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)

Results Announcement for Year 2017

The board of directors (the "**Board**") of China Power International Development Limited (the "**Company**") 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 2017.

Financial Highlights

	Year ended 31 December		
	2017	2016	Change
	RMB'000	*RMB'000*	*%*
Revenue	**19,966,811**	18,866,153	5.83
Profit for the year	**1,280,707**	3,255,487	-60.66
Profit attributable to owners of the Company	**795,272**	2,365,868	-66.39
	RMB	*RMB*	*%*
Basic earnings per share	**0.10**	0.30#	-66.67
Proposed final dividend	**0.081**	0.16	-49.38
	MWh	*MWh*	*%*
Total power generation	**66,683,402**	63,403,445	5.17
Total electricity sold	**64,053,714**	60,760,318	5.42

Restated

- The increase in revenue was mainly attributable to the increase in electricity sold and the upward adjustment to on-grid tariffs for coal-fired power in the second half of 2017, as well as the results of several new wind power plants and photovoltaic power stations were put into commercial operation during the year under review.
- The decrease in profit for the year and profit attributable to owners mainly accounted for the sustained high coal prices during the year under review, leading to a substantial increase in fuel costs for coal-fired power generation.
- The performance of the clean energy business was satisfactory. Profits from hydropower generation supported the Group's overall profitability. The newly operating wind power plants and photovoltaic power stations also contributed to the full-year profit.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

		Year ended 31 December	
	Note	**2017**	2016
		RMB'000	*RMB'000*
Revenue	2	**19,966,811**	18,866,153
Other income	3	**365,607**	530,886
Fuel costs		**(9,549,980)**	(6,526,910)
Depreciation		**(3,482,744)**	(3,282,133)
Staff costs		**(1,809,372)**	(1,895,093)
Repairs and maintenance		**(603,177)**	(720,190)
Consumables		**(244,214)**	(265,612)
Other gains and losses, net	4	**(62,393)**	385,944
Other operating expenses		**(1,472,084)**	(1,742,467)
Operating profit	5	**3,108,454**	5,350,578
Finance income	6	**40,413**	21,005
Finance costs	6	**(1,855,603)**	(2,067,966)
Share of profits of associates		**222,630**	540,353
Share of profits of joint ventures		**44,743**	150,158
Profit before taxation		**1,560,637**	3,994,128
Income tax expense	7	**(279,930)**	(738,641)
Profit for the year		**1,280,707**	3,255,487
Attributable to:			
Owners of the Company		**795,272**	2,365,868
Non-controlling interests		**485,435**	889,619
		1,280,707	3,255,487
			(Restated)
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
- Basic	8	**0.10**	0.30
- Diluted	8	**0.10**	0.30
Dividends		**794,358**	1,176,826

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	**As at 31 December** **2017** ***RMB'000***	 2016 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	9	**75,118,822**	70,886,660
Prepayments for construction of power plants		**3,266,642**	2,809,393
Prepaid lease payments		**979,376**	883,505
Goodwill		**835,165**	835,165
Interests in associates		**2,732,560**	3,029,930
Interests in joint ventures		**471,845**	560,744
Available-for-sale financial assets	10	**3,495,933**	4,585,809
Deferred income tax assets		**431,878**	244,137
Restricted deposits		**-**	7,200
Other non-current assets		**1,374,432**	501,198
		88,706,653	84,343,741
Current assets			
Inventories		**462,942**	410,692
Prepaid lease payments		**23,408**	19,736
Accounts receivable	11	**2,642,383**	2,345,994
Prepayments, deposits and other receivables		**1,113,464**	804,590
Amounts due from related parties		**452,768**	730,005
Tax recoverable		**27,613**	76,723
Derivative financial instruments	12	**-**	308,471
Restricted deposits		**19,582**	337,794
Cash and cash equivalents	13	**4,577,786**	1,809,415
		9,319,946	6,843,420
Total assets		**98,026,599**	91,187,161

	Note	**As at 31 December** **2017** *RMB'000*	2016 *RMB'000*
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	14	**17,268,192**	13,534,145
Reserves		**12,533,688**	13,732,848
		29,801,880	27,266,993
Non-controlling interests		**7,392,579**	7,327,841
Total equity		**37,194,459**	34,594,834
LIABILITIES			
Non-current liabilities			
Deferred income		**101,937**	82,140
Bank borrowings		**25,089,317**	24,704,030
Borrowings from related parties	15	**2,837,800**	4,962,711
Other borrowings	16	**999,544**	998,514
Obligations under finance leases	17	**685,415**	751,034
Deferred income tax liabilities		**1,461,717**	1,792,623
Provisions for other long-term liabilities	18	**834,886**	1,030,125
		32,010,616	34,321,177

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
Current liabilities			
Accounts and bills payables	19	**1,116,348**	967,149
Construction costs payable		**3,202,088**	2,708,739
Other payables and accrued charges		**1,269,362**	1,254,293
Amounts due to related parties		**1,017,952**	844,639
Bank borrowings		**15,542,089**	8,806,380
Borrowings from related parties	15	**6,055,106**	500,800
Other borrowings	16	**-**	6,581,100
Current portion of obligations under finance leases	17	**430,759**	430,281
Tax payable		**187,820**	177,769
		28,821,524	22,271,150
Total liabilities		**60,832,140**	56,592,327
Total equity and liabilities		**98,026,599**	91,187,161
Net current liabilities		**19,501,578**	15,427,730
Total assets less current liabilities		**69,205,075**	68,916,011

General Information

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on this announcement.

The financial information relating to the years ended 31 December 2017 and 2016 included in this announcement of annual results 2017 do not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. The Company's auditor has reported on the financial statements of the Group for the years ended 31 December 2017 and 2016. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

Notes to the Consolidated Financial Statements

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, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). These consolidated financial statements have been prepared under the historical cost convention except that certain available-for-sale financial assets and the derivative financial instruments are measured at fair value, as appropriate.

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

(a) Effect of adopting amendments to standards

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealized Losses
Amendments to HKFRSs	Amendments to HKFRS 12 "Disclosure of Interests in Other Entities" included in the Annual Improvements to HKFRSs 2014-2016 Cycle

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

(b) New and revised standards and interpretations not yet adopted by the Group

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

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

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

The Group will apply the above new and revised standards and interpretations as and when they become effective and the directors have already commenced an assessment of the related impact to the Group. And the assessments result is consistent with assessments made by directors, to the extent of directors' anticipation, and disclosed in the annual financial statements for the year ended 31 December 2017.

2 Turnover, revenue and segment information

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

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

Notes:

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

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

Segment information

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

During the year ended 31 December 2016, it was determined that the "Generation and sales of coal-fired electricity", "Generation and sales of hydropower electricity" and "Generation and sales of wind and photovoltaic power electricity" in the PRC were the reportable segments of the Group meeting the quantitative thresholds required by HKFRS 8.

During the year ended 31 December 2017, management has concluded that the "Generation and sales of wind and photovoltaic power electricity" segment should be reported separately, namely "Generation and sales of wind power electricity" and "Generation and sales of photovoltaic power electricity", which are both high potential growth businesses of the Group and therefore, are assessed and monitored separately by the CODM. The comparative figures have been restated to reflect such change.

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

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

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

	Year ended 31 December 2017					
	Coal-fired electricity	Hydropower electricity	Wind power electricity	Photovoltaic power electricity	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue						
Sales of electricity	**14,274,648**	**4,796,644**	**389,109**	**478,069**	**-**	**19,938,470**
Provision of power generation and related services	**21,031**	**-**	**-**	**7,310**	**-**	**28,341**
	14,295,679	**4,796,644**	**389,109**	**485,379**	**-**	**19,966,811**
Segment results	**240,648**	**2,833,894**	**122,724**	**247,041**	**-**	**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**	**(335,853)**	**3,108,454**
Finance income	**19,514**	**1,810**	**149**	**1,336**	**17,604**	**40,413**
Finance costs	**(771,798)**	**(989,783)**	**(89,477)**	**(73,790)**	**69,245**	**(1,855,603)**
Share of profits of associates	**190,975**	**-**	**-**	**11,095**	**20,560**	**222,630**
Share of profits of joint ventures	**44,594**	**-**	**-**	**-**	**149**	**44,743**
(Loss)/profit before taxation	**(276,067)**	**1,845,921**	**33,396**	**185,682**	**(228,295)**	**1,560,637**
Income tax credit/(expense)	**84,190**	**(396,112)**	**(3,637)**	**7,672**	**27,957**	**(279,930)**
(Loss)/profit for the year	**(191,877)**	**1,449,809**	**29,759**	**193,354**	**(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**	**160,530**	**8,501,931**
Depreciation of property, plant and equipment	**1,866,986**	**1,234,773**	**203,598**	**166,857**	**10,530**	**3,482,744**
Amortization of prepaid lease payments	**14,294**	**6,227**	**924**	**-**	**2,080**	**23,525**
Loss/(gain) on disposal of property, plant and equipment, net	**47,581**	**2,148**	**-**	**71**	**(61)**	**49,739**
Impairment of inventories	**1,158**	**-**	**-**	**-**	**-**	**1,158**

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

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

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

All revenues from external customers are generated from the PRC. Except that certain cash and bank balances (including the net proceeds from rights issue) equivalent to RMB4,041,450,000 were deposited in certain banks in Hong Kong as at 31 December 2017 (2016: RMB265,355,000), substantially all of the Group's assets, liabilities and capital expenditure are located or utilized in the PRC.

The Group's major customers are regional and provincial power grid companies. For the year ended 31 December 2017, the Group's external revenue amounting to RMB15,406,202,000 (2016: RMB15,031,224,000) was generated from four (2016: four) major customers, each of which accounted for 10% or more of the Group's external revenue.

3 Other income

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

Note:

To support the development of the hydropower industry and standardize the VAT policies applicable to large-scale hydropower companies, in February 2014, the Ministry of Finance and State Administration of Taxation jointly released Caishui [2014] No. 10 ("Circular 10"). Circular 10 specify that hydropower plants with installed capacity over 1 million kilowatt and selling self-produced electricity products could apply for VAT preferential policies. In respect of the period from 1 January 2016 to 31 December 2017, certain subsidiaries of the Group, being eligible enterprises, are entitled to a refund of the portion of actual VAT paid which exceeds 12% of the relevant revenue.

4 Other gains and losses, net

	2017	2016
	RMB'000	*RMB'000*
Amortization of deferred income	**4,269**	10,958
Government subsidies	**36,076**	23,268
Losses on disposal of property, plant and equipment, net	**(49,739)**	(9,358)
Fair value change on derivative financial instruments (Note 12)	**(110,547)**	105,631
Sales of unused power production quota	**46,604**	175,747
Profits on trading of coal, coal by-products and spare parts	**48,430**	46,215
Others	**(37,486)**	33,483
	(62,393)	385,944

5 Operating profit

Operating profit is stated after charging the following:

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

6 Finance income and finance costs

	2017	2016
	RMB'000	*RMB'000*
Finance income		
Interest income from bank deposits	**25,211**	15,455
Interest income from SPIC Financial Company Limited* ("SPIC Financial", formerly known as CPI Financial Company Limited*)	**1,043**	859
Interest income from a fellow subsidiary	**2,366**	89
Interest income from an associate	**11,793**	4,602
	40,413	21,005
Finance costs		
Interest expense on		
- bank borrowings	**1,673,094**	1,458,488
- long-term borrowings from related parties	**192,648**	196,793
- short-term borrowings from related parties	**74,964**	16,753
- long-term other borrowings	**122,571**	149,239
- short-term other borrowings	**17,835**	52,823
- amounts due to related parties	**3,093**	1,894
- obligations under finance leases	**41,494**	70,617
- provisions for other long-term liabilities (Note 18)	**87,119**	87,090
	2,212,818	2,033,697
Less: amounts capitalized	**(252,621)**	(164,538)
	1,960,197	1,869,159
Exchange (gains)/losses, net	**(104,594)**	198,807
	1,855,603	2,067,966

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

7 Income tax expense

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

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

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

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

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

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

As at 31 December 2017, two subsidiaries of the Group had investment tax credits ("Tax Credits") with an accumulated amount of RMB189,308,000 (2016: RMB189,308,000) of which RMB103,983,000 (2016: RMB103,983,000) were utilized against their income tax charges since the granting of such Tax Credits. The Tax Credits are calculated based on 10% of the purchase price of specific environmental friendly, water- and energy-saving, safety enhanced facilities used in the Group's coal-fired power business. The Tax Credits are recognized as a reduction of current income tax when they are realized. The portion of Tax Credits that has not been utilized can be carried forward over a period of no more than five years.

8 Earnings per share

(a) Basic

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

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

(b) Diluted

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

For the years ended 31 December 2017 and 2016, the Company has share options that are dilutive potential ordinary shares, and a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

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

Note:

The weighted average number of shares in issue, adjustment for share options and weighted average number of shares for the purpose of calculating diluted earnings per share have been adjusted for the effect of rights issue of the Company on 15 December 2017 (Note 14), and their comparative figures for 2016 have been restated accordingly.

9 Property, plant and equipment

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**70,886,660**	68,130,725
Additions and transfer from prepayments (note)	**7,921,614**	6,043,494
Acquisition of assets through acquisition of a subsidiary	**-**	137,316
Disposals (note)	**(206,708)**	(142,742)
Depreciation charge for the year	**(3,482,744)**	(3,282,133)
At 31 December	**75,118,822**	70,886,660

Note:

For the year ended 31 December 2017, disposals (2016: additions) in the property, plant and equipment included a reversal of provisions (2016: recognition of provisions) for inundation compensation caused by the construction of two hydropower plants of the Group. Management has reviewed and performed assessment on such provisions to reflect the current best estimate, and a reversal of provisions of RMB141,339,000 was made as a cost deduction for the year ended 31 December 2017 (2016: a recognition of provisions of RMB157,243,000 as a cost addition) (Note 18).

10 Available-for-sale financial assets

	2017	2016
	RMB'000	*RMB'000*
Unlisted equity investments in the PRC – at cost	**175,442**	175,442
Equity securities listed in the PRC – at fair value		
- Shanghai Electric Power Co., Ltd.* ("Shanghai Power")	**3,320,491**	4,410,367
	3,495,933	4,585,809
Market value of equity securities listed in the PRC	**3,320,491**	4,410,367

11 Accounts receivable

	2017	2016
	RMB'000	*RMB'000*
Accounts receivable from regional and provincial power grid companies (notes (a) and (b))	**3,057,995**	2,119,135
Accounts receivable from other companies (note (a))	**6,785**	14,047
	3,064,780	2,133,182
Notes receivable (note (c))	**166,543**	212,812
	3,231,323	2,345,994
Analyzed for reporting purpose as:		
- Non-current (included in other non-current assets) (note (b))	**588,940**	-
- Current	**2,642,383**	2,345,994
	3,231,323	2,345,994

Notes:

(a) The ageing analysis of the accounts receivable presented based on invoice date is as follows:

	2017	2016
	RMB'000	*RMB'000*
1 to 3 months	**2,564,247**	1,983,371
4 to 6 months	**207,592**	95,590
7 to 12 months	**227,448**	54,221
Over 1 year	**65,493**	-
	3,064,780	2,133,182

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

(b) As at 31 December 2017, accounts receivable that were past due but not impaired amounted to RMB500,533,000 (2016: RMB149,811,000), which mainly represented the clean energy power price premium receivables for wind and photovoltaic power projects.

As at 31 December 2017, accounts receivable from regional and provincial power grid companies include clean energy power price premium receivable of RMB724,378,000 (2016: RMB230,286,000), which are wind and photovoltaic power price premium receivable.

The clean energy power price premium, which is a component of the government-approved on-grid tariff for wind and photovoltaic power generation, is recognized as revenue from sales of electricity in the consolidated income statement of the Group for its wind and photovoltaic power projects.

As for the collection of the price premium, the PRC government is responsible to collect and allocate the fund and make settlement through State-owned grid companies to power plants. The financial resource for the clean energy power price premium is the national renewable energy fund that accumulated through a special levy on the consumption of electricity. Pursuant to Caijian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy ("可再生能源電價附加補助資金管理暫行辦法") jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration in March 2012, the standardized application and approval procedures on a project by project basis for the settlement of the tariff premium came into force since 2012, and such applications are accepted and approved batch by batch at intervals.

Based on the above, certain of the Group's wind and photovoltaic power projects are entitled to apply and the directors estimated that the approval will be obtained after 31 December 2018, therefore the corresponding premium receivables are estimated to be recovered after twelve months from the reporting date and are discounted at an effective annual interest rate of 4.75% to RMB588,940,000.

(c) As at 31 December 2017, notes receivable were bank acceptance notes issued by third parties and were normally with maturity period of 360 days (2016: 180 days).

(d) As at 31 December 2017, certain bank borrowings and long-term borrowings from SPIC Financial 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 2017 amounted to RMB1,125,299,000 (2016: RMB1,125,880,000).

12 Derivative financial instruments

	2017	2016
	RMB'000	*RMB'000*
Derivative financial instruments – current assets	**-**	308,471

These derivative financial instruments were not designated as hedging instruments in accordance with HKAS 39. For the year ended 31 December 2017, a fair value change on termination of the derivative financial instruments of RMB110,547,000 (2016: a fair value change of RMB105,631,000) was recognized in the consolidated income statement as other losses (2016: other gains) (Note 4).

Derivative financial instruments represented the two option contracts which the Company entered into in 2015 to hedge the foreign currency risk for the short-term USD commercial notes issued by the Company in July 2014. Upon the termination of the derivative financial instruments in June 2017, the Group had realized an accumulated pre-tax gain of RMB56,167,000 when comparing the proceeds of RMB197,924,000 on termination with the acquisition costs of RMB141,757,000 for the two option contracts.

13 Cash and cash equivalents

	2017	2016
	RMB'000	*RMB'000*
Cash at banks and in hand (note (a))	**4,375,035**	1,275,235
Deposits at SPIC Financial (note (b))	**202,751**	534,180
	4,577,786	1,809,415

Notes:

(a) As at 31 December 2017, balance of the Group's cash at banks included net proceeds from the rights issue of HK$4,411,284,000 (equivalent to RMB3,734,047,000) (Note 14).

(b) The Group's cash at banks and deposits at SPIC Financial are interest bearing at rates ranged from 0.30% to 4.30% (2016: ranged from 0.30% to 1.35%) per annum.

14 Share capital

On 15 December 2017, the Company allotted and issued 2,451,721,580 new shares on the basis of one rights share for every three then existing shares 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 (the "Rights Issue"). Dealings in the rights shares, in their fully-paid form, commenced on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 18 December 2017. The gross proceeds and net 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) (Note 13) respectively.

15 Borrowings from related parties

	2017	2016
	RMB'000	*RMB'000*
Non-current		
Long-term borrowings from State Power Investment Corporation Limited ("SPIC") (note (a))	**5,374,111**	4,594,111
Long-term borrowings from SPIC Financial (note (b))	**1,358,600**	369,400
Less: Current portion of long-term borrowings from SPIC (note (a))	**(3,894,111)**	-
Less: Current portion of long-term borrowings from SPIC Financial (note (b))	**(800)**	(800)
	2,837,800	4,962,711
Current		
Short-term borrowings from SPIC Financial	**-**	100,000
Short-term borrowings from SPIC (note (c))	**1,750,000**	-
Short-term borrowings from a fellow subsidiary (note (d))	**410,195**	400,000
Current portion of long-term borrowings from SPIC (note (a))	**3,894,111**	-
Current portion of long-term borrowings from SPIC Financial (note (b))	**800**	800
	6,055,106	500,800
	8,892,906	5,463,511

Notes:

(a) The long-term borrowings from SPIC are unsecured, interest bearing at rates ranged from 2.88% to 5.58% (2016: ranged from 2.88% to 5.58%) per annum and are wholly repayable within 5 years.

(b) The long-term borrowings from SPIC Financial of RMB8,600,000 (2016: RMB9,400,000) are secured against the rights on accounts receivable of a subsidiary of the Group, interest bearing at 4.41% (2016: 4.41%) per annum. The remaining balances are unsecured and interest bearing at rates ranged from 3.92% to 4.28% (2016: ranged from 3.92% to 4.28%) per annum.

(c) The short-term borrowings from SPIC as at 31 December 2017 are unsecured, interest ranged from 2.94% to 4.45% per annum and repayable within one year.

(d) The short-term borrowings from a fellow subsidiary as at 31 December 2017 are unsecured, interest bearing at 4.35% (2016: 4.35%) per annum and repayable within one year.

16 Other borrowings

	2017	2016
	RMB'000	*RMB'000*
Non-current		
Corporate bonds issued by:		
- the Company (note (a))	**-**	2,000,000
- a subsidiary (note (b))	**999,544**	998,514
	999,544	2,998,514
Less: Current portion of corporate bonds issued by the Company (note (a))	**-**	(2,000,000)
	999,544	998,514
Current		
Corporate bonds issued by the Company reclassified as current (note (a))	**-**	2,000,000
Short-term other borrowings:		
- Short-term debentures issued by a subsidiary	**-**	500,000
- Commercial notes (note (c))	**-**	2,081,100
- Short-term commercial papers issued by the Company (note (d))	**-**	2,000,000
	-	6,581,100
	999,544	7,579,614

Notes:

(a) Balance as at 31 December 2016 represented unsecured RMB denominated corporate bonds of RMB2,000,000,000, which were issued by the Company in May 2014 for a term of three years at an interest rate of 4.50% per annum. The amount was fully redeemed and settled upon maturity in May 2017.

(b) Balance represents certain long-term corporate bonds issued by Wu Ling Power Corporation* ("Wu Ling Power") for a term of ten years from April 2009 which are interest bearing at 4.60% per annum. These bonds are guaranteed by SPIC.

(c) Balance as at 31 December 2016 represented USD denominated commercial notes which the Company may issue to institutional accredited investors in the United States with an aggregate amount of not more than USD300,000,000 for a 3-year period starting 8 July 2014. These commercial notes do not bear nominal interest rates but were issued at discount rates ranged from 1.35% to 1.42% (2016: ranged from 0.85% to 1.40%) during the year ended 31 December 2017 and were fully redeemed and settled upon maturity in July 2017.

The incidental costs arising from issue of commercial notes for the year ended 31 December 2017 amounted to RMB7,696,000 (2016: RMB16,555,000).

(d) Balance as at 31 December 2016 represented 2016 first tranche of the short-term commercial paper of RMB2,000,000,000 issued by the Company in October 2016 for a term of one year at an interest rate of 2.80% per annum. The short-term commercial paper was unsecured and denominated in RMB and was fully repaid upon maturity in October 2017.

17 Obligations under finance leases

	2017	2016
	RMB'000	*RMB'000*
Obligations under finance leases	**1,116,174**	1,181,315
Less: Current portion of obligations under finance leases	**(430,759)**	(430,281)
Non-current portion of obligations under finance leases	**685,415**	751,034

18 Provisions for other long-term liabilities

Provisions for other long-term liabilities in relation to provisions for compensations for inundation caused by the construction of two hydropower plants of the Group.

The provisions are measured at the present value of the expenditures expected to be required to settle the 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 the two hydropower plants, using a pre-tax discount rate that reflects current assessments of the time value of money and the risks specific to the compensations. The increase in the provisions due to the passage of time is recognized as interest expense.

Analysis of the provisions for compensations for inundation as at 31 December 2017 and 2016 is as follows:

	2017	2016
	RMB'000	*RMB'000*
Non-current liabilities (included in provisions for other long-term liabilities)	**834,886**	1,030,125
Current liabilities (included in other payables and accrued charges)	**213,439**	134,230
	1,048,325	1,164,355

The movements of the provisions for compensations for inundation during the years ended 31 December 2017 and 2016 is as follows:

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**1,164,355**	1,024,921
(Reversal)/recognition during the year (Note 9)	**(141,339)**	157,243
Interest expense (Note 6)	**87,119**	87,090
Payment	**(61,810)**	(104,899)
At 31 December	**1,048,325**	1,164,355

19 Accounts and bills payables

	2017	2016
	RMB'000	*RMB'000*
Accounts payable (note (a))	**929,460**	590,222
Bills payable (note (b))	**186,888**	376,927
	1,116,348	967,149

Notes:

(a) The normal credit period for accounts payable generally ranges from 60 to 180 days. The ageing analysis of the accounts payable presented based on invoice date is as follows:

	2017	2016
	RMB'000	*RMB'000*
1 to 6 months	**878,418**	539,937
7 to 12 months	**16,261**	5,599
Over 1 year	**34,781**	44,686
	929,460	590,222

(b) As at 31 December 2017, bills payable are bills of exchange with maturity period ranged from 3 to 12 months (2016: ranged from 3 to 12 months).

BUSINESS REVIEW

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

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

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

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

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

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

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

Power Generation and Electricity Sold

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

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

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

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

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

Heat Sold

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

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

Direct Power Supply

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

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

On-Grid Tariff

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

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

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

The Group will continue to closely monitor the 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 increase revenue.

Unit Fuel Cost

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

Coal Consumption

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

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

Utilization Hours of Power Generating Units

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

OPERATING RESULTS OF 2017

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

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

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

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

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

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

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

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

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

Revenue

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

Segment Information

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

Operating Costs

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

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

Operating Profit

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

Finance Costs

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

Share of Profits of Associates

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

Share of Profits of Joint Ventures

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

Income Tax Expense

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

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

Earnings per Share and Final Dividend

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

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

ATTRIBUTABLE INSTALLED CAPACITY

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

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

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

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

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

Note: Apart from the above additional power generating units, as compared to the previous year, the Group recorded a net increase in attributable installed capacity of 323MW when accounted for (i) the attributable installed capacity of 22.5MW from the second phase of photovoltaic power station of an associate, Changshu Power Plant, commencing commercial operation, (ii) the shutting down of a generating unit of 310MW in Yaomeng Power Plant, and (iii) the changes in the installed capacity of Shanghai Power.

PROJECTS UNDER CONSTRUCTION

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

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

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

NEW DEVELOPMENT PROJECTS

In response to the national supply-side reform, the Group strives to develop clean energy projects, and appropriately adjusts the development and construction of coal-fired power projects and controls the relevant capital expenditure. The Group plans to slow down the construction of certain coal-fired power generating units and suspend certain development plans of coal-fired power generating units.

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

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

AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

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

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

LIQUIDITY, CASH FLOWS AND FINANCIAL RESOURCES

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

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

- Net cash generated from operating activities amounted to RMB3,132,196,000 (2016: RMB6,116,849,000).

- Net cash used in investing activities amounted to RMB6,284,724,000 (2016: RMB8,438,661,000), which mainly represented the cash outflow of capital expenditure on the Group's property, plant and equipment and prepayments for construction of power plants.

- Net cash generated from financing activities amounted to RMB5,982,086,000 (2016: RMB2,625,676,000). The significant increase in cash inflow, as compared with the previous year, was mainly attributable to (i) the increase in net cash inflow from debts and (ii) the net of expenses proceeds of RMB3,734,047,000 from the Company's Rights Issue made on 15 December 2017 for funding the acquisitions as mentioned in section "Material Acquisitions and Disposals" above.

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

DEBTS

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

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

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

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

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

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

The above debts were repayable as follows:

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

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

SIGNIFICANT FINANCING ACTIVITIES

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

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

CAPITAL EXPENDITURE

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

PLEDGE OF ASSETS

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

CONTINGENT LIABILITIES

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

RISK MANAGEMENT

The Group has implemented all-rounded risk management, and has established a systematic and comprehensive risk management mechanism and internal control system. The Group sets up a risk management committee which is accountable and responsible to the Board and to assist the Board in providing leadership, direction and oversight with regard to the overall risk appetite and tolerance and risk management framework of the Group, including risk policies, processes and controls. The Group also has an internal audit department in place for execution and implementation of risk management measures. The Group's risk management report for the year 2017 will be published in the coming annual report.

FOREIGN EXCHANGE RATE RISKS

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

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

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

FUNDING RISKS

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

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

ENERGY SAVING AND EMISSION REDUCTION

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

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

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

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

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

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

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

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

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

OPERATIONAL SAFETY

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

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

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

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

EMPLOYEES AND REMUNERATION POLICIES

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

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

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

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

EVENTS AFTER THE REPORTING PERIOD

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

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

OUTLOOK FOR 2018

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

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

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

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

The Group's key works in 2018 include:

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

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

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

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

REVIEW OF FINANCIAL STATEMENTS BY AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee"), which comprises three independent non-executive Directors, has discussed and reviewed with the management and the auditors of the Company, Messrs. Deloitte Touche Tohmatsu, the annual results and the consolidated financial statements for the year ended 31 December 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2017.

CORPORATE GOVERNANCE

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 management on abiding by the standards of corporate governance, as well as our willingness to maintain transparency and accountability to maximize the value of our shareholders as a whole.

Except for the deviation from the code provision of E.1.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the "Code") (as stated below), the Company had strictly complied with the code provisions of the Code in 2017.

According to the Code provision E.1.2, chairman of the board should attend the annual general meeting. Mr. Wang Binghwa, the then Chairman of the Board was unable to attend the Company's annual general meeting held on 6 June 2017. He had arranged Mr. Yu Bing, the executive Director and President of the Company at that time to attend and chair the general meeting.

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 entire year of 2017.

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 2017 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
Yu Bing
Chairman

Hong Kong, 22 March 2018

As at the date of this announcement, the directors of the Company are: executive directors Yu Bing and Tian Jun, non-executive directors Guan Qihong and Wang Xianchun, and independent non-executive directors Kwong Che Keung, Gordon, Li Fang and Yau Ka Chi.