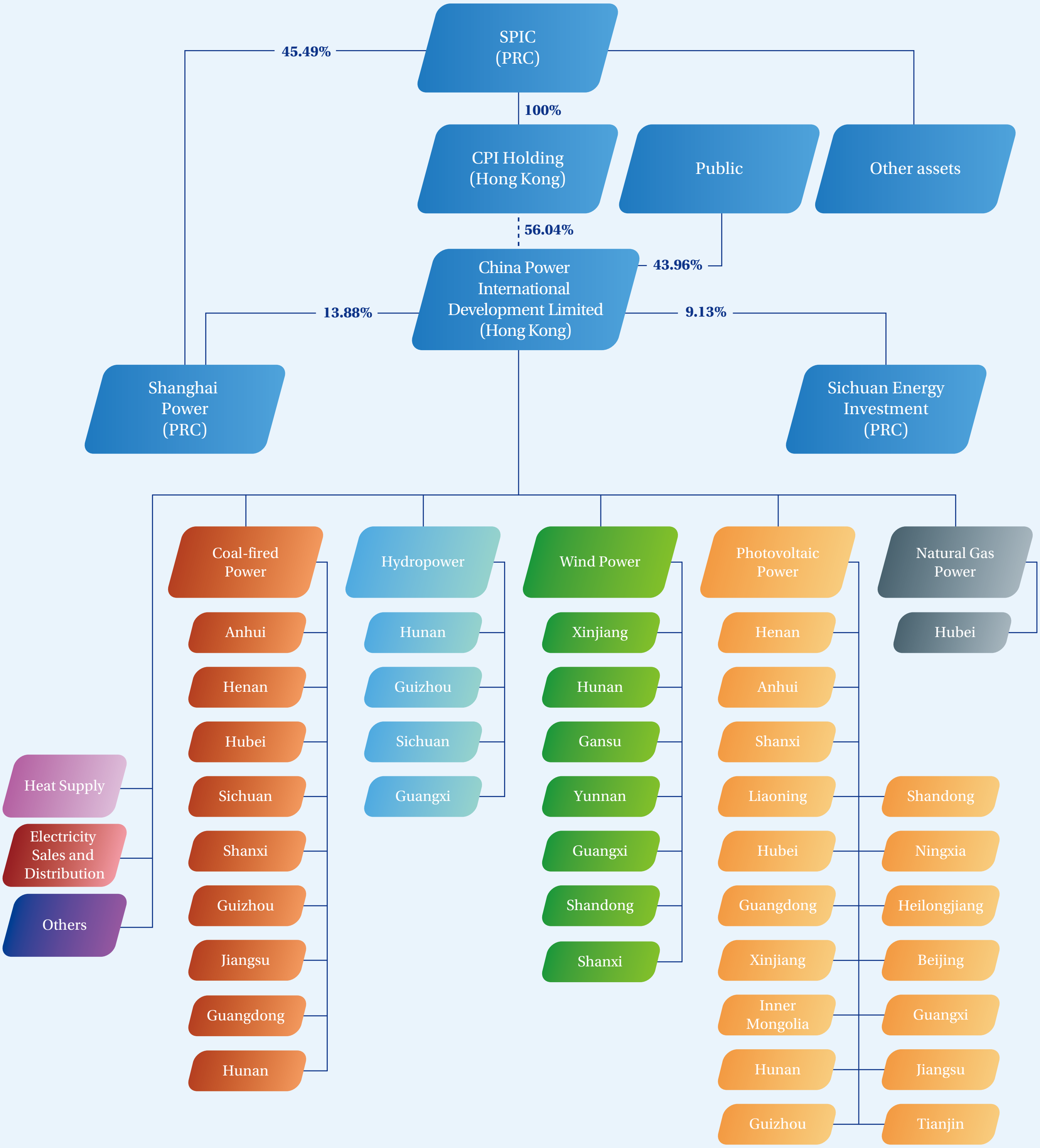
COMPANY SECRETARY

CHEUNG Siu Lan

AUDITOR

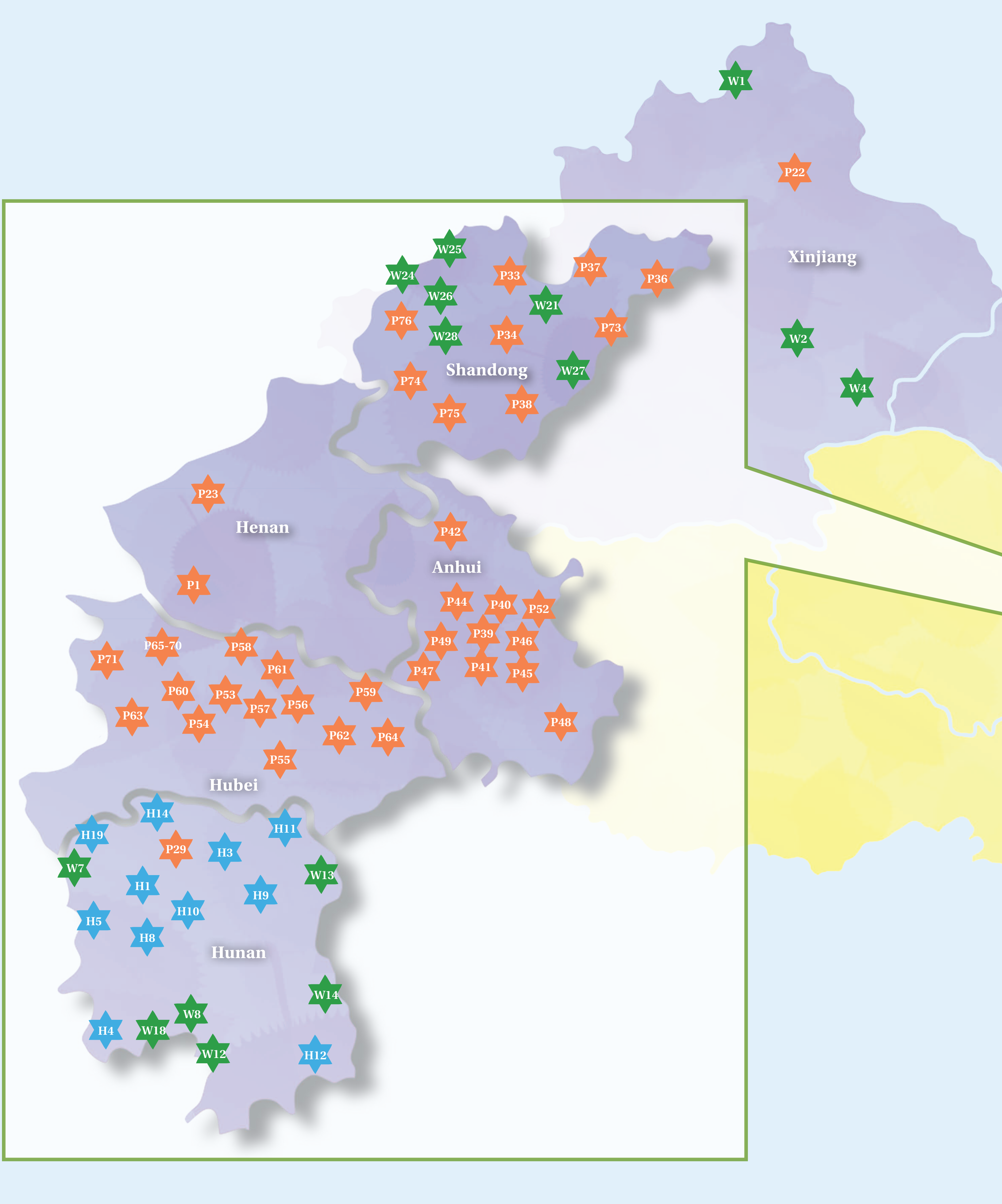
Deloitte Touche Tohmatsu

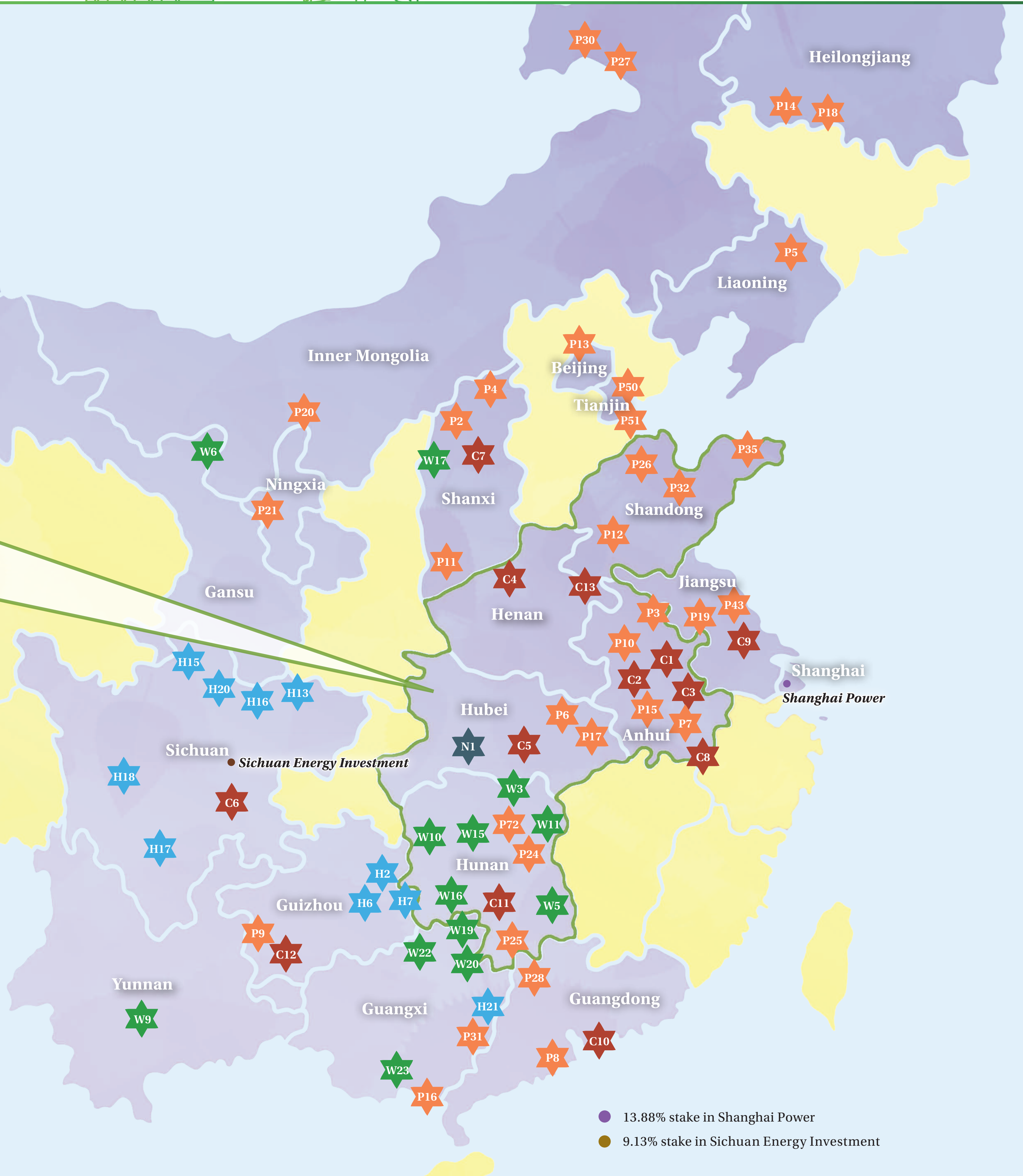
Group Structure



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

Company Profile





Heilongjiang
P30
P27
P14
P18
P5
Liaoning
Inner Mongolia
P13
Beijing
P50
Tianjin
P51
P4
P2
P20
W6
W17
C7
Ningxia
P21
Shanxi
P35
P26
P32
Shandong
P12
P11
C4
C13
Gansu
Jiangsu
P3
P19
P43
C9
Henan
P10
C1
C2
C3
Shanghai
Shanghai Power
H15
H20
H16
H13
Hubei
P6
P15
P7
P17
Anhui
C8
N1
C5
Sichuan
Sichuan Energy Investment
H18
C6
W3
W11
P72
W15
W10
P24
H17
Hunan
H2
H6
H7
W16
C11
W5
Guizhou
W19
P9
C12
P25
W22
W20
P28
Yunnan
W9
Guangxi
H21
Guangdong
P31
C10
P8
W23
P16
13.88% stake in Shanghai Power
9.13% stake in Sichuan Energy Investment

China Power was incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance on 24 March 2004 and is a core subsidiary for conventional energy business of SPIC, the only integrated energy group which simultaneously owns coal-fired power, hydropower, nuclear power and renewable energy resources in the PRC.

The shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 15 October 2004. The stock code is 2380. During the start-up stage, the Company's principal business is to develop, construct, own, operate and manage large coal-fired power plants in the PRC.

Through continuous development and active acquisitions over the last decade, the Company has expanded its business into the areas of, among others, coal-fired power, hydropower, wind power, photovoltaic power, electricity sales and distribution and integrated energy. Various business segments are growing orderly along with the constant expansion of the Group.

In 2018, upon the partial completion of the acquisition of all equity interests in five companies from parent companies, SPIC and CPI Holding, the additional installed capacity of the Group amounted to 1,758.2MW in aggregate, all being clean energy. The transaction has led the Group a huge step towards transforming itself into a clean energy company.

As at 31 December 2018, the Group's total attributable installed capacity was 19,731.6MW, of which attributable installed capacity of clean energy was 6,487.9MW, accounting for 32.88% of all attributable installed capacity.

EXISTING POWER PLANTS

As at 31 December 2018, the Group owned and operated the power plants as follows:

Coal-fired Power

Nos.	Power Plant	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)
C1	Pingwei Power Plant	1,260	100	1,260
C2	Pingwei Power Plant II	1,280	75	960
C3	Pingwei Power Plant III	2,000	60	1,200
C4	Yaomeng Power Plant	2,160	100	2,160
C5	Dabieshan Power Plant	1,280	51	652.8
C6	Fuxi Power Plant	1,200	51	612
C7	CP Shentou Power Plant	1,200	80	960
C8	Wuhu Power Plant	1,320	100	1,320
C9	Changshu Power Plant	3,320	50	1,660
C10	Xintang Power Plant	600	50	300
C11	Li Yu Jiang Power Plant	600	25.20	151.2
C12	Pu'an Power Plant	660	95	627
C13	Shangqiu Power Plant	350	100	350
●	Shanghai Power	7,425.5	13.88	1,030.7
Total		**24,655.5**		**13,243.7**

Hydropower

Nos.	Power Plant	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)
H1	Wu Qiang Xi Power Plant	1,200	63	756
H2	San Ban Xi Power Plant	1,000	59.85	598.5
H3	Ling Jin Tan Power Plant	270	63	170.1
H4	Hong Jiang Power Plant	270	37.06	100.1
H5	Wan Mi Po Power Plant	240	63	151.2
H6	Gua Zhi Power Plant	150	59.85	89.8
H7	Baishi Power Plant	420	59.85	251.4
H8	Tuokou Power Plant	830	37.06	307.6
H9	Zhu Xi Kou Power Plant	74	63	46.6
H10	Dong Ping Power Plant	72	63	45.4
H11	Ma Ji Tang Power Plant	55.5	63	35
H12	Jin Wei Zhou Power Plant	63.2	63	39.8
H13–H18	Other small hydropower plants	149	~44.1-63	88.3
H21	Changzhou Power Plant	630	64.93	409.1
●	Sichuan Energy Investment	138.7	9.13	12.7
Total		**5,562.4**		**3,101.6**

Wind Power

Nos.	Power Plant	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)
W1	Burqin Power Plant	49.5	63	31.2
W2	Toksun Power Plant	49.5	63	31.2
W3	Yaoposhan Power Plant	50	63	31.5
W4	Shanshan Power Plant	99	63	62.4
W5	Dongganglin Power Plant	50	63	31.5
W6	Gulang Power Plant	100	44.1	44.1
W7	Daqingshan Power Plant	50	63	31.5
W8	Xinshao Longshan Power Plant	50	63	31.5
W9	Xinping Power Plant	49.5	32.13	15.9
W10	Lianyuan Longshan Power Plant	46	44.1	20.3
W11	Jingzhushan Power Plant	50	63	31.5
W15	Ziyunshan Power Plant	26	44.1	11.5
W16	Shangjiangxu Power Plant	48	44.1	21.2
W19	Jinzishan Wind Power	99	50.57	50.1
W20	Xing'an Wind Power	546.5	95	519.2
W21	Anqiu Hengtai	99	51	50.5
●	Shanghai Power	1,751.5	13.88	243.1
Total		**3,213.5**		**1,258.2**

Photovoltaic Power

Nos.	Power Plant	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)
P1	Luoyang Yituo Power Station	6	100	6
P2	Shuocheng District Power Station	50	100	50
P3	Jiaoganghu Power Station	40	100	40
P4	Datong CP	100	100	100
P5	Tieling Power Station	25	100	25
P6	Tiemengang Power Station	50	100	50
P7	Huangnitan Power Station	20	100	20
P8	CP Jiangmen	14	100	14
P9	Pu'an New Energy	100	100	100
P10	Xiejiaji Power Station	70	100	70
P11	Ruicheng Power Station	80	100	80
P12	Xintai Power Station	100	100	100
P13	Beike Power Station	0.5	100	0.5
P14	Huiqing Power Station	80	70	56
P15	Hefei Airport	1	100	1
P16	Hepu Power Station	20	100	20
P17	CP Juxin	5.8	51	3
P18	ZhaoZhou Power Station	80	70	56
P19	Fushan Power Station	75	50	37.5
P20	Wuhai Power Station	50	63	31.5
P21	Zhongning Longji	200	44.1	88.2
P22–P30	Other small photovoltaic stations under Wu Ling Company	171	~44.1-63	92.6
P31	Changzhou Power Station	20	64.93	13
P32–P38	Other small photovoltaic stations under Shandong Company	32.8	70	22.9
P39	Huainan New Energy	130	100	130
P40	Fengyang New Energy	40	100	40
P41–P52	Other small photovoltaic stations under Anhui Company	64.2	~35.7-100	40.8
P53	Suizhou Jineng	33.5	70	23.5
P54	Shayang Power Station	46.1	100	46.1
P55	Hanchuan Power Station	32.7	100	32.7
P56	Xiaochang Power Station	36.6	70	25.6
P57–P71	Other small photovoltaic stations under Hubei Company	144.3	~65-100	110.5
●	Shanghai Power	1,711	13.88	237.5
Total		**3,629.5**		**1,763.9**

Natural Gas Power

Nos.	Power Plant	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)
●	Shanghai Power	2,624.2	13.88	364.2
Total		**2,624.2**		**364.2**

PROJECTS UNDER CONSTRUCTION

As at 31 December 2018, the Group's projects under construction are as follows:

Nos.	Power Plant	Type of Power Plant	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)
C12	Pu'an Power Plant	Coal-fired power	660	95	627
C5	Dabieshan Power Plant	Coal-fired power	1,320	51	673.2
C13	Shangqiu Power Plant	Cogeneration of heat and power	350	100	350
H19	Luoshuidong Power Plant	Hydropower	35	63	22.1
H20	Mawo Power Plant	Hydropower	32	63	20.2
H1	Wu Qiang Xi Power Plant	Hydropower	500	63	315
W10	Lianyuan Longshan Power Plant	Wind power	3.9	44.1	1.7
W12	Weishan Power Plant	Wind power	70	63	44.1
W13	Songmutang Power Plant	Wind power	50	63	31.5
W14	Taihexian Power Plant	Wind power	50.5	63	31.8
W15	Ziyunshan Power Plant	Wind power	24	44.1	10.6
W16	Shangjiangxu Power Plant	Wind power	22	44.1	9.7
W17	Dashetou Power Plant	Wind power	50	56.7	28.4
W18	Jinzixian Power Plant	Wind power	50	63	31.5
W19	Jinzishan Wind Power	Wind power	150	50.57	75.9
W20	Xing'an Wind Power	Wind power	150	95	142.5
W22	Lingtian Power Plant	Wind power	60	100	60
W23	Dahuaishan Power Plant	Wind power	200	84.2	168.4
W24	Ningjin Power Plant	Wind power	50	66	33
W25	Qingyun Power Plant	Wind power	150	66	99
W26	Shanghe Power Plant	Wind power	100	66	66
W27	Aishan Power Plant	Wind power	100	66	66
W28	Jiudingshan Power Plant	Wind power	100	70	70
W21	Anqiu Hengtai	Wind power	110	51	56.1
P4	Datong CP	Photovoltaic power	400	100	400
P72	Zhongchuliang Power Station	Photovoltaic power	12	44.1	5.3
P33, P35, P73–P76	Other small photovoltaic stations under Shandong Company	Photovoltaic power	33.5	~51-100	25.9
P54–P57	Other small photovoltaic stations under Hubei Company	Photovoltaic power	36.2	~70-100	34.7
N1	Jingmen Lvdong	Natural gas power	144	90	129.6
Total			**5,013.1**		**3,629.2**

NEW DEVELOPMENT PROJECTS

As at the date of this annual report, the total installed capacity of new projects in a preliminary development stage (including projects which the approvals from government of the PRC have been applied for) is approximately 5,700MW. The categories are distributed as follows:

Type of Power Plant	Installed Capacity (MW)
Renewable energy (wind power and photovoltaic power)	3,300
Natural gas power	400
Coal-fired power	2,000
Total, approximately	**5,700**

ULTIMATE CONTROLLING COMPANY — SPIC

The Company is ultimately owned by SPIC, a wholly State-owned enterprise established by the approval of the State Council of the PRC. The business of SPIC includes power, coal, aluminum, logistics, finance, environmental protection and high-tech industries, etc. with a total installed capacity of approximately 143GW.

PHOTOS OF CERTAIN SUBSIDIARIES AND POWER PLANTS

Ling Jin Tan Power Plant

Xing'an Wind Power's Shibanling Power Plant

Anhui Company's office building

Changzhou Power Plant

Hubei Company's Shiyan Huayuan Power Station

Guangxi Company's office building

Tieling Power Station

Shandong Company's office building

Major Events in 2018

January

China Power announced the Group's total electricity sold for the year in 2017 amounted to 64,053,714MWh, representing an increase of 5.42% over 2016.

China Power announced that CPDL, its substantial shareholder, had completed an issue of non-voting convertible preferred shares to Seth Holdings in December 2017.

Wu Ling Power obtained Zhongning Longji with a 200MW photovoltaic power project through acquisition.

February

Shanxi Shentou, a wholly-owned subsidiary, established a joint venture with Jiangsu Guoxin, China Coal Pingshuo, Datong Mine, Datang International and Shanxi Solar to invest and operate the Yanhuai UHVDC Matching Power Points Project. Shanxi Shentou will make contribution by way of cash and the equity interest in a non-wholly-owned subsidiary (i.e. 80% equity interest in CP Shentou), which will result in a disposal of CP Shentou.

March

China Power announced the annual results of the Group for 2017, of which the profit attributable to owners of the Company amounted to RMB795,272,000, representing a decrease of 66.39% over 2016.

April

China Power announced the Group's total electricity sold for the first quarter in 2018 amounted to 15,604,599MWh, representing an increase of 4.88% over the same period in 2017.

May

The closing processes for the respective acquisitions of Guangxi Company and Shandong Company from CPI Holding and SPIC by China Power had been completed.

June

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

CPI Holding, the controlling shareholder, purchased a total of 42,000,000 shares of the Company in the open market. Upon completion, CPI Holding held approximately 56.04% of the issued share capital of China Power.

China Power obtained Huiqing Power Station with an 80MW photovoltaic power project through acquisition.

China Power published the Environmental Protection and Social Responsibility Report 2017.

July

China Power announced the Group's total electricity sold for the first half of 2018 amounted to 33,095,069MWh, representing an increase of 11.66% over the same period in 2017.

China Power announced changes in Directors that Mr. YU Bing resigned as an executive Director, the Chairman of the Board, the Chairman of Risk Management Committee and Executive Committee under the Board and an authorized representative of the Company; and Mr. Tian Jun was appointed as the Chairman of the Executive Committee under the Board and the authorized representative of the Company.

August

China Power announced the interim results of the Group for 2018, of which the profit attributable to owners of the Company amounted to RMB606,389,000, representing a year-on-year increase of 42.63% as compared with 2017.

September

Due to the withdrawal of Datang International, Shanxi Shentou entered into an amended and restated joint venture agreement afresh with Jiangsu Guoxin, China Coal Pingshuo, Datong Mine and Shanxi Solar, and its equity interest in the joint venture will increase from 9% to 9.5%.

October

China Power completed the issuance of the first-tranche of the medium-term note in the amount of RMB2 billion in the PRC, with a term of three years and an annual interest rate of 4.15%.

The capital injection to SPIC Changzhou and Yuanjiang Company, both being subsidiaries, in an amount of RMB1.5 billion and RMB3 billion, respectively was proposed.

China Power announced the Group's total electricity sold for the first three quarters in 2018 amounted to 52,908,537MWh, representing an increase of 7.62% over the same period in 2017.

November

The first 350MW coal-fired heat and power co-generation unit of Shangqiu Power Plant, a wholly-owned subsidiary, officially commenced its commercial operation.

The capital injection to SPIC Jinzishan, a subsidiary, in an amount of RMB290 million was proposed.

December

The closing processes for the acquisition of Anhui Company, Hubei Company and Shouxian Company from SPIC by China Power had been completed.

The first 660MW coal-fired generation unit of Pu'an Power Plant, a non-wholly owned subsidiary of the Company, officially commenced its commercial operation.

China Power obtained Zhaozhou Power Station with an 80MW photovoltaic power project through acquisition.

China Power's shareholding in Sichuan Energy Investment was diluted from 12.17% to 9.13% due to the issuance of new shares as a result of its listing on the Hong Kong Stock Exchange.

China Power was awarded the "Excellent Corporate Award for Responsible Disclosure of Information" (責任信息披露卓越企業獎) at the 2018 Public Transparency Forum of the PRC Electricity Industry Players (中國電力行業企業公眾透明度論壇).

Letter to Shareholders

BUSINESS REVIEW OF 2018

In 2018, the Group proactively promoted transformation and development and actively responded to market changes, and hence ensured that the operating targets for the year were achieved, leading to a rebound in its operating results.

The operating results improved significantly, creating value for the shareholders. In 2018, the Group seized the opportunities to strengthen its marketing efforts and actively participated in electricity market sales to increase the volume of electricity sales, achieving a year-on-year increase of 11.72% in the utilization hours of coal-fired power generating units. In 2018, the Group's total electricity sold for the year increased by 10.79% as compared with the previous year, revenue increased by 16.07% as compared with the previous year, and the profit attributable to owners of the Company amounted to RMB1,098,355,000, representing an increase of 38.11% as compared with the previous year, thereby increasing value for shareholders.

The asset structure has been further optimized with enhanced profitability and increased proportion of clean energy installed capacity. In 2018, the attributable installed capacity of new power generation of the Group amounted to 2,680MW, among which 1,792MW came from clean energy. The acquisitions of Guangxi Company, Shandong Company, Anhui Company, Hubei Company and Shouxian Company were completed successively during the year, which have enhanced the profitability of the Group and promoted the optimization of the Group's power supply structure. As of the end of 2018, clean energy accounted for 32.88% of the attributable installed capacity of the Group, up by 5.34 percentage points as compared with the previous year.

Meanwhile, the Group is actively reducing the equity interest in coal-fired power business. In September last year, Shanxi Shentou, a subsidiary of the Group, entered into a joint venture agreement with five companies including Jiangsu Guoxin to establish a long-term strategic platform for Shanxi and Jiangsu provinces through capital contribution by way of the interest it held in CP Shentou. The centralized supply and distribution of electricity from Shanxi Province into Jiangsu Province not only improves the operating efficiency, but also reduces the proportion of shareholding in the coal-fired power business.

Integrated development was progressing steadily. In 2018, the heating supply business of the Group was further expanded with the heat sold recording a year-on-year increase of 5.86%; and the construction of digitalized power plant and digital enterprise has been progressing at a faster pace. The digitalization construction of Pu'an Power Plant has been completed during the year, and hence optimized the operation of the power plant and reduced operating risks and maintenance costs through management under the fully automated system. With the application of the integrated power and energy management system, the Group successfully pushed forward the integrated intelligent energy projects in Beijing, Anhui, Sichuan and other places. Moreover, the Group has actively initiated the development and utilization of hydrogen power and has reached a cooperation intention with the Beijing Government in respect of the demonstration projects for the application of hydrogen power.

Operating costs were under effective control. Despite the rising coal price in the market, the Group achieved effective control over fuel cost through long-term contracts, futures, market transactions and other measures which allowed it to seize opportunities to build up inventory at low seasons for consumption at peak seasons and stagger coal inventories. In the meantime, upon enhancement, refined production management has brought the cost of each generating unit on a downward trend. Apart from the continuous improvement in power station maintenance and operation, construction management, repair and technology upgrade, the Group also achieved effective cost control which led to the year-on-year decreases in staff costs as well as repair and maintenance fees.

Financial structure was optimized. The Group maintained low overall financing costs by making flexible use of various forms of financing, broadening financing channels, timely adjusting the debt structure and actively introducing strategic investors at the subsidiary level. It also promoted asset restructuring and accelerated the disposal of idle assets to keep the debt ratio at a reasonable level, which resulted in a more sound and risk-resilient capital structure of the Group.

In 2018, the Group has duly fulfilled its social responsibility. Committed to both creating values for shareholders and fulfilling social responsibilities, it strived to provide a safe, green and healthy production environment for resources conservation and environmentally friendly practices.

OUTLOOK FOR 2019

Given that the economy remains robust in general, national total power consumption increases substantially and the power industry will reap the benefits of better profitability. Looking ahead, the economy will see changes and concerns amidst stability. Against such backdrop, the combined effects of market and policy factors, such as the general excess supply over demand in the power industry, together with the advancement of the market-oriented reform in the power sector and the reform of state-owned enterprises, will bring additional complexity and volatility to the power industry. In view of the internal and external environment where opportunities and challenges coexist, the Group will continue to pursue steady growth and enhance market competitiveness by capitalizing on policy, market and industry reform. It will also push forward corporate reform, enhance management and promote innovation to achieve high-quality and sustainable development.

In 2019, the Group will focus on the following priorities:

Full commitment to all operating goals and shareholder value maximization. The Group will further enhance the profitability of the hydropower and coal-fired power businesses, while promoting the photovoltaic power and wind power businesses for higher profit generation. It will actively explore the heat supply market for coal-fired power generating units as a new growth point. Besides, it will strengthen marketing capabilities to give full play to its role as a power trading company driven by the demand from the user side. In order to provide better and more innovative services, it will explore quality customer resources and carry out differentiated exploration and service offerings, which will bring competitive edges and improvements in operating results. In 2019, the Group will also maintain steady dividend payout to protect shareholders' interests.

Further optimization of installed capacity distribution to advance transformation and development. The Group will ensure the smooth progress of clean energy projects, further reduce its interests in coal-fired power projects and optimize installed capacity structure, so as to accelerate its transformation into a clean energy enterprise. It will continue business exploration in integrated development segment and pursue growth in integrated energy management for industrial parks, energy services for commercial customers and the exploration and application of hydrogen power. Based on the leading technology of digitalized energy management, it will develop intelligent energy projects to expedite its transformation towards an integrated energy company.

Leveraging control and risk prevention. The Group will coordinate and make plans for the development of quality projects and leveraging control, while enhancing asset efficiency through assets monetization, consolidation and utilization. In addition to capital expenditure control, it will also secure the availability of funds for quality projects. At the same time, the Group will optimize the debt structure, place the gearing ratio under control and broaden financing channels to achieve lower capital cost. It will speed up the establishment of the complete and comprehensive risk management system, carry out active risk identification and reinforce risk management in various areas including safety and environmental protection, operational compliance, availability of funds and project management, so as to ensure healthy business development.

Promoting reform and innovation to strengthen management. As a subsidiary of one of the "Double-Hundred Enterprises", the Company will spare no effort in the mission of integrated reform. It will prioritize and seek breakthroughs in key areas and fields such as the optimization of the staff pay assessment and incentive system, the commencement of integrated reform in the power station service industry and user service industry, the improvement of labor productivity of old power plants and the establishment of an innovative data-sharing platform. In the context of the reform of state-owned enterprises, the market-oriented reform in the electricity industry and the supply-side structural reform, the Company will seize opportunities and take the initiative. It will boost corporate vitality and create new momentum for corporate growth by setting its foothold in new business areas and business models.

In 2019, the Group will forge ahead with reform for development and pursue innovation and progress in a pragmatic manner, so as to accomplish all goals and missions for the year and secure better returns for our shareholders!

TIAN Jun
Executive Director

21 March 2019

Directors and Senior Management Profiles

EXECUTIVE DIRECTOR

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

NON-EXECUTIVE DIRECTORS

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

KWONG Che Keung, Gordon, born in 1949, is an independent non-executive Director, the chairman of the Audit Committee, a member of the Remuneration and Nomination Committee and the Risk Management Committee. He joined the Group in 2004. Mr. KWONG is currently an independent non-executive director of a number of companies listed in Hong Kong and overseas, including NWS Holdings Limited, OP Financial Limited, Global Digital Creations Holdings Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Agile Group Holdings Limited, Chow Tai Fook Jewellery Group Limited, FSE Services Group Limited and Piraeus Port Authority S.A.. Mr. KWONG was a partner of Pricewaterhouse from 1984 to 1998 and was a council member of the Hong Kong Stock Exchange from 1992 to 1997. Mr. KWONG has a bachelor 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, the chairman of the Remuneration and Nomination Committee, a member of the Audit Committee and the Risk Management Committee. He joined the Group in 2004. Mr. LI has a bachelor degree in mechanical engineering from University of Science and Technology Beijing and a juris doctorate degree from the College of Law of Arizona State University in the United States in 1995. Mr. LI is currently an independent non-executive director of China Power Clean Energy Development Company Limited and a director of Qinhuangdao Chincell-Town Foods Co., Ltd.. Mr. LI has extensive experience in business management and corporate finance. He previously served as an executive director of Goldman Sachs (Asia) L.L.C. and a lawyer with Davis Polk and Wardwell LLP in the United States.

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

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

SENIOR MANAGEMENT

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

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

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

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

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

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

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

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

FU Jinsong, born in 1974, is a vice president of the Company. Mr. FU is an economist. He holds a master degree in administration and management from Sun Yat-Sen University and a certified corporate legal adviser qualification in China. Mr. FU also acts as the deputy general manager of CPI Holding. He joined the Group in 2018. Mr. FU previously served as the deputy general manager of Policy Planning and Intellectual Property Department of SPIC, a seconded research consultant of Bureau of Enterprise Reform of State-owned Assets Supervision and Administration Commission of the State Council, the policy research manager of Policy Planning and Legal Department of State Nuclear Technology Corporation and a deputy research consultant of the General Planning Office of General Administration of Customs of the PRC.

COMPANY SECRETARY

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

Management's Discussion and Analysis

BUSINESS REVIEW

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

In 2018, the national total electricity consumption in China rose by 8.5% as compared with the previous year, reaching a record high over the past seven years. The national power generation recorded an increase of 8.4% as compared with the previous year, among which, coal-fired power increased by 7.3% as compared with the previous year; and hydropower increased by 3.2% as compared with the previous year. As of the end of 2018, the national power generation installed capacity increased by 6.5% and the growth rate slowed down as compared with the previous year. Overall, despite further slowdown in newly installed capacity, the national electricity demand grew steadily with balanced supply and demand in general.

In 2018, the Group achieved significant progress in transformation and development strategy by further increasing the proportion of clean energy assets and accelerating its transformation into a clean energy enterprise. During the year under review, the Group completed the acquisitions of Guangxi Company, Shandong Company, Anhui Company, Hubei Company and Shouxian Company, where all their assets are high-quality clean energy projects. As of the end of 2018, the Group's attributable installed capacity of clean energy reached 6,487.9MW, representing an increase of 38.16% as compared with the previous year.

During the year under review, the Group won the bid for and commenced the construction of four photovoltaic power projects with an installed capacity of 100MW each for Datong Phase II in Shanxi Province, the PRC. All of these projects are expected to commence operation in 2019. As national “Top-Runner” photovoltaic power demonstration projects recognized by the National Energy Administration of the PRC, they are of strategic significance to the Group.

In 2018, the Group recorded a substantial improvement in its operating results. The profit for the year attributable to owners of the Company was RMB1,098,355,000, representing a significant increase of 38.11% as compared with the previous year. It was mainly the impact of consolidating the results of the newly acquired clean energy project companies, in particular from the hydropower generating units in Guangxi, the PRC; the substantial increase in contributions from photovoltaic power and wind power; and the increase in both electricity sales and average on-grid tariff of coal-fired power that turned around to profit during the year under review. Basic earnings per share was approximately RMB0.11. As at 31 December 2018, net assets per share (excluding non-controlling interests) was RMB3.05.

Power Generation and Electricity Sold

The details of power generation and electricity sold of the Group are set out as follows:

	2018 MWh	2017 MWh	Changes %
Total power generation	**74,101,429**	66,683,402	11.12
— Coal-fired power	**53,941,613**	48,021,260	12.33
— Hydropower	**16,460,658**	17,067,759	–3.56
— Wind power	**2,023,659**	912,880	121.68
— Photovoltaic power	**1,675,499**	681,503	145.85
Total electricity sold	**70,964,796**	64,053,714	10.79
— Coal-fired power	**51,112,016**	45,653,048	11.96
— Hydropower	**16,254,508**	16,852,555	–3.55
— Wind power	**1,953,422**	877,683	122.57
— Photovoltaic power	**1,644,850**	670,428	145.34

In 2018, the total electricity sold by the Group amounted to 70,964,796MWh, representing an increase of 10.79% as compared with the previous year. In respect of coal-fired power, due to the increased demand for electricity in the provinces where the Group's coal-fired power plants are located and rising sales volume obtained by individual coal-fired power plants through market bidding, the electricity sold significantly grew 11.96%.

Under the Group's vigorous efforts in promoting the development of clean energy, both electricity sale of wind power and photovoltaic power were significantly up by 122.57% and 145.34% year-on-year respectively. As for the hydropower segment, the Group experienced a significant decline in terms of power generation due to low rainfall in Hunan Province, the PRC where some of the Group's hydropower plants are located, which offset part of the positive impact of consolidating the result of hydropower from Guangxi Company during the year.

The Group also performed well in gaining incentive electricity from local governments. In recognition of the fulfilment of certain specific targets of the government in respect of environmental protection, heat supply capacity of the generating units and productivity of some power generating units, the amount of various incentive electricity available for production accumulatively obtained by the Group increased significantly during the year as compared with the previous year.

The details of electricity sales of the Group's main associates and joint ventures are set out as follows:

	2018 MWh	2017 MWh	Changes %
Total electricity sold	**18,612,085**	19,579,150	–4.94
Associates			
— Coal-fired power	**15,230,041**	16,138,900	–5.63
— Photovoltaic power	**99,594**	62,323	59.80
Joint Venture			
— Coal-fired power	**3,282,450**	3,377,927	–2.83

Heat Sold

In order to strongly support the existing environmental policies promulgated by the PRC government, the Group has carried out in-depth exploration in the heat supply potentials in various regions, strengthened the development of user base and promoted the construction of centralized heating pipe networks in recent years, thereby achieving satisfactory results in energy efficiency upgrade and development of heat supply market. In 2018, the total heat sold by the Group (including an associate and two joint ventures) was 18,480,340GJ, representing an increase of 1,022,329GJ or 5.86% as compared with the previous year.

In 2018, an associate of the Group completed the optimization and expansion of the heating system of four generating units, and the maximum heat supply of each generating unit has increased by 150%, greatly improving its heating capacity.

Direct Power Supply

The Group has played an active role in the market-oriented reform of national power industry, analyzed the opportunities therein and participated in direct power supply transactions (including competitive bidding for on-grid electricity sales) with a view to securing market share. In 2018, a number of coal-fired power plants and clean energy power plants of the Group participated in direct power supply transactions, the electricity sold through direct power supply transactions amounted to 19,913,594MWh and 3,360,047MWh respectively, together accounting for approximately 32.80% of the Group's total electricity sold.

As direct power supply is a way of open market trading of electricity, the tariffs will therefore vary with supply and demand in the electricity market. In 2018, for those coal-fired power and hydropower plants of the Group which participated in direct power supply transactions, their average post-tax tariffs were at a discount of approximately 8.02% and 1.03% respectively compared with the respective average post-tax on-grid tariffs approved by the PRC government (including ultra-low emission tariff). The direct power supply tariff discount for coal-fired power was slightly lower than that of 2017.

On-Grid Tariff

In 2018, the Group's average on-grid tariffs as compared with the previous year were as follows:

- coal-fired power was RMB324.57/MWh, representing an increase of RMB11.43/MWh;
- hydropower was RMB280.86/MWh, representing a decrease of RMB3.76/MWh;
- wind power was RMB463.55/MWh, representing an increase of RMB20.21/MWh; and
- photovoltaic power was RMB677.98/MWh, representing a decrease of RMB46.00/MWh.

The year-on-year increase in average on-grid tariff of coal-fired power of the Group was mainly due to the rise of the relevant on-grid tariffs commencing from 1 July 2017. The increase in average on-grid tariff of wind power was mainly due to the higher average tariff resulting from some newly operating wind power plants and the consolidation of new wind power project companies with higher average on-grid tariffs. The decrease in average on-grid tariff of photovoltaic power was mainly due to the reductions of on-grid tariffs by the National Development and Reform Commission for those photovoltaic power projects that commenced operation after 1 January 2018 and 31 May 2018 respectively.

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

Unit Fuel Cost

In 2018, the average unit fuel cost of the Group's coal-fired power business was RMB215.62/MWh, representing an increase of 3.07% from that of RMB209.19/MWh of the previous year. The unit fuel cost in 2017 increased by 35.48% as compared with the prior year, indicating a significantly stabilized unit fuel cost in 2018.

Coal Consumption

In 2018, the net coal consumption rate of the Group was 302.41g/kWh, representing a decrease of 1.82g/kWh as compared with the previous year. The existing coal-fired power generating units of the Group are mostly environmental friendly power generating units with large capacity and high parameter. These units have achieved substantial effect in energy saving and emission reduction, which have helped maintaining the net coal consumption rate at a low level, and outperformed the national standard coal consumption rate of power supply.

Utilization Hours of Power Generating Units

In 2018, the average utilization hours of the Group's coal-fired power generating units was 4,585 hours, representing an increase of 481 hours as compared with the previous year. Due to the fact that the PRC government has been committed to regulating the development of coal-fired power in an orderly manner in recent years, the growth of newly-installed capacity of coal-fired power across China slowed down and the national total electricity consumption increased while the average utilization hours of coal-fired power of the Group also picked up.

The average utilization hours of hydropower generating units was 3,148 hours, representing a decrease of 405 hours as compared with the previous year, mainly attributable to the decrease in power generation as a result of low rainfall in the river basins where some of the hydropower plants of the Group are located. The average utilization hours of wind power generating units was 1,967 hours, representing an increase of 114 hours as compared with the previous year. The average utilization hours of photovoltaic power stations was 1,398 hours, representing a decrease of 132 hours as compared with the previous year.

OPERATING RESULTS OF 2018

In 2018, the net profit of the Group amounted to RMB1,637,185,000, representing an increase of RMB356,478,000 as compared with the previous year. During the year under review, the Group continued to promote the development of clean energy. With the commencement of operation of various new power generating units and the consolidation of newly acquired project companies, profit contribution from wind power and photovoltaic power segments grew dramatically. The coal-fired power segment realized a turnaround in profit attributing to the increase in both electricity sold and average on-grid tariff as compared with the previous year.

In 2018, the net profit and loss of each business segment and their respective ratio of contribution to the total net profit were as follows:

- net profit from hydropower was RMB849,881,000 (51.91%, 2017: 113.20%);
- net profit from wind power was RMB215,612,000 (13.17%, 2017: 2.32%);
- net profit from photovoltaic power was RMB406,843,000 (24.85%, 2017: 15.10%);
- net profit from coal-fired power was RMB517,335,000 (31.60%, 2017 (restated): -14.98%); and
- unallocated net loss was RMB352,486,000 (-21.53%, 2017 (restated): -15.64%).

As compared with 2017, the changes in net profit were mainly due to the following factors:

- Revenue from coal-fired power increased by RMB2,293,959,000, which was attributable to the increase in sales and rise of the average on-grid tariff of coal-fired power as compared with the previous year;
- Revenue from wind power and photovoltaic power increased by RMB1,146,191,000 in aggregate due to the commencement of commercial operation of various new power generating units and the consolidation of newly acquired project companies;
- Revenue from hydropower decreased by RMB231,335,000 as a result of lower hydropower electricity sales and the decrease in average on-grid tariff of hydropower as compared with the previous year;
- Fuel costs increased by RMB1,470,717,000 as a result of the increase in unit fuel cost of RMB6.43/MWh and the increase in fuel consumption attributable to the growth in sales of coal-fired power during the year;
- Depreciation of plant and equipment and staff cost increased by RMB677,984,000 in aggregate as a result of business expansion, newly acquired project companies and addition of power generating units; and
- Finance costs increased by RMB722,651,000 as a result of the increase in total debts level and overall interest rates.

Revenue

The revenue of the Group was mainly derived from sales of electricity to regional and provincial power grid companies and provision of power generation and related services while the Group recognized its revenue when the Group satisfied a performance obligation. In 2018, the Group recorded a revenue of RMB23,175,626,000, representing an increase of 16.07% as compared with RMB19,966,811,000 of the previous year.

The increase in revenue was mainly attributable to the year-on-year increase of RMB2,293,959,000 in revenue from coal-fired power as a result of the combined effect of the year-on-year increases of 11.96% and 3.65% in its sales and average on-grid tariff respectively. The revenue of wind power and photovoltaic power have also recorded significant increases due to the commencement of commercial operation of various new power generating units and the consolidation of newly acquired project companies.

Segment Information

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

Operating Costs

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

In 2018, the operating costs of the Group amounted to RMB19,421,256,000, representing a rise of 13.17% as compared with RMB17,161,571,000 of the previous year. Operating costs increased mainly due to the rising fuel cost, and the increase in depreciation and staff costs resulting from the commencement of operation of various new power generating units and the consolidation of newly acquired project companies.

As the fuel cost constituted the majority of the total operating costs, control of fuel cost has always been an important task for coal-fired power generating enterprises. During the year under review, amid the significant growth in demand for coal and lower-than-expected production, in its best effort to curb the increase of fuel cost, the Group continued to enhance its coal purchase management and increase the scale of its centralized procurement through a wholly-owned subsidiary as the Group's procurement platform. It has strengthened the management of long-term coal contracts and control over the fulfilment of annual contracts to increase the realization rate of long-term coal contracts. By way of strengthening market analysis and implementation of staggered procurement, the Group adjusted its coal inventory level in response to the market changes in a timely manner as well as commenced coal reservation for winter in advance. It has explored various new coal supply channels and maintained active communication with coal enterprises to improve its bargaining power and reduce the fuel cost.

Operating Profit

In 2018, the Group's operating profit was RMB4,414,341,000, representing an increase of 42.01% as compared with the operating profit of RMB3,108,454,000 of the previous year. The increase in operating profit was mainly due to the substantial increase in gross profit of the coal-fired power business attributable to the increase in the electricity sales and the rise of average on-grid tariff of coal-fired power, and the profit contributions from the continuous expansion of the wind power and photovoltaic power businesses.

Finance Costs

In 2018, the finance costs of the Group amounted to RMB2,578,254,000, representing an increase of 38.94% as compared with RMB1,855,603,000 of the previous year. Among which, the interest expenses increased due to the rise of debts level and lending interest rates. Exchange gains decreased drastically due to the decline in the exchange rate of RMB against USD. Challenged by the interest rate hike of borrowings and capital cost for infrastructure investment, the Group put more efforts to improve the efficiency of capital utilization, expedited financing among various business units internally and simplified the procedures of internal fund transfer to control the amount and actual interest rate of borrowings.

Share of Profits of Associates

In 2018, the share of profits of associates was RMB114,461,000, representing a decrease of RMB108,169,000 or 48.59% as compared with the share of profits of RMB222,630,000 of the previous year. The decrease in profits was mainly due to the decrease in both electricity sold and average on-grid tariff from some coal-fired power plants. In order to maintain profitability, Changshu Power Plant (the principal associate of the Group engaging in coal-fired power generation) completed the upgrade and expansion of the heat supply system of four generating units during the year under review. The maximum heat supply of each unit increased by 150%, which significantly boosted heat supply capacity.

Share of (Loss)/Profits of Joint Ventures

In 2018, the share of loss of joint ventures was RMB6,446,000, representing a decrease in profits of RMB51,189,000 or 114.41% as compared with the share of profits of RMB44,743,000 of the previous year. The decrease in profits was mainly due to the relocation of some major heat consumers in the industrial park where Xintang Power Plant (the principal joint venture of the Group engaging in coal-fired power generation and heat supply) is located, and the rise in coal price which led to an increase in fuel costs, resulting in a significant reduction in net profit.

Income Tax Expense

In 2018, income tax expense of the Group was RMB432,763,000, representing an increase of RMB152,833,000 as compared with RMB279,930,000 of the previous year.

For the year ended 31 December 2018, certain subsidiaries of the Group were either exempted from PRC Enterprise Income Tax or entitled to the preferential tax rates of 7.5%, 10%, 12.5% or 15% (2017: 7.5%, 12.5% or 15%).

Earnings per Share and Final Dividend

In 2018, the basic and diluted earnings per share for profit for the year attributable to owners of the Company were RMB0.11 (2017: RMB0.10) and RMB0.11 (2017: RMB0.10) respectively.

At the Board meeting held on 21 March 2019, the Board recommended the payment of a final dividend for the year ended 31 December 2018 of RMB0.11 (equivalent to HK$0.1292 at the exchange rate announced by the PBOC on 21 March 2019) per ordinary share (2017: RMB0.081 (equivalent to HK$0.1006) per ordinary share), totaling RMB1,078,757,000 (equivalent to HK$1,267,050,000) (2017: RMB794,358,000 (equivalent to HK$986,573,000)), which is based on 9,806,886,321 shares (2017: 9,806,886,321 shares) in issue on 21 March 2019 (2017: 22 March 2018).

The Group announced a revised dividend policy in January 2019. According to the policy, the Company may declare and distribute annual cash dividends to its shareholders in an amount representing not less than 50% (previously 25%) of the profit attributable to owners of the Company in any financial year, subject to the criteria set out in the policy.

In addition, the Company intends to maintain a relatively stable dividend per share for the next three years starting from 2018 at a level not lower than that in 2017 in principle barring unforeseeable circumstance in the Group's operating environment and results.

ATTRIBUTABLE INSTALLED CAPACITY

As at 31 December 2018, the attributable installed capacity of the Group's power plant reached 19,731.6MW, representing an increase of 2,680MW as compared with the previous year. Among which, the attributable installed capacity of clean energy, including hydropower, wind power, photovoltaic power and natural gas power, was 6,487.9MW in total, accounting for approximately 32.88% of the total attributable installed capacity and representing an increase of 5.34 percentage points as compared with the previous year. The significant increase was mainly due to the acquisitions of various companies principally engaging in clean energy power generation during the year, including Guangxi Company, Shandong Company, Anhui Company and Hubei Company. The attributable installed capacity of the Group's existing natural gas power was wholly held by Shanghai Power.

During the year under review, the Group continued to promote its development of clean energy. By increasing the proportion of clean energy in its asset portfolio through construction and acquisition on an on-going basis, the Group is further approaching the goal of being a resource-saving and environmental friendly enterprise.

In 2018, the Group's attributable installed capacity from new power plants of wind power and photovoltaic power that commenced commercial operation were 229.9MW and 95.7MW respectively.

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

Power Plant	Type of Power Plant	Installed Capacity (MW)	Interest (%)	Attributable Installed Capacity (MW)	Timeline for Commercial Operation
Shangqiu Power Plant	Cogeneration of heat and power	350	100	350	November 2018
Pu'an Power Plant	Coal-fired power	660	95	627	December 2018
Shibanling Power Plant	Wind power	79.5	95	75.5	July 2018
Yanguan Power Plant Phase I	Wind power	50	95	47.5	July 2018
Shibuzi Power Plant	Wind power	44	51	22.4	September 2018
Lianyuan Longshan Power Plant	Wind power	46	44.1	20.3	December 2018
Jingzhushan Power Plant	Wind power	50	63	31.5	December 2018
Ziyunshan Power Plant	Wind power	26	44.1	11.5	December 2018
Shangjiangxu Power Plant	Wind power	48	44.1	21.2	December 2018
Liannan Power Station	Photovoltaic power	20	54.7	10.9	January 2018
Shimen Power Station	Photovoltaic power	20	63	12.6	April 2018
Beike Power Station	Photovoltaic power	0.5	100	0.5	April 2018
China Power Juxin Power Station	Photovoltaic power	5.8	51	3	August 2018
Hefei Airport Power Station	Photovoltaic power	1	100	1	September 2018
Wuhai Power Station	Photovoltaic power	50	63	31.5	November 2018
Hepu Power Station	Photovoltaic power	20	100	20	December 2018
Guangshui Chenxiang Power Station	Photovoltaic power	16.2	100	16.2	December 2018
Total		**1,487**		**1,302.6**	

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 2,680MW after taking into account the followings: (i) the attributable installed capacity of 5MW from Phase 3 of a photovoltaic power station of Changshu Power Plant, an associate, commencing commercial operation; (ii) the attributable installed capacity of 1,824.5MW in aggregate from the acquisition of new project companies ; (iii) the decrease in attributable installed capacity of 557.2MW due to changes in equity interests in certain power plants; (iv) the decrease in attributable installed capacity of 7.9MW due to the disposal of a hydropower plant of Wu Ling Power; and (v) the changes in the installed capacity of Shanghai Power and Sichuan Energy Investment.

PROJECTS UNDER CONSTRUCTION

As at 31 December 2018, the attributable installed capacity of the projects under construction was 3,629.2MW, among which, the attributable installed capacity of coal-fired power and clean energy segments were 1,650.2MW and 1,979MW respectively. The clean energy segments accounted for 54.53% in aggregate.

NEW DEVELOPMENT PROJECTS

In response to the national supply-side reform in the power industry, the Group actively stepped up its efforts in developing clean energy projects, and made appropriate adjustments to the development and construction of coal-fired power projects and controlled its capital expenditure. For coal-fired power projects under construction, the Group has obtained approval from the local governments in the PRC, progressed according to the government's stipulated construction schedule, and matched with the planning of electricity demand in places where the project users are located.

The Group will continue to expedite the implementation and development of other clean energy projects by seizing various development opportunities, making proper preparation and capturing quality resources. It will develop offshore wind power projects and other clean energy projects in Guangdong, Shandong and other coastal regions, and closely monitor the development trend of natural gas power to identify and implement profitable projects steadily.

Currently, the total installed capacity of new projects of the Group at a preliminary development stage (including projects with applications submitted to the PRC government for approvals) is approximately 5,700MW, among which, the total installed capacity of clean energy projects (including natural gas power projects) is approximately 3,700MW, which is mainly located in areas with development potentials, including Guangxi, Hunan and Shandong.

On 31 May 2018, the National Development and Reform Commission, the Ministry of Finance and the National Energy Administration jointly published the "Notice on Photovoltaic Power-related Matters 2018" (關於2018年光伏發電有關事項的通知), pursuant to which, construction of general photovoltaic power stations was not arranged for 2018, instead, the government would support photovoltaic poverty alleviation projects, promote construction of "Top Runner" photovoltaic power bases and speed up ending the photovoltaic power subsidy policies. In response to the policy changes, the Group will continue to pay attention to relevant policy development and prudently invest in photovoltaic power projects in the future in order to cope with the new operating environment.

EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2018, the carrying amount of equity instruments at fair value through other comprehensive income was RMB3,083,174,000, accounting for 2.47% of total assets, including listed equity securities of RMB2,942,667,000 and unlisted equity investments of RMB140,507,000.

Listed equity securities represented the equity interests in Shanghai Power held by the Group. As at 31 December 2018, the Group held 13.88% of the issued share capital of Shanghai Power, the A shares of which are listed on Shanghai Stock Exchange. Fair value of such equity interests decreased by 11.38% as compared with RMB3,320,491,000 as at 31 December 2017.

In August 2018, Shanghai Power acquired assets from its holding company by way of issue of consideration shares, which led to an increase in its registered capital. As a result, the Group's shareholding in Shanghai Power diluted from 15.08% to 13.88%.

Unlisted equity investments represented the Group's investment in equity of some unlisted companies principally engaging in financial services, coal production, water supply and electricity trading services respectively. Upon the application of HKFRS 9 on 1 January 2018, the Group's unlisted equity investments are measured at fair value, instead of measuring at cost less impairment as previously required. As at 31 December 2018, the aggregate fair value of unlisted equity investments owned by the Group was RMB159,706,000 (including an unlisted equity investment in PRC as part of a disposal group classified as held for sale), representing a decrease of 8.97% from RMB175,442,000 measured at cost less impairment as at 31 December 2017.

MATERIAL ACQUISITIONS AND DISPOSALS

In October 2017, the Company entered into Acquisition Agreements with CPI Holding and SPIC respectively, pursuant to which the Company agreed to acquire 100% of equity interest in various companies principally engaging in clean energy power generation, including Guangdong Company (excluding CPI Qian Zhan Gang Dian Company Limited), Guangxi Company, China Power (Sihui) Cogeneration Company Limited, Anhui Company, Hubei Company, Shandong Company and Shouxian Company. Upon completion of the transactions, the Company would further hold a higher proportion of clean energy assets including large-scale hydropower, wind power, natural gas power, and centralized and distributed photovoltaic power generation projects, which would enhance the Group's assets and business coverage and improve its overall market competitiveness. For details, please refer to the announcement of the Company dated 9 October 2017.

In May and November 2018, the Company completed the acquisitions of the entire interests in Guangxi Company, Shandong Company, Anhui Company, Hubei Company and Shouxian Company respectively. Upon completion, all of the five companies became wholly-owned subsidiaries of the Group. For details, please refer to the announcements of the Company dated 31 May 2018 and 23 December 2018. The Group will closely monitor the progress on the approval from the relevant authorities for the acquisition of the remaining companies.

In February 2018, Shanxi Shentou entered into the Joint Venture Agreement with five other external companies to form the Joint Venture in Shanxi Province of the PRC. Shanxi Shentou will make contribution by way of cash and assets injection. The Company will use its interests in a non-wholly-owned subsidiary (i.e. 80% interests in CP Shentou, which is now as a disposal group classified as held for sale) as Shanxi Shentou's second tranche of contribution to the Joint Venture. In August 2018, one of the external companies decided to withdraw from the cooperation. As a result, Shanxi Shentou entered into a new Joint Venture Agreement with the remaining four external companies. Upon completion of the relevant procedures of equity change, CP Shentou will cease to be a subsidiary of the Company. For details, please refer to the announcements of the Company dated 6 February 2018 and 14 September 2018.

In October 2018, Wu Ling Power, Huabao Trust, ABC Financial and Yuanjiang Company entered into the Yuanjiang Capital Injection Agreement. Pursuant to which, Huabao Trust and ABC Financial agreed to acquire approximately 34.32% and 6.86% of the equity interest in Yuanjiang Company respectively. Wu Ling Power's equity interest in Yuanjiang Company would be diluted from 100% to approximately 58.82% after the completion of the Yuanjiang Capital Injection. For details, please refer to the announcement of the Company dated 24 October 2018.

In October 2018, Guangxi Company, ICBC Financial, ABC Financial and SPIC Changzhou entered into the Changzhou Capital Injection Agreement. Pursuant to which, ICBC Financial and ABC Financial agreed to acquire approximately 23.38% and 11.69% of the equity interest in SPIC Changzhou respectively. SPIC Guangxi's equity interest in SPIC Changzhou would be diluted from 100% to approximately 64.93% after the completion of the Changzhou Capital Injection. For details, please refer to the announcement of the Company dated 24 October 2018.

In November 2018, Guangxi Company, Ziyuan County Danxia Ecological Energy Company Limited, ABC Financial and SPIC Jinzishan entered into the Jinzishan Capital Injection Agreement. Pursuant to which, ABC Financial agreed to acquire approximately 44.32% equity interest in SPIC Jinzishan. SPIC Guangxi's equity interest in SPIC Jinzishan would be diluted from 90.83% to approximately 50.57% after the completion of the Jinzishan Capital Injection. For details, please refer to the announcement of the Company dated 22 November 2018.

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

LIQUIDITY, CASH FLOWS AND FINANCIAL RESOURCES

As at 31 December 2018, cash and cash equivalents of the Group were RMB1,853,044,000 (31 December 2017: RMB4,577,786,000). Current assets amounted to RMB8,793,641,000 (31 December 2017: RMB9,319,946,000), current liabilities amounted to RMB26,012,138,000 (31 December 2017: RMB28,821,524,000) and current ratio was 0.34 (31 December 2017: 0.32).

In 2016, the Company entered into a 3-year financial services framework agreement with SPIC Financial. According to the agreement, the deposit services to be provided by SPIC Financial to the Group would be on normal commercial terms or better (similar to or more favorable than those offered by other major commercial banks in China for the provision of comparable services), and the annual cap in respect of the maximum daily balance of deposit (including accrued interests) placed by the Group with SPIC Financial should not exceed RMB3 billion during the term of the agreement. During the period from 1 January 2018 to 31 December 2018, the Group deposited funds with SPIC Financial at the average deposit rate higher than PBOC's benchmark interest rates for saving deposits and not lower than the agreed interest rates for saving deposits provided by major commercial banks in China for the same period. For the year ended 31 December 2018, the maximum amount of daily deposit placed by the Group with SPIC Financial was approximately RMB2.98 billion. In order to ensure that the relevant business is in compliance with the terms of the financial services framework agreement, the Company had designated personnel to monitor the funds deposited with SPIC Financial, performed daily real-time inquiries on the funds deposited with SPIC Financial, and collected deposit rates offered by major domestic commercial banks for comparison with the deposit rates offered by SPIC Financial on a monthly basis.

In addition to the deposit offers as agreed in the above agreements, SPIC Financial also provides internal fund management platform, cross-border fund allocation platform and other financial services to the Group through its own financial resources, such as the business information system and cross-border fund allocation channels. Such platforms enable the real-time monitoring of account balances as well as income and expenditure, thereby safeguarding against funding risks. At the same time, they facilitate flexible and efficient fund allocation across borders, which gives rise to more flexible capital flow at home and aboard, broadens financing channels for domestic subsidiaries and reduces uncertainties in inbound and outbound fund flows due to changes in foreign exchange regulations.

During the year under review, the Group recorded a net decrease in cash and cash equivalents (including cash and cash equivalents as part of a disposal group classified as held for sale) of RMB2,723,522,000 (2017: net increase of RMB2,829,558,000). For the year ended 31 December 2018:

- net cash generated from operating activities amounted to RMB2,784,456,000 (2017: RMB3,132,196,000).

- net cash used in investing activities amounted to RMB12,184,593,000 (2017: RMB6,284,724,000), which mainly represented the payment for the acquisition of Guangxi Company as well as cash outflow of capital expenditure on the Group's property, plant and equipment and prepayments for construction of power plants.

- net cash generated from financing activities amounted to RMB6,676,615,000 (2017: RMB5,982,086,000). The increase in cash inflow as compared with last year was mainly attributable to the new capital injections from non-controlling shareholders of some subsidiaries.

The financial resources of the Group were mainly derived from cash inflow from operating activities, borrowings from banks and related parties, project financing, and issuance of medium-term notes and super short-term commercial papers.

The net proceeds from the rights issue in 2017 in the amount of RMB3,734,047,000 was used in settling the consideration for the acquisition of Guangxi Company of RMB3,594,652,000 in 2018. The remaining proceeds from the rights issue of approximately RMB139 million will be used to settle the consideration payables for the designated acquisitions in 2019. For the relevant details of the designated acquisitions, please refer to the announcement of the Company dated 9 October 2017.

DEBTS

As at 31 December 2018, total debts of the Group amounted to RMB64,917,976,000 (31 December 2017: RMB51,640,030,000). All debts of the Group are denominated in RMB, Japanese Yen ("JPY") or United States Dollars ("USD").

As at 31 December 2018, the Group's gearing ratio, calculated as net debt (being total debts less cash and cash equivalents) divided by total capital (being total equity plus net debt), was approximately 60% (31 December 2017: approximately 56%). The Group's gearing ratio remained stable.

As at 31 December 2018, the amount of borrowings granted by SPIC Financial was approximately RMB2.15 billion (31 December 2017: approximately RMB1.36 billion).

The details of the Group's debt as at 31 December 2018 and 2017 are set out as follows:

	2018 RMB'000	2017 RMB'000
Bank borrowings, secured	**11,093,776**	13,516,324
Bank borrowings, unsecured	**20,014,944**	27,115,082
Borrowings from related parties	**25,592,295**	8,892,906
Medium-term notes issued by the Company	**2,000,000**	–
Corporate bonds issued by Wu Ling Power	**999,959**	999,544
Obligations under finance leases	**5,192,002**	1,116,174
Other borrowings	**25,000**	–
	64,917,976	51,640,030

The above debts were repayable as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**15,335,483**	22,027,954
In the second year	**7,861,437**	5,694,607
In the third to fifth year	**22,270,880**	12,728,865
After the fifth year	**19,450,176**	11,188,604
	64,917,976	51,640,030

Among the above debts, approximately RMB24,297,951,000 (31 December 2017: approximately RMB18,160,768,000) are subject to fixed interest rates, and the remaining debts denominated in RMB are subject to adjustment based on the relevant rules of the PBOC and bearing interest rates ranged from 4.17% to 5.23% (2017: ranged from 3.92% to 5.10%) per annum.

SIGNIFICANT FINANCING ACTIVITIES

In September 2018, the Company received confirmation in relation to the acceptance of its application for the issuance of medium-term notes in the PRC in the aggregate principal amount of RMB2 billion, with an effective registration period of 2 years and to be issued in tranches within the effective registration period. On 12 October 2018, the Company completed the issuance of the 2018-first-tranche of the medium-term note in a principal amount of RMB2 billion, at the interest rate of 4.15% per annum and with a term of three years. The proceeds were fully used for repayment of bank borrowings.

In March and April 2018, Wu Ling Power, a subsidiary of the Company, issued super short-term commercial papers in the PRC of RMB300,000,000 with an interest rate of 4.93% per annum and of RMB500,000,000 with an interest rate of 4.78% per annum, respectively, both with maturity periods of 180 days. The proceeds were fully used for repayment of bank borrowings and the relevant super short-term commercial papers were fully redeemed by the end of 2018.

CAPITAL EXPENDITURE

In 2018, the capital expenditure of the Group was RMB11,563,878,000 (2017: RMB8,501,931,000). In particular, the capital expenditure for clean energy segments (hydropower, wind power and photovoltaic power) was RMB7,672,993,000 (2017: RMB4,675,024,000), which was mainly applied for the construction of new power plants and power stations; whereas the capital expenditure for coal-fired power segment was RMB3,730,637,000 (2017: RMB3,666,377,000), which was mainly applied for the construction of new coal-fired power generating units and technical upgrade for the existing power generating units. These expenditures were mainly funded by project financing, funds generated from business operations and borrowings from related parties.

PLEDGE OF ASSETS

As at 31 December 2018, the Group pledged certain property, plant and equipment and prepaid lease payments with a net book value of RMB533,096,000 (31 December 2017: RMB561,001,000) to certain related parties to secure borrowings from related parties (31 December 2017: bank borrowings) in the amount of RMB227,820,000 (31 December 2017: RMB257,820,000). In addition, certain bank borrowings, borrowings from related parties and obligations under finance leases totaling RMB20,301,015,000 (including bank borrowings as part of a disposal group classified as held for sale) (31 December 2017: RMB13,267,104,000) were secured by the rights on accounts receivable of certain subsidiaries of the Group. The accounts receivable secured under these borrowings amounted to RMB1,580,203,000 (including accounts receivable as part of a disposal group classified as held for sale) (31 December 2017: RMB1,125,299,000).

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no material contingent liabilities.

RISK MANAGEMENT

The Group has implemented all-rounded risk management and has established a systematic and comprehensive risk management mechanism and internal control system. It also has a Risk Management Committee which is accountable to the Board and responsible for assisting the Board in providing leadership, direction and oversight with regard to the overall risk appetite and tolerance and risk management framework of the Group, including risk policies, process and controls. The Group also has an internal audit department in place for execution and implementation of risk management measures.

Foreign exchange rate risks

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

As at 31 December 2018, the Group's borrowings denominated in foreign currencies amounted to RMB3,322,940,000 (31 December 2017: RMB3,864,606,000). The Group will continue to keep track on the exchange rate movements and, if necessary, take responsive measures to avoid excessive foreign exchange rate risks.

Funding risks

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

The Group has always leveraged its capability of accessing the Mainland China and overseas markets to optimize its funding sources, increase the credit facilities and lower its financing costs. Various cost-saving and efficiency enhancement initiatives have also been adopted in the Group's business management to lower administrative and operating expenses. Moreover, the financial services framework agreement with SPIC Financial also helps to reduce funding risks. In early 2018, SPIC Financial provided convenient and strong capital support to the Group when the challenging liquidity environment of the PRC gave rise to financing difficulties and high financing cost for enterprises.

As at 31 December 2018, the Group had sufficient available unutilized financing facilities amounting to RMB34,328,213,000.

At the beginning of each year, the management reports to the Board on the working capital budget for the year and estimates the credit facilities and facilities reserves required for the year to ensure the Group has adequate financial resources to support the continued operation and development of projects in the foreseeable future. The management will also review the situation regularly to take contingency measures.

Risks relating to the coal market

Coal demand and supply are affected by various factors including economic development, government policies, transportation and weather. Regional and time factors may also expose the supply and price of the coal market to volatility risk.

In view of the various risks in the coal market, the Group has actively communicated and coordinated with major coal enterprises, increased centralized procurement, managed coal procurement through long-term procurement contracts and strengthened the monitoring of performance and execution of such contracts, enhanced inventory management and expanded various new channels for coal supply, thereby securing coal supply and controlling the procurement price. The Company will continue to closely monitor the changes in government policy as well as the domestic and overseas coal markets, based on which, it will adopt corresponding measures for effective risk aversion.

Risks relating to electricity tariff

The share of market trading electricity will increase as the State advances the reform of the power market. Due to intense market competition, electricity is traded at a discount to the benchmark electricity tariff price in market transactions, which puts downward pressure on the average on-grid tariffs of the Group.

The Group will actively optimize customer resources and target high-quality and trustworthy clients to combat adverse price competitions. It will also strengthen synergy between power generating enterprises so as to avoid malicious competitions on the power generating side. A reasonable scheme for tariff pricing will be formulated to prevent tariff transactions with low marginal revenue. Apart from the above, the Group will monitor the changes in government tariff policy and strive to obtain more tariff subsidies.

Risks relating to cybersecurity

The rapid adoption of Internet technology has resulted in more frequent and severe cyber-attacks around the world. The Group is exposed to cyber-attacks on the power monitoring system, which would undermine production safety. Meanwhile, a shared financial service centre of the Group has commenced operation for the centralized management of various financial data, and any attacks on it may cause disruption of data transmission or even data loss, which will, in turn, affect business operation. Thus, these risks could materially and adversely affect the operation and reputation of the Group.

In view of the risks of possible attacks on the power monitoring system, the Group pushed forward the pilot technology and prevention projects, and continuously required all units to enhance promotion and education, maintain strict compliance with the safety management system and safeguard information security. As for the newly commenced shared financial service centre, the system has fully identified and taken corresponding measures against various risks since its inception, which included the adoption of dual power supply, the high-power uninterruptible power system with mutual hot backup function, comprehensive fire safety equipment and other environmental safety measures. The center is also equipped with adequate network safety equipment and the capability of on-site backup, off-site disaster recovery and segmentation of internal and external networks. The Group has a response mechanism in place for emergencies, which is under inspection and rectification on a regular basis to assess changes in relevant risks.

ENERGY SAVING AND EMISSION REDUCTION

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

In active response to the policy of "Action Plan of the Upgrade and Renovation of Energy Saving and Emission Reduction of Coal-fired Units (2014–2020) (煤電節能減排升級與改造行動計劃 (2014–2020年))" promulgated by the PRC government, the Group has strengthened the environmental control and rectification measures for its coal-fired power generating units. Currently, more than 95% of the operating coal-fired power generating units have met the standards of ultra-low-emission.

In 2018, the operational ratio of desulphurization facilities for the coal-fired power generating units of the Group was 100% (2017: 100%), and the efficiency ratio of desulphurization was 99.20% (2017: 98.42%); the operational ratio of denitration facilities reached 100% (2017: 100%) and the efficiency ratio of denitration reached 91.02% (2017: 92.98%).

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

- the emission rate of sulphur dioxide (SO_2) at 0.056g/kWh, representing a decrease of 0.007g/kWh as compared with the previous year;
- the emission rate of nitrogen oxide (NO_x) at 0.097g/kWh, representing an increase of 0.002g/kWh as compared with the previous year; and
- the emission rate of flue gas and dusts at 0.008g/kWh, representing a decrease of 0.005g/kWh as compared with the previous year.

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

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

OPERATIONAL SAFETY

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

In order to further enhance its core competitiveness and promote sustainable development, the Group has established the accredited Quality, Occupational Health and Safety, and Environment (QHSE) "three standards" management system in line with international standards, which plays an important role in enhancing management quality and promoting transformational development.

In 2018, no material accident in relation to employees, facilities and environmental protection occurred in the Group.

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had a total of 10,269 (31 December 2017: 9,780) full-time employees. The increase in the number of employees was due to the consolidation of the newly-acquired project companies.

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

The Group has attached importance to the learning and training of employees and to the communication between employees of different positions. It has improve the professional and technical capabilities and overall competence of its employees on an on-going basis, so as to satisfy the needs of its expanding businesses.

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

RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

We regard customers and suppliers as very important stakeholders. The Group has been maintaining good communication and establishing a long-term and stable cooperative relationship with them. During the year ended 31 December 2018, there were no significant disputes with customers and suppliers.

Relationship with customers

The Group is an independent power producer. Because of the special nature of electricity production and sales, its major customers are regional and provincial power grid companies, through which it sells the electricity generated by its power plants to power users and settles the transactions. The Group has been maintaining long-term and good customer relationships with the power grid companies in various locations where its power plants locate. During the year under review, the aggregate turnover attributable to the Group's five largest customers (regional power grid companies) accounted for 78.39% of the Group's total turnover.

In recent years, with the PRC government moving forward the system reform in the power industry, the Group has promoted the customer-centered philosophy and actively participated in market-oriented direct electricity transactions. It has also established and invested in electricity sales and distribution companies, and developed distributed and integrated intelligent energy projects. In the meantime, the Group has made direct connections with power users and maintained good cooperation with them by developing and providing value-added services. Due to the gradual advancement of market-oriented reform in the power industry, the share of open market transactions, such as direct power supply, will further increase.

Relationship with suppliers

The Group's major suppliers are coal production and sales enterprises, while its coal-fired power plants purchase the majority of coal from neighboring coal production enterprises primarily under long-term contracts. The Group has been maintaining long-term and good relationships with major suppliers in order to ensure efficient coal procurement. During the year under review, the aggregate purchases from the Group's five largest suppliers (for production materials like coal and consumables) accounted for approximately 75.42% of the Group's total purchases. The Group will continue to explore different procurement channels to ensure the stability of coal supply.

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

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

OUTLOOK FOR 2019

In 2019, in respect of the macro-economy, the Chinese government will place emphasis on driving high-quality development by taking the major task of "making up for shortcomings" in the supply-side reform, with focuses on key business sectors and greater efforts in improving any weaknesses in major fields with a view to making investments in a precise and effective manner. According to the central government, it will continue to deepen market-oriented reforms, further loosen entry barriers to the market and encourage foreign investors to engage in the high-quality development of China, at the same time consistently implementing its proactive fiscal policy and prudent monetary policy. It is estimated that the Chinese economy will maintain its growth within a reasonable range.

In terms of electricity supply and demand, the China Electricity Council predicted that the year-on-year growth in total national electricity consumption would slow down steadily to approximately 5.5% for 2019. At the same time, the national electricity supply and demand would reach equilibrium in general, and certain regions would suffer from insufficient supply temporarily. In order to seize opportunities amid intensifying competitions, the Group will continue to strengthen the development and operation of the renewable energy business, enhance the marketing of direct electricity sales and seek to increase electricity and heat transmission.

In terms of reform progress, the market-oriented reform of the power industry in China will proceed and the reform of state-owned enterprises will keep advancing. With the aim of optimizing the management structure and operating mechanism of state-owned enterprises, the State-owned Assets Supervision and Administration Commission of the State Council promulgated and implemented the "Work Program of 'Double Hundred Action' in State-owned Enterprise Reform" (國企改革「雙百行動」工作方案) so as to increase the vitality and efficiency of state-owned enterprises. As of now, the Group has established a special group to closely follow up on the issue.

The Group considers, management enhancement, revenue boost and expenditure reduction are the main focuses in improving operating results amid a relatively stable macroeconomic and power supply and demand environment, while adaptation to reforms is the key to more efficient operation under the context of comprehensively advancing reforms. With the target of becoming one of the leading clean energy enterprises globally, it is also the Group's long-term strategy to achieve high-quality growth by staying committed to the development of clean energy and comprehensive intelligent energy. The priorities of the Group for 2019 include the followings:

- Enhance operation management for higher efficiency on all counts. The Group will make greater efforts in the marketing of electricity sales, through which it will further increase direct trade of electricity in the more market-oriented environment. Moreover, it will implement strict control over fuel cost and cost of capital, and improve the labor productivity of staff simultaneously.

- Control the debt leverage and prevent operational risks. The Group will control capital expenditures and strengthen the cash flow. It will ensure a sound capital structure by introducing strategic investors at the subsidiary level as appropriate and keeping the debt ratio at a reasonable level.

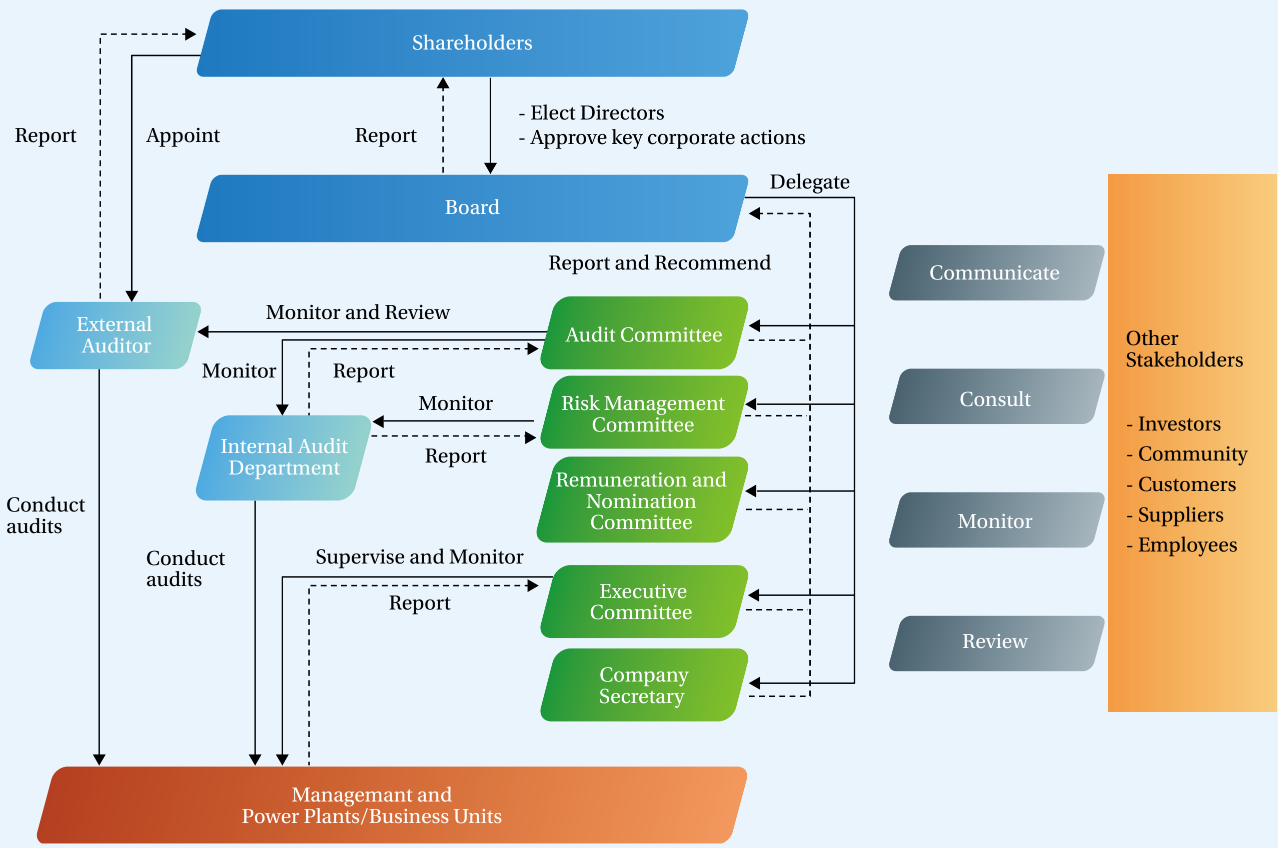
- Maintain the established strategy and insist on transformational development. The Group will continue the transformation towards a clean energy enterprise and secure the development of top-notch clean energy projects, which will create advantages in scale and quality for clean energy operation. Besides, it will dispose of some of its equity interests and assets of coal-fired power subsidiaries, lower the proportion of coal-fired power installed capacity and optimize the installed capacity structure. It will expand the scope of comprehensive intelligent energy services, steadily promote project development and optimize corporate governance on an ongoing basis. Leveraging on the reform of state-owned assets and enterprises in China, the Group will improve internal systems and mechanisms, and nurture a high-caliber workforce.

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.

The Company has strictly complied with all the code provisions of Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in the Appendix 14 to the Listing Rules throughout the year ended 31 December 2018, save for the deviation from the CG Code provision E.1.2.

GOVERNANCE FRAMEWORK



THE BOARD

Board Composition

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

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

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

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

Chairman and Chief Executive

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

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

Mr. YU Bing resigned as an executive Director and chairman of the Board on 27 July 2018 due to new work arrangement, the Board has not yet appointed a new Chairman as at the date of this annual report. After Mr. YU left the Company, the other directors of the Board have been taking up the role of the Chairman for different occasions from time to time.

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

Appointment and Re-election of Directors

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

If an independent non-executive Director serves more than nine years, his/her further appointment should be subject to a separate resolution to be approved by shareholders. The documents attached to shareholders accompanying that resolution should include the process used for identifying the individual and why the Board believes the individual should be elected and the reasons why it considers the individual to be independent; if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, why the board believes the individual would still be able to devote sufficient time to the board; the perspectives, skills and experience that the individual can bring to the Board; and how the individual contributes to diversity of the Board.

The Company has in place a Nomination Policy setting out the selection and recommendation criteria and the appropriate procedures to be adopted when considering nomination and appointment of suitable candidates for directorship to the Board. Please refer to the section headed "Nomination Policy" of this Corporate Governance Report for its details.

Training of Directors and Code of Conduct

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 are required to disclose to the Company their offices held in public companies or organizations and other significant commitments. Every Director should ensure that he can give sufficient time and attention to the Company's affairs.

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.

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

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 the year 2018.

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.

Power of and Delegation by the Board

The Board is the highest decision-making and managing body of the Company. Having regard to the best interests of the Company and its shareholders, the Board provides leadership and guidance to the Group's activities. It reviews and approves major matters such as business strategies, policies, business plans, financial budgets, major investments as well as mergers and acquisitions. In addition, the Directors have acknowledged that the principal responsibilities of the Board also include overseeing risk management and internal control systems, corporate governance, environmental and social responsibilities 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.

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

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

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

AUDIT COMMITTEE

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

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

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

- To review financial information of the Company.

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

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

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

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

The Audit Committee held two meetings during 2018 (average attendance was 100%). The committee's work performed during the year including:

- reviewed the annual financial statements and corporate governance reports for the year ended 31 December 2017 and the interim financial statements for the six months ended 30 June 2018, including the major accounting issues raised by the external auditor;

- reviewed and approved the audit strategy submitted by the external auditor for the year ended 31 December 2018;

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

- reviewed the continuing connected transactions of the Company;

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

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

RISK MANAGEMENT COMMITTEE

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

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

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

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

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

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

The Risk Management Committee comprises of three members, namely the three independent non-executive Directors, Mr. KWONG Che Keung, Gordon, Mr. LI Fang and Mr. YAU Ka Chi. Since the resignation of Mr. YU Bing, the ex-chairman of the Risk Management Committee on 27 July 2018, the other independent non-executive Directors have taken up the role of chairman at the committee's meetings. The secretary of the Risk Management Committee is served by the Company Secretary of the Company.

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

The Risk Management Committee held three meetings during 2018 (average attendance was 100%). The committee's work performed during the year including:

- reviewed the risk management report for the year 2017 and the first half of 2018 and risk management plan for the year 2018 prepared by the Company's Internal Audit Department relating to the Group's risk management framework, effectiveness of the risk management system, risk management policies which governs the identification, assessment, monitoring and reporting of the major risks faced by the Group;

- reviewed, discussed and approved the continuing connected transactions in relation to the coal futures purchase and sale of CP Guorui and the subsidiaries of SPIC in June 2018, and made recommendations to the Board; and

- reviewed and approved the human resources report of Internal Audit Department regarding the adequacy of resources, staff qualifications and experience of the Company's risk management function.

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

REMUNERATION AND NOMINATION COMMITTEE

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

Remuneration

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

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

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

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

Nomination

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

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

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

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

Nomination Policy

(A) Selection Criteria

In evaluating and selecting any candidate for directorship, the following criteria should be considered:

(a) Character and integrity.

(b) Qualifications including professional qualifications, skills, knowledge, expertise and experience that are relevant to the Company's business and corporate strategy.

(c) Good records of accomplishments in present and prior positions.

(d) Potential contributions the candidate can bring to the Board in terms of diversity in its all aspects under the Company's Board diversity policy.

(e) Commitment of the candidate to devote sufficient time to effectively carry out his/her duties.

(f) Potential or actual conflicts of interest that may arise if the candidate is selected.

(g) Independence of the candidate.

(B) Nomination Procedures and Process

1. *Appointment of new Director*

(a) Upon receipt of the proposal on appointment of new Director, the Committee identifies or selects candidates, with or without assistance from external agencies or the Company, and evaluate such candidate based on the criteria as set out in this Policy to determine whether such candidate is qualified for directorship.

(b) The Committee may use any process it deems appropriate to evaluate the candidates, which may include personal interviews, background checks, presentations or written submissions by the candidates and third party references.

(c) The Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable, and provide to the Board with all the information required including information set out in the Listing Rules in relation to the candidates.

(d) The Board should deliberate and decide on the appointment based upon the recommendations of the Committee.

2. *Re-election of Director*

(a) The Committee should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board. In the case of a proposed re-appointment of a retiring independent non-executive Director, also consider the number of years he/she has already served.

(b) The Committee should also review and determine whether the retiring Director continues to meet the criteria as set out in this Policy.

(c) The Committee and/or the Board should then make recommendations to shareholders in respect of the proposed re-election of Director at the general meeting.

Board Diversity Policy

The policy is summarized as follows:

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

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

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

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

The Remuneration and Nomination Committee held two meetings during 2018 (average attendance was 100%). The committee's work performed during the year including:

- considered and approved the overall remuneration package of the Directors and senior management of the Company in 2017 with reference to the remuneration system of the parent companies;

- reviewed the Company's matters relating to remuneration in 2018 and made recommendations to the Board;

- considered the personal profile of the Directors who would retire from office by rotation and stand for re-election at the annual general meeting in accordance with the Company's articles of association and made recommendations to the Board; and

- considered and approved the resignation of Mr. YU Bing, the former executive Director and the chairman of the Board, Risk Management Committee and the Executive Committee, and the appointment of Mr. TIAN Jun to succeed Mr. YU as the chairman of the Executive Committee and the authorized representative of the Company.

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 2018 is set out below:

Remuneration band (RMB)	**Number of individuals**
0 to 1,000,000	11

EXECUTIVE COMMITTEE

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

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

The Executive Committee held thirteen meetings during 2018. The executive Director, the vice presidents and the senior management of the Company attended the meetings.

COMPANY SECRETARY

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

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

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

OPERATION OF MEETINGS AND SUPPLY OF AND ACCESS TO INFORMATION

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

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

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

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

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

DIRECTORS' ATTENDANCE RECORD

In the year 2018, the attendance records of the Directors at Board meetings, Audit Committee meetings, Risk Management Committee meetings, Remuneration and Nomination Committee meetings and the annual general meeting are as follows:

Directors	Board	Audit Committee	Risk Management Committee	Remuneration and Nomination Committee	Annual General Meeting
Executive Directors:					
TIAN Jun *(President)*	6/6	–	–	–	1/1
YU Bing (Note)	3/4	–	2/2	–	0/1
Non-executive Directors:					
GUAN Qihong	6/6	–	–	–	1/1
WANG Xianchun	5/6	–	–	–	1/1
Independent Non-executive Directors:					
KWONG Che Keung, Gordon *(Chairman of the Audit Committee)*	6/6	2/2	3/3	2/2	1/1
LI Fang *(Chairman of the Remuneration and Nomination Committee)*	6/6	2/2	3/3	2/2	1/1
YAU Ka Chi	6/6	2/2	3/3	2/2	1/1

Note: Mr. YU Bing resigned as the Chairman of the Board and an executive Director with effect from 27 July 2018.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

During the year 2018, all Directors have been given on a monthly basis the latest information and briefings about the financial position, changes in the business and the development of the Group. "Letter to the Shareholders" from the President contained a summary of the Company's performance in this annual report and how the Company will preserve value over the long term and our strategies for delivering the Company's objectives. The Directors ensured a balanced, clear and understandable assessment of the Company's performance, position and prospects in annual reports, interim reports, inside information announcements and other disclosures required under the Listing Rules and other statutory requirements.

Risk Management and Internal Controls

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

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

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

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

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

During the year under review, the Company strictly complied with the relevant code provisions of the CG Code in relations to risk management and internal control. The work performed by the Internal Audit Department during the year including the following:

- Organized training courses to staff of newly acquired subsidiary companies for optimizing the work in relation to the transition of internal control and risk management system and placing greater emphasis on information disclosure and compliance monitoring and auditing of continuing connected transactions.

- Continued to carry out management audit and special audits, and conducted independent supervision and objective assessment of the adequacy and effectiveness of the risk management and internal control systems in operation as adhering to the goal of full coverage of rotating audits. As revealed by the audits, the Department set rectification requirements for 23 issues, added 56 proposals to strengthen controls and followed up actively. It ensured the rectification measures were effectively implemented for improvement of the relevant issues.

- Carried out risk assessment in the area of information collection, and the key business processes for risk identification and analyses of various business units, including special risk assessment in areas such as new energy projects and material procurement. According to the results of the risk analyses, combined with the risk tolerance and existing risk checkpoints as well as the risk/reward tradeoffs, the Department determined the corresponding risk strategies and response measures and make specific recommendation for risk management, thereby implementing the risk management responsibility to the specific power plants/ business units. The risks faced by each business unit and its risk management and control system capabilities were reflected to the management in a timely manner so as to continuously monitor the risks and evaluate the effectiveness of the risk management, through which the Group's defense capability against risks has continued to improve.

- Tracked the Group's major risk management controls quarterly, regularly updated the risk management ledger and kept abreast of the conditions, changes and trends of major risk prevention in a timely manner. Comprehensive risk tracking and prevention were achieved through the risk management approach that integrates risk checkpoints with market coverage.

- Continued to step up its efforts in the establishment of the internal control compliance system and expanded it into other major areas. It has also completed the defect elimination and improvement of internal control compliance in full and pushed forward the implementation of digitalization, hence realizing an online operation system for internal control compliance. Regular assessments have been carried out on the establishment of internal control compliance system to identify defects during the course of operation in a timely manner and make recommendations for improvement with a view to optimizing rectification measures on a continuous basis.

- Promoted the establishment of internal control compliance system in key areas such as procurement management and contract execution, and implemented digitalization for these areas simultaneously. The measures include, amongst others, regulations for material procurement management and enhanced refined management at every stage of procurement which were adopted to further enhance the management level and economic benefits of the Company.

- Distributed letters of undertaking in respect of internal control compliance to all staff members and organized trainings on internal control compliance for relevant staff from time to time in order to enhance the staff's initiative and awareness towards compliance and risks.

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

Whistleblowing Policy

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

Inside Information

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

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

External Auditor's and its Remuneration

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

For the year ended 31 December 2018, 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 2018, the fees payable by the Company to the Auditor in respect of audit and non-audit services provided were as follows:

	HK$'000
Audit services	7,280
Non-audit services:	
Interim review	1,470
Continuing connected transactions	210
Issuance of medium-term notes	500

COMMUNICATION WITH SHAREHOLDERS

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

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

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

Shareholders Communication Policy

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

According to the CG Code provision E.1.2, chairman of the board should attend the annual general meeting. The then Chairman of the Board, Mr. YU Bing, was unable to attend the Company' annual general meeting held on 5 June 2018. He had arranged Mr. TIAN Jun, the executive Director and President of the Company, who is very familiar with the Group's business and operations, to attend and chair the meeting. Other Directors, including three independent non-executive Directors, being the chairman/members of the Audit committee, the members of the Risk Management Committee, and the chairman/members of the Remuneration and Nomination Committee, together with the external independent auditor attended the annual general meeting and answered questions from the attending shareholders and investors. All resolutions proposed were duly passed by shareholders' voting at the meeting.

Dividend Policy

On 21 January 2019, the Company revised and adopted a new dividend policy to replace the one adopted in October 2004 when the Company launched the global offering of its shares and then listed on the Main Board of the Hong Kong Stock Exchange.

The Company may declare and distribute annual cash dividends to its shareholders in an amount representing not less than 50% (previously 25%) of the profit attributable to owners of the Company in any financial year, subject to the criteria set out in the Dividend Policy. In addition to cash, the dividends may be paid up in the form of the Company's shares, by the distribution of specific assets of any kind or by distribution of any form.

A decision to declare or to pay any dividends, and the amount of dividends, will be based on the recommendation of the Board after taking into consideration of, inter alia, the following factors:

(i) the financial results and financial condition of the Group;

(ii) the Group's actual and future operations and liquidity position;

(iii) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

(iv) the Group's debt-to-equity ratio, return on equity and committed financial covenants;

(v) the retained earnings and distributable reserves of the Company and each of the members of the Group;

(vi) the general economic conditions, the national policies for energy and related industries, and other internal or external factors that may have an impact on the business or financial performance and position of the Company;

(vii) the shareholders' and the investors' expectation and industry's norm; and

(viii) any other factors that the Board deems appropriate.

The Company shall prioritize payment of cash dividends to its shareholders. Such declaration and payment of dividends shall remain to be determined at the sole discretion of the Board and subject to all applicable requirements under the Company Ordinance (Chapter 622 of the Laws of Hong Kong) and the articles of association of the Company.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene General Meeting

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

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

2. A request –

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

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

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

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

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

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

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

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

Voting by Poll

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

Procedures for Shareholders Sending Enquiries to the Board

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

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

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

Other Procedures for Shareholders' Proposals

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

- Procedures for Shareholders making proposals at general meetings

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

Constitutional Documents

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

Risk Management Report

RISK MANAGEMENT CONCEPT

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

RISK MANAGEMENT COMMITTEE

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

The Risk Management Committee held two meetings during 2018 and focused on the discussion on the following matters:

- reviewed the risk management reports for the year 2017 and the first half of 2018 and risk management plan for the year 2018 prepared by the Company's Internal Audit Department in relation to the Group's risk management framework, effectiveness of the risk management system, cybersecurity risks and the responsive measures adopted for risk control and risk management policies which govern the identification, assessment, monitoring and reporting of the major risks faced by the Group;

- reviewed and approved the "Development of Internal Control Working System for Risk Management"; and

- reviewed, discussed and approved the connected transactions in relation to the sale and purchase of coal futures between China Power Guorui and the subsidiaries of SPIC in June 2018, and made recommendations to the Board.

RISK MANAGEMENT FRAMEWORK

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

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

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

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

In 2018, to accommodate the needs of its strategic development, the Group has, on the basis of the existing functional departments for risk management, further optimized the setup of risk departments of its subsidiaries and established a comprehensive risk management network, through which the capability and efficiency of functional departments for risk management have been enhanced in terms of allocation of risk management resources within the Group. This also enabled centralized deployment of manpower to engage in risk evaluation works and strengthened team-building for risk management talents of the Group, at the same time solidifying the 1st line of defence on the business front.

RISK MANAGEMENT MECHANISM AND PROCEDURES

The risk management mechanism and procedures of the Group comprise comprehensive risk management, risk management targeting major investment projects and specific risk management targeting key risk areas.

The procedures of comprehensive risk management are as follows:

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

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

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

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

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

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

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

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

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

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

The procedures of specific risk management targeting key risk areas are as follows:

- **Identify and determine key risk areas:** The management shall hold regular meetings to identify new and non-traditional risks arising in the course of strategic development of the Company, and commence specific risk assessment on such area.

- **Commence specific risk investigation, research and assessment:** Prior to the assessment, the functional departments shall collect data, determine risk checkpoints, verify and identify risks on-site and discuss with the business management departments (brainstorming). The identified risks shall be quantified and a risk ledger shall be established according to risk level. Responsive measures shall be formulated against such risks based on the risk strategy.

- **Compile risk assessment report and put forward management advice:** The risks assessed and responsive measures thereof shall be submitted to the relevant business management department for consideration and review. The relevant business management department shall put forward management advice for responsive measures relating to mid- or high-level risks, formulate risk assessment and management report upon discussion with the functional departments, and provide guidance to the responsible business unit to commence its risk management works.

- **Management through closed-loop tracking:** Risk checkpoints identified through the specific risk assessment shall be included in the risk management ledger. Through the integration of specific monitoring and dynamic monitoring, comprehensive tracking and prevention of risks shall be in place, and various requirements relating to risk management and control shall be incorporated into corporate management and corporate procedures.

In 2018, the Group has conducted specific risk assessment in areas such as management of development and construction of new energy projects, procurement of materials, engineering construction, and put forward detailed management advice. Meanwhile, it continued to build the Group's information platform for compliance management. Information technology will be used to manage the compliance review and assurance procedures for decision-making, contract execution, procurement and capital management. In addition, the Board also continued to attach great importance to risk prevention and control in relation to information security, internet security, sharing of financial information and the relevant confidentiality, and established systems and working mechanism to track the relevant risks according to regulatory requirements on a continuous basis, thereby ensuring the material risks of the Group are controllable and under control.

Pursuant to the risk assessment for 2018, the major risks of the Group are as follows:

Description of Risks	Target Risk Trend 2018	Key Response Measure(s)
Risks relating to macro-economy — The potential downward trend of economic structural adjustment in China might lead to reduction in electricity demand.	↑	1. Conduct analysis and research on the supply and demand relationship in the electricity market with a view to seizing every opportunity to achieve basic electricity goals, at the same time making strenuous efforts to expand the free trade market for electricity beyond its basic electricity goals, and actively commencing work in relation to direct transaction with major electricity users. 2. Develop integrated energy services that can provide various energy services including electricity, heat, cold energy and industrial water simultaneously to users. 3. Actively develop intelligent energy services in the new economic zones, which are the key development areas of the Central Government. 4. Carry out heat supply system renovations for large-scale coal-fired power generating units with a view to expanding into the new market for heat supply. 5. Actively develop emerging markets by carrying out acquisition and project investment in rapidly growing provinces.

Description of Risks	Target Risk Trend 2018	Key Response Measure(s)
Risks relating to policy changes — The policy changes in the electricity market were unfavourable to existing coal-fired power plants; and the policy changes in relation to tariff of new energy might affect the tariff of and subsidies for new development projects, and hence resulted in a decrease in revenue and profit. There is still uncertainty as to when the subsidies for the operating new energy projects would be in place, which have had an adverse effect on the operation.	↑	1. Step up efforts in the research and analysis of policies to make timely adjustments to development strategies. 2. Acquire various incentive electricity under different new policies, including incentive electricity for reform, shut down and environmental upgrade of old power plants, so as to mitigate the operating pressure of certain coal-fired power plants. 3. Closely monitor the subsidies for the tariff of renewable energy and timely apply for such subsidies. 4. Strengthen the communication with local government departments, closely monitor the adjustment of policies, laws and regulations, and actively engage in policy formulation.
Risks relating to competition based on market price of electricity — With the market-oriented reform of the power industry, there were increasing numbers of electricity sales companies which ended up with more choices. Hence, the competition for electricity sales has intensified, and most of the transaction prices of electricity in the market were lower than the benchmark electricity price.	—	1. Optimize the electricity customer base, secure quality and trustworthy customers and reduce malicious biddings. 2. Strengthen the cooperation and communication among power generation enterprises to avoid vicious market competitions. 3. Formulate reasonable tariff pricing plan to avoid electricity transactions with low margin gain.
Risks relating to construction project management — • In respect of project progress, as the regulatory policies tightened, there was the risk that individual project may not be completed on schedule. • The construction in progress failed to meet the requirement of commissioning and acceptance quality, which gave rise to the risk that the timing of commencement of production and operation of the project may be affected. • In respect of the safety of project construction, there was risk relating to serious personal injuries, and safety incidents will directly affect the Company's reputation and cost of the project.	↑	1. Strengthen the selection of contractors for construction projects to ensure compliance with the stringent tendering process and assure that the construction quality can meet the requirements of the government based on their expertise. 2. Strengthen the training for management and construction workers to enhance the level of safety management and the protection skills of the staff. 3. For construction projects that involve more dangerous works, precautionary measures and pre-arranged plan for emergencies have been formulated. 4. Strengthen the tracking and on-site inspection during the construction process, enhance safety technology briefing to ensure safety risks of the construction projects are controllable and under control.

Description of Risks	Target Risk Trend 2018	Key Response Measure(s)
Risks relating to production management — • Given the more stringent environmental protection laws and regulations, any failure to meet such requirements may result in shutdown of generating units or suspension of production, and hence increase the risks relating to production management. • Overhaul maintenance and repairs of major power generating units, delay of completion of technical upgrade projects, failure to meet the designed standard of maintenance and repairs may give rise to risks that facilities may be affected and unable to commence production or operation as scheduled.	—	1. Strictly adhere to national laws and regulations regarding safety and health, and continue to improve the working conditions, provide employees with working tools and protective gears that are in line with safety standards, arrange various trainings and drillings on safety knowledge, safety skills and emergency situations. 2. Strengthen the environmental management of power plants and carry out the technical upgrade for power generating units on a timely basis. 3. Adopt digitalized management and implement standardized operation procedures for daily production of power plants to reduce the risk of human errors. 4. Strengthen the supervision and inspection over preliminary production and ensure the responsibility of each post and each personnel is well-defined. Facilities and construction area are safely isolated when the facilities are put into test run. 5. Strictly ensure the management over commencement and retirement of power plants, enhance the identification of production risks and formulate relevant measures.
Risks relating to cash flow — With the continuous development of the Group, there would be increase in new construction projects, investment in technical upgrade of power generating units, investment for meeting environmental compliance requirements and thus increase in indebtedness. However, with the tightened monetary policy of the central bank in the PRC, obtaining domestic financing was relatively difficult.	—	1. Encourage all business units to replace existing short-term loans with mid- to long- term loans to reduce the risks relating to cash flow arising from "short-term loans for long-term use". 2. In 2018, the Company issued mid- to long-term notes of RMB2 billion in the PRC to replace existing short-term loans, which has further improved the proportion of long-term and short-term loans. 3. In 2018, the Company introduced investment capitals from ICBC Financial, ABC Financial and Huabao Trust with a total of RMB4.79 billion injected into three subsidiaries of the Company by way of cash contribution. The proceeds have been used for repayment of existing debts. The leverage ratio and finance costs of the Group has been effectively reduced as a whole, which is conducive to upgrading the Group's competitiveness and sustainability for healthy development. For details, please refer to the Company's announcements dated 24 October 2018 and 22 November 2018, respectively.

Description of Risks	Target Risk Trend 2018	Key Response Measure(s)
Risks relating to compliance management — Subsidiaries in different provinces, which joined the Group as a result of acquisition by the Company, may not have sufficient understanding of the regulatory and disclosure requirements for listed companies in Hong Kong, and hence lack initiative in the compliance with regulatory rules of listed companies and may not be able to report material events on a timely basis. Thus, there was risk relating to the timeliness and accuracy of information disclosure as a listed company.	↑	1. Step up efforts in the promotion of the rule of law, systems and policies, and strengthen the training on regulatory rules and systems of statutory information disclosure as a listed company for new subsidiaries of the Group located in various provinces. 2. In 2018, the Company organized two rounds of training targeting senior management and departments of subsidiaries located in various provinces on listing and regulatory rules, as well as training sessions on annual review of continuing connected transactions. Assistance was also given to the Group's subsidiaries located in various provinces to establish positions and system for information disclosure to further enhance the awareness of compliance governance and risk prevention of the management members, and facilitate understanding of the requirements of information disclosure and compliance management for listed companies.

Summary of Environmental Protection and Social Responsibility Report

ENVIRONMENTAL PROTECTION

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

1 Climate Change — Coping Strategies and Actions

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

1.1 Our Strategies

Aims and Directions for Development

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

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

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

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

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

(5) Develop other types of energy: actively explore new energy segments, and seek to participate in the hydrogen power application demonstration projects of Expo 2019 and Beijing 2022 Winter Olympic Games by promoting the development of hydrogen energy projects.

Basis of Actions

The actions committed by the Group are based on:

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

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

(3) Working guidelines: "Action Plan for Enhancing the Protection of Ecological Environment" (生態環境保護提升行動方案) and other working guidelines regarding the protection of ecological environment issued by other business units.

Strategic Support

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

1.2 Our Works

Air pollution

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

During 2018, as part of the ultra-low emission technical upgrade for the generating unit no. 1 of Fuxi Power Plant, a specialized group for dust control technology was established. The group formulated strategies for tackling dust problems with well-known environmental protection companies. Subsequently, dust discharges have been successfully maintained at a level of below 5 mg per standard cubic meter, allowing the generating unit no. 1 of Fuxi Power Plant to successfully pass the inspection and acceptance of ultra-low emission technical upgrades.

During 2018, windbreak and dust-controlling walls were also set up in coalfields of Pingwei Power Plant, combined with the spraying device in coalfields, reaching a dust control rate up to over 95%.

Exhausts gas

As part of our environmental protection upgrade plan, the Group embarked upon the third environmental protection technical upgrade with an aim for ultra-low emission. As of the end of 2018, more than 95% operating coal-fired power generating units of the Group have met the standards of ultra-low emission, among which 6 power plants have received incentive electricity for environmental protection from the local governments.

Discharge of sulphur dioxide and flue gas and dusts by the Group reduced further as benefitted from our ultra-low emission technical upgrades in some of the power plants, with the total discharge decreasing year-on-year by 83 tonnes and 197 tonnes, respectively.

Although the emissions of carbon dioxide and nitrogen oxide have risen due to the increase in power generation, the Group has reduced the emission of greenhouse gases such as carbon dioxide by developing clean energy projects, effectively curbing such increases. In 2018, the Group's clean energy power generation amounted to 20,159,816 MWh, representing a reduction in carbon dioxide emission by 16,027,054 tonnes.

SOCIAL RESPONSIBILITY

The Group complies with the quality, safe, healthy, and environment protection principle of "Quality Products and Services, People-oriented, Risk Control, Green Operations", pursuing high standards of operations and striving to minimize the adverse impact on the society and the environment. The Group is also improving its standards on clean production to provide safe, economical and clean products and services to customers and the society. In addition, the Group strengthens communication and cooperation with each stakeholder, with a view to fostering a win-win society.

2 Employment and Labour Practices — A People-Oriented Approach

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

3 Operational Practices — Safeguarding Stable Development

Supply chain management

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

While fulfilling its own social responsibility, the Group also incorporates concepts and requirements of social responsibility in the management of suppliers. A stringent and standardized system for the selection and management of suppliers has been formulated, in a bid to safeguard a healthy and orderly marketplace in a joint effort with other parties in accordance with the "Implementation Measures for the Management and Evaluation of Fuel Suppliers", "Regulations for the Management of Material Suppliers", "Implementation Measures for the Evaluation of Tender Suppliers", "Administrative Measures for Recording the Misconduct of Suppliers" and other pertinent regulations. In order to optimize pricing strategies, the Group also launched an e-commerce platform to allow public bidding from competent suppliers, thereby establishing a pricing mechanism in line with the market requirements.

Approval of fuel suppliers is subject to the fulfilment of precedent conditions based on the mine resources or transport support provided by the potential suppliers, which are assessed and examined in a comprehensive manner with reference to their qualification, skill competence, product quality, pricing, after-sale service and reputation, and are graded as I, II and III in accordance with the "Catalogue for Grading and Classification of Materials". The Group focuses on examining suppliers of Grade I and II and those which are newly added or planned to be eliminated. A blacklist system is also in place to encourage self-improvement of suppliers. The Group also performs verification of suppliers' qualifications on, among others, safety work and staff training, in order to raise suppliers' awareness of social responsibility management. In 2018, the Group assessed 2,212 (2017: 1,811) suppliers of fuels and other materials, and identified 131 unsatisfactory suppliers, 57 of which were blacklisted.

As a power producer, the Group mainly sells electricity generated from its power plants through the local power grid companies. In 2018, seizing the opportunity directed by the PRC government in opening up the electricity market, the Group has been actively fostering its own customer base by proactively liaising with enterprises of large electricity consumption and building with them long lasting and sustainable partnerships in order to secure the increased market share in direct power supply.

Safe production

The Group regards safe production as the prerequisite for stable power supply and sustainable development for the Group in firm adherence to the safety philosophy which maintains that "no risks are uncontrollable, no breaches are unpreventable and no accidents are unavoidable" and the safety production directives of "safety as priority, prevention rather than cure, and comprehensive management". No major safety incident related to our employees, facilities or the environment occurred in 2018.

4 Community Investment — Promoting Harmony

The Group is actively involved in community building and conducts its business in a responsible manner in the places where it operates, with the aim of driving local economic and social development. In order to effectively fulfil its social responsibilities and contribute to the sustainable development of the communities, the Group, by leveraging its own advantages, actively encourages its employees to participate in volunteer servicing activities, supports rescue and relief efforts, organizes social charity, science and technology education and other campaigns that contribute to the well-being of local communities based on their practical needs.

The full version of the "Environmental Protection and Social Responsibility Report" will be posted on the websites of the Company and the Hong Kong Stock Exchange on or before 30 June 2019.

Investor Relations and Frequently Asked Questions

INVESTOR RELATIONS

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

The Company has been proactively organizing and participating in various types of investor relation activities so as to communicate with investors regularly and share with them the strategic plans of the Company. By engaging investors in in-depth communications with regard to public information, investors can comprehensively understand the Company's production operation of various business segments, corporate governance, dedication towards environmental protection and fulfillment of social responsibilities. The Directors and the senior management have participated in a variety of investor relation activities to maintain direct communication with the investors.

In addition, the Company places great emphasis on the feedback from the investors, and ensure their feedback can reach the Board and the management through internal channels. By this, we continuously improve our operations and management while creating greater value for the shareholders.

PRESS CONFERENCES FOR ANNUAL AND INTERIM RESULTS

In 2018, the Company organized press conferences right after the publications of its 2017 annual results and 2018 interim results. The Directors and the senior management attended the conferences and actively communicated with investors and securities analysts to keep them abreast of the operations and the development strategies of the Company as well as actively strive for investors' understanding and recognition of the future development plans and profit growth points of the Company.

GENERAL MEETINGS

The annual general meeting for last year was held on 5 June 2018 at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, 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 meetings. All ordinary resolutions proposed at the meeting were duly passed by shareholders' voting.

The annual general meeting for this year is proposed to be held on 6 June 2019.

ROADSHOWS AND REVERSE ROADSHOWS

In 2018, we launched roadshows in the Mainland China, Hong Kong and Singapore to coordinate with the announcing of the results of the Company and promote strategies and achievements of the Company. The senior management and investor relations team of the Company participated in the roadshows to have meetings with investors. In addition, the Company also arranged site visits to our hydropower plants upon the request of the investors, which enabled them to have more direct knowledge of the production operation of the Group, thereby strengthening the positive interaction between the Company and the investors.

In 2018, the Company met nearly 50 securities analysts and fund managers through roadshows and reverse roadshows, which effectively promoted communication between the Company and the investors.

INVESTOR FORUM

In 2018, the senior management and investor relations team participated in seven major investor forums in Hong Kong, Beijing, Shenzhen, etc., and met nearly 80 securities analysts and fund managers.

REGULAR MEETINGS WITH INVESTORS

The Company is pleased to communicate with every investor. Apart from attending major investor activities regularly, the management will make their best efforts to meet with individual investors or investor groups from time to time, and will arrange each meeting conscientiously. In 2018, the Company received visits of approximately 50 analysts and fund managers from investment institutions in Hong Kong and Beijing offices.

SHAREHOLDERS AND INVESTORS ENQUIRIES

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

FREQUENTLY ASKED QUESTIONS

1. What is the Company's Development Strategy?

As a leader in technological innovation and institutional innovation, the Group is proactively implementing its transformation and development strategy. We are striving to become the world's leading clean energy enterprise by focusing on establishing comprehensive energy projects and predominantly acquiring clean energy companies.

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

In order to accelerate the transformation towards a clean energy company, the Company has completed its acquisition of clean energy assets in Guangxi, Shandong, Anhui and Hubei from the parent companies in 2018.

In the future, the Company will continue to optimize its asset structure and enhance its market competitiveness. Currently, apart from the information already disclosed by the Company, there is no other disclosable information in relation to the acquisition of the assets from the parent companies.

3. What are the Volume of Electricity and Tariff Level of the Group's Participation in Direct Power Supply Transactions in 2018?

In 2018, a number of coal-fired power plants and clean energy power plants of the Group participated in direct power supply transactions. The volume of electricity sold through direct power supply transactions amounted to 23,273,641MWh. For those power plants of the Group which participated in direct power supply transactions, the average post-tax tariff of coal-fired power was at a discount of approximately 8.02% as compared with the average post-tax benchmark on-grid tariff, while the average post-tax tariff of hydropower was at a discount of approximately 1.03% as compared with the average post-tax benchmark on-grid tariff.

4. What is the Company's Anticipation of Supply and Demand for Power for 2019?

In 2019, China Electricity Council anticipated that the growth of national total electricity consumption will slightly slow down, with a year-on-year increase of approximately 5.5% and the newly-installed capacity nationwide is expected to reach 110 million kW, hence, the overall national supply and demand of electricity will remain balanced. Nevertheless, the power supply during the peak hours of electricity consumption will remain tight in certain regions. In conclusion, the Group expects that the fluctuation of utilization hours will be relatively stable in 2019.

5. What is the Company's Opinions of Supply and Demand for Coal for 2019?

In 2019, with the weakening effect of cutting overcapacity of coal production and the stable growth of advanced production capacity, the national coal output is expected to increase steadily, and the demand for coal will maintain a steady increase. The national regulatory policies will play an active role in leading a stable operation of the coal market, resulting in a relatively loose balance of supply and demand for coal. The Group expects that coal price will remain at a high level in general for 2019, albeit a slight decrease and with less volatility.

6. What is the Group's Capital Expenditures for 2018 and the Capital Expenditures Plan for 2019?

In 2018, the capital expenditure of the Group for the year was RMB11,563,878,000. Among which, the capital expenditure for the coal-fired power segment was RMB3,730,637,000, which was mainly used for the construction of new environmental friendly coal-fired power generating units with large capacity and technical upgrade for the existing power generating units. Meanwhile, the capital expenditure for the clean energy segment, including newly acquired assets, was RMB7,672,993,000, which was mainly used for the construction of new power plants and power stations.

In 2019, the Group has a planned capital expenditure of approximately RMB10,000,000,000. Of which, the expected expenditures for coal-fired power segment and clean energy segment will be approximately RMB3,600,000,000 and approximately RMB6,400,000,000, respectively, which will be mainly used for the construction of new power generating units and technical upgrade for the existing power generating units.

7. What is the Company's Dividend Plan?

The Company announced its revised dividend policy in January 2019, which increased the amount of dividends from not less than 25% of the profit attributable to owners of the Company to not less than 50% of the profit attributable to owners of the Company. In addition, the Board of the Company has reached a consensus and is planning to maintain a relatively consistent amount of dividend per share for the three consecutive years starting from 2018, which, in principle, will be not less than the dividend per share declared by the Company in 2017.

Report of the Board of Directors

The Board hereby presents to the shareholders its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018 (the "Consolidated Financial Statements").

PRINCIPAL ACTIVITIES

The principal activities of the Group are to develop, construct, own, operate and manage large power plants for generation and sale of electricity in China, and also engage in investment holdings. Particulars of the Company's principal subsidiaries are shown in Note 47 to the Consolidated Financial Statements.

RESULTS AND DISTRIBUTION

The results of the Group for the year ended 31 December 2018 are set out in the Consolidated Income Statement on page 104. The Board has recommended the payment of a final dividend of RMB0.11 (equivalent to HK$0.1292) per ordinary share for the year ended 31 December 2018, with a total amount of RMB1,078,757,000 (equivalent to HK$1,267,050,000).

BUSINESS REVIEW AND PERFORMANCE

Review of the Group's business and performance for the year ended 31 December 2018 are set out in this annual report as follows:

Aspects	In the section headed	Page
A fair review of the Group's business and analysis of financial position	• Management's Discussion and Analysis	24–38
A description of the principal risks and uncertainties facing the Group	• Risk Management Report	66–69
	• Note 44 to the Consolidated Financial Statements	192–201
The outlook of the Group's business	• Letter to Shareholders	17–18
	• Management's Discussion and Analysis	43–44
The Group's environmental policies and performance and compliance with the relevant laws and regulations that have a significant impact on the Group	• Summary of Environmental Protection and Social Responsibility Report	70–72
	• Management's Discussion and Analysis	41
An account of the Group's key relationships with its stakeholders that have a significant impact on the Group	• Management's Discussion and Analysis	42–43
	• Summary of Environmental Protection and Social Responsibility Report	72–73
	• Investor Relations and Frequently Asked Questions	74–75

CORPORATE GOVERNANCE

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

SUMMARY OF FINANCIAL INFORMATION

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

PROPERTY, PLANT AND EQUIPMENT

During the year, the additions and transfer from prepayment for property, plant and equipment of the Group amounted to RMB12,890,182,000, mainly representing general power assets. Details of the movements in property, plant and equipment of the Group and the Company during the year are set out in Note 14 to the Consolidated Financial Statements.

SHARE CAPITAL

There was no change in the share capital of the Company during the year.

COMMERCIAL PAPERS AND NOTES ISSUED

In May 2017, Wu Ling Power, a 63%-owned subsidiary of the Company, obtained approval from the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) (the "NAFMII") to issue super short-term commercial papers in the PRC for an aggregate amount of RMB1.5 billion with an effective registration period of two years. The first tranche of RMB300 million 180 day-commercial papers was issued in March 2018, and the second tranche of RMB500 million 180 day-commercial papers was issued in April 2018.

In September 2018, the Company obtained approval from NAFMII to issue medium-term notes in the PRC for an aggregate amount of RMB2 billion with an effective registration period of two years. The entire RMB2 billion three-year note was issued in October 2018.

Details of the commercial papers and notes of the Group and the Company during the year are set out in Note 36 to the Consolidated Financial Statements.

EQUITY-LINKED AGREEMENT

For the year ended 31 December 2018, the Company did not enter into any equity-linked agreement.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in Notes 33 and 48 to the Consolidated Financial Statements respectively.

DISTRIBUTABLE RESERVE

As calculated in according with Sections 297 and 298 of the Hong Kong Companies Ordinance, as at 31 December 2018, the distributable reserve of the Company amounted to RMB5,144,033,000 (2017: RMB5,221,644,000).

DIRECTORS

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

Mr. YU Bing resigned as an executive Director on 27 July 2018 due to new work arrangement.

In accordance with Article 82 of the Company's articles of association and the Listing Rules, Mr. GUAN Qihong and Mr. LI Fang 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 2018, none of the Directors had a service contract with the Company or any of its subsidiaries which was not determinable by the employing company within one year without payment of compensation other than statutory compensation.

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

DIRECTORS OF SUBSIDIARIES

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31 December 2018 or during the period from 1 January 2019 to the date of this annual report are available on the Company's website at www.chinapower.hk.

PERMITTED INDEMNITY

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

SHARE OPTION SCHEME

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

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

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

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

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

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

(c) the nominal value of the shares.

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

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. 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.

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.

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"). The Share Option Scheme had already expired on 24 August 2014 (i.e. at the tenth anniversary since its adoption date), 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.

Movements of the share options under the Share Option Scheme for the year ended 31 December 2018 are as follows:

Grantee	Date of grant	Number of shares subject to share options: As at 1 January 2018	Lapsed or cancelled during the year	Exercised during the year	Outstanding as at 31 December 2018	Expiry date	Exercise price per share (HK$)
Directors:							
GUAN Qihong	2 July 2008	428,076	(428,076)	–	–	1 July 2018	2.173
Other employees	2 July 2008	10,958,752	(10,958,752)	–	–	1 July 2018	2.173

All share options granted on 4 April 2007 and 2 July 2008 under the Share Option Scheme were entirely lapsed upon expiry pursuant to the terms of the Share Option Scheme on 3 April 2017 and 1 July 2018 respectively.

DIRECTORS' INTEREST IN CONTRACTS

During the year ended 31 December 2018, there was no transaction, arrangement or contract of significance in which the Company, its subsidiaries, its holding companies, fellow subsidiaries, associates and joint ventures was a party, and in which the Director had any material interest.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 December 2018, none of the Directors or the chief executive of the Company has any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO") which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2018, save as disclosed below, no person, not being a Director nor chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which should be recorded in the register kept under Section 336 of the SFO.

Name	Capacity	Number of shares in which interested other than under equity derivatives[4]	Percentage of issued share capital of the Company (%)	Long/Short position
CPDL	Beneficial owner	2,662,000,000	27.14	Long
Seth Holdings[1]	Interest of a controlled corporation	2,662,000,000	27.14	Long
CPI Holding[2]	Interest of a controlled corporation	2,662,000,000	27.14	Long
	Beneficial owner	2,833,518,060	28.89	Long
SPIC[3]	Interest of a controlled corporation	5,495,518,060	56.04	Long

Notes:

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

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

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

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

CONNECTED TRANSACTIONS ENTERED BY THE GROUP

CONNECTED TRANSACTIONS

(A) EPC Contracting Agreements

1. *Heat supply system renovation*

Date:	3 January 2018
Parties:	(i) Yaomeng Power Plant
	(ii) State Nuclear Institute (as the Contractor)
Total consideration:	RMB50,500,000

The Contractor has agreed to provide technical, procurement, engineering and installation services for heat supply system renovation of two 630MW coal-fired power generating units and construction of related heat transmission pipeline facilities. The contracting fees are payable by installments.

2. *Water desalination replenishment system upgrade*

Date:	17 July 2018
Parties:	(i) Yaomeng Power Plant
	(ii) SPIC Yuanda Waterworks Company Limited (as the Contractor)
Total consideration:	RMB32,112,725

The Contractor has agreed to provide engineering, procurement, construction and installation, and technical support services for the whole coal-fired power plant water desalination replenishment system upgrade. The contracting fees are payable by installments.

3. *Photovoltaic power station construction*

Date:	15 August 2018
Parties:	(1) Zuoyun Project (i) Zuoyun CP (ii) CPI Power Engineering Co., Ltd. (as the Contractor) (2) Gaoshan Project (i) Datong CP (ii) CPI Power Engineering Co., Ltd. (as the Contractor) (3) Hunyuan Project (i) Hunyuan CP (ii) State Nuclear Institute (as the Contractor)
Total consideration:	(1) RMB207,400,000 (2) RMB200,960,000 (3) RMB164,218,800

The Contractor has agreed to act as the main contractor and provide engineering, procurement and construction services for development and construction of the above three photovoltaic power station projects. The contracting fees are payable by installments.

4. *Power and heat co-generating units construction*

Date:	11 December 2018
Parties:	(i) China Power Changshu Cogeneration Company Limited (ii) Shandong Institute (as the Contractor)
Maximum consideration:	RMB394,681,902, including price adjustment that do not exceed 10% of the total contracting fee

The Contractor has agreed to act as the main contractor and provide engineering, procurement (excluding main generator component and ancillary apparatus), construction and installation services for construction of the project involving the construction of two gas-fired power and heat co-generating units. The contracting fees are payable by installments.

Since the Contractors are indirect subsidiaries of SPIC and SPIC is the ultimate controlling company of the Company, the EPC Contracting Agreements thus constituted connected transactions of the Company under the Listing Rules.

(B) Project Tender and Facilities Services Agreement and Power Pipelines Procurement Agreement

1. *Project Tender and Facilities Services Agreement*

Date:	16 March 2018
Parties:	(i) Dabieshan Power Plant
	(ii) China Power Complete Equipment Co., Ltd. ("CEC") (as the Agent)
Total consideration:	RMB13,500,000

The Agent has agreed to provide tendering, supervision, manufacture of machinery and equipment, procurement, and technical support and consultation for construction of Dabieshan Power Plant's new project involving the construction of two 660MW ultra super-critical coal-fired power generating units. The service fee is payable by instalments.

2. *Power Pipelines Procurement Agreement*

Date:	16 March 2018
Parties:	(i) Dabieshan Power Plant
	(ii) Shanghai Power Investment Complete Equipment Co., Ltd. ("SEC") (as the Supplier)
Total consideration:	RMB119,892,300

The Supplier has agreed to sell all power pipes and ancillary equipment for above-mentioned Dabieshan Power Plant's new project. The service fee is payable by instalments.

Since CEC and SEC are subsidiaries of SPIC and SPIC is the ultimate controlling company of the Company, the Project Tender and Facilities Services Agreement and the Power Pipelines Procurement Agreement thus constituted connected transactions of the Company under the Listing Rules.

(C) Production Quota Sale and Purchase Agreement

Date:	28 September 2018
Parties:	(i) Yaomeng Power Plant
	(ii) SPIC Nanyang Cogeneration Company Limited ("Nanyang Power Plant") (as the purchaser)
Power production quota to be transacted:	200,000MWh
Maximum consideration payable:	RMB15,600,000

Yaomeng Power Plant will sell the above power production quota to Nanyang Power Plant. After Nanyang Power Plant has generated electricity under the monthly power production quota, it will pay Yaomeng Power Plant within the following month a month-end power production transfer fee (based on the actual on-grid electricity to be generated) in a lump sum via wire transfer.

Since Nanyang Power Plant is an indirect subsidiary of SPIC and SPIC is the ultimate controlling company of the Company, the Production Target Sale and Purchase Agreement thus constituted a connected transaction of the Company under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

(A) Land Lease Agreements

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

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

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

* *Inclusive of value-added tax*

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

2. *Shanxi Shentou Land Use Right Lease Agreement*

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

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

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

(B) Property Lease Agreement

1. *Beijing Property Lease Agreement*

The Company has been leasing a premises owned by CPI Holding since 2006 (the "Beijing Property Lease Agreement") and was renewed with the following terms:

Date:	30 August 2018
Address:	Premises on the 6th to 13th Floors, East Building, Hui Huang Shi Dai Plaza, 56 North West Fourth Ring Road, Haidian District, Beijing, the PRC
Area:	10,200 square metres
Annual rent:	RMB26,805,600 or RMB7.2 per square metre per day
Term:	1 September 2018 to 31 August 2021

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

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

2. *Wu Ling Lease Agreement*

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

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

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

Wu Ling Power is a subsidiary of the Company. Qian Dong Power is a non-wholly owned subsidiary of CPI Holding and CPI Holding is the controlling company of the Company. Accordingly, the Wu Ling Lease Agreement constituted a continuing connected transaction of the Company under the Listing Rules.

(C) Purchase Agreement

New Material Purchase Framework Agreement

Date:	7 August 2018
Parties:	(i) The Company (representing its subsidiaries, individually the "Purchaser" or collectively the "Purchasers") (ii) CPI Holding (representing its subsidiaries, individually the "Supplier" or collectively the "Suppliers")
Term:	1 July 2018 to 31 December 2020
Proposed annual cap:	For each of the six months and the two financial years ending 31 December 2018, 2019 and 2020, is RMB24,550,000, RMB49,100,000 and RMB49,100,000 respectively.
Payment terms:	Settlement by cash on a monthly basis

The previous Material Purchase Framework Agreement entered on 29 December 2015 was simultaneously terminated and replaced upon the signing of the above New Material Purchase Framework Agreement.

The parties have agreed that the Purchasers will purchase from the Suppliers the limestone powder for desulphurization (the "Materials") of the Company's coal-fired power plants. The purchase prices of the Materials shall be determined by reference to, among others, the prevailing local market transactions of similar Materials from the other independent suppliers in the nearby locations where our power plants are located (not less than three latest comparable transactions).

As the Suppliers are subsidiaries of CPI Holding and CPI Holding is the controlling company of the Company, the entering into the transactions contemplated under the New Material Purchase Framework Agreement constituted continuing connected transactions of the Company under the Listing Rules.

(D) Service Agreements

1. *Composite Services Framework Agreement*

Date:	28 February 2018
Parties:	(i) The Company (representing its subsidiaries, individually the "Employer" or collectively the "Employers") (ii) CPI Holding (representing its subsidiaries, individually the "Service Provider" or collectively the "Service Providers")
Term:	1 January 2018 to 31 December 2020
Proposed annual cap:	For the three financial years ending 31 December 2018, 2019 and 2020 is RMB186,750,000.
Payment terms:	Settlement by cash on a monthly basis or payable within 3 months after completion of the required services.

The parties have agreed that the Service Providers will provide the Employers with various supporting services in relation to their daily power plant operations. The service fee payable shall be agreed by mutual agreement, among others, with reference to the latest market price for provision of similar services chargeable by independent third parties in the ordinary course of business in the same region (not less than two quotations or tenders from independent third parties).

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

2. *Turnkey Service Framework Agreement*

Date:	29 August 2018
Parties:	(i) The Company (representing its subsidiaries, individually the "Purchaser" or collectively the "Purchasers") (ii) SPIC (Materials) (as the service provider)
Term:	From the date of signing of the Framework Agreement and ending 31 December 2020
Proposed annual cap:	For each of the period and the two financial years ending 31 December 2018, 2019 and 2020, is RMB450,000,0000, RMB650,000,000 and RMB650,000,000 respectively.
Payment terms:	Settlement by cash and by instalments or such other payments terms and timeline as both parties will negotiate and agree from time to time in contracts.

SPIC (Materials) will provide the Purchasers with the materials and supporting services required for power plants or stations and heat supply system to the Purchasers for the development, construction and continuing operation of the Group's existing and new renewable energy power plants or stations. The total consideration payable shall be determined, among others, with reference to the relevant tendering and bidding laws and regulations of the PRC and internal tendering policies of the Purchasers (not less than two quotations from independent third parties) .

As SPIC (Materials) is a branch company of SPIC, and SPIC is the ultimate controlling company of the Company, the entering into the transactions contemplated under the Turnkey Service Framework Agreement constituted continuing connected transactions of the Company under the Listing Rules.

(E) Coal Supply Framework Agreements

1. Huainan Mining

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

Pursuant to the Huainan Mining Coal Supply Framework Agreement, Huainan Mining will supply coal to the Purchasers. The purchase price of coal shall be determined, among others, with reference to the current transacted coal prices of the local coal exchange or market in the PRC (two or more latest comparable transactions of independent third parties).

As Huainan Mining is the substantial shareholder of Huainan Pingwei No. 2 Electric Power Co., Ltd., Huainan Pingwei No. 3 Electric Power Co., Ltd. and Dabieshan Power Plant, the subsidiaries of the Company, the entering into the transactions contemplated under the Huainan Mining Coal Supply Framework Agreement constituted continuing connected transactions of the Company under the Listing Rules.

2. *Pingmei Shenma*

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

Pursuant to the Pingmei Shenma Coal Supply Framework Agreement, Pingmei Shenma will supply coal to the Purchasers. The purchase price of coal shall be determined, among others, with reference to the current transacted coal prices of the local coal exchange or market in the PRC (two or more latest comparable transactions of independent third parties).

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

3. *SPIC Aluminum*

Date:	6 July 2018
Parties:	(i) CP Guorui (as the purchaser/customer)
	(ii) SPIC Aluminum (as the supplier/dealer)
Term:	1 January 2018 to 31 December 2019
Proposed annual cap:	For each of the two financial years ending 31 December 2018 and 2019 is RMB600,000,000.
Payment terms:	Settlement within 30 days after the coal is delivered or such other payments terms for long-term contracts; a 70% of the coal purchase price is payable before the fifth business day of the month upon physical delivery of coal and the remaining 30% is payable within 30 days after the coal is delivered for future contracts.

SPIC Aluminum will provide coal to CP Guorui through long-term contracts and/or futures contracts. For long-term contracts, the purchase price of coal shall be determined, among others, with reference to the available data published at the coal markets in the PRC (not less than two latest comparable transactions of independent third parties for provision of similar type of coal in the same region). For futures contracts, CP Guorui will purchase coal by way of ordering the coal futures contracts openly listed on the Zhengzhou Commodity Exchange in the PRC through SPIC Aluminum. The price of the coal futures contracts is the purchase price of the coal.

As SPIC Aluminum is subsidiary of SPIC and SPIC is the ultimate controlling company of the Company, the entering into the transactions contemplated under the SPIC Aluminum Framework Agreement constituted continuing connected transactions of the Company under the Listing Rules.

4. CPI Xianrong

Date:	6 July 2018
Parties:	(i) CP Guorui (as the customer)
	(ii) CPI Xianrong (as the dealer)
Term:	1 January 2018 to 31 December 2019
Proposed annual cap:	For each of the two financial years ending 31 December 2018 and 2019 is RMB120,000,000.
Payment terms:	A 70% of the coal purchase price is payable before the fifth business day of the month upon physical delivery of coal; the remaining 30% is payable within 30 days after the coal is delivered.

CP Guorui will purchase coal by way of ordering the coal futures contracts openly listed on the Zhengzhou Commodity Exchange in the PRC through CPI Xianrong. The price of the coal futures contracts is the purchase price of the coal.

As CPI Xianrong is subsidiary of SPIC and SPIC is the ultimate controlling company of the Company, the entering into the transactions contemplated under the CPI Xianrong Framework Agreement constituted continuing connected transactions of the Company under the Listing Rules.

(F) Financial Services Framework Agreement

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

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

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

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

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

RELATED PARTIES TRANSACTIONS

During the year 2018, those related party transactions listed under Note 46 to the Consolidated Financial Statements which were connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules include:

- (a)(iii) Rental income from a fellow subsidiary
- (a)(iii) Sales of unused power production quota to a company controlled by SPIC
- (b)(i) Purchase of coal, coal by-products and spare parts from companies controlled by SPIC, fellow subsidiaries and non-controlling shareholders of subsidiaries
- (b)(ii) Construction costs and other services fees to companies controlled by SPIC and fellow subsidiaries
- (b)(iv) Operating lease rental expenses paid to SPIC and CPI Holding

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

REVIEW BY AUDIT COMMITTEE MEMBERS AND AUDITOR

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

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

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

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

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2018.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, the aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 75.42% of the Group's total purchases and purchases attributable to the Group's largest supplier accounted for approximately 48.35% of the Group's total purchases.

For the year ended 31 December 2018, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 78.39% of the Group's total turnover and turnover attributable to the Group's largest customer accounted for approximately 24.62% of the Group's total turnover.

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

PUBLIC FLOAT

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

AUDITOR

The Consolidated Financial Statements have been audited by Deloitte Touche Tohmatsu who will retire and, being eligible, offered themselves for re-appointment. The Company has not changed its auditor in the past three years.

On behalf of the Board
China Power International Development Limited

TIAN Jun
Executive Director

Hong Kong, 21 March 2019

Deloitte. 德勤

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of China Power International Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 104 to 230, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Recoverable amounts of certain CGUs included in "Generation and sales of coal-fired electricity" segment and "Generation and sales of hydropower electricity" segment	
We identified the recoverable amounts of certain CGUs (as defined below) associated with goodwill and certain property, plant and equipment included in "Generation and sales of coal-fired electricity" segment and "Generation and sales of hydropower electricity" segment as a key audit matter due to the inherent subjectivity and complexity involved in impairment assessment of these CGUs by management. The Group engaged independent professional valuer as management's expert for the purpose of certain impairment assessments. As disclosed in Note 2.9 to the consolidated financial statements, for the purposes of assessing impairment, non-financial assets are grouped at the lowest levels for which there are independent cash inflows ("CGUs"). The calculations of recoverable amounts of these CGUs based on value in use calculation require significant management judgements and key estimates in preparing cash flow projections, including applying an appropriate discount rate as well as growth rate. As disclosed in Notes 3(i), 14(g) and 17 to the consolidated financial statements, management has performed impairment assessments by measuring the recoverable amounts of these CGUs based on value in use calculation. For the year ended 31 December 2018, no impairment was recognized based on the impairment assessments performed by management.	Our audit procedures in relation to the impairment assessment of these CGUs by management included: • evaluating the appropriateness of the classification of CGUs of the Group; • obtaining an understanding of independent professional valuer's competence, capabilities and objectivity and evaluate how the valuer's work was relied on by management for certain impairment assessments; and • challenging management's key assumptions and estimates used to determine the recoverable amounts of these CGUs which included: o validating the discount rates adopted; o analysing the underlying projected cash flows used in the value in use calculation to determine whether the assumptions applied, such as the revenue growth arising from the increment of electricity sold, are reasonable and supportable given external benchmarks and expected future performance of these CGUs; o comparing the underlying projected cash flows against historical performance to test the accuracy of management's projections; and o evaluating the sensitivity analysis on key assumptions adopted in the value in use calculation.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of the provisions for compensation for inundation	
We identified the valuation of the provisions for compensation for inundation caused by the construction of three hydropower plants of the Group, namely the Baishi Power Plant, Tuokou Power Plant and Changzhou Hydropower Plant in accordance with the rules and regulations set out by the relevant local government authorities in the People's Republic of China ("Inundation Compensation") as a key audit matter due to the inherent level of subjective judgements and estimates required by management in assessing the provision amounts at the end of the reporting period. As at 31 December 2018, the Group's provisions for the Inundation Compensation amounting to Renminbi ("RMB") 1,141.9 million, with interest expense due to the passage of time of RMB86.1 million recognized as expenses in the consolidated income statement for the year then ended. As disclosed in Notes 2.18 and 38 to the consolidated financial statements, the provisions are measured at the present value of the expenditure expected to be required to settle the obligations using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. In determining the best estimate of the provisions for the Inundation Compensation, management is required to make subjective assumptions and judgements, including estimating the timing and duration of the compensation payments, the compensation per unit of area and its growth rate, as well as the pre-tax discount rate applied to account for time value of money and the risks specific to the compensation. Any inappropriate assumptions or judgements applied would result in different provision amounts that would potentially significantly affect the profit or loss and financial position of the Group.	Our audit procedures in relation to the valuation of the provisions for the Inundation Compensation included: • obtaining the discounted cash flow schedule in relation to the estimation of the provisions for the Inundation Compensation from management, reconciling the key input to supporting evidence and checking the arithmetical accuracy of the calculations in the schedule; • challenging the key assumptions made by management in determining the provisions for the Inundation Compensation, including the timing and duration of the compensation payments, the compensation per unit of area and its growth rate, as well as the discount rate applied; • comparing the forecast prepared by management in prior year against the actual cash compensation made during the year to assess the accuracy of management's estimates; and • obtaining an understanding of the latest updates of the relevant local rules and regulations to assess whether the expected cash outflow for the provisions for Inundation Compensation has taken into account the latest regulatory requirements and adjusted to reflect the current best estimate.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Fair value assessments and purchase price allocations for certain business combinations	
We identified fair value assessments and purchase price allocations for the acquisitions of 100% equity interests in SPIC Guangxi Power Company Limited, SPIC Shandong Energy Development Co., Ltd., SPIC Anhui New Energy Development Co., Ltd., and SPIC Hubeilvdong New Energy Co., Ltd. (the "Acquisitions") as a key audit matter due to the significance of the Acquisitions and subjective judgements and estimations involved in the identification and valuation of the property, plant and equipment and intangible assets acquired, in particular the valuation of the intangible assets, which was determined using discounted cash flow model. As disclosed in Note 45(a) to the consolidated financial statements, during the year ended 31 December 2018, the Group completed the Acquisitions with a total consideration of RMB4,018.3 million. Goodwill and intangible assets of RMB111.1 million and RMB755.2 million were recognized in the consolidated financial statements respectively. The fair values of the property, plant and equipment and intangible assets acquired in the Acquisitions and related purchase price allocations were assessed by the directors of the Company based on valuation prepared by independent professional valuers. Key assumptions used include discount rate, tariff rate, future electricity sold volume and expected beneficial period. Any significant changes in these key assumptions may give rise to material changes in the fair value of the acquired property, plant and equipment and intangible assets, which directly impact the goodwill recognized.	Our audit procedures in relation to the fair value assessments and purchase price allocations for the Acquisitions included: • obtaining and inspecting the fair value assessments prepared by the external valuers engaged by the directors and on which the directors' assessments of the fair values of the property, plant and equipment and intangible assets acquired; • obtaining an understanding of independent professional valuers' competence, capabilities and objectivity and evaluate how the valuers' works were relied on; • engaging our internal valuation specialists to assist us in challenging the key assumptions adopted on the assessment of the fair values of the property, plant and equipment and intangible assets acquired, including assumptions related to the discount rate of the intangible assets; and • with the assistance of our internal valuation specialists, assessing the valuation methodologies adopted with reference to industry standards and the requirements of the prevailing accounting standards.

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 March 2019

Consolidated Income Statement

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue — Goods and services	4	**23,175,626**	19,966,811
Other income	5	**300,346**	365,607
Fuel costs		**(11,020,697)**	(9,549,980)
Depreciation		**(3,906,575)**	(3,482,744)
Staff costs	6	**(2,063,525)**	(1,809,372)
Repairs and maintenance		**(608,509)**	(603,177)
Consumables		**(249,034)**	(244,214)
Other gains and losses, net	7	**359,625**	(62,393)
Other operating expenses		**(1,572,916)**	(1,472,084)
Operating profit	8	**4,414,341**	3,108,454
Finance income	9	**125,846**	40,413
Finance costs	9	**(2,578,254)**	(1,855,603)
Share of profits of associates		**114,461**	222,630
Share of (loss)/profits of joint ventures		**(6,446)**	44,743
Profit before taxation		**2,069,948**	1,560,637
Income tax expense	10	**(432,763)**	(279,930)
Profit for the year		**1,637,185**	1,280,707
Attributable to:			
Owners of the Company		**1,098,355**	795,272
Non-controlling interests		**538,830**	485,435
		1,637,185	1,280,707
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
— Basic	11	**0.11**	0.10
— Diluted	11	**0.11**	0.10

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

The notes on pages 112 to 230 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Year ended 31 December 2018 RMB'000	2017 RMB'000
Profit for the year	**1,637,185**	1,280,707
Other comprehensive expense:		
Item that will not be reclassified to profit or loss:		
Fair value loss on equity instruments at fair value through other comprehensive income, net of tax	**(344,187)**	–
	(344,187)	–
Items that may be reclassified subsequently to profit or loss:		
Fair value loss on:		
— available-for-sale financial assets, net of tax	**–**	(817,407)
— debt instruments at fair value through other comprehensive income, net of tax	**(993)**	–
	(993)	(817,407)
Other comprehensive expense for the year, net of tax	**(345,180)**	(817,407)
Total comprehensive income for the year	**1,292,005**	463,300
Attributable to:		
Owners of the Company	**775,426**	(22,135)
Non-controlling interests	**516,579**	485,435
Total comprehensive income for the year	**1,292,005**	463,300

The notes on pages 112 to 230 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

		As at 31 December	
		2018	2017
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**95,691,610**	75,118,822
Prepayments for construction of power plants	15	**2,388,715**	3,266,642
Prepaid lease payments	16	**1,106,126**	979,376
Goodwill	17	**946,261**	835,165
Other intangible assets	18	**752,114**	–
Interests in associates	19	**2,661,367**	2,732,560
Interests in joint ventures	20	**467,792**	471,845
Equity instruments at fair value through other comprehensive income	21	**3,083,174**	–
Available-for-sale financial assets	21	**–**	3,495,933
Deferred income tax assets	22	**376,672**	431,878
Other non-current assets	23	**4,252,263**	1,374,432
		111,726,094	88,706,653
Current assets			
Inventories	24	**712,551**	462,942
Prepaid lease payments	16	**23,916**	23,408
Accounts receivable	25	**2,784,743**	2,642,383
Prepayments, deposits and other receivables	26	**2,035,965**	1,113,464
Amounts due from related parties	27	**1,061,935**	452,768
Tax recoverable		**60,496**	27,613
Debt instruments at fair value through other comprehensive income	28	**237,299**	–
Restricted deposits	29	**23,692**	19,582
Cash and cash equivalents	30	**1,853,044**	4,577,786
		8,793,641	9,319,946
Assets associated with disposal group classified as held for sale	31	**4,439,122**	–
Total assets		**124,958,857**	98,026,599
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	32	**17,268,192**	17,268,192
Reserves	33	**12,681,726**	12,533,688
		29,949,918	29,801,880
Non-controlling interests	47	**12,901,244**	7,392,579
Total equity		**42,851,162**	37,194,459

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income		**75,341**	101,937
Bank borrowings	34	**24,551,579**	25,089,317
Borrowings from related parties	35	**19,044,910**	2,837,800
Other borrowings	36	**2,000,000**	999,544
Obligations under finance leases	37	**3,986,005**	685,415
Deferred income tax liabilities	22	**1,674,188**	1,461,717
Provisions for other long-term liabilities	38	**1,054,538**	834,886
		52,386,561	32,010,616
Current liabilities			
Accounts and bills payables	39	**776,577**	1,116,348
Construction costs payable		**5,996,791**	3,202,088
Other payables and accrued charges	40	**1,202,118**	1,269,362
Amounts due to related parties	27	**2,535,264**	1,017,952
Bank borrowings	34	**6,557,141**	15,542,089
Borrowings from related parties	35	**6,547,385**	6,055,106
Other borrowings	36	**1,024,959**	–
Current portion of obligations under finance leases	37	**1,205,997**	430,759
Tax payable		**165,906**	187,820
		26,012,138	28,821,524
Liabilities associated with disposal group classified as held for sale	31	**3,708,996**	–
Total liabilities		**82,107,695**	60,832,140
Total equity and liabilities		**124,958,857**	98,026,599
Net current liabilities		**16,488,371**	19,501,578
Total assets less current liabilities		**95,237,723**	69,205,075

The consolidated financial statements on pages 104 to 230 were approved and authorized for issue by the Board on 21 March 2019 and are signed on its behalf by:

TIAN Jun
Director

GUAN Qihong
Director

The notes on pages 112 to 230 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company					
	Share capital (Note 32(a)) RMB'000	Other reserves (Note 33) RMB'000	Retained earnings (Note 33) RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2017	17,268,192	5,346,485	7,187,203	29,801,880	7,392,579	37,194,459
Adjustments (Note 2.1(a))	–	27,410	–	27,410	16,197	43,607
At 1 January 2018 (restated)	17,268,192	5,373,895	7,187,203	29,829,290	7,408,776	37,238,066
Profit for the year	–	–	1,098,355	1,098,355	538,830	1,637,185
Other comprehensive (expenses)/income for the year:						
Fair value loss on equity instruments at fair value through other comprehensive income	–	(429,427)	–	(429,427)	(29,490)	(458,917)
Fair value loss on debt instruments at fair value through other comprehensive income	–	(2,877)	–	(2,877)	(660)	(3,537)
Release on derecognition of debt instruments at fair value through other comprehensive income	–	1,732	–	1,732	481	2,213
Deferred income tax on fair value loss on equity instruments at fair value through other comprehensive income (Note 22)	–	107,357	–	107,357	7,373	114,730
Deferred income tax on fair value loss on debt instruments at fair value through other comprehensive income (Note 22)	–	719	–	719	165	884
Release of deferred income tax on derecognition of debt instruments at fair value through other comprehensive income (Note 22)	–	(433)	–	(433)	(120)	(553)
Total comprehensive (expenses)/income for the year	–	(322,929)	1,098,355	775,426	516,579	1,292,005
Transfer to statutory reserves	–	69,016	(69,016)	–	–	–
Lapse of share options	–	(5,477)	5,477	–	–	–
Capital injections from non-controlling shareholders of subsidiaries (Note 47(ii))	–	143,364	–	143,364	4,876,629	5,019,993
Acquisitions of subsidiaries (Note 45)	–	–	–	–	387,181	387,181
Dividends paid to non-controlling interests	–	-	–	–	(283,867)	(283,867)
Others	–	(3,804)	–	(3,804)	(4,054)	(7,858)
2017 final dividend (Note 12)	–	–	(794,358)	(794,358)	–	(794,358)
Total transactions recognized directly in equity	–	203,099	(857,897)	(654,798)	4,975,889	4,321,091
At 31 December 2018	17,268,192	5,254,065	7,427,661	29,949,918	12,901,244	42,851,162

	Attributable to owners of the Company					
	Share capital (Note 32(a)) RMB'000	Other reserves (Note 33) RMB'000	Retained earnings (Note 33) RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	13,534,145	6,012,009	7,720,839	27,266,993	7,327,841	34,594,834
Profit for the year	–	–	795,272	795,272	485,435	1,280,707
Fair value loss on available-for-sale financial assets	–	(1,089,876)	–	(1,089,876)	–	(1,089,876)
Deferred income tax on fair value loss on available-for-sale financial assets (Note 22)	–	272,469	–	272,469	–	272,469
Total comprehensive (expenses)/income for the year	–	(817,407)	795,272	(22,135)	485,435	463,300
Rights issue (Note 32(a))	3,734,047	–	–	3,734,047	–	3,734,047
Transfer to statutory reserves	–	160,494	(160,494)	–	–	–
Lapse of share options	–	(8,412)	8,412	–	–	–
Contributions from non-controlling shareholders of subsidiaries	–	–	–	–	58,274	58,274
Acquisition of a non-controlling interest	–	(334)	–	(334)	(10,767)	(11,101)
Disposal of interests in a subsidiary without loss of control	–	135	–	135	33,941	34,076
Dividends recognized as distributions to non-controlling shareholders of subsidiaries	–	–	–	–	(502,145)	(502,145)
2016 final dividend (Note 12)	–	–	(1,176,826)	(1,176,826)	–	(1,176,826)
Total transactions recognized directly in equity	3,734,047	151,883	(1,328,908)	2,557,022	(420,697)	2,136,325
At 31 December 2017	17,268,192	5,346,485	7,187,203	29,801,880	7,392,579	37,194,459

The notes on pages 112 to 230 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash generated from operations	41(a)	**6,021,763**	5,587,128
Interest paid		**(2,708,774)**	(1,987,985)
Income tax paid		**(528,533)**	(466,947)
Net cash generated from operating activities		**2,784,456**	3,132,196
Cash flows from investing activities			
Payments for property, plant and equipment and prepayments for construction of power plants		**(9,430,860)**	(7,554,204)
Payments for prepaid lease payments		**(95,218)**	(123,068)
Proceeds from disposal of property, plant and equipment and prepaid lease payments		**216,436**	15,630
Net cash outflow on acquisitions of subsidiaries	45	**(2,884,367)**	–
Net cash outflow on disposal of a subsidiary	42	**(9)**	–
Acquisition of an associate		**(11,611)**	–
Capital injection to associates		**(20,600)**	(840)
Prepayment for proposed acquisition of a subsidiary		**–**	(63,682)
(Advances to)/repayment from related parties		**(381,650)**	350,000
Dividends received		**299,250**	725,615
Interest received		**125,846**	40,413
Increase in restricted deposits		**(57,280)**	(54)
Decrease in restricted deposits		**55,470**	325,466
Net cash used in investing activities		**(12,184,593)**	(6,284,724)

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from financing activities			
Drawdown of bank borrowings	41(b)	**21,380,420**	23,321,644
Drawdown of borrowings from related parties	41(b)	**18,159,284**	5,039,486
Drawdown of other borrowings	41(b)	**2,825,000**	–
Drawdown of obligations under finance leases	41(b)	**200,000**	–
Capital injections from non-controlling shareholders of subsidiaries		**5,019,993**	58,274
Acquisition of a non-controlling interest		**–**	(11,101)
Disposal of interests in a subsidiary without loss of control		**–**	34,076
Repayment of bank borrowings	41(b)	**(20,182,820)**	(16,085,127)
Repayment of borrowings from related parties	41(b)	**(17,744,518)**	(1,610,091)
Repayment of other borrowings	41(b)	**(800,000)**	(6,541,438)
Payments for obligations under finance leases	41(b)	**(916,388)**	(431,311)
Proceeds from rights issue	32(a)	**–**	3,777,107
Expenses on rights issue	32(a)	**–**	(43,060)
Dividend paid	12	**(811,912)**	(1,166,228)
Dividends paid to non-controlling shareholders of subsidiaries		**(452,444)**	(360,145)
Net cash generated from financing activities		**6,676,615**	5,982,086
Net (decrease)/increase in cash and cash equivalents		**(2,723,522)**	2,829,558
Cash and cash equivalents at 1 January		**4,577,786**	1,809,415
Exchange gains/(losses), net		**971**	(61,187)
Cash and cash equivalents at 31 December	30	**1,855,235**	4,577,786

The notes on pages 112 to 230 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

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

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

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

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

These consolidated financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated, and have been approved by the board of Directors (the "Board") on 21 March 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out as 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 ("HKFRSs") and the Hong Kong Companies Ordinance. In addition, these consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). These consolidated financial statements have been prepared under the historical cost convention except that equity instruments and debt instruments are measured at fair value.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation *(Continued)*

(a) Application of new and amendments to HKFRSs

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
Hong Kong (International Financial Reporting Interpretation Committee) Interpretation ("HK(IFRIC)-Int") 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 "Revenue from Contracts with Customers" for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognizes revenue from sales of electricity to regional and provincial power grid companies and provision of power generation and related services.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognized in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18, HKAS 11 and the related interpretations.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in Notes 2.23 and 4 respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation *(Continued)*

(a) Application of new and amendments to HKFRSs *(Continued)*

HKFRS 15 "Revenue from Contracts with Customers" (Continued)

Summary of effects arising from initial application of HKFRS 15

Since more than 99% of the Group's revenue comprised of revenue from contracts with customers from sales of electricity to regional and provincial power grid companies, and revenue continue to be recognized at a point in time upon transmission to customers, the adoption of HKFRS 15 did not have a material impact on the Group's financial position at 1 January 2018 except for disclosures.

HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities and expected credit losses ("ECL") for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognized as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognized in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 2.10.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation *(Continued)*

(a) Application of new and amendments to HKFRSs *(Continued)*

HKFRS 9 "Financial Instruments" (Continued)

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018:

	Note	Available-for-sale ("AFS") financial assets RMB'000	Equity instruments at fair value through other comprehensive income ("FVTOCI") RMB'000	Debt instruments at FVTOCI RMB'000	Amortized cost (previously classified as loans and receivables included in accounts receivable) RMB'000	Deferred income tax assets/ (liabilities) RMB'000	AFS financial assets/ FVTOCI reserve (Note 33) RMB'000	Non-controlling interests RMB'000
Balance at 31 December 2017 — HKAS 39		3,495,933	-	-	157,607	(507,701)	1,408,395	-
Effects arising from initial application of HKFRS 9:								
Reclassification								
From AFS financial assets	(i)	(3,495,933)	3,495,933	-	-	-	-	-
From loans and receivables (included in accounts receivable)	(ii)	-	-	157,607	(157,607)	-	-	-
Remeasurement								
From cost less impairment to fair value	(i)	-	60,357	-	-	(15,090)	28,709	16,558
From amortized cost to fair value	(ii)	-	-	(2,213)	-	553	(1,299)	(361)
Balance at 1 January 2018		-	3,556,290	155,394	-	(522,238)	1,435,805	16,197

Notes:

(i) **AFS financial assets**
The Group elected to present in other comprehensive income for the fair value changes of all its equity investments previously classified as AFS financial assets. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, balance of RMB3,495,933,000 were reclassified from AFS financial assets to equity instruments at FVTOCI, of which RMB175,442,000 related to unlisted equity investments previously measured at cost less impairment under HKAS 39. The fair value gains, net of tax, of RMB28,709,000 relating to those unlisted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and FVTOCI reserve as at 1 January 2018. The fair value gains of RMB1,408,395,000 relating to those investments previously carried at fair value continued to accumulate in FVTOCI reserve.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation *(Continued)*

(a) Application of new and amendments to HKFRSs *(Continued)*

HKFRS 9 "Financial Instruments" (Continued)

Summary of effects arising from initial application of HKFRS 9 *(Continued)*

Notes: *(Continued)*

(ii) Loans and receivables

As part of the Group's cash flow management, certain subsidiaries of the Group has the practice of discounting or endorsing some of the notes received from debtors to financial institutions or suppliers respectively, before the notes receivable are due for payment and derecognizes these notes receivable discounted or endorsed on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties.

Accordingly, the Group's notes receivable of RMB157,607,000 were considered as within the "hold to collect contractual cash flows and to sell" business model, and reclassified to debt instruments at FVTOCI. The related fair value losses, net of tax, of RMB1,299,000 was adjusted to debt instruments at FVTOCI and FVTOCI reserve as at 1 January 2018.

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all accounts receivable. Except for those which had been determined as credit impaired under HKAS 39, accounts receivable have been assessed individually.

Except for those which had been determined as credit impaired under HKAS 39, ECL for debt instruments at FVTOCI and other financial assets at amortized cost, including other receivables, deposits, amounts due from related parties, restricted deposits and cash and cash equivalents are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. As the assessed amount is not material, no additional credit loss allowance has been recognized against retained earnings as at 1 January 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation *(Continued)*

(a) Application of new and amendments to HKFRSs *(Continued)*

Impacts on opening consolidated statement of financial position arising from the application of HKFRS 9

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognized for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 RMB'000	Reclassification and remeasurement arising from the application of HKFRS 9 RMB'000	1 January 2018 RMB'000 (Restated)
Non-current assets			
AFS financial assets	3,495,933	(3,495,933)	–
Equity instruments at FVTOCI	–	3,556,290	3,556,290
Deferred income tax assets	431,878	553	432,431
Others with no adjustment	84,778,842	–	84,778,842
	88,706,653	60,910	88,767,563
Current assets			
Accounts receivable	2,642,383	(157,607)	2,484,776
Debt instruments at FVTOCI	–	155,394	155,394
Others with no adjustment	6,677,563	–	6,677,563
	9,319,946	(2,213)	9,317,733
Current liabilities	28,821,524	–	28,821,524
Net current liabilities	19,501,578	2,213	19,503,791
Total assets less current liabilities	69,205,075	58,697	69,263,772
Equity			
Share capital	17,268,192	–	17,268,192
Reserves	12,533,688	27,410	12,561,098
Non-controlling interests	7,392,579	16,197	7,408,776
Total equity	37,194,459	43,607	37,238,066
Non-current liabilities			
Deferred income tax liabilities	1,461,717	15,090	1,476,807
Others with no adjustment	30,548,899	–	30,548,899
	32,010,616	15,090	32,025,706

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation *(Continued)*

(b) New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

HKFRS 16 "Leases"

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

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted for as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation *(Continued)*

(b) New and amendments to HKFRSs in issue but not yet effective *(Continued)*

HKFRS 16 "Leases" (Continued)

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

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB617,534,000 as disclosed in Note 43(b). A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

Upon application of HKFRS 16, the Group will apply the requirements of HKFRS 15 to assess whether sales and leaseback transaction constitutes a sale. For a transfer that does not satisfy the requirements as a sale, the Group will account for the transfer proceeds as financial liabilities within the scope of HKFRS 9. In accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application will not be reassessed but the new requirements may impact the Group's future sale and leaseback transactions.

The application of new requirements may result in changes in measurement, presentation and disclosures as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognize the cumulative effect of initial application to opening retained earnings without restating comparative information.

Amendments to HKFRS 3 "Definition of a Business"

The amendments clarify the definition of a business and provide additional guidance with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. Furthermore, an optional concentration test is introduced to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments will be mandatorily effective to the Group prospectively for acquisition transactions completed on or after 1 January 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation *(Continued)*

(b) New and amendments to HKFRSs in issue but not yet effective *(Continued)*

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Based on the Group's current financial position, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2.2 Consolidation

(a) Subsidiaries

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

(i) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation *(Continued)*

(a) Subsidiaries *(Continued)*

(i) Business combinations (Continued)

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

(ii) Changes in ownership interests in existing subsidiaries

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

(iii) Disposal of subsidiaries

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

(iv) Acquisition of a subsidiary not constituting a business

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation *(Continued)*

(b) Associates

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation *(Continued)*

(c) Joint ventures

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

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

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

2.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

Translation differences on non-monetary financial assets such as equities classified as equity instruments and debt instrument are included in the FVTOCI reserve in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Foreign currency translation *(Continued)*

(c) Group companies

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

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

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

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

2.4 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of HKFRS 9, which continue to be measured in accordance with the accounting policies as set out in respective sections.

2.5 Property, plant and equipment

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 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.

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(a)). Such impairment losses are recognized in the consolidated income statement.

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

2.6 Construction in progress and prepayments for construction of power plants

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the costs of plant and machinery, direct labour costs and overheads and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use. When the assets concerned are brought into use, the costs are transferred to the appropriate categories of property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.5 above.

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

2.7 Prepaid lease payments

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

2.8 Intangible assets

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair values at the acquisition date (which is regarded as their costs). Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and any accumulated impairment losses, being their fair values at the date of the revaluation less subsequent accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over expected beneficial period. The expected beneficial period and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets *(Continued)*

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

The Group's other intangible assets represent favourable tariff contracts as disclosed in Note 18.

2.9 Impairment of non-financial assets

(a) Non-financial assets other than goodwill

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

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

(b) Goodwill

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2.1(a))

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial assets is held within a business model whose objective is to collect contractual cash flows; and

- the contractual term give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(a) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2.1(a)) ***(Continued)***

(b) *Debt instruments classified as at FVTOCI*

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI are recognized in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowance are recognized in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these debt instruments had been measured at amortized cost. When these debt instruments are derecognized the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(c) *Equity instruments designated as at FVTOCI*

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the FVTOCI reserve, and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in "other income" in the consolidated income statement.

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2.1(a))

The Group recognizes a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including accounts receivable, other receivables, deposits, amounts due from related parties, debt instruments at FVTOCI, restricted deposits and cash and cash equivalents). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for accounts receivable. The ECL on these assets are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition or the financial instrument is not determined to have low credit risk at the reporting date, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2.1(a)) *(Continued)*

Low credit risk

If the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations, the credit risk on a financial instrument is considered low.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instruments external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; or

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2.1(a)) ***(Continued)***

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 30 days past due (except for clean energy power price premium) unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2.1(a)) ***(Continued)***

Measurement and recognition of ECL (Continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's other receivables are assessed as a separate group. Amounts due from related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

Except for debt instruments that are measured at FVTOCI, the Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivable where the corresponding adjustment is recognized through a loss allowance account. For debt instruments that are measured at FVTOCI, the loss allowance is recognized in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amounts of these debt instruments.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

The Group classifies its financial assets in the following categories: Loans and receivables, and AFS financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of the Group's financial assets at initial recognition.

(a) *Loans and receivables*

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

(b) *AFS financial assets*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) ***(Continued)***

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

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

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

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

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

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

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets *(Continued)*

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) ***(Continued)***

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

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

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

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss. On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings. On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the AFS revaluation reserve is reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities, including bank borrowings, borrowings from relate parties, other borrowings, amounts due to related parties, obligations under finance leases, accounts and bills payables, construction costs payable and other payables, are subsequently measured at amortized cost using the effective interest method.

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

2.12 Accounts and other receivables

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

2.13 Cash and cash equivalents

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

2.14 Inventories

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Borrowings and borrowing costs

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

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

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

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

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

2.16 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Current and deferred income tax *(Continued)*

(b) Deferred income tax *(Continued)*

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

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

(c) Offsetting

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

2.17 Employee benefits

(a) Pension obligations

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Employee benefits *(Continued)*

(b) Bonus entitlements

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

(c) Share-based compensation expense

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

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

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

2.18 Provisions

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Government grants

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

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

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

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

2.20 Finance lease

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

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

2.21 Operating lease

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

2.22 Segment reporting

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

2.23 Revenue and income recognition

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2.1(a))

The Group recognizes revenue from sales of electricity to regional and provincial power grid companies and provision of power generation and related services. And the revenue are all recognized at point in time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue and income recognition *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2.1(a)) *(Continued)*

Under HKFRS 15, the Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and services (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognizes interest income during the period between the payment from customers and the transfer of the associated goods or services.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue and income recognition *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2.1(a)) ***(Continued)***

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Revenue and income recognition (prior to 1 January 2018)

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

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

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

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

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

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

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

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

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

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

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

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

2.24 Dividend distribution

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(i) Impairment of non-financial assets

The Group tests annually whether goodwill has suffered any impairment. Property, plant and equipment and other intangible assets (favourable tariff contracts) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property, plant and equipment have been determined based on higher of value in use calculations, which is measured at the net present value of future cash flows which are estimated based upon the continued use of the asset in the business, and fair value less costs of disposal. The recoverable amounts of other intangible assets (favourable tariff contracts) have been determined based on the discounted cash flow of tariff difference (as defined in Note 18) during the expected beneficial period. 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; 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, growth rate or the beneficial period for the favourable tariff contracts assumptions in the cash flow projections, could materially affect the net present value used in the impairment assessment and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated income statement.

For the year ended 31 December 2018, management has performed impairment assessments based on value in use calculation by measuring the recoverable amount of certain CGUs associated with goodwill as well as certain property, plant and equipment included in "Generation and sales of coal-fired electricity" segment and "Generation and sales of hydropower electricity" segment, and no impairment was recognized based on such impairment assessments performed by management (Notes 14(g) and 17).

As at 31 December 2018, the carrying amounts of property, plant and equipment, goodwill and other intangible assets (favourable tariff contracts) are RMB95,691,610,000, RMB946,261,000 and RMB752,114,000 (2017: RMB75,118,822,000, RMB835,165,000 and Nil) respectively.

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

(ii) Provisions for Inundation Compensation

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

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

As at 31 December 2018, the provisions for Inundation Compensation was RMB1,141,901,000 (2017: RMB1,048,325,000). For the year ended 31 December 2018, management has reviewed and performed assessment on such provisions to reflect the current best estimate and an addition of provisions of RMB10,978,000 was added to (2017: a reversal of provisions of RMB141,339,000 was deducted from) the cost of property, plant and equipment in the consolidated statement of financial position (Notes 14(h) and 38).

(iii) Current and deferred income tax expenses

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

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

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

The Group's management determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment, other than construction in progress. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. It could change significantly as a result of technological advancement and innovations in the power industry. Management will adjust the depreciation charge where useful lives or residual values vary with previously estimated, or it will write-off or write down technically obsolete. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation charges in the future periods. As at 31 December 2018, the carrying amount of property, plant and equipment, other than construction in progress, is RMB82,847,353,000 (2017: RMB67,418,914,000).

4. TURNOVER, REVENUE AND SEGMENT INFORMATION

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

	2018 RMB'000	2017 RMB'000
Types of goods and services:		
Sales of electricity to regional and provincial power grid companies (note (a))	23,132,372	19,938,470
Provision of power generation and related services (note (b))	43,254	28,341
	23,175,626	19,966,811
Timing of revenue recognition:		
At a point in time	23,175,626	19,966,811

Notes:

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

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

Segment information

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

The CODM assesses the performance of the operating segments based on a measure of profit/loss before taxation, excluding dividends from equity instruments at FVTOCI (2017: AFS financial assets). Other information provided to the CODM is measured in a manner consistent with that in these consolidated financial statements.

Segment assets exclude equity instruments at FVTOCI (2017: AFS financial assets), deferred income tax assets and corporate assets, which are managed on a central basis.

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

4. TURNOVER, REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information *(Continued)*

	Year ended 31 December 2018						
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Wind power electricity RMB'000	Photovoltaic power electricity RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenue							
Sales of electricity	16,562,217	4,559,756	904,567	1,105,832	23,132,372	-	23,132,372
Provision of power generation and related services	27,421	5,553	935	9,345	43,254	-	43,254
	16,589,638	4,565,309	905,502	1,115,177	23,175,626	-	23,175,626
Segment results	1,584,567	2,209,734	397,424	566,127	4,757,852	-	4,757,852
Unallocated income	-	-	-	-	-	144,457	144,457
Unallocated expenses	-	-	-	-	-	(487,968)	(487,968)
Operating profit/(loss)	1,584,567	2,209,734	397,424	566,127	4,757,852	(343,511)	4,414,341
Finance income	3,451	7,609	6,072	29,295	46,427	79,419	125,846
Finance costs	(994,489)	(1,125,960)	(179,855)	(185,297)	(2,485,601)	(92,653)	(2,578,254)
Share of profits of associates	78,623	-	-	13,434	92,057	22,404	114,461
Share of (loss)/profits of joint ventures	(7,685)	-	-	406	(7,279)	833	(6,446)
Profit/(loss) before taxation	664,467	1,091,383	223,641	423,965	2,403,456	(333,508)	2,069,948
Income tax expense	(147,132)	(241,502)	(8,029)	(17,122)	(413,785)	(18,978)	(432,763)
Profit/(loss) for the year	517,335	849,881	215,612	406,843	1,989,671	(352,486)	1,637,185
Other segment information							
Amounts included in the measure of segment profit or loss or segment assets:							
Capital expenditure							
— Property, plant and equipment, prepayments for construction of power plants and prepaid lease payments	3,730,637	796,329	4,247,469	2,629,195	11,403,630	160,248	11,563,878
Depreciation of property, plant and equipment	1,660,552	1,405,220	403,216	422,557	3,891,545	15,030	3,906,575
Amortization of prepaid lease payments	14,742	1,921	765	999	18,427	1,682	20,109
Amortization of other intangible assets	–	–	–	3,086	3,086	–	3,086
(Gain)/loss on disposal of property, plant and equipment and prepaid lease payments, net	(60,728)	(40,341)	-	(116)	(101,185)	108	(101,077)
Impairment of inventories	4,798	4,212	-	1,357	10,367	-	10,367
Impairment of other receivables	34,585	-	-	-	34,585	-	34,585

4. TURNOVER, REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information *(Continued)*

	As at 31 December 2018						
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Wind power electricity RMB'000	Photovoltaic power electricity RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Segment assets							
Other segment assets	37,577,087	39,816,482	16,031,583	17,354,975	110,780,127	–	110,780,127
Assets associated with disposal group classified as held for sale	4,439,122	–	–	–	4,439,122	–	4,439,122
Goodwill	67,712	872,865	–	5,684	946,261	–	946,261
Interests in associates	2,117,915	2,000	–	140,675	2,260,590	400,777	2,661,367
Interests in joint ventures	395,070	–	–	1,254	396,324	71,468	467,792
	44,596,906	40,691,347	16,031,583	17,502,588	118,822,424	472,245	119,294,669
Equity instruments at FVTOCI	–	–	–	–	–	3,083,174	3,083,174
Deferred income tax assets	–	–	–	–	–	376,672	376,672
Other unallocated assets	–	–	–	–	–	2,204,342	2,204,342
Total assets per consolidated statement of financial position	44,596,906	40,691,347	16,031,583	17,502,588	118,822,424	6,136,433	124,958,857
Segment liabilities							
Other segment liabilities	(4,882,605)	(2,452,959)	(3,702,247)	(4,906,376)	(15,944,187)	–	(15,944,187)
Liabilities associated with disposal group classified as held for sale	(3,708,996)	–	–	–	(3,708,996)	–	(3,708,996)
Borrowings	(20,771,233)	(21,188,207)	(7,116,410)	(6,818,620)	(55,894,470)	(3,831,504)	(59,725,974)
	(29,362,834)	(23,641,166)	(10,818,657)	(11,724,996)	(75,547,653)	(3,831,504)	(79,379,157)
Deferred income tax liabilities	–	–	–	–	–	(1,674,188)	(1,674,188)
Tax payable	–	–	–	–	–	(165,906)	(165,906)
Other unallocated liabilities	–	–	–	–	–	(888,444)	(888,444)
Total liabilities per consolidated statement of financial position	(29,362,834)	(23,641,166)	(10,818,657)	(11,724,996)	(75,547,653)	(6,560,042)	(82,107,695)

4. TURNOVER, REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information *(Continued)*

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

4. TURNOVER, REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information *(Continued)*

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

All revenue from external customers are generated from the PRC.

As at 31 December 2018, except for cash and bank balances equivalent to RMB119,729,000 (2017: RMB4,041,450,000), which were deposited with certain banks in Hong Kong, substantially all of the Group's assets, liabilities and capital expenditure are located or utilized in the PRC.

The Group's major customers are regional and provincial power grid companies. For the year ended 31 December 2018, the Group's external revenue amounting to RMB15,996,709,000 (2017: RMB15,406,202,000) was generated from four (2017: four) major customers, each of which accounted for 10% or more of the Group's external revenue.

5. OTHER INCOME

	2018 RMB'000	2017 RMB'000
Rental income	**67,908**	63,366
Hotel operations income	**32,085**	30,246
Income from provision of repairs and maintenance services	**79,983**	64,643
Dividend income (Note 46(a)(ii))	**77,108**	71,133
Income from provision of IT and other services	**26,899**	20,885
VAT refund	**2,779**	102,479
Compensation income	**13,584**	12,855
	300,346	365,607

6. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2018 RMB'000	2017 RMB'000
Wages, salaries and bonuses	**1,327,296**	1,112,108
Staff welfare	**457,154**	443,098
Pension costs — defined contribution plans	**279,075**	254,166
	2,063,525	1,809,372

7. OTHER GAINS AND LOSSES, NET

	2018 RMB'000	2017 RMB'000
Amortization of deferred income	**7,527**	4,269
Government subsidies	**40,936**	36,076
Gain/(loss) on disposal of property, plant and equipment and prepaid lease payments, net	**101,077**	(49,739)
Gain on disposal of a subsidiary (Note 42)	**32,298**	–
Fair value change on derivative financial instruments	**–**	(110,547)
Sales of unused power production quota	**138,317**	46,604
Profits on sales of heat, trading of coal, coal by-products, spare parts and others	**36,017**	48,430
Loss on deemed disposal of partial interest in an associate (note)	**(17,181)**	–
Others	**20,634**	(37,486)
	359,625	(62,393)

Note:

During the current year, Sichuan Energy Investment Development Co., Ltd. ("Sichuan Energy Investment"), an associate of the Group, has completed its initial public offering on the Stock Exchange on 28 December 2018. Upon listing, the proportion of Group's equity interest in Sichuan Energy Investment was diluted from 12.17% to 9.13%, and a loss on deemed disposal of RMB17,181,000 was recognized in the consolidated income statement as other losses.

8. OPERATING PROFIT

Operating profit is stated after charging the following:

	2018 RMB'000	2017 RMB'000
Amortization of prepaid lease payments	**20,109**	23,525
Amortization of other intangible assets (Note 18)	**3,086**	–
Auditor's remuneration	**7,851**	6,746
Research and development expenses	**18,019**	9,930
Depreciation (Note 14):		
— owned property, plant and equipment	**3,827,628**	3,401,426
— property, plant and equipment under finance leases	**78,947**	81,318
Operating lease rental expenses:		
— equipment	**5,323**	10,692
— leasehold land and buildings	**77,844**	55,876
Impairment of inventories	**10,367**	1,158
Impairment of other receivables (Note 44.1(d)(iii))	**34,585**	–
Reservoir maintenance and usage fees	**125,917**	129,569
Cost of purchase of unused power production quota	**7,167**	89,472

9. FINANCE INCOME AND FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Finance income		
Interest income from bank deposits	**82,870**	25,211
Interest income from related parties (Note 46(a)(i))	**15,002**	15,202
Interest income on discounting effect on clean energy power price premium receivable (Note 25(c))	**27,974**	–
	125,846	40,413
Finance costs		
Interest expense on		
— bank borrowings	**2,026,651**	1,673,094
— long-term borrowings from related parties (Note 46(b)(iii))	**398,836**	192,648
— short-term borrowings from related parties (Note 46(b)(iii))	**172,385**	74,964
— long-term other borrowings	**64,201**	122,571
— short-term other borrowings	**19,080**	17,835
— amounts due to related parties (Note 46(b)(iii))	**2,898**	3,093
— obligations under finance leases (Note 46(b)(iii))	**109,606**	41,494
— provisions for other long-term liabilities (Note 38)	**86,110**	87,119
	2,879,767	2,212,818
Less: amounts capitalized	**(456,061)**	(252,621)
	2,423,706	1,960,197
Exchange losses/(gains), net	**154,548**	(104,594)
	2,578,254	1,855,603

The weighted average interest rate on capitalized borrowings is 4.48% (2017: 4.40%) per annum.

10. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided for as the Group did not have any estimated assessable profits in Hong Kong for the years ended 31 December 2018 and 2017.

The provision for PRC current income tax was calculated based on the statutory tax rate of 25% (2017: 25%) on the estimated assessable profits for the year except that certain subsidiaries of the Group were either exempted from PRC Enterprise Income Tax or entitled to the preferential tax rate of 7.5%, 10%, 12.5% or 15% (2017: 7.5%, 12.5% or 15%).

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

	2018 RMB'000	2017 RMB'000
PRC current income tax		
Charge for the year	**455,915**	519,730
Under provision in prior years	**3,598**	6,378
	459,513	526,108
Deferred income tax		
Credit for the year (Note 22)	**(26,750)**	(246,178)
	432,763	279,930

10. INCOME TAX EXPENSE (CONTINUED)

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

	2018 RMB'000	2017 RMB'000
Profit before taxation	**2,069,948**	1,560,637
Less: Share of profits of associates	**(114,461)**	(222,630)
Share of (loss)/profits of joint ventures	**6,446**	(44,743)
	1,961,933	1,293,264
Calculated at the PRC statutory tax rate of 25% (2017: 25%)	**490,483**	323,316
Effect on tax concession	**(179,998)**	(120,107)
Income not subject to taxation	**(21,038)**	(17,820)
Expenses not deductible for taxation purpose	**22,533**	8,186
Tax losses with no deferred income tax assets recognized (Note 22)	**171,862**	80,467
Deductible temporary differences with no deferred income tax assets recognized (Note 22)	**22,673**	13,406
Utilization of tax losses previously not recognized (Note 22)	**(6,120)**	(13,023)
Utilization of deductible temporary differences previously not recognized (Note 22)	**(42,428)**	(2,001)
Recognition of deferred income tax assets on tax losses previously not recognized (Note 22)	**(15,396)**	–
Recognition of deferred income tax assets on deductible temporary differences previously not recognized (Note 22)	**(13,406)**	–
Under provision in prior years	**3,598**	6,378
Others	**–**	1,128
Income tax expense	**432,763**	279,930

Share of taxation charge attributable to associates and joint ventures for the year ended 31 December 2018 of RMB55,594,000 (2017: RMB67,072,000) and RMB2,753,000 (2017: RMB14,800,000) respectively were included in the Group's share of profits/loss of associates/joint ventures.

11. EARNINGS PER SHARE

(a) Basic

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

	2018	2017
Profit for the year attributable to owners of the Company (RMB'000)	**1,098,355**	795,272
Weighted average number of shares in issue (shares in thousands)	**9,806,886**	7,956,270
Basic earnings per share (RMB)	**0.11**	0.10

11. EARNINGS PER SHARE

(b) Diluted

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

For the year ended 31 December 2018, the computation of diluted earnings per share did not assume the exercise of the Company's share options as the exercise price of these options was higher than the average market share price of the Company's shares during the year.

	2018	2017
Profit for the year attributable to owners of the Company (RMB'000)	**1,098,355**	795,272
Weighted average number of shares in issue (shares in thousands)	**9,806,886**	7,956,270
Adjustment for share options (shares in thousands)	**–**	1,344
Weighted average number of shares for the purpose of calculating diluted earnings per share (shares in thousands)	**9,806,886**	7,957,614
Diluted earnings per share (RMB)	**0.11**	0.10

12. DIVIDENDS

	2018 RMB'000	2017 RMB'000
Final, proposed, dividend of RMB0.110 (2017: RMB0.081) per ordinary share	**1,078,757**	794,358
2017 final dividend paid — RMB0.081 (equivalent to HK$0.1006) per ordinary share	**794,358**	–
2016 final dividend paid — RMB0.160 (equivalent to HK$0.1805) per ordinary share	**–**	1,176,826
	794,358	1,176,826

At the Board meeting held on 21 March 2019, the Board recommended the payment of a final dividend for the year ended 31 December 2018 of RMB0.110 (equivalent to HK$0.1292 at the exchange rate announced by the People's Bank of China on 21 March 2019) per ordinary share (2017: RMB0.081 (equivalent to HK$0.1006) per ordinary share), totalling RMB1,078,757,000 (equivalent to HK$1,267,050,000) (2017: RMB794,358,000 (equivalent to HK$986,573,000)), which is based on 9,806,886,321 shares (2017: 9,806,886,321 shares) in issue on 21 March 2019 (2017: 22 March 2018).

This proposed dividend is not reflected as dividend payable in these consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2019.

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

(a) Directors' emoluments

Name of Director	Fees RMB'000	Basic salary, housing allowance, other allowances and benefits in kind RMB'000	Share-based compensation expense RMB'000	Discretionary bonuses RMB'000	Employer's contribution to pension plans RMB'000	Total RMB'000
Year ended 31 December 2018						
Executive Directors						
Mr. YU Bing(1)	–	255	–	414	25	694
Mr. TIAN Jun(2)	–	437	–	295	32	764
Non-executive Directors						
Mr. GUAN Qihong(3)	–	–	–	–	–	–
Mr. WANG Xianchun(4)	–	–	–	–	–	–
Independent non-executive Directors						
Mr. KWONG Che Keung, Gordon	172	146	–	–	–	318
Mr. LI Fang	172	146	–	–	–	318
Mr. YAU Ka Chi	172	146	–	–	–	318
	516	1,130	–	709	57	2,412
Year ended 31 December 2017						
Executive Directors						
Mr. YU Bing(1)	–	379	–	316	41	736
Mr. WANG Zichao(5)	–	–	–	–	–	–
Mr. TIAN Jun(2)	–	261	–	–	20	281
Non-executive Directors						
Mr. WANG Binghua(6)	–	–	–	–	–	–
Mr. GUAN Qihong(3)	–	–	–	–	–	–
Mr. WANG Xianchun(4)	–	–	–	–	–	–
Independent non-executive Directors						
Mr. KWONG Che Keung, Gordon	174	105	–	–	–	279
Mr. LI Fang	174	105	–	–	–	279
Mr. YAU Ka Chi	174	105	–	–	–	279
	522	955	–	316	61	1,854

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

(a) Directors' emoluments *(Continued)*

(1) Mr. YU Bing resigned as an executive Director, the Chairman of the Board, the Chairman of the Risk Management Committee and the Executive Committee under the Board, and an authorized representative of the Company with effect from 27 July 2018. Mr. YU was appointed to succeed Mr. WANG Binghua as the Chairman of the Board and simultaneously ceased to be the President of the Company with effect from 8 June 2017.

(2) Mr. TIAN Jun was appointed to succeed Mr. YU Bing as the Chairman of the Executive Committee under the Board and an authorized representative of the Company with effect from 27 July 2018. Mr. TIAN was appointed as an executive Director, the President of the Company and a member of the Executive Committee with effect from 8 June 2017.

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

(4) Mr. WANG Xianchun was appointed as a non-executive Director with effect from 8 June 2017. Mr. WANG had agreed to waive his director fees during his directorship with the Company in 2017 and 2018.

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

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

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

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included none (2017: one) Director whose emoluments are reflected in the analysis presented above. The emoluments payable to the five (2017: remaining four) individuals during the year are as follows:

	2018 **RMB'000**	2017 RMB'000
Basic salaries, housing allowance, other allowances and benefits in kind	**1,938**	1,178
Discretionary bonuses	**1,806**	1,058
Employer's contribution to pension plans	**161**	141
	3,905	2,377

Their emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Zero to HK$1,000,000 (equivalent to RMB876,200 (2017: RMB835,910))	**5**	4

During both years, no emoluments have been paid by the Group to the Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

(c) Senior management remuneration by band

Senior management is defined as the same persons whose biographical details are disclosed in the "Directors and Senior Management Profiles" section in the annual report. Their emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Zero to HK$1,000,000 (equivalent to RMB876,200 (2017: RMB835,910))	**11**	14

14. PROPERTY, PLANT AND EQUIPMENT

	Dam RMB'000	Buildings and leasehold improvements RMB'000	Power generators and equipment RMB'000	Electricity supply equipment RMB'000	Furniture and fixtures, tools and other equipment RMB'000	Transportation facilities RMB'000	Construction in progress RMB'000	Total RMB'000
Cost								
At 1 January 2018	21,104,601	20,462,531	38,894,749	8,038,225	4,657,469	543,744	7,699,908	101,401,227
Additions and transfer from prepayments (note (h))	10,978	3,985	83,606	1,038	65,585	16,226	12,708,764	12,890,182
Acquired on acquisitions of subsidiaries (Note 45)	2,894,102	2,008,987	7,668,341	583,216	70,988	17,254	2,390,175	15,633,063
Disposal of a subsidiary (Note 42)	(45,608)	(38,982)	(30,702)	(4,810)	(14,810)	(443)	(6,273)	(141,628)
Disposals	-	(26,954)	(141,531)	(6,049)	(28,566)	(23,177)	-	(226,277)
Reclassified to disposal group classified as held for sale (Note 31)	-	(982,978)	(3,036,524)	(258,783)	(246,876)	(29,444)	(345,796)	(4,900,401)
Transfer between categories	328,284	1,775,694	6,731,527	340,674	414,060	12,282	(9,602,521)	-
At 31 December 2018	24,292,357	23,202,283	50,169,466	8,693,511	4,917,850	536,442	12,844,257	124,656,166
Accumulated depreciation and impairment losses								
At 1 January 2018	2,766,309	5,833,349	12,539,058	2,820,882	2,047,028	275,779	-	26,282,405
Depreciation charge for the year	565,720	652,946	1,948,727	363,615	291,336	84,231	-	3,906,575
Disposal of a subsidiary (Note 42)	(6,197)	(8,045)	(12,439)	(1,542)	(18,459)	(294)	-	(46,976)
Disposals	-	(19,887)	(110,754)	(2,418)	(20,754)	(19,226)	-	(173,039)
Reclassified to disposal group classified as held for sale (Note 31)	-	(178,322)	(628,977)	(86,052)	(92,491)	(18,567)	-	(1,004,409)
At 31 December 2018	3,325,832	6,280,041	13,735,615	3,094,485	2,206,660	321,923	-	28,964,556
Net book value								
At 31 December 2018	20,966,525	16,922,242	36,433,851	5,599,026	2,711,190	214,519	12,844,257	95,691,610

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Dam RMB'000	Buildings and leasehold improvements RMB'000	Power generators and equipment RMB'000	Electricity supply equipment RMB'000	Furniture and fixtures, tools and other equipment RMB'000	Transportation facilities RMB'000	Construction in progress RMB'000	Total RMB'000
Cost								
At 1 January 2017	20,975,801	20,097,372	34,224,652	7,702,008	4,270,555	535,229	5,996,320	93,801,937
Additions and transfer from prepayments	-	578	19,067	17,007	18,227	8,645	7,858,090	7,921,614
Disposals (note (h))	(141,339)	(11,238)	(122,634)	(19,829)	(15,845)	(11,439)	-	(322,324)
Transfer between categories	270,139	375,819	4,773,664	339,039	384,532	11,309	(6,154,502)	-
At 31 December 2017	21,104,601	20,462,531	38,894,749	8,038,225	4,657,469	543,744	7,699,908	101,401,227
Accumulated depreciation and impairment losses								
At 1 January 2017	2,253,457	5,201,698	10,993,467	2,540,005	1,691,422	235,228	-	22,915,277
Depreciation charge for the year	512,852	636,639	1,613,300	298,660	369,989	51,304	-	3,482,744
Disposals	-	(4,988)	(67,709)	(17,783)	(14,383)	(10,753)	-	(115,616)
At 31 December 2017	2,766,309	5,833,349	12,539,058	2,820,882	2,047,028	275,779	-	26,282,405
Net book value								
At 31 December 2017	18,338,292	14,629,182	26,355,691	5,217,343	2,610,441	267,965	7,699,908	75,118,822

Notes:

The analysis below includes those classified as part of the disposal group classified as held for sale.

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

Dam	30–50 years
Buildings	8–45 years
Leasehold improvements	Shorter of 5 years and over the lease term
Power generators and equipment	9–28 years
Electricity supply equipment	13–30 years
Furniture and fixtures	3–5 years
Tools and other equipment	3–18 years
Transportation facilities	2–12 years

(b) As at 31 December 2018, certain of the Group's property, plant and equipment with net book value of RMB2,885,031,000 (2017: RMB2,960,381,000) were situated on leasehold land in the PRC leased from SPIC which held the rights on the leasehold land. The remaining period of the Group's rights on leasehold land as at 31 December 2018 ranges from 1 to 9 years (2017: ranged 2 to 8 years).

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: *(Continued)*

(c) As at 31 December 2018, the legal title of certain properties of the Group with net book value of RMB3,972,972,000 (2017: RMB3,092,007,000) had not been transferred to the Group. However, the Directors are of the opinion that the risks and rewards of using these assets have been transferred to the Group.

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

(d) As at 31 December 2018, the cost and accumulated depreciation of power generators and equipment held by the Group under finance leases and sales and leaseback arrangement amounted to RMB3,902,521,000 (2017: RMB1,089,584,000) and RMB374,729,000 (2017: RMB295,782,000) respectively.

As at 31 December 2018, the construction in progress held by the Group under finance leases amounted to RMB1,920,414,000 (2017: RMB554,196,000).

(e) As at 31 December 2018, certain property, plant and equipment of the Group with net book value of RMB502,549,000 (2017: RMB529,311,000) were pledged as security for certain long-term borrowings from related parties (Note 35(c)) (2017: bank borrowings (Note 34(d))) .

(f) As at 31 December 2018, the accumulated impairment losses of property, plant and equipment amounted to RMB436,225,000 (2017: RMB446,005,000).

(g) For the year ended 31 December 2018, management has performed impairment assessments on certain property, plant and equipment with impairment indication included in "Generation and sales of coal-fired electricity" segment.

The recoverable amount of the associated CGUs had been determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management for the purposes of impairment assessment covering a five-year period. Annual cash flows beyond the five-year period are expected to be similar to that of the fifth year based on the then production capacity, taking into account of the expected remaining useful lives of the relevant underlying operating assets.

Management prepared the financial budgets taking into account of the actual and prior years' performance and market development expectations. The growth rates in electricity sold and pre-tax discount rates used for value in use calculations are from 0% to 6% (2017: 0% to 5%) and from 7.2% to 8.7% (2017: 7% to 8%) respectively. Management estimates the growth rates in electricity sold by reference to the expected demand for electricity in the regions where the power plants are located. And management estimates the discount rates using pre-tax rate that reflects market assessments of the time value of money and the specific risks relating to the CGUs. Other key assumptions applied in the impairment assessments include the expected tariff rates, fuel costs and staff costs.

Based on the results of the impairment assessments, no impairment was recognized for the associated CGUs for the year ended 31 December 2018.

(h) For the year ended 31 December 2018, additions (2017: disposals) of dam represented a recognition of provisions (2017: a reversal of provisions) for Inundation Compensation caused by the construction of certain hydropower plants of the Group. Management has reviewed and performed assessment on such provisions to reflect the current best estimate and, as a result, an additional provision of RMB10,978,000 was provided to (2017: a reversal of provision of RMB141,339,000 was deducted from) the cost of dam for the year ended 31 December 2018.

15. PREPAYMENTS FOR CONSTRUCTION OF POWER PLANTS

Prepayments for construction of power plants represent advance payments made to contractors in connection with the construction of the Group's power plants including payments for equipment and machineries pending delivery to the relevant power plants for installation.

As at 31 December 2018, the balance of prepayments for construction of power plants includes an amount of RMB166,215,000 (2017: Nil), which is prepayments for construction of power plants to companies controlled by SPIC other than SPIC Financial.

16. PREPAID LEASE PAYMENTS

The amount represents cost of the prepaid lease payments in respect of land located in the PRC where certain of the Group's property, plant and equipment are built on.

	2018 RMB'000	2017 RMB'000
Analyzed for reporting purpose as:		
— Non-current	**1,106,126**	979,376
— Current	**23,916**	23,408
	1,130,042	1,002,784

Note: As at 31 December 2018, certain prepaid lease payments of the Group with net book value of RMB30,547,000 (2017: RMB31,690,000) were pledged as security for certain long-term borrowings from related parties (Note 35(c)) (2017: bank borrowings (Note 34(d))).

17. GOODWILL

	2018 RMB'000	2017 RMB'000
Cost		
At 1 January	**1,002,104**	1,002,104
Arising on acquisitions of subsidiaries (Note 45)	**111,096**	–
At 31 December	**1,113,200**	1,002,104
Accumulated impairment losses		
At 1 January and 31 December	**166,939**	166,939
Net book value		
At 1 January	**835,165**	835,165
At 31 December	**946,261**	835,165

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

17. GOODWILL (CONTINUED)

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

	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Photovoltaic electricity RMB'000	Total RMB'000
Cost				
At 1 January and 31 December 2017	234,651	767,453	–	1,002,104
At 31 December 2018	**234,651**	**872,865**	**5,684**	**1,113,200**
Net book value				
At 1 January and 31 December 2017	67,712	767,453	–	835,165
At 31 December 2018	**67,712**	**872,865**	**5,684**	**946,261**

For the purpose of impairment assessment, the recoverable amount of the associated CGUs had been determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management for the purposes of impairment assessment covering a five-year period. Annual cash flows beyond the five-year period are expected to be similar to that of the fifth year based on the then production capacity, taking into account of the expected remaining useful lives of the relevant underlying operating assets.

There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budgets. Management prepared the financial budgets taking into account of the actual and prior years' performance and market development expectations. The growth rates in electricity sold are from 0% to 23.6% for the year of 2019 and 0% for the year from 2020 to 2023 (2017: 0% to 5%), and pre-tax discount rates used for value in use calculations are from 8% to 8.7% (2017: 8%) respectively. Management estimates the growth rates in electricity sold by reference to the expected demand for electricity in the regions where the power plants are located. Management estimates the discount rate using pre-tax rate that reflects market assessments of the time value of money and the specific risks relating to the CGUs. Other key assumptions applied in the impairment assessments include the expected tariff rates, fuel costs (if applicable) and staff costs.

No impairment on goodwill is resulted based on the impairment assessment performed by the management.

18. OTHER INTANGIBLE ASSETS

	2018 RMB'000
Cost	
At 1 January	–
Acquired on acquisitions of subsidiaries (Note 45)	755,200
At 31 December	755,200
Accumulated amortization	
At 1 January	–
Charge for the year	3,086
At 31 December	3,086
Net book value	
At 1 January	–
At 31 December	752,114

Other intangible assets represent the carrying amount of the favourable tariff contracts acquired on the acquisition of SPIC Anhui New Energy Development Co., Ltd. ("Anhui Company") and its subsidiaries (collectively, "Anhui Group"), and SPIC Hubeilvdong New Energy Co., Ltd. ("Hubei Company") and its subsidiaries (collectively, "Hubei Group") on 30 November 2018 and SPIC Shandong Energy Development Co., Ltd. ("Shandong Company") and its subsidiaries (collectively, "Shandong Group") on 1 May 2018. These intangible assets have finite useful lives and are amortized on a straight-line basis over the periods of 18 to 20 years.

On 31 May 2018, the National Development and Reform Commission (the "NDRC"), the Ministry of Finance and the National Energy Administration (the "NEA") jointly issued the Notice on Solar Power Generation Related Matters in 2018 (《關於二零一八年光伏發電有關事項的通知》) (the "31 May Notice").

According to the 31 May Notice and further interpretation issued by the NEA, Firstly, no further quota for ordinary utility-scale projects will be granted in 2018, which has caused a steep decline in solar panel demand, and resulted in a substantial decrease in solar panel unit price since the policy change on 31 May 2018. Moreover, the utility-scale solar power plants which commenced operation after 30 June 2018 will be entitled for a new tariff which is lower, while for those commenced operation before that date will maintain the original tariff in its power purchase contract (i.e. favourable tariff contracts).

The Directors are of the opinion that these solar power CGUs within Anhui Group, Hubei Group and Shandong Group which have successfully secured the original tariff based on contractual/legal rights, will maintain the expected future cash flows and returns despite the fair value of the solar panels included in its property, plant and equipment at acquisition date had recorded a decline over their carrying amounts.

The fair value of the favourable tariff contracts is measured using discounted cash flow valuation techniques based on the tariff difference (being the difference of original tariff and the new tariff). Key assumptions included in the discounted cash flow include pre-tax discount rate ranging from 10.7% to 12%, tariff rate, future electricity sold volume and the expected beneficial period ranging from 18 to 20 years.

19. INTERESTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Cost of investment in associates	**2,372,254**	2,340,483
Share of undistributed post-acquisition reserves	**289,113**	392,077
	2,661,367	2,732,560

As at 31 December 2018, interests in associates include goodwill of RMB158,732,000 (2017: RMB158,732,000).

There are no contingent liabilities relating to the Group's interests in associates and these associates did not have any material contingent liabilities as at 31 December 2018 and 2017.

Dividends from associates for the year ended 31 December 2018 amounted to RMB200,244,000 (2017: RMB520,840,000).

The followings are the details of the associates as at 31 December 2018 and 2017:

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest		Type of legal entity	Principal activities
			Held by the Company	Held by subsidiaries		
Sichuan Energy Investment	The PRC	RMB1,074,358,000	9.13% (2017: 12.17%) (note (i))	-	Joint stock company with limited liability with its H-shares listed on the Stock Exchange	Energy investment
Jiangsu Changshu Electric Power Generating Company Limited ("Changshu Power Plant") (江蘇常熟發電有限公司)	The PRC	RMB2,685,000,000	50%	-	Sino-foreign equity joint venture	Generation and sale of electricity
^Guizhou Pu'an Digua Coal Industry Co., Ltd. (貴州普安地瓜坡煤業有限公司)	The PRC	RMB630,000,000/ RMB94,500,000	35%	-	Sino-foreign equity joint venture	Coal management and consultancy service
Hunan China Resources Power Liyujiang Company Limited (湖南華潤電力鯉魚江有限公司)	The PRC	RMB573,660,000	-	40%	Sino-foreign equity joint venture	Generation and sale of electricity
Hunan Nuclear Power Company Limited (湖南核電有限公司)	The PRC	RMB289,000,000	-	20%	Limited liability company	Generation and sale of electricity
Jiangsu Changdian Environmental Technology Company Limited (江蘇常電環保科技有限公司)	The PRC	RMB8,000,000	-	50%	Sino-foreign equity joint venture	Sale of electricity generation by-products

19. INTERESTS IN ASSOCIATES (CONTINUED)

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest Held by the Company	Held by subsidiaries	Type of legal entity	Principal activities
Gui'an New District Power Distribution and Sales Company Limited ("Gui'an New District") (貴安新區配售電有限公司)	The PRC	RMB1,500,000,000/ RMB300,000,000	8% (note (ii))	–	Sino-foreign equity joint venture	Distribution and sale of electricity
^#Sujin Energy Holding Company Limited ("Sujin Energy") (蘇晉能源控股有限公司)	The PRC	RMB6,000,000,000/ RMB200,000,000	–	9.5% (note (ii))	Limited liability company	Generation and sale of electricity
#Yibin Fuxi Fly Ash Development Co., Ltd. (宜賓福溪粉煤灰開發有限公司)	The PRC	RMB5,800,000	–	39%	Limited liability company	Sale of coal by-products
^#Shangdianpingnan New Energy Company Limited (上電平南新能源有限公司)	The PRC	RMB5,000,000	–	40%	Limited liability company	Generation and sale of electricity

^ These associates have not commenced operation yet.

\# These associates were newly set up or acquired in 2018.

Notes:

(i) The Company could exercise significant influence over Sichuan Energy Investment through its representative on the board of directors, and therefore classified Sichuan Energy Investment as an associate.

(ii) According to the articles of association of Gui'an New District and Sujin Energy, the Company has significant influence through its representatives on the board of directors of these two companies respectively. Therefore, Gui'an New District and Sujin Energy are accounted for as associates.

Summarized unaudited financial information of a material associate

In the opinion of the Directors, Changshu Power Plant and its subsidiary (collectively referred to as "Changshu Group") is a material associate to the Group, its summarized unaudited financial information are set out below:

Summarized consolidated statement of financial position

	Changshu Group 2018 RMB'000	2017 RMB'000
Non-current assets	8,564,700	9,480,478
Current assets	830,034	654,617
Non-current liabilities	(3,455,384)	(2,438,005)
Current liabilities	(2,257,456)	(3,991,652)
Net assets	3,681,894	3,705,438

19. INTERESTS IN ASSOCIATES (CONTINUED)

Summarized unaudited financial information of a material associate *(Continued)*

Summarized consolidated income statement and consolidated statement of comprehensive income

	Changshu Group	
	2018	2017
	RMB'000	RMB'000
Revenue	**5,443,798**	5,535,797
Profit and total comprehensive income for the year	**317,369**	407,812
Dividend received from the associate	**170,457**	467,484

Reconciliation of summarized unaudited financial information

Reconciliation of summarized unaudited financial information presented above to the carrying amount of interest in Changshu Group is as follows:

	Changshu Group	
	2018	2017
	RMB'000	RMB'000
Opening net assets	**3,705,438**	4,232,594
Profit and total comprehensive income for the year	**317,369**	407,812
Dividend paid	**(340,913)**	(934,968)
Closing net assets	**3,681,894**	3,705,438
Interest in associate (50%) — At carrying amount	**1,840,947**	1,852,719

Aggregate information of associates that are not individually material

	2018	2017
	RMB'000	RMB'000
The Group's share of (loss)/profits and total comprehensive (expenses)/income for the year	**(44,224)**	18,724
Aggregate carrying amount of the Group's interests	**820,420**	879,841

20. INTERESTS IN JOINT VENTURES

	2018 RMB'000	2017 RMB'000
Unlisted investments, at cost	**627,491**	603,200
Share of undistributed post-acquisition reserves	**(3,329)**	25,015
Less: Accumulated impairment (note)	**(156,370)**	(156,370)
	467,792	471,845

Note: The balance represents the full impairment on the carrying amount of the Group's interest in Chuanjing Coal (as defined below) provided in 2015.

The followings are the details of the joint ventures as at 31 December 2018 and 2017:

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Type of legal entity	Principal activities
Sichuan Guangwang Group Chuanjing Coal Industry Company Limited ("Chuanjing Coal") (四川廣旺集團船景煤業有限責任公司)	The PRC	RMB472,000,000/ RMB329,182,000	49%	–	Sino-foreign equity joint venture	Coal mining
Guangzhou China Power Lixin Industry Company Limited (廣州中電荔新電力實業有限公司)	The PRC	RMB604,000,000	50%	–	Sino-foreign equity joint venture	Generation and sale of electricity
Henan Zhongping Coal & Electricity Co., Ltd. (河南中平煤電有限責任公司)	The PRC	RMB132,061,000	50%	–	Sino-foreign equity joint venture	Coal transportation and selling
#SPIC Guangxi Beibu Gulf (Qinzhou) Thermal Power Co., Ltd. (國家電投集團廣西北部灣(欽州)熱電有限公司)	The PRC	RMB125,470,588	–	51%	Limited liability company	Generation and sale of electricity
#SPIC Anhui Conch Power Sales Co., Ltd. (國家電投集團安徽海螺售電有限公司)	The PRC	RMB200,000,000/ RMB2,000,000	–	50%	Limited liability company	Distribution and sale of electricity

These joint ventures were newly acquired in 2018.

None of the joint ventures were individually material.

There were no contingent liabilities relating to the Group's interests in the joint ventures and the joint ventures did not have any material contingent liabilities as at 31 December 2018 and 2017.

Dividend from a joint venture for the year ended 31 December 2018 amounted to RMB21,898,000 (2017: RMB133,642,000).

20. INTERESTS IN JOINT VENTURES (Continued)

Capital commitments in respect of property, plant and equipment

	2018 RMB'000	2017 RMB'000
Contracted but not provided for	**32,367**	38,679

21. EQUITY INSTRUMENTS AT FVTOCI/AFS FINANCIAL ASSETS

	2018 RMB'000	2017 RMB'000
Equity instruments at FVTOCI (2017: AFS financial assets):		
— Unlisted equity investments in the PRC (note (a))	**140,507**	175,442
— Listed equity securities in the PRC		
— Shanghai Electric Power Co., Ltd. ("Shanghai Power") (note (b))	**2,942,667**	3,320,491
	3,083,174	3,495,933

Notes:

The analysis below includes those classified as part of the disposal group classified as held for sale.

(a) Unlisted equity investments mainly represent interests in certain unlisted companies which are principally engaged in financial services, coal production, water supply and electricity trading services respectively. The Directors have elected to designate these investments as equity instruments at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run.

(b) Details of the equity securities listed in the PRC held directly by the Company as at 31 December 2018 and 2017 are as follows:

Name of company	Place of establishment and operation	Registered and paid up capital	Equity interest attributable to the Company	Type of legal entity	Principal activity
Shanghai Power#	The PRC	RMB2,617,164,197 (2017: RMB2,409,657,149)	13.88% (2017: 15.08%) (note)	Joint stock company with limited liability with its A-shares listed on the Shanghai Stock Exchange	Investment holdings and the generation and sale of electricity

Shanghai Power is a subsidiary of SPIC.

Note: In August 2018, Shanghai Power issued consideration shares for acquisition of assets from its ultimate holding company, SPIC, which resulted in an increase in its share capital and thus the Company's equity interest in Shanghai Power was diluted form 15.08% to 13.88%.

These equity securities are not held for trading, instead, they are held for long-term strategic purposes. The Directors have elected to designate these equity securities as equity instruments at FVTOCI as they believe that recognizing short-term fluctuations in these equity securities' fair value in profit or loss would not be consistent with the Group's strategy of holding these equity securities for long-term purposes and realizing their performance potential in the long run.

22. DEFERRED INCOME TAXES

Deferred income taxes are calculated in respect of temporary differences under the liability method using the tax rates enacted or substantively enacted by the end of reporting period.

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

	2018 RMB'000	2017 RMB'000
Deferred income tax assets	376,672	431,878
Deferred income tax liabilities	(1,674,188)	(1,461,717)
Net deferred income tax liabilities	(1,297,516)	(1,029,839)

Notes:

The analysis below includes those classified as part of the disposal group classified as held for sale.

(i) The net movements in the deferred income tax assets/(liabilities) during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Accelerated tax depreciation RMB'000	Decelerated tax depreciation RMB'000	Changes in fair value (note (ii)) RMB'000	Provisions RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	(1,252,263)	217,349	(507,701)	252,175	259,017	1,584	(1,029,839)
Adjustments (Note 2.1(a))	–	–	(14,537)	–	–	–	(14,537)
At 1 January 2018 (restated)	(1,252,263)	217,349	(522,238)	252,175	259,017	1,584	(1,044,376)
Acquired on acquisitions of subsidiaries	(259,069)	12,107	–	–	–	–	(246,962)
(Charged)/credited to profit or loss (Note 10)	(34,163)	10,216	–	(2,628)	64,709	(11,384)	26,750
Credited to other comprehensive income	–	–	115,061	–	–	–	115,061
Others	–	–	–	–	–	1,932	1,932
At 31 December 2018	(1,545,495)	239,672	(407,177)	249,547	323,726	(7,868)	(1,147,595)
At 1 January 2017	(1,227,669)	179,192	(821,849)	234,193	86,063	1,584	(1,548,486)
(Charged)/credited to profit or loss (Note 10)	(24,594)	38,157	41,679	17,982	172,954	–	246,178
Credited to other comprehensive income	–	–	272,469	–	–	–	272,469
At 31 December 2017	(1,252,263)	217,349	(507,701)	252,175	259,017	1,584	(1,029,839)

22. DEFERRED INCOME TAXES (CONTINUED)

Notes: *(Continued)*

(ii) These were deferred income tax on fair value changes of equity instruments at FVTOCI (2017: AFS financial assets) and debt instruments at FVTOCI and release of deferred income tax on derecognition of debt instruments at FVTOCI.

(iii) Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. As at 31 December 2018, the Group had unrecognized tax losses to be carried forward against future taxable profits amounted to RMB1,416,720,000 (2017: RMB815,337,000), which will expire within 5 years.

(iv) As at 31 December 2018, the Group had deductible temporary differences of RMB166,360,000 (2017: RMB299,004,000), which mainly relates to the impairment losses of the Group's property, plant and equipment and interest in a joint venture. No deferred income tax assets had been recognized in relation to such deductible temporary difference as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilized.

(v) As the Company is a deemed PRC Tax Resident Enterprise, the Company is exempted from the withholding tax charged on the dividends remitted to the Company by the subsidiaries, associates or joint ventures. As such, no deferred income tax liabilities on unremitted earnings of subsidiaries, associates or joint ventures would be recognized.

23. OTHER NON-CURRENT ASSETS

	2018 **RMB'000**	2017 RMB'000
Deductible VAT and other taxes	**1,903,417**	716,996
Deposits for obligations under finance leases	**22,108**	3,242
Accounts receivable (Note 25)	**2,036,907**	588,940
Amounts due from related parties (Note 27(a))	**100,000**	-
Prepayment for proposed acquisition of a subsidiary	**-**	63,682
Prepaid rent for leasehold land	**127,735**	–
Others	**62,096**	1,572
	4,252,263	1,374,432

24. INVENTORIES

	2018 **RMB'000**	2017 RMB'000
Coal and oil	**575,252**	312,186
Spare parts and consumables	**137,299**	150,756
	712,551	462,942

25. ACCOUNTS RECEIVABLE

	2018 RMB'000	2017 RMB'000
Accounts receivable from regional and provincial power grid companies (notes (b) and (c))	**4,798,696**	3,057,995
Accounts receivable from other companies (note (b))	**9,481**	6,785
	4,808,177	3,064,780
Notes receivable (note (d))	**13,473**	166,543
	4,821,650	3,231,323
Analyzed for reporting purpose as:		
— Non-current (included in other non-current assets) (Note 23) (note (c))	**2,036,907**	588,940
— Current	**2,784,743**	2,642,383
	4,821,650	3,231,323

Notes:

The analysis below includes those classified as part of the disposal group classified as held for sale.

(a) Upon the application of HKFRS 9 on 1 January 2018, the Group applies simplified approach to provide for ECL prescribed by HKFRS 9. To measure the ECL of accounts receivable, accounts and notes receivables have been assessed individually. The loss allowance of the accounts receivable as at 31 December 2018 was insignificant.

(b) The ageing analysis of the accounts receivable presented which based on invoice date is as follows:

	2018 RMB'000	2017 RMB'000
Unbilled (note (c))	**2,335,601**	670,752
1 to 3 months	**2,618,585**	2,394,028
	4,954,186	3,064,780

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

25. ACCOUNTS RECEIVABLE (CONTINUED)

Notes: *(Continued)*

(c) As at 31 December 2018, accounts receivable from regional and provincial power grid companies include clean energy power price premium receivable of RMB2,335,601,000 (2017: RMB670,752,000), which is unbilled and is stated after discounting.

The clean energy power price premium, which is a component of the government-approved on-grid tariff for wind and photovoltaic power generation, is recognized as revenue from sales of electricity in the consolidated income statement of the Group for its wind and photovoltaic power projects.

The financial resource for the clean energy power price premium is the national renewable energy fund that accumulated through a special levy on the consumption of electricity. Pursuant to Caijian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加補助資金管理暫行辦法) jointly issued by the Ministry of Finance, the NDRC and the NEA in March 2012, the standardized application and approval procedures on a project by project basis for the settlement of the tariff premium came into force since 2012, and such applications are accepted and approved batch by batch at intervals.

Based on the above, the Directors estimated that there are no foreseeable obstacles that would lead to the application not being approved. It is expected that the approval of the Group's certain wind and photovoltaic power projects will be obtained after 31 December 2019 (2017: obtained after 31 December 2018) and the corresponding premium receivables are estimated to be recovered after twelve months from the reporting date. Therefore, the Directors consider the electricity sales contract contains a significant financing component. During the year ended 31 December 2018, the respective clean energy power price premium was adjusted for this financing component based on an effective interest rate of 4.75% per annum (2017: 4.75% per annum). The Group's revenue was adjusted by RMB172,450,000 (2017: RMB53,626,000) and interest income amounting to RMB27,974,000 (2017: Nil) (Note 9) was recognized.

(d) As at 31 December 2018, notes receivable were bank acceptance notes issued by third parties and were normally with maturity period of 360 days (2017: 360 days).

(e) As at 31 December 2018, certain bank borrowings, long-term borrowings from related parties (including SPIC Financial, Industrial and Commercial Bank of China Limited ("ICBC") and Agricultural Bank of China Limited ("ABC")), and obligations under finance leases (Notes 34(d), 35(b), 35(c) and 37(b)) were secured by the rights on accounts receivable of certain subsidiaries of the Group. The accounts receivable secured under these debts as at 31 December 2018 amounted to RMB1,580,203,000 (2017: RMB1,125,299,000).

(f) Apart from certain clean energy power price premium receivables of RMB2,036,907,000 which is stated after discounting, the fair values of the remaining 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.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Prepayments, deposits and other receivables mainly represent current portion of deductible VAT, prepayments for purchasing inventories and materials, deposits and other receivables.

As at 31 December 2018, prepayments, deposits and other receivables included prepayments to non-controlling shareholders of subsidiaries of RMB53,453,000 (2017: Nil) .

27. AMOUNTS DUE FROM/TO RELATED PARTIES

	2018 RMB'000	2017 RMB'000
Amounts due from related parties		
Amounts due from CPDL	7,912	172
Amounts due from CPI Holding	218	836
Amounts due from SPIC Financial	1,059	5,219
Amounts due from companies controlled by SPIC other than SPIC Financial	397,714	113,539
Amounts due from fellow subsidiaries	67,324	135,577
Amounts due from associates (note (a))	361,441	155,442
Amounts due from joint ventures (note (b))	212,279	242
Amounts due from non-controlling shareholders of subsidiaries	13,988	41,741
	1,061,935	452,768
Amounts due to related parties		
Amounts due to SPIC	603,636	200,687
Amounts due to CPI Holding (note (c))	241,568	186,640
Amounts due to SPIC Financial	350,608	19,545
Amounts due to ICBC and ABC (note (d))	25,440	–
Amounts due to companies controlled by SPIC other than SPIC Financial	588,868	190,953
Amounts due to fellow subsidiaries	85,505	103,215
Amounts due to joint ventures	855	5,867
Amounts due to an associate (note (e))	8,548	8,196
Amounts due to non-controlling shareholders of subsidiaries (note (f))	630,236	302,849
	2,535,264	1,017,952

Notes:

The analysis below includes those classified as part of the disposal group classified as held for sale.

(a) The amounts due from associates are unsecured. Except for a balance of RMB355,080,000 (2017: RMB155,080,000) which is interest bearing from 1.75% to 4.35% (2017: 1.75% to 4.35%) per annum and repayable within one year, the remaining balances are interest free and repayable on demand. A balance of RMB100,000,000 (2017: Nil) which is interest bearing at 4.34% (2017: Nil) per annum and repayable by 2021, and has been included in other non-current assets (Note 23).

(b) The amounts due from joint ventures are unsecured. Except for a balance of RMB211,650,000 (2017: Nil) which is interest bearing at 5.66% (2017: Nil) per annum and repayable within one year, the remaining balances are interest free and repayable on demand.

(c) The amounts due to CPI Holding are unsecured. Except for a balance of RMB106,440,000 (2017: RMB106,440,000) which is interest bearing at 1.75% (2017: 1.75%) per annum and repayable within one year, the remaining balances are interest free and repayable on demand.

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

Notes: *(Continued)*

(d) ICBC and ABC have become the related parties of the Group during the year of 2018 (Note 46). The balances as at 31 December 2018 are interest payable on their loans, such balances with ICBC and ABC as at 31 December 2017 were included in other payables and accrued charges.

(e) The amounts due to an associate are unsecured. Except for a balance of RMB8,364,000 (2017: RMB8,036,000) which is interest bearing at 1.38% (2017: 1.38%) per annum, the remaining balance is interest free and repayable on demand.

(f) The amounts due to non-controlling shareholders of subsidiaries included dividend payable of RMB33,762,000 (2017: RMB142,000,000).

(g) Balances with related parties, other than those disclosed in notes (a) to (f), are unsecured, interest free and repayable on demand.

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

28. DEBT INSTRUMENTS AT FVTOCI

Upon the application of HKFRS 9 on 1 January 2018, certain notes receivable of the Group which previously measured at amortized cost under HKAS 39, have been reclassified to debt instruments at FVTOCI and measured at fair value.

The analysis below includes those classified as part of the disposal group classified as held for sale.

As at 31 December 2018, debt instruments at FVTOCI represent certain notes receivable issued by third parties and were normally with maturity period within 360 days (2017: 360 days). Notes receivable discounted and endorsed to banks and suppliers of RMB364,177,000 and RMB800,925,000 respectively (2017: RMB130,429,000 and RMB840,006,000 respectively) are derecognized by the Group (the "Derecognized Notes"). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognized Notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of Directors, the Group has transferred substantially all risks and rewards relating to the Derecognized Notes. Accordingly, it has derecognized the full carrying amounts of the Derecognized Notes and the associated trade payables and amounts due to related parties. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognized Notes and the undiscounted cash flows to repurchase these Derecognized Notes equal to their derecognized amounts. In the opinion of the Directors, the fair value of the Group's Continuing Involvement in the Derecognized Notes is not significant.

Details of impairment assessment are set out in Note 44.1(d).

29. RESTRICTED DEPOSITS

Restricted deposits are all restricted cash deposits. As at 31 December 2018, the restricted deposits of the Group at ICBC amounted to RMB8,674,000 and are interest bearing at 0.30% per annum. The remaining balance are interest bearing from 0.30% to 1.75% (2017: 0.30% to 1.75%) per annum.

The restricted cash deposits mainly represent cash deposits held in the "joint control account" under the names of certain subsidiaries of the Group for the co-development of wind power plants with local government. The deposits are operated with the approvals from both parties and will be released upon the completion of power plant construction.

30. CASH AND CASH EQUIVALENTS

	2018 RMB'000	2017 RMB'000
Cash at banks and in hand (note (a))	396,883	4,375,035
Deposits at SPIC Financial (note (b))	1,388,656	202,751
Deposits at ICBC and ABC (note (c))	67,505	–
	1,853,044	4,577,786
Denominated in:		
RMB	1,779,967	4,445,292
United States Dollar ("USD")	52,506	98,382
HK$	20,571	34,112
	1,853,044	4,577,786

Notes:

The analysis below includes those classified as part of the disposal group classified as held for sale.

	2018 RMB'000	2017 RMB'000
Analyzed for reporting purpose as:		
— Cash and cash equivalents (excluding those classified as part of the disposal group classified as held for sale)	1,853,044	4,577,786
— Cash and cash equivalents included as part of the disposal group classified as held for sale (Note 31)	2,191	–
	1,855,235	4,577,786

(a) The Group's cash at banks are interest bearing from 0.30% to 4.30% (2017: ranged from 0.30% to 4.30%) per annum.

(b) The Group's deposits at SPIC Financial are interest bearing at 1.38% (2017: 1.38%) per annum.

(c) ICBC and ABC have become the related parties of the Group during the year of 2018 (Note 46). The Group's deposits at ICBC and ABC are interest bearing at 0.30% (2017: 0.30%) per annum. The Group's deposits at ICBC and ABC as at 31 December 2017 were included in cash at banks and in hand.

(d) The Group's cash and cash equivalents denominated in RMB of RMB1,735,471,000 (2017: RMB536,089,000) are deposited at banks, SPIC Financial, ICBC and ABC 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.

31. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2018, Shanxi Shentou Power Generating Company Limited ("Shanxi Shentou"), a wholly-owned subsidiary of the Company, entered into a joint venture agreement to form Sujin Energy, an associate of the Group, in Shanxi Province of the PRC. And the Company will use its 80% interest in China Power Shentou Power Generating Company Limited ("CP Shentou") as part of the capital contribution to Sujin Energy. Accordingly, the assets and liabilities attributable to CP Shentou had been classified as a disposal group held for sale and were separately presented in the consolidated statement of financial position. The operation of CP Shentou was included in the Group's "Generation and sales of coal-fired electricity" segment for segment reporting.

The sales proceed is expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognized.

Major classes of assets and liabilities of CP Shentou as at 31 December 2018 are as follows:

	2018 RMB'000
Property, plant and equipment (Note 14)	3,895,992
Prepaid lease payments	136,095
Equity instruments at FVTOCI — unlisted equity investments in the PRC (Note 21)	19,199
Deferred income tax assets (Note 22)	149,921
Accounts receivable (Note 25)	146,009
Prepayments, deposits and other receivables	10,992
Amounts due from related parties (Note 27)	11,077
Debt instruments at FVTOCI (Note 28)	41,533
Cash and cash equivalents (denominated in RMB) (Note 30)	2,191
Other assets	26,113
Total assets associated with disposal group classified as held for sale	4,439,122
Deferred income	22,960
Long-term bank borrowings (Note 34) (note)	1,242,995
Long-term borrowings from SPIC (Note 35(a)) (note)	900,000
Long-term borrowings from ABC (Note 35(c))	294,000
Accounts payable (Note 39)	94,344
Construction costs payable	119,026
Other payables and accrued charges	116,284
Amounts due to related parties (Note 27)	34,387
Short-term bank borrowings (Note 34)	285,000
Short-term borrowings from CPI Holding (Note 35(e))	300,000
Short-term borrowings from ABC (Note 35(g))	300,000
Total liabilities associated with disposal group classified as held for sale	3,708,996

Cumulative amount of RMB1,462,000 relating to the disposal group classified as held for sale has been recognized in other comprehensive income and included in FVTOCI reserve.

Note: Current portion of long-term bank borrowings and long-term borrowings from SPIC amounted to RMB257,231,000 and RMB400,000,000 respectively.

32. SHARE CAPITAL

(a) Share capital

	Number of shares	RMB'000
Ordinary shares, issued and fully paid:		
At 1 January 2017	7,355,164,741	13,534,145
Rights Issue (note)	2,451,721,580	3,734,047
At 31 December 2017 and 2018	9,806,886,321	17,268,192

Note:

On 15 December 2017, the Company allotted and issued 2,451,721,580 new shares on the basis of one rights share for every three then existing shares held at the subscription price of HK$1.82 per rights share to those qualifying shareholders whose names appeared on the register of members of the Company at the close of business on 22 November 2017 ("Rights Issue"). These shares rank pari passu in all respects with the existing shares. The gross proceeds and net of expenses proceeds from the Rights Issue amounted to HK$4,462,133,000 (equivalent to RMB3,777,107,000) and HK$4,411,284,000 (equivalent to RMB3,734,047,000) respectively. After the Rights Issue, the total number of shares of the Company increased to 9,806,886,321. There are no movements in the number of shares of the Company from 15 December 2017 to the date of this report.

(b) Share option scheme

Pursuant to the written resolutions passed by the shareholders of the Company on 24 August 2004, a share option scheme was approved and adopted by the Company (the "Share Option Scheme").

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

	2018		2017	
	Average exercise price per share (HK$)	**Number of outstanding share options**	Average exercise price per share (HK$)	Number of outstanding share options
At 1 January	**2.173**	**11,386,828**	2.835	21,112,000
Adjustment for Rights Issue (note (ii))	**–**	**–**	2.173	795,961
Lapsed (note (iii))	**2.173**	**(11,386,828)**	3.337	(10,521,133)
At 31 December	**–**	**–**	2.173	11,386,828

Notes:

(i) As at 31 December 2017, all the outstanding share options were vested and exercisable.

(ii) As a result of the Rights Issue, adjustments are required to be made to the exercise prices and the number of the ordinary shares falling to be issued upon exercise of the outstanding share options in accordance with the terms and conditions of the Share Option Scheme and applicable Listing Rules.

(iii) All the outstanding share options carried forward were lapsed during the current year and there were no outstanding share options as at 31 December 2018.

33. RESERVES

	Merger reserve (note (a)) RMB'000	Capital reserve (note (b)) RMB'000	AFS financial assets/ FVTOCI reserve RMB'000	Statutory reserves (note (c)) RMB'000	Share-based compensation reserve RMB'000	Others RMB'000	Other reserves sub-total RMB'000	Retained earnings (note (d)) RMB'000	Total RMB'000
At 31 December 2017	306,548	2,262,848	1,408,395	1,097,568	5,477	265,649	5,346,485	7,187,203	12,533,688
Adjustments (Note 2.1(a))	–	–	27,410	–	–	–	27,410	–	27,410
At 1 January 2018 (restated)	306,548	2,262,848	1,435,805	1,097,568	5,477	265,649	5,373,895	7,187,203	12,561,098
Profit for the year	–	–	–	–	–	–	–	1,098,355	1,098,355
Fair value loss on equity instruments at FVTOCI	–	–	(429,427)	–	–	–	(429,427)	–	(429,427)
Fair value loss on debt instruments at FVTOCI	–	–	(2,877)	–	–	–	(2,877)	–	(2,877)
Release on derecognition of debt instruments at FVTOCI	–	–	1,732	–	–	–	1,732	–	1,732
Deferred income tax on fair value loss on equity instruments at FVTOCI (Note 22)	–	–	107,357	–	–	–	107,357	–	107,357
Deferred income tax on fair value loss on debt instruments at FVTOCI (Note 22)	–	–	719	–	–	–	719	–	719
Release of deferred income tax on derecognition of debt instruments at FVTOCI (Note 22)	–	–	(433)	–	–	–	(433)	–	(433)
Transfer to statutory reserves	–	–	–	69,016	–	–	69,016	(69,016)	–
Lapse of share options	–	–	–	–	(5,477)	–	(5,477)	5,477	–
Capital injections from non-controlling shareholders of subsidiaries (Note 47(ii))	–	143,364	–	–	–	–	143,364	–	143,364
Others	–	(143)	–	–	–	(3,661)	(3,804)	–	(3,804)
2017 final dividend (Note 12)	–	–	–	–	–	–	–	(794,358)	(794,358)
At 31 December 2018	306,548	2,406,069	1,112,876	1,166,584	–	261,988	5,254,065	7,427,661	12,681,726
At 1 January 2017	306,548	2,262,848	2,225,802	937,074	13,889	265,848	6,012,009	7,720,839	13,732,848
Profit for the year	–	–	–	–	–	–	–	795,272	795,272
Fair value loss on AFS financial assets	–	–	(1,089,876)	–	–	–	(1,089,876)	–	(1,089,876)
Deferred income tax on fair value loss on AFS financial assets (Note 22)	–	–	272,469	–	–	–	272,469	–	272,469
Transfer to statutory reserves	–	–	–	160,494	–	–	160,494	(160,494)	–
Lapse of share options	–	–	–	–	(8,412)	–	(8,412)	8,412	–
Acquisition of a non-controlling interest	–	–	–	–	–	(334)	(334)	–	(334)
Disposal of interests in a subsidiary without loss of control	–	–	–	–	–	135	135	–	135
2016 final dividend (Note 12)	–	–	–	–	–	–	–	(1,176,826)	(1,176,826)
At 31 December 2017	306,548	2,262,848	1,408,395	1,097,568	5,477	265,649	5,346,485	7,187,203	12,533,688

33. RESERVES (CONTINUED)

Notes:

(a) Merger reserve

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

(b) Capital reserve

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

(c) Statutory reserves

Statutory reserves are non-distributable and the transfers to these funds are determined by the board of directors of the relevant PRC subsidiaries in accordance with the relevant laws and regulations in the PRC.

(d) Retained earnings

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

34. BANK BORROWINGS

Bank borrowings are analyzed as follows:

	2018 RMB'000	2017 RMB'000
Non-current		
Long-term bank borrowings		
— secured (note (d))	11,093,776	13,516,324
— unsecured (note (e))	15,987,732	18,059,990
	27,081,508	31,576,314
Less: Current portion of long-term bank borrowings	(2,529,929)	(6,486,997)
	24,551,579	25,089,317
Current		
Short-term bank borrowings — unsecured	4,027,212	9,055,092
Current portion of long-term bank borrowings	2,529,929	6,486,997
	6,557,141	15,542,089
Total bank borrowings	31,108,720	40,631,406

Notes:

The analysis below includes those classified as part of the disposal group classified as held for sale.

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

	2018 RMB'000	2017 RMB'000
RMB	29,313,775	36,766,800
USD	2,963,500	3,511,612
Japanese Yen ("JPY")	359,440	352,994
	32,636,715	40,631,406

34. BANK BORROWINGS (CONTINUED)

Notes: *(Continued)*

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

	2018 RMB'000	2017 RMB'000
Within one year	2,787,160	6,486,997
Between one and two years	4,372,332	3,223,934
Between two and five years	12,394,209	10,715,990
Over five years	8,770,802	11,149,393
	28,324,503	31,576,314

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

	2018	2017
Short-term bank borrowings	4.19%	4.04%
Long-term bank borrowings (including the current portion of long-term bank borrowings)	4.46%	4.47%

(d) As at 31 December 2018 and 2017, the bank borrowings of the Group are secured as follows:

	2018 RMB'000	2017 RMB'000
Secured against the rights on accounts receivable of certain subsidiaries (Note 25(e))	11,501,161	13,258,504
Secured against property, plant and equipment and prepaid lease payments of certain subsidiaries (Notes 14(e) and 16)	–	257,820
	11,501,161	13,516,324

(e) As at 31 December 2018, bank borrowings amounting to RMB359,440,000 (2017: RMB352,994,000) are guaranteed by Hunan Provincial Finance Bureau.

(f) As at 31 December 2018, the Group had available unutilized banking facilities amounting to RMB13,163,837,000 (2017: RMB25,614,400,000).

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

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

As at 31 December 2018, the carrying amounts and fair values of long-term bank borrowings at fixed interest rates amount to RMB6,173,352,000 (2017: RMB2,852,994,000) and RMB6,157,232,000 (2017: RMB2,851,436,000) respectively. The fair values are calculated using cash flows with discount rates from 1% to 4.75% (2017: 0.5% to 4.35%) and are within level 3 of the fair value hierarchy.

35. BORROWINGS FROM RELATED PARTIES

	2018 RMB'000	2017 RMB'000
Non-current		
Long-term borrowings from SPIC (note (a))	**1,930,000**	5,374,111
Long-term borrowings from SPIC Financial (note (b))	**2,013,800**	1,358,600
Long-term borrowings from ICBC and ABC (note (c))	**17,617,419**	–
	21,561,219	6,732,711
Less: Current portion of long-term borrowings from SPIC	**(1,100,000)**	(3,894,111)
Less: Current portion of long-term borrowings from SPIC Financial	**(20,800)**	(800)
Less: Current portion of long-term borrowings from ICBC and ABC	**(1,395,509)**	–
	19,044,910	2,837,800
Current		
Short-term borrowings from SPIC (note (d))	**970,296**	1,750,000
Short-term borrowings from CPI Holding (note (e))	**1,720,000**	–
Short-term borrowings from SPIC Financial (note (f)	**140,000**	–
Short-term borrowings from ICBC and ABC (note (g))	**970,000**	–
Short-term borrowings from other related parties (note (h))	**230,780**	410,195
Current portion of long-term borrowings from SPIC (note (a))	**1,100,000**	3,894,111
Current portion of long-term borrowings from SPIC Financial (note (b))	**20,800**	800
Current portion of long-term borrowings from ICBC and ABC (note (c))	**1,395,509**	–
	6,547,385	6,055,106
	25,592,295	8,892,906

Notes:

The analysis below includes those classified as part of the disposal group classified as held for sale.

(a) The long-term borrowings from SPIC are unsecured, interest bearing from 2.88% to 5.58% (2017: 2.88% to 5.58%) per annum and are wholly repayable within five years.

These borrowings are repayable as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**1,500,000**	3,894,111
Between one and two years	**780,000**	700,000
Between two and five years	**550,000**	780,000
	2,830,000	5,374,111

35. BORROWINGS FROM RELATED PARTIES (CONTINUED)

Notes: *(Continued)*

(b) The long-term borrowings from SPIC Financial of RMB7,800,000 (2017: RMB8,600,000) are secured against the rights on accounts receivable of a subsidiary of the Group (Note 25(e)), interest bearing at 4.41% (2017: 4.41%) per annum. The remaining balances are unsecured and interest bearing from 3.92% to 5.50% (2017: 3.92% to 4.28%) per annum.

The repayment terms of these borrowings are analyzed as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**20,800**	800
Between one and two years	**746,800**	410,800
Between two and five years	**1,242,400**	942,400
Over five years	**3,800**	4,600
	2,013,800	1,358,600

(c) The long-term borrowings from ICBC and ABC of RMB5,991,160,000 were secured against the rights on accounts receivable of subsidiaries of the Group (Note 25(e)), interest bearing from 4.41% to 4.90% per annum. The balance of RMB228,000,000 was guaranteed by a non-controlling shareholder of a subsidiary, interest bearing at 5.15% per annum and the balance of RMB227,820,000 was secured against property, plant and equipment and prepaid lease payments of certain subsidiaries of the Group (Notes 14(e) and 16), interest bearing from 4.41% to 4.90% per annum The remaining balances was unsecured and interest bearing from 4.28% to 5.15% per annum. ICBC and ABC have become the related parties of the Group during the year of 2018 (Note 46). The Group's borrowing from ICBC and ABC as at 31 December 2017 were included in bank borrowings (Note 34).

The repayment terms of these borrowings are analyzed as follows:

	2018 RMB'000
Within one year	**1,395,509**
Between one and two years	**2,200,295**
Between two and five years	**5,858,693**
Over five years	**8,456,922**
	17,911,419

(d) The short-term borrowings from SPIC as at 31 December 2018 are unsecured, interest bearing from 2.94% to 4.45% (2017: 2.94% to 4.45%) per annum and repayable within one year.

(e) The short-term borrowings from CPI Holding as at 31 December 2018 are unsecured, interest bearing at 4.35% per annum and repayable within one year (2017: Nil).

(f) The short-term borrowings from SPIC Financial as at 31 December 2018 are unsecured, interest bearing at 3.92% per annum and repayable within one year (2017: Nil).

35. BORROWINGS FROM RELATED PARTIES (CONTINUED)

Notes: *(Continued)*

(g) The short-term borrowings from ICBC and ABC as at 31 December 2018 are unsecured, interest bearing from 4.35% to 4.57% per annum and repayable within one year.

(h) The short-term borrowings from other related parties as at 31 December 2018 are unsecured, interest bearing from 4.35% to 4.55% (2017: 4.35%) per annum and repayable within one year.

(i) As at 31 December 2018, the Group had available unutilized facilities from SPIC Financial, ICBC and ABC amounting to RMB17,164,376,000 (2017: RMB4,110,800,000).

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

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

As at 31 December 2018, the carrying amounts and fair values of long-term borrowings from related parties at fixed interest rates amounted to RMB3,640,000,000 (2017: RMB5,374,111,000) and RMB3,650,872,000 (2017: RMB5,351,252,000) respectively. The fair values are calculated using cash flows with discount rates from 4.35% to 4.75% (2017: 4.35% to 4.75%) and are within level 3 of the fair value hierarchy.

36. OTHER BORROWINGS

	2018 RMB'000	2017 RMB'000
Non-current		
Corporate bonds issued by:		
— the Company (note (a))	**2,000,000**	–
— a subsidiary (note (b))	**999,959**	999,544
	2,999,959	999,544
Less: Amounts reclassified as current (note (b))	**(999,959)**	–
	2,000,000	999,544
Current		
Corporate bonds issued by a subsidiary reclassified as current (note (b))	**999,959**	–
Short-term other borrowing from a third party (note (c))	**25,000**	–
	1,024,959	–
	3,024,959	999,544

36. OTHER BORROWINGS (CONTINUED)

Notes:

(a) The balance at 31 December 2018 represents unsecured RMB denominated medium-term note of RMB2,000,000,000 issued by the Company in October 2018 for a term of three years, which is interest bearing at 4.15% per annum.

As at 31 December 2018, the fair value of the medium-term note amounted to RMB2,029,066,000, which was the quoted prices in active markets for identical liabilities and was within level 1 of fair value hierarchy.

(b) The balance represents certain long-term corporate bonds issued by Wu Ling Power Corporation ("Wu Ling Power") for a term of 10 years from April 2009 which are interest bearing at 4.60% per annum. These bonds are guaranteed by SPIC. As at 31 December 2018, the fair value of these corporate bonds amounted to RMB1,004,241,000 (2017: RMB992,865,000), which was the quoted prices form pricing services and was within level 2 of fair value hierarchy.

(c) The balance was unsecured and was interest bearing at 4.35% per annum. The fair value of the short-term other borrowing from a third party approximates its carrying amount as the impact of discounting is not significant.

37. OBLIGATIONS UNDER FINANCE LEASES

	2018 **RMB'000**	2017 RMB'000
Obligations under finance leases	**5,192,002**	1,116,174
Less: Current portion of obligations under finance leases	**(1,205,997)**	(430,759)
Non-current portion of obligations under finance leases	**3,986,005**	685,415

Certain property, plant and equipment of the Group are under finance leases. As at 31 December 2018 and 2017, the Group's obligations under finance leases are repayable as follows:

	Minimum lease payments	
	2018 **RMB'000**	2017 RMB'000
Within one year	**1,450,100**	503,023
Between one and two years	**864,153**	391,914
Between two and five years	**1,224,460**	322,251
Over five years	**2,772,520**	36,099
	6,311,233	1,253,287
Future finance charges on obligations under finance leases	**(1,119,231)**	(137,113)
Present value of obligations under finance leases	**5,192,002**	1,116,174

37. OBLIGATIONS UNDER FINANCE LEASES (CONTINUED)

Notes:

(a) The additions of finance leases and a sales and lease back during the year ended 31 December 2018 amounted to RMB4,882,610,000 (2017: RMB359,676,000), of which RMB2,401,312,000 (2017: Nil) is from acquisitions of subsidiaries (Note 45) and the remaining is from new finance leases and drawdown of previous finance leases. The period of these finance leases additions for property, plant and equipment ranges from 9 months to 11 years (2017: 4 years). The Group has an option to purchase at a nominal price of RMB1 at the end of the lease period.

(b) The balance as at 31 December 2018 includes certain finance leases entered into with related parties, namely CPI Ronghe Financial Leasing Co., Ltd. ("CPI Ronghe") and China Kangfu International Leasing Co., Ltd. ("Kangfu") to acquire property, plant and equipment, of which RMB2,252,301,000 (2017: Nil) are secured against the rights on accounts receivable of certain subsidiaries (Note 25(e)), interest bearing from 4.51% to 8.00% (2017: Nil) per annum and the remaining balances are interest bearing from 4.41% to 8.00% (2017: Nil) per annum.

(c) Underlying interest rates of all obligations under finance leases with independent leasing companies are fixed at respective contract dates ranged from 4.19% to 5.82% (2017: ranged from 4.19% to 5.82%) per annum. All of the leases with independent leasing companies and related parties have no terms of renewal or escalation clauses.

(d) The present value of minimum lease payments of the Group's obligations under finance leases is as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**1,205,997**	430,759
Between one and two years	**631,650**	360,329
Between two and five years	**1,041,468**	290,475
Over five years	**2,312,887**	34,611
Present value of obligations under finance leases	**5,192,002**	1,116,174

(e) As at 31 December 2018, the Group had available unutilized facilities from finance leases amounting to RMB4,000,000,000 (2017: Nil).

38. PROVISIONS FOR OTHER LONG-TERM LIABILITIES

Provisions for other long-term liabilities represent provisions for Inundation Compensation caused by the construction of certain hydropower plants of the Group.

The provisions are measured at the present value of the expenditures expected to be required to settle the compensations, based on the latest rules and regulations as set out by the relevant local government authorities in the PRC and the expected useful lives of these hydropower plants, using a pre-tax discount rate that reflects current assessments of the time value of money and the risks specific to the compensations. The increase in the provisions due to the passage of time had been recognized as interest expense.

Analysis of the provisions for Inundation Compensation as at 31 December 2018 and 2017 is as follows:

	2018 RMB'000	2017 RMB'000
Non-current liabilities	**1,054,538**	834,886
Current liabilities (included in other payables and accrued charges) (Note 40)	**87,363**	213,439
	1,141,901	1,048,325

The movements of the provisions for Inundation Compensation for the years ended 31 December 2018 and 2017 are as follows:

	2018 RMB'000	2017 RMB'000
At 1 January	**1,048,325**	1,164,355
Acquired on acquisition of a subsidiary (note)	**230,286**	–
Recognition/(reversal) during the year (Note 14(h))	**10,978**	(141,339)
Interest expense (Note 9)	**86,110**	87,119
Payment	**(233,798)**	(61,810)
At 31 December	**1,141,901**	1,048,325

Note: The amount represents provisions for other long-term liabilities of SPIC Guangxi Changzhou Hydropower Development Co., Ltd ("Changzhou Hydropower"), a subsidiary of SPIC Guangxi Power Company Limited ("Guangxi Company"), (as disclosed in Note 45(a)), of which, RMB19,540,000 is payable within one year and has been accounted for in other payables and accrued charges.

39. ACCOUNTS AND BILLS PAYABLES

	2018 RMB'000	2017 RMB'000
Accounts payable (note (a))	**666,699**	929,460
Bills payable (note (b))	**109,878**	186,888
	776,577	1,116,348

Notes:

The analysis below includes those classified as part of the disposal group classified as held for sale.

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

	2018 RMB'000	2017 RMB'000
1 to 6 months	**708,304**	878,418
7 to 12 months	**4,265**	16,261
Over 1 year	**48,474**	34,781
	761,043	929,460

(b) As at 31 December 2018, bills payable are bills of exchange with maturity period ranged from 3 to 12 months (2017: ranged from 3 to 12 months).

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

40. OTHER PAYABLES AND ACCRUED CHARGES

	2018 RMB'000	2017 RMB'000
Salaries and staff welfare payable	**160,796**	95,983
VAT payable	**150,991**	74,730
Other taxes payable	**272,727**	317,327
Repairs and maintenance expense payable	**28,650**	64,266
Insurance expense payable	**3,956**	7,638
Reservoir maintenance and usage fees payables	**19,638**	15,710
Interest payable	**137,545**	164,981
Current portion of provisions for other long-term liabilities (Note 38)	**87,363**	213,439
Other payables and accrued operating expenses	**340,452**	315,288
	1,202,118	1,269,362

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

The analysis below includes those classified as part of the disposal group classified as held for sale.

	2018 RMB'000	2017 RMB'000
Profit before taxation	2,069,948	1,560,637
Share of profits of associates	(114,461)	(222,630)
Share of loss/(profits) of joint ventures	6,446	(44,743)
Finance income	(125,846)	(40,413)
Finance costs	2,578,254	1,855,603
Dividend income	(77,108)	(71,133)
Depreciation of property, plant and equipment	3,906,575	3,482,744
Impairment of inventories	10,367	1,158
Impairment of other receivables	34,585	–
Amortization of prepaid lease payments	20,109	23,525
Amortization of other intangible assets	3,086	–
Amortization of deferred income	(7,527)	(4,269)
(Gain)/loss on disposal of property, plant and equipment and prepaid lease payments, net	(101,077)	49,739
Gain on disposal of a subsidiary	(32,298)	–
Loss on deemed disposal of partial interest in an associate	17,181	–
Fair value change on derivative financial instruments	–	110,547
Operating cash flows before working capital changes	8,188,234	6,700,765
Increase in accounts receivable	(896,566)	(1,136,395)
Increase in prepayments, deposits and other receivables	(661,922)	(343,874)
Increase in inventories	(263,182)	(53,408)
Decrease/(increase) in amounts due from related parties	442,959	(72,758)
Increase in amounts due to related parties	66,965	416,785
Increase in accounts and bills payables	141,742	574,326
Decrease in other payables and accrued charges	(1,001,117)	(721,705)
Proceeds from termination of derivative financial instruments	-	197,924
Increase in deferred income	4,650	25,468
Cash generated from operations	6,021,763	5,587,128

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Analysis of changes in financing during the year

The analysis below includes those classified as part of the disposal group classified as held for sale.

	Bank borrowings and other borrowings RMB'000	Borrowings from related parties RMB'000	Obligations under finance leases RMB'000	Non-controlling interests RMB'000
At 1 January 2018	41,630,950	8,892,906	1,116,174	7,392,579
Drawdown of bank borrowings	21,380,420	–	–	–
Repayment of bank borrowings	(20,182,820)	–	–	–
Drawdown of other borrowings	2,825,000	–	–	–
Repayment of other borrowings	(800,000)	–	–	–
Interest element for corporate bonds	415	–	–	–
Drawdown of borrowings from related parties	–	18,159,284	–	–
Repayment of borrowings from related parties	–	(17,744,518)	–	–
Payments for obligations under finance leases	–	–	(916,388)	–
Interest expense on obligations under finance leases (Note 9)	–	–	109,606	–
New finance leases (note (c)(ii))	–	–	2,281,298	–
Drawdown of obligations under finance leases	–	–	200,000	–
Reclassification of borrowings from ICBC and ABC from bank borrowings to borrowings from related parties	(16,457,543)	16,457,543	–	–
Capital injections from non-controlling shareholders of subsidiaries (Note 47(ii))	–	–	–	4,876,629
Acquisitions of subsidiaries (Note 45)	7,127,288	1,621,080	2,401,312	387,181
Profit for the year attributable to non-controlling interests	–	–	–	538,830
Dividends recognized as distributions to non-controlling shareholders of subsidiaries	–	–	–	(283,867)
Fair value loss on financial instruments at FVTOCI attributable to non-controlling interests	–	–	–	(6,054)
Others	–	–	–	(4,054)
Exchange loss, net	137,964	–	–	–
At 31 December 2018	35,661,674	27,386,295	5,192,002	12,901,244

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

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

	Bank borrowings and other borrowings RMB'000	Borrowings from related parties RMB'000	Obligations under finance leases RMB'000	Non-controlling interests RMB'000
At 1 January 2017	41,090,024	5,463,511	1,181,315	7,327,841
Drawdown of bank borrowings	23,321,644	–	–	–
Repayment of bank borrowings	(16,085,127)	–	–	–
Repayment of other borrowings	(6,541,438)	–	–	–
Interest element for corporate bonds	1,030	–	–	–
Drawdown of borrowings from related parties	–	5,039,486	–	–
Repayment of borrowings from related parties	–	(1,610,091)	–	–
Payments for obligations under finance leases	–	–	(431,311)	–
Decrease in deposits for obligations under finance leases as settlement of payment	–	–	(35,000)	–
Interest expense on obligations under finance leases (Note 9)	–	–	41,494	–
New finance leases (note (c)(ii))	–	–	359,676	–
Contributions from non-controlling shareholders of subsidiaries	–	–	–	58,274
Acquisition of a non-controlling interests	–	–	–	(10,767)
Disposal of interests in a subsidiary without loss of control	–	–	–	33,941
Profit for the year attributable to non-controlling interests	–	–	–	485,435
Dividends recognized as distributions to non-controlling shareholders of subsidiaries	–	–	–	(502,145)
Exchange gains, net	(155,183)	–	–	–
At 31 December 2017	41,630,950	8,892,906	1,116,174	7,392,579

(c) Major non-cash transactions

The analysis below includes those classified as part of the disposal group classified as held for sale.

(i) For the year ended 31 December 2018, accounts payable and amounts due to related parties of RMB386,699,000 (2017: RMB425,127,000) and RMB414,226,000 (2017: RMB414,879,000) (Note 28) respectively have been settled through endorsement of notes receivables.

(ii) During the year ended 31 December 2018, the additions of finance leases amounted to RMB4,682,610,000 (2017: RMB359,676,000), of which RMB2,401,312,000 is from acquisitions of subsidiaries (Note 45) and the remaining is from new finance leases.

42. DISPOSAL OF A SUBSIDIARY

As referred to in Notes 7 and 14, on 29 December 2018, Wu Ling Power disposed 100% equity interest of its subsidiary, Chalingxian Lianguan Hydropower Development Company Limited ("Chalingxian Lianguan Hydropower"). The net assets of Chalingxian Lianguan Hydropower at the date of disposal were as follows:

Consideration received

	RMB'000
Cash received	–
Consideration receivables included in other receivables	**55,770**
Total consideration	**55,770**

Analysis of assets and liabilities over which control was lost

	29 December 2018 RMB'000
Property, plant and equipment (Note 14)	**94,652**
Accounts receivable	**2,356**
Prepayments, deposits and other receivables	**779**
Cash and cash equivalents	**9**
Other payables and accrued charges	**(74,210)**
Tax payable	**(114)**
Net assets disposed of	**23,472**

Gain on disposal of a subsidiary

	RMB'000
Consideration received and receivable	**55,770**
Net assets disposed of	**(23,472)**
Gain on disposal (Note 7)	**32,298**

Net cash outflow arising on disposal

	RMB'000
Cash consideration received	–
Less: bank balances and cash disposed of	**(9)**
	(9)

43. COMMITMENTS

The analysis below includes those classified as part of the disposal group classified as held for sale.

(a) Capital commitments

	2018 RMB'000	2017 RMB'000
Contracted but not provided for in respect of		
— property, plant and equipment	**18,350,312**	12,770,133
— proposed acquisition of subsidiaries	**1,925,436**	5,117,913
— capital contribution to associates	**899,472**	562,473
	21,175,220	18,450,519

(b) Commitments under operating leases

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

	2018 RMB'000	2017 RMB'000
Land and buildings		
— Within one year	**56,313**	41,494
— Between one and five years	**174,106**	50,144
— Over five years	**387,115**	117,126
	617,534	208,764

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

	2018 RMB'000	2017 RMB'000
Property, plant and equipment		
— Within one year	**57,233**	58,798
— Between one and five years	**936**	–
	58,169	58,798

44. FINANCIAL RISK MANAGEMENT

44.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk, interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The analysis below includes those classified as part of the disposal group classified as held for sale, unless otherwise stated.

(a) Foreign exchange risk

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

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

As at 31 December 2018, the Group was exposed to foreign exchange risk primarily with respect to certain bank borrowings which were denominated in USD and JPY, and certain cash and cash equivalents which were denominated in USD and HK$, details of which have been disclosed in Notes 34 and 30 respectively.

The Group manages its foreign currency risk by closely monitoring the movements in the foreign currency rates.

RMB experienced certain depreciation against USD, JPY and HK$ during the year which is the major reason for the exchange losses recognized by the Group for the year. Further exchange rate fluctuation of USD, JPY and HK$ against RMB will affect the Group's financial position and results of operations.

As at 31 December 2018, if RMB had weakened/strengthened by 5% (2017: 5%) against USD, with all other variables held constant, post-tax profit for the year would have been RMB144,094,000 lower/higher (2017: RMB159,432,000 lower/higher), mainly as a result of net foreign exchange losses/gains on translation of USD denominated borrowings and bank deposits.

As at 31 December 2018, if RMB had weakened/strengthened by 5% (2017: 5%) against JPY, with all other variables held constant, the Group's post-tax profit for the year would have been RMB13,479,000 lower/higher (2017: RMB13,237,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of JPY denominated borrowings.

As at 31 December 2018, if RMB had weakened/strengthened by 5% (2017: 5%) against HK$, with all other variables held constant, post-tax profit for the year would have been RMB944,000 higher/lower (2017: RMB1,631,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of HK$ denominated bank deposits.

In the Group management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.1 Financial risk factors *(Continued)*

(b) Interest rate risks

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing assets mainly include amounts due from an associate and a joint venture, cash at banks and deposits at SPIC Financial, ICBC and ABC, details of which have been disclosed in Notes 27 and 30. The Group's exposure to changes in interest rates is mainly attributable to its borrowings, details of which have been disclosed in Notes 34 to 36. 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 34 to 36. The Group has not used any specific interest rate swap contracts to hedge its exposure to interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of People's Bank of China interest rate arising from the Group's RMB denominated floating rate bank borrowings.

As at 31 December 2018, if the interest rates on bank borrowings and borrowings from related parties had been 50 basis points (2017: 50 basis points) higher/lower than the prevailing interest rates, with all other variables held constant, post-tax profit for the year (net of interest capitalized) would have been RMB165,906,000 lower/higher (2017: RMB119,086,000 lower/higher) mainly as a result of higher/lower interest expense on floating rate bank borrowings and borrowings from related parties.

As at 31 December 2018, if the interest rates on cash at banks and deposits at SPIC Financial, ICBC and ABC had been 50 basis points (2017: 50 basis points) higher/lower than the prevailing interest rates, with all other variables held constant, post-tax profit for the year (net of interest capitalized) would have been RMB6,957,000 higher/lower (2017: RMB17,166,000 higher/lower) mainly as a result of higher/lower interest income on floating rate cash at banks and deposits at SPIC Financial, ICBC and ABC.

Total interest income from financial assets that are measured at amortized cost is as follows:

	2018 RMB'000	2017 RMB'000
Interest income		
Restricted deposits	**108**	2,742
Cash and cash equivalents	**88,108**	25,878
Amounts due from related parties	**9,656**	11,793
Discounting effect on clean energy power price premium receivable	**27,974**	–
Total interest income	**125,846**	40,413

Interest expense on financial liabilities not measured at FVTPL:

	2018 RMB'000	2017 RMB'000
Financial liabilities at amortized cost	**2,423,706**	1,960,197

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.1 Financial risk factors *(Continued)*

(c) Price risk

The Group is exposed to equity securities price risk in respect of investments held by the Group which are classified as equity instruments at FVTOCI (2017: AFS financial assets). Most of the Group's equity instruments at FVTOCI (2017: AFS financial assets) are publicly traded. However, the Group does not trade these investments as such investments are held for strategic rather than trading purpose. The stock market is relatively more volatile in recent years. As at 31 December 2018, if the quoted market price of the equity investments held by the Group had increased/ decreased by 10% to 30% (2017: 10% to 30%), with all other variables held constant, the results of the Group would have been unaffected as these investments are classified as equity instruments at FVTOCI (2017: AFS financial assets); and equity would have been RMB220,700,000 to RMB662,100,000 (2017: RMB249,037,000 to RMB747,110,000) higher/lower, mainly as a result of the changes in fair value of equity instruments at FVTOCI (2017: AFS financial assets).

In addition, the Group also invested in certain unquoted equity securities for investees operating in financial services, coal production, water supply and electricity trading services industry sectors for long term strategic purposes which had been designated as at FVTOCI (2017: AFS investments measured at cost less impairment). The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

The Group is also exposed to commodity price risk mainly in relation to the coal price. The Group manages such risk by entering into certain bulk purchase agreements with coal suppliers.

(d) Credit risk and impairment test

The Group's credit risk primarily arises from accounts receivable (Note 25), deposits and other receivables (Note 26), amounts due from related parties (Note 27), debt instruments at FVTOCI (Note 28), restricted deposits (Note 29), cash and cash equivalents (Note 30). The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Accounts receivable arising from contracts with customers

The Group is exposed to significant concentration of credit risk in terms of electricity sales as a majority of the Group's sales of electricity were made to regional and provincial power grid companies. The Group normally grants credit terms ranged from 15 to 90 days to these power grid companies except for clean energy power price premium. The collection of such clean energy power price premium is subject to the allocation of funds by relevant government authorities to local grid companies, which therefore takes a relatively long time for settlement. The Group normally does not require collaterals from trade debtors. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on accounts receivable individually. Aging analysis of the Group's accounts receivable is disclosed in Note 25 and management does not expect any losses from non-performance by these counterparties.

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.1 Financial risk factors *(Continued)*

(d) Credit risk and impairment test *(Continued)*

Deposits, other receivables and amounts due from related parties

The counterparties of the group's deposits, other receivables and amounts due from related parties are mainly large state-owned enterprises with good credit and subsidiaries of SPIC. Under ECL model upon application of HKFRS 9 (2017: incurred loss model), 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.

Restricted deposits and cash and cash equivalents

Substantially all of the Group's cash and deposits are held in major financial institutions and are at SPIC Financial, which management believes are of high credit quality. Therefore, the Group performs impairment assessment under 12m ECL model upon application of HKFRS 9 (2017: incurred loss model) on restricted deposits and cash and cash equivalents on collective basis. Management does not expect any losses from non-performance by these counterparties.

Debt instruments at FVTOCI

The Group's debt instruments at FVTOCI are group's certain notes receivable which were considered as within the hold to collect contractual cash flows and to sell business model. The notes which has been classified into debt instruments at FVTOCI are issued by major financial institutions with high credit quality and therefore are considered to be low credit risk investments. Therefore, the Group performs impairment assessment under 12m ECL model upon application of HKFRS 9 on debt instruments at FVTOCI on individual basis. During the year ended 31 December 2018, no ECL on debt instruments at FVTOCI has been recognized.

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.1 Financial risk factors *(Continued)*

(d) Credit risk and impairment test *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets, including accounts receivable, other receivables, deposits, amounts due from related parties, debt instruments at FVTOCI, restricted deposits and cash and cash equivalents, which are subject to ECL assessment:

2018	Note	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount RMB'000
Debt instruments at FVTOCI	28 and 31	A1	Note (i)	12m ECL	278,832
Financial assets at amortized cost:					
Amounts due from related parties	23, 27 and 31	N/A	Note (ii)	12m ECL	1,173,012
Restricted deposits	29	A1	Note (i)	12m ECL	23,692
Cash and cash equivalents	30 and 31	A1	Note (i)	12m ECL	1,855,235
Deposits and other receivables	26	N/A	Note (iii)	12m ECL	821,080
				Lifetime ECL (credit impaired)	39,679
Accounts receivable	25 and 31	A1	Note (iv)	Lifetime ECL (not credit impaired)	4,967,659

Notes:

(i) Debt instruments at FVTOCI, restricted deposits and cash and cash equivalents:

At the end of the reporting period, the Directors have performed impairment assessment under 12m ECL model for debt instruments at FVTOCI, restricted deposit and cash and cash equivalents, and concluded that there has been no significant increase in credit risk since initial recognition. Since the counterparties are in major financial institutions with high credit ratings assigned by international credit-rating agencies, the probability of defaults of the counterparties are insignificant and accordingly, no allowance for credit losses is provided for these financial assets.

(ii) Amounts due from related parties:

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due RMB'000	Not past due/No fixed repayment terms RMB'000	Total RMB'000
Amounts due from related parties	–	1,173,012	1,173,012

There is no loss allowance for amounts due from related parties has been recognized based on the impairment assessment under 12m ECL.

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.1 Financial risk factors *(Continued)*

(d) Credit risk and impairment test *(Continued)*

Notes: *(Continued)*

(iii) Deposits and other receivables:

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due RMB'000	Not past due/No fixed repayment terms RMB'000	Total RMB'000
Deposits and other receivables	78,524	782,235	860,759

During the year ended 31 December 2018, the Group provided RMB34,585,000 impairment allowance based on the provision matrix for other receivables arising from revenue and incomes other than sales of electricity. The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The following table shows reconciliation of loss allowances that has been recognized for other receivables:

	12m ECL RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2018	–	39,679	39,679
Changes due to financial instruments recognized as at 1 January			
— Impairment losses recognized	34,585	-	34,585
As at 31 December 2018	34,585	39,679	74,264

Changes in the loss allowance for other receivables are mainly due to impairment losses recognized under 12m ECL.

(iv) Accounts receivable:

As a majority of the Group's sales of electricity were made to regional and provincial power grid companies, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL individually for accounts receivable. At the end of the reporting period, the Directors have performed impairment assessment for accounts receivable based on external credit rating and corresponding default rate issued by international credit-rating agencies, and concluded that the credit losses of the accounts receivable as at 31 December 2018 was insignificant and therefore no allowance is provided for accounts receivable.

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.1 Financial risk factors *(Continued)*

(e) Liquidity risk

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

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

As at 31 December 2018, the net current liabilities of the Group amounted to RMB16,488,371,000. Management monitors regularly the Group's current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of facilities to meet its working capital requirements. As at 31 December 2018, the Group had available unutilized facilities in writing from banks, from related parties and from a financial leasing company amounted to approximately RMB21,969,272,000 as well as other bank committed facilities amounted to approximately RMB12,358,941,000, totalling approximately RMB34,328,213,000 as disclosed in Notes 34(f), 35(i) and 37(e) respectively, and will refinance and/or restructure certain short-term loans into long-term loans or consider alternative sources of financing, where applicable.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash outflows. (The table below excludes those classified as part of the disposal group classified as held for sale.)

	Within one year RMB'000	Between one and two years RMB'000	Between two and five years RMB'000	Over five years RMB'000
At 31 December 2018				
Payables and accrued charges	**7,806,791**	**–**	**–**	**–**
Amounts due to related parties	**2,571,514**	**–**	**–**	**–**
Bank borrowings	**7,817,907**	**5,009,738**	**14,303,076**	**13,844,294**
Borrowings from related parties	**7,569,324**	**4,228,841**	**9,284,342**	**12,897,311**
Other borrowings	**1,123,129**	**83,000**	**2,065,718**	**–**
Obligations under finance leases	**1,450,100**	**864,153**	**1,224,460**	**2,772,520**
At 31 December 2017				
Payables and accrued charges	5,147,265	–	–	–
Amounts due to related parties	1,019,325	–	–	–
Bank borrowings	16,905,130	4,437,835	13,681,368	17,949,567
Borrowings from related parties	6,287,847	1,215,519	1,781,271	7,320
Other borrowings	45,979	1,014,115	–	–
Obligations under finance leases	503,023	391,914	322,251	36,099

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.2 Capital risk management

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debts (including current and non-current borrowings as well as obligations under finance leases as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "Total equity", as shown in the consolidated statement of financial position, plus net debt.

The table below analyses the Group's capital structure (the analysis below includes those classified as part of the disposal group classified as held for sale).

	2018 **RMB'000**	2017 RMB'000
Bank borrowings (Note 34)	**32,636,715**	40,631,406
Borrowings from related parties (Note 35)	**27,386,295**	8,892,906
Other borrowings (Note 36)	**3,024,959**	999,544
Obligations under finance leases (Note 37)	**5,192,002**	1,116,174
Less: Cash and cash equivalents (Note 30)	**(1,855,235)**	(4,577,786)
Net debt	**66,384,736**	47,062,244
Total equity	**42,851,162**	37,194,459
Total capital	**109,235,898**	84,256,703
Gearing ratio	**61%**	56%

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into 3 levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the year. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise equity investments classified as equity instruments at FVTOCI.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The analysis below includes those classified as part of the disposal group classified as held for sale.

(a) Fair value of the Group's financial assets that are measured at fair value on a recurring basis:

Financial assets	Fair value 2018 RMB'000	Fair value 2017 RMB'000	Fair value hierarchy	Valuation technique and key inputs
Equity instruments at FVTOCI — Shanghai Power (2017: classified as AFS financial assets)	**2,942,667**	3,320,491	Level 1	Quoted market prices at the end of reporting period (current bid price).
Equity instruments at FVTOCI — Unlisted equity investments in the PRC (2017: classified as AFS financial assets)	**159,706**	–	Level 3	Market approach – Fair value of such equity instruments is estimated by calculating the appropriate value ratio based on market multiples derived from a set of comparable listed companies in the same or similar industries. Key inputs are market value of the equity interest and value ratio of comparable companies.
Debt instruments at FVTOCI (2017: classified as notes receivable)	**278,832**	–	Level 3	Discounted cash flow at a comparable discount rate of 4.35%.

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.3 Fair value estimation *(Continued)*

(b) Reconciliation of level 3 fair value measurements:

	Financial assets at FVTOCI RMB'000
Balance at 31 December 2017	–
Effects arising from application of HKFRS 9	391,193
Balance at 1 January 2018	391,193
Acquired on acquisitions of subsidiaries (Note 45(a))	**5,000**
Additions	**1,289,864**
Derecognition (Note 28)	**(1,165,102)**
Total losses – in other comprehensive expenses	**(82,417)**
Balance at 31 December 2018	**438,538**

Included in other comprehensive expenses is an amount of RMB82,417,000 (2017: Nil) loss relating to equity instruments at FVTOCI – unlisted equity investments in the PRC (2017: classified as AFS financial asset) and debt instruments at FVTOCI (2017: classified as notes receivable) held at the end of the current reporting period and is reported as changes of FVTOCI reserve (2017: AFS financial assets reserve).

45. ACQUISITIONS OF SUBSIDIARIES

(a) Guangxi Group, Shandong Group, Anhui Group and Hubei Group

On 9 October 2017, the Company entered into the conditional sale and purchase agreement with CPI Holding, a wholly-owned subsidiary of SPIC ("Agreement I"), pursuant to which the Company has conditionally agreed to acquire 100% equity interest of SPIC Guangdong Power Company Limited (excluding CPI Qian Zhan Gang Dian Company Limited) ("Guangdong Company"), Guangxi Company and China Power (Sihui) Cogeneration Company Limited ("Acquisition I"). The Company has also on the same day entered into the conditional sale and purchase agreement with SPIC ("Agreement II"), pursuant to which the Company has conditionally agreed to acquire 100% equity interest of Anhui Company, Hubei Company and Shandong Company ("Acquisition II"). The Company obtained control over Guangxi Company and its subsidiaries (collectively, "Guangxi Group") and Shandong Group on 1 May 2018 and obtained control over Anhui Group and Hubei Group on 30 November 2018. The acquisitions have been accounted for using the acquisition method.

Guangxi Goup, Shandong Group, Anhui Group and Hubei Group are principally engaged in investment holdings, generation and sales of electricity (include hydropower electricity, wind power electricity and photovoltaic power electricity) and the development of power plants in the PRC.

Consideration transferred

	Guangxi Group RMB'000	Shandong Group RMB'000	Anhui Group RMB'000	Hubei Group RMB'000	Total RMB'000
Cash	3,594,652	–	–	–	3,594,652
Consideration payable, which has been accounted for as amounts due to related parties as at 31 December 2018	–	60,598	268,065	94,995	423,658
	3,594,652	60,598	268,065	94,995	4,018,310

Acquisition-related costs amounting to RMB2,076,000 have been excluded from the cost of acquisition and have been recognized directly as an expense in the current year and included in the "other operating expenses" in the consolidated income statement for the year ended 31 December 2018.

45. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(a) Guangxi Group, Shandong Group, Anhui Group, and Hubei Group *(Continued)*

Assets and liabilities recognized at the date of acquisition

	Guangxi Group RMB'000	Shandong Group RMB'000	Anhui Group RMB'000	Hubei Group RMB'000	Total RMB'000
Current assets					
Cash and cash equivalents	250,079	166,120	102,856	428,733	947,788
Accounts receivable	274,694	38,268	27,206	16,390	356,558
Prepayments, deposits and other receivables	108,851	9,438	63,251	60,311	241,851
Inventories	13,081	–	785	–	13,866
Amounts due from related parties	502,031	168,308	5,840	1,022	677,201
Prepaid lease payments	1,816	–	–	–	1,816
Tax recoverable	58	–	–	–	58
Restricted deposits	–	2,300	–	–	2,300
Non-current assets					
Property, plant and equipment	9,386,538	957,729	1,248,348	1,484,472	13,077,087
Prepayments for construction of power plants	513,618	9,303	851	77,942	601,714
Other intangible assets	–	16,300	305,300	433,600	755,200
Prepaid lease payments	152,006	–	–	–	152,006
Interests in an associate	400	–	–	–	400
Interests in joint ventures	23,444	–	847	–	24,291
Equity instrument at FVTOCI	–	–	–	5,000	5,000
Deferred income tax assets	8,904	3,202	1,766	1,706	15,578
Other non-current assets	196,266	33,790	281,044	356,318	867,418
Current liabilities					
Construction cost payable	(861,061)	(27,472)	(315,508)	(195,022)	(1,399,063)
Other payables and accrued charges	(110,356)	(2,993)	(5,261)	(53,205)	(171,815)
Amounts due to related parties	(274,276)	(146,985)	(784)	(61,703)	(483,748)
Bank borrowings	(507,700)	–	–	(115,000)	(622,700)
Borrowings from related parties	–	(414,780)	(67,800)	(159,000)	(641,580)
Current portion of obligations under finance leases	(90,272)	–	(90,062)	(78,258)	(258,592)
Tax payable	(14,395)	–	–	–	(14,395)
Non-current liabilities					
Provisions for other long-term liabilities	(210,746)	–	–	–	(210,746)
Bank borrowings	(5,580,188)	(360,500)	–	(563,900)	(6,504,588)
Borrowings from related parties	–	(150,000)	(269,500)	(560,000)	(979,500)
Obligations under finance leases	–	(141,579)	(992,720)	(932,409)	(2,066,708)
Deferred income tax liabilities	(245,631)	(2,989)	(2,430)	(11,002)	(262,052)
	3,537,161	157,460	294,029	135,995	4,124,645

45. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(a) Guangxi Group, Shandong Group, Anhui Group, and Hubei Group *(Continued)*

Goodwill arising on acquisition

	Guangxi Group RMB'000	Shandong Group RMB'000	Anhui Group RMB'000	Hubei Group RMB'000	Total RMB'000
Consideration transferred	3,594,652	60,598	268,065	94,995	4,018,310
Plus: non-controlling interests within Guangxi Group, Shandong Group, Anhui Group and Hubei Group	47,921	102,546	25,964	41,000	217,431
Less: recognized amount of identifiable net assets acquired (100%)	(3,537,161)	(157,460)	(294,029)	(135,995)	(4,124,645)
Goodwill arising on acquisition	105,412	5,684	–	–	111,096

Goodwill arose in the acquisitions of Guangxi Group and Shandong Group are in relation to the benefits of expected synergies, revenue growth, future market development and assemble workforce of Guangxi Group and Shandong Group. These benefits are not recognized separately from goodwill because they do not meet recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions are expected to be deductible for tax purposes.

Net cash outflows/(inflows) arising on acquisition

	Guangxi Group RMB'000	Shandong Group RMB'000	Anhui Group RMB'000	Hubei Group RMB'000	Total RMB'000
Consideration paid in cash	3,594,652	–	–	–	3,594,652
Less: cash and cash equivalents acquired	(250,079)	(166,120)	(102,856)	(428,733)	(947,788)
	3,344,573	(166,120)	(102,856)	(428,733)	2,646,864

Impact of acquisition on the results of the Group

Included in the profit for the year are profits of RMB279,737,000 and RMB19,729,000 attributable to Guangxi Group and Shandong Group respectively and losses of RMB5,668,000 and RMB10,892,000 attributable to Anhui Group and Hubei Group respectively. Revenue for the current year included RMB1,114,010,000, RMB62,990,000, RMB11,979,000 and RMB7,618,000 that are attributable to Guangxi Group, Shandong Group, Anhui Group and Hubei Group respectively.

45. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(b) Zhongning Longji

During the year ended 31 December 2018, Wu Ling Power acquired 70% interest in Zhongning Longji Photovoltaic New Energy Company Limited ("Zhongning Longji"). This acquisition has been accounted for using the acquisition method. No goodwill arising as a result of the acquisition.

Consideration transferred

	RMB'000
Consideration prepaid, which has been accounted for as other non-current assets as at 31 December 2017 (Note 23)	63,682
Cash	127,365
Consideration payable, which has been accounted for as amounts due to related parties as at 31 December 2018	21,227
	212,274

Acquisition-related costs amounting to RMB41,000 have been excluded from the cost of acquisition and have been recognized directly as an expense in the current year and included in the "other operating expenses" in the consolidated income statement for the year ended 31 December 2018.

Assets and liabilities recognized at the date of acquisition (determined on a provisional basis)

	RMB'000
Current assets	
Cash and cash equivalents	1,313
Accounts receivable	67,595
Prepayments, deposits and other receivables	4,084
Non-current assets	
Property, plant and equipment	1,290,535
Deferred income tax assets	29
Other non-current assets	271,845
Current liabilities	
Other payables and accrued charges	(849)
Construction costs payable	(131,938)
Amounts due to Wu Ling Power	(376,508)
Amounts due to related parties	(822,858)
	303,248

45. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(b) Zhongning Longji *(Continued)*

Non-controlling interests

The non-controlling interest (30%) in Zhongning Longji recognized at the acquisition date was measured by reference to the proportionate share of recognized amounts of net assets of Zhongning Longji and amounted to RMB90,974,000.

Goodwill arising on acquisition (determined on a provisional basis)

	RMB'000
Consideration transferred	212,274
Plus: non-controlling interests	90,974
Less: recognized amount of identifiable net assets acquired (100%)	(303,248)
Goodwill arising on acquisition	–

Net cash outflows arising on acquisition

	RMB'000
Consideration paid in cash	127,365
Less: cash and cash equivalents acquired	(1,313)
	126,052

Impact of acquisition on the results of the Group

Included in the profits for the current year is RMB41,566,000 attributable to Zhongning Longji. Revenue for the current year included RMB162,429,000 that is attributable to Zhongning Longji.

45. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(c) Huiqing New Energy

During the year ended 31 December 2018, China Power (Shenyang) Energy Investment Company Limited, a wholly-owned subsidiary of the Company, acquired 70% interest in Daqing Huiqing New Energy Company Limited ("Huiqing New Energy") at a consideration of RMB93,689,000. This acquisition has been accounted for using the acquisition method. No goodwill arising as a result of the acquisition.

Consideration transferred

	RMB'000
Cash	**28,107**
Consideration payable, which has been accounted for as amounts due to related parties as at 31 December 2018	**65,582**
	93,689

Acquisition-related costs amounting to RMB47,000 have been excluded from the cost of acquisition and have been recognized directly as an expense in the current year and included in the "other operating expenses" in the consolidated income statement for the year ended 31 December 2018.

Assets and liabilities recognized at the date of acquisition

	RMB'000
Current assets	
Cash and cash equivalents	**2,734**
Accounts receivable	**26,577**
Prepayments, deposits and other receivables	**1,053**
Inventories	**200**
Non-current assets	
Property, plant and equipment	**565,177**
Other non-current assets	**101,655**
Current liabilities	
Other payables and accrued charges	**(348)**
Construction costs payable	**(365,029)**
Amounts due to related parties	**(198,177)**
	133,842

45. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(c) Huiqing New Energy *(Continued)*

Non-controlling interests

The non-controlling interest (30%) in Huiqing New Energy recognized at the acquisition date was measured by reference to the proportionate share of recognized amounts of net assets of Huiqing New Energy and amounted to RMB40,153,000.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	93,689
Plus: non-controlling interests	40,153
Less: recognized amount of identifiable net assets acquired (100%)	(133,842)
Goodwill arising on acquisition	–

Net cash outflows arising on acquisition

	RMB'000
Consideration paid in cash	28,107
Less: cash and cash equivalents acquired	(2,734)
	25,373

Impact of acquisition on the results of the Group

Included in the profits for the current year is RMB41,022,000 attributable to Huiqing New Energy. Revenue for the current year included RMB92,808,000 that is attributable to Huiqing New Energy.

45. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(d) Other business combinations during the year

In Acquisition II, the Company has also conditionally agreed to acquire 100% equity interest of SPIC Shouxian New Energy Development Co., Ltd. ("Shouxian Company") at a consideration of RMB5,347,000.

Also in 2018, certain subsidiaries of the Group, acquired 70% equity interests in Zhaozhou Longhui New Energy Company Limited and certain equity interests in other five entities (collectively referred to as "Other Acquired Businesses") respectively, with consideration in aggregate of RMB101,736,000.

These acquisitions have been accounted for using the acquisition method and were all individually not material. No goodwill arising as a result of the acquisitions.

Assets and liabilities recognized at the date of acquisition (determined on a provisional basis)

	Shouxian Company and Other Acquired Businesses RMB'000
Current assets	
Cash and cash equivalents	7,303
Accounts receivable	26,723
Prepayments, deposits and other receivables	4,177
Amounts due from related parties	4,352
Inventories	3,947
Non-current assets	
Property, plant and equipment	700,264
Prepaid lease payments	1,793
Other non-current assets	96,397
Current liabilities	
Construction cost payable	(12,330)
Other payables and accrued charges	(235,738)
Amounts due to related parties	(292,653)
Borrowings from related parties	(82,000)
Non-current liabilities	
Obligations under finance lease	(76,012)
Deferred income tax liabilities	(517)
	145,706

45. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(d) Other business combinations during the year *(Continued)*

Goodwill arising on acquisition (determined on a provisional basis)

	RMB'000
Consideration transferred	107,083
Plus: non-controlling interests	38,623
Less: recognized amount of identifiable net assets acquired (100%)	(145,706)
Goodwill arising on acquisition	–

Net cash outflows arising on acquisition

	RMB'000
Consideration paid in cash	93,381
Less: cash and cash equivalents acquired	(7,303)
	86,078

Had the aforementioned acquisitions on Guangxi Group, Shandong Group, Anhui Group, Hubei Group, Zhongning Longji, Huiqing New Energy, Shouxian Company and Other Acquired Businesses (collectively referred to as the "Target Companies") been effected at the beginning of the current year, the revenue of the Group for the year ended 31 December 2018 would have been RMB24,201,720,000, and the profit for the year would have been RMB1,874,750,000. The unaudited pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year, nor is it intended to be a projection of future results.

In determining the unaudited pro-forma revenue and profit of the Group had the Target Companies been acquired at the beginning of the year, the Directors calculated the corresponding depreciation and amortization based on the recognized amounts of plants and equipment and prepaid lease payments at the date of these acquisitions.

During the year, the acquisitions of Zhongning Longji and Other Acquired Businesses were completed and the Group commenced to account for the business combination from the effective date when the Group gained control over these companies. As at the date of these accounts, the initial accounting for the acquisitions is determined on a provisional basis as the allocation of fair value to the identifiable assets and liabilities of the acquisition is still progressing. Adjustments to those provisional values of identifiable assets and liabilities, including any additional depreciation, amortization, and other profit or loss effect, if any, will be recognized on completion of the initial accounting.

46. RELATED PARTY TRANSACTIONS

The Group is controlled by CPI Holding, an intermediate holding company which directly holds approximately 28.89% (2017: 28.47%) of the Company's shares, and indirectly holds approximately 27.14% (2017: 27.14%) of the Company's shares through CPDL. As at 31 December 2018, CPI Holding owned approximately 56.04% (2017: 55.61%) equity interest of the Company in aggregate. The Directors regard SPIC, a wholly state-owned enterprise established in the PRC which is the beneficial owner of CPI Holding, as the ultimate holding company.

SPIC is controlled by the PRC government which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 (Revised), government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include SPIC, its subsidiaries, joint ventures and associates (other than the Group), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and SPIC as well as their close family members.

For the purpose of the related party transactions disclosures, the Directors believe that it is also meaningful to disclose the related party transactions with SPIC companies for the interests of financial statements users. The Directors believe that the information of related party transactions has been adequately disclosed in these consolidated financial statements.

During the year of 2018, ABC Financial Asset Investment Co., Ltd (農銀金融資產投資有限公司) ("ABC Financial"), a subsidiary of ABC, and ICBC Financial Asset Investment Co., Ltd (工銀金融資產投資有限公司) ("ICBC Financial"), a subsidiary of ICBC, have respectively become non-controlling shareholders of Huaihua Yuanjiang Power Development Co., Ltd ("Yuanjiang Power") and Changzhou Hydropower, both being significant subsidiaries of the Group. ABC and its subsidiaries (collectively the "ABC Group") and ICBC and its subsidiaries (collectively the "ICBC Group") could exercise significant influence through these subsidiaries and were identified as related parties to the Group accordingly. Details please refer to Note 47(ii).

As China Coal Energy Company Limited (中國中煤能源股份有限公司) and its subsidiaries ceased to have significant influence over the Group during the year, they were no longer related parties of the Group and its transactions with the Group were not related party transactions.

The following is a summary of significant related party transactions which, in the opinion of the Directors, are entered into in the ordinary course of the Group's business in addition to the related party information shown elsewhere in these consolidated financial statements. Management of the Group is of the opinion that meaningful information relating to related party transactions has been adequately disclosed.

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Income

	Note	2018 RMB'000	2017 RMB'000
Interest income from:	(i)		
— SPIC Financial		**5,106**	1,043
— ICBC and ABC		**240**	–
— a fellow subsidiary		**–**	2,366
— an associate		**3,330**	11,793
— a joint venture		**6,326**	–
Dividend income from Shanghai Power	(ii)	**72,658**	65,393
Dividend income from SPIC Financial	(ii)	**4,450**	5,740
Rental income from a fellow subsidiary	(iii)	**54,110**	54,110
Rental income from a joint venture	(iii)	**500**	–
Income from provision of repairs and maintenance services to:	(iii)		
— companies controlled by SPIC		**–**	445
— fellow subsidiaries		**6,648**	6,179
— an associate		**6,981**	3,223
— a non-controlling shareholder of a subsidiary		**–**	3,944
Income from provision of IT and other services to:	(iii)		
— companies controlled by SPIC		**9,210**	11,882
— fellow subsidiaries		**12,618**	6,312
— associates		**3,976**	1,642
Sales of coal, coal by-products and spare parts to:	(iii)		
— companies controlled by SPIC		**4,718**	9,724
— fellow subsidiaries		**4,766**	4,571
— associates		**47,536**	43,368
Provision of power generation and related services to:	(iii)		
— fellow subsidiaries		**5,306**	2,360
— non-controlling shareholders of subsidiaries		**4,675**	–
— a joint venture		**5,822**	–
Compensation income from a non-controlling shareholder of a subsidiary	(iii)	**5,738**	–
Sales of unused power production quota to a company controlled by SPIC	(iii)	**13,945**	–

Notes:

(i) Interest income to these related parties are charged at interest rates from 0.35% to 5.66% (2017: 0.35% to 4.35%) per annum.

(ii) Dividend income from Shanghai Power and SPIC Financial were recognized based on dividends declared by the respective board of directors in proportion to the Group's interest in these companies.

(iii) These incomes were charged in accordance with the terms of the relevant agreements.

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Expenses

	Note	2018 RMB'000	2017 RMB'000
Purchases of coal, coal by-products and spare parts from:	(i)		
— companies controlled by SPIC		**541,703**	39,884
— fellow subsidiaries		**40,866**	52,954
— a joint venture		**45,670**	34,866
— non-controlling shareholders of subsidiaries		**6,148,478**	6,395,328
Construction costs and other services fees to:	(ii)		
— companies controlled by SPIC		**959,679**	248,975
— fellow subsidiaries		**170,430**	181,075
— a non-controlling shareholder of a subsidiary		**647,975**	–
Interest expenses to:	(iii)		
— SPIC		**235,799**	212,555
— CPI Holding		**54,466**	1,785
— SPIC Financial		**108,370**	41,347
— ICBC and ABC		**150,422**	–
— ICBC Financial Leasing Co., Ltd. (obligation under finance leases)		**14,546**	–
— a fellow subsidiary		**16,509**	13,710
— an associate		**1,068**	1,308
— companies controlled by SPIC		**7,485**	–
— companies controlled by SPIC (obligations under finance leases)		**67,999**	–
Operating lease rental expenses in respect of leasehold land and buildings:	(iv)		
— SPIC		**17,061**	17,061
— CPI Holding		**20,607**	18,837

Notes:

(i) Purchases of coal, coal by-products and spare parts were charged in accordance with the terms of the relevant agreements.

(ii) Construction costs and other services fees were mainly related to construction services, repairs and maintenance services, transportation services and other services which were charged based on mutually agreed prices.

(iii) Interest expenses to these related parties are charged at interest rates ranged from 1.38% to 7.5% (2017: ranged from 1.38% to 5.58%) per annum.

(iv) Operating lease rental expenses in respect of leasehold land and buildings were charged in accordance with the terms of the relevant agreements.

(c) Year-end balances with related parties

Year-end balances with related parties are disclosed in Notes 15, 23, 26, 27, 30, 35 and 37.

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) For the years ended 31 December 2018 and 2017, the Group's significant transactions and balances with entities that are controlled, jointly-controlled or significantly influenced by the PRC government mainly include:

(i) bank deposits in state-owned banks and the related interest income

(ii) bank borrowings from state-owned banks and the related interest expenses

(iii) sales of electricity to provincial power grid companies owned by the PRC government and the related receivables

(iv) purchases of coal from state-owned enterprises and the related payables

(v) reservoir maintenance and usage fees to the PRC government

(vi) service fees to state-owned enterprises

(vii) compensation for inundation to the PRC government

The prices and terms of these transactions are set out in the relevant agreements governing these transactions or as mutually agreed.

(e) Key management personnel compensation

	2018 RMB'000	2017 RMB'000
Fees, basic salaries, housing allowance, other allowances and benefits in kind, discretionary bonuses, employer's contribution to pension plans and other benefits	**8,513**	7,095

(f) Guarantees issued by related parties as at 31 December 2018 and 2017 are set out in Notes 35(c) and 36(b).

(g) During the current year, the Group completed the acquisitions of certain subsidiaries from related parties, details are shown in Notes 45(a) to 45(d).

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2018 and 2017:

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by subsidiaries	Type of legal entity	Principal activities
Anhui Huainan Pingwei Electric Power Generation Company Limited (安徽淮南平圩發電有限責任公司)	The PRC	RMB841,600,000	100%	-	Wholly foreign-owned enterprise	Generation and sale of electricity
Huainan Pingwei No. 2 Electric Power Generation Co., Ltd. (淮南平圩第二發電有限責任公司)	The PRC	USD104,153,000	75%	-	Sino-foreign equity joint venture	Generation and sale of electricity
Huainan Pingwei No. 3 Electric Power Generation Co., Ltd. (淮南平圩第三發電有限責任公司)	The PRC	RMB1,571,800,000/ RMB1,460,079,000	60%	-	Sino-foreign equity joint venture	Generation and sale of electricity
*Huanggang Dabieshan Power Generation Company Limited (黃岡大別山發電有限責任公司)	The PRC	RMB1,667,486,000/ RMB1,126,449,000	51%	-	Sino-foreign equity joint venture	Generation and sale of electricity
Pingdingshan Yaomeng Power Company Limited (平頂山姚孟發電有限責任公司)	The PRC	RMB1,702,336,000	100%	-	Wholly foreign-owned enterprise	Generation and sale of electricity
*Wu Ling Power (五凌電力有限公司)	The PRC	RMB8,259,440,000	63%	-	Sino-foreign equity joint venture	Generation and sale of electricity
Sichuan CPI Fuxi Power Company Limited (四川中電福溪電力開發有限公司)	The PRC	RMB968,000,000	51%	-	Sino-foreign equity joint venture	Generation and sale of electricity
China Power Guorui Logistics Company Limited (中電國瑞物流有限公司)	The PRC	HK$123,000,000	100%	-	Wholly foreign-owned enterprise	Provision of logistics services
Beijing China Power Huizhi Technology Company Limited ("Huizhi Company") (北京中電匯智科技有限公司)	The PRC	RMB20,000,000	100%	-	Wholly foreign-owned enterprise	Provision of IT services
CP Shentou (中電神頭發電有限責任公司)	The PRC	RMB1,000,000,000/ RMB900,309,000	80%	-	Sino-foreign equity joint venture	Generation and sale of electricity
Wuhu Electric Power Generating Company Limited (蕪湖發電有限責任公司)	The PRC	USD142,500,000	100%	-	Wholly foreign-owned enterprise	Generation and sale of electricity
*China Power (Pu'an) Power Generating Company Limited ("Pu'an Power Plant") (中電(普安)發電有限責任公司)	The PRC	RMB999,120,000/ RMB922,293,000	95%	-	Sino-foreign equity joint venture	Generation and sale of electricity
China Power Hua Chuang Electric Power Technology Research Company Limited (中電華創電力技術研究有限公司)	The PRC	RMB70,000,000/ RMB65,000,000	100%	-	Wholly foreign-owned enterprise	Provision of technical services related to generation of electricity
#Shanxi China Power Shentou No.2 Power Generating Company Limited (山西中電神頭第二發電有限責任公司)	The PRC	USD65,000,000/ USD30,540,000	100%	-	Wholly foreign-owned enterprise	Generation and sale of electricity
Tieling China Power Photovoltaic Power Generating Company Limited (鐵嶺中電光伏發電有限公司)	The PRC	RMB97,420,000/ RMB81,000,000	100%	-	Wholly foreign-owned enterprise	Generation and sale of electricity
Huainan China Power Jiaoganghu Photovoltaic Power Generating Company Limited (淮南中電焦崗湖光伏發電有限責任公司)	The PRC	RMB123,012,000/ RMB101,000,000	100%	-	Wholly foreign-owned enterprise	Generation and sale of electricity

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Type of legal entity	Principal activities
*Datong China Power Photovoltaic Power Generating Company Limited (大同中電光伏發電有限公司)	The PRC	RMB680,430,000/ RMB612,390,000	100%	-	Wholly foreign-owned enterprise	Generation and sale of electricity
*China Power (Jiangmen) Comprehensive Energy Company Limited (中電(江門)綜合能源有限公司)	The PRC	RMB168,000,000/ RMB95,100,000	100%	-	Wholly foreign-owned enterprise	Investment on new energy power resources
#Dayao China Power Photovoltaic Power Generating Company Limited (大姚中電光伏發電有限公司)	The PRC	RMB135,000,000/ Nil	100%	-	Wholly foreign-owned enterprise	Generation and sale of electricity
#Yao'an China Power Photovoltaic Power Generating Company Limited (姚安中電光伏發電有限公司)	The PRC	RMB135,000,000/ Nil	100%	-	Wholly foreign-owned enterprise	Generation and sale of electricity
Hubei China Power Zhiguang New Energy Company Limited (湖北中電智光新能源有限公司)	The PRC	RMB140,000,000/ RMB112,500,000	100%	-	Wholly foreign-owned enterprise	Generation and sale of electricity
*China Power (Shangqiu) Thermal Power Company Limited (中電(商丘)熱電有限公司)	The PRC	RMB1,097,000,000/ RMB996,830,000	100%	-	Wholly foreign-owned enterprise	Generation and sale of electricity
China Power Hefei Energy Co., Ltd. (中電合肥能源有限公司)	The PRC	RMB100,000,000/ RMB20,000,000	100%	-	Wholly foreign-owned enterprise	Investment on new energy resources
#*China Power (Guigang) Comprehensive Energy Co., Ltd. (中電(貴港)綜合能源有限公司)	The PRC	RMB293,400,000/ RMB10,780,000	100%	-	Wholly foreign-owned enterprise	Investment on new energy power resources
#*China Power (Chengdu) Comprehensive Energy Co., Ltd. (中電(成都)綜合能源有限公司)	The PRC	RMB300,000,000/ RMB66,214,000	100%	-	Wholly foreign-owned enterprise	Investment on new energy power resources
#China Power (Yizhou) Thermal Power Company Limited (中電(宜州)熱電有限公司)	The PRC	RMB861,300,000/ RMB16,790,000	100%	-	Wholly foreign-owned enterprise	Generation and sale of electricity
*Ruicheng China Power Photovoltaic Power Generating Co., Ltd. (芮城中電光伏發電有限公司)	The PRC	RMB200,000,000	100%	-	Wholly foreign-owned enterprise	Generation and sale of electricity
#*China Power Changshu Thermal Power Company Limited (中電常熟熱電有限公司)	The PRC	RMB344,000,000/ RMB33,100,000	100%	-	Wholly foreign-owned enterprise	Generation and sale of electricity
#Pingdingshan China Power Photovoltaic Power Generating Co., Ltd (平頂山中電光伏發電有限公司)	The PRC	RMB265,244,400/ Nil	100%	-	Wholly foreign-owned enterprise	Generation and sale of electricity
Huainan China Power Shijiahu Photovoltaic Power Generating Company Limited (淮南中電施家湖光伏發電有限責任公司)	The PRC	RMB220,260,000/ RMB189,120,000	100%	-	Wholly foreign-owned enterprise	Generation and sale of electricity
#*China Power (Wuzhou) Comprehensive Energy Company Limited (中電(梧州)綜合能源有限公司)	The PRC	RMB265,200,000/ RMB4,000,000	100%	-	Wholly foreign-owned enterprise	Investment on new energy power resources

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Type of legal entity	Principal activities
Zhongdian Zhihui Comprehensive Energy Limited (中電智慧綜合能源有限公司)	The PRC	RMB200,000,000/ RMB20,000,000	100%	-	Wholly foreign-owned enterprise	Investment on new energy power resources
#*China Power (Deyang) Comprehensive Energy Company Limited (中電(德陽)綜合能源有限公司)	The PRC	RMB260,000,000/ RMB13,000,000	100%	-	Wholly foreign-owned enterprise	Investment on new energy power resources
#*China Power (Shenyang) Energy Investment Company Limited (中電(瀋陽)能源投資有限公司)	The PRC	RMB500,000,000/ RMB231,130,000	100%	-	Wholly foreign-owned enterprise	Investment on new energy power resources
#Henan China Power Ping'an Energy Services Company Limited (河南中電平安能源服務有限公司)	The PRC	RMB210,000,000/ RMB21,000,000	-	60%	Sino-foreign equity joint venture	Distribution and sale of electricity
China Power (Pu'an) New Energy Company Limited (中電(普安)新能源有限責任公司)	The PRC	RMB287,540,000/ RMB237,080,000	-	100%	Wholly foreign-owned enterprise	Generation and sale of electricity
Chongzuo China Power Comprehensive Energy Company Limited (崇左中電綜合能源有限公司)	The PRC	RMB200,000,000/ RMB13,000,000	-	100%	Wholly foreign-owned enterprise	Investment on new energy power resources
#China Power Hua Chuang (Suzhou) Electric Power Technology Research Company Limited (中電華創(蘇州)電力技術研究有限公司)	The PRC	RMB50,000,000/ Nil	-	100%	Wholly foreign-owned enterprise	Provision of technical services related to generation of electricity
#Changshu China Power Photovoltaic Power Generating Company Limited (常熟中電光伏發電有限公司)	The PRC	RMB187,000,000/ Nil	100%	-	Wholly foreign-owned enterprise	Generation and sale of electricity
#*China Power Dabieshan (Hubei) Power sales company limited (中電大別山(湖北)售電有限公司)	The PRC	RMB20,000,000	100%	-	Wholly foreign-owned enterprise	Investment on comprehensive energy resources
Shanxi Shentou (山西神頭發電有限責任公司)	The PRC	RMB501,681,000	-	100%	Wholly foreign-owned enterprise	Generation and sale of electricity
SPIC (Wuhu) Power Sales Company Limited (國家電投(蕪湖)售電有限公司)	The PRC	RMB65,000,000	-	100%	Wholly foreign-owned enterprise	Investment on comprehensive energy resources
Guizhou Qingshuijiang Hydropower Co., Ltd. (貴州清水江水電有限公司)	The PRC	RMB3,400,000,000	-	95%	Limited liability company	Generation and sale of electricity
*Yuanjiang Power (懷化沅江電力開發有限責任公司)	The PRC	RMB6,800,000,000/ RMB6,460,387,600	-	58.82% (2017: 100%) (note (ii))	Limited liability company	Generation and sale of electricity
Hunan Wuhua Hotel Co., Ltd. (湖南五華酒店有限公司)	The PRC	RMB162,100,000	-	70%	Sino-foreign equity joint venture	Hotel ownership and operation
Hunan Wuling Engineering Co., Ltd. (湖南五凌電力工程有限公司)	The PRC	RMB48,000,000	-	100%	Limited liability company	Provision of repair and maintenance services
Lixian Huacheng Hydropower Development Company Limited (理縣華成水電開發有限責任公司)	The PRC	RMB227,818,000	-	100%	Limited liability company	Generation and sale of electricity

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest Held by the Company	Held by subsidiaries	Type of legal entity	Principal activities
Sichuan Jiuyuan Electric Power Development Company Limited (四川九源電力開發有限責任公司)	The PRC	RMB130,000,000	-	100%	Limited liability company	Generation and sale of electricity
Wuling Toksun Electric Power Co., Ltd. (五淩托克遜電力有限公司)	The PRC	RMB120,000,000	-	100%	Limited liability company	Generation and sale of electricity
Wuling Burqin Electric Power Co., Ltd. (五淩布爾津電力有限公司)	The PRC	RMB118,000,000	-	100%	Limited liability company	Generation and sale of electricity
Wuling Rucheng Electric Power Co., Ltd. (五淩汝城電力有限公司)	The PRC	RMB145,000,000	-	100%	Limited liability company	Generation and sale of electricity
Wuling Shanshan Electric Power Co., Ltd. (五淩鄯善電力有限公司)	The PRC	RMB236,000,000	-	100%	Limited liability company	Generation and sale of electricity
Wuling Linxiang Electric Power Co., Ltd. (五淩臨湘電力有限公司)	The PRC	RMB146,000,000	-	100%	Limited liability company	Generation and sale of electricity
Wuling Yongshun Electric Power Co., Ltd. (五淩永順電力有限公司)	The PRC	RMB88,000,000	-	100%	Limited liability company	Generation and sale of electricity
Wuling Qinggil Electric Power Co., Ltd. (五淩青河電力有限公司)	The PRC	RMB66,000,000	-	100%	Limited liability company	Generation and sale of electricity
Wuling Xinshao Electric Power Co., Ltd. (五淩新邵電力有限公司)	The PRC	RMB88,000,000	-	100%	Limited liability company	Generation and sale of electricity
#Wuling Youxian Electric Power Co., Ltd. (五淩攸縣電力有限公司)	The PRC	RMB88,000,000/ RMB46,590,000	-	100%	Limited liability company	Generation and sale of electricity
#Wuling Taojiang Electric Power Co., Ltd. (五淩桃江電力有限公司)	The PRC	RMB88,000,000	-	100%	Limited liability company	Generation and sale of electricity
Gulangxian Yonghe New Energy Investment Co., Ltd. (古浪縣雍和新能源投資有限責任公司)	The PRC	RMB140,000,000	-	70%	Limited liability company	Generation and sale of electricity
#Guangyuan CPI Electric Power Co., Ltd. (廣元中電投電力有限公司)	The PRC	RMB88,000,000/ Nil	-	100%	Limited liability company	Generation and sale of electricity
#Wuling Shangdu Electric Power Co., Ltd. (五淩商都電力有限公司)	The PRC	RMB20,000,000/ Nil	-	100%	Limited liability company	Generation and sale of electricity
#*Wuling Yanling Electric Power Co., Ltd. (五淩炎陵電力有限公司)	The PRC	RMB88,000,000/ RMB27,690,000	-	100%	Limited liability company	Generation and sale of electricity
#Hunan Province Hongzhao Wind Power Co., Ltd. (湖南省鴻兆風力發電有限公司)	The PRC	RMB85,000,000	-	70%	Limited liability company	Generation and sale of electricity
#Wuling Shaodong Electric Power Co., Ltd. (五淩邵東電力有限公司)	The PRC	RMB88,000,000/ Nil	-	100%	Limited liability company	Generation and sale of electricity
Wuling Electric Hunan Energy Sales Co., Ltd. (五淩電力湖南能源銷售有限公司)	The PRC	RMB210,000,000	-	100%	Limited liability company	Sales of energy
#*Wuling Xinhua Electric Power Co., Ltd. (五淩新化電力有限公司)	The PRC	RMB125,000,000/ RMB19,460,000	-	100%	Limited liability company	Generation and sale of electricity
Wuling Xintian Electric Power Co., Ltd. (五淩新田電力有限公司)	The PRC	RMB32,000,000	-	100%	Limited liability company	Generation and sale of electricity
Wuling Jiangyong Electric Power Co., Ltd. (五淩江永電力有限公司)	The PRC	RMB100,000,000	-	70%	Limited liability company	Generation and sale of electricity

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Type of legal entity	Principal activities
Wuling Shuangfeng Electric Power Co., Ltd. (五淩雙峰電力有限公司)	The PRC	RMB80,000,000	-	70%	Limited liability company	Generation and sale of electricity
Xinping Wind Power Fengzhizi Wind Electric Power Co., Ltd. (新平風能風之子風電有限公司)	The PRC	RMB80,000,000/ RMB16,000,000	-	51%	Limited liability company	Generation and sale of electricity
Wuling Xin Barag Left Banner Electric Power Co., Ltd. (五淩新巴爾虎左旗電力有限公司)	The PRC	RMB80,000,000/ RMB32,000,000	-	100%	Limited liability company	Generation and sale of electricity
Hunan Wuling Electric Technology Co., Ltd. (湖南五淩電力科技有限公司)	The PRC	RMB48,000,000/ RMB10,000,000	-	100%	Limited liability company	Provision of technical services in relation to generation of electricity
Longshan Zhongshui Hydropower Development Co., Ltd. (龍山中水水電開發有限責任公司)	The PRC	RMB99,946,000	-	100%	Limited liability company	Generation and sale of electricity
*Wuling Wuhai Electric Power Company Limited (五淩烏海電力有限公司)	The PRC	RMB72,000,000	-	100%	Limited liability company	Generation and sale of electricity
Changsha High-Tech Development Zone Energy Comprehensive Service Co., Ltd. (長沙高新開發區能源綜合服务有限公司)	The PRC	RMB100,000,000/ RMB13,750,000	-	55%	Limited liability company	Provision of comprehensive energy services
#CPI Qiubei Jingtai New Energy Company Limited (中電投丘北京泰新能源有限公司)	The PRC	RMB80,000,000/ Nil	-	70%	Limited liability company	Investment on new energy power resources
^# Wuling Yuanling Electric Power Co., Ltd. (五淩沅陵電力有限公司)	The PRC	RMB90,000,000/ RMB9,000,000	-	100%	Limited liability company	Generation and sale of electricity
^#Beijing Haoyu New Energy Investment Co., Ltd. (北京浩宇新能源投資有限公司)	The PRC	RMB164,000,000/ RMB5,000,000	-	70%	Limited liability company	Investment on new energy power resources
^#Zhangzi Langqing Wind Electric Power Co., Ltd. (長子縣朗晴協合風電有限公司)	The PRC	RMB164,000,000/ RMB5,000,000	-	70%	Limited liability company	Generation and sale of electricity
^#Taiyuan Lantian New Energy Company Limited (太原嵐天新能源有限公司)	The PRC	RMB84,000,000/ RMB30,500,000	-	90%	Limited liability company	Investment on new energy power resources
^#Lan County Huyuetong Dashetou Wind Power Co.,Ltd. (嵐縣虎悦通大蛇頭風力發電有限公司)	The PRC	RMB84,000,000/ RMB30,500,000	-	90%	Limited liability company	Generation and sale of electricity
#Guangxi Company (國家電投集團廣西電力有限公司)	The PRC	RMB1,474,000,000/ RMB13,750,000	100%	-	Wholly foreign-owned enterprise	Generation and sale of electricity
^Changzhou Hydropower (國家電投集團廣西長洲水電開發有限公司)	The PRC	RMB2,072,098,580	-	64.93% (note (ii))	Limited liability company	Generation and sale of electricity
^SPIC Guangxi Xing'an Wind Power Co., Ltd (國家電投集團廣西興安風電有限公司)	The PRC	RMB776,610,526/ RMB763,785,805	-	95%	Limited liability company	Generation and sale of electricity
^SPIC Guangxi Jinzishan Wind Power Ltd ("SPIC Jinzishan") (國家電投集團廣西金紫山風電有限公司)	The PRC	RMB523,012,295	-	50.57% (note (ii))	Limited liability company	Generation and sale of electricity

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Type of legal entity	Principal activities
^Shandong Company (國家電投集團山東能源發展有限公司)	The PRC	RMB820,000,000/ RMB300,000,000	100%	-	Wholly foreign-owned enterprise	Generation and sale of electricity
^Anqiu Hengtai New Energy Technology Co. Ltd (安丘恒泰新能源科技有限公司)	The PRC	RMB240,000,000/ RMB222,844,574	-	51%	Limited liability company	Generation and sale of electricity
^Anhui Company (國家電力投資集團安徽新能源有限公司)	The PRC	RMB200,000,000/ RMB198,700,000	100%	-	Wholly foreign-owned enterprise	Generation and sale of electricity
^SPIC Huainan New Energy Co. Ltd (淮南市國家電投新能源有限公司)	The PRC	RMB300,000,000/ RMB232,600,000	-	100%	Limited liability company	Generation and sale of electricity
^Hubei Company (國家電投集團湖北綠動新能源有限公司)	The PRC	RMB200,000,000/ RMB52,030,000	100%	-	Wholly foreign-owned enterprise	Investment on new energy resources
^Shayang Green Power Photovoltaic Power Generating Company Limited (沙洋綠動光伏發電有限公司)	The PRC	RMB70,000,000/ RMB69,000,000	-	100%	Limited liability company	Generation and sale of electricity
^Zhongning Longji (中寧縣隆基光伏新能源有限公司)	The PRC	RMB300,000,000	-	70%	Limited liability company	Generation and sale of electricity
^Huiqing New Energy (大慶市輝慶新能源有限公司)	The PRC	RMB132,460,000	-	70%	Limited liability company	Generation and sale of electricity
^Zhaozhou Longhui New Energy Co., Ltd (肇州縣隆輝新能源有限公司)	The PRC	RMB118,410,000	-	70%	Limited liability company	Generation and sale of electricity
^#Zuoyun China Power Photovoltaic Power Generating Co., Ltd (左雲中電光伏發電有限公司)	The PRC	RMB186,062,000/ RMB167,460,000	100%	-	Wholly foreign-owned enterprise	Generation and sale of electricity
^#Hunyuan China Power Photovoltaic Power Generating Co., Ltd (渾源中電光伏發電有限公司)	The PRC	RMB178,815,700/ RMB160,930,000	100%	-	Wholly foreign-owned enterprise	Generation and sale of electricity
^China Power Suzhou Shared Service Co., Ltd (中電(蘇州)共用服務有限公司)	The PRC	RMB80,000,000/ RMB26,800,000	100%	-	Wholly foreign-owned enterprise	Provision of IT services

^ These subsidiaries were newly set up/acquired in 2018.

The power plant is under development.

* These subsidiaries' registered/paid up capital or proportion of ownership interest were changed during the year ended 31 December 2018 (note (i)).

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes:

(i) During the year ended 31 December 2018, there were changes in the registered/paid up capital of the following subsidiaries:

	Registered/paid up capital 2018	2017
Wu Ling Power	**RMB8,259,440,000**	RMB7,790,000,000
Chalingxian Lianguan Hydropower (note(iii))	**Nil**	RMB25,080,000
Yuanjiang Power	**RMB6,800,000,000/ RMB6,460,387,600**	RMB3,800,000,000
Wuling Youxian Electric Power Co., Ltd	**RMB88,000,000/ RMB46,590,000**	RMB88,000,000/ RMB23,250,000
Wuling Yanling Electric Power Co., Ltd.	**RMB88,000,000/ RMB27,690,000**	RMB88,000,000/ RMB24,060,000
Wuling Xinhua Electric Power Co., Ltd.	**RMB125,000,000/ RMB19,460,000**	RMB125,000,000/ RMB17,500,000
Wuling Wuhai Electric Power Company Limited	**RMB72,000,000**	RMB72,000,000/ RMB6,650,000
Pu'an Power Plant	**RMB999,120,000/ RMB922,293,000**	RMB999,120,000/ RMB731,577,000
China Power (Jiangmen) Comprehensive Energy Company Limited	**RMB168,000,000/ RMB95,100,000**	RMB168,000,000/ RMB29,100,000
China Power (Shangqiu) Thermal Power Company Limited	**RMB1,097,000,000/ RMB996,830,000**	RMB1,097,000,000/ RMB323,630,000
China Power (Guigang) Comprehensive Energy Co., Ltd.	**RMB293,400,000/ RMB10,780,000**	RMB293,400,000/ RMB7,700,000
Huanggang Dabieshan Power Company Limited	**RMB1,667,486,000/ RMB1,126,449,000**	RMB1,667,486,000/ RMB1,003,686,000
China Power (Wuzhou) Comprehensive Energy Company Limited	**RMB265,200,000/ RMB4,000,000**	RMB265,200,000/ RMB2,000,000
Ruicheng China Power Photovoltaic Power Generating Co., Ltd.	**RMB200,000,000**	RMB200,000,000/ RMB130,000,000
China Power (Deyang) Comprehensive Energy Company Limited	**RMB260,000,000/ RMB13,000,000**	RMB260,000,000/ RMB3,000,000
China Power (Shenyang) Energy Investment Company Limited	**RMB500,000,000/ RMB231,130,000**	RMB200,000,000/ Nil
China Power Dabieshan (Hubei) Power sales Company limited	**RMB20,000,000**	RMB20,000,000/ Nil
Datong China Power Photovoltaic Power Generating Company Limited	**RMB680,430,000/ RMB612,390,000**	RMB310,000,000/ RMB279,000,000
China Power (Chengdu) Comprehensive Energy Co., Ltd.	**RMB300,000,000/ RMB66,214,000**	RMB300,000,000/ RMB59,612,000
China Power Changshu Thermal Power Company Limited	**RMB344,000,000/ RMB33,100,000**	RMB344,000,000/ RMB10,000,000

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes: *(Continued)*

(ii) During the year ended 31 December 2018, asides from contributions from existing non-controlling shareholders of subsidiaries amounted to RMB229,993,000 (2017: RMB58,274,000), the total capital injections from non-controlling shareholders of subsidiaries includes the following transactions.

As disclosed in the Company's announcement dated 24 October 2018, on that date, Wu Ling Power, Huabao Trust Company Limited ("Huabao Trust"), ABC Financial and Yuanjiang Power entered into the Yuanjiang capital injection agreement ("Yuanjiang Capital Injection Agreement"), pursuant to which Huabao Trust and ABC Financial, as investors, agreed to inject RMB2,500 million and RMB500 million respectively, by way of cash contribution into Yuanjiang Power ("Yuanjiang Capital Injection").

On the same day, Wu Ling Power, Huabao Trust and ABC Financial also entered into an equity transfer agreement ("Yuanjiang Equity Transfer Agreement"), pursuant to which Wu Ling Power is granted certain rights to repurchase the equity interests in Yuanjiang Power held by Huabao Trust and ABC Financial (the "Yuanjiang Equity Interests"), and the parties may agree on other treatment of the Yuanjiang Equity Interests, including but not limited to the conversion to perpetual bonds, upon the occurrence of certain events and subject to the terms and conditions under the Yuanjiang Equity Transfer Agreement.

The aforementioned cash contribution was received in full by Yuanjiang Power during the year 2018. Upon which, pursuant to the Yuanjiang Capital Injection Agreement, Huabao Trust and ABC Financial were entitled to the shareholder rights and assumed the shareholder obligations as defined in the Company Law of the PRC and Yuanjiang Capital Injection Agreement. Meanwhile, in the opinion of the Directors, the aforementioned terms and conditions in Yuanjiang Equity Transfer Agreement, as well as the occurrence of certain events will not result in Wu Ling Power having the obligation to repurchase the Yuanjiang Equity Interests or to pay dividend or perpetual bonds principal and interests. Accordingly, the cash contribution is classified as equity instruments and is recognized in the consolidated statements of financial position as non-controlling interests.

Also as disclosed in the Company's announcement dated 24 October 2018 and 22 November 2018, that during the current year, Guangxi Company also entered into a series of capital injections agreements similar to Yuanjiang Capital Injection Agreement with respective parties, including 1) On 24 October 2018, Guangxi Company, ICBC Financial, ABC Financial and Changzhou Hydropower entered into the Changzhou Capital Injection Agreement, pursuant to which ICBC Financial and ABC Financial, as investors, agreed to inject RMB1,000 million and RMB500 million respectively by way of cash contribution into Changzhou Hydropower; and 2) On 22 November 2018, Guangxi Company, Ziyuan County Danxia Ecological Energy Company Limited (資源縣丹霞生態能源有限公司), ABC Financial and SPIC Jinzishan entered into the Jinzishan Capital Injection Agreement, pursuant to which ABC Financial, as investor, agreed to inject RMB290 million by way of cash contribution into SPIC Jinzishan. Both of the aforementioned capital injection agreements are signed together with respective equity transfer agreements similar to the Yuanjiang Equity Transfer Agreement, and the corresponding cash contributions were received in full during the year ended 31 December 2018, therefore the capital injections are classified as equity instruments and are recognized in the consolidated statements of financial position as non-controlling interests.

Upon receiving each of the aforementioned capital contributions, the equity interest of Wu Ling Power in Yuanjiang Power was diluted from 100% to 58.82%, while the equity interests of Guangxi Company in Changzhou Hydropower and SPIC Jinzishan were diluted from 100% to 64.93% and from 90.83% to 50.57% respectively. As Yuanjiang Power, Changzhou Hydropower and SPIC Jinzishan (collectively referred to as the "Investees") will each continue to be subsidiaries of the Group, the differences between the total capital contribution of RMB4,790,000,000 and the totaled carrying amount of respective equity interests in the Investees held by ICBC Financial, ABC Financial and Huabao Trust of RMB143,364,000 is credited to other reserves.

(iii) Chalingxian Lianguan Hydropower, a subsidiary of the Group was disposed during the current year (Note 42).

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of incorporation	Proportion of ownership interests and voting rights held by non-controlling interests		Total comprehensive income/(expenses) allocated to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Wu Ling Power and its subsidiaries (collectively referred to as the "Wu Ling Group")	The PRC	**37%**	37%	**260,325**	519,719	**4,908,623**	4,824,112
Changzhou Hydropower	The PRC	**35.07%**	N/A	**34,257**	N/A	**1,418,358**	N/A
Yuanjiang Power	The PRC	**41.18%**	N/A	**(23,104)**	N/A	**2,976,587**	N/A
Subsidiaries with individually immaterial non-controlling interests						**3,597,676**	2,568,467
						12,901,244	7,392,579

The non-controlling interests in respect of the rest of entities with non-controlling interests were individually not material. Set out below are the summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests.

(1) Wu Ling Group

Summarized consolidated statement of financial position

	Wu Ling Group	
	2018 RMB'000	2017 RMB'000
Non-current assets	**43,426,683**	41,246,030
Current assets	**1,480,403**	1,369,789
Non-current liabilities	**(19,768,072)**	(20,729,680)
Current liabilities	**(8,407,293)**	(8,458,191)
Total equity	**16,731,721**	13,427,948
Non-controlling interests within Wu Ling Group	**(3,465,173)**	(389,808)
Equity attributable to owners of Wu Ling Power	**13,266,548**	13,038,140
Non-controlling interests of Wu Ling Power (at 37%)	**4,908,623**	4,824,112

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Material non-controlling interests *(Continued)*

(1) Wu Ling Group *(Continued)*

Summarized consolidated income statement and consolidated statement of comprehensive income

	Wu Ling Group	
	2018	2017
	RMB'000	RMB'000
Revenue	**4,641,766**	5,269,444
Profit for the year	**728,733**	1,424,758
Profit attributable to the non-controlling interests of Wu Ling Group's subsidiaries	**(9,625)**	(20,112)
Profit attributable to the owners of Wu Ling Power	**719,108**	1,404,646
Profit attributable to the non-controlling interests of Wu Ling Power (at 37%)	**266,070**	519,719
Other comprehensive expense for the year	**(15,543)**	–
Other comprehensive expense attributable to the non-controlling interests of Wu Ling Group's subsidiaries	**16**	–
Other comprehensive expense attributable to the owners of Wu Ling Power	**(15,527)**	–
Other comprehensive expense attributable to the non-controlling interests of Wu Ling Power (at 37%)	**(5,745)**	–
Total comprehensive income for the year	**713,190**	1,424,758
Total comprehensive income attributable to the non-controlling interests of Wu Ling Group's subsidiaries	**(9,609)**	(20,112)
Total comprehensive income attributable to the owners of Wu Ling Power	**703,581**	1,404,646
Total comprehensive income attributable to the non-controlling interests of Wu Ling Power (at 37%)	**260,325**	519,719

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Material non-controlling interests *(Continued)*

(1) Wu Ling Group *(Continued)*

Summarized consolidated statement of cash flows

	Wu Ling Group	
	2018	2017
	RMB'000	RMB'000
Net cash inflow from operating activities	**1,920,426**	2,530,678
Net cash outflow from investing activities	**(3,178,678)**	(2,432,184)
Net cash inflow/(outflow) from financing activities	**1,222,702**	(60,207)
Net (decrease)/increase in cash and cash equivalents	**(35,550)**	38,287
Cash and cash equivalents at 1 January	**119,811**	81,524
Cash and cash equivalents at 31 December	**84,261**	119,811

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

(2) Changzhou Hydropower

Summarized statement of financial position

	Changzhou Hydropower
	2018
	RMB'000
Non-current assets	**5,120,470**
Current assets	**1,774,014**
Non-current liabilities	**(2,362,837)**
Current liabilities	**(325,223)**
Total equity	**4,206,424**
Non-controlling interests of Changzhou Hydropower (at 35.07%)	**1,418,358**

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Material non-controlling interests *(Continued)*

(2) Changzhou Hydropower *(Continued)*

Summarized income statement and statement of comprehensive income

	Changzhou Hydropower Period from 1 May to 31 December 2018 RMB'000
Revenue	723,237
Profit and total comprehensive income for the period	261,798
Total comprehensive income attributable to the owners of Changzhou Hydropower	261,798
Total comprehensive income attributable to the non-controlling interests of Changzhou Hydropower (at 35.07%)	34,257

Summarized statement of cash flows

	Changzhou Hydropower Period from 1 May to 31 December 2018 RMB'000
Net cash inflow from operating activities	314,784
Net cash outflow from investing activities	(901,148)
Net cash inflow from financing activities	564,114
Net decrease in cash and cash equivalents	(22,250)
Cash and cash equivalents at 1 May	28,916
Cash and cash equivalents at 31 December	6,666

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

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Material non-controlling interests *(Continued)*

(3) Yuanjiang Power

Summarized statement of financial position

	Yuanjiang Power 2018 RMB'000	2017 RMB'000
Non-current assets	**10,690,032**	10,863,069
Current assets	**2,684,373**	461,996
Non-current liabilities	**(5,463,601)**	(5,979,520)
Current liabilities	**(638,110)**	(1,061,485)
Total equity	**7,272,694**	4,284,060
Non-controlling interests of Yuanjiang Power (at 41.18% (2017: Nil))	**2,976,587**	–

Summarized income statement and statement of comprehensive income

	Yuanjiang Power 2018 RMB'000	2017 RMB'000
Revenue	**777,186**	1,054,955
(Loss)/profit and total comprehensive (expense)/income for the year	**(11,365)**	192,015
Total comprehensive (expense)/income attributable to the owners of Yuanjiang Power	**(11,365)**	192,015
Total comprehensive expense attributable to the non-controlling interests of Yuanjiang Power (at 41.18% (2017: Nil))	**(23,104)**	–

Summarized statement of cash flows

	Yuanjiang Power 2018 RMB'000	2017 RMB'000
Net cash inflow from operating activities	**661,371**	577,298
Net cash outflow from investing activities	**(300,592)**	(257,885)
Net cash outflow from financing activities	**(360,000)**	(320,000)
Net increase/(decrease) in cash and cash equivalents	**779**	(587)
Cash and cash equivalents at 1 January	**1,110**	1,697
Cash and cash equivalents at 31 December	**1,889**	1,110

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

48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**15,817**	1,540
Investments in subsidiaries	**19,714,403**	14,002,036
Interests in associates	**1,654,072**	1,680,376
Interests in joint ventures	**372,504**	372,504
Equity instruments at FVTOCI (note (b))	**2,942,667**	–
AFS financial assets (note (b))	**–**	3,320,491
Other non-current assets	**139,178**	–
Loans to subsidiaries	**1,800,000**	–
	26,638,641	19,376,947
Current assets		
Loans to subsidiaries	**5,253,360**	7,070,195
Prepayments, deposits and other receivables	**58,822**	9,825
Amounts due from related parties	**365,268**	156,351
Amounts due from subsidiaries	**184,097**	162,659
Dividends receivable	**487,456**	427,396
Cash and cash equivalents	**1,157,963**	4,182,183
	7,506,966	12,008,609
Assets classified as held for sale	**720,310**	–
Total assets	**34,865,917**	31,385,556
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital (Note 32(a))	**17,268,192**	17,268,192
Reserves (note (a))	**6,424,493**	6,790,950
Total equity	**23,692,685**	24,059,142

48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
LIABILITIES		
Non-current liabilities		
Bank borrowings	**5,813,912**	–
Other borrowings	**2,000,000**	–
Deferred income tax liabilities	**413,245**	507,701
	8,227,157	507,701
Current liabilities		
Other payables and accrued charges	**82,651**	107,016
Amounts due to related parties	**630,424**	177,151
Amounts due to subsidiaries	**904,175**	621,287
Bank borrowings	**1,328,825**	5,913,259
	2,946,075	6,818,713
Total liabilities	**11,173,232**	7,326,414
Total equity and liabilities	**34,865,917**	31,385,556
Net current assets	**5,281,201**	5,189,896
Total assets less current liabilities	**31,919,842**	24,566,843

The statement of financial position was approved and authorized for issue by the Board on 21 March 2019 and is signed on its behalf by:

TIAN Jun
Director

GUAN Qihong
Director

48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Notes:

(a) Movements in the Company's reserves

	AFS financial assets/ FVTOCI reserve RMB'000	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2018	1,563,829	5,477	5,221,644	6,790,950
Profit for the year	–	–	711,270	711,270
Fair value loss on equity instruments at FVTOCI	(377,824)	–	–	(377,824)
Deferred income tax on fair value loss on equity instruments at FVTOCI	94,455	–	–	94,455
Lapse of share options	–	(5,477)	5,477	–
2017 final dividend	–	–	(794,358)	(794,358)
At 31 December 2018	1,280,460	–	5,144,033	6,424,493
At 1 January 2017	2,381,236	13,889	4,281,662	6,676,787
Profit for the year	–	–	2,108,396	2,108,396
Fair value loss on AFS financial assets	(1,089,876)	–	–	(1,089,876)
Deferred income tax on fair value loss on AFS financial assets	272,469	–	–	272,469
Lapse of share options	–	(8,412)	8,412	–
2016 final dividend	–	–	(1,176,826)	(1,176,826)
At 31 December 2017	1,563,829	5,477	5,221,644	6,790,950

The profit for the year attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB711,270,000 (2017: RMB2,108,396,000).

(b) Upon the application of HKFRS 9 on 1 January 2018, the listed equity securities of the Company, which were previously accounted for as AFS financial assets under HKAS 39, have been reclassified to equity instruments at FVTOCI.

Five-Year Financial and Operations Summary

	2018 RMB million	2017 RMB million	2016 RMB million	2015 RMB million	2014 RMB million
Revenue — Goods and services	**23,175.6**	19,966.8	18,866.2	20,196.7	20,447.2
Profit before taxation	**2,069.9**	1,560.6	3,994.1	6,553.0	4,302.7
Income tax expense	**(432.7)**	(279.9)	(738.6)	(1,223.4)	(660.2)
Profit for the year	**1,637.2**	1,280.7	3,255.5	5,329.6	3,642.5
Attributable to:					
Owners of the Company	**1,098.4**	795.3	2,365.9	4,149.0	2,765.9
Non-controlling interests	**538.8**	485.4	889.6	1,180.6	876.6
Basic earnings per share (RMB) (note)	**0.11**	0.10	0.30	0.54	0.39
Dividend per share (RMB)	**0.110**	0.081	0.160	0.232	0.168
Total non-current assets	**111,726.1**	88,706.7	84,343.7	81,033.6	76,155.4
Total current assets	**13,232.8**	9,319.9	6,843.4	5,209.6	5,640.4
Total assets	**124,958.9**	98,026.6	91,187.1	86,243.2	81,795.8
Total current liabilities	**29,721.1**	28,821.5	22,271.1	16,638.7	19,266.5
Total non-current liabilities	**52,386.6**	32,010.6	34,321.2	35,378.7	35,279.5
Net assets	**42,851.2**	37,194.5	34,594.8	34,225.8	27,249.8
Equity attributable to owners of the Company	**29,949.9**	29,801.9	27,267.0	27,320.5	21,863.8
Non-controlling interests	**12,901.3**	7,392.6	7,327.8	6,905.3	5,386.0
Total equity	**42,851.2**	37,194.5	34,594.8	34,225.8	27,249.8
Attributable installed capacity (MW)	**19,731.6**	17,051.6	16,728.6	16,254.6	15,028.4
Gross power generation (MWh)	**74,101,429**	66,683,402	63,403,445	63,531,141	61,692,480
Total electricity Sold (MWh)	**70,964,796**	64,053,714	60,760,318	60,868,493	58,957,127
Net coal consumption rate (g/kWh)	**302.41**	304.23	304.93	307.08	310.91

Note: Basic earnings per share for 2014 to 2016 have been restated to reflect the effect of rights issue of the Company in 2017.

Technical Glossary and Definitions

"ABC Financial"	ABC Financial Asset Investment Co., Ltd* (農銀金融資產投資有限公司)
"Anhui Company"	SPIC Anhui New Energy Development Co., Ltd. * (國家電力投資集團安徽新能源有限公司)
"attributable installed capacity"	the proportionate amount of installed capacities of a power plant attributable to a company based on the percentage of equity interest held by the company in that power plant
"average utilization hours"	for a specified period, the amount of electricity (MWh) produced in such period divided by the average installed capacity (MW) in such period
"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 Pingshuo"	China Coal Pingshuo Group Company Limited* (中煤平朔集團有限公司)
"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 Shentou" or "CP Shentou Power Plant"	China Power Shentou Power Generating Company Limited* (中電神頭發電有限責任公司)
"CPDL"	China Power Development Limited (中國電力發展有限公司*)
"CPI Holding"	China Power International Holding Limited (中國電力國際有限公司)
"CPI Xianrong"	CPI Xianrong (Tianjin) Risk Management Co., Ltd* (中電投先融(天津)風險管理有限公司)
"Dabieshan Power Plant"	Huanggang Dabieshan Power Company Limited* (黃岡大別山發電有限責任公司)
"Datang International"	Datang International Power Generation Co., Ltd.* (大唐國際發電股份有限公司)
"Datong Mine"	Datong Coal Mine Group Co., Ltd.* (大同煤礦集團有限責任公司)
"Director(s)"	director(s) of the Company
"Fuxi Power Plant"	Sichuan CPI Fuxi Power Company Limited (四川中電福溪電力開發有限公司)
"Group" or "We"	the Company and its subsidiaries from time to time

"Guangdong Company"	SPIC Guangdong Power Company Limited* (國家電投集團廣東電力有限公司)
"Guangxi Company" or "SPIC Guangxi"	SPIC Guangxi Electric Power Co., Ltd* (國家電投集團廣西電力有限公司)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Hong Kong Companies Ordinance"	Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended from time to time)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huabao Trust"	Huabao Trust Company Limited* (華寶信託有限責任公司)
"Huainan Mining"	Huainan Mining Industry (Group) Company Limited* (淮南礦業(集團)有限責任公司)
"Hubei Company"	SPIC Hubeilvdong New Energy Co., Ltd.* (國家電投集團湖北綠動新能源有限公司)
"ICBC Financial"	ICBC Financial Asset Investment Co., Ltd.* (工銀金融資產投資有限公司)
"installed capacity"	the manufacturers' rated power output of a generating unit or a power plant, usually denominated in MW
"Jiangsu Guoxin"	Jiangsu Guoxin Corp. Limited* (江蘇國信股份有限公司)
"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
"MW"	megawatt, that is, one million watts. The installed capacity of a power plant is generally expressed in MW
"MWh"	megawatt-hour, which is equal to one thousand kWh
"net coal consumption rate"	average consumption of standard coal for supplying 1kWh power (deducting self-used power)
"PBOC"	People's Bank of China* (中國人民銀行)

"Pingmei Shenma"	China Pingmei Shenma Energy & Chemical Group Co., Ltd.* (中國平煤神馬能源化工集團有限責任公司)
"Pingwei Power Plant"	Anhui Huainan Pingwei Electric Power Company Limited (安徽淮南平圩發電有限責任公司)
"PRC" or "China" or "State"	the People's Republic of China (for the purpose of this annual report excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan)
"Pu'an Power Plant"	China Power (Pu'an) Power Generating Company Limited* (中電(普安)發電有限責任公司)
"Qian Dong Power" or "Qian Dong Power Plant"	Guizhou Qian Dong Power Corporation* (貴州黔東電力有限公司)
"RMB"	Renminbi, the lawful currency of the PRC
"Seth Holdings"	Seth Holdings Corporation Limited* (賽斯控股有限公司)
"Shandong Company"	SPIC Shandong Energy Development Co., Ltd.* (國家電投集團山東能源發展有限公司)
"Shandong Institute"	Shandong Power Engineering Consulting Institute Company Limited* (山東電力工程諮詢院有限公司)
"Shanghai Power"	Shanghai Electric Power Co., Ltd.* (上海電力股份有限公司)
"Shanxi Shentou"	Shanxi Shentou Power Generating Company Limited* (山西神頭發電有限責任公司)
"Shanxi Solar"	Shanxi Solar Power Generation Company Limited* (山西陽光發電有限責任公司)
"Shouxian Company"	SPIC Shouxian New Energy Development Co., Ltd.* (國家電力投資集團壽縣新能源有限公司)
"Sichuan Energy Investment"	Sichuan Energy Investment Development Co., Ltd.* (四川能投發展股份有限公司)
"SPIC"	State Power Investment Corporation Limited* (國家電力投資集團有限公司)
"SPIC Aluminum"	SPIC Aluminum International Trading Co., Ltd.* (國家電投集團鋁業國際貿易有限公司)
"SPIC Changzhou"	SPIC Guangxi Changzhou Hydropower Development Co., Ltd* (國家電投集團廣西長洲水電開發有限公司)

"SPIC Financial"	SPIC Financial Company Limited* (國家電投財務有限公司)
"SPIC Jinzishan"	SPIC Guangxi Jinzishan Wind Power Ltd* (國家電投集團廣西金紫山風電有限公司)
"SPIC (Materials)"	State Power Investment Corporation Limited Materials and Equipment Branch* (國家電力投資集團有限公司物資裝備分公司)
"standard coal"	coal with an energy content of 7,000 kilocalories per kilogram
"State Nuclear Institute"	State Nuclear Electric Power Planning Design & Research Institute Company Limited* (國核電力規劃設計研究院有限公司)
"Wu Ling Power"	Wu Ling Power Corporation* (五凌電力有限公司)
"Wuhu Power Plant"	Wuhu Electric Power Generating Company Limited* (蕪湖發電有限責任公司)
"Xintang Power Plant"	Guangzhou China Power Lixin Industry Company Limited* (廣州中電荔新電力實業有限公司)
"Yaomeng Power Plant"	Pingdingshan Yaomeng Power Company Limited (平頂山姚孟發電有限責任公司)
"Yuanjiang Company" or "Yuanjiang Power"	Yuan Jiang Power Development Co., Ltd.* (懷化沅江電力開發有限責任公司)

* *For identification purposes only*

Useful Information for Investors

ANNUAL REPORT

This annual report has been posted on our website at www.chinapower.hk on 18 April 2019. The reports are sent to the shareholders of the Company who have selected to receive the printed version of corporate communication by 25 April 2019.

ANNUAL GENERAL MEETING (AGM)

The Company's AGM will be held on 6 June 2019. Information regarding the business to be considered in the AGM is set out in the circular to the shareholders of the Company dated 25 April 2019 together with a proxy form.

INVESTOR CALENDAR

Closure of register of members for determining shareholders' eligibility to attend and vote at the AGM	3 June 2019 to 6 June 2019 (both days inclusive)
AGM date	6 June 2019
Ex-dividend date	11 June 2019
Closure of register of members for entitlement to 2018 Final Dividend	13 June 2019 to 17 June 2019 (both days inclusive)
Record date for 2018 Final Dividend	17 June 2019
Proposed 2018 Final Dividend payable* ***RMB0.11 (equivalent to HK$0.1292) per ordinary share***	28 June 2019

* Subject to approval by shareholders of the Company at the AGM to be held on 6 June 2019.

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

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC™ C007445