



**華電福新能源股份有限公司**  
HUADIAN FUXIN ENERGY CORPORATION LIMITED

# INTERIM REPORT 2014

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

**Stock Code: 00816**

# Contents

|  |    |
|--|----|
| Interim Results  | 2  |
| Key Operating and Financial Information                                    | 3  |
| Management Discussion and Analysis   | 5  |
| Corporate Governance   | 17 |
| Other Information  | 21 |
| Review Report  | 25 |
| Consolidated Statement of Profit or Loss<br>and Other Comprehensive Income | 26 |
| Consolidated Statement of Financial Position                               | 27 |
| Consolidated Statement of Changes in Equity                                | 29 |
| Condensed Consolidated Cash Flow Statement                                 | 31 |
| Notes to the Unaudited Interim Financial Report                            | 32 |
| Definition and Glossary of Technical Terms                                 | 59 |
| Corporate Information  | 61 |



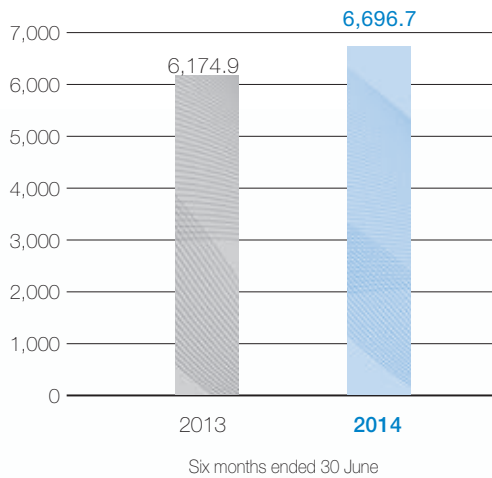
# Interim Results

The Board of the Company hereby announces the unaudited operating results of the Group for the six months ended 30 June 2014, together with the operating results for the Corresponding Period of 2013 for comparison. For the six months ended 30 June 2014, the revenue of the Group amounted to RMB6,696.7 million, representing an increase of 8.5% over the Corresponding Period of 2013; profit before taxation amounted to RMB1,488.7 million, representing an increase of 16.3% over the Corresponding Period of 2013; profit attributable to shareholders of the Company amounted to RMB1,046.5 million, representing an increase of 22.5% over the Corresponding Period of 2013; earnings per share amounted to RMB13.23 cents.

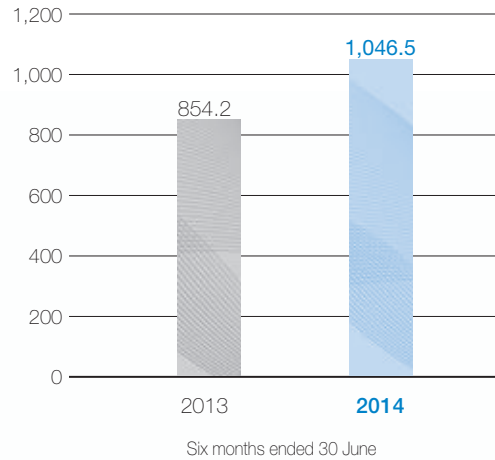


# Key Operating and Financial Information

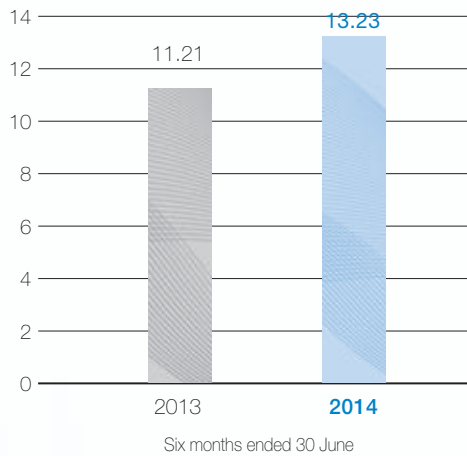
**Revenue (RMB in millions)**



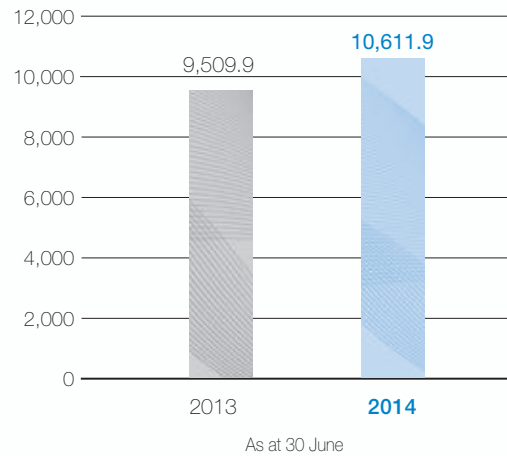
**Profit attributable to shareholders of the Company (RMB in millions)**



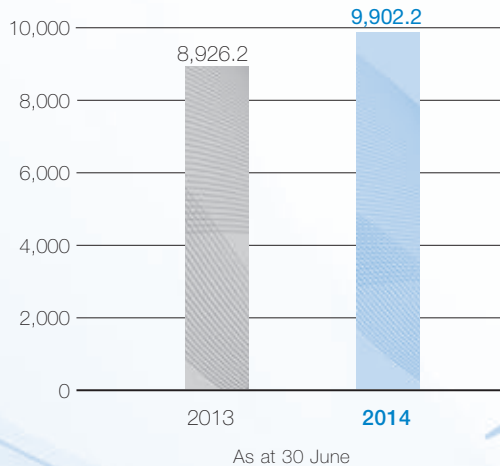
**Basic and diluted earnings per share (RMB cents/share)**



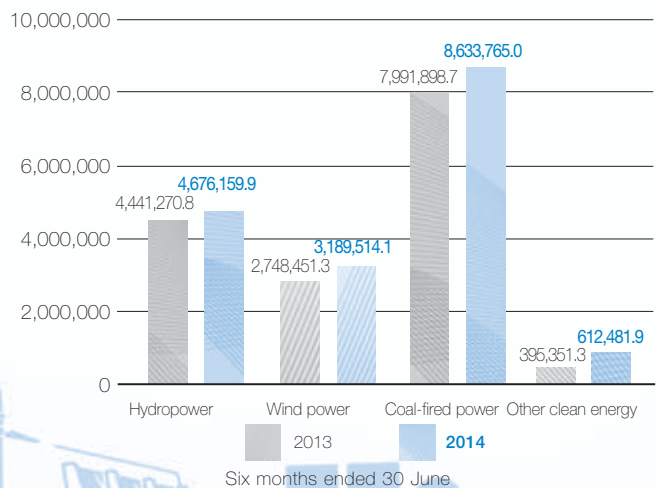
**Consolidated installed capacity (MW)**



**Attributable consolidated installed capacity (MW)**



**Total electricity sales (MWh)**



# Key Operating and Financial Information

|   | Six months ended 30 June |                  |
|---|--------------------------|------------------|
|   | 2014                     | 2013             |
|   | RMB'000                  | RMB'000          |
| Revenue   | 6,696,653                | 6,174,889        |
| Profit before taxation  | 1,488,735                | 1,280,060        |
| Income tax  | (269,969)                | (250,627)        |
| Profit and total comprehensive income for the period            | 1,218,766                | 1,029,433        |
| <b>Profit and total comprehensive income attributable to:</b>   |                          |                  |
| Equity shareholders of the Company                              | 1,046,511                | 854,235          |
| Non-controlling interests                                       | 172,255                  | 175,198          |
| Basic and diluted earnings per share (RMB cents)                | 13.23                    | 11.21            |
|   |                          |                  |
|   | At                       | At               |
|   | 30 June 2014             | 31 December 2013 |
|   | RMB'000                  | RMB'000          |
| Total non-current assets  | 65,269,022               | 60,705,982       |
| Total current assets  | 9,911,975                | 6,970,442        |
| Total assets  | 75,180,997               | 67,676,424       |
| Total current liabilities                                       | 22,405,728               | 21,816,286       |
| Total non-current liabilities                                   | 37,297,413               | 32,149,246       |
| Total liabilities   | 59,703,141               | 53,965,532       |
| Net assets  | 15,477,856               | 13,710,892       |
| Total equity attributable to equity shareholders of the Company | 12,861,682               | 11,210,932       |
| Non-controlling interests                                       | 2,616,174                | 2,499,960        |
| Total equity  | 15,477,856               | 13,710,892       |



# Management Discussion and Analysis

In the first half of 2014, the overall electricity consumption in China reached 2.63 trillion kWh, representing an increase of 5.3% over the Corresponding Period of 2013, with the growth rate slightly increasing by 0.2 percentage points. After slight fluctuations in the first quarter, the electricity consumption gradually picked up from April onwards, showing an upward trend. Analysis shows that as the economy has stabilized and recovered, the electricity consumption in the second half of the year may maintain a moderate upward trend. The overall electricity consumption in 2014 is estimated to increase by about 7% year-on-year. In the first half of 2014, the overall electricity consumption in Fujian province was about 85 billion kWh, representing an increase of 7.9% over the Corresponding Period of 2013 and higher than the national average growth rate.

In early 2014, the National Energy Administration promulgated the Guidance on Energy Work 2014 (《2014年能源工作指導意見》), which requires to orderly develop the wind power projects, accelerate the construction of large-scale hydropower projects, support the approval of launching coastal key nuclear power projects and encourage the development of distributed solar energy. The Guidance on Energy Work 2014 pointed out that the control of use of fossil fuels, harnessing of air pollution and vigorously development of green clean energy should be regarded as priorities of energy work in 2014. In February 2014, The National Ministry of Finance, State Administration of Taxation formally introduced a Value Added Tax (“VAT”) preferential policy for large hydropower enterprises, that is the Notice on VAT Policies for Large Hydropower Enterprises (《關於大型水電企業增值稅政策的通知》). In June 2014, NDRC issued the Notice on Polices relating to Ongrid Tariff of Offshore Wind Power (《關於海上風電上網電價政策的通知》). To further refine the implementation of the Action Plan for the Energy Industry to Strengthen Atmospheric Pollution Prevention (《能源行業加強大氣污染防治工作方案》), the PRC will accelerate the construction of transmission channels of the Ultra High Voltage Alternating Current (“UHV AC”) power transmission projects. A series of policies to support the new energy industry promulgated by the PRC in recent years, such as the decentralization of administrative approval authority, implementation of the policy under which the new energy subsidies are exempted from VAT, increase in the tariff subsidies of renewable energy, speed up of the payment collection of new energy subsidies, all predict that China’s new energy industry will continue to grow steadily.

## I. BUSINESS REVIEW

In the first half of 2014, the Group further accelerated the development of wind power business and recorded satisfactory results for hydropower and coal-fired power businesses, furthermore, other clean energy businesses have become profitable and a significant growth was recorded in its overall results as compared with the Corresponding Period of 2013. Moreover, the Group effectively carried out capital operations, successfully completed the new shares issuance, smoothly handled asset acquisitions, diversified funding sources and effectively controlled capital costs.

During the six months ended 30 June 2014, profit attributable to shareholders of the Company was RMB1,046.5 million, representing an increase of 22.5% over the first half of 2013; consolidated installed capacity was 10,611.9 MW, representing an increase of 11.6% over the Corresponding Period of 2013; gross generation was 17,830,440.1 MWh, representing an increase of 9.4% over the Corresponding Period of 2013.



# Management Discussion and Analysis

The respective consolidated installed capacity of the power generating assets of the Group as at 30 June 2014 and 2013 by type was:

## Consolidated installed capacity in the first half of 2014 (MW)

|                    | As at<br>30 June 2014 | As at<br>30 June 2013 | Change ratio |
|--------------------|-----------------------|-----------------------|--------------|
| Hydropower         | 2,457.0               | 2,233.4               | 10.0%        |
| Wind power         | 3,634.3               | 3,027.8               | 20.0%        |
| Coal-fired power   | 3,850.0               | 3,850.0               | 0.0%         |
| Other clean energy | 670.6                 | 398.7                 | 68.2%        |
| <b>Total</b>       | <b>10,611.9</b>       | 9,509.9               | 11.6%        |

The respective attributable consolidated installed capacity of the power generating assets of the Group as at 30 June 2014 and 2013 by type was:

## Attributable consolidated installed capacity in the first half of 2014 (MW)

|                    | As at<br>30 June 2014 | As at<br>30 June 2013 | Change ratio |
|--------------------|-----------------------|-----------------------|--------------|
| Hydropower         | 1,817.6               | 1,637.2               | 11.0%        |
| Wind power         | 3,234.5               | 2,703.4               | 19.6%        |
| Coal-fired power   | 3,890.4               | 3,890.4               | 0.0%         |
| Other clean energy | 959.7                 | 695.2                 | 38.0%        |
| <b>Total</b>       | <b>9,902.2</b>        | 8,926.2               | 10.9%        |

The respective gross generation of the power generating assets of the Group for the six months ended 30 June 2014 and 2013 by type was:

## Gross generation in the first half of 2014 (MWh)

|                    | Six months ended<br>30 June 2014 | Six months ended<br>30 June 2013 | Change ratio |
|--------------------|----------------------------------|----------------------------------|--------------|
| Hydropower         | 4,744,833.6                      | 4,503,353.0                      | 5.4%         |
| Wind power         | 3,350,235.5                      | 2,955,191.6                      | 13.4%        |
| Coal-fired power   | 9,111,698.7                      | 8,432,481.2                      | 8.1%         |
| Other clean energy | 623,672.3                        | 402,415.1                        | 55.0%        |
| <b>Total</b>       | <b>17,830,440.1</b>              | 16,293,440.9                     | 9.4%         |

# Management Discussion and Analysis

## 1. Hydropower business

As at 30 June 2014, the Group had a consolidated hydropower installed capacity of 2,457.0 MW and a capacity under construction (renovation and expansion) of 110.0 MW, which is estimated to be completed and commence operation in 2015.

In the first half of 2014, the level of precipitation in Fujian was higher than that of the Corresponding Period of 2013. After entering the main flood season, areas of Fujian experienced continuous wide-range rainfall. Accordingly, the Group fully tapped on the potential of our comprehensive river dispatch in key reservoirs, to maximize water efficiency in Fujian. In the first half of 2014, the Group recorded gross hydropower generation of 4,744,833.6 MWh. The average hydropower utilization hours were 1,941.8 hours, the average on-grid tariff was RMB328.3/MWh, representing an increase of RMB4.5/MWh over the Corresponding Period of 2013.

## 2. Wind power business

As at 30 June 2014, the Group had a consolidated wind power installed capacity of 3,634.3 MW, representing an increase of 20.0% compared with 30 June 2013. During the reporting period, the Group increased consolidated installed capacity from new wind power projects by 133.5 MW, and recorded gross wind power generation of 3,350,235.5 MWh, representing an increase of 13.4% over the Corresponding Period of 2013. The wind power capacity under construction was 1,350.0 MW. The average on-grid tariff was RMB566.2/MWh, at par with that of the Corresponding Period of 2013. In the first half of 2014, amidst the unfavourable condition under which the wind resources were much worse than the Corresponding Period of 2013 and the average utilisation hours of domestic wind power equipment decreased by 114 hours than that of the Corresponding Period of 2013, the Company has strengthened equipment management and scheduled production plans scientifically, which resulted in that the average wind power utilization hours decreased by 99.0 hours over the Corresponding Period of 2013 to 959.0 hours. Moreover, the availability coefficient of wind turbines was 97.7%, at par with the Corresponding Period of 2013.

In the first half of 2014, the Group paid attention to quality of development, pushed forward project development actively yet prudently, and adjusted the wind power regional structure through project acquisition. In the end of 2013, the Group and China WindPower entered into the business cooperation and subscription of shares agreement to further expand wind power business deployment of the Group.

In the first half of 2014, 14 new projects with an aggregate capacity of 1,579.5 MW were approved, and cumulative approved pre-production capacity was 3.1 GW. At present, cumulative wind power projects included in the first four batches of the approved plans (including new and supplemental plans) of the National Energy Administration, which are not yet in production, amount to a capacity of 3.4 GW.





# Management Discussion and Analysis

## 3. Coal-fired power business

As at 30 June 2014, the Group had a consolidated installed coal-fired power capacity of 3,850.0 MW, at par with 30 June 2013.

For the six months ended 30 June 2014, the Group recorded gross coal-fired power generation of 9,111,698.7 MWh, representing an increase of 8.1% over the Corresponding Period of 2013. The accumulated standard coal consumption was 311.7 g/kWh. The average on-grid tariff of coal-fired power was RMB438.5/MWh, representing a decrease of RMB13.7/MWh over the Corresponding Period of 2013, mainly due to the decrease in on-grid tariff of coal-fired power in 2013. The standard coal cost was RMB631.1/ton (net of tax), representing a decline of 5.7% over the Corresponding Period of 2013.

A total of four generation units of Kemen Power Plant and Kemen II recorded an average utilization hours of 2,565.3 hours, ranking the first in Fujian province. The average utilization hours of generation units of Yong'an Company and Zhangping Company were also higher than the average level of similar generation units.

## 4. Solar energy, distributed energy and other clean energy projects

As at 30 June 2014, the Group had a consolidated installed capacity of solar energy projects of 485.3 MW, representing an increase of 123.2% over the Corresponding Period of 2013. The consolidated installed capacity of the solar energy projects under construction of the Group amounted to 169.0 MW. The Group had a cumulative capacity of solar energy projects of 280.0 MW approved by NDRC which are not yet in production.

As at 30 June 2014, the Group had a consolidated installed capacity of distributed energy projects at 160.0 MW, increasing by 4.0 MW over the Corresponding Period of 2013. As at 30 June 2014, the consolidated installed capacity of the distributed energy projects under construction of the Group amounted to 335.0 MW.

As at 30 June 2014, we also held 39.0% equity interests in four nuclear power generating units under construction (each with 1,000.0 MW). Currently, the construction of the projects progresses smoothly, and the first unit of the four is expected to connect to the grid by the end of 2014.

As at 30 June 2014, we also had two biomass energy projects in operation, with a consolidated installed capacity of 25.3 MW.



# Management Discussion and Analysis

## II. FINANCIAL POSITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the unaudited financial statements of the Group together with the accompanying notes.

### 1. Overview

The Group's profitability was improved substantially for the six months ended 30 June 2014. Profit before taxation for the period increased by 16.3% to RMB1,488.7 million as compared with RMB1,280.1 million for the Corresponding Period of 2013. Profit attributable to shareholders of the Company for the period amounted to RMB1,046.5 million, representing an increase of 22.5% as compared with RMB854.2 million for the Corresponding Period of 2013.

### 2. Revenue

The Group's revenue increased by 8.5% to RMB6,696.7 million for the six months ended 30 June 2014 compared with RMB6,174.9 million in the Corresponding Period of 2013.

The Group's revenue from sales of electricity increased by 9.8% to RMB6,492.8 million for the six months ended 30 June 2014 as compared with RMB5,915.3 million for the Corresponding Period of 2013, primarily due to the increase in the Group's electricity sales. The increase in the Group's electricity sales reflected its steady business growth during the period, among which, the cumulative net generation of its coal-fired power business and of its wind power business increased by 8.0% and 16.0% respectively over the Corresponding Period of 2013.

The respective segment revenue of the Group for the six months ended 30 June 2014 and 2013 is as follows:

|                    | January to<br>June of 2014<br>RMB in millions | January to<br>June of 2013<br>RMB in millions | Change ratio |
|--------------------|---|---|--------------|
| Hydropower         | 1,296.4                                       | 1,211.9                                       | 7.0%         |
| Wind power         | 1,539.0                                       | 1,338.9                                       | 14.9%        |
| Coal-fired power   | 3,318.3                                       | 3,174.2                                       | 4.5%         |
| Other clean energy | 507.2   | 331.5   | 53.0%        |

# Management Discussion and Analysis

### 3. Other net income

For the six months ended 30 June 2014, the Group's other net income increased by 368.0% to RMB79.1 million as compared with RMB16.9 million in the Corresponding Period of 2013, primarily due to: (1) government grants of RMB33.0 million received by the Group for the six months ended 30 June 2014 as compared with government grants of RMB8.2 million in the Corresponding Period of 2013; and (2) suppliers' compensation of RMB41.5 million received by the Group for the six months ended 30 June 2014 as compared with no such income in the Corresponding Period of 2013.

### 4. Operating expenses

The Group's operating expenses increased by 7.0% to RMB4,214.7 million for the six months ended 30 June 2014 as compared with RMB3,938.2 million in the Corresponding Period of 2013. This increase was mainly attributable to the increases in (1) depreciation and amortization expenses; (2) labor costs; and (3) cost of repairs and maintenance as a result of newly operated generation units.

The Group's depreciation and amortization expenses increased by 20.0% to RMB1,275.6 million for the six months ended 30 June 2014 as compared with RMB1,063.4 million in the Corresponding Period of 2013. This increase was primarily due to the expanded consolidated installed capacity of the Group.

The Group's labor costs increased by 8.8% to RMB452.3 million for the six months ended 30 June 2014 as compared with RMB415.8 million in the Corresponding Period of 2013, primarily due to more employees hired by the Group for managing its expanded business as a result of newly operated generation units and business expansion.

The Group's cost of repair and maintenance increased by 2.1% to RMB134.1 million for the six months ended 30 June 2014 as compared with RMB131.3 million in the Corresponding Period of 2013.

The Group's administrative expenses decreased by 5.6% to RMB152.9 million for the six months ended 30 June 2014 as compared with RMB162.0 million in the Corresponding Period of 2013, primarily due to the effective control and reduction of administrative expenses by the Group.



# Management Discussion and Analysis

## 5. Operating profit

The Group's operating profit increased by 13.6% to RMB2,561.1 million for the six months ended 30 June 2014 as compared with RMB2,253.6 million in the Corresponding Period of 2013, reflecting the Group's steady business growth during the period. The respective segment operating profit of the Group for the six months ended 30 June 2014 and 2013 is as follows:

**Table of Segment Operating Profit**

|                    | January to<br>June of 2014<br>RMB in millions | January to<br>June of 2013<br>RMB in millions | Change ratio |
|--------------------|---|---|--------------|
| Hydropower         | 721.3   | 700.5   | 3.0%         |
| Wind power         | 859.5   | 766.8   | 12.1%        |
| Coal-fired power   | 872.5   | 763.3   | 14.3%        |
| Other clean energy | 175.0   | 87.4  | 100.2%       |

## 6. Finance income

The Group's finance income increased by 261.8% to RMB72.0 million for the six months ended 30 June 2014 as compared with RMB19.9 million in the Corresponding Period of 2013, primarily due to significant increase in dividends from other equity investment companies that we invested in during the period.

## 7. Finance expenses

The Group's finance expenses increased by 13.3% to RMB1,174.2 million for the six months ended 30 June 2014 as compared with RMB1,036.4 million in the Corresponding Period of 2013, primarily due to the increase in the average balance of our loans as a result of the Group's business growth.

## 8. Share of profits less losses of associates

The Group's share of profits of the associates was RMB29.9 million for the six months ended 30 June 2014 as compared with profits of RMB42.9 million in the Corresponding Period of 2013, primarily due to the decrease in earnings of associates that we invested in during this period.

## 9. Income tax

The Group's income tax increased by 7.7% to RMB270.0 million for the six months ended 30 June 2014 as compared with RMB250.6 million in the Corresponding Period of 2013. This increase was mainly due to the increase in its operating profit.





# Management Discussion and Analysis

## 10. Profit for the period

The Group's profit for the period increased by 18.4% to RMB1,218.8 million for the six months ended 30 June 2014 as compared with RMB1,029.4 million in the Corresponding Period of 2013. Our profit as a percentage of our total revenue increased to 18.2% for the six months ended 30 June 2014 from 16.7% in the Corresponding Period of 2013, primarily because, on one hand, the Group had effectively controlled coal price with a 5.7% decrease in standard coal cost as compared with the Corresponding Period of 2013, thereby achieving a 14.3% growth of operating profit from coal-fired power segment for the six months ended 30 June 2014 as compared with the Corresponding Period of 2013; on the other hand, the Group recorded a relatively quick growth in the installed capacity of wind power, thereby attaining a 12.1% increase in operating profit from wind power segment for the six months ended 30 June 2014 as compared with the Corresponding Period of 2013.

## 11. Profit attributable to shareholders of the Company

The profit attributable to shareholders of the Company increased by 22.5% to RMB1,046.5 million for the six months ended 30 June 2014 as compared with RMB854.2 million in the Corresponding Period of 2013.

## 12. Profit attributable to non-controlling interests

The Group's profit attributable to non-controlling interests decreased by 1.7% to RMB172.3 million for the six months ended 30 June 2014 as compared with RMB175.2 million in the Corresponding Period of 2013.

## 13. Liquidity and sources of capital

The Group's cash and cash equivalents amounted to RMB3,745.0 million as at 30 June 2014, representing an increase of RMB1,976.3 million or 111.7% as compared with the balance of RMB1,768.7 million as at 31 December 2013, primarily due to the increase in operating subsidiaries which had been put into production.

As at 30 June 2014, the Group's borrowings increased by 11.3% to RMB46,675.1 million as compared with RMB41,918.0 million as at 31 December 2013, of which RMB11,242.2 million was short-term borrowings (including current portion of long-term borrowings and short-term financing instruments payable), and RMB35,432.9 million was long-term borrowings (including bonds payable), primarily due to the increase in the balance of loans as a result of the growth in the scale of installed capacity.





# Management Discussion and Analysis

On 7 May 2014, the Company issued the first tranche of 2014 short-term financing instruments of an aggregate amount of RMB1,500 million with a term of 365 days at a coupon rate of 5.2%. The short-term financing instruments for 2013 issued by the Company had been fully repaid during the period.

## 14. Capital expenditure

The Group's capital expenditure increased by 34.6% to RMB4,798.4 million for the six months ended 30 June 2014 as compared with RMB3,565.2 million in the Corresponding Period of 2013. Capital expenditure mainly comprises costs for purchase and construction of property, plant and equipment.

## 15. Net gearing ratio

As at 30 June 2014, the Group's net gearing ratio (net debt (i.e., total borrowings minus cash and cash equivalents) divided by total equity) was 277.4%, representing a decrease of 15.4 percentage points as compared with 292.8% as at 31 December 2013, which was mainly because (1) the Group completed private placement of 356,975,520 H shares on 5 February 2014 at a price of HK\$3.3 each H share, leading to an increase of RMB909.5 million in equity; and (2) the Group achieved net profit of RMB1,218.8 million in the first half of 2014 and the equity increased accordingly.

## 16. Material acquisitions and disposals

According to the subscription of shares agreement entered into between the Group and China WindPower on 18 December 2013, the Group made a total payment of HK\$378,400,000 for share subscription on 19 March 2014. China WindPower allotted and issued 880,000,000 new shares to the Company.

## 17. Pledge of assets

Some of the Group's loans are secured by property, plant and equipment. As at 30 June 2014, total net carrying value of the pledged assets amounted to RMB15,505.3 million.

## 18. Contingent liabilities

As at 30 June 2014, the Group provided external guarantee over the balance of bank loans amounting to RMB26.4 million.



## III. RISK FACTORS AND RISK MANAGEMENT

### 1. Industry risk

The development and profitability of our clean energy projects is dependent on the policies and regulations of the Chinese government that support such development in the PRC on one hand, and natural factors that constrain power generation capacity and our management capabilities on the other. The gross generation and revenue of our hydropower projects is dependent upon hydrological conditions prevailing from time to time in the broad geographic regions in which our hydropower projects are located, and the changes in tariff which is in an overall upward trend. In addition, water conservation, environmental protection may cause cost increases of our hydropower projects. Our wind power business and solar energy business rely significantly on China's policies on new energy, power grid construction, and wind/solar energy resources. Although China has promulgated policies to support the development of new energy, the possibility of cutting the tariff of wind power and solar energy cannot be ruled out. Moreover, the total amounts of electricity generated from a wind power project are highly dependent on wind conditions, which vary across seasons and regions. Our coal-fired power plants are fueled by coal and the fluctuation of coal prices could adversely affect the profitability of our coal-fired power business; also, the coal-fired power business features high carbon emission, and China's policies on carbon emissions may limit its development. Meanwhile, our distributed energy projects and other gas-fired power projects are fueled by gas. As such, the sufficient and timely supply of gas is essential to our distributed energy business. However, the Chinese government has recently raised the price of gas, which may exert great influence on the development of our distributed energy business. Meanwhile, the Chinese government encourages the development of gas distributed energy and the tariff pricing mechanism for distributed energy power is brewing; once a mature gas distributed energy pricing system is in place, it would greatly drive the development of gas distributed energy.

### 2. Competition risk

We may encounter competition from utility companies, which are mainly engaging in other clean energy businesses. In particular, other clean energy technologies may become more competitive and attractive. Competition from such companies may increase if the technology used to generate electricity from these other clean energy sources becomes more sophisticated, or if the Chinese government decides to bolster its support of such other clean energy sources. Clean energy resources, such as hydropower and wind power, compete with conventional energy resources, including oil and coal.

### 3. Risk related to power grids

Power grids planning and construction and wind farm construction in certain regions are out of sync, which will hinder the Group's power transmission upon completion of the projects. In addition, power grids with insufficient transmission capacity may not be able to deliver all the potential electricity that the wind farms could generate when operating under full load, which may decrease the gross generation of the Group. In view of this, the Group flexibly adjusted construction strategy and rationally deployed new projects according to the power grid connection conditions. Meanwhile, the Group will continue improving technical innovation to reduce such impact.

# Management Discussion and Analysis

## 4. Exchange rate risk

The Group's transactions are mainly denominated in Renminbi, Euros, United States dollars and Hong Kong dollars. Therefore, the Group is exposed to foreign currency exchange rate risk. The Group has not implemented any foreign currency hedging policy at the moment. However, continuous monitoring on the foreign exchange exposure is carried out and the management will consider hedging the foreign exchange exposure if it has material impact on the Group.

## IV. OUTLOOK AND PROSPECTS

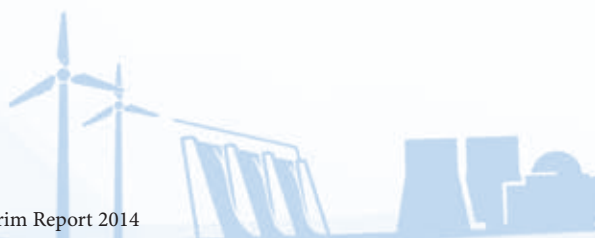
As Huadian Group's ultimate integrated platform of clean energy business, we will fully tap the domestic market and actively expand the international market. Focusing on wind, solar and other new energy as well as large and medium hydropower projects, we will explore other energy projects moderately. At the same time, we will adhere to sound operations, enhance risk prevention and control capabilities, tap the latent power and improve efficiency, and optimize profitability. All these measures are intended to realize the Company's sustainable development and create sustained, stable, and growing returns for its shareholders.

### 1. Hydropower business

By leveraging on the Group's advantage in key reservoirs and strengthening the river dispatch, we will integrate hydropower resources in the region, generate more powers, and optimize installed base assets. Meanwhile, we will actively request for tariff increase amidst the prevalent low hydropower tariff, to further improve the profitability of our hydropower business. We will grasp trends of energy development and reforms and changes of hydropower policies, and further accelerate the development of our hydropower business by way of acquisition of quality hydropower assets and as well as renovation and expansion of existing projects.

### 2. Wind power business

We will continue to optimize investment strategies and reasonably lay out the wind power business. At the same time, we will accelerate the acquisition of high-quality wind power projects and implement the "going out" strategy, so as to make the Group towards internationalization through overseas merger and acquisition. While vigorously developing onshore wind power, we will actively make reserves for quality offshore wind power resources. Moreover, we will carry out extensive technical cooperation with turbine research and development enterprises and manufacturers, and develop wind power projects at appropriate times in central, south, and southwest regions of the PRC without power rationing, where we already have large reserves. We will strengthen the equipment health management and initially install on-line monitoring devices on wind turbines to control the health level of wind turbines in real time. We will safeguard the equipment availability through the combination of planned maintenance and condition based maintenance. We will further optimize the management and enhance the management level by using the regional wind power centralized control management pattern.



# Management Discussion and Analysis

## 3. Coal-fired power business

The Group's coal-fired power business provides a significant source of revenue and cash flow to support the development of the Group's clean energy. Leveraging on advantages of the Group's coal-fired power business in Fujian, the main development base of the Group, we will actively rely on the strong supports from ports, intersections, power grid supporting points and thermal load centers, to advance the Kemen, Shaowu, and other large coal-fired power projects in a steady and orderly manner.

## 4. Other clean energy business

In recent years, while developing solar energy projects in provinces with abundant solar energy resources, we actively make reserves to lay a solid foundation for large-scale implementation in the future.

Along with the promulgation of the new environmental protection regulation by the Chinese government on 1 July 2014, the proportion of power generated by gas will rise in developed regions. We will at an appropriate time develop gas related businesses in economically developed eastern regions where the gas supply is reliable.

Based on the Fuqing nuclear power project in which the Company has stakes, we will strengthen technical researches on the operation and maintenance of nuclear power, and actively cultivate talent as technical reserve. We will strive to hold shares of or invest in another batch of nuclear power projects, and to win the license for nuclear power investment, construction and utilization.

We will seize appropriate opportunities to develop biomass, tidal power, and other clean energy businesses.





# Corporate Governance

The Company has been committed to ever improving the corporate governance and regarded it as an indispensable part to creating values for shareholders. The Company has established a modern corporate governance structure which comprises a number of independently operated and effectively balanced bodies including general meetings, the Board, the board of Supervisors and senior management with reference to the code provisions as set out in the Corporate Governance Code and the requirements as set out in the Articles of Association. The Company has adopted the Corporate Governance Code as its code of corporate governance practices.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the reporting period, the Company was in compliance with the code provisions of the Corporate Governance Code.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code as the code of conduct and rules governing dealings by all of our Directors, Supervisors and relevant employees (as defined in the Corporate Governance Code) in the securities of the Company. Having made specific enquiry of the Directors and Supervisors of the Company, all Directors and Supervisors have confirmed that they have strictly complied with the required standards regarding securities transactions by Directors as set out in the Model Code and its code of conduct during the reporting period.

The Board will examine the corporate governance practices and operation of the Company from time to time so as to ensure its compliance with the relevant requirements under the Listing Rules and to protect shareholders' interests.

## RESPONSIBILITY STATEMENT BY THE DIRECTORS IN RELATION TO THE FINANCIAL STATEMENTS

The Directors confirm that they shall assume the relevant responsibility in relation to the preparation of the financial statements of the Company, ensure that the preparation of the financial statements of the Company complies with the relevant laws and regulations and the applicable accounting standards and also warrant that the financial statements of the Company will be published in a timely manner.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has appointed a sufficient number of independent non-executive Directors with appropriate professional qualifications, or appropriate accounting or related financial management expertise in accordance with the requirements of the Listing Rules. The Company appointed a total of three independent non-executive Directors, namely Mr. Zhou Xiaoqian, Mr. Yeung Pak Sing (from 1 January 2014 to 30 June 2014), Mr. Zhang Bai and Mr. Tao Zhigang (from 30 June 2014).



## AUDIT COMMITTEE

The Company has established the audit committee with written terms of reference in compliance with the Listing Rules. The primary responsibilities of the audit committee are to make recommendations to engage or replace its external auditing firm; to oversee the internal audit system of the Company and its implementation, to ensure that the internal audit function of the Company is adequately resourced for operation in the Company, and to monitor the effectiveness of the internal audit function; to coordinate the communication between the internal audit and the external audit functions; to review the Company's financial information and respective disclosure, to examine the Company's accounting practices and policies; to review the Company's internal control system, and to provide advises and recommendations on the soundness and completeness of such system; to make comments and proposals on the appraisal and replacement of the head of the internal audit department of the Company. Its terms of reference are available on both of the websites of the Hong Kong Stock Exchange and the Company.

The audit committee consists of three Directors: Mr. Zhang Bai (independent non-executive Director), Mr. Yeung Pak Sing (independent non-executive Director, from 1 January 2014 to 30 June 2014), Mr. Zong Xiaolei (non-executive Director) and Mr. Tao Zhigang (independent non-executive Director, from 30 June 2014). Mr. Zhang Bai serves as the chairman of the audit committee.

On 21 March 2014, the Company held the fourth meeting of the audit committee of the first session of the Board, at which the report from the external auditing firm in respect of the auditing of the Company's financial statements for the twelve months ended 31 December 2013 was deliberated, and the following resolutions were considered and approved:

- (1) the resolution in relation to the 2013 final accounts of the Company;
- (2) the resolution in relation to the 2013 annual report and results announcement of the Company;
- (3) the resolution in relation to the 2013 audited financial statements of the Company;
- (4) the resolution in relation to the 2013 profit distribution plan of the Company; and
- (5) the resolution in relation to the engagement of auditing firm for the 2014 financial report.

On 22 August 2014, the audit committee reviewed and confirmed the Group's interim results announcement for the six months ended 30 June 2014, the 2014 interim report and the unaudited interim financial statements for the six months ended 30 June 2014 prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.



# Corporate Governance

## NOMINATION COMMITTEE

The Company has established the nomination committee with written terms of reference in compliance with the Listing Rules. The primary responsibilities of the nomination committee are: to review the size, structure and composition of the Board at least annually and make recommendations on any proposed changes to the Board, having regard to the operating activities, asset scale and shareholding structure of the Company; to assess the independence of independent non-executive Directors; to study the criteria and procedures for selecting Directors and senior management of the Company and to make recommendations thereon to the Board; to widely identify qualified candidates for Directors and senior management; and conduct review on candidates of Directors and senior management and to make recommendations to the Board on the appointment, reappointment or succession of Directors and senior management; and to examine the candidates for other senior management members that must be recommended to the Board for appointment, and make suggestions thereon. Its terms of reference are available on both of the websites of the Hong Kong Stock Exchange and the Company.

The nomination committee consists of three Directors: Mr. Zhou Xiaoqian (independent non-executive Director), Mr. Yeung Pak Sing (independent non-executive Director, from 1 January 2014 to 30 June 2014), Mr. Fang Zheng (executive Director) and Mr. Tao Zhigang (independent non-executive Director, from 30 June 2014). Mr. Zhou Xiaoqian serves as the chairman of the nomination committee.

On 21 March 2014, the Company held the third meeting of the nomination committee of the first session of the Board, at which the following resolution was considered and approved:

- (1) the resolution in relation to the election of new session of the Board of the Company.

## REMUNERATION AND ASSESSMENT COMMITTEE

The Company has established the remuneration and assessment committee with written terms of reference in compliance with the Listing Rules. The primary responsibilities of the remuneration and assessment committee are: to determine remuneration plans or packages in accordance with the main scope, duties and importance of the management positions held by Directors and senior management as well as the remuneration packages of comparable positions of comparable enterprises; to review the performance of the Directors (non-independent Directors) and senior management of the Company and to conduct annual performance appraisal thereof; to monitor the implementation of the Company's remuneration system; and to ensure that no Directors or any of their associates determine their own remunerations. The remuneration plans or packages shall mainly include, but are not limited to, performance appraisal criteria and procedures, the main appraisal system, as well as the major proposals and system of incentives and punishment. Its terms of reference are available on both of the websites of the Hong Kong Stock Exchange and the Company.

The remuneration and assessment committee consists of three Directors: Mr. Zhou Xiaoqian (independent non-executive Director), Mr. Zhang Bai (independent non-executive Director) and Mr. Jiang Bingsi (executive Director). Mr. Zhou Xiaoqian serves as the chairman of the remuneration and assessment committee.

On 21 March 2014, the Company held the second meeting of the remuneration and assessment committee of the first session of the Board, at which the following resolutions were considered and approved:

- (1) the resolution in relation to the 2013 remunerations of the Directors and Supervisors of the Company; and
- (2) the resolution in relation to the 2013 remunerations of the senior management of the Company.

## STRATEGIC COMMITTEE

The primary responsibilities of the strategic committee are: to review the long term development strategic planning and approach of the Company and make suggestions thereon; review the material strategic investments and financing proposals which were subject to the approval of the Board in accordance with the requirement of the Articles of Association and make suggestions thereon; review the material capital operation and assets operation projects and make suggestions thereon; and follow up the implementation of the aforesaid matters.

The strategic committee consists of three Directors: Mr. Fang Zheng (executive Director), Mr. Chen Bin (non-executive Director) and Mr. Zhou Xiaoqian (independent non-executive Director). Mr. Fang Zheng serves as the chairman of the strategic committee.

On 21 March 2014, the Company held the third meeting of the strategic committee of the first session of the Board, at which the following resolutions were considered and approved:

- (1) the resolution in relation to the grant of the general mandate to issue new domestic shares and H shares of the Company to the Board at the annual general meeting;
- (2) the resolution in relation to the 2014 banking facility of the Company;
- (3) the resolution in relation to the general mandate to issue the domestic and overseas debt financing instruments by the Company;
- (4) the resolution in relation to the establishment of Gansu Branch and other branches of Huadian Fuxin Energy Corporation Limited; and
- (5) the resolution in relation to the establishment of Huadian Fuxin International Investment Company Limited (華電福新國際投資有限公司), a wholly-owned subsidiary of the Company.

# Other Information

## SHARE CAPITAL

As at 30 June 2014, the total share capital of the Company was RMB7,979,591,520, divided into 7,979,591,520 shares of RMB1.0 each (among which, 5,837,738,400 shares were domestic shares and 2,141,853,120 shares were H shares).

## INTERIM DIVIDEND

The Board has not made any recommendation on the distribution of an interim dividend for the six months ended 30 June 2014.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the reporting period.

## PLACING OF H SHARES

To expand the Company's renewable energy business, the Company entered into the Placing Agreement with the Placing Agents on 26 January 2014 in relation to the placing of H shares, according to which the Placing Agents placed a total of 356,975,520 H shares at the price of HK\$3.30 per H share. The Placing Price of per H share represented a discount of approximately 6.52% to the closing price of HK\$3.53 per H share of the Company quoted on the Hong Kong Stock Exchange on 24 January 2014 (i.e., the last trading day before entering into the Placing Agreement).

The aggregate nominal value of the above-mentioned H shares is RMB356,975,520, the aggregate proceeds is approximately HK\$1,178,019,216. The proceeds from the issuance of the H shares, after deducting of the issue expenses, is proposed to be used to increase the general working capital of the Group.

The Placing Agents have placed the Placing Shares to not less than six but no more than ten Placees, who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its related parties (within the meaning of Listing Rules).

The above-mentioned placing of H shares has been completed on 5 February 2014. After completion of the placing of H shares, the total number of issued shares of the Company increases from 7,622,616,000 shares to 7,979,591,520 shares, among which the total number of issued H shares increases from 1,784,877,600 H shares to 2,141,853,120 H shares.

## INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

On 30 June 2014, none of the Directors, Supervisors or senior management of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.



## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

On 30 June 2014, so far as known to the Directors, the following persons (other than the Directors, chief executives or Supervisors of the Company) held 5% or above interest in the shares or underlying shares of the Company and according to the records in the register required to be kept by the Company pursuant to Section 336 of the SFO had interest or short positions which should be disclosed to the Company:

| Name of Shareholder                              | Class of Share  | Capacity   | Number of Shares/Underlying Shares Held (Share) | Percentage in the Relevant Class of Share Capital <sup>1</sup> (%) | Percentage in the Total Share Capital <sup>1</sup> (%) |
|--|-----------------|--|---|--|--|
| Huadian <sup>2</sup>                             | Domestic Shares | Beneficial owner/Interest of corporation controlled by the substantial shareholder | 5,276,907,638<br>(Long position)                | 90.39%   | 66.13%   |
| FIL Limited                                      | H Shares        | Investment manager   | 191,554,000<br>(Long position)                  | 8.94%  | 2.40%  |
| HSBC Global Asset Management (Hong Kong) Limited | H Shares        | Investment manager   | 149,538,000<br>(Long position)                  | 6.98%  | 1.87%  |
| China Credit Trust Co., Ltd.                     | H Shares        | Interest of corporation controlled by the substantial shareholder                  | 108,775,520<br>(Long position)                  | 5.07%  | 1.36%  |
| Harvest Fund Management Co., Ltd.                | H Shares        | Investment manager   | 108,775,520<br>(Long position)                  | 5.07%  | 1.36%  |

*Notes:*

- Such percentage was calculated at the issued number of relevant class of shares or total shares, as the case may be, of the Company as at 30 June 2014.
- Huadian had an interest in the domestic shares of the Company, all of which 5,008,785,336 domestic shares (long position) were held in its capacity as beneficial owner. Huadian, through various subsidiaries, had an interest in the domestic shares of the Company, all of which 268,122,302 domestic shares (long position) were held in its capacity as interest of corporation controlled by the substantial shareholder.



# Other Information

## CHANGE OF DIRECTORS, SUPERVISORS AND MEMBERS OF THE BOARD COMMITTEE

At the annual general meeting of the Company held on 30 June 2014, a resolution was passed to re-appoint Mr. Fang Zheng as an executive Director of the Company from 30 June 2014 until the expiration of the term of the second session of the Board. He was also appointed by the second session of the Board as the chairman of the Board, a member of the nomination committee and a member and the chairman of the strategic committee.

At the annual general meeting of the Company held on 30 June 2014, a resolution was passed to re-appoint Mr. Jiang Bingsi as an executive Director of the Company from 30 June 2014 until the expiration of the term of the second session of the Board. He was also appointed by the second session of the Board as a member of the remuneration and assessment committee.

At the annual general meeting of the Company held on 30 June 2014, a resolution was passed to re-appoint Mr. Li Lixin as an executive Director of the Company from 30 June 2014 until the expiration of the term of the second session of the Board.

At the annual general meeting of the Company held on 30 June 2014, a resolution was passed to re-appoint Mr. Tao Yunpeng as a non-executive Director of the Company from 30 June 2014 until the expiration of the term of the second session of the Board.

At the annual general meeting of the Company held on 30 June 2014, a resolution was passed to re-appoint Mr. Chen Bin as a non-executive Director of the Company from 30 June 2014 until the expiration of the term of the second session of the Board. He was also appointed by the second session of the Board as a member of the strategic committee.

At the annual general meeting of the Company held on 30 June 2014, a resolution was passed to re-appoint Mr. Zong Xiaolei as a non-executive Director of the Company from 30 June 2014 until the expiration of the term of the second session of the Board. He was also appointed by the second session of the Board as a member of the audit committee.

At the annual general meeting of the Company held on 30 June 2014, a resolution was passed to re-appoint Mr. Zhou Xiaoqian as an independent non-executive Director of the Company from 30 June 2014 until the expiration of the term of the second session of the Board. He was also appointed by the second session of the Board as a member and the chairman of the nomination committee, a member of the strategic committee and a member and the chairman of the remuneration and assessment committee.

At the annual general meeting of the Company held on 30 June 2014, a resolution was passed to re-appoint Mr. Zhang Bai as an independent non-executive Director of the Company from 30 June 2014 until the expiration of the term of the second session of the Board. He was also appointed by the second session of the Board as a member and the chairman of the audit committee and a member of the remuneration and assessment committee.

At the annual general meeting of the Company held on 30 June 2014, a resolution was passed to appoint Mr. Tao Zhigang as an independent non-executive Director of the Company from 30 June 2014 until the expiration of the term of the second session of the Board. He was also appointed by the second session of the Board as a member of the nomination committee and the audit committee.

At the annual general meeting of the Company held on 30 June 2014, a resolution was passed to re-appoint Mr. Li Changxu as a Supervisor of the Company from 30 June 2014 until the expiration of the term of the second session of the board of Supervisors. He was also appointed by the second session of the board of Supervisors as the chairman.

At the annual general meeting of the Company held on 30 June 2014, a resolution was passed to re-appoint Mr. Wang Kun as a Supervisor of the Company from 30 June 2014 until the expiration of the term of the second session of the board of Supervisors.

At the annual general meeting of the Company held on 30 June 2014, a resolution was passed to re-appoint Mr. Xie Chunwang as a Supervisor of the Company from 30 June 2014 until the expiration of the term of the second session of the board of Supervisors.

At the annual general meeting of the Company held on 30 June 2014, a resolution was passed to re-appoint Ms. Hu Xiaohong as a Supervisor of the Company from 30 June 2014 until the expiration of the term of the second session of the board of Supervisors.

At the annual general meeting of the Company held on 30 June 2014, a resolution was passed to appoint Mr. Yan Azhang as an independent Supervisor of the Company from 30 June 2014 until the expiration of the term of the second session of the board of Supervisors.

At the annual general meeting of the Company held on 30 June 2014, a resolution was passed to appoint Ms. Ding Ruiling as an independent Supervisor of the Company from 30 June 2014 until the expiration of the term of the second session of the board of Supervisors.

On 30 June 2014, Mr. Wang Zhijun was appointed as the employee representative Supervisor of the Company from 30 June 2014 until the expiration of the term of the second session of the board of Supervisors.

On 30 June 2014, Mr. Zou Xuanyong was appointed as the employee representative Supervisor of the Company from 30 June 2014 until the expiration of the term of the second session of the board of Supervisors.

On 30 June 2014, Mr. Chen Wenxin was appointed as the employee representative Supervisor of the Company from 30 June 2014 until the expiration of the term of the second session of the board of Supervisors.

### **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2014, the Group had a total of 7,383 employees. The employee remuneration of the Group comprises basic salary and bonus payment, which is made with reference to the operating results of the Group and results of performance assessment on the employees.

For the six months ended 30 June 2014, staff costs of the Group amounted to RMB452.3 million, representing an increase of 8.8% over the Corresponding Period of 2013, during which, the staff costs of the Group was RMB415.8 million. The increase in staff costs was primarily due to more employees hired by the Group for managing its expanded business as a result of newly operated generation units and business expansion.

### **MATERIAL LITIGATION**

As at 30 June 2014, the Company was not involved in any material litigation or arbitration. So far as the Directors are aware of, no material litigation or claims are pending or threatened against the Company.

# Review Report



To the board of directors of  
**Huadian Fuxin Energy Corporation Limited**  
*(Incorporated in the People's Republic of China with limited liability)*

## INTRODUCTION

We have reviewed the interim financial report set out on pages 26 to 58 which comprises the consolidated statement of financial position of Huadian Fuxin Energy Corporation Limited (the "Company") as of 30 June 2014 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, "Interim financial reporting", issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

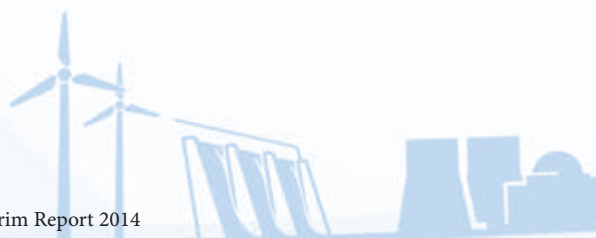
We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim financial reporting".

**KPMG**  
*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

22 August 2014



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014 – unaudited  
(Expressed in Renminbi)

|   | Note | Six months ended 30 June |                 |
|---|------|--------------------------|-----------------|
|   |      | 2014<br>RMB'000          | 2013<br>RMB'000 |
| <b>Revenue</b>  | 4    | <b>6,696,653</b>         | 6,174,889       |
| <b>Other net income</b>                                     | 5    | <b>79,122</b>            | 16,877          |
| <b>Operating expenses</b>                                   |      |                          |                 |
| Cost of fuel  |      | (2,001,662)              | (1,904,618)     |
| Depreciation and amortization                               |      | (1,275,550)              | (1,063,363)     |
| Service concession construction costs                       |      | (35,808)                 | (118,350)       |
| Personnel costs   |      | (452,292)                | (415,778)       |
| Repairs and maintenance                                     |      | (134,086)                | (131,313)       |
| Administration expenses                                     |      | (152,897)                | (161,997)       |
| Other operating expenses                                    |      | (162,430)                | (142,732)       |
|   |      | <b>(4,214,725)</b>       | (3,938,151)     |
| <b>Operating profit</b>                                     |      | <b>2,561,050</b>         | 2,253,615       |
| Finance income  |      | 71,966                   | 19,925          |
| Finance expenses  |      | (1,174,207)              | (1,036,395)     |
| <b>Net finance expenses</b>                                 | 6    | <b>(1,102,241)</b>       | (1,016,470)     |
| Share of profits less losses of associates                  |      | 29,926                   | 42,915          |
| <b>Profit before taxation</b>                               | 7    | <b>1,488,735</b>         | 1,280,060       |
| Income tax  | 8    | (269,969)                | (250,627)       |
| <b>Profit and total comprehensive income for the period</b> |      | <b>1,218,766</b>         | 1,029,433       |
| <b>Attributable to:</b>                                     |      |                          |                 |
| Equity shareholders of the Company                          |      | 1,046,511                | 854,235         |
| Non-controlling interests                                   |      | 172,255                  | 175,198         |
| <b>Profit and total comprehensive income for the period</b> |      | <b>1,218,766</b>         | 1,029,433       |
| <b>Basic and diluted earnings per share</b><br>(RMB cents)  | 9    | <b>13.23</b>             | 11.21           |

The notes to the financial statements on pages 32 to 58 form part of this interim financial report.



# Consolidated Statement of Financial Position

At 30 June 2014 – unaudited  
(Expressed in Renminbi)

|  | Note  | At 30 June<br>2014<br>RMB'000 | At 31 December<br>2013<br>RMB'000 |
|--|-------|-------------------------------|-----------------------------------|
| <b>Non-current assets</b>                    |       |                               |                                   |
| Property, plant and equipment                | 11    | 56,160,475                    | 52,264,823                        |
| Lease prepayments                            |       | 1,021,392                     | 998,470                           |
| Intangible assets                            | 12    | 1,116,870                     | 1,096,004                         |
| Interest in associates                       | 13    | 4,156,421                     | 3,545,609                         |
| Other investments                            |       | 512,300                       | 512,300                           |
| Other non-current assets                     | 14    | 2,002,609                     | 1,983,892                         |
| Deferred tax assets                          |       | 298,955                       | 304,884                           |
| <b>Total non-current assets</b>              |       | <b>65,269,022</b>             | 60,705,982                        |
| <b>Current assets</b>                        |       |                               |                                   |
| Inventories                                  |       | 497,627                       | 411,756                           |
| Trade debtors and bills receivable           | 15    | 3,642,750                     | 3,049,070                         |
| Prepayments and other current assets         | 16    | 1,560,827                     | 1,473,989                         |
| Tax recoverable                              |       | 26,726                        | 33,221                            |
| Restricted deposits                          |       | 439,071                       | 233,659                           |
| Cash and cash equivalents                    | 17    | 3,744,974                     | 1,768,747                         |
| <b>Total current assets</b>                  |       | <b>9,911,975</b>              | 6,970,442                         |
| <b>Current liabilities</b>                   |       |                               |                                   |
| Borrowings                                   | 18(b) | 11,242,177                    | 11,617,249                        |
| Obligations under finance leases             | 19    | 58,774                        | 98,763                            |
| Trade creditors and bills payable            | 20    | 2,315,957                     | 1,776,970                         |
| Other payables                               | 21    | 8,627,414                     | 8,048,832                         |
| Deferred income                              |       | 16,545                        | 24,644                            |
| Tax payable                                  |       | 144,861                       | 249,828                           |
| <b>Total current liabilities</b>             |       | <b>22,405,728</b>             | 21,816,286                        |
| <b>Net current liabilities</b>               |       | <b>(12,493,753)</b>           | (14,845,844)                      |
| <b>Total assets less current liabilities</b> |       | <b>52,775,269</b>             | 45,860,138                        |

The notes to the financial statements on pages 32 to 58 form part of this interim financial report.

# Consolidated Statement of Financial Position

At 30 June 2014 – unaudited  
(Expressed in Renminbi)

|  | Note  | At 30 June<br>2014<br>RMB'000 | At 31 December<br>2013<br>RMB'000 |
|--|-------|-------------------------------|-----------------------------------|
| <b>Non-current liabilities</b>   |       |                               |                                   |
| Borrowings   | 18(a) | 35,432,925                    | 30,300,766                        |
| Obligations under finance leases                                       | 19    | 722,747                       | 745,868                           |
| Deferred income  |       | 331,865                       | 321,109                           |
| Deferred tax liabilities   |       | 809,876                       | 781,503                           |
| <b>Total non-current liabilities</b>                                   |       | <b>37,297,413</b>             | 32,149,246                        |
| <b>NET ASSETS</b>  |       | <b>15,477,856</b>             | 13,710,892                        |
| <b>CAPITAL AND RESERVES</b>  |       |                               |                                   |
| Share capital  | 22    | 7,979,592                     | 7,622,616                         |
| Reserves   |       | 4,882,090                     | 3,588,316                         |
| <b>Total equity attributable to equity shareholders of the Company</b> |       | <b>12,861,682</b>             | 11,210,932                        |
| <b>Non-controlling interests</b>                                       |       | <b>2,616,174</b>              | 2,499,960                         |
| <b>TOTAL EQUITY</b>  |       | <b>15,477,856</b>             | 13,710,892                        |

Approved and authorised for issue by the board of directors on 22 August 2014.

**Fang Zheng**  
Chairman

**Jiang Bingsi**  
Director

The notes to the financial statements on pages 32 to 58 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014 – unaudited  
(Expressed in Renminbi)

|   | Attributable to equity shareholders of the Company |                 |              |                   |            |                           |              |
|---|--|-----------------|--------------|-------------------|------------|---------------------------|--------------|
|   | Share capital                                      | Capital reserve | Reserve fund | Retained earnings | Total      | Non-controlling interests | Total equity |
|   | RMB'000  | RMB'000         | RMB'000      | RMB'000           | RMB'000    | RMB'000                   | RMB'000      |
| <b>Balance at 1 January 2013</b>                                    | 7,622,616  | 956,639         | 43,201       | 1,951,727         | 10,574,183 | 2,134,631                 | 12,708,814   |
| <b>Changes in equity for the six months ended 30 June 2013:</b>     |  |                 |              |                   |            |                           |              |
| Profit and total comprehensive income for the period                | -  | -               | -            | 854,235           | 854,235    | 175,198                   | 1,029,433    |
| Capital contributions   | -  | -               | -            | -                 | -          | 59,500                    | 59,500       |
| Dividends by subsidiaries to non-controlling equity owners          | -  | -               | -            | -                 | -          | (68,802)                  | (68,802)     |
| Dividends approved in respect of the previous year                  | -  | -               | -            | (220,294)         | (220,294)  | -                         | (220,294)    |
| Acquisition of business under common control                        | -  | (610,845)       | -            | -                 | (610,845)  | -                         | (610,845)    |
| Transfer to reserve fund  | -  | -               | 5,047        | (5,047)           | -          | -                         | -            |
| <b>Balance at 30 June 2013 and 1 July 2013</b>                      | 7,622,616  | 345,794         | 48,248       | 2,580,621         | 10,597,279 | 2,300,527                 | 12,897,806   |
| <b>Changes in equity for the six months ended 31 December 2013:</b> |  |                 |              |                   |            |                           |              |
| Profit and total comprehensive income for the period                | -  | -               | -            | 613,653           | 613,653    | 58,194                    | 671,847      |
| Capital contributions   | -  | -               | -            | -                 | -          | 8,900                     | 8,900        |
| Dividends by subsidiaries to non-controlling equity owners          | -  | -               | -            | -                 | -          | (94,608)                  | (94,608)     |
| Acquisition of subsidiaries   | -  | -               | -            | -                 | -          | 226,947                   | 226,947      |
| Transfer to reserve fund  | -  | -               | 41,334       | (41,334)          | -          | -                         | -            |
| <b>Balance at 31 December 2013</b>                                  | 7,622,616  | 345,794         | 89,582       | 3,152,940         | 11,210,932 | 2,499,960                 | 13,710,892   |

The notes to the financial statements on pages 32 to 58 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014 – unaudited  
(Expressed in Renminbi)

|   | Attributable to equity shareholders of the Company |                 |                |                   |                   | Non-controlling interests | Total equity      |
|---|--|-----------------|----------------|-------------------|-------------------|---------------------------|-------------------|
|   | Share capital                                      | Capital reserve | Reserve fund   | Retained earnings | Total             |                           |                   |
|   | RMB'000  | RMB'000         | RMB'000        | RMB'000           | RMB'000           |                           |                   |
| <b>Balance at 1 January 2014</b>                                | <b>7,622,616</b>                                   | <b>345,794</b>  | <b>89,582</b>  | <b>3,152,940</b>  | <b>11,210,932</b> | <b>2,499,960</b>          | <b>13,710,892</b> |
| <b>Changes in equity for the six months ended 30 June 2014:</b> |  |                 |                |                   |                   |                           |                   |
| Profit and total comprehensive income for the period            | -  | -               | -              | 1,046,511         | 1,046,511         | 172,255                   | 1,218,766         |
| Capital contributions   | -  | -               | -              | -                 | -                 | 19,920                    | 19,920            |
| Issuance of shares upon placing, net of issuing expenses        | 356,976  | 552,570         | -              | -                 | 909,546           | -                         | 909,546           |
| Dividends by subsidiaries to non-controlling equity owners      | -  | -               | -              | -                 | -                 | (71,381)                  | (71,381)          |
| Dividends approved in respect of the previous year              | -  | -               | -              | (304,820)         | (304,820)         | -                         | (304,820)         |
| Acquisition of non-controlling interests                        | -  | (487)           | -              | -                 | (487)             | (5,000)                   | (5,487)           |
| Acquisition of subsidiaries                                     | -  | -               | -              | -                 | -                 | 420                       | 420               |
| Transfer to reserve fund  | -  | -               | 32,451         | (32,451)          | -                 | -                         | -                 |
| <b>Balance at 30 June 2014</b>                                  | <b>7,979,592</b>                                   | <b>897,877</b>  | <b>122,033</b> | <b>3,862,180</b>  | <b>12,861,682</b> | <b>2,616,174</b>          | <b>15,477,856</b> |

The notes to the financial statements on pages 32 to 58 form part of this interim financial report.



# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2014 – unaudited  
(Expressed in Renminbi)

|  | Note | Six months ended 30 June |                    |
|--|------|--------------------------|--------------------|
|  |      | 2014<br>RMB'000          | 2013<br>RMB'000    |
| <b>Operating activities</b>  |      |                          |                    |
| Cash generated from operations   |      | 3,269,330                | 3,636,945          |
| Income tax paid  |      | (342,086)                | (131,480)          |
| <b>Net cash generated from operating activities</b>  |      | <b>2,927,244</b>         | <b>3,505,465</b>   |
| <b>Investing activities</b>  |      |                          |                    |
| Payment for the purchase of property, plant and equipment,<br>lease prepayments, and intangible assets |      | (4,109,905)              | (3,497,826)        |
| Other cash flows arising from investing activities   |      | (703,813)                | (719,596)          |
| <b>Net cash used in investing activities</b>   |      | <b>(4,813,718)</b>       | <b>(4,217,422)</b> |
| <b>Financing activities</b>  |      |                          |                    |
| Net proceeds from issuance of shares upon placing  |      | 909,546                  | –                  |
| Proceeds from borrowings   |      | 8,966,629                | 7,850,478          |
| Repayment of borrowings  |      | (4,510,635)              | (5,572,250)        |
| Interest paid  |      | (1,397,429)              | (1,126,086)        |
| Other cash flows arising from financing activities   |      | (108,898)                | (456,815)          |
| <b>Net cash generated from financing activities</b>  |      | <b>3,859,213</b>         | <b>695,327</b>     |
| <b>Net increase/(decrease) in cash and cash equivalents</b>  |      | <b>1,972,739</b>         | <b>(16,630)</b>    |
| Cash and cash equivalents at 1 January   | 17   | 1,768,747                | 2,575,700          |
| <b>Effect of foreign exchanges rates changes</b>   |      | <b>3,488</b>             | <b>(13,894)</b>    |
| <b>Cash and cash equivalents at 30 June</b>  | 17   | <b>3,744,974</b>         | <b>2,545,176</b>   |

The notes to the financial statements on pages 32 to 58 form part of this interim financial report.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

## 1 PRINCIPAL ACTIVITIES AND ORGANISATION

Huadian Fuxin Energy Corporation Limited (the “Company”) was established in the People’s Republic of China (the “PRC”) on 19 August 2011 as a joint stock limited company. The Company and its subsidiaries (together the “Group”) are mainly engaged in power generation and sale in the PRC.

On 28 June 2012, the Company became listed on the Main Board of The Stock Exchange of Hong Kong Limited (“HKSE”).

## 2 BASIS OF PRESENTATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, Interim financial reporting, issued by the International Accounting Standards Board (“IASB”). It was authorised for issuance on 22 August 2014.

The interim financial report has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at 30 June 2014 amounting to RMB12,493,753,000. The directors of the Company are of the opinion that, based on a review of the forecasted cash flows, the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereto do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s independent review report to the Board of Directors is included on page 25.



# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

## 2 BASIS OF PRESENTATION (continued)

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Company's annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The annual financial statements for the year ended 31 December 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 21 March 2014.

## 3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*
- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*
- IFRIC 21, *Levies*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 4 REVENUE

The amount of each significant category of revenue recognised during the periods is as follows:

|  | Six months ended 30 June |                  |
|--|--------------------------|------------------|
|  | 2014                     | 2013             |
|  | RMB'000                  | RMB'000          |
| Sales of electricity                               | 6,492,820                | 5,915,349        |
| Service concession construction revenue (note (i)) | 35,808                   | 118,350          |
| Others   | 168,025                  | 141,190          |
|  | <b>6,696,653</b>         | <b>6,174,889</b> |

Note:

- (i) The Group entered into several service concession agreements with local government (the "Grantor") to construct and operate wind power plants during the concession period. The Group is responsible for construction, maintenance and operation of the wind power plants during the concession period. At the end of the concession period, the Group needs to either dismantle the wind power plants or transfer the ownership of the plants at request of Grantor. Service concession construction revenue recorded during the year represents the revenue recognised during the construction stage of the service concession period. The same amount of cost is recorded since substantially all construction activities are sub-constructed.

The Group has recognised intangible assets related to the service concession arrangement representing the right the Group receives to charge a fee for sales of electricity during the concession period. The Group has not recognised service concession receivables as the Grantor will not provide the Group any guaranteed minimum payment for the operating period of the wind power plants.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

## 5 OTHER NET INCOME

|   | Six months ended 30 June |                 |
|---|--------------------------|-----------------|
|   | 2014<br>RMB'000          | 2013<br>RMB'000 |
| Government grants                                     | 32,976                   | 8,208           |
| Net gain on disposal of property, plant and equipment | 9                        | 2,809           |
| Penalty income from equipment suppliers (note (i))    | 41,457                   | –               |
| Others  | 4,680                    | 5,860           |
|   | <b>79,122</b>            | <b>16,877</b>   |

Note:

- (i) Penalty income from equipment suppliers mainly represented compensations received or receivable from third party equipment suppliers for losses of power generation due to the certain equipments not running stably at the early stage of the operation.

## 6 FINANCE INCOME AND EXPENSES

|  | Six months ended 30 June |                    |
|--|--------------------------|--------------------|
|  | 2014<br>RMB'000          | 2013<br>RMB'000    |
| Interest income on financial assets                                      | 33,292                   | 11,411             |
| Dividend income from other investments                                   | 35,186                   | 8,514              |
| Foreign exchange gains   | 3,488                    | –                  |
| Finance income   | <b>71,966</b>            | <b>19,925</b>      |
| Interest on bank and other borrowings wholly repayable within five years | 287,967                  | 326,387            |
| Interest on other loans  | 1,005,637                | 820,710            |
| Finance charges on obligations under finance leases                      | 25,512                   | 41,003             |
| Less: interest expenses capitalized into property, plant and equipment   | 150,902                  | 172,134            |
|  | <b>1,168,214</b>         | <b>1,015,966</b>   |
| Bank charges and others  | 5,993                    | 6,535              |
| Foreign exchange losses  | –                        | 13,894             |
| Finance expenses   | <b>1,174,207</b>         | <b>1,036,395</b>   |
| Net finance expenses recognised in profit or loss                        | <b>(1,102,241)</b>       | <b>(1,016,470)</b> |

The borrowing costs have been capitalized at rates ranging from 4.83% to 7.40% per annum for the six months ended 30 June 2014 (six months ended 30 June 2013: 5.50% to 7.86%).



# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

## 7 PROFITS BEFORE TAXATION

Profit before taxation is arrived at after charging:

### (a) Personnel costs

|  | Six months ended 30 June |         |
|--|--------------------------|---------|
|  | 2014                     | 2013    |
|  | RMB'000                  | RMB'000 |
| Salaries, wages and other benefits                     | 389,777                  | 361,167 |
| Contributions to defined contribution retirement plans | 62,515                   | 54,611  |
|  | 452,292                  | 415,778 |

### (b) Other items

|                                 | Six months ended 30 June |           |
|---------------------------------|--------------------------|-----------|
|                                 | 2014                     | 2013      |
|                                 | RMB'000                  | RMB'000   |
| Amortization                    |                          |           |
| – lease prepayments             | 8,291                    | 5,939     |
| – intangible assets             | 15,996                   | 7,857     |
| Depreciation                    |                          |           |
| – property, plant and equipment | 1,251,263                | 1,049,567 |
| Operating lease charges         |                          |           |
| – hire of machinery             | 3,396                    | 3,051     |
| – hire of properties            | 11,760                   | 10,106    |
| Cost of inventories             | 2,001,662                | 1,904,618 |

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

## 8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

### (a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

|   | Six months ended 30 June |         |
|---|--------------------------|---------|
|   | 2014                     | 2013    |
|   | RMB'000                  | RMB'000 |
| <b>Current tax – The PRC Corporate Income Tax</b> |                          |         |
| Provision for the period                          | 242,314                  | 189,781 |
| Under provision in respect of prior years         | 622                      | 2,770   |
|   | 242,936                  | 192,551 |
| <b>Deferred tax</b>                               |                          |         |
| Origination and reversal of temporary differences | 27,033                   | 58,076  |
| Total income tax                                  | 269,969                  | 250,627 |

### (b) Reconciliation between tax expenses and accounting profit at applicable tax rates:

|  | Six months ended 30 June |           |
|--|--------------------------|-----------|
|  | 2014                     | 2013      |
|  | RMB'000                  | RMB'000   |
| Profit before taxation   | 1,488,735                | 1,280,060 |
| Applicable tax rate (note (i))                                 | 25%                      | 25%       |
| Notional tax on profit before taxation                         | 372,184                  | 320,015   |
| Tax effect of non-deductible expenses                          | 1,186                    | 701       |
| Tax effect of non-taxable income                               | (16,382)                 | (13,006)  |
| Tax effect of PRC tax concessions (note (ii))                  | (93,614)                 | (65,221)  |
| Tax effect of unused tax losses not recognised                 | 19,719                   | 9,081     |
| Tax credits for purchase of environmental protection equipment | (11,720)                 | (3,116)   |
| Under provision in respect of prior years                      | 622                      | 2,770     |
| Others   | (2,026)                  | (597)     |
| Income tax   | 269,969                  | 250,627   |

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

## 8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

### (b) Reconciliation between tax expenses and accounting profit at applicable tax rates (continued):

Notes:

- (i) The Company and the subsidiaries of the Group established in the PRC are subject to the PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2014 (six months ended 30 June 2013: 25%).
- (ii) Pursuant to CaiShui [2011] No. 58, the Group's subsidiaries established in the Western Region of the PRC are entitled to the preferential income tax rate of 15% from 2011 to 2020.

Certain subsidiaries of the Group, being enterprises engaged in public infrastructure projects, under the relevant tax regulations, are entitled to tax holidays of a 3-year full exemption followed by a 3-year 50% exemption commencing from their respective years in which their first operating income was derived.

## 9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2014 of RMB1,046,511,000 (six months ended 30 June 2013: RMB854,235,000) and the weighted average number of shares in issue during the six months ended 30 June 2014 of 7,910,563,000 (six months ended 30 June 2013: 7,622,616,000).

The weighted average number of shares in issue for the six months ended 30 June 2014 reflects the issuance of 356,975,520 shares in February 2014 in connection with the Company's placing of new H shares (see note 22(b)). The weighted average number of shares in issue is set out below:

|   | Six months ended 30 June |                  |
|---|--------------------------|------------------|
|   | 2014                     | 2013             |
|   | Thousands shares         | Thousands shares |
| Issued ordinary shares at 1 January                 | 7,622,616                | 7,622,616        |
| Effects of shares issued in February 2014           | 287,947                  | –                |
| Weighted average number of ordinary shares in issue | 7,910,563                | 7,622,616        |

There was no difference between the basic and diluted earnings per share as there were no dilutive potential shares outstanding for the periods presented.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

## 10 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organized by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments:

- Hydropower: this segment constructs, manages and operates hydropower plants and generates electric power for sale to power grid companies.
- Wind power: this segment constructs, manages and operates wind power plants and generates electric power for sale to power grid companies.
- Coal-fired power: this segment constructs, manages and operates coal-fired power plants and generates electric power for sale to power grid companies.
- Other clean energy business: this segment mainly constructs, manages and operates other power and heat plants and generates electric power for sale to power grid companies or heat for sale to the customers.

### (a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates, other investments, tax recoverable, deferred tax assets and other corporate assets. Segment liabilities include trade creditors and bills payable, other payables, borrowings, obligations under finance leases and deferred income managed directly by the segments. Segment liabilities do not include tax payable, deferred tax liabilities and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortization of assets attributable to those segments. Segment revenue and expenses do not include share of profits less losses of associates, net finance expenses, service concession construction revenue and cost, gain or loss on disposal of interests in associates, and unallocated head office and corporate revenue and expenses.

The measure used for reporting segment profit is the operating profit. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2014 and 2013 is set out below:



# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

## 10 SEGMENT REPORTING (continued)

### (a) Segment results, assets and liabilities (continued)

|  | Six months ended 30 June 2014 |                       |                                |  | Total<br>RMB'000  |
|--|-------------------------------|-----------------------|--------------------------------|--|-------------------|
|  | Hydro power<br>RMB'000        | Wind power<br>RMB'000 | Coal-fired<br>power<br>RMB'000 | Other clean<br>energy<br>business<br>RMB'000 |                   |
| Revenue from   |                               |                       |                                |  |                   |
| external customers   |                               |                       |                                |  |                   |
| – Sales of electricity   | 1,292,797                     | 1,527,009             | 3,217,841                      | 455,173                                      | 6,492,820         |
| – Sales of others  | 3,555                         | 11,952                | 100,503                        | 52,015                                       | 168,025           |
| <b>Reportable segment revenue</b>  | <b>1,296,352</b>              | <b>1,538,961</b>      | <b>3,318,344</b>               | <b>507,188</b>                               | <b>6,660,845</b>  |
| <b>Reportable segment profit<br/>(operating profit)</b>                          | <b>721,346</b>                | <b>859,501</b>        | <b>872,457</b>                 | <b>175,026</b>                               | <b>2,628,330</b>  |
| Depreciation and amortization  | (237,312)                     | (606,888)             | (322,951)                      | (106,661)                                    | (1,273,812)       |
| Interest income  | 2,716                         | 15,191                | 2,271                          | 933  | 21,111            |
| Interest expenses  | (125,977)                     | (596,006)             | (229,943)                      | (79,235)                                     | (1,031,161)       |
| Expenditures for reportable<br>segment's non-current assets<br>during the period | 85,849                        | 3,162,976             | 49,908                         | 1,491,968                                    | 4,790,701         |
|  |                               |                       |                                |  |                   |
|  | At 30 June 2014               |                       |                                |  |                   |
|  | Hydro power<br>RMB'000        | Wind power<br>RMB'000 | Coal-fired<br>power<br>RMB'000 | Other clean<br>energy<br>business<br>RMB'000 | Total<br>RMB'000  |
| <b>Reportable segment assets</b>   | <b>10,606,298</b>             | <b>35,895,349</b>     | <b>12,457,829</b>              | <b>9,146,935</b>                             | <b>68,106,411</b> |
| <b>Reportable segment liabilities</b>  | <b>4,297,790</b>              | <b>29,585,269</b>     | <b>8,677,335</b>               | <b>7,287,926</b>                             | <b>49,848,320</b> |



# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

## 10 SEGMENT REPORTING (continued)

### (b) Reconciliations of reportable segment revenue, profit, assets and liabilities

|   | Six months ended 30 June      |                                   |
|---|-------------------------------|-----------------------------------|
|   | 2014<br>RMB'000               | 2013<br>RMB'000                   |
| <b>Revenue</b>                                    |                               |                                   |
| Reportable segment revenue                        | 6,660,845                     | 6,056,539                         |
| Service concession construction revenue           | 35,808                        | 118,350                           |
| Consolidated revenue                              | 6,696,653                     | 6,174,889                         |
| <b>Profit</b>                                     |                               |                                   |
| Reportable segment profit                         | 2,628,330                     | 2,317,881                         |
| Unallocated head office and corporate expenses    | (67,280)                      | (64,266)                          |
| Share of profits less losses of associates        | 29,926                        | 42,915                            |
| Net finance expenses                              | (1,102,241)                   | (1,016,470)                       |
| Consolidated profit before taxation               | 1,488,735                     | 1,280,060                         |
|   | At 30 June<br>2014<br>RMB'000 | At 31 December<br>2013<br>RMB'000 |
| <b>Assets</b>                                     |                               |                                   |
| Reportable segment assets                         | 68,106,411                    | 61,792,628                        |
| Inter-segment receivables                         | (5,210,530)                   | (3,870,283)                       |
|   | 62,895,881                    | 57,922,345                        |
| Interest in associates                            | 4,156,421                     | 3,545,609                         |
| Other investments                                 | 512,300                       | 512,300                           |
| Deferred tax assets                               | 298,955                       | 304,884                           |
| Tax recoverable                                   | 26,726                        | 33,221                            |
| Unallocated head office and corporate assets      | 7,290,714                     | 5,358,065                         |
| Consolidated total assets                         | 75,180,997                    | 67,676,424                        |
| <b>Liabilities</b>                                |                               |                                   |
| Reportable segment liabilities                    | 49,848,320                    | 45,884,956                        |
| Inter-segment payables                            | (5,210,530)                   | (3,870,283)                       |
|   | 44,637,790                    | 42,014,673                        |
| Tax payable                                       | 144,861                       | 249,828                           |
| Deferred tax liabilities                          | 809,876                       | 781,503                           |
| Unallocated head office and corporate liabilities | 14,110,614                    | 10,919,528                        |
| Consolidated total liabilities                    | 59,703,141                    | 53,965,532                        |

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

## 10 SEGMENT REPORTING (continued)

### (c) Geographical information

The Group's revenue is substantially generated from the sale of electricity to the customers in the PRC. The Group's operating assets are substantially situated in the PRC. Accordingly, no segment analysis based on geographical locations of the customers and assets is provided.

## 11 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired items of property, plant and equipment with a cost of RMB4,761,152,000 (six months ended 30 June 2013: RMB3,287,589,000). Items of property, plant and equipment with a net book value of approximately RMB1,467,000 were disposed of during the six months ended 30 June 2014 (six months ended 30 June 2013: RMB138,650,000), resulting in a gain on disposal of RMB9,000 (six months ended 30 June 2013: a gain of RMB2,809,000).

## 12 INTANGIBLE ASSETS

The net book value of intangible assets mainly represent service concession assets of approximately RMB587,464,000 (31 December 2013: approximately RMB564,826,000), goodwill of approximately RMB496,400,000 (31 December 2013: approximately RMB496,400,000), software and other assets of approximately RMB33,006,000 (31 December 2013: approximately RMB34,778,000).

During the six months ended 30 June 2014, the additions of intangible assets mainly represent service concession assets of approximately RMB35,808,000 (six months ended 30 June 2013: approximately RMB118,350,000).

## 13 INTEREST IN ASSOCIATES

|                     | At 30 June<br>2014<br>RMB'000 | At 31 December<br>2013<br>RMB'000 |
|---------------------|-------------------------------|-----------------------------------|
| Share of net assets | 4,156,421                     | 3,545,609                         |

According to the agreement between the Group and China WindPower Group Limited ("China WindPower"), the Group made a total payment of HK\$378,400,000 (equivalent to RMB298,948,000) on 19 March 2014 for the subscription of 880,000,000 new shares issued and allotted by China WindPower to the Group. After completion of the subscription, the Group held 9.84% shares of China WindPower over which the Group has significant influence. The initial investment in China WindPower was recognized as interest in associates.



# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

## 14 OTHER NON-CURRENT ASSETS

|  | At 30 June<br>2014<br>RMB'000 | At 31 December<br>2013<br>RMB'000 |
|--|-------------------------------|-----------------------------------|
| Deductible Value Added Tax ("VAT") (note (i))                                      | 1,576,915                     | 1,549,454                         |
| Deferred differences arising from sales and leaseback resulting in a finance lease | 257,517                       | 265,803                           |
| Loan to an associate (note(ii))  | 28,179                        | 28,179                            |
| Others   | 139,998                       | 140,456                           |
|  | <b>2,002,609</b>              | <b>1,983,892</b>                  |

Notes:

(i) Deductible VAT mainly represents the input VAT relating to acquisition of property, plant and equipment and inventory, which is deductible from output VAT. The input VAT expected to be deducted within one year is recorded in prepayments and other current assets (see note 16).

(ii) Loan to an associate is unsecured, interest bearing at a rate of 6.60% per annum and will be recovered in 2018.

## 15 TRADE DEBTORS AND BILLS RECEIVABLE

|                                       | At 30 June<br>2014<br>RMB'000 | At 31 December<br>2013<br>RMB'000 |
|---------------------------------------|-------------------------------|-----------------------------------|
| Amounts due from third parties        | 3,676,358                     | 3,082,678                         |
| Less: allowance for doubtful accounts | 33,608                        | 33,608                            |
|                                       | <b>3,642,750</b>              | <b>3,049,070</b>                  |

### (a) Ageing analysis

The ageing analysis of trade debtors and bills receivable of the Group based on the due date is as follows:

|                                       | At 30 June<br>2014<br>RMB'000 | At 31 December<br>2013<br>RMB'000 |
|---------------------------------------|-------------------------------|-----------------------------------|
| Current                               | 3,676,358                     | 3,082,678                         |
| Less: allowance for doubtful accounts | 33,608                        | 33,608                            |
|                                       | <b>3,642,750</b>              | <b>3,049,070</b>                  |

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

## 15 TRADE DEBTORS AND BILLS RECEIVABLE (continued)

### (a) Ageing analysis (continued)

The Group's trade debtors are mainly electricity sales receivable from local grid companies for whom there was no recent history of default. Generally the debtors are due within 15-30 days from the date of invoice, except for the tariff premium of renewable energy, representing approximately 15% to 89% of total electricity sales, collected by certain renewable energy projects, such as wind power projects and solar power projects. The collection of such tariff premium is subject to the allocation of funds by relevant government authorities to local grid companies, which consequently takes a relatively long time for settlement.

### (b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly.

The Group's trade debtors and bills receivable of RMB33,608,000 as at 30 June 2014 (31 December 2013: RMB33,608,000) were individually determined to be impaired. The individually impaired receivables related to the counterparties that were in financial difficulties and management assessed that the receivables are not expected to be recovered. Consequently, specific allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances.

### (c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

|                               | At 30 June<br>2014<br>RMB'000 | At 31 December<br>2013<br>RMB'000 |
|-------------------------------|-------------------------------|-----------------------------------|
| Neither past due nor impaired | 3,642,750                     | 3,049,070                         |

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, a set of new standardized procedures for the settlement of the aforementioned renewable energy tariff premium has come into force since 2012 and approvals on a project by project basis are required before the allocation of funds to local grid companies. As at 30 June 2014, most of the Group's related projects have been approved for the tariff premium of renewable energy and certain projects are in the process of applying for the approval. The directors are of the opinion that the approvals will be obtained in due course and these trade and bills receivable from tariff premium are fully recoverable considering there were no bad debt experiences with the grid companies in the past and such tariff premium is funded by the PRC government.

Trade debtors and bills receivable that were neither past due nor impaired mainly represented the electricity sales receivables from local grid companies for whom there was no recent history of default. All trade debtors and bills receivable are expected to be recovered within one year.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

## 16 PREPAYMENTS AND OTHER CURRENT ASSETS

|  | At 30 June<br>2014<br>RMB'000 | At 31 December<br>2013<br>RMB'000 |
|--|-------------------------------|-----------------------------------|
| Certificated Emission Reduction<br>("CERs") receivable | 166,784                       | 179,292                           |
| Staff advance and other deposits                       | 55,287                        | 40,117                            |
| Amounts due from related parties                       |                               |                                   |
| – due from fellow subsidiaries                         | 61,903                        | 70,707                            |
| – due from associates                                  | 45,112                        | 36,374                            |
| Loans to a third party                                 | 205,203                       | 205,516                           |
| Deductible VAT (note14(i))                             | 794,495                       | 873,798                           |
| Prepayments for the coal and spare parts supply        | 177,419                       | 61,640                            |
| Other prepayments and debtors                          | 238,280                       | 202,709                           |
|  | <b>1,744,483</b>              | 1,670,153                         |
| Less: allowance for doubtful debts                     | <b>183,656</b>                | 196,164                           |
|  | <b>1,560,827</b>              | 1,473,989                         |

All of the prepayments and other current assets are expected to be recovered or recognized as expenses within one year.

Impairment losses in respect of prepayments and other current assets are recorded using an allowance account.

The Group's prepayments and other current assets of RMB183,656,000 as at 30 June 2014 (31 December 2013: RMB196,164,000) were individually determined to be impaired. The individually impaired receivables related to the counterparties that were in financial difficulties and management assessed that the receivables are not expected to be recovered. Consequently, specific allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances.

For the other balances of prepayments and other current assets for the Group, the management is of the opinion that the counterparties are with good credit quality and the balances are considered fully recoverable.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

## 17 CASH AND CASH EQUIVALENTS

|  | At 30 June<br>2014<br>RMB'000 | At 31 December<br>2013<br>RMB'000 |
|--|-------------------------------|-----------------------------------|
| Cash on hand                                 | 565                           | 607                               |
| Cash at bank                                 | 1,711,525                     | 448,051                           |
| Deposits with a fellow subsidiary (note (i)) | 2,032,884                     | 1,320,089                         |
|  | <b>3,744,974</b>              | 1,768,747                         |

Note:

- (i) Deposits with a fellow subsidiary mainly represent the deposits in China Huadian Finance Corporation Limited (“Huadian Finance”).

## 18 BORROWINGS

### (a) The long-term interest-bearing borrowings comprise:

|  | At 30 June<br>2014<br>RMB'000 | At 31 December<br>2013<br>RMB'000 |
|--|-------------------------------|-----------------------------------|
| Bank loans and loans from financial institutions   |                               |                                   |
| – Secured  | 14,221,475                    | 13,166,920                        |
| – Unsecured (note (i))                             | 18,773,406                    | 17,246,719                        |
| Loans from China Huadian Corporation (“Huadian”)   |                               |                                   |
| – Unsecured  | 2,246,447                     | 2,246,447                         |
| Loans from Huadian Finance                         |                               |                                   |
| – Unsecured  | 1,254,000                     | –                                 |
| Other borrowings (note(e)(i))                      |                               |                                   |
| – Unsecured  | 1,990,656                     | 1,989,794                         |
|  | <b>38,485,984</b>             | 34,649,880                        |
| Less: Current portion of long-term borrowings      |                               |                                   |
| – Bank loans and loans from financial institutions | 3,051,059                     | 4,349,114                         |
| – Loans from Huadian Finance                       | 2,000                         | –                                 |
|  | <b>35,432,925</b>             | 30,300,766                        |



# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

## 18 BORROWINGS (continued)

### (a) The long-term interest-bearing borrowings comprise: (continued)

Note:

All of the long-term interest-bearing borrowings are carried at amortised cost. None of the long-term interest-bearing borrowings is expected to be settled within one year.

(i) Certain unsecured borrowings were guaranteed by the below entities:

|  | At 30 June<br>2014<br>RMB'000 | At 31 December<br>2013<br>RMB'000 |
|--|-------------------------------|-----------------------------------|
| Guarantor                                |                               |                                   |
| – Huadian                                | 2,586,300                     | 3,682,500                         |
| – Non-controlling interests shareholders | –                             | 242,000                           |
|  | <b>2,586,300</b>              | <b>3,924,500</b>                  |

### (b) The short-term interest-bearing borrowings comprise:

|  | At 30 June<br>2014<br>RMB'000 | At 31 December<br>2013<br>RMB'000 |
|--|-------------------------------|-----------------------------------|
| Bank loans and loans from financial institutions   |                               |                                   |
| – Secured  | 371,500                       | 580,000                           |
| – Unsecured  | 5,082,618                     | 4,250,135                         |
| Loans from Huadian Finance                         |                               |                                   |
| – Unsecured  | 1,240,000                     | 940,000                           |
| Other borrowings (note(e)(ii))                     |                               |                                   |
| – Unsecured  | 1,495,000                     | 1,498,000                         |
|  | <b>8,189,118</b>              | <b>7,268,135</b>                  |
| Add: Current portion of long-term borrowings       |                               |                                   |
| – Bank loans and loans from financial institutions | 3,051,059                     | 4,349,114                         |
| – Loans from Huadian Finance                       | 2,000                         | –                                 |
|  | <b>11,242,177</b>             | <b>11,617,249</b>                 |

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

## 18 BORROWINGS (continued)

(c) The interest rates on borrowings are as follows:

|  | At 30 June<br>2014 | At 31 December<br>2013 |
|--|--------------------|------------------------|
| <b>Long-term</b>                                 |                    |                        |
| Bank loans and loans from financial institutions | 4.83%-7.86%        | 4.85%-7.86%            |
| Loans from Huadian                               | 4.15%-5.60%        | 4.15%-5.60%            |
| Loans from Huadian Finance                       | 6.46%-6.55%        | -                      |
| Other borrowings                                 | 5.13%-5.38%        | 5.13%-5.38%            |
| <b>Short-term</b>                                |                    |                        |
| Bank loans and loans from financial institutions | 5.40%-6.66%        | 5.04%-6.66%            |
| Loans from Huadian Finance                       | 5.40%-6.00%        | 5.04%-6.00%            |
| Other borrowings                                 | 5.62%              | 4.49%                  |

(d) The borrowings are repayable as follows:

|                                  | At 30 June<br>2014<br>RMB'000 | At 31 December<br>2013<br>RMB'000 |
|----------------------------------|-------------------------------|-----------------------------------|
| Within 1 year or on demand       | 11,242,177                    | 11,617,249                        |
| After 1 year but within 2 years  | 5,208,905                     | 3,436,033                         |
| After 2 years but within 5 years | 11,198,199                    | 10,487,781                        |
| After 5 years                    | 19,025,821                    | 16,376,952                        |
|                                  | 35,432,925                    | 30,300,766                        |
|                                  | 46,675,102                    | 41,918,015                        |

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

## 18 BORROWINGS (continued)

### (e) Significant terms of other borrowings

|                                  | At 30 June<br>2014<br>RMB'000 | At 31 December<br>2013<br>RMB'000 |
|----------------------------------|-------------------------------|-----------------------------------|
| <b>Long-term</b>                 |                               |                                   |
| Corporate bonds (note(i))        | 1,990,656                     | 1,989,794                         |
| <b>Short-term</b>                |                               |                                   |
| Financing instruments (note(ii)) | 1,495,000                     | 1,498,000                         |

Notes:

- (i) On 25 March 2013, the Company issued a five-year unsecured corporate bond of RMB1 billion at par with a coupon rate of 5.00% per annum and a ten-year unsecured corporate bond of RMB1 billion at par with a coupon rate of 5.30% per annum. The effective interest rates of above bonds are 5.13% and 5.38%, respectively.
- (ii) On 22 May 2013, the Company issued a one-year unsecured short-term financing instruments of RMB1.5 billion at par with a coupon rate of 4.07% per annum in the PRC inter-bank debenture market. The effective interest rate of the financing instruments is 4.49%. This short-term financing instruments was paid off on 23 May 2014.

On 7 May 2014, the Company issued a one-year unsecured short-term financing instruments of RMB1.5 billion at par with a coupon rate of 5.20% per annum in the PRC inter-bank debenture market. The effective interest rate of the financing instruments is 5.62%.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

## 19 OBLIGATIONS UNDER FINANCE LEASES

The Group had obligations under finance leases repayable as follows:

|  | At 30 June 2014  |   | At 31 December 2013  |   |
|--|--|---|--|---|
|  | Present value<br>of the minimum<br>lease payments<br>RMB'000 | Total<br>minimum lease<br>payments<br>RMB'000 | Present value<br>of the minimum<br>lease payments<br>RMB'000 | Total<br>minimum lease<br>payments<br>RMB'000 |
| Within 1 year                              | 58,774   | 109,584                                       | 98,763   | 143,592                                       |
| After 1 year but within 2 years            | 71,614   | 114,657                                       | 69,269   | 114,908                                       |
| After 2 years but within 5 years           | 223,922  | 324,661                                       | 216,856  | 326,017                                       |
| After 5 years                              | 427,211  | 498,591                                       | 459,743  | 544,227                                       |
|  | 722,747  | 937,909                                       | 745,868  | 985,152                                       |
|  | 781,521  | 1,047,493                                     | 844,631  | 1,128,744                                     |
| Less: total future interest expenses       |  | 265,972                                       |  | 284,113                                       |
| Present value of finance lease obligations |  | 781,521                                       |  | 844,631                                       |

At inception, the lease periods of the finance lease obligation are approximately 1-14 years.

## 20 TRADE CREDITORS AND BILLS PAYABLE

|                                      | At 30 June<br>2014<br>RMB'000 | At 31 December<br>2013<br>RMB'000 |
|--------------------------------------|-------------------------------|-----------------------------------|
| Trade creditors to third parties     | 627,838                       | 663,680                           |
| Bills payable to third parties       | 1,506,405                     | 947,308                           |
| Amounts due to fellow subsidiaries   | 134,543                       | 164,055                           |
| Bills payable to fellow subsidiaries | 47,171                        | 1,927                             |
|                                      | 2,315,957                     | 1,776,970                         |



# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

## 20 TRADE CREDITORS AND BILLS PAYABLE (continued)

The ageing analysis for the trade creditors and bills payable, based on due date, is as follows:

|  | At 30 June<br>2014<br>RMB'000 | At 31 December<br>2013<br>RMB'000 |
|--|-------------------------------|-----------------------------------|
| Due within 3 months or on demand       | 1,039,129                     | 1,033,383                         |
| Due after 3 months but within 6 months | 415,908                       | 332,208                           |
| Due after 6 months but within 1 year   | 860,920                       | 411,379                           |
|  | <b>2,315,957</b>              | 1,776,970                         |

All of the trade creditors and bills payable are expected to be settled within one year or are repayable on demand.

## 21 OTHER PAYABLES

|   | At 30 June<br>2014<br>RMB'000 | At 31 December<br>2013<br>RMB'000 |
|---|-------------------------------|-----------------------------------|
| Payables for acquisition of property, plant and equipment and intangible assets | 6,190,574                     | 5,969,192                         |
| Provision for Mianhuatan resettlement compensation (note (i))                   | 40,000                        | 40,000                            |
| Retention payable (note (ii))   | 681,431                       | 704,626                           |
| Dividends payable   | 341,770                       | 19,794                            |
| Payable for acquisition of subsidiaries   | 68,683                        | 108,909                           |
| Payables for staff related costs  | 93,920                        | 90,400                            |
| Payables for other taxes  | 195,888                       | 140,468                           |
| Interest payable  | 100,608                       | 215,266                           |
| Amounts due to the fellow subsidiaries (note (iii))                             | 529,804                       | 432,619                           |
| Amounts due to Huadian (note (iii))   | 12,000                        | 12,000                            |
| Other accruals and payables   | 372,736                       | 315,558                           |
|   | <b>8,627,414</b>              | 8,048,832                         |

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

## 21 OTHER PAYABLES (continued)

Notes:

- (i) Mianhuatan Hydropower, one of the Company's subsidiaries, owns and operates a hydropower plant (the "Mianhuatan Project") in Longyan, Fujian. The relevant local government authority disputed the amount of resettlement compensation required and requested Mianhuatan Hydropower to increase the compensation to cover the rising costs associated with the relocation and resettlement of additional residents, the construction of roads and bridges, environmental protection and the preservation of historical relics. In response to this request, Mianhuatan Hydropower engaged the original independent design institute for this hydropower project, Shanghai Investigation, Design & Research Institute (the "Shanghai Institute"), to assess the need to pay any additional resettlement compensation. To support the local government's relocation and resettlement efforts, Mianhuatan Hydropower agreed in principal and prepaid to the local government additional compensation of RMB15 million, RMB15 million, and RMB360 million in 2009, 2010 and 2011, respectively, totaling RMB390 million in advance payments. In addition, the management of Mianhuatan Hydropower has recognised an additional provision of RMB40 million for this dispute as at 31 December 2011. The advance payments of RMB390 million and the provision of RMB40 million have been capitalised in the property, plant and equipment in the historical financial information. After reviewing the assessment report from the Shanghai Institute, Fujian Development and Reform Commission (the "Fujian DRC") and National Development and Reform Commission of the PRC (the "NDRC") will determine the adjusted resettlement compensation for which Mianhuatan Hydropower will be responsible.
- (ii) Retention payable represents amounts due to equipment suppliers and construction contractors which will be settled upon the expiry of the warranty period.
- (iii) These amounts are all unsecured, interest-free and have no fixed terms of repayment.

All of the other payables are expected to be settled within one year or are repayable on demand.

## 22 CAPITAL, RESERVES AND DIVIDENDS

### (a) Dividends

The directors did not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

A final dividend for the year ended 31 December 2013 of RMB0.0382 per share, amounting to RMB304,820,000 was declared and approved by the shareholders on June 2014, and was unpaid as at 30 June 2014.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

## 22 CAPITAL, RESERVES AND DIVIDENDS (continued)

### (b) Share capital

|  | At 30 June<br>2014<br>RMB'000 | At 31 December<br>2013<br>RMB'000 |
|--|-------------------------------|-----------------------------------|
| <b>Issued and fully paid</b>                                       |                               |                                   |
| 5,837,738,400 domestic state-owned ordinary shares of RMB1.00 each | 5,837,738                     | 5,837,738                         |
| 2,141,853,120 (2013: 1,784,877,600) H shares of RMB1.00 each       | 2,141,854                     | 1,784,878                         |
|  | <b>7,979,592</b>              | <b>7,622,616</b>                  |

On 5 February 2014, the Company issued 356,975,520 H shares with a par value of RMB1.00, at the placing price of HK\$3.30 per H share. The net proceeds from the placing after deduction of issuing expenses amount to approximately HK\$1,156,815,000 (equivalent to RMB909,546,000). After the issuance of shares upon placing, 7,979,591,520 ordinary shares, with par value of RMB1.00 each, were in issue.

All shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company. All shares rank equally with regard to the Company's residual assets.

## 23 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### (a) Financial assets and liabilities measured at fair value

#### *Fair value hierarchy*

The IFRS 13, "Fair value measurement", requires to disclose the level of the fair value hierarchy within which the fair value measurements are categorised in their entirety. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

At 30 June 2014 and 31 December 2013, the Group did not have any financial instruments measured at fair value.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

## 23 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

### (b) Fair values of financial assets and liabilities carried at cost other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost primarily including receivables, payables and borrowings, are not materially different from their fair values as at 30 June 2014 and 31 December 2013, which are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

As at 30 June 2014, the investments in unquoted equity securities are measured at cost which fair value cannot be measured reliably as these investments in non-listed companies do not have quoted market price in an active market. The Group has no intention to dispose these investments.

## 24 CAPITAL COMMITMENTS

Capital commitments outstanding at the period/year end not provided for in the interim financial report were as follows:

|                                   | At 30 June<br>2014<br>RMB'000 | At 31 December<br>2013<br>RMB'000 |
|-----------------------------------|-------------------------------|-----------------------------------|
| Contracted for                    | 11,869,476                    | 3,060,921                         |
| Authorized but not contracted for | 9,238,368                     | 8,529,785                         |
|                                   | <b>21,107,844</b>             | 11,590,706                        |

## 25 CONTINGENT LIABILITIES

### (a) Financial guarantees issued

|                                    | At 30 June<br>2014<br>RMB'000 | At 31 December<br>2013<br>RMB'000 |
|------------------------------------|-------------------------------|-----------------------------------|
| Financial guarantees to banks for: |                               |                                   |
| – An associate                     | 26,426                        | 26,426                            |

As at 30 June 2014, the directors do not consider it probable that a claim will be made against the Group under any of the guarantees.



# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

## 25 CONTINGENT LIABILITIES (continued)

### (b) Contingent liability in respect of taxes on CERs revenue

Up to date, there have been no rules issued on whether the revenue from sales of CERs is subject to any VAT or business tax. Based on the discussions with local tax authorities, the directors of the Company are of the opinion that no such taxes will be applicable to the revenue from sales of CERs. Therefore, the Group has not made any provision on such contingencies.

### (c) Contingent event in respect of the resettlement compensation for Mianhuatan Hydropower

As set out in note 21(i), Mianhuatan Hydropower has been requested by the relevant local government authority to further increase the compensation to cover the rising costs associated with the relocation and resettlement of additional residents, the construction of roads and bridges, environmental protection and the preservation of historical relics. The final resettlement compensation has yet to be determined by the Fujian DRC and the NDRC. Mianhuatan Hydropower has prepaid aggregated amount of RMB390 million during the years ended 31 December 2009, 2010 and 2011 in relation to this dispute and has recognised a provision of RMB40 million during the year ended 31 December 2011 based on the assessment of the circumstances.

Huadian has undertaken to indemnify the Group against its losses, claims, charges and expenses arising from the relocation and resettlement of local residents in relation to Mianhuatan Project if the additional compensation the NDRC requires the Group to pay is to exceed the RMB40 million.

## 26 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties

The Group is part of a large group of companies under Huadian and has significant transactions and relationships with the subsidiaries of Huadian.

The principal related party transactions which were carried out in the ordinary course of business are as follows:

|  | Six months ended 30 June |                 |
|--|--------------------------|-----------------|
|  | 2014<br>RMB'000          | 2013<br>RMB'000 |
| <i>Purchase of coal shipping service from</i><br>Fellow subsidiaries                           | 38,330                   | 29,157          |
| <i>Purchase of construction service and construction materials from</i><br>Fellow subsidiaries | 337,574                  | 459,837         |
| An associate   | 45,000                   | –               |

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

## 26 MATERIAL RELATED PARTY TRANSACTIONS (continued)

### (a) Transactions with related parties (continued)

|   | Six months ended 30 June |                 |
|---|--------------------------|-----------------|
|   | 2014<br>RMB'000          | 2013<br>RMB'000 |
| <i>Office rental and property management service provided by</i><br>Fellow subsidiaries | 8,756                    | 8,038           |
| <i>Purchases of coal from</i><br>Fellow subsidiaries                                    | 549,175                  | 448,977         |
| <i>Working capital provided to/(got back from)</i><br>Huadian                           | –                        | (28,000)        |
| An associate  | 8,738                    | –               |
| <i>Loan guarantees released from</i><br>An associate                                    | –                        | 17,780          |
| <i>Loan guarantees revoked by</i><br>Huadian  | 1,096,200                | –               |
| <i>Loans received from/(repayment to)</i><br>Huadian Finance                            | 1,554,000                | (170,000)       |
| <i>Net deposit change in</i><br>Huadian Finance   | 712,795                  | 1,303,601       |
| <i>Interest expenses to</i><br>Huadian  | 59,955                   | 60,040          |
| Huadian Finance   | 29,813                   | 8,998           |
| <i>Interest income from</i><br>Huadian Finance  | 4,706                    | 3,386           |
| An associate  | 935                      | –               |
| <i>Purchase of a subsidiary from</i><br>Huadian   | –                        | 610,845         |

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

## 26 MATERIAL RELATED PARTY TRANSACTIONS (continued)

### (b) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 14, 16, 17, 18, 20, 21 and 25(a).

### (c) Transactions with other state-controlled entities in the PRC

The Group is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly owned or controlled by the PRC government and numerous government authorities and agencies (collectively referred to as “state-controlled entities”).

Apart from transactions mentioned above, the Group conducts a majority of its business activities with state-controlled entities in the ordinary course of business. These transactions are carried out at terms similar to those that would be entered into with non-state-controlled entities. Transactions with other state-controlled entities included but are not limited to the following:

- Sales of electricity;
- Depositing and borrowing money;
- Purchase of materials and receiving construction work services; and
- Service concession arrangements.

The tariff of electricity is regulated by relevant government authorities. The Group prices its other services and products based on commercial negotiations. The Group has also established its approval processes for sales of electricity, purchase of products and services and its financing policy for borrowing. Such approval processes and financing policy do not depend on whether the counterparties are state-controlled entities or not.

For the six months ended 30 June 2014, revenue from the sales of electricity made to the provincial power grid companies which are state-controlled entities accounted for 99.26% of total revenue from the sales of electricity (six months ended 30 June 2013: 99.39%). As at 30 June 2014, the trade debtors and bills receivable due from these power grid companies accounted for 96.54% of total trade and bills receivable (31 December 2013: 92.25%).

The Company and its subsidiaries maintained substantially all of the bank deposits in state-controlled financial institutions while lenders of substantially all of the Company and its subsidiaries' loans are also state-controlled financial institutions, associated with the respective interest income or interest expense incurred.

Other collectively significant transactions with state-controlled entities also included a large portion of equipment and materials purchases, and property, plant and equipment construction services received, and the service concession arrangements.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

## 26 MATERIAL RELATED PARTY TRANSACTIONS (continued)

### (d) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Group's directors.

Remuneration for key management personnel is as follows:

|                                 | Six months ended 30 June |                 |
|---------------------------------|--------------------------|-----------------|
|                                 | 2014<br>RMB'000          | 2013<br>RMB'000 |
| Salaries and other emoluments   | 1,184                    | 1,276           |
| Discretionary bonus             | 1,601                    | 1,640           |
| Retirement scheme contributions | 291                      | 278             |
| Deferred compensation plan      | –                        | 65              |
|                                 | <b>3,076</b>             | 3,259           |

### (e) Contributions to defined contribution retirement plans

The Group participates in various defined contribution retirement plans organised by municipal and provincial governments and Huadian for its staff. As at 30 June 2014 and 31 December 2013, there was no material outstanding contribution to post-employment benefit plans.

### (f) Commitment with related parties

|  | At 30 June<br>2014<br>RMB'000 | At 31 December<br>2013<br>RMB'000 |
|--|-------------------------------|-----------------------------------|
|  | Capital commitment            | 3,535,752                         |
| Commitment for office rental and property management fee | 134,022                       | 140,850                           |



# Definition and Glossary of Technical Terms

|  |   |
|--|---|
| “Articles of Association”                      | the articles of association of the Company  |
| “attributable consolidated installed capacity” | calculated by multiplying our equity interest (whether or not such interest is a controlling interest) in the power generating projects by their installed capacity, usually denominated in MW  |
| “availability coefficient”                     | the amount of time that a power generator is able to produce electricity over a certain period, divided by the amount of time in such period  |
| “average utilization hours”                    | the gross generation in a specified period divided by the average installed capacity in such period   |
| “biomass”                                      | plant material, vegetation or agricultural waste used as a fuel or energy source  |
| “Board”  | the board of directors of the Company   |
| “China WindPower”                              | China WindPower Group Limited   |
| “Company”, “We”, or “us”                       | Huadian Fuxin Energy Corporation Limited  |
| “consolidated installed capacity”              | the aggregate amount of installed capacity of our operating power generating projects that we fully consolidate in our consolidated financial statements. For wind power projects, consolidated installed capacity refers to the aggregate amount of installed capacity of our grid-connected wind power projects. As of 30 June 2014, all of our operating wind power projects were connected to local power grids |
| “Corporate Governance Code”                    | the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited  |
| “Corresponding Period of 2013”                 | six months ended 30 June 2013   |
| “Director(s)”                                  | the director(s) of the Company  |
| “electricity sales”                            | the actual amount of electricity sold by a power plant in a particular period which equals gross power generation less consolidated auxiliary electricity   |
| “gross generation”                             | for a specified period, the total amount of electricity produced by a power generating project during that period   |
| “Group”  | Huadian Fuxin Energy Corporation Limited and its subsidiaries   |
| “GW”   | gigawatt, a unit of power. 1 GW = 1,000 MW  |
| “Hong Kong Stock Exchange”                     | The Stock Exchange of Hong Kong Limited   |
| “Huadian”                                      | China Huadian Corporation   |
| “Huadian Group”                                | China Huadian Corporation and its subsidiary  |
| “Kemen II”                                     | Fujian Huadian Kemen II Power Generation Co., Ltd.  |

# Definition and Glossary of Technical Terms

|                     |   |
|---------------------|---|
| “Kemen Power Plant” | Fujian Huadian Kemen Power Generation Co., Ltd. a company incorporated in the PRC and a wholly-owned subsidiary of our Company  |
| “kW”                | kilowatt, a unit of power. 1 kW = 1,000 watts   |
| “kWh”               | kilowatt-hour, a unit of energy. The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a power generator producing one thousand watts for one hour |
| “Listing Rules”     | the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited  |
| “Model Code”        | the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited                                   |
| “MW”                | megawatt, a unit of power. 1 MW = 1,000 kW. The capacity of a power project is generally expressed in MW  |
| “MWh”               | megawatt-hour, a unit of energy. 1 MWh = 1,000 kWh  |
| “NDRC”              | National Development and Reform Commission of the PRC   |
| “on-grid tariff”    | the selling price of electricity for which a power generating project could sell the electricity it generated to the power grid companies, usually denominated in RMB per kWh (such on-grid tariff includes value-added tax)      |
| “Placees”           | any professional, institutional and other investor whom the Placing Agents have procured to subscribe for any of the Placing Shares pursuant to their obligations hereunder   |
| “Placing Agents”    | UBS AG, Hong Kong Branch, Merrill Lynch Far East Limited and CLSA Limited   |
| “Placing Agreement” | the placing agreement dated 26 January 2014 entered into between the Company and the Placing Agents   |
| “Placing Price”     | HK\$3.30 per share  |
| “Placing Shares”    | 356,975,520 new H shares to be issued by the Company pursuant to the terms and subject to the conditions set out in the Placing Agreement   |
| “PRC” or “China”    | the People’s Republic of China  |
| “Reporting Period”  | the period from 1 January 2014 to 30 June 2014  |
| “SFO”               | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time  |
| “Supervisor(s)”     | the supervisor(s) of the Company  |

# Corporate Information

## LEGAL NAME OF THE COMPANY

華電福新能源股份有限公司

## ENGLISH NAME OF THE COMPANY

Huadian Fuxin Energy Corporation Limited

## REGISTERED OFFICE

25th Floor, Yifa Plaza,  
No. 111 Wusi Road,  
Gulou District,  
Fuzhou,  
Fujian Province, the PRC

## HEAD OFFICE IN THE PRC

7th Floor, Building B,  
Huadian Plaza,  
No. 2 Xuanwumennei Road,  
Xicheng District,  
Beijing, the PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8th Floor, Gloucester Tower,  
The Landmark,  
15 Queen's Road Central,  
Hong Kong

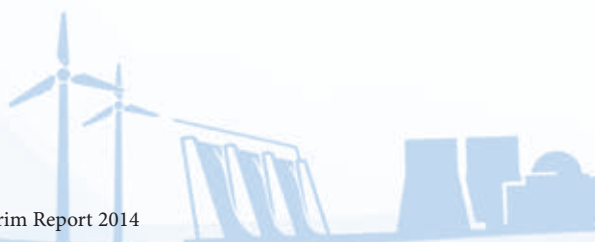
## MEMBERS OF THE BOARD

### Executive Directors

Mr. Fang Zheng (*Chairman of the Board*)  
Mr. Jiang Bingsi (*President*)  
Mr. Li Lixin

### Non-executive Directors

Mr. Chen Bin  
Mr. Tao Yunpeng  
Mr. Zong Xiaolei



## Independent Non-executive Directors

Mr. Zhou Xiaoqian  
Mr. Tao Zhigang  
Mr. Zhang Bai

## COMMITTEES OF THE BOARD

### Audit Committee

Mr. Zhang Bai (*Independent Non-executive Director*) (*Chairman*)  
Mr. Zong Xiaolei (*Non-executive Director*)  
Mr. Tao Zhigang (*Independent Non-executive Director*)

### Nomination Committee

Mr. Zhou Xiaoqian (*Independent Non-executive Director*) (*Chairman*)  
Mr. Fang Zheng (*Executive Director and Chairman of the Board*)  
Mr. Tao Zhigang (*Independent Non-executive Director*)

### Remuneration and Assessment Committee

Mr. Zhou Xiaoqian (*Independent Non-executive Director*) (*Chairman*)  
Mr. Zhang Bai (*Independent Non-executive Director*)  
Mr. Jiang Bingsi (*Executive Director*)

### Strategic Committee

Mr. Fang Zheng (*Executive Director and Chairman of the Board*) (*Chairman*)  
Mr. Chen Bin (*Non-executive Director*)  
Mr. Zhou Xiaoqian (*Independent Non-executive Director*)

## SUPERVISORS

Mr. Li Changxu (*Chairman*)  
Mr. Wang Kun  
Mr. Xie Chunwang  
Ms. Hu Xiaohong  
Mr. Yan Azhang (*Independent Supervisor*)  
Ms. Ding Ruiling (*Independent Supervisor*)  
Mr. Wang Zhijun (*Employee Representative Supervisor*)  
Mr. Zou Xuanyong (*Employee Representative Supervisor*)  
Mr. Chen Wenxin (*Employee Representative Supervisor*)



# Corporate Information

## JOINT COMPANY SECRETARIES

Mr. Liu Lei  
Ms. Mok Ming Wai

## LEGAL REPRESENTATIVE OF THE COMPANY

Mr. Fang Zheng

## AUTHORIZED REPRESENTATIVES

Mr. Fang Zheng  
Ms. Mok Ming Wai

## AUDITORS

KPMG  
8th Floor, Prince's Building,  
10 Chater Road, Central, Hong Kong

## LEGAL ADVISORS

### As to Hong Kong law

Paul Hastings  
21-22/F, Bank of China Tower, 1 Garden Road,  
Central, Hong Kong

### As to PRC law

Jia Yuan Law Offices  
F407-F408, Yuanyang Building,  
158 Fuxingmennei Avenue,  
Beijing, the PRC

## PRINCIPAL BANKS

China Development Bank Corporation (Headquarters)  
No. 29 Fuchengmenwai Avenue, Xicheng District,  
Beijing, the PRC

Agricultural Bank of China Limited (Headquarters)  
No. 28 Fuxingmennei Avenue, Xicheng District,  
Beijing, the PRC

China Construction Bank Corporation (Fuzhou Chengbei Branch)  
No. 18 Guping Road,  
Gulou District, Fuzhou,  
Fujian Province, the PRC

China Merchants Bank Corporation Limited (Beijing Branch)  
Building A, No. 156 Fuxingmennei Avenue, Xicheng District,  
Beijing, the PRC

## H SHARE REGISTRAR

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

## COMPANY'S WEBSITE

[www.hdfx.com.cn](http://www.hdfx.com.cn)

## STOCK CODE

00816

