

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **China Power International Development Limited**

**中國電力國際發展有限公司**

*(incorporated in Hong Kong with limited liability under the Companies Ordinance)*

**(Stock Code: 2380)**

### **Results Announcement for Year 2012**

#### **Financial Highlights**

- Turnover amounted to approximately RMB17,497,128,000 representing an increase of approximately 8.80% over last year.
- Profit attributable to owners of the Company was approximately RMB1,181,125,000, representing an increase of approximately 133.79% over last year.
- Basic earnings per share was approximately RMB0.22.
- Final dividend of RMB0.09 per share was proposed.

The board of directors (the “**Board**”) of China Power International Development Limited (the “**Company**” or “**China Power**”) is pleased to announce the audited financial results of the Company and its subsidiaries (collectively, the “**Group**” or “**We**”) for the year ended 31 December 2012.

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Note	Year ended 31 December	
		2012	2011
		RMB'000	RMB'000
Revenue	2	17,497,128	16,082,062
Other income	3	179,467	234,442
Fuel costs		(9,470,027)	(9,940,476)
Depreciation		(2,081,650)	(1,809,808)
Staff costs		(983,603)	(824,685)
Repairs and maintenance		(549,488)	(490,136)
Consumables		(240,842)	(187,214)
Other gains, net	4	271,733	65,380
Other operating expenses		(1,063,078)	(856,136)
Operating profit	5	3,559,640	2,273,429
Finance income		115,694	108,903
Finance costs	6	(1,687,029)	(1,572,016)
Share of profits/(losses) of associates		146,144	(4,073)
Share of losses of jointly controlled entities		(5,774)	(24,024)
Profit before taxation		2,128,675	782,219
Taxation	7	(447,399)	(193,849)
Profit for the year		<u>1,681,276</u>	<u>588,370</u>
Attributable to:			
Owners of the Company		1,181,125	505,202
Non-controlling interests		<u>500,151</u>	<u>83,168</u>
		<u>1,681,276</u>	<u>588,370</u>
Earnings per share for profit attributable to owners of the Company during the year (expressed in RMB per share)			
- basic	8	<u>0.22</u>	<u>0.10</u>
- diluted	8	<u>0.21</u>	<u>0.10</u>
Dividends		<u>504,587</u>	<u>229,818</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

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

## CONSOLIDATED BALANCE SHEET

As at 31 December 2012

		As at 31 December	
	Note	2012	2011
		RMB'000	RMB'000
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment		<b>55,942,962</b>	49,350,730
Prepayments for construction of power plants		<b>1,655,650</b>	2,385,556
Land use rights		<b>449,928</b>	457,764
Goodwill		<b>767,453</b>	767,365
Interests in associates		<b>1,529,410</b>	1,523,617
Interests in jointly controlled entities		<b>553,177</b>	351,949
Available-for-sale financial assets	9	<b>2,026,793</b>	2,063,105
Loan to a fellow subsidiary		<b>300,000</b>	-
Deferred income tax assets		<b>73,965</b>	45,187
		<b>63,299,338</b>	56,945,273
Current assets			
Inventories		<b>662,883</b>	730,971
Accounts receivable	10	<b>2,170,030</b>	1,911,467
Prepayments, deposits and other receivables		<b>1,114,807</b>	791,627
Derivative financial instruments		<b>38,744</b>	-
Amounts due from related companies		<b>565,378</b>	332,109
Current portion of loans to a fellow subsidiary		-	1,500,000
Tax recoverable		<b>6,800</b>	1,196
Pledged bank deposit		<b>35,000</b>	-
Cash and cash equivalents		<b>2,016,418</b>	1,179,817
		<b>6,610,060</b>	6,447,187
Total assets		<b>69,909,398</b>	63,392,460

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

		<b>As at 31 December</b>	
	<i>Note</i>	<b>2012</b>	2011
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Current liabilities</b>			
Accounts and bills payables	11	<b>795,363</b>	875,389
Construction costs payable		<b>2,296,777</b>	1,987,536
Other payables and accrued charges		<b>993,462</b>	875,384
Derivative financial instruments		-	32,965
Amounts due to related companies		<b>151,799</b>	128,110
Current portion of long-term bank borrowings		<b>3,978,397</b>	2,702,450
Current portion of long-term other borrowings		<b>283,540</b>	-
Short-term bank borrowings		<b>3,002,801</b>	2,987,800
Other current bank borrowings		-	211,710
Short-term borrowings from ultimate holding company and CPIF		<b>620,000</b>	1,680,000
Current portion of long-term borrowings from ultimate holding company		-	670,295
Short-term other borrowings		<b>1,770,000</b>	1,100,000
Current portion of obligations under finance leases		<b>103,911</b>	17,714
Taxation payable		<b>249,192</b>	77,621
		<b>14,245,242</b>	13,346,974
<b>Total liabilities</b>		<b>50,979,976</b>	46,902,958
<b>Total equity and liabilities</b>		<b>69,909,398</b>	63,392,460
<b>Net current liabilities</b>		<b>7,635,182</b>	6,899,787
<b>Total assets less current liabilities</b>		<b>55,664,156</b>	50,045,486

## Auditor's work on the preliminary announcement

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## Notes to the Financial Statements

### 1 Basis of preparation

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

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

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

#### (a) Effect of adopting amendments to standards

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

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

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

HKFRS 1 (amendment)	Government Loans <sup>(1)</sup>
HKFRS 7 (amendment)	Disclosures - Offsetting Financial Assets and Financial Liabilities <sup>(1)</sup>
HKFRS 9	Financial Instruments <sup>(3)</sup>
HKFRS 10	Consolidated Financial Statements <sup>(1)</sup>

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

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

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

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

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



## 2 Turnover, revenue and segment information

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

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

Notes:

- (a) Pursuant to the power purchase agreements entered into between the Group and the respective regional and provincial power grid companies, the Group's sales of electricity were made to these power grid companies at the tariff rates agreed with the respective regional and provincial power grid companies as approved by the relevant government authorities.
- (b) Provision for power generation and related services represents income from the provision of power generation and related services to other power plants and power grid companies which are calculated based on mutually agreed terms.

### Segment information

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

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

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

Year ended 31 December 2012

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

As at 31 December 2012

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

**Year ended 31 December 2011**

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

**As at 31 December 2011**

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

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

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

### 3 Other income

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Rental income	65,667	64,446
Clean development mechanism income	-	48,489
Hotel operations income	45,228	48,260
Income from the provision of repairs and maintenance services	34,832	44,190
Dividend income	25,513	24,083
Management fee income	8,227	4,974
	<u>179,467</u>	<u>234,442</u>

### 4 Other gains, net

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

## 5 Operating profit

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

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

## 6 Finance costs

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Interest expense on		
- bank borrowings wholly repayable within five years	386,155	324,690
- short-term borrowings from ultimate holding company and CPIF	67,724	123,400
- bank borrowings not wholly repayable within five years	1,793,053	1,472,247
- long-term borrowings from ultimate holding company wholly repayable within five years	103,143	52,396
- long-term borrowings from ultimate holding company and CPIF not wholly repayable within five years	74,800	74,705
- long-term other borrowings wholly repayable within five years	116,344	68,586
- long-term other borrowings not wholly repayable within five years	46,767	46,639
- short-term other borrowings	57,895	46,826
- obligations under finance leases	12,678	10,531
	<u>2,658,559</u>	<u>2,220,020</u>
Less: Amounts capitalised	<u>(870,556)</u>	<u>(633,919)</u>
	1,788,003	1,586,101
Net foreign exchange gains	<u>(100,974)</u>	<u>(14,085)</u>
	<u><u>1,687,029</u></u>	<u><u>1,572,016</u></u>

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

## 7 Taxation

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

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



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

	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
PRC current income tax	<b>386,828</b>	97,695
Deferred income tax	<b>60,571</b>	96,154
	<b>447,399</b>	193,849

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

## 8 Earnings per share

### (a) Basic

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

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

(b) **Diluted**

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

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

**9 Available-for-sale financial assets**

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

Note:

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

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

## 10 Accounts receivable

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

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

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

Notes:

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

	<b>2012</b> <i>RMB'000</i>	2011 <i>RMB'000</i>
1 to 3 months	<b>1,992,377</b>	1,783,484

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

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

## 11 Accounts and bills payables

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

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

Notes:

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

	<b>2012</b>	2011
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
1 to 6 months	<b>522,247</b>	524,216
7 to 12 months	<b>213,454</b>	186,296
Over 1 year	<b>7,171</b>	14,877
	<hr/>	<hr/>
	<b>742,872</b>	725,389
	<hr/> <hr/>	<hr/> <hr/>

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

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

## **Business Review**

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

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

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

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

### **Attributable Installed Capacity**

For the year ended 31 December 2012, the total attributable installed capacity of the Group reached 11,731MW, of which the attributable installed capacity of hydropower was 2,914MW, representing 24.84% of the total attributable installed capacity.

### **Power Generation and Utilization Hours**

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

### **On-Grid Tariff**

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

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

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

### **Unit Fuel Cost**

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

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

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

### **Significant Investment**

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

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

### **Material Acquisitions and Disposals**

On 1 January 2012, the Group acquired 100% equity interest in Chalingxian Lianguan Hydropower Development Limited\* (茶陵縣聯冠水電開發有限公司) from an independent third party at a consideration of RMB25,085,000.

On 31 May 2012, the Company acquired 50% equity interest in Henan Zhongping Coal & Electricity Co., Ltd.\* (河南中平煤電有限責任公司) ("Henan Zhongping") from CPI Holding at a consideration of RMB70,504,000. Henan Zhongping is a jointly controlled entity established under a contractual arrangement.

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

## **Significant Financing Activities**

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

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

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

A 63%-owned subsidiary of the Group, Wu Ling Power Corporate\* (五凌電力有限公司) (“Wu Ling Power”) made a non-public issuance of RMB1 billion debt financing instrument in the PRC and completed the issuance of the first tranche and second tranche each at RMB500 million in June and September 2012 respectively.

## **New Power Plants**

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

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

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

## **New Development Projects**

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

The new installed capacity of coal-fired projects amounts to 5,200MW. These projects include the expansion project of two 1,000MW ultra super-critical coal-fired generating units of



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

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

### **Environmental Protection and Energy Conservation**

The Group puts high priority on environmental protection and shoulders social responsibilities. The Group fully utilized the hydropower clean energy generation. The portion of hydropower generation to the total power generation of the Company was approximately 23.49%. The Group strengthened environmental protection management of its coal-fired power generating units by installing all coal-fired power generating units with desulphurization facilities which resulted in lower discharge of pollutants with a desulphurization rate of 94.95%. As the result of our active measures on energy saving and reduction in coal consumption, the Group achieved an average coal consumption rate of 316.70g/KWh for power generation in the 2012, representing a decrease of 2.71g/KWh as compared with the previous year.

### **Operating Results of 2012**

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

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

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

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

However, the increase was partly offset by the following:

- With Fuxi Power Plant's two 600MW super-critical coal-fired generating units commenced commercial operation in November 2011 and May 2012 respectively, depreciation increased approximately RMB150,420,000 year on year;

- Increased profit led to higher tax expenses increased approximately RMB253,550,000 year on year;
- Interest-bearing liabilities increased and led to an increase of 7.32% in the finance expenses as compared with the previous year.

## **Revenue**

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

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

## **Segment Information**

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

## **Operating Costs**

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

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

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

## **Operating Profit**

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

## **Finance Costs**

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

## **Share of Results of Associates**

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

## **Share of Results of Jointly Controlled Entities**

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

## **Taxation**

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

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

## **Profit Attributable to Owners of the Company**

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

## **Earnings per Share and Final Dividend**

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

At the Board meeting held on 20 March 2013, the Board recommended the payment of a final dividend for the year ended 31 December 2012 of RMB0.09 (equivalent to HK\$0.1113 at the exchange rate announced by the People's Bank of China today) per ordinary share (2011: RMB0.045 (equivalent to HK\$0.0555) per ordinary share), totaling RMB504,587,000 (equivalent to HK\$624,006,000) (2011: RMB229,818,000 (equivalent to HK\$283,198,000)), which is based on 5,606,524,604 shares (2011: 5,107,060,777 shares) in issue on 20 March 2013.

## Liquidity and Financial Resources

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

## Debts

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

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

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

The above bank and other borrowings were repayable as follows:

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

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

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

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

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

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

## **Capital Expenditure**

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

## **Risk Management**

The investment and business operation of the Group are exposed to risks from exchange rates, interest rates, commodity prices and liquidity. Affected by factors such as the uncertainties of

global financial condition, the tightening of China's credit policies and the soaring coal prices, the financial risks and operational risks that the Group encountered increased.

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

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

### **Foreign Exchange Rate Risks**

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

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

### **Pledge of Assets**

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

### **Contingent Liabilities**

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

## **Employees**

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

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

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

## **Outlook for 2013**

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

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

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

## **Audit Committee and Review of Financial Statements**

The audit committee of the Company (the "Audit Committee"), which comprises three independent non-executive Directors, has discussed and reviewed with management the annual results and the consolidated financial statements for the year ended 31 December 2012.

## **Purchase, Sale or Redemption of Listed Securities of the Company**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2012.

## **Code on Corporate Governance Practices**

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

Except for the deviation from Rules A.2.1 and A.4.2 of the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code and Corporate Governance Report (effective from 1 April 2012) as set out in Appendix 14 to the Listing Rules (the “Code”) (as stated below), the Company has strictly complied with the code provisions of the Code in 2012.

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

Rule A.4.2 of the Code requires that all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the articles of association of the Company, the executive Director who is also the chief executive officer of the Company shall not be subject to retirement by rotation which reflects the importance of this position and ensures that the impact of the change of personnel on the operation of the Company is kept minimal. All the other Directors will be subject to retirement at every annual general meeting after the annual general meeting in year 2007.

The Company will also ensure that all Directors (with the exception of the executive Director who is also the chief executive officer of the Company) are subject to retirement by rotation and re-election at least once every three years to comply with the provisions of the Code.

## **Securities Transactions by Directors**

The Company has adopted a set of Code of Conduct for Securities Transactions by Directors (“Code of Conduct”), the terms of which are no less than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific inquiries to all Directors, they confirmed that they have complied with the Code of Conduct throughout the annual period of 2012.



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

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

The 2012 annual report will be sent to those shareholders of the Company who have selected to receive the printed version of corporate communication only, and the soft copy of the annual report will also be made available for review on the above websites in due course.

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

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

Hong Kong, 20 March 2013

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