大唐国际发电股份有限公司
**DATANG INTERNATIONAL POWER GENERATION CO., LTD.**

*(a sino-foreign joint stock limited company incorporated in the People's Republic of China)*
**(Stock Code: 00991)**

# ANNOUNCEMENT OF 2017 ANNUAL RESULTS

**OPERATING AND FINANCIAL HIGHLIGHTS:**

| | For the year ended 31 December | | |
|---|---|---|---|
| | **2017** | 2016 | Change |
| | ***RMB million* (unless otherwise stated)** | *RMB million* (unless otherwise stated) | % (unless otherwise stated) |
| Operating revenue from continuing operations | **64,608** | 57,292 | 12.77 |
| Operating revenue from discontinued operations | **–** | 1,833 | (100.00) |
| Profit before tax from continuing operations | **3,324** | 8,441 | (60.62) |
| Net profit/(loss) attributable to equity holders of the Company | **1,708** | (2,754) | 162.02 |
| Net loss from discontinued operations attributable to equity holders of the Company | **–** | (6,026) | 100.00 |
| Basic earnings/(loss) per share *(RMB)* | | | |
| From continuing operations | **0.1283** | 0.2458 | (0.1175) |
| From discontinued operations | **–** | (0.4527) | 0.4527 |

The Board recommends the distribution of cash dividend for 2017 of RMB0.09 per share (tax inclusive).

## I. COMPANY RESULTS

The board of directors (the "**Board**") of Datang International Power Generation Co., Ltd. (the "**Company**") hereby announces the audited consolidated operating results of the Company and its subsidiaries (the "**Group**") prepared in conformity with International Financial Reporting Standards ("**IFRS**") for the year ended 31 December 2017 (the "**Year**"), together with the audited consolidated operating results of 2016 (the "**Previous Year**") for comparison. Such operating results have been reviewed and confirmed by the Company's audit committee (the "**Audit Committee**").

Operating revenue of the Group from continuing operations for the Year was approximately RMB64,608 million, representing an increase of approximately 12.77% as compared to the Previous Year. Profit before tax from continuing operations amounted to approximately RMB3,324 million, representing a decrease of approximately 60.62% as compared to the Previous Year. Basic earnings per share from continuing operations attributable to equity holders of the Company amounted to approximately RMB0.1283, while basic earnings per share from continuing operations attributable to equity holders of the Company amounted to approximately RMB0.2458 for the year 2016.

Net profit attributable to equity holders of the Company was approximately RMB1,708 million, while net loss attributable to equity holders of the Company for the year 2016 amounted to approximately RMB2,754 million.

## II. MANAGEMENT DISCUSSION AND ANALYSIS

### (I) Overview

The Company is one of the largest independent power generation companies in the People's Republic of China (the "**PRC**"). The power generation businesses of the Company and its subsidiaries cover 18 provinces, municipalities and autonomous regions across the country, whereby coal-fired power generators of the Company are centralised in Beijing-Tianjin-Hebei and southeast coastal areas, while most of the hydropower projects are located in the southwest region. Wind power and photovoltaic power projects are distributed across the country in areas with abundant resources.

In 2017, encountering complicated situations such as the in-depth advancing of the reform in power system and the severe condition regarding coal power maintenance, supply and price control, the Company insisted on pursuing value and efficiency orientation and scored remarkable achievements in various aspects, including production safety, development optimisation, capital operation, and energy conservation and emission reduction.

## (II) Review on the Operating Results of Principal Businesses

During the Year, the Company completed the power generation of 198,693.6 million kWh, representing an increase of 15.20% over the Previous Year. As of 31 December 2017, total consolidated assets of the Group amounted to approximately RMB235,932 million, representing a year-on-year increase of RMB2,467 million; total consolidated liabilities of the Group amounted to approximately RMB175,747 million, representing a year-on-year increase of RMB1,111 million.

1. Continuously strengthening production safety management and control. In 2017, the Company always maintains a high-tension safety management. The Company insists on controlling minor matters to prevent the occurrence of material matters, regarding attempts as realised matters, giving zero tolerance to potential safety hazards, strictly holding accountability and upgrading evaluation of safety issues. The Company has thoroughly implemented standardised team building, persistently strengthened the safety awareness and maintained a stable level of overall production safety, and fulfilled the power preservation tasks in the important timeframes, such as "Two Sessions" and the "Belt and Road Initiative" summit forums. In particular, the Company took the safe and stable supply of electric power for the 19th CPC National Congress as an opportunity for comprehensive inspection, rectification and improvement to promote the entire quality improvement in production safety. Six generating units from enterprises such as Inner Mongolia Datang International Tuoketuo Power Generation Company Limited, Zhejiang Datang International Wushashan Power Generation Company Limited, Tianjin Datang International Panshan Power Generation Company Limited and Zhangjiakou Power Plant of Datang International Power Generation Company Limited won awards in the national reliability units appraisal.

2. Significant results achieved in profitability. By leveraging on continuous benchmark surpassing, the Company significantly improved in major indicators such as profitability and power generation. Targeting on the benchmark, the Company strengthened regional benchmarking and same-type benchmarking and strived to seize all efficient market power. The Company proactively participated in market power competition, strengthened the marketing system, and continued to enhance its market competitiveness. Keeping on optimising fuel management and strengthening the coordination and synergy among specialized departments, the Company implemented regional centralized storage and transport to strive for improving market response capability. Also, the Company strengthened the comprehensiveness and rigidity of budget to strictly control the expenses of all items.

3. Consecutive breakthroughs achieved in optimised development. The Company positively promoted the implementation of key projects, and pursued the most favourable path for transformation and upgrading. During the reporting period, newly installed capacity of the Company was 3,695.5MW. In particular, the second 660MW power generating unit in Phase V of Tuoketuo Power Plant successfully commenced operation, making it the largest thermal power plant in the world; four 650MW power generating units in Changheba Hydropower Station commenced production, making it the largest hydropower station in service of the Company.

During the reporting period, projects of the Company with a total capacity of 1,102MW were approved, including wind power projects with a capacity of 1,029.8MW and photovoltaic power projects with a capacity of 72.2MW.

4. Steady advancement in capital operation. The Company optimised the structure of property rights and revitalised existing assets. During the reporting period, the Company has completed the equity transfer of equity interest it held in China Continent Property & Casualty Insurance Company Ltd. and entire equity interest it held in Chongqing Yuneng Yangzi Electricity Company Limited, which both gained good results. The Company successfully completed the non-public issuance of A-Shares and H-Shares, of which the approvals were obtained from the China Securities Regulatory Commission for the non-public issuance of H-Shares and A-Shares in September 2017 and March 2018 respectively. The Company has completed the issuance of H-Shares on 19 March 2018, issuing 2,794,943,820 H-Shares with gross proceeds of approximately HK$6,222 million raised; and has completed the issuance of A-Shares on 23 March 2018, issuing 2,401,729,106 A-Shares with gross proceeds of approximately RMB8,334 million raised. The Company won the "Gold Award for Company" and "Best Initiative Social Responsibility" from "The Asset" Magazine, and was listed on the "2017 Top 100 Companies in China" in China Business Top 100 Forum and "Top 100 Creditable PRC Listed Companies", and was awarded "Best Investor Relations" and "Best Annual Reports Design" from "China Financial Market" and won other awards.

5. Continuous optimisation in energy conservation and emission reduction indicators. During the reporting period, total coal consumption of the Company for power supply was 300.65g/kWh, representing a year-on-year decrease of 0.03g/kWh. Electricity consumption rate of power plants was 3.60%, representing a year-on-year increase of 0.05 percentage point. The equipment rate of dust removal, desulfurisation and denitrification of coal-fired power generating units of the Company reached 100%, much higher than the national average level. The operation rate of desulfurisation and denitrification amounted to 100.00% and 99.86%, respectively, while the performance of sulfur dioxide, nitrogen oxides, smoke ash and waste water were 0.09g/kWh, 0.13g/kWh, 0.02g/kWh and 0.026kg/kWh, respectively. During the year, the Company completed ultra-low emission transformation projects on 7 units and 66 coal-fired power generating units with capacity of 30,380MW in total, reaching 95.1% in transformation rate.

6. Constant improvement in corporate governance. The Company has clarified the statutory position of Party organisation in the corporate governance structure. The relevant matters were considered and approved by the Board and at the second extraordinary general meeting for the year 2017 of the Company.

### (III) Major Financial Indicators and Analysis

#### *1. Operating Revenue*

During the Year, the Group realized a consolidated operating revenue from continuing operations of approximately RMB64,608 million, representing an increase of approximately 12.77% over the Previous Year, among which, revenue from electricity sales increased by approximately RMB6,712 million over the Previous Year.

#### *2. Operating Costs*

During the Year, total operating costs of the Group relating to continuing operations amounted to approximately RMB56,768 million, representing an increase of approximately RMB12,644 million or 28.66% over the Previous Year. Among which, fuel cost accounted for approximately 57.76% of the operating costs, and depreciation cost accounted for approximately 19.84% of the operating costs.

#### *3. Net Finance Costs*

During the Year, finance costs of the Group relating to continuing operations amounted to approximately RMB5,909 million, representing an increase of approximately RMB310 million or approximately 5.54% over the Previous Year. The increase was primarily due to the inclusion of the interest expense of new operating units into the finance costs for the Year.

#### *4. Total Profit and Net Profit/Loss*

During the Year, the Group reported a total profit before tax from continuing operations amounting to approximately RMB3,324 million, representing a decrease of approximately 60.62% over the Previous Year. Net profit attributable to equity holders of the Company amounted to approximately RMB1,708 million, while net loss attributable to equity holders of the Company for the year 2016 amounted to approximately RMB2,754 million. The decrease in the Group's total profit before tax from continuing operations was mainly due to a significant year-on-year increase in unit price of standard coal for the current period.

Power generation segment of the Company realized a total profit of approximately RMB2,921 million, representing a year-on-year decrease of approximately RMB6,021 million.

## 5. *Financial Position*

As of 31 December 2017, total assets of the Group amounted to approximately RMB235,932 million, representing an increase of approximately RMB2,467 million over the Previous Year. The increase in total assets was mainly due to the new investments for the current period.

Total liabilities of the Group amounted to approximately RMB175,747 million, representing an increase of approximately RMB1,111 million over the Previous Year. The increase in total liabilities was mainly due to the increase in corresponding liabilities caused by the new investments for the current period.

Equity attributable to equity holders of the Company amounted to approximately RMB41,759 million, representing an increase of approximately RMB1,775 million over the Previous Year. Net asset value per share attributable to equity holders of the Company amounted to approximately RMB3.14, representing an increase of approximately RMB0.14 per share over the Previous Year.

## 6. *Liquidity*

As of 31 December 2017, the assets-to-liabilities ratio of the Group was approximately 74.49%. The net debt-to-equity ratio (i.e. (loans + short-term bonds + long-term bonds – cash and cash equivalents)/total equity) was approximately 224.87%.

As at 31 December 2017, cash and cash equivalents of the Group amounted to approximately RMB4,192 million, among which deposits equivalent to approximately RMB55 million were foreign currency deposits. The Group had no entrusted deposits and overdue fixed deposits during the Year.

As at 31 December 2017, short-term loans of the Group amounted to approximately RMB24,441 million, bearing annual interest rates ranging from 2.46% to 4.35%. Long-term loans (excluding those repayable within one year) amounted to approximately RMB88,413 million and long-term loans repayable within one year amounted to approximately RMB11,233 million. Long-term loans (including those repayable within one year) were at annual interest rates ranging from 2.70% to 6.22%. Loans equivalent to approximately RMB458 million were denominated in US dollar. The Group paid close attention to foreign exchange market fluctuations and cautiously assessed risks.

### *7. Welfare policy*

As of 31 December 2017, the staff of the Group totaled 20,242. The Group has adopted the basic salary system focusing on the basis of position-points salary distribution and a variety of incentive mechanisms so as to attract and retain talents. By leveraging on implementing policies such as providing allowance for employees who work in remote and underdeveloped areas, high-temperature conditions and allowance for team leaders, the Company continued to take medium-and-long-term incentives mechanisms, persisted in the value orientation of being in favor of enterprises in underdeveloped and remote areas with good performance and high efficiency for distribution of total salaries, while being in favor of employees who work in first-line production and key positions for the internal income distribution. Performance assessment and appraisal system has been established and improved for enterprises, persons in charge and employees, the Company kept on striving for strengthening performance assessment by taking full advantages of remuneration incentives. In 2017, the Company conducted systematic training for 377,668 person-times, a total of 1,387 employees passed professional and technical qualification assessments, of whom 147 received senior titles; 620 received intermediate titles; and 620 received junior titles. 6 people obtained senior technician qualification with the total accumulated number of 216 and 99 acquired technician qualification with the total accumulated number of 1,303.

## (IV) Outlook for 2018

In 2018, by insisting on upholding the "value-based mindset and efficiency orientation", and the main quest of comprehensive quality improvement with a focus on boosting quality and efficiency in development, the Company will continue to enhance safety management and control, competitive advantage, assets quality, governance capability and team quality, so as to step up efforts in building a comprehensive power source listed company in the industry with world-class standard.

### *1. Accelerate the overall quality improvement in production safety*

Earnestly implement the spirit of the 19th CPC National Congress and adhere to the concept of safe development. The Company will maintain a high-tension safety management and insist on implementing the requirement of "controlling minor matters to prevent the occurrence of material matters" by sticking to strict upgrading assessments and management, and supervising personnel at all levels to performance their responsibilities of safety. Second, the Company will continue to comprehensively solidify the foundation of production safety and improve the entire safety awareness and skills. Third, keeping on promoting the governance of energy saving and environmental protection, also, the Company will enhance bottom-line and red-line awareness of resource and environment with a focus on the overall management of emission reduction and environmental protection. Fourth, the Company will speed up the improvement of production and further strengthen the efforts in optimisaion of operation, inspection and repair to ensure safe, reliable and efficient operation of the equipment of generating units, with an aim for achieving outstanding performance in various production indicators.

### *2. Strive to improve profitability*

Persisting in benchmark surpassing and targeting on the market, the Company will spare no efforts to increase power generation, lower coal price and control costs. In respect of the increase in power generation, being a pioneer for adapting to the reform and market, the Company will deepen the study of the policy trend of power system reform, continue to keep efficiency orientation to proactively seize all efficient substituting generation output while focusing on internal optimising adjustment. In term of lowering coal price, leveraging on the profound understanding of "cutting excess capacity" policy of coal industry, the Company will improve the coordination and communication with governments and companies, positively respond to the market, consolidate both external coordination and synergy and internal potentials, so as to lower coal price through multiple measures. As for cost control, we will improve the level of dedicate management, strictly control the costs and expenses, and strive for preferential policies.

### *3. Committed to ensuring sustainable development*

Committed to promoting healthy and sustainable development of the Company with innovative thinking and methods. First, Company will constantly strengthen innovative development concept by enhancing the expansion of new concept and ideas, meanwhile, application of new technologies and equipment such as multiple-energy resource supplementation and energy storage will be comprehensively strengthened during the development of existing and planned projects. Second, with the constantly enhanced concept of green development, the Company will step up its efforts to promote the implementation of high-quality new energy projects; proactively march forward to the forefront of industrial chain of offshore wind power and solar thermal energy, and effectively increase the proportion of non-water renewable energy of the Company and improve its competitiveness in electricity market. Third, aim for creating more profit growth points for the Company, efforts in the construction of boutique projects will be strengthened with comprehensive emphasises on the management and control of safety, quality, construction period and cost. Upon the completion of the equity transfer between China Datang Corporation Ltd. and the Company regarding the equity in Datang Heilongjiang Power Generation Co., Ltd., Datang Anhui Power Generation Co., Ltd. and Datang Hebei Power Generation Co., Ltd., the Company's total installed capacity will be increased by 13,073MW. It is expected that 3,005MW will be put into production of the constructions in progress of the Company in 2018.

### *4. Further improvement in the capability of corporate governance*

The Company will improve the efficiency of management and control, and comprehensively enhance the lawful corporate governance system "based on systematic management, adhering to the rules and implemented according to the process" with the overall innovation in mechanism and process to ensure the implementation of responsibilities, management and control in place. Moreover, the Company will step up its capital operations and put more efforts in analysis and research on the capital market and power industry for proactive exploration for diversified financing models. Last but not least, the Company will reinforce its market value management by establishing a strategy for it to realize corporate value creation, boost investor confidence, build the "Datang Power" brand and continuously stimulate the vitality as a listed company.

## III. SHARE CAPITAL AND DIVIDENDS

### 1. Share Capital

As at 31 December 2017, the total share capital of the Company amounted to 13,310,037,578 shares. The Company has completed the non-public issuance of H-Shares and A-Shares on 19 March 2018 and 23 March 2018 respectively, issuing 2,794,943,820 H-Shares and 2,401,729,106 A-Shares respectively. As at the date of this announcement, the Company's total issued shares amounted to 18,506,710,504 shares, divided into 12,396,089,106 A-Shares and 6,110,621,398 H-Shares respectively, of a nominal value of RMB1 per share.

### 2. Dividends

The Board proposes that based on the Company's total share capital (as at the date of this announcement, the Company's total share capital was 18,506,710,504 shares), distributing a cash dividend of RMB0.09 per share (tax inclusive) to all shareholders and the total amount of the proposed cash dividends to be distributed is approximately RMB1,666 million.

The above proposal is subject to the consideration and approval by the shareholders of the Company at the general meeting of the Company.

### 3. Shareholding of the Directors and Supervisors

As of 31 December 2017, save as disclosed below and to the knowledge of the Board, none of the directors (the "**Directors**"), supervisors (the "**Supervisors**") and chief executives of the Company nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (as defined in the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) that were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO, or required to be recorded in the register mentioned in the SFO pursuant to section 352 of the SFO or otherwise required to be complied with the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**").

| Name of Director | Long Position/ Short Position | Identity/ Nature of equity | Number of A-Shares held | Approximate percentage to issued shares of the Company |
|---|---|---|---:|---:|
| Mr. Liu Jizhen | Long Position | Beneficial interest | 9,100 | 0.000068% |

## IV. SIGNIFICANT EVENTS

1. Upon approval of the Board, Mr. Duan Zhongmin and Mr. Ying Xuejun started serving as deputy general managers of the Company from 6 January 2017.

2. On 31 March 2017, the Company convened the extraordinary general meeting and class meetings to consider and approve the proposal for the non-public issuance of A-Shares and H-Shares. The approvals from the China Securities Regulatory Commission for the non-public issuance of H-Shares and A-Shares were obtained in September 2017 and March 2018, respectively. The Company has completed the non-public issuance of H-Shares on 19 March 2018, issuing 2,794,943,820 H-Shares with gross proceeds of approximately HK$6,222 million raised; and has completed the non-public issuance of A-Shares on 23 March 2018, issuing 2,401,729,106 A-Shares with gross proceeds of approximately RMB8,334 million raised.

3. On 15 August 2017, the Company convened the second extraordinary general meeting and considered and approved the "Resolution on the Amendments to the Articles of Association of Datang International Power Generation Co., Ltd." to clarify the legal status of Party organization in the corporate governance structure.

4. On 6 December 2017, the Company entered into the "Equity Transfer Agreement between China Datang Corporation Ltd. and Datang International Power Generation Co., Ltd. Regarding the Equity in Datang Heilongjiang Power Generation Co., Ltd., Datang Anhui Power Generation Co., Ltd. and Datang Hebei Power Generation Co., Ltd." with China Datang Corporation Ltd. to acquire the 100% equity interest of Datang Hebei Power Generation Co., Ltd., the 100% equity interest of Datang Heilongjiang Power Generation Co., Ltd. and 100% equity interest of Datang Anhui Power Generation Co., Ltd. held by China Datang Corporation Ltd. at the aggregate consideration of RMB18,127.5115 million. The above transaction was considered and approved at the 2018 first extraordinary general meeting of the Company convened on 16 March 2018 and it is expected that completion will take place in April 2018.

5. On 19 January 2018, the Company has completed the issuance of "The First Tranche of Datang International Power Generation Co., Ltd.'s Super Short-term Debentures in 2018" and the issuance amount was RMB3.0 billion with a maturity of 175 days. The unit nominal value is RMB100 and the coupon rate is at 5.10%.

6. Pursuant to the "Resolution on the Change of Directors of the Company" considered and approved at the 2018 first extraordinary general meeting of the Company held on 16 March 2018, Mr. Zhang Ping and Mr. Jin Shengxiang were appointed as directors of the ninth session of the Board of the Company in replacement of Mr. Liu Haixia and Ms. Guan Tiangang.

## V. PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, the Group did not purchase, sell or redeem any of the Company's listed securities.

## VI. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

To the knowledge of the Board, the Company complied with all the code provisions under the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Listing Rules for the Year, except for the following:

During the Year, the legal action which the Directors may face is covered in the internal risk management and control of the Company. As the Company considers that no additional risk exists, insurance arrangements for Directors have not been made as required under code provision A.1.8 of the Code.

During the Year, the Nomination Committee, the Remuneration and Appraisal Committee, the Audit Committee as well as the Strategic Development and Risk Control Committee set up by the Company carried out their work in accordance with their respective terms of reference. Their terms of reference have covered the responsibilities to be performed as required by the code provisions A.5.2, B.1.2 and C.3.3 of the Code. The only discrepancies between such terms of reference and the afore-said code provisions were the expressions or sequence.

## VII. COMPLIANCE OF THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code.

Upon specific enquiries made to all Directors and in accordance with information provided, the Board confirmed that all Directors and Supervisors have complied with the Model Code during the Year.

## VIII. AUDIT COMMITTEE

The Audit Committee has reviewed the accounting standards adopted by the Group with the management of the Company. They have also discussed matters regarding internal control and the financial statements, including the review of the audited consolidated financial statements for the Year.

The Audit Committee considers that the 2017 annual financial report of the Group has complied with the applicable accounting standards, and that the Group has made adequate disclosures thereof.

Announcement is hereby given.

By Order of the Board
**Ying Xuejun**
*Company Secretary*

Beijing, the PRC, 29 March 2018

*As at the date of this announcement, the Directors of the Company are:*

*Chen Jinhang, Liu Chuandong, Wang Xin, Liang Yongpan, Ying Xuejun, Zhu Shaowen, Cao Xin, Zhao Xianguo, Zhang Ping, Jin Shengxiang, Liu Jizhen*, Feng Genfu*, Luo Zhongwei*, Liu Huangsong* and Jiang Fuxiu*.*

* *Independent non-executive Directors*

## A. FINANCIAL INFORMATION EXTRACTED FROM FINANCIAL STATEMENTS PREPARED UNDER IFRS

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 DECEMBER 2017*

| | *Note* | **2017** | 2016 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **Continuing operations** | | | |
| **Operating revenue** | 5 | **64,607,755** | 57,291,557 |
| **Operating costs** | | | |
| Fuel for power and heat generation | | **(32,750,284)** | (21,976,278) |
| Fuel for coal sales | | **(37,188)** | (284,568) |
| Depreciation | | **(11,263,255)** | (10,787,520) |
| Repairs and maintenance | | **(1,648,112)** | (1,445,837) |
| Salaries and staff welfare | | **(3,435,244)** | (3,386,599) |
| Local government surcharges | | **(864,100)** | (735,105) |
| Others | | **(6,769,970)** | (5,508,282) |
| **Total operating costs** | | **(56,768,153)** | (44,124,189) |
| **Operating profit** | | **7,839,602** | 13,167,368 |
| Shares of profits of associates | | **1,044,591** | 363,200 |
| Shares of (losses)/profits of joint ventures | | **(134,976)** | 698,246 |
| Investment income | | **167,976** | 174,066 |
| Other gains/(losses) | | **266,625** | (407,321) |
| Interest income | | **49,311** | 44,251 |
| Finance costs | 7 | **(5,908,857)** | (5,598,543) |
| **Profit before tax from continuing operations** | | **3,324,272** | 8,441,267 |
| Income tax (expense)/credit | 8 | **(878,419)** | 761,946 |
| **Profit for the year from continuing operations** | | **2,445,853** | 9,203,213 |
| **Discontinued operations** | | | |
| Loss for the year from discontinued operations | 3 | **–** | (7,317,892) |
| **Profit for the year** | | **2,445,853** | 1,885,321 |

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **Other comprehensive income:** | | | |
| *Items that may be reclassified to profit or loss:* | | | |
| Fair value gain on available-for-sale financial assets | | **88,885** | 24,944 |
| Shares of other comprehensive income of associates | | **(19,948)** | (44,136) |
| Exchange differences on translating foreign operations | | **(5,042)** | (5,771) |
| Income tax on items that may be reclassified to profit or loss | | **158** | (6) |
| **Other comprehensive income for the year, net of tax** | | **64,053** | (24,969) |
| **Total comprehensive income for the year** | | **2,509,906** | 1,860,352 |
| **Profit/(loss) for the year attributable to:** | | | |
| Owners of the Company | | **1,708,075** | (2,753,881) |
| Non-controlling interests | | **737,778** | 4,639,202 |
| | | **2,445,853** | 1,885,321 |
| **Total comprehensive income for the year attributable to:** | | | |
| Owners of the Company | | **1,772,128** | (2,778,850) |
| Non-controlling interests | | **737,778** | 4,639,202 |
| | | **2,509,906** | 1,860,352 |
| Proposed dividends | 9 | **1,665,604** | – |
| Dividends paid | | **–** | 2,262,706 |
| | | ***RMB*** | *RMB* |
| **Earnings/(loss) per share** | 10 | | |
| Basic and diluted | | | |
| From continuing and discontinued operations | | **0.13** | (0.21) |
| From continuing operations | | **0.13** | 0.24 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
*AT 31 DECEMBER 2017*

| | *Note* | **2017** | 2016 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **183,234,316** | 182,921,995 |
| Investment properties | | **610,583** | 549,727 |
| Intangible assets | | **1,977,645** | 1,988,652 |
| Development costs | | **1,822** | 21 |
| Investments in associates | | **14,417,605** | 8,562,286 |
| Investments in joint ventures | | **969,068** | 6,629,938 |
| Available-for-sale financial assets | | **4,905,913** | 4,991,091 |
| Long-term entrusted loans to an associate | | **11,307** | 25,188 |
| Deferred tax assets | | **3,637,796** | 3,420,216 |
| Other non-current assets | | **4,724,872** | 4,181,389 |
| **Total non-current assets** | | **214,490,927** | 213,270,503 |
| **Current assets** | | | |
| Inventories | | **2,916,823** | 2,766,573 |
| Accounts and notes receivables | 11 | **9,948,715** | 8,003,721 |
| Prepayments and other receivables | | **3,537,772** | 4,416,631 |
| Tax recoverable | | **217,625** | 367,970 |
| Current portion of long-term entrusted loans to an associate | | **122,079** | 100,000 |
| Current portion of other non-current assets | | **76,188** | 11,656 |
| Cash and cash equivalents and restricted deposits | | **4,621,714** | 4,528,367 |
| **Total current assets** | | **21,440,916** | 20,194,918 |
| **TOTAL ASSETS** | | **235,931,843** | 233,465,421 |

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | *RMB'000* | *RMB'000* |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | **13,310,038** | 13,310,038 |
| Reserves | | **22,562,282** | 31,160,431 |
| Retained earnings/(accumulated losses) | | | |
| Proposed dividends | 9 | **1,665,604** | – |
| Others | | **4,221,424** | (4,486,148) |
| | | **41,759,348** | 39,984,321 |
| Non-controlling interests | | **18,425,484** | 18,844,672 |
| **Total equity** | | **60,184,832** | 58,828,993 |
| **Non-current liabilities** | | | |
| Long-term loans | | **88,413,130** | 90,166,116 |
| Long-term bonds | | **15,444,381** | 15,426,755 |
| Deferred income | | **1,613,873** | 1,783,656 |
| Deferred tax liabilities | | **531,806** | 563,261 |
| Other non-current liabilities | | **7,060,243** | 9,331,062 |
| **Total non-current liabilities** | | **113,063,433** | 117,270,850 |
| **Current liabilities** | | | |
| Accounts payables and accrued liabilities | 12 | **22,508,332** | 20,396,471 |
| Taxes payables | | **910,687** | 887,815 |
| Dividends payables | | **301,547** | 633,461 |
| Short-term loans | | **24,441,440** | 11,010,175 |
| Short-term bonds | | **–** | 14,182,902 |
| Current portion of non-current liabilities | | **14,521,572** | 10,254,754 |
| **Total current liabilities** | | **62,683,578** | 57,365,578 |
| **Total liabilities** | | **175,747,011** | 174,636,428 |
| **TOTAL EQUITY AND LIABILITIES** | | **235,931,843** | 233,465,421 |
| **NET CURRENT LIABILITIES** | | **(41,242,662)** | (37,170,660) |

*Notes:*

## 1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**"). IFRSs comprise International Financial Reporting Standards ("**IFRS**"); International Accounting Standards ("**IAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). These consolidated financial statements have been prepared under the historical cost convention, other than certain available-for-sale financial assets that are measured at fair value. The accounting policies have been consistently applied to all the years presented, unless otherwise stated.

At 31 December 2017, a significant portion of the funding requirements of the Group for capital expenditures was satisfied by short-term borrowings. Consequently, at 31 December 2017, the Group had net current liabilities of approximately RMB41.24 billion (2016: RMB37.17 billion). The Group had significant undrawn borrowing facilities, subject to certain conditions, amounting to approximately RMB282.10 billion (2016: RMB292.97 billion) and may refinance and/or restructure certain short-term borrowings into long-term borrowings and will also consider alternative sources of financing, where applicable. The directors of the Company are of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months and have prepared these consolidated financial statements on a going concern basis.

## 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

### (a) Application of new and revised IFRSs

The IASB has issued a number of new and revised IFRSs that are first effective for annual periods beginning on or after 1 January 2017. Of these, the following new or revised IFRSs are relevant to the Group:

***Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative***

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

***Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses***

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses, for example, those on debt instruments measured at fair value. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The amendments had no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

**(b) New and revised IFRSs in issue but not yet effective**

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2017. These new and revised IFRSs include the following which may be relevant to the Group.

| | | **Effective for accounting periods beginning on or after** |
|---|---|---|
| IFRS 9 | Financial Instruments | 1 January 2018 |
| IFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| Amendments to IAS 40 | Investment Property: Transfers of investment property | 1 January 2018 |
| IFRS 16 | Leases | 1 January 2019 |
| IFRIC 23 | Uncertainty over Income Tax Treatments | 1 January 2019 |
| Amendments to IFRS 10 and IAS 28 | Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint venture | To be determined |

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

***IFRS 9 Financial Instruments***

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets and a new impairment model for financial assets.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

*(a)* *Classification and measurement*

The Group expects to irrevocably designate those listed and unlisted equity securities currently classified as available-for-sale as at fair value through other comprehensive income.

Fair value gains and losses on these instruments will no longer be recycled to profit or loss on disposal. Impairment losses on equity securities will no longer be recognised in profit loss but rather in other comprehensive income. In addition, the Group currently measures certain unlisted equity securities at cost less impairment. Under IFRS 9 these instruments will be measured at fair value.

*(b) Impairment*

IFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, if the Group were to adopt the new impairment requirements at 31 December 2017, there would not have significant impact on the accumulated impairment loss at that date as compared with that recognised under IAS 39.

***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

*(a) Timing of revenue recognition*

Currently, revenue from sales of electricity and heat represents the amount of tariffs billed for electricity and heat generated and transmitted to the respective power companies and heat supply companies, whereas revenue associated with sales of coal and other goods is recognised when the title to the goods has been passed to customers, which is the date when the goods are either picked up at site or free on board, or delivered to the designated locations and accepted by the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good in the contract. IFRS 15 identifies 3 situations in which control of the promised good is regarded as being transferred over time:

a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from sales of electricity and heat and revenue from sales of coal and other goods.

For contracts with customers in which the sales of electricity and heat and the sales of coal and other goods are generally expected to be the only performance obligation, adoption of IFRS 15 is not expected to have any impact on the Group's revenue or profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on the generation and transmission of electricity and heat and on delivery of the coal and other goods.

***IFRS 16 Leases***

IFRS 16 replaces IAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). IFRS 16 carries forward the accounting requirements for lessors in IAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property and machinery leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under IFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its office property and machinery amounted to RMB77,528 thousand as at 31 December 2017. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

*IFRIC 23 Uncertainty over Income Tax Treatments*

The interpretation of IAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

## 3. DISCONTINUED OPERATIONS

On 30 June 2016, the Company entered into a transfer agreement with Zhongxin Energy and Chemical Technology Company Limited ("**Zhongxin Energy and Chemical**"), a wholly-owned subsidiary of China Datang Corporation Limited (formerly known as China Datang Corporation), the controlling shareholder of the Company, under which the Company conditionally agreed to sell and Zhongxin Energy and Chemical conditionally agreed to acquire the Company's subsidiaries including wholly-owned subsidiaries, Datang Energy and Chemical Company Limited ("**Datang Energy and Chemical**"), Inner Mongolia Datang International Xilinhaote Brown Coal Integrated Development Company Limited ("**Xilinhaote Brown Coal Company**") and Inner Mongolia Datang International Xilinhaote Power Generation Company Limited and a 60%-owned subsidiary, Inner Mongolia Datang International Xilinhaote Mining Company Limited (collectively referred to as the "**Disposed Subsidiaries**"), and the assets of Inner Mongolia Keshiketeng Power Source Preliminary Project (collectively referred to as the "**Disposal Group**") at a consideration of RMB1 (the "**Disposals**"). In addition, the Company agreed to waive from repayment of certain entrusted loans provided by the Company to the Disposed Subsidiaries with an amount not exceeding RMB10 billion. The Disposals were completed on 31 August 2016. Details of the assets and liabilities disposed of, and the calculation of the loss on the Disposals are disclosed in note 4.

Datang Energy and Chemical and Xilinhaote Brown Coal Company were under chemical segment. The results of the discontinued operations included in the profit for the year ended 31 December 2016 are set out below.

| | *RMB'000* |
|---|---|
| **Loss for the year from discontinued operations:** | |
| Operating revenue | 1,832,762 |
| Operating costs | (3,983,878) |
| Interest income | 3,270 |
| Finance costs | (1,146,936) |
| Loss before tax | (3,294,782) |
| Income tax expense | (3,174) |
| Loss for the year | (3,297,956) |
| Loss on the disposal of operations | (4,019,936) |
| Loss for the year from discontinued operations | (7,317,892) |
| Loss for the year from discontinued operations attributable to: | |
| Owners of the Company | (6,025,980) |
| Non-controlling interests | (1,291,912) |
| | (7,317,892) |

## 4. MAJOR DISPOSALS OF SUBSIDIARIES

On 27 May 2017, the Group disposed of all its equity interest in a wholly-owned subsidiary, Chongqing Yuneng Yangzi Power Company Limited.

Net assets at the date of disposal were as follows:

| | ***RMB'000*** |
|---|---|
| Property, plant and equipment | **5,684** |
| Intangible assets | **12** |
| Inventories | **3** |
| Accounts receivables | **49** |
| Cash and cash equivalents | **40** |
| Long-term loan | **(2,900)** |
| Accounts payables and accrued liabilities | **(686)** |
| Taxes payables | **(44)** |
| Net assets disposed of | **2,158** |
| Gain on disposal of a subsidiary | **21,523** |
| Total consideration – satisfied by cash | **23,681** |
| Net cash inflow arising on disposal: | |
| Cash consideration received | **23,681** |
| Cash and cash equivalents disposed of | **(40)** |
| | **23,641** |

On 31 July 2016, the Group disposed of all its 70% interest in a subsidiary, Yunnan Datang International Biyuhe Hydropower Development Company Limited ("**Biyuhe Hydropower Company**").

On 5 December 2016, the Group disposed of all its equity interest in a wholly-owned subsidiary, Guangdong Datang International Yangxi Wind Power Company Limited ("**Yangxi Wind Power Company**").

Net (liabilities)/assets at the date of disposals were as follows:

| | Disposal Group | Biyuhe Hydropower Company | Yangxi Wind Power Company | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Property, plant and equipment | 75,144,388 | 213,589 | 13,404 | 75,371,381 |
| Intangible assets | 2,386,960 | – | – | 2,386,960 |
| Investment in an associate | 4,000 | – | – | 4,000 |
| Available-for-sale financial assets | 24,100 | – | – | 24,100 |
| Deferred tax assets | 421,100 | – | – | 421,100 |
| Other non-current assets | 532,650 | – | – | 532,650 |
| Inventories | 1,403,492 | – | – | 1,403,492 |
| Accounts and notes receivables | 810,072 | 183 | – | 810,255 |
| Prepayments and other receivables | 3,586,923 | 796 | – | 3,587,719 |
| Current portion of other non-current assets | 8,672 | – | – | 8,672 |
| Cash and cash equivalents | 453,513 | 830 | – | 454,343 |
| Long-term loans | (43,434,361) | (25,000) | – | (43,459,361) |
| Deferred income | (1,237,653) | – | – | (1,237,653) |
| Deferred tax liabilities | (24,002) | – | – | (24,002) |
| Provisions | (44,455) | – | – | (44,455) |
| Other non-current liabilities | (9,707,232) | – | – | (9,707,232) |
| Accounts payables and accrued liabilities | (7,959,284) | (36,220) | – | (7,995,504) |
| Taxes payables | (80,976) | (5) | – | (80,981) |
| Dividends payables | (58,342) | (288) | – | (58,630) |
| Short-term loans | (12,101,480) | (59,000) | – | (12,160,480) |
| Current portion of non-current liabilities | (13,187,398) | (30,000) | – | (13,217,398) |
| Net (liabilities)/assets disposed of | (3,059,313) | 64,885 | 13,404 | (2,981,024) |
| Non-controlling interests | (2,537,832) | (19,466) | – | (2,557,298) |
| Release of other reserves | (9,393) | 3 | – | (9,390) |
| Waiver of other payables | – | – | (3,404) | (3,404) |
| Waiver of entrusted loans | 9,997,499 | – | – | 9,997,499 |
| Loss on disposals of subsidiaries | (4,390,961) | (26,296) | (10,000) | (4,427,257) |
| Total consideration – satisfied by cash | – | 19,126 | – | 19,126 |
| Net cash (outflow)/inflow arising on disposals: | | | | |
| Cash consideration received | – | 19,126 | – | 19,126 |
| Cash and cash equivalents disposed of | (453,513) | (830) | – | (454,343) |
| | (453,513) | 18,296 | – | (435,217) |

## 5. OPERATING REVENUE

An analysis of the Group's operating revenue for the year from continuing operations is as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Sales of electricity | **58,577,791** | 51,866,386 |
| Heat supply | **2,047,233** | 1,748,083 |
| Sales of coal | **98,985** | 159,157 |
| Others | **3,883,746** | 3,517,931 |
| | **64,607,755** | 57,291,557 |

## 6. SEGMENT INFORMATION

Executive directors and certain senior management (including chief accountant) of the Company (collectively referred to as the "**Senior Management**") perform the function as chief operating decision makers. The Senior Management reviews the internal reporting of the Group in order to assess performance and allocate resources. Senior Management has determined the operating segments based on these reports.

Senior Management considers the business from a product perspective. Senior Management primarily assesses the performance of power generation and coal separately. Other operating activities primarily include sales of coal ash and aluminium smelting products, etc., and are included in "other segments".

Senior Management assesses the performance of the operating segments based on a measure of profit before tax prepared under China Accounting Standards for Business Enterprises ("**PRC GAAP**").

Segment profits or losses do not include dividend income from available-for-sale financial assets, gain or loss on disposals of available-for-sale financial assets and income tax expense. Segment assets do not include available-for-sale financial assets and deferred tax assets. Segment liabilities do not include current and deferred tax liabilities. Sales between operating segments are marked to market or contracted close to market price and have been eliminated at consolidation level. Unless otherwise noted below, all such financial information in the segment tables below is prepared under PRC GAAP.

**Information about reportable segment profit or loss, assets and liabilities from continuing operations:**

| | Power generation segment | Coal segment | Other segments | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Year ended 31 December 2017** | | | | |
| Revenue from external customers | **61,193,214** | **99,011** | **3,315,530** | **64,607,755** |
| Intersegment revenue | **722,415** | **21,761,980** | **126,424** | **22,610,819** |
| Segment profit/(loss) | **2,921,418** | **445,918** | **(436,546)** | **2,930,790** |
| Depreciation and amortisation | **10,664,500** | **137,394** | **306,403** | **11,108,297** |
| Net gains on disposals of property, plant and equipment | **6,608** | **–** | **–** | **6,608** |
| Loss on disposals of construction in progress | **(1,734)** | **–** | **–** | **(1,734)** |
| Gain on disposals of long-term investments | **28,368** | **–** | **–** | **28,368** |
| Impairment losses on assets | **20,534** | **197,481** | **305,790** | **523,805** |
| Interest income | **42,522** | **4,995** | **1,794** | **49,311** |
| Interest expense | **5,728,558** | **91,792** | **71,516** | **5,891,866** |
| Shares of profits of associates | **390,855** | **497,355** | **152,720** | **1,040,930** |
| Shares of losses of joint ventures | **–** | **(126,872)** | **(416)** | **(127,288)** |
| Income tax expense | **780,019** | **71,686** | **26,326** | **878,031** |
| **Year ended 31 December 2016** | | | | |
| Revenue from external customers | 54,123,551 | 164,300 | 3,003,706 | 57,291,557 |
| Intersegment revenue | 704,277 | 13,866,856 | 121,562 | 14,692,695 |
| Segment profit/(loss) | 8,941,581 | (268,666) | 119,692 | 8,792,607 |
| Depreciation and amortisation | 10,243,713 | 194,037 | 370,586 | 10,808,336 |
| Net gains on disposals of property, plant and equipment | 10,051 | 5,089 | – | 15,140 |
| Loss on disposals of intangible assets | (11,203) | (26) | – | (11,229) |
| Gain on disposals of construction in progress | 1,139 | – | – | 1,139 |
| Loss on disposals of long-term investments | (86,266) | (252,820) | – | (339,086) |
| (Reversal of impairment losses)/impairment losses on assets | (52,946) | 25,829 | – | (27,117) |
| Interest income | 34,563 | 6,812 | 2,876 | 44,251 |
| Interest expense | 5,328,875 | 99,102 | 62,311 | 5,490,288 |
| Shares of (losses)/profits of associates | (26,815) | 197,322 | 238,309 | 408,816 |
| Shares of profits/(losses) of joint ventures | 713,777 | (8,341) | – | 705,436 |
| Income tax (credit)/expense | (840,355) | 69,124 | 22,122 | (749,109) |

| | Power generation segment | Coal segment | Other segments | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At 31 December 2017** | | | | |
| Segment assets | **213,535,453** | **10,894,855** | **12,035,821** | **236,466,129** |
| Including: | | | | |
| Investments in associates | **6,595,208** | **3,011,611** | **4,591,331** | **14,198,150** |
| Investments in joint ventures | **–** | **831,431** | **19,186** | **850,617** |
| Additions to non-current assets (other than financial assets and deferred tax assets) | **11,546,475** | **30,178** | **105,859** | **11,682,512** |
| Segment liabilities | **170,937,175** | **4,827,511** | **9,011,247** | **184,775,933** |
| **At 31 December 2016** | | | | |
| Segment assets | 211,023,241 | 10,195,784 | 12,588,493 | 233,807,518 |
| Including: | | | | |
| Investments in associates | 1,178,652 | 2,462,225 | 4,725,729 | 8,366,606 |
| Investments in joint ventures | 5,662,496 | 840,277 | – | 6,502,773 |
| Additions to non-current assets (other than financial assets and deferred tax assets) | 15,818,136 | 277,487 | 1,789,100 | 17,884,723 |
| Segment liabilities | 169,094,036 | 4,669,594 | 8,759,322 | 182,522,952 |

**Reconciliations of reportable segment revenue, profit or loss, assets, liabilities and other material items from continuing operations:**

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Revenue** | | |
| Total revenue of reportable segments | **87,218,574** | 71,984,252 |
| Elimination of intersegment revenue | **(22,610,819)** | (14,692,695) |
| Consolidated revenue from continuing operations | **64,607,755** | 57,291,557 |
| **Profit or loss** | | |
| Total profit or loss of reportable segments | **2,930,790** | 8,792,607 |
| Dividend income from available-for-sale financial assets | **159,975** | 139,330 |
| Gain on disposals of available-for-sale financial assets | **238,257** | – |
| Elimination of intersegment profits | **(1,279)** | (371,745) |
| IFRS adjustment on reversal of general provision on mining funds | **(3,471)** | (115,565) |
| Other IFRS adjustments | **–** | (3,360) |
| Consolidated profit before tax from continuing operations | **3,324,272** | 8,441,267 |
| **Assets** | | |
| Total assets of reportable segments | **236,466,129** | 233,807,518 |
| Available-for-sale financial assets | **4,897,647** | 4,982,825 |
| Deferred tax assets | **3,611,179** | 3,393,599 |
| Elimination of intersegment assets | **(9,301,169)** | (8,961,517) |
| IFRS adjustment on reversal of general provision on mining funds | **337,906** | 322,845 |
| Other IFRS adjustments | **(79,849)** | (79,849) |
| Consolidated total assets | **235,931,843** | 233,465,421 |
| **Liabilities** | | |
| Total liabilities of reportable segments | **(184,775,933)** | (182,522,952) |
| Current tax liabilities | **(334,391)** | (331,124) |
| Deferred tax liabilities | **(523,891)** | (555,485) |
| Elimination of intersegment liabilities | **9,895,119** | 8,780,909 |
| Other IFRS adjustments | **(7,915)** | (7,776) |
| Consolidated total liabilities | **(175,747,011)** | (174,636,428) |

### Other material items

| | Total of reportable segments | Elimination of intersegment | IFRS adjustment on reversal of general provision on mining funds | Other IFRS adjustments | Total per consolidated statement of financial position/ statement of profit or loss and other comprehensive income |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Year ended 31 December 2017** | | | | | |
| Shares of profits of associates | **1,040,930** | **–** | **3,661** | **–** | **1,044,591** |
| Shares of losses of joint ventures | **(127,288)** | **–** | **(7,688)** | **–** | **(134,976)** |
| Income tax expense | **878,031** | **249** | **–** | **139** | **878,419** |
| **Year ended 31 December 2016** | | | | | |
| Shares of profits of associates | 408,816 | – | (45,616) | – | 363,200 |
| Shares of profits of joint ventures | 705,436 | – | (7,190) | – | 698,246 |
| Income tax credit | (749,109) | (19,217) | 1,369 | 5,011 | (761,946) |
| **At 31 December 2017** | | | | | |
| Investments in associates | **14,198,150** | **–** | **219,455** | **–** | **14,417,605** |
| Investments in joint ventures | **850,617** | **–** | **118,451** | **–** | **969,068** |
| **At 31 December 2016** | | | | | |
| Investments in associates | 8,366,606 | – | 195,680 | – | 8,562,286 |
| Investments in joint ventures | 6,502,773 | – | 127,165 | – | 6,629,938 |

### Geographical information (under IFRS):

During the years ended 31 December 2017 and 2016, all revenues from external customers from continuing operations are generated domestically. At 31 December 2017, non-current assets (excluding financial assets and deferred tax assets) amounted to RMB205,874,537 thousand (2016: RMB204,697,195 thousand) and RMB5,221 thousand (2016: RMB4,978 thousand) are located in the People's Republic of China (the "**PRC**") and foreign countries, respectively.

In presenting the geographical information, revenue is based on the locations of the customers.

**Revenue from major customers from continuing operations:**

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Power generation segment** | | |
| North China Branch of State Grid Corporation of China | **15,522,360** | 13,405,282 |
| Guangdong Power Grid Corporation | **5,518,994** | 4,255,408 |
| State Grid Zhejiang Electric Power Company | **5,341,131** | 4,947,485 |
| State Grid Jibei Electric Power Company Limited | **4,623,538** | 4,621,444 |
| State Grid Jiangxi Electric Power Company Limited | **3,993,069** | 3,124,011 |
| State Grid Jiangsu Electric Power Company Limited | **3,923,461** | 3,894,759 |

## 7. FINANCE COSTS

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Continuing operations** | | |
| Interest expense on: | | |
| Short-term loans | **837,763** | 620,054 |
| Long-term loans | **4,552,302** | 4,247,553 |
| Short-term bonds | **87,681** | 371,416 |
| Long-term bonds | **810,126** | 810,261 |
| Finance leases | **524,459** | 565,281 |
| Discounted notes receivables | **39,902** | 39,866 |
| Total borrowing costs | **6,852,233** | 6,654,431 |
| Amount capitalised | **(960,367)** | (1,164,143) |
| | **5,891,866** | 5,490,288 |
| Exchange loss, net | **3,991** | 6,213 |
| Others | **13,000** | 102,042 |
| | **5,908,857** | 5,598,543 |

Borrowing costs on funds borrowed generally are capitalised at a rate of 4.41% (2016: 4.33%) per annum.

## 8. INCOME TAX (EXPENSE)/CREDIT

Income tax relating to continuing operations has been recognised in profit or loss as following:

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current tax – PRC Enterprise Income Tax | | |
| Provision for the year | **(1,080,064)** | (1,921,818) |
| (Under)/over-provision in prior years | **(47,232)** | 5,094 |
| | **(1,127,296)** | (1,916,724) |
| Deferred tax | **248,877** | 2,678,670 |
| | **(878,419)** | 761,946 |

The Group, other than as stated below, is generally subject to PRC Enterprise Income Tax statutory rate of 25% (2016: 25%).

(i) Pursuant to document Cai Shui [2011]58 "Circular on the Issues Concerning Related Tax Policies for the In-depth Implementation of the Western China Development Strategy" issued by the Ministry of Finance of the PRC (the "**MOF**"), the General Administration of Customs and the State Administration of Taxation of the PRC, certain subsidiaries set up in the western area of the PRC and engaged in a business encouraged by the State are eligible to pay PRC Enterprise Income Tax at a preferential rate of 15% from 1 January 2011 to 31 December 2020.

(ii) Pursuant to documents Cai Shui [2008]46 "Implementation of Catalogue of Preferential Enterprise Income Tax Treatment for Public Infrastructure Projects" and [2008]116 "Catalogue of Preferential Enterprise Income Tax Treatment for Public Infrastructure Projects" issued by the MOF and the State Administration of Taxation of the PRC, certain subsidiaries are exempted from PRC Enterprise Income Tax during the first three years of operation commencing from the year of assessment in which the first sale transaction is reported and have been granted a tax concession to pay PRC Enterprise Income Tax at 50% of the statutory rate of 25% from the fourth to sixth year of operation in respect of their operating profit derived from investments in new wind power generation and solar power generation projects approved by government investment task forces after 1 January 2008. This preferential tax treatment will expire from 31 December 2013 to 31 December 2020.

(iii) Pursuant to Article 28 of "The Law of the PRC on Enterprise Income Tax", Article 93 of "Regulation on the Implementation of the Law of the PRC on Enterprise Income Tax", and document Guo Shui Han [2009]203 issued by the State Administration of Taxation of the PRC, a subsidiary of the Company, being a high and new technology enterprise, is eligible to pay PRC Enterprise Income Tax at a preferential rate of 15%.

## 9. PROFIT APPROPRIATION

### Dividends

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Proposed final of RMB0.09 (2016: nil) per share | **1,665,604** | – |

Pursuant to the PRC Enterprise Income Tax Law, the Company is required to withhold 10% PRC Enterprise Income Tax when it distributes dividends to its non-PRC resident enterprise shareholders.

### Statutory surplus reserve

In accordance with the relevant laws and regulations of the PRC and the articles of association of the Company, it is required to appropriate 10% of its net profit under PRC GAAP, after offsetting any prior years' losses, to the statutory surplus reserve. When the balance of such reserve reaches 50% of the Company's share capital, any further appropriation is optional.

The statutory surplus reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of share capital. The statutory surplus reserve is non-distributable.

### Discretionary surplus reserve

Pursuant to the articles of association of the Company, the appropriation of profit to the discretionary surplus reserve and its utilisation are made in accordance with the recommendation of the Board of Directors and is subject to shareholders' approval at their general meeting.

The discretionary surplus reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them.

### Restricted reserve

Pursuant to relevant regulations and guidance issued by the MOF, certain deferred housing benefits are charged to equity directly when incurred under PRC GAAP. In order to reflect such undistributable retained earnings in these financial statements prepared under IFRS, a restricted reserve is set up to reduce the balance of retained earnings with an amount equals to the residual balance of deferred housing benefits, net of tax.

Pursuant to relevant PRC regulations, coal mining companies are required to set aside an amount to a fund for future development and work safety which they transferred certain amounts from retained earnings to restricted reserve. The fund can then be used for future development and work safety of the coal mining operations, and is not available for distribution to shareholders. When qualifying development expenditure and improvements of safety incurred, an equivalent amount is transferred from restricted reserve to retained earnings.

## 10. EARNINGS/(LOSS) PER SHARE

**From continuing and discontinued operations**

The calculation of the basic and diluted earnings/(loss) per share attributable to the owners of the Company is based on the following:

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Profit/(loss)** | | |
| Profit/(loss) for the purpose of calculating basic and diluted earnings/(loss) per share | **1,708,075** | (2,753,881) |
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings/(loss) per share | **13,310,038** | 13,310,038 |

**From continuing operations**

The calculation of the basic and diluted earnings per share from continuing operations attributable to the owners of the Company is based on the following:

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Profit** | | |
| Profit/(loss) for the purpose of calculating basic and diluted earnings per share | **1,708,075** | (2,753,881) |
| Loss for the year from discontinued operations | **–** | 6,025,980 |
| Profit for the purpose of calculating basic and diluted earnings per share from continuing operations | **1,708,075** | 3,272,099 |

The weighted average number of ordinary shares used as denominators in calculating the basic and diluted earnings per share are the same.

**From discontinued operations**

Basic and diluted earnings (2016: loss) per share from the discontinued operations is nil (2016: RMB0.45), based on the loss for the year from discontinued operations attributable to the owners of the Company of nil (2016: RMB6,025,980 thousand) and the denominators used are the same as those detailed above for both basic and diluted earnings/(loss) per share.

## 11. ACCOUNTS AND NOTES RECEIVABLES

Accounts and notes receivables of the Group primarily represent receivables from regional or provincial grid companies for tariff revenue and coal sales customers and comprise the following:

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Accounts receivables from third parties | **8,967,764** | 7,428,574 |
| Notes receivables from third parties | **804,094** | 497,811 |
| Accounts receivables from related parties | **176,857** | 77,336 |
| | **9,948,715** | 8,003,721 |

The Group usually grants credit period of approximately one month to local power grid customers and coal sales customers from the month end after sales and sale transactions made, respectively.

The ageing analysis of accounts and notes receivables is as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within one year | **9,431,502** | 7,474,919 |
| Between one to two years | **284,564** | 134,428 |
| Between two to three years | **45,627** | 227,320 |
| Over three years | **187,022** | 167,054 |
| | **9,948,715** | 8,003,721 |

## 12. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Accounts and notes payables** | | |
| Fuel and materials payables to third parties | **6,162,446** | 4,533,106 |
| Fuel and materials payables to related parties | **462,178** | 535,197 |
| Notes payables to third parties | **827,169** | 1,397,532 |
| Notes payables to related parties | **312,922** | 790,917 |
| | **7,764,715** | 7,256,752 |
| Construction payables to third parties | **7,973,555** | 7,716,532 |
| Construction payables to related parties | **704,440** | 553,574 |
| Acquisition considerations payables | **–** | 434 |
| Receipts in advance from third parties | **163,249** | 171,848 |
| Receipts in advance from related parties | **10,809** | 10,560 |
| Salaries and welfares payables | **30,548** | 71,768 |
| Interests payables | **672,723** | 556,470 |
| Other payables to related parties | **1,502,799** | 1,028,777 |
| Others | **3,685,494** | 3,029,756 |
| | **22,508,332** | 20,396,471 |

The ageing analysis of the accounts and notes payables is as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within one year | **6,682,343** | 6,586,715 |
| Between one to two years | **586,222** | 273,194 |
| Between two to three years | **284,719** | 190,362 |
| Over three years | **211,431** | 206,481 |
| | **7,764,715** | 7,256,752 |

## 13. EVENTS AFTER THE REPORTING PERIOD

(a) The Company completed the issuance of "The First Tranche of Datang International Power Generation Co., Ltd.'s Super Short-term Debentures in 2018" (the "**First Tranche Super Short-term Debentures**") on 19 January 2018. The issuance amount for the First Tranche Super Short-term Debentures was RMB3 billion with a maturity of 175 days. The unit nominal value is RMB100 and the issuance interest rate is at 5.10%. Agricultural Bank of China Limited acts as the underwriter and bookkeeper for the First Tranche Super Short-term Debentures. The proceeds from the First Tranche Super Short-term Debentures will be used to replenish the working capital of the Company.

(b) On 13 March 2018 (i.e. the A-Share price referencing date), in accordance with the terms of the A-Share subscription agreement entered into between the Company and China Datang Corporation Limited on 28 November 2016, the Company notified China Datang Corporation Limited in writing to pay for the subscription amount in respect of 2,401,729,106 A-Share subscription shares. The A-Share issue price would be RMB3.47 per A-Share subscription share, representing 90% of the 20-day average trading price of the A-Shares immediately preceding the A-Share price referencing date. On 16 March 2018, the gross proceeds raised from the A-Share issuance amounted to approximately RMB8,334.0 million, after deducting the cost of underwriting and sponsorship, registration fee and the related expenses, the net proceeds raised amounted to approximately RMB8,319.38 million.

On 19 March 2018, in accordance with the terms of the H-Share subscription agreement entered into between the Company and the H-Share subscription shares subscriber, i.e. China Datang Overseas (Hong Kong) Co., Limited ("**Datang Overseas HK Company**") on 28 November 2016, 2,794,943,820 H-Share subscription shares have been allotted and issued to Datang Overseas HK Company, at the H-Share issue price of HK$2.226 (equivalent to RMB1.797) per H-Share subscription share. The gross proceeds raised from the H-Share issuance amounted to approximately HK$6,221.5 million (equivalent to RMB5,022.7 million). The net proceeds raised from the H-Share issuance, after deducting the related expenses, amounted to approximately HK$6,205.7 million (equivalent to RMB5,009.9 million).

After the completion of the non-public issue stock issuance, the total issued shares of the Company were 18,506,710 thousand, divided into 12,396,089 thousand A-Shares and 6,110,621 thousand H-Shares.

## B. FINANCIAL INFORMATION EXTRACTED FROM FINANCIAL STATEMENTS PREPARED UNDER PRC GAAP

### 1. FINANCIAL HIGHLIGHTS AND FINANCIAL RATIOS

| | **2017** | 2016 | Variance |
|---|---|---|---|
| | ***RMB'000 (unless otherwise stated)*** | *RMB'000 (unless otherwise stated)* | *%* |
| Revenue from operations | **64,607,755** | 59,124,319 | 9.27 |
| Net profit/(loss) attributable to equity holders of the Company | **1,711,810** | (2,623,331) | Not applicable |
| Net profit attributable to equity holders of the Company and excluding non-recurring items | **1,429,730** | 2,753,864 | (48.08) |
| Net cash flows from operating activities | **18,142,090** | 20,452,977 | (11.30) |
| Net assets attributable to equity holders of the Company | **41,478,513** | 39,718,450 | 4.43 |
| Total assets | **235,673,786** | 233,222,425 | 1.05 |
| Total share capital as at the end of the year | **13,310,038** | 13,310,038 | – |
| Basic earnings/(loss) per share *(RMB)* | **0.1286** | (0.1971) | Not applicable |
| Diluted earnings/(loss) per share *(RMB)* | **0.1286** | (0.1971) | Not applicable |
| Earnings per share excluding non-recurring items *(RMB)* | **0.1074** | 0.2069 | (48.09) |
| Return on net assets (weighted average) *(%)* | **4.22** | (6.45) | Not applicable |
| Return on net assets excluding non-recurring items (weighted average) *(%)* | **3.52** | 6.77 | (3.25) |

## 2. PROFIT AND LOSS ACCOUNT

| | 2017 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Operating revenue** | **64,607,755** | 59,124,319 |
| Less: Operating costs | **(53,762,577)** | (43,616,495) |
| Tax and surcharges | **(864,100)** | (862,957) |
| Selling expenses | **(66,934)** | (177,528) |
| General and administration expenses | **(2,169,232)** | (3,849,692) |
| Financial expenses | **(5,859,546)** | (6,697,958) |
| Assets impairment losses | **(523,805)** | 27,117 |
| Add: Investment income | **1,348,243** | (3,063,560) |
| Gain on disposals of assets | **4,874** | 5,050 |
| Other revenue | **600,140** | – |
| **Operating profit** | **3,314,818** | 888,296 |
| Add: Non-operating income | **92,884** | 571,451 |
| Less: Non-operating expenses | **(79,959)** | (219,521) |
| **Total profit** | **3,327,743** | 1,240,226 |
| Less: Income tax expense | **(878,280)** | 768,250 |
| **Net profit** | **2,449,463** | 2,008,476 |
| **Profit/(loss) for the year attributable to:** | | |
| Equity holders of the Company | **1,711,810** | (2,623,331) |
| Minority interests | **737,653** | 4,631,807 |
| **Other comprehensive income** | **64,053** | (24,969) |
| **Total comprehensive income** | **2,513,516** | 1,983,507 |
| **Total comprehensive income attributable to:** | | |
| Equity holders of the Company | **1,775,863** | (2,648,300) |
| Minority interests | **737,653** | 4,631,807 |
| | *RMB* | *RMB* |
| **Earnings/(loss) per share** | | |
| Basic earnings/(loss) per share | **0.1286** | (0.1971) |
| Diluted earnings/(loss) per share | **0.1286** | (0.1971) |

## 3. DIFFERENCES BETWEEN FINANCIAL STATEMENTS

The consolidated financial statements which are prepared by the Group in conformity with IFRS, differ in certain respects from PRC GAAP. Major differences between IFRS and PRC GAAP ("**GAAP Differences**"), which affect the net assets and net profit of the Group, are summarised as follows:

| | *Note* | **Net assets** **2017** *RMB'000* | 2016 *RMB'000* |
|---|---|---|---|
| Net assets attributable to owners of the Company under IFRS | | **41,759,348** | 39,984,321 |
| Impact of IFRS adjustments: | | | |
| Difference in the commencement of depreciation of property, plant and equipment | (a) | **106,466** | 106,466 |
| Difference in accounting treatment on mining funds | (b) | **(337,906)** | (322,845) |
| Applicable deferred tax impact of the above GAAP Differences | | **(18,702)** | (18,841) |
| Non-controlling interests' impact of the above GAAP Differences after tax | | **(30,693)** | (30,651) |
| Net assets attributable to owners of the Company under PRC GAAP | | **41,478,513** | 39,718,450 |

| | *Note* | **Net profit** **2017** *RMB'000* | 2016 *RMB'000* |
|---|---|---|---|
| Profit/(loss) for the year attributable to owners of the Company under IFRS | | **1,708,075** | (2,753,881) |
| Impact of IFRS adjustments: | | | |
| Difference in accounting treatment on monetary housing benefits | (c) | **–** | 3,360 |
| Difference in accounting treatment on mining funds | (b) | **3,471** | 110,317 |
| Applicable deferred tax impact of the above GAAP Differences | | **139** | 9,478 |
| Non-controlling interests' impact of the above GAAP Differences after tax | | **125** | 7,395 |
| Net profit/(loss) for the year attributable to owners of the Company under PRC GAAP | | **1,711,810** | (2,623,331) |

*Notes:*

**(a) Difference in the commencement of depreciation of property, plant and equipment**

This represents the depreciation difference arose from the different timing of the start of depreciation charge in previous years.

**(b) Difference in accounting treatment on mining funds**

Under PRC GAAP, accrual of future development and work safety expenses are included in respective product cost or current period profit or loss and recorded in a specific reserve accordingly. When such future development and work safety expenses are applied and related to revenue expenditures, specific reserve is directly offset when expenses incurred. When capital expenditures are incurred, they are included in construction in progress and transferred to fixed assets when the related assets reach the expected use condition. They are then offset against specific reserve based on the amount included in fixed assets while corresponding amount is recognised in accumulated depreciation. Such fixed assets are not depreciated in subsequent periods.

Under IFRS, coal mining companies are required to set aside an amount to a fund for future development and work safety through transferring from retained earnings to restricted reserve. When qualifying revenue expenditures are incurred, such expenses are recorded in the profit or loss as incurred. When capital expenditures are incurred, an amount is transferred to property, plant and equipment and is depreciated in accordance with the depreciation policy of the Group. Internal equity items transfers take place based on the actual application amount of future development and work safety expenses whereas restricted reserve is offset against retained earnings to the extent of zero.

**(c) Difference in accounting treatment on monetary housing benefits**

Under PRC GAAP, the monetary housing benefits provided to employees who started work before 31 December 1998 were directly deducted from the retained earnings and statutory public welfare fund after approval by the general meeting of the Company and its subsidiaries.

Under IFRS, these benefits are recorded as deferred assets and amortised on a straight-line basis over the estimated remaining average service lives of relevant employees.