華電福新能源股份有限公司

HUADIAN FUXIN ENERGY CORPORATION LIMITED

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

Stock Code: 00816

2016
ANNUAL REPORT

Contents

Chairman's Statement

Fang Zheng, Chairman

Dear Shareholders:

Since our listing in 2012, the Group has always been insisting on the thought and concept of sustainable value creation and unswervingly adhering to the development in a green, recycle and low-carbon manner. The Group, with its capital and projects that can be found in 27 provinces, municipalities and autonomous regions of China and Spain, is specialized in many segments (such as hydropower, wind power, highly-effective coal-fired power, solar energy, distributed energy, nuclear power, etc.) that develop in a simultaneous and coordinative manner, which accounts for the marked characteristics of cleanness, diversity and internationalism. As of 2016, its holding installed capacity put into operation was 14,972.3 MW, while the installed capacity of clean energy accounted for 76.0%; its total consolidated assets amounted to RMB102,842.6 million, up 4.6% year on year; the owners' equity was RMB22,928.5 million, up 8.4 % year on year; the net profit attributable to the controlling shareholders was RMB2,023.0 million, up 6.3% year on year; based on the above, the Group has significantly improved its core competitiveness.

Since the launch of the "13th Five-Year Plan", China has entered a stage of "New Normal", with its domestic energy consumption growth slowing down. China is further pushing forward supply-side structural reform, comprehensively implementing the tasks of "De-capacity, De-stocking, De-leveraging, Reducing cost and Making up for Weakness", with a trend of normalization of sufficient supply, the cleaning of power source structure, the intellectualization of power system, and the marketization of systems and mechanisms in its power industry, thus the transformation and development of power-generation enterprises is irresistible.

Facing the new situation of transformation and development, we have gained some advantages, with increasingly more opportunities and massive profit growth for us in the future. We will continue to insist on the concepts of strategic guidance and value creation, under the distinct theme of development and upgrading, centering on an enhanced efficiency, pay more attention to quality benefit, capital operation and specialized management, an effort to create stable operating benefits for the Group and provide a solid support for it to become a leading listed clean energy company in the world.

Green growth is our development concept and better return is our relentless pursuit! We will, as always, take the capability for value creation as the most important indicator, define the main development directions in the years to come, set the targets on installed capacity and profit in a pragmatic manner, drive the development of the Group in a healthy and sustainable manner and create more values for every shareholder.

At last, I would like to express my sincere gratitude to all shareholders, affiliates and friends from all walks of life for their trust and support on behalf of the Board!

Chairman
Fang Zheng

General Manager's Statement

Shu Fuping, General Manager

Dear Shareholders:

In 2016, in the face of multiple challenges such as decline in the utilisation hours of coal-fired power, increase in auction market electricity consumption in the market, thermal coal price bounce and restrictions on wind/solar hybrid power, the Group actively coped with them by improving quality and efficiency, expanding market, strengthening its internal management, insisting on the principle of "Efficiency Enhancement for Inventory and for Increment of income", firmly controlling and coordinating operation process, making its operating efficiency increase significantly against the adverse situations which reached the best level from that when it was founded, and realizing a good start during the "13th Five-Year Plan" Period. The installed capacity newly put into operation this year was 1,127.1 MW, where 923.4 MW for wind power, 177.3 MW for solar energy and 26.4 MW for natural gas distributed energy. The annual gross generation was 41,297,581.0 MWh, increased by 11.1% year on year; the operating income was RMB15,917.0 million, increased by 3.4% year on year.

The Group continues to optimize its development direction and make greater efforts to adjust its structure and speed up breakthrough of key projects. In the first half of 2016, the Group's pumped-storage hydropower plant project in Zhouning, Fujian Province was approved and will officially commenced construction in the next half year; we forged ahead into the development field of large scale gas-turbin cogeneration, the 1,200.0MW 9H project in Zengcheng, Guangdong Province has met the approval requirement and is expected to be approved and constructed in 2017, which, upon being put into operation, will significantly increase profit for the Group. The Group pursued high quality in its project selection, speeded up the strategy of "Eastward Expansion and Southward Advancement". The capacity of the wind power and solar power projects approved in the year reached 1,550.0 MW, where 95.55% of the projects are in the central and southeast areas without power restrictions and 525.4 MW for 13 projects that commenced construction in the central and southeast areas in the year. The Group was striving to improve quality and control cost for its project construction, reasonably balance design optimization and cost control, with the profitability and utilisation hours of the low-wind-speed project in the south of China put into operation exceeding the expectation. It went well with cost control, actively searched for several gas sources suppliers for the distributed energy projects, made efforts to stabilize gas cost. Furthermore, the Group reduced financing cost through multiple methods, issued low-cost ultra-short-term financing instruments and corporate bonds with a total amount of RMB11,500 million, which were used to replace high-interest loans in the amount of RMB9,600 million and to revitalize the idle funds of RMB1,900 million in the system.

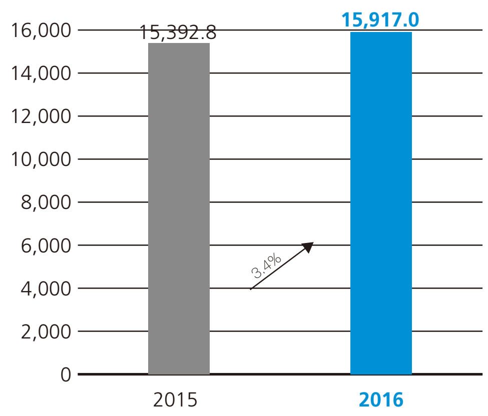
2017 is a key year, the Group will increase incomes, reduce expenditures and speed up development and upgrading. The management team will lead all employees to overcome difficulties, observe laws and regulations, energetically manage and control with a view to constantly improving its operating benefits, accelerating development and upgrading and improving in an all-round manner the core competitiveness of the Group under new situations and bringing greater returns to all shareholders.

At last, I would like to express my sincere gratitude to all the shareholders, the Board and the Board of Supervisors for their trust and support and also to all employees for their diligence and contribution on behalf of the management team of the Group!

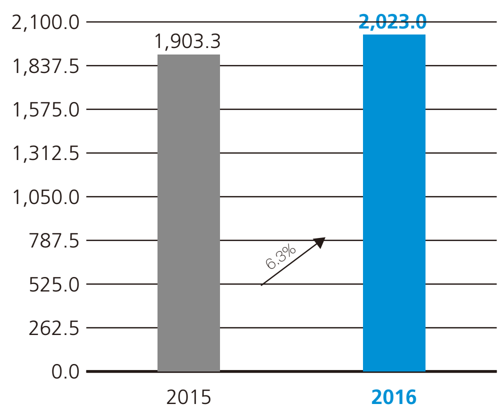
General Manager
Shu Fuping

Key Operating and Financial Data

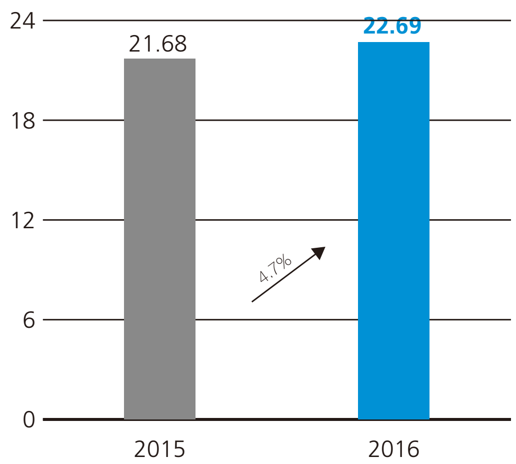
Revenue (RMB'000,000)



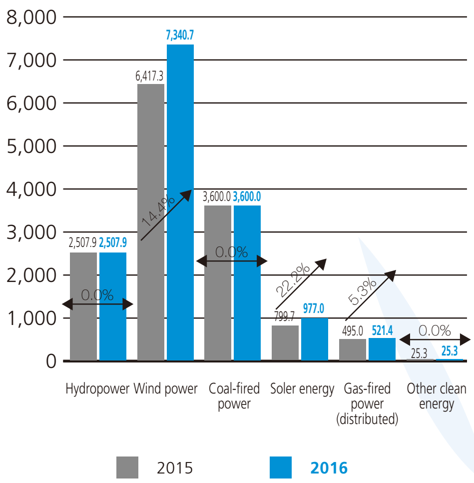
Profit attributable to shareholders of the Company (RMB'000,000)



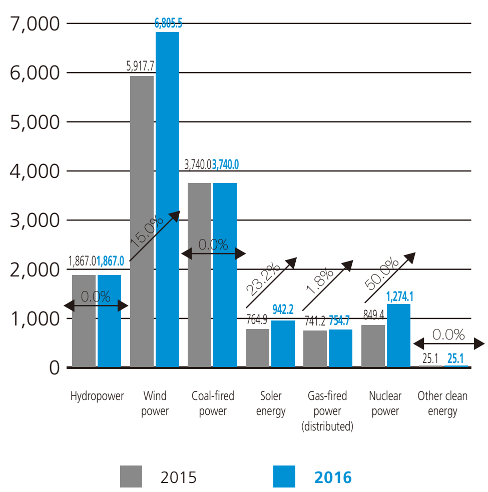
Basic and diluted earnings per share (RMB cents/share)



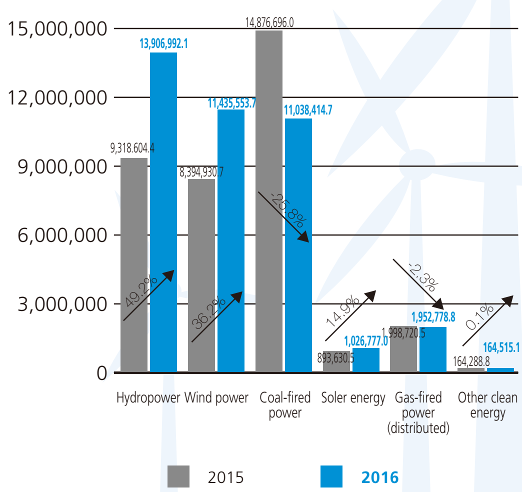
Consolidated installed capacity (MW)



Attributable consolidated installed capacity (MW)



Total electricity sales (MWh)



5 Years Summary of Consolidated Statement of Profit or Loss and Other Comprehensive Income

	2012 *RMB'000* *(Note)*	2013 *RMB'000*	2014 *RMB'000* *(Note)*	2015 *RMB'000* *(Note)*	**2016** ***RMB'000*** ***(Note)***
Revenue	11,351,638	13,242,409	13,945,375	15,392,750	**15,917,027**
Other income	443,228	61,324	236,544	154,545	**179,733**
Operating expenses	(8,316,992)	(8,906,930)	(9,213,053)	(10,761,301)	**(10,745,770)**
Operating profit	3,477,874	4,396,803	4,968,866	4,785,994	**5,350,990**
Net profit	1,355,597	1,701,280	2,152,024	2,219,501	**2,622,971**
Attributable to:					
Equity owner of the Company	1,093,111	1,467,888	1,871,926	1,903,310	**2,023,026**
Non-controlling interests	262,486	233,392	280,098	316,191	**599,945**
Total comprehensive income for the year	1,355,597	1,701,280	2,152,024	2,246,143	**2,594,110**
Attributable to:					
Equity owner of the Company	1,093,111	1,467,888	1,871,926	1,929,952	**1,994,165**
Non-controlling interests	262,486	233,392	280,098	316,191	**599,945**
Basic and diluted earnings per share *(RMB cents)*	16.03	19.26	23.46	21.68	**22.69**

Note:

As the Company acquired subsidiaries under common control in 2016 and in 2013, the consolidated financial statements of the Group for the period before the acquisition have been restated to include the business results of such subsidiaries.

5 Years Summary of Consolidated Statement of Financial Position

	At the date of 31 December				
	2012 *RMB'000* *(Note)*	2013 *RMB'000*	2014 *RMB'000* *(Note)*	2015 *RMB'000* *(Note)*	**2016** ***RMB'000*** ***(Note)***
Total non-current assets	53,728,883	60,705,982	76,628,347	90,040,586	**93,047,658**
Total current assets	7,611,643	6,970,442	9,812,873	8,250,077	**9,794,975**
Total assets	61,340,526	67,676,424	86,441,220	98,290,663	**102,842,633**
Total current liabilities	18,767,130	21,816,286	27,078,972	27,859,827	**26,036,363**
Total non-current liabilities	29,864,582	32,149,246	41,698,146	49,280,616	**53,877,788**
Total liabilities	48,631,712	53,965,532	68,777,118	77,140,443	**79,914,151**
NET ASSETS	12,708,814	13,710,892	17,664,102	21,150,220	**22,928,482**
Total equity attributable to equity shareholders of the Company and the holders of perpetual medium-term notes	10,574,183	11,210,932	15,018,581	18,477,484	**20,033,679**
Non-controlling interests	2,134,631	2,499,960	2,645,521	2,672,736	**2,894,803**
Total equity	12,708,814	13,710,892	17,664,102	21,150,220	**22,928,482**

Note:

As the Company acquired subsidiaries under common control in 2016 and in 2013, the consolidated financial statements of the Group for the period before the acquisition have been restated to include the business results of such subsidiary.

Company Profile

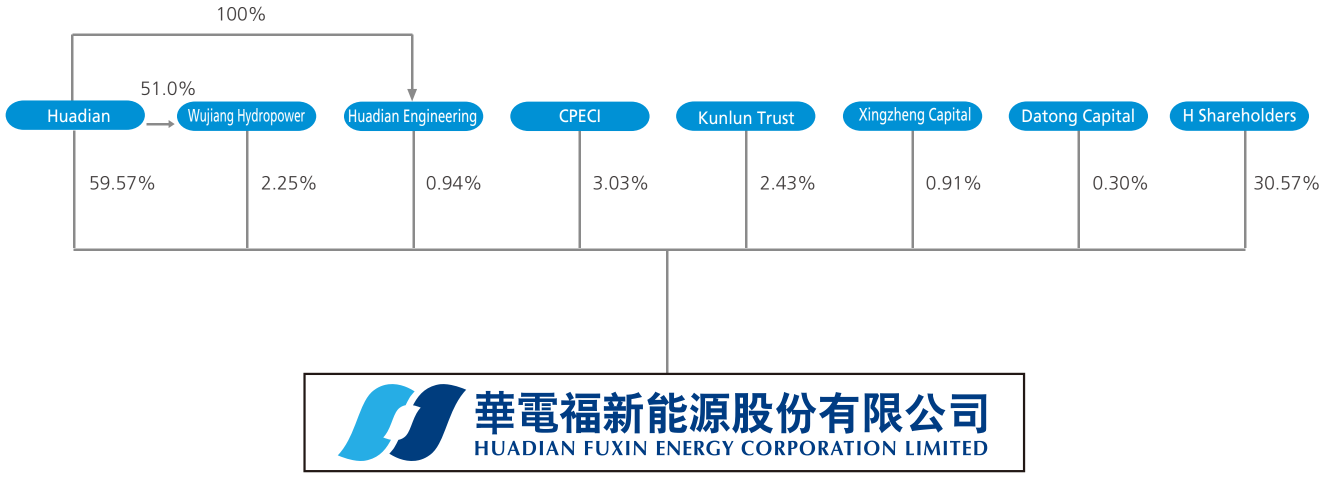
Huadian Fuxin Energy Corporation Limited is the sole listed diversified clean energy company among the members of China Huadian Corporation. With registered capital of RMB8.408 billion, it was listed on the Hong Kong Stock Exchange in June 2012.

The Group possesses a diversified portfolio of power generation business covering hydropower, wind power, high-efficient coal-fired power, natural gas-fired power (distributed), nuclear power, solar energy and biomass energy, and its assets are distributed across 27 provinces, cities and autonomous regions in China, featuring "hydropower and coal-fired power complementing each other, wind power and nuclear energy advancing together". As at the end of 2016, the Group's consolidated installed capacity commenced operation amounted to 14,972.3 MW, consisting of 2,507.9 MW in hydropower, 3,600.0 MW in coal-fired power, 7,340.7 MW in wind power, 977.0 MW in solar energy, 546.7 MW in gas-fired power and biomass energy. In addition, the Group is also an important platform for China Huadian Corporation to develop nuclear power business, holding 39% equity interest in Fuqing Nuclear Power Plant and 10% equity interest in Sanmen Nuclear Power Plant.

The Group adheres to a diversified, clean and efficient energy development path and commits itself to building an internationally leading clean energy listed company so as to bring higher returns to the shareholders with excellent results!

Corporate Shareholding Structure

As at 31 December 2016, the shareholding structure of the Company is as follows:



Corporate Milestones in 2016

On 21 January, the Company held a meeting for its 2016 outlook in Beijing. At the meeting, it comprehensively summarised its efforts in 2015, made an in-depth analysis of the situations it faced, charted the course for its efforts currently or within a period to come and defined its targets and focuses in 2016.

On 22 January, the Company signed the "Framework Agreement on Strategic Cooperation for Initial Development Consultation for New Energy Projects" with China Renewable Energy Engineering Institute in Beijing.

On 25 February, the Company signed a framework agreement on strategic cooperation with Sany Heavy Energy Machinery Co., Ltd. (三一重型能源裝備有限公司) in Beijing.

On 19 April, the Company formally signed a framework agreement on strategic cooperation with Electric Power Planning & Engineering Institute, which leads to extensive cooperation on strategic planning, project investment, technological application, international information, human resources, etc.

On 11 May, the Company formally signed the *"Letter of Intent for Cooperation on the Gas-fired Distributed Energy System of Sinopec Beijing Yanshan Company"* with Sinopec Beijing Yanshan Company (中國石化集團北京燕山石油化工有限公司).

On 28 June, the Company convened the 2015 Annual General Meeting in Beijing.

On 1 July, the Company was awarded an AAA credit rating with a stable outlook by China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司).

On 20 August, the Company was awarded an AAA credit rating with a stable outlook by China Chengxin Securities Rating Co., Ltd. (中誠信證券評估有限公司).

On 22 August, the Company successfully held a press conference to announce its 2016 interim results in Hong Kong.

On 23 September, the Company successfully issued the first tranche of 2016 corporate bonds totaling RMB3 billion (for a term of 3 years) with an annual interest rate of 2.97%.

On 24 September, Mr. Lu Weidong, Director of the Publicity Bureau of the State Assets Administration Committee of the State Council, visited Guangzhou University City Huadian New Energy Co., Ltd. (廣州大學城華電新能源有限公司), to conduct a survey and expressed his appreciation of its contribution to regional clean energy development.

On 24 October, the No. 3 generator set of Fuqing Nuclear Power Plant (held as to 39% by the Company) was put into commercial operation successfully.

On 7 November, the Company successfully issued the second tranche of 2016 corporate bonds totaling RMB2 billion, among which type 1 amounts to RMB0.9 billion for a term of 5 years with an annual interest rate of 3.02%, and type 2 amounts to RMB1.1 billion for a term of 7 years with an annual interest rate of 3.18%.

On 6 December, Mr. Zhang Zhinan, Executive Vice Governor of Fujian Province and Member of the Standing Committee of Fujian Provincial Party Committee, visited Fujian Huadian Kemen Power Generation Co., Ltd. (福建華電可門發電公司) to conduct survey.

On 6 December, the sixth annual conference of "Global Top 500 New Energy Enterprises" and the 2016 Summit Forum on New Energy Development were held at Wuhan, where the Company gained the awards of "2016 Global Top 500 New Energy Enterprises" and "Social Responsibility Award".

On 19 December, the No. 4 generator set of Fuqing Nuclear Power Plant (held as to 39% by the Company) formally entered into the debugging phase.

On 27 December, the construction of Fujian Zhouning Pumped-storage Power Station, a key construction project during the "13th Five-Year Plan" period in Fujian Province and the first pumped-storage power station to be constructed by China's top five power generation groups, was officially commenced.

Directors' Report

The Board of the Company hereby presents to shareholders the annual report and the audited financial statements for the year ended 31 December 2016 (the "Financial Statements").

SHARE CAPITAL

As of 31 December 2016, the total issued share capital of the Company was RMB8,407,961,520 divided into 8,407,961,520 shares with a par value of RMB1.00 each.

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

The Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries purchased or sold any of its securities listed on the Hong Kong Stock Exchange.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights for the Company under the Articles of Association or the PRC laws. As a result, the Company is not obliged to offer new shares to existing shareholders in proportion to their shareholdings.

PRINCIPAL BUSINESS

The Group is principally engaged in the development, management and operation of hydropower projects and coal-fired power plants in Fujian province and wind power and other clean energy projects throughout China. Details of major subsidiaries and associates of the Company are set out in notes 16 and 17 to the Financial Statements respectively.

RESULTS

The results of the Company and its subsidiaries for the year ended 31 December 2016 and the financial position of the Company and its subsidiaries as at 31 December 2016 are set out in the audited Financial Statements on pages 85 to 186.

A discussion and analysis of the Company's performance and business review during the year and the material factors underlying its results and financial position are set out in the Management Discussion and Analysis on pages 37 to 50 of this annual report.

PROFIT DISTRIBUTION

The Board recommended distributing a final dividend of RMB0.510 per 10 shares (tax inclusive) in cash for the year ended 31 December 2016 to shareholders. All dividends will be paid upon the approval by the shareholders in the annual general meeting of the Company.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in properties, plants and equipment of the Company and its subsidiaries during the year are set out in note 13 to the Financial Statements.

RESERVES

Details of the movements in reserves of the Company during the year are set out in note 30(a) to the Financial Statements; details of reserves distributable to the shareholders are set out in note 30(e) to the Financial Statements.

TAX CONCESSION

The Company is not aware of any tax reduction or exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Company and its subsidiaries as of 31 December 2016 are set out in note 24 to the Financial Statements.

ISSUANCE OF DEBENTURES

To repay bank loans, replenish general working capital and repay existing financing, the Company issued the corporate bonds for 2 times and ultra-short-term financing instruments for 4 times in the year of 2016. For further details about such issuance of debentures, please refer to the note 24(e) of the Financial Statements.

INFORMATION AND BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth information concerning the Directors, Supervisors and senior management of the Company for the year ended 31 December 2016:

Name	Age	Position	Date of Appointment
Mr. Fang Zheng	52	Chairman of the Board and Executive Director	30 June 2014
Mr. Shu Fuping	52	Executive Director	28 June 2016
		General Manager	17 November 2015
Mr. Jiang Bingsi[(1)]	47	Executive Director	30 June 2014, resigned on 28 June 2016
Mr. Li Lixin	50	Executive Director	30 June 2014
Mr. Yang Qingting	53	Non-executive Director	28 June 2016
Mr. Tao Yunpeng	46	Non-executive Director	30 June 2014
Mr. Zong Xiaolei	51	Non-executive Director	30 June 2014
Mr. Zhou Xiaoqian	75	Independent Non-executive Director	30 June 2014
Mr. Zhang Bai	56	Independent Non-executive Director	30 June 2014
Mr. Tao Zhigang	51	Independent Non-executive Director	30 June 2014
Mr. Li Changxu	54	Chairman of the Board of Supervisors	30 June 2014
Mr. Wang Kun	46	Supervisor	30 June 2014
Ms. Hu Xiaohong	46	Supervisor	30 June 2014
Mr. Zou Xuanyong[(2)]	46	Employee Representative Supervisor	30 June 2014, resigned on 17 June 2016
Mr. Chen Wenxin	49	Employee Representative Supervisor	30 June 2014
Ms. Ding Ruiling	52	Independent Supervisor	30 June 2014
Mr. Hou Jiawei	52	Supervisor	26 June 2015
Mr. Yan Zhongjun	44	Employee Representative Supervisor	2 February 2015
Mr. Huo Guangzhao	55	Vice General Manager	30 June 2014
Mr. Wang Zhijun	53	Vice General Manager	3 February 2015
Ms. Yang Yi	53	Chief Financial Officer	30 June 2014
Mr. Sun Tao	40	Vice General Manager	26 June 2015
Mr. Rong Qing	52	Company Secretary	3 February 2016

Notes:

1. Mr. Jiang Bingsi has resigned as an Executive Director on 28 June 2016 due to personal job transfer;

2. Mr. Zou Xuanyong has resigned as an Employee Representative Supervisor on 17 June 2016 due to personal job transfer.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and considers that all the independent non-executive Directors are independent of the Company.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of Directors, Supervisors and senior management are set out on pages 26 to 34 of this annual report.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors has entered into a service contract with our Company. The principal particulars of these service contracts are (a) for a term of three years commencing from the effective date of such service contracts, and (b) are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable laws, rules or regulations.

Each of the Supervisors had entered into a contract in respect of, among others, compliance of relevant laws and regulations, observation of the Articles of Association and provisions on arbitration with our Company.

Save as disclosed above, none of our Directors or Supervisors had any existing or proposed service contracts with us (excluding contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

REMUNERATION OF DIRECTORS AND SUPERVISORS

Details of the remuneration of the Company's Directors and Supervisors are set out in note 9 to the Financial Statements.

INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTONS, ARRANGEMENTS AND CONTRACTS

At the end of the year 2016 or at any time during the year, there was no contract, arrangements or transactions of significance to the Group's business in which the Company or its subsidiaries was a party, and in which a Director or Supervisor had a material interest, either directly or indirectly, subsisted during the year or at the end of the year.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year of 2016, none of the Directors and their associates had any competing interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

LIABILITY INSURANCE AND INDEMNITY

Information in relation to the liability insurances provided for Directors and Supervisors of the Company and the permitted indemnity provisions can be found on page 72 in the Corporate Governance Report of this annual report.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2016, the Company has not entered into any equity-linked agreement.

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

On 31 December 2016, none of the Directors, Supervisors or chief executives 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 31 December 2016, 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:

A list of shareholders who hold more than 5% of the share capital:

Name of Shareholder	Class of Share	Capacity	Number of Shares/ Underlying Shares Held *(Share)*	Percentage in the Relevant Class of Share Capital *(%)*	Percentage in the Total Share Capital *(%)*
Huadian Group[1]	Domestic Shares	Beneficial owner/Interest of corporation controlled by the substantial shareholder	5,276,907,638 (Long position)	90.39	62.76
GIC Private Limited	H Shares	Investment manager	180,874,000 (Long position)	7.04	2.15
Wellington Management Group LLP	H Shares	Interest of corporation controlled by the substantial shareholder	170,516,198 (Long position)	6.63	2.03
Prime Capital Management Company Limited	H Shares	Investment manager	129,535,610 (Long position)	5.04	1.54

Note:

(1) Huadian had an interest in the domestic shares of the Company, with 5,008,785,336 domestic shares (long position) being held in its capacity as beneficial owner. Huadian, through various subsidiaries, had an interest in the domestic shares of the Company, with 268,122,302 domestic shares (long position) being held in its capacity as interest of corporation controlled by the substantial shareholder.

DIRECTORS' AND SUPERVISORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors and Supervisors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, Supervisors or any of their spouses or children under 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

MANAGEMENT CONTRACTS

The Company did not enter into any contracts in respect of the management or administration of the entire or any significant part of the business of the Company nor should any such contracts subsist at any time during 2016.

CONNECTED TRANSACTIONS

The main connected transactions of the Group during 2016 are as follows:

(1) Non-exempt One-time Connected Transactions

On 6 September 2016, the Company entered into the Equity Transfer Agreement with Nanjing Guodian Nanjing Automation New Energy Technology Co., Ltd.（南京國電南自新能源工程技術有限公司, a subsidiary of Huadian, the controlling shareholder of the Company ）, pursuant to which the Company agreed to acquire and Nanjing Guodian Nanjing Automation New Energy Technology Co., Ltd. agreed to transfer 100% of the equity interest in Mengyin County Dongda New Energy Co., Ltd.（蒙陰縣東大新能源有限公司）at a consideration of RMB 1 million, which will be settled in cash. The Company will ensure that the amount of RMB 0.2781 billion under the EPC contract will be paid by Mengyin County Dongda New Energy Co., Ltd. to Nanjing Guodian Nanjing Automation New Energy Technology Co., Ltd.

Pursuant to the Listing Rules, as Huadian is the controlling shareholder of the Company, both Huadian and Nanjing Guodian Nanjing Automation New Energy Technology Co., Ltd. are the connected persons (as defined in the "Listing Rules") of the Company. In accordance with Chapter 14A of the Listing Rules, the Equity Transfer Agreement and the transactions to be conducted as set forth in the Equity Transfer Agreement constitute the connected transactions of the Company. As the percentage rate (as defined in the "Listing Rules") applicable to one or many of the transactions under the Equity Transfer Agreement exceeds 0.1% but is lower than 5.0%, the transactions shall be subject to declarations and announcements based on Article 14A.76 of the Listing Rules.

(2) Non-exempt Continuing Connected Transactions:

The Company has entered into certain non-exempt continuing connected transactions during the year.

In respect of the non-exempt continuing connected transactions (A) and (E) to (G) as set out below, pursuant to the Listing Rules of the Hong Kong Stock Exchange, the Company is qualified to waiver from compliance with independent shareholders' approval requirements upon the Company's entering into these connected transactions framework agreements in 2014; in respect of the non-exempt continuing connected transactions (H) as set out below, pursuant to the Listing Rules of the Hong Kong Stock Exchange, the Company are qualified to waiver from compliance with independent shareholders' approval requirements upon the Company's entering into these connected transactions framework agreements in 2015.

The table below sets out the annual caps and the actual transaction amounts for 2016 of the connected transactions:

Connected Transaction	Connected Person	Annual Cap for 2016 (RMB'000)	Actual Transaction Amount for 2016 (RMB'000)
(A) Property leasing framework agreement	Huadian Group	50,000	29,208
(B) Coal purchasing and shipping service framework agreement	Huadian Group	2,659,000	976,015
(C) Project contracting and equipment purchase framework agreement	Huadian Group	2,300,000	1,129,515
(D) Deposit service agreement	Huadian Finance	3,300,000	3,057,805
(E) CDM services framework agreement	Huadian Group	30,000	–
(F) Merchandising framework agreement	Huadian Group	620,000	97,641
(G) Finance leases framework agreement	Huadian Group	600,000	565,258
(H) On-grid power generation quota transfer agreement	Hubei Huadian (Xiangyang) Power Generation Company Limited (湖北華電襄陽發電有限公司)	42,160	36,034

(A) Property Leasing Framework Agreement

The Company entered into a property leasing framework agreement (the "Property Leasing Framework Agreement") on 22 April 2014, with Huadian, pursuant to which, our Group may rent properties from Huadian Group. The principal terms of the Property Leasing Framework Agreement are as follows:

- the rents (including property management fee) payable under the Property Leasing Framework Agreement shall be agreed based on arm's-length negotiations between the relevant parties with reference to market rates at the relevant location, but the annual rent per sq. m. shall not exceed 115.0% of that of the previous year;

- the Company and members of Huadian Group shall enter into separate agreements to set out the specific terms and conditions in respect of the relevant leased properties according to the principles, and within the parameters, provided for under the Property Leasing Framework Agreement;

- the Company is entitled to lease the available properties owned by members of Huadian Group during the term of the Property Leasing Framework Agreement;

- either party may, at any time before the Property Leasing Framework Agreement expires, by giving not less than six months' written notice, to terminate any lease made pursuant to and contemplated under such agreement, and the rents will accordingly be reduced; and

- the term of the Property Leasing Framework Agreement is no more than three years commencing on 1 January 2015 and ending on 31 December 2017, subject to renewal.

The annual cap of the transaction for the year ended 31 December 2016 was RMB50,000,000 and the actual rent paid/payable to Huadian Group is RMB29,208,000.

According to the Listing Rules, Huadian is the controlling shareholder of the Company and is, together with its subsidiaries, a connected person (as defined under the Listing Rules) of the Company. Therefore, the transactions contemplated under the Property Leasing Framework Agreement constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(B) Coal Purchasing and Shipping Service Framework Agreement

In the ordinary course of business, the Company entered into a coal purchasing and shipping service framework agreement, dated 22 April 2014, with Huadian (the "Coal Purchasing and Shipping Service Framework Agreement"), pursuant to which Huadian Group (for the purpose of the Coal Purchasing and Shipping Service Framework Agreement, including its associates) will sell coal and provide coal shipping services to us. The principal terms of the Coal Purchasing and Shipping Service Framework Agreement are as follows:

- the service fees shall be agreed on arm's-length negotiations between the relevant parties with reference to the price, which an independent third party will charge for such coal selling and shipping services in the ordinary course of business; and where the aforementioned pricing mechanism is not applicable, the price shall be agreed on arm's-length negotiations between the relevant parties, based on the calculation of the "Actual Cost and Expense Incurred in Providing Such Coal Selling and Shipping Services Plus Reasonable Profits";

- the Company and members of Huadian Group shall enter into separate agreements to set out the specific terms and conditions in respect of the relevant coal shipping according to the principles and within the parameters provided for under the Coal Purchasing and Shipping Service Framework Agreement; and

- the term of the Coal Purchasing and Shipping Service Framework Agreement is no more than three years commencing on 1 January 2015 and ending on 31 December 2017, subject to renewal.

The annual cap of the transaction for the year ended 31 December 2016 was RMB2,659,000,000 and the fees paid/payable by us to Huadian Group for the coal shipping is RMB976,015,000.

According to the Listing Rules, Huadian is the controlling shareholder of the Company and is, together with its subsidiaries, a connected person (as defined under the Listing Rules) of the Company. Therefore, the transactions contemplated under the Coal Purchasing and Shipping Service Framework Agreement constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(C) Project Contracting and Equipment Purchase Framework Agreement

In the ordinary course of business, the Company entered into a project contracting and equipment purchase framework agreement with Huadian on 22 April 2014 (the "Project Contracting and Equipment Purchase Framework Agreement"). Pursuant to the Project Contracting and Equipment Purchase Framework Agreement, Huadian Group agreed that it would undertake general contracting service (such as design, construction, installation and other relevant services) for the power generating projects of our Group and would sell power generation equipment to us. The principal terms of the Project Contracting and Equipment Purchase Framework Agreement are as follows:

- the project contracting fees together with the prices of the equipment shall be determined through a bidding process and in compliance with applicable bidding laws, regulations and rules;

- where the aforementioned pricing mechanism is not applicable, the project contracting fees together with the prices of the equipment shall be agreed on the basis of arm's-length negotiation between the relevant parties, taking into account the calculation principle of "Actual Cost and Expense Plus Reasonable Profits";

- the Company and members of Huadian Group shall enter into separate agreements to set out the specific terms and conditions in respect of the relevant project contracting and equipment purchase according to the principles and within the parameters provided for under the Project Contracting and Equipment Purchase Framework Agreement; and

- the term of the Project Contracting and Equipment Purchase Framework Agreement is no more than three years commencing on the 1 January 2015 and ending on 31 December 2017, subject to renewal.

The annual cap of the transaction for the year ended 31 December 2016 was RMB2,300,000,000 and the fees paid/payable to Huadian Group is RMB1,129,515,000.

According to the Listing Rules, Huadian is the controlling shareholder of the Company and is, together with its subsidiaries, a connected person (as defined under the Listing Rules) of the Company. Therefore, the transactions contemplated under the Project Contracting and Equipment Purchase Framework Agreement constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(D) Deposit Service Contract

The Company entered into a deposit service agreement and a supplemental agreement with Huadian Finance on 28 September 2012, 19 October 2012 and 22 April 2014, pursuant to which, Huadian Finance would provide the deposit service to various departments under the Company within the agreed caps.

In 2016, the maximum daily balance of this deposit service transaction was RMB3,300,000,000, while the actual maximum daily balance was RMB3,057,805,000.

The term of the deposit service agreement and a supplemental agreement will end on 31 December 2016, subject to renewal.

According to the Listing Rules, Huadian Finance is a subsidiary of Huadian (the controlling shareholder of the Company), and therefore Huadian Finance is a connected person (as defined under the Listing Rules) of the Company. Therefore, the transactions contemplated under the deposit service agreement (as revised by the supplemental agreement) constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(E) CDM Services Framework Agreement

In the ordinary course of business, the Company entered into a CDM services framework agreement dated 22 April 2014, with Huadian (the "CDM Services Framework Agreement"), pursuant to which the Company will provide clean development mechanism ("CDM") services to Huadian Group (for the purpose of the CDM Services Framework Agreement, including its associates). Our CDM services provided to Huadian Group mainly include consulting and management service, such as assistance in looking for and evaluating potential cooperative parties of the CDM projects, arrangement of the execution of cooperation agreements, registration of the managed CDM projects with Chinese governmental authority and the United Nations, and assistance in looking for an independent appraiser of the CDM projects.

The principal terms of the CDM Services Framework Agreement are as follows:

- the fees shall be agreed between the relevant parties with reference to the price, which an independent third party will charge for such CDM services in the ordinary course of business and the revenue generated by the CDM project, for which the CDM services are provided;

- the Company and members of Huadian Group shall enter into separate agreements to set out the specific terms and conditions in respect of the relevant provision of CDM service according to the principles and within the parameters provided for under the CDM Services Framework Agreement; and

- the term of the CDM Services Framework Agreement is no more than three years commencing on 1 January 2015 and ending on 31 December 2017, subject to renewal.

The annual cap of the transaction for the year ended 31 December 2016 was RMB30,000,000, while the year ended 31 December 2016 with zero amount of such transaction.

According to the Listing Rules, Huadian is the controlling shareholder of the Company and is, together with its subsidiaries, a connected person (as defined under the Listing Rules) of the Company. Therefore, the transactions contemplated under the CDM Services Framework Agreement constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(F) *Merchandising Framework Agreement*

In the ordinary course of business, the Company entered into a merchandising framework agreement with Huadian on 22 April 2014 (the "Merchandising Framework Agreement"), pursuant to which, our Group agreed to sell goods to Huadian Group. The principal terms of the merchandising framework agreement are as follows:

- The selling price of goods shall be determined by negotiation with reference to the price of the third party;
- If the third party is able to provide goods with more favorable price than the Company under the Merchandising Framework Agreement, Huadian Group has rights to purchase goods from the third party;
- the Company and members of Huadian Group shall enter into separate agreements to set out the specific terms and conditions in respect of the merchandising according to the principles, and within the parameters, provided for under the Merchandising Framework Agreement; and
- the term of the Merchandising Framework Agreement is no more than three years commencing on 1 January 2015 and ending on 31 December 2017, subject to renewal.

The annual cap of the transaction for the year ended 31 December 2016 was RMB620,000,000 and the fees received/receivable from Huadian Group is RMB97,641,000.

According to the Listing Rules, Huadian is the controlling shareholder of the Company and is, together with its subsidiaries, a connected person (as defined under the Listing Rules) of the Company. Therefore, the transactions contemplated under the Merchandising Framework Agreement constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(G) *Finance Leases Framework Agreement*

In the ordinary course of business, the Company entered into a finance leases framework agreement with Huadian on 22 April 2014 (the "Finance Leases Framework Agreement"), pursuant to which, Huadian Group agreed to provide the finance leases service to our Group. The principal terms of the Finance Leases Framework Agreement are as follows:

- The fee of the finance leases shall be determined by negotiation with reference to the price of the third party;
- the Company and members of Huadian Group shall enter into separate agreements to set out the specific terms and conditions in respect of the finance leases according to the principles and within the parameters provided for under the finance leases framework agreement; and
- the term of the Finance leases framework agreement is no more than three years commencing on 1 January 2015 and ending on 31 December 2017, subject to renewal.

The annual cap of the transaction for the year ended 31 December 2016 was RMB600,000,000 and the fees paid/payable to Huadian Group is RMB565,258,000.

According to the Listing Rules, Huadian is the controlling shareholder of the Company and is, together with its subsidiaries, a connected person (as defined under the Listing Rules) of the Company. Therefore, the transactions contemplated under the finance leases framework agreement constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(H) On-grid Power Generation Quota Transfer Agreement

Huadian Fuxin Energy Corporation Limited Gansu Branch entered into an on-grid power generation quota transfer agreement dated 15 December 2015 with Hubei Huadian (Xiangyang) Power Generation Company Limited (the "On-grid Power Generation Quota Transfer Agreement"), pursuant to which Hubei Huadian (Xiangyang) Power Generation Company Limited agreed to transfer its on-grid power generation quota to Huadian Fuxin Energy Corporation Limited Gansu Branch in accordance with the terms and conditions thereof.

The term of the On-grid Power Generation Quota Transfer Agreement commenced on 15 December 2015 and ended on 31 March 2016.

The annual cap of the transaction for the year ended 31 December 2016 was RMB42,160,000 and the fees paid/payable by Huadian Fuxin Energy Corporation Limited Gansu Branch to Hubei Huadian (Xiangyang) Power Generation Company Limited Gansu Branch in respect of the on-grid power generation quota transfer is RMB36,034,000.

According to the Listing Rules, Huadian is the controlling shareholder of the Company and is, together with its subsidiaries, a connected person (as defined under the Listing Rules) of the Company. Hubei Huadian (Xiangyang) Power Generation Company Limited is a subsidiary of Huadian, it is therefore a connected person of the Company. Therefore, the transactions contemplated under the On-grid Power Generation Quota Transfer Agreement constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Company's independent non-executive Directors have reviewed such continuing connected transactions during the year 2016 and confirmed that:

(a) the transactions have been entered into by the Group in the ordinary and usual course of its business;

(b) The transactions have been entered into (i) either on normal commercial terms or (ii) for the Company, the terms on a par with those that may be obtained or provided, as the case may be, by an independent third party, provided that the transactions available for comparison are insufficient for judging whether the terms for the transactions are normal commercial ones; and

(c) the transactions have been entered into in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the auditor of the Company, KPMG, has been appointed by the Board and the general meeting and reported on the continuing connected transactions of the Group in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their conclusions in respect of the continuing connected transactions set out above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor letter has been provided by the Company to the Hong Kong Stock Exchange.

The connected transactions in 2016 that constitute "connected transaction" or "continuing connected transaction" as defined under Chapter 14A of the Listing Rules were disclosed in this section and Note 35 to the Financial Statements. The Company and all Directors had reviewed all connected transactions and confirmed that the Company was in compliance with the disclosure requirements under Chapter 14A of the Listing Rules.

COMPLIANCE WITH NON-COMPETITION AGREEMENT

We entered into the Non-Competition Agreement with Huadian on 4 June 2012, under which Huadian agreed not to, and to procure its unlisted subsidiaries not to, compete with us in the clean energy businesses and granted to us options for new business opportunities, options for acquisitions, and pre-emptive rights.

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to take up a new business opportunity referred to us by Huadian and/or its subsidiaries, to exercise the option for an acquisition or to exercise our pre-emptive rights.

During the year, the independent non-executive Directors of the Company have reviewed the implementation of the Non-Competition Agreement and have confirmed that Huadian has been in full compliance with the agreement and there was no breach by Huadian.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2016, the purchase from the Group's five largest coal suppliers in aggregate contributed 54.9% of the Group's total purchase of coal for the year, among which, the total purchase from the largest coal supplier contributed 14.1% of the Group's total purchase of coal for the year.

For the year ended 31 December 2016, the purchase from the Group's five largest equipment suppliers in aggregate contributed 60.3% of the Group's total purchase of equipment for the year, among which, the total purchase from the largest equipment supplier contributed 19.2% of the Group's total purchase of equipment for the year.

For the year ended 31 December 2016, the sales to the Group's five largest customers in aggregate contributed 62.2% of the Group's total sales for the year, among which, the sales to the largest customer contributed 38.5% of the Group's total sales for the year.

RETIREMENT AND EMPLOYEES BENEFIT SCHEME

Details of the Group's retirement and employees benefit scheme are set out in note 35 to the Financial Statements.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND REPORT

As a company listed on the Hong Kong Stock Exchange, the Company strives to maintain a high standard of corporate governance practices and complies with the code provisions as set out in the Corporate Governance Code and Report in Appendix 14 to the Listing Rules. The Company has complied with all code provisions as set out in Appendix 14 of the Listing Rules for the period from 1 January 2016 to 31 December 2016.

The audit and risk management committee of the Company has reviewed the annual consolidated financial statements for the year ended 31 December 2016, and is of the view that the Group's consolidated financial statements for the year ended 31 December 2016 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditors, KPMG, to the amounts set out in the Group's audited consolidated financial statements for the year.

Please refer to the Corporate Governance Report as set out on pages 60 to 76 of this annual report for details.

PUBLIC FLOAT

Based on the information publicly available to the Company and so far as the Directors are aware, 30.57% of the issued share capital of the Company was held by the public as at the Latest Practicable Date, which was in compliance with the requirements under the Listing Rules.

MATERIAL LITIGATION

As at 31 December 2016, the Company was not involved in any material litigation or arbitration. So far as the Directors are aware, no such litigation or claim are pending or threatened against the Company.

SIGNIFICANT EVENTS AFTER THE END OF REPORTING PERIOD

On 24 March 2017, the Board proposed a final dividend for the year ended 31 December 2016. Further details are disclosed in note 30(b) to the Financial Statements.

AUDIT AND RISK MANAGEMENT COMMITTEE

The 2016 annual results of the Group and the Financial Statements for the year ended 31 December 2016 prepared in accordance with the International Financial Reporting Standards have been reviewed by the audit and risk management committee of the Company.

AUDITOR

KPMG was appointed as the auditor for the financial statements prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2016. The enclosed Financial Statements prepared in accordance with the International Financial Reporting Standards have been audited by KPMG. The Company has retained the services of KPMG since the date of preparation of its listing.

Yours faithfully,
By order of the Board
Huadian Fuxin Energy Corporation Limited
Chairman of the Board
Fang Zheng

Beijing, the PRC, 24 March 2017

I. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING REPORTING PERIOD

Executive Directors

Fang Zheng, aged 52, has been the Chairman of the 2nd session of the Board and an Executive Director of the Company since June 2014. Mr. Fang obtained his bachelor's degree in thermal power of power generation plant from Xi'an Jiaotong University and was granted the title of professorate senior engineer with special governmental allowance (2012). He served as deputy division chief and deputy chief engineer of Southwest Electric Power Design Institute (西南電力設計院), division chief of the mechanical department of Electrical Planning and Design Institute (電力規劃設計總院), chief engineer and the vice General Manager of China Power Construction Engineering Consulting Corporation (中國電力建設工程諮詢公司), the division chief of the strategic planning division, the deputy director-general of the planning and development department of China Huadian Corporation, the general manager of Huadian New Energy Development Co., Ltd., the executive Director and the General Manager, the chairman and executive director of the 1st session of the Board of Huadian Fuxin Energy Corporation Limited.

Shu Fuping, aged 52, has served as executive director of the 2nd Session of the Board of Directors of the Company since June 2016, and has served as General Manager of the Company since November 2015. Mr. Shu graduated from the University of Electronic Science and Technology of China (電子科技大學) and obtained the degree of executive master of business administration (EMBA). He is also a senior engineer. He has successively served as deputy director of the thermal process automation department of Sichuan Baima Power Plant (四川省白馬發電廠), deputy chief engineer and director of the production plan and technology department of Gaoba Power Plant, Neijiang Power Central Plant (內江發電總廠高壩電廠), plant director of Gaoba Power Plant, Neijing Power Central Plant, plant director of Baozhusi Power Plant, Huadian Corporation (華電集團寶珠寺水電廠), general manager of Sichuan Zilanba Hydropower Development Company (四川紫蘭壩水電開發公司), deputy general manager of Huadian New Energy Development Company Limited (華電集團新能源發展有限公司), deputy general manager of this Company and deputy general manager of Fujian branch of this Company.

Li Lixin, aged 50, has been an Executive Director of the 2nd session of the Board of the Company since June 2014. Mr. Li obtained his bachelor's degree in thermal power machinery and equipment and master's degree in power equipment from Shanghai Jiao Tong University and was granted the title of senior engineer. He has become the general manager of Fujian branch of Huadian Fuxin Energy Corporation Limited since April 2013, then the deputy chief engineer, chief engineer and general manager of Fujian No. 1 Electric Power Construction Company (福建省第一電力建設公司), the director-general of the planning and infrastructure department of Fujian branch of China Huadian Corporation, the deputy general manager and general manager of Fujian Huadian Kemen Power Generation Co., Ltd., the deputy general manager of Huadian Fujian Power Generation Co., Ltd. (華電福建發電有限公司), the deputy general manager of Fujian branch of Huadian Fuxin Energy Corporation Limited, the deputy general manager of Huadian Fuxin Energy Corporation Limited and the executive director of the 1st session of the Board of Huadian Fuxin Energy Corporation Limited.

Non-executive Directors

Yang Qingting, aged 53, had served as Non-executive director of the 2nd Session of the Board of Directors of the Company from June 2016 to November 2016. He graduated from the Department of Hydraulic Engineering of Chengdu University of Science and Technology (成都科技大學), majoring in hydraulic structure engineering and obtained his master degree of engineering. He is a senior engineer. He currently serves as deputy general manager of China Huadian Corporation (中國華電集團公司). He has successively served as a special hydropower engineer, deputy division chief and division chief of the biotechnology department of the Power Bureau of Sichuan Province (四川省電力局生技處), plant director of Baozhusi Power Plant of the Power Bureau of Sichuan Province (四川省電力局寶珠寺水力發電廠), assistant to general manager and manager of the power generation department of Sichuan Electric Power Company (四川省電力公司), deputy general manager of Tibet Electric Power Company Limited (西藏自治區電力公司), director of the preparation committee and general manager of Sichuan Branch of China Huadian Corporation (中國華電集團公司), general manager of Huadian Sichuan Power Generation Co., Ltd. (華電四川發電有限公司), general manager of Tibet branch of China Huadian Corporation (中國華電集團公司西藏分公司), and assistant to general manager and director of the strategic planning department of China Huadian Corporation (中國華電集團公司).

Tao Yunpeng, aged 46, has been a Non-executive Director of the 2nd session of the Board of the Company since June 2014. Mr. Tao obtained his bachelor's degree in machinery design and manufacture and his master's degree in industrial engineering from Tsinghua University and was granted the title of senior accountant. Mr. Tao has become the director-general of capital operation and property management department of China Huadian Corporation since September 2012, and he served as the deputy chief accountant of Huadian Power International Corporation Limited, the deputy director of asset management department, the deputy director of capital operation and property management department of China Huadian Corporation, and the vice General Manager of Huadian Fuxin Energy Corporation Limited, and the non-executive director of the 1st session of the Board of Huadian Fuxin Energy Corporation Limited, the director of Guodian Nanjing Automation Co., Ltd. (國電南京自動化股份有限公司) (stock code: 600268.SH), and the director of Guizhou Qianyuan Power Co., Ltd. (貴州黔源電力股份有限公司) (stock code: 002039.SZ), a company listed on the Shenzhen Stock Exchange. Mr. Tao is currently the vice chairman of Huadian Energy Company Limited (華電能源股份有限公司) (stock code: 600726.SH), and the director of Shenyang Jinshan Energy Co., Ltd. (瀋陽金山能源股份有限公司) (stock code: 600396.SH), all of which are companies listed on the Shanghai Stock Exchange.

Mr. Zong Xiaolei, aged 51, has been a Non-executive Director of the 2nd session of the Board of the Company since June 2014. Mr. Zong obtained his bachelor's degree in thermal engineering of power plant from Northeast Dianli University and his master's degree in management science and engineering from Wuhan University of Hydraulic and Electrical Engineering and was granted the title of senior engineer. Mr. Zong has served various positions in China Power Engineering Consulting Group Corporation (中國電力工程顧問集團公司) since May 2004, including division chief, deputy director-general and deputy chief engineer and general manager of the Technology Development Company. He also served as the non- executive director of the 1st session of the Board of Huadian Fuxin Energy Corporation Limited and the deputy director and the director of China Power Construction Engineering Consulting Corporation and held various positions in Electrical Planning and Design Institute.

Independent Non-executive Directors

Zhou Xiaoqian, aged 75, has been an Independent Non-executive Director of the 2nd session of the Board of the Company since June 2014. Mr. Zhou graduated from Zhejiang University majoring in thermal power equipment and was granted the title of professorate senior engineer. Mr. Zhou is the vice chairman of the Fifth Council of China Energy Research Society and the chairman of the Second Council of China Power Development Promotion Committee. He has successively served as an independent non-executive director of XJ Electric Co., Ltd. (stock code: 000400.SZ), the assistant to general manager in State Power Corporation of China and the member of Party committee of State Power Corporation of China. He was the general manager of China Power Grid Construction Corporation, the director of China Southern Power Affiliated Company, the independent non-executive director of the 1st session of the Board of Huadian Fuxin Energy Corporation Limited, and he was also appointed as the director of Fuel Power Industry Projects Agency of State Development Planning Commission and deputy head of Infrastructure Department of Ministry of Hydropower respectively. Currently, he is an independent non-executive director of the following companies, namely, TBEA Co., Ltd. (stock code: 600089.SH), Dalian Heavy Industry Corporation (stock code: 002487.SZ) and China Sunergy Co., Ltd. (NASDAQ: CSUN).

Zhang Bai, aged 56, has been an Independent Non-executive Director of the 2nd session of the Board of the Company since June 2014. Mr. Zhang obtained his bachelor's degree in accounting from Xiamen University and his master's degree in business administration (MBA) from the Open University of Hong Kong. Currently, he is professor of the school of economic and management of Fuzhou University, director of the Eighth Accounting Society of China, director of the Seventh China Commercial Accounting Institute, vice chairman of the Seventh Council of Fujian Auditing Society, and vice chairman of the Fifth Council of Fujian Business Accounting Society. He served as a teacher, director-general of department and deputy General Manager of Fuzhou University, the director Minxing Accountants Firm of Fuzhou University as a certified public accountant himself. He is also an independent non-executive director of the 1st session of the Board of Huadian Fuxin Energy Corporation Limited. Currently, Mr. Zhang is an independent non-executive director of Fujian Yong'an Forestry (Group) Joint Stock Co., Ltd. (000663.SZ), Citychamp Dartong Co., Ltd. (600067.SH), and Fujian New Huadu Supercenter Co., Ltd. (002264.SZ).

Tao Zhigang, aged 51, has been an Independent Non-executive Director of the 2nd session of the Board of the Company since June 2014. Mr. Tao obtained his doctor's degree in economics from Princeton University. Currently, Mr. Tao is professor in strategic management and economics as well as the superintendent of Institute for China and Global Development of University of Hong Kong. He is engaged by China Centre for Economic Research and Centre for China in the World Economy of Tsinghua University as senior researcher and specially-appointed researcher, respectively, and also a specially-appointed professor of Fudan University management school. His major research fields include commercial organisations and management, competing strategies and economy restructure. Currently, Mr. Tao also served as an independent non-executive director of China Lesso Group Holdings Limited (中國聯塑集團控股有限公司) (stock code: 02128.HK).

Supervisors

Li Changxu, aged 54, has been the Chairman of the 2nd session of the Board of Supervisors of the Company since June 2014. Mr. Li obtained his bachelor's degree in finance and accounting through the adult higher education department from Renmin University of China and was granted the title of senior accountant. Mr. Li has been the deputy chief accountant of China Huadian Corporation since July 2014. He also served as deputy division chief of division III of the branch of China National Audit office in Ministry of Electric Power (國家審計署駐電力部審計局), the deputy division chief of the production audit department, deputy division chief of division II of the audit department and the division chief of the integration division of the audit department of State Power Corporation of China, the deputy director-general of the supervision and audit department, the deputy director-general of audit department then the director-general of audit department of China Huadian Corporation, and the chairman of the 1st session of the Board of Supervisors of Huadian Fuxin Energy Corporation Limited. Currently, he is the chairman of the Board of Supervisors of Guodian Nanjing Automation Co., Ltd. (600268.SH) (國電南京自動化股份有限公司), a company listed on the Shanghai Stock Exchange.

Wang Kun, aged 46, has been a Supervisor of the 2nd session of the Board of Supervisors of the Company since June 2014. Mr. Wang obtained his master's degree in finance from Peking University and was granted the title of Chartered Financial Analyst (CFA). Mr. Wang has worked at Kunlun Trust Co., Ltd. (崑崙信託有限責任公司), a subsidiary of China National Petroleum Corporation, as manager of the asset management department since July 2009. He served as manager of the direct investment department of China National Petroleum Corporation Assets Management Co., Ltd. (中油資產管理有限公司), a subsidiary of China National Petroleum Corporation, vice General Manager of the JRJ.com, person-in-charge of the securities project team of Ao Yier Investment Management Company (奧伊爾投資公司), a subsidiary of China National Petroleum Corporation, a fund manager of the futures and funds department of China International Futures Co., Ltd., and the supervisor of the 1st session of the Board of Supervisors of Huadian Fuxin Energy Corporation Limited.

Hu Xiaohong, aged 46, has been a Supervisor of the 2nd session of the Board of Supervisors of the Company since June 2014. Ms. Hu obtained her bachelor's degree in accounting from Shenzhen University and was granted the title of senior accountant. Ms. Hu has been the deputy director of the financial management department of Wujiang Hydropower since April 2016. She previously held positions of deputy director of the finance office of the construction management department of the machinery expansion project, director of the finance department and deputy chief economist in Wujiangdu Hydropower Plant of Wujiang Hydropower, deputy director of the assets management department of Wujiang Hydropower and a supervisor of the first session of the Board of Supervisors of Huadian Fuxin.

Chen Wenxin, aged 49, has been an Employee Representative Supervisor of the 2nd session of the Board of Supervisors of the Company since June 2014. Mr. Chen graduated from the undergraduate course of party management in the correspondence college of the Party School of the Central Committee of the C.P.C. (中共中央黨校) and is a senior administration engineer. He served as the deputy secretary of the Party committee, chairman of the labor union and secretary of discipline committee of Fujian Longyan Power Plant (福建龍岩電廠), deputy secretary of the Party committee of Fujian Zhangping Power Plant (福建漳平電廠), deputy director-general of the politics work department, secretary of group discipline committee and chairman of group labor union of Huadian Fujian Power Generation Co., Ltd. (華電福建發電有限公司), secretary of the Party committee of Fujian Ansha Hydropower Plant (福建安砂水電廠), and the director-general of the human resources department of the Company.

Ding Ruiling, aged 52, has been an Independent Supervisor of the 2nd session of the Board of Supervisors of the Company since June 2014. Ms. Ding is the professor, doctor and dean of audit department of accounting school with Central University of Finance and Economies (中央財經大學). She has ever conducted further research and studies in Arthur Andersen (日本朝日監查法人) with focus on auditing theory and practices. Ms. Ding's major research fields include accounting, auditing, corporate internal control and auditing theory & practices, especially on the modern corporate internal control and security market.

Hou Jiawei, aged 52, has been a Supervisor of the 2nd session of the Board of Supervisors of the Company since June 2015. Mr. Hou was appointed as the member of the party committee, head of discipline inspection group and the director of the labour committee of China Huadian Engineering (Group) Co., Ltd. (中國華電工程 (集團) 有限公司) since October 2010. Prior to that, he served as the section chief of labor organisation planning section of the personnel department of Hebei Electric Power Corporation (河北省電力公司), the director of payroll office of the human resources department of Hebei Electric Power Corporation, the deputy chief and chief of performance assessment office of human resources department of Huadian and the director of performance-based salary office of human resources department of Huadian.

Yan Zhongjun, aged 44, has been a Supervisor of the 2nd session of the Board of Supervisors of the Company since February 2015. Mr. Yan graduated from Renmin University of China with a bachelor's degree in economics management. He is also a senior political analyst. Mr. Yan currently serves as member of the Party committee, secretary of the discipline committee and director of the working committee of Huadian Fuxin Energy Corporation Limited. He had served as the office director, head of the Political Affairs Department, deputy of political task director, secretary of Discipline Inspection Committee, chairman of labour union of Weifang Power Generation Factory (濰坊發電廠). He was also the manager of the Corporate Culture Section of the Political Work Division of Huadian Power International Corporation Limited (華電國際電力股份有限公司), deputy head and head of the Party Construction Division of the Political Work Department of China Huadian Corporation (中國華電集團公司), the secretary of the Party Committee and deputy general manager of Anhui Huadian Suzhou Power Generation Company (安徽華電宿州發電公司) and the head of Party Discipline Inspection Committee and chairman of labour union of China Huadian Corporation Anhui Branch (中國華電集團公司安徽分公司).

Senior Management

For the biography of Mr. Shu Fuping, please refer to "Executive Directors".

Huo Guangzhao, aged 55, has been reelected as the Vice General Manager of the Company since June 2014. Mr. Huo obtained his bachelor's degree in thermal power of power plant from Xi'an Jiaotong University and was granted the title of Senior Engineer. He served as senior engineer and chief engineer with Northeast Electric Power Design Institute of Ministry of Electric Power, the project manager of North China Power Engineering Co., Ltd. of China Power, head of the initial development office of the Planning and Development Department of China Huadian Corporation, and deputy general manager of Huadian New Energy Development Co., Ltd.

Wang Zhijun, aged 53, has been appointed as the Vice General Manager of the Company since February 2015. Mr. Wang graduated from North China Electric Power University and obtained his master degree in Electric HVDC and was granted the title of senior engineer. Mr. Wang served as the director of the general manager working department of Beijing Electric Power Research Institute (北京電力科學研究所), the deputy director of the integration division of China Huadian Fuel Co., Ltd. (中國華電集團燃料有限公司), the deputy general manager (taking charge of works), the general manager of Shaanxi branch of Huadian Coal Industry Group Co., Ltd. (華電煤業集團有限公司), the head of preparatory group of the Yuheng coal-fired power integration projects of Huadian Coal Group, the head of the Human Resources Department of Huadian Coal Industry Group Co., Ltd., the head of the discipline inspection group of Huadian New Energy Development Co., Ltd. (華電新能源發展有限公司), and the head of the discipline inspection group and the director of the Labour Committee of Huadian Fuxin Energy Corporation Limited.

Yang Yi, aged 53, has been reelected as the Chief Financial Officer of the Company since June 2014. Ms. Yang obtained her bachelor's degree in auditing from Shanghai University of Finance and Economics and was granted the titles of Senior Economist and Senior Auditor. She served as the chief officer and deputy division chief of the audit department of State Power Corporation of China, division chief of the audit division and director auditor of the audit department of China Huadian Corporation, the deputy general manager of Hangzhou Banshan Power Plant Limited, and the chief accountant of Huadian New Energy Development Co., Ltd.

Sun Tao, aged 40, was appointed as the vice General Manager of the Company on 26 June 2015. Mr. Sun graduated from the North China Electric Power University majoring in power system automation, He was a Doctor of Philosophy and Senior Engineer. Mr. Sun served as project manager of technology and development department, project manager of engineering and construction department at China Longyuan Power Group Co. Ltd., assistant to the general manager and manager of engineering department at Jilin Longyuan Wind Power Generation Co.,Ltd, project manager of the technology and information department, senior project manager at China Longyuan Power Group Co. Ltd. and the deputy director of the Renewable Energy Research and Development Centre, secretary (vice division level) of the general manager working department of China Guodian Corporation, deputy division chief in the first secretary division of the general manager working department, secretary (division chief level) of the secretary division of the general office, assistant to the director of the general office at China Huadian Corporation.

Rong Qing, aged 52, was appointed as Company Secretary on 3 February 2016. Mr.Rong graduated from Shandong University of Technology with a master degree in engineering, majoring in power system and automation. He is also a senior engineer. Since July 2013, he has been serving as the director of the securities market department of the Company. Previously, he served as a project manager of the planning division of the planning and development department (計劃發展部規劃科) and the deputy division head of the fund raising division (籌資科) of Shandong Power Industry Bureau (山東省電力工業局); the manager of the planning and development department and the deputy head of the planning and development division of Shandong International Power Development Company Limited (山東國際電源開發股份有限公司); the deputy plant director of Huadian International Laicheng Power Plant (華電國際萊城電廠); the deputy head of the second division of system reformation office of China Huadian Corporation (華電集團公司改制辦二處); the deputy director of the strategic and planning department and the deputy director of the production and construction department of China Huadian New Energy Development Company Limited (中國華電集團新能源發展有限公司) and the director of the generation and operation department (Wind Power Technology Centre) of Huadian New Energy Development Company Limited (華電新能源發展有限公司).

Company Secretary

Mok Ming Wai, aged 45, a director of KCS Hong Kong Limited, is our Company Secretary. Ms. Mok has over 20 years of professional and in-house experience in the company secretarial field. She is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

II. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN 2016

(I) Remuneration of Directors and Supervisors

Name	Position	Total remuneration received from the Company for the year ended 31 December 2016 *(RMB'000)*
Mr. Fang Zheng	Chairman of the Board and executive Director	754
Mr. Jiang Bingsi(1)	Executive Director	–
Mr. Shu Fuping	Executive Director	754
Mr. Li Lixin	Executive Director	685
Mr. Yang Qingting	Non-executive Director	–
Mr. Tao Yunpeng	Non-executive Director	–
Mr. Zong Xiaolei	Non-executive Director	–
Mr. Zhou Xiaoqian	Independent non-executive Director	100
Mr. Tao Zhigang	Independent non-executive Director	100
Mr. Zhang Bai	Independent non-executive Director	100
Mr. Li Changxu	Chairman of the Board of Supervisors	–
Mr. Wang Kun	Supervisor	–
Ms. Hu Xiaohong	Supervisor	–
Mr. Hou Jiawei	Supervisor	–
Mr. Yan Zhongjun	Employee representative Supervisor	691
Mr. Zou Xuanyong(2)	Employee representative Supervisor	174
Mr. Chen Wenxin	Employee representative Supervisor	521
Ms. Ding Ruiling	Independent Supervisor	80

Notes:

(1) Mr. Jiang Bingsi resigned as the Executive Director of the Company on 28 June 2016.

(2) Mr. Zou Xuanyong resigned as the Employee Representative Supervisor of the Company on 17 June 2016.

(II) Remuneration of Senior Management

During the year ended 31 December 2016, the remuneration of the senior management of the Group falls within the following bands:

	Number of persons
RMB0.7 million to RMB0.8 million	1
RMB0.4 million to RMB0.7 million	5

Management Discussion and Analysis

In 2016, the economic growth in China continued to slow down. However, with the supply-side structural reform gradually takes effect, the base of macro economy started to show signs of stabilization, and the economy delivered a stable performance. With the economic development entered into a state of "New Normal", energy consumption growth shifted to slow growth. As China thoroughly promote supply-side structural reform, power industry shows a serious of trends, including the normalization of sufficient power supply, the cleaning of power source structure, the intellectualization of power system, and the marketization of systems and mechanisms. Transitional development of electric power companies has become imperative due to the increasingly challenging market conditions.

In 2016, the overall power consumption increased by 5.0% from the previous year to 5,919.8 billion KWh. Growth drivers for power consumption continued to be shifted, consumption structure continued to be adjusted, the growth rate of power consumption in eastern and central regions took the lead and showed a trend of gradual accelerating during the year. The power generation of non-fossil energy maintained a high growth rate, the utilisation time of coal-fired power equipment further decreased. The overall power supply capacity is sufficient. The supply situation of coal used for power generation shifted from sufficient to relatively tight. The overall supply situation of natural gas used for power generation is stable.

I. BUSINESS REVIEW

In 2016, the Group made research and conducted accurate judgment on economic situation, fully evaluated risks of all respects, made prior prevention, took multiple measures, and achieved good results. With the strategy of "Expanding to the East and Advancing to the South" of the Group gradually takes effect, the profit contribution ratio of the central, eastern and southern regions increased where the power supply is not curtailed. Facing the increasingly competitive electricity market and aiming at the severe situation of wind power curtailment in the northwest, north, and northeast China, the Group proactively carried out the work of ensuring utilisation of wind power like the power generation right cross-region substitution of wind power for coal-fired power, enhanced equipment improvement and marketing, and effectively improved the value creation ability of the Group.

In 2016, profit attributable to equity owners of the Company was RMB2,023.0 million, representing an increase of 6.3% over 2015; consolidated installed capacity held by us was 14,972.3 MW, representing an increase of 8.1% over the previous year; and gross power generation was 41,297,581.0 MWh, representing an increase of 11.1% over the previous year.

The respective consolidated installed capacity of the power generating assets of the Group as of 31 December 2016 and 2015 by type was:

Consolidated Installed Capacity (MW)

Type	2016	2015	Change percentage
Hydropower	**2,507.9**	2,507.9	0.0%
Wind power	**7,340.7**	6,417.3	14.4%
Coal-fired power	**3,600.0**	3,600.0	0.0%
Solar energy	**977.0**	799.7	22.2%
Natural gas-fired power (distributed)	**521.4**	495.0	5.3%
Other clean energy	**25.3**	25.3	0.0%
Total	**14,972.3**	13,845.2	8.1%

The respective attributable consolidated installed capacity of the power generating assets of the Group as of 31 December 2016 and 2015 by type was:

Attributable Consolidated Installed Capacity (MW)

Type	2016	2015	Change percentage
Hydropower	**1,867.0**	1,867.0	0.0%
Wind power	**6,805.5**	5,917.7	15.0%
Coal-fired power	**3,740.4**	3,740.4	0.0%
Solar energy	**942.2**	764.9	23.2%
Natural gas-fired power (distributed)	**754.7**	741.2	1.8%
Nuclear power	**1,274.1**	849.4	50.0%
Other clean energy	**25.1**	25.1	0.0%
Total	**15,409.0**	13,905.7	10.8%

The respective gross generation of the power generating assets of the Group in 2016 and 2015 by type was:

Gross Power Generation (MWh)

Type	2016	2015	Change percentage
Hydropower	**14,090,087.3**	9,455,427.4	49.0%
Wind power	**12,159,196.7**	9,070,847.4	34.0%
Coal-fired power	**11,718,410.0**	15,442,391.3	-24.1%
Solar energy	**1,058,634.3**	932,079.5	13.6%
Natural gas-fired power (distributed)	**2,106,656.5**	2,114,557.8	-0.4%
Other clean energy	**164,596.2**	164,335.6	0.2%
Total	**41,297,581.0**	37,179,639.0	11.1%

1. Hydropower Business

As of 31 December 2016, the Group had consolidated hydropower installed capacity of 2,507.9 MW. Together with its 2 projects under construction, the total capacity was 1,300.0 MW.

In 2016, the water inflow in Fujian Province was extremely abundant, with the accumulated precipitation in the seven key reservoirs amounted to 2,502.0 mm on average, which is 42.9% higher than the average level of multiple years, representing an increase of 19.7% over the previous year. The Group worked hard to coordinate hydropower companies to devote more efforts to economical operation, made scientific predictions on water and rainfall, made scientific management, fully exerted the regulation and storage functions of power stations at key reservoirs, took overall consideration and made all-round arrangement for power generation of cascade power stations, devoted all efforts to increase power generation and made a record high in hydropower generation. During the period from 1 January 2016 to 31 December 2016 (the "Reporting Period"), the gross hydropower generation of the Group was 14,090,087.3 MWh, representing an increase of 49.0% over the previous year; the average hydropower utilisation time was 5,622 hours, which is 45.6% higher than the 3,860 hours in the previous year. The average on-grid tariff (tax exclusive) was RMB293.6/MWh, representing an increase of RMB8.0/MWh or 2.8% over the previous year.

2. Wind Power Business

As of 31 December 2016, the Group had a consolidated wind power installed capacity of 7,340.7 MW, representing an increase of 14.4% as compared with the year ended 31 December 2015. During the Reporting Period, the consolidated installed capacity of the Group's new wind power projects which had commenced operation was 923.4 MW. The gross wind power generation was 12,159,196.7 MWh, representing an increase of 34.0% over the previous year. The average on-grid tariff (tax exclusive) was RMB459.5/MWh, representing a decrease of RMB35.9/MWh from the previous year. The average wind power utilisation time was 1,765 hours, which increased by 1.1% from the previous year. The wind power capacity under construction was 530.8 MW.

In 2016, the Group steadily optimised its wind power development layout, developed qualified wind power projects in an orderly manner, and devoted great efforts to facilitate wind power projects in the central, eastern and southern regions where power generation is not curtailed. In 2016, 18 new projects with an aggregate capacity of 1,295.6 MW were approved. As of the end of 2016, we had an accumulated reserves of approximately 3.9 GW of projects which had been approved or included in the first five batches of the approval plan (including the supplemented ones) of the National Energy Administration.

In the operation management process, we established and improved the equipment and technology management system, and effectively improved the standardization of management on the production, operation and maintenance of the Group. Remarkable results had been obtained in the comprehensive improvement and defects elimination of wind power equipment. The utilisation ratio of wind turbines reached 98.75%.

3. Coal-fired Power Business

As at 31 December 2016, the Group had a consolidated coal-fired power installed capacity of 3,600.0 MW, with one project under construction. During the Reporting Period, the gross coal-fired power generation of the Group was 11,718,410.0 MWh, representing a decrease of 24.1% from the previous year. The average coal-fired power utilisation time was 3,255 hours; the coal consumption for power generation was 310.8g/KWh; the average on-grid tariff (tax exclusive) was RMB311.6/MWh, representing a decrease of RMB23.7/MWh or 7.1% from the previous year.

Facing the increasingly intense competition in coal-fired power market and the disadvantageous situation of continuously increasing coal price, the Group proactively strived for the power generation right in the power trading market while strictly controlled its fuel purchasing costs. During the Reporting Period, the average unit price (tax exclusive) of the Group's standard coal was RMB535.6/ton, representing an increase of RMB4.2/ton, or by 0.8%, from the previous year.

4. Solar Energy Business

In 2016, the Group pushed forward its solar energy project development in an orderly manner. During the Reporting Period, the Group recorded an increase of 177.3 MW in its consolidated installed capacity newly put into operation in solar energy business, bringing its accumulated consolidated installed capacity put into operation to 977.0 MW. In 2016, the Group's total solar power output was 1,058,634.3 MWh, and the average on-grid tariff (tax exclusive) was RMB837.9/MWh, decreased by RMB61.3/MWh from the previous year.

In 2016, the Group had obtained the approval for the Group's 14 new projects with total consolidated installed capacity up to 254.3 MW. As of the end of 2016, the Group had 632.7 MW of solar power projects which have completed record process in the national approved plans.

5. Natural Gas-fired Power and Other Business

As at 31 December 2016, the consolidated installed capacity put into operation and the consolidated installed capacity under construction of natural gas-fired power (distributed) projects of the Group amounted to 521.4 MW and 381.7 MW, respectively. With the natural gas price being stable with a slight decline, we will capitalise on the opportunity to develop the natural gas distributed projects proactively. As of 31 December 2016, the Group had 8 distributed energy projects approved by the National Development and Reform Commission with an accumulated capacity of 912.7 MW.

As at 31 December 2016, the Group held 39.0% equity interest in Fuqing Nuclear Power Plant and 10% equity interest in Sanmen Nuclear Power Co., Ltd. The No. 3 generator set of Fuqing Nuclear Power Plant had formally commenced its commercial operation in October 2016 and the No. 4 generator set had entered into the debugging phase in December 2016.

As at 31 December 2016, we also had two biomass energy projects under operation, with consolidated installed capacity of 25.3 MW in our holding.

II. FINANCIAL POSITION AND RESULTS OF OPERATIONS

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

1. Overview

In 2016, the Group had achieved a much better result that profit before tax increased by 20.2% to RMB3,156.5 million as compared with RMB2,625.3 million in 2015. In particular, the profit attributable to equity owners of the Company for the year of 2016 amounted to RMB2,023.0 million, representing an increase of 6.3% as compared with RMB1,903.3 million in 2015.

2. Revenue

The Group's revenue increased by 3.4% to RMB15,917.0 million in 2016 as compared with RMB15,392.8 million in 2015, primarily due to the increase in revenue from electricity sales of the Group's hydropower, wind power and solar energy segments.

The Group's revenue from sales of electricity increased by 6.8% to RMB15,052.9 million in 2016 as compared with RMB14,091.0 million in 2015, primarily due to an year on year increase of 10.9% in the Group's electricity sales, reflecting the stable business growth of the Group during the period.

The respective segment revenue of the Group in 2016 and 2015 is as follows:

	2016 *RMB in million*	2015 *RMB in million (Restated)*	Change percentage
Hydropower	**4,037.1**	2,626.9	53.7%
Wind power	**5,290.7**	4,012.5	31.9%
Coal-fired power	**3,589.3**	5,272.3	-31.9%
Solar energy	**889.0**	810.2	9.7%
Natural gas-fired power (distributed)	**1,545.3**	1,587.5	-2.7%
Other	**557.3**	1,041.1	-46.5%
Total revenue of the reported segments	**15,908.7**	15,350.5	3.6%

3. Other income

In 2016, the Group's other income increased by 16.3% to RMB179.7 million as compared with RMB154.5 million in 2015, primarily due to the government grants during the year of RMB117.4 million, as compared with RMB62.2 million in 2015, representing an increase of 88.7%.

4. Operating expenses

The Group's operating expenses decreased by 0.1% to RMB10,745.8 million in 2016 as compared with RMB10,761.3 million in 2015.

In 2016, the fuel cost decreased from RMB3,854.3 million in 2015 to RMB3,059.4 million, representing a decrease of 20.6%. In particular, fuel costs for coal-fired power segment decreased from RMB2,659.6 million to RMB1,975.9 million due to the decrease in power generation.

The Group's depreciation and amortisation expenses increased by 23.7% to RMB4,027.2 million in 2016 as compared with RMB3,256.1 million in 2015. This increase was primarily due to commencement of operation of the Group's new generating units.

The Group's labor costs increased by 11.4% to RMB1,329.5 million in 2016 as compared with RMB1,193.9 million in 2015, primarily due to additional staff required following the commencement of operation of the Group's new generating units and the additional staff recruited for business expansion.

The Group's repair and maintenance costs increased by 16.3% to RMB497.7 million in 2016 as compared with RMB427.9 million in 2015, primarily due to the increased maintenance and repair expenses for the commencement of operation of new natural gas generator sets (distributed) and expiry of warranty for wind power sets.

The Group's other operating expenses increased by 62.5% to RMB892.8 million in 2016 as compared with RMB549.4 million in 2015, primarily due to an reduction of the proposed assets impairment at RMB176.7 million and an increase of hydro-power generation, the expenses of hydro-resources increased by RMB72.9 million of the Group.

The Group's costs of substituted electricity decreased from RMB99.5 million in 2015 to RMB0 in 2016, representing a decrease of 100%, primarily because the Group did not transfer the substituted electricity index in the year.

5. Operating profit

The Group's operating profit increased by 11.8% to RMB5,351.0 million in 2016 as compared with RMB4,786.0 million in 2015, primarily due to a year-on-year increase of 31.9% in sales income of wind power electricity and 53.7% in hydropower segment. The respective segment operating profit of the Group in 2016 and 2015 is as follows:

	2016 *RMB in million*	2015 *RMB in million* *(Restated)*	Change percetage
Hydropower	**2,554.3**	1,249.7	104.4%
Wind power	**2,344.3**	1,947.5	20.4%
Coal-fired power	**156.3**	1,133.1	-86.2%
Solar energy	**367.7**	427.0	-13.9%
Natural gas-fired power (distributed)	**130.2**	159.6	-18.4%
Other	**(45.2)**	10.0	-552.0%

6. Finance income

The Group's finance income decreased by 51.8% to RMB79.8 million in 2016 as compared with RMB165.7 million in 2015, mainly due to the dividend decreased by RMB42.2 million from other investments and the decrease of interest income during the Reporting Period.

7. Finance expenses

The Group's finance expenses increased by 5.5% to RMB2,904.5 million in 2016 as compared with RMB2,754.2 million in 2015, primarily due to an increase in the average balance of loans of expensed interests as a result of the Group's commencement of operation of new generating units.

8. Share of profits of associates and joint ventures

The Group's share of profits from associates and joint ventures was RMB630.2 million in 2016 as compared with RMB427.8 million in 2015, primarily due to a year-on-year increase of RMB231.9 million in earnings from our investment in Fuqing Nuclear Power Plant this year.

9. Income tax

The Group's income tax increased by 31.5% to RMB533.5 million in 2016 as compared with RMB405.8 million in 2015, primarily due to an increase of 11.8% in the operating profit, which was jointly composed by the income tax payment for our operating profit in hydropower segment and the decreased income tax for our losses in coal-fired power segment during the Reporting Period.

10. Net profit

The Group's net profit increased by 18.2% to RMB2,623.0 million in 2016 as compared with RMB2,219.5 million in 2015, primarily due to the profit from the hydropower and wind power segments of the Group during the Reporting Period.

11. Profit attributable to equity owners of the Company

The profit attributable to equity owners of the Company increased by 6.3% to RMB2,023.0 million in 2016 as compared with RMB1,903.3 million in 2015.

12. Profit attributable to non-controlling shareholders

The Group's profit attributable to non-controlling shareholders increased by 89.8% to RMB600.0 million in 2016 as compared with RMB316.2 million in 2015, mainly due to increased year on year profit and loss attributable to the larger shareholding percentage of non-controlling shareholders from hydropower segment with the major profit ratio in the Group.

13. Liquidity and sources of capital

The Group's cash and cash equivalents increased by 42.3% to RMB2,890.0 million as at 31 December 2016 as compared with the balance of RMB2,031.2 million as at 31 December 2015, primarily because of the stable operating results of hydropower, wind power and solar energy, punctual electricity charges, and comparatively sufficient cash flow of the Group. The main sources of the Group's operating capital include: (1) approximately RMB23,556.2 million of unutilised banking facilities as at 31 December 2016; and (2) approximately RMB2,890.0 million of cash and cash equivalents.

As at 31 December 2016, the Group's borrowings increased by 10.0% to RMB66,521.5 million as compared with RMB60,475.3 million as at 31 December 2015, of which RMB14,238.6 million was short-term borrowings (including the current portion of long-term borrowings), and RMB52,282.9 million was long-term borrowings.

14. Capital expenditure

The Group's capital expenditure decreased by 48.5% to RMB6,792.8 million in 2016 as compared with RMB13,184.1 million in 2015. Capital expenditure mainly comprises costs for purchase and construction of property, plant and equipment.

15. Net gearing ratio

As at 31 December 2016, the Group's net gearing ratio (net debt (i.e., total borrowings less cash and cash equivalents) divided by total equity) was 277.5%, representing an increase of 1.2 percentage points as compared with 276.3% as at 31 December 2015, which was mainly due to the new debts caused by the Company's infrastructural projects in which the Group made investments during the year.

16. Material acquisitions and disposals

The Group had not conducted any material acquisition and disposal in 2016.

17. Significant investment

The Group did not conduct any material investment in 2016.

18. Plans for material investments/acquisition of capital assets

The Group has no plan for any material investment/acquisition of capital assets for the coming year.

19. Pledge of assets

Some of the Group's loans are secured by property, plant and equipment. As at 31 December 2016, the total net book value of the pledged assets amounted to RMB14,453.7 million.

20. Contingent liabilities

As at 31 December 2016, the Group provided external guarantee of RMB19.7 million over the balance of bank loans.

III. RISK FACTORS AND RISK MANAGEMENT

1. Industry risk

The development and profitability of our clean energy projects are significantly dependent on the policies and regulations that support such development in the PRC. Since 2005, the PRC government has promulgated a series of laws and regulations. The gross generation and revenue of our hydropower projects are dependent upon the hydrological conditions prevailing from time to time in the broad geographic regions in which our existing and future hydropower projects are located. In addition, the resettlement of relocated residents may cause significant cost increases and/or construction delays in our hydropower projects. Our wind power business is highly dependent on wind conditions. The total amounts of electricity and revenue 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 an increase in coal prices and a disruption in coal supply or its transportation could materially and adversely affect our coal-fired power business. Our natural gas distributed energy projects are fueled by natural gas. As such, a sufficient and timely supply of natural gas is essential to our natural gas-fired power (distributed) business.

2. Competition risk

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

3. Risk related to power grid

In certain regions, power grids planning and construction lag behind wind power development layout. Given the insufficient consumption capacity, it is inevitable that wind power will be abandoned in the short run. 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 strategies and rationally deployed new projects according to the power grid connection conditions. Meanwhile, the Group will continue improving technical innovation to reduce such impact.

4. Exchange rate risk

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

IV. PROSPECT AND OUTLOOK

The "Paris Agreement", officially effective in 2016, reflects that the firm determination and high unity of all nations in taking global actions to cope with climate changes, which is a milestone for speeding up the development of renewable energy. In recent years, with the rapid development of renewable energy technology in the world, new product and technology in wind power industry will emerge one after another, the lower-speed wind power resources that can be developed will be more favored in the future; the on-grid tariff parity of wind power and coal-fired power will be irresistible. Meanwhile, China is comprehensively pushing forward a new round of electricity reform, aiming to speed up energy transformation and upgrading based on the supply-side structural reform. Recently, China also issued a series of encouraging rules and policies for the renewable energies, and developed the "Green Certificate" mechanism, ensuring the subsidies and utilisation of the renewable energy like wind power. Therefore, the Group must know well of the situations facing it, sort out its thoughts, make greater efforts to reserve quality resources, deepen quality and efficiency improvement, strive to increase incomes and reduce expenditures, speed up development and upgrading, and size up the situation based on national development strategies to advance the development of each business segment in a healthy and orderly manner.

Wind power and solar power

The Group will continue to select quality wind/solar power resources from the central and southeast regions, reserve quality wind/solar power resources from the "Three-north" areas and develop them prudently based on actual energy consumption; we will, based on our development strategies, strive to explore an international path of development, pay attention to national wind/solar power Greenfield projects along the "One Belt and One Road" and push forward the development of pilot offshore wind power projects in an actively and orderly manner.

Hydropower

The Group will further strengthen its efforts to control the equipment and dispatch the reservoirs in a scientific way, improve the hydropower utilisation hour and profitability, reserve quality hydropower resources, especially the greenfield projects along the "One Belt and One Road", safeguard the healthy development of hydropower business and proactively seek for opportunities to acquire and merge middle and small hydropower stations in southwest China, contributive to the regional breakthrough in hydropower segment and the further development of pumped storage projects.

Natural gas power generation

The newly issued "13th Five-year Plan on Power Development" expressly states that "China will develop natural gas generation in an orderly manner and energetically push forward the construction of distributed power generation systems", the Group will seize the opportunity of China's relaxing controls on the gas sources and prices, speed up developing large gas turbine projects and gas distributed projects and strive to realise rolling and rapid development of natural gas industry with greater volume.

Coal-fired power

The Group will expand markets for more development channels, strengthen its internal management for lower cost, strictly control the number of new coal-fired power projects and further reduce coal consumption for power supply, laying a foundation for the sustainable development of enterprises, while paying close attention to and following the subsequent policies in support of China's energy-saving transformation to the coal-fired units.

Environment, Society and Governance Report

"Providing Clean Energy, Lightening the Wonderful World" is a persistent pursuit of the Group and its solemn commitment to the society. While creating economic benefits, the Group sticks to the principle of energy conservation, high efficiency, low carbon and environmental protection. Bearing our corporate social responsibility in mind, we implements safety production, sticks to people-oriented policy, realize common development benefiting both employees and the Company. We have served the community sincerely, proactively taken part in the programs for public benefit, and dedicated to the building of a friendly and harmonious environment for the Company, employees, society and ecosystem.

FOREWORD OF THIS REPORT

This report is the first environment, society and corporate governance report of Huadian Fuxin Energy Corporation Limited (the "Group" or "us").

Reporting Period:	The Reporting Period started from 1 January 2016 and ended at 31 December 2016.
Principle Applied in the Report:	The Report is compiled with reference to the Guideline on Environment, Society and Governance Report issued by The Stock Exchange of Hong Kong (SEHK).
Range of Content the Report:	Unless otherwise specified, all cases and data in this Report come from Huadian Fuxin Energy Corporation Limited and its subsidiaries (collectively referred to as "the Group" or "the Company").
Form of Issuance of the Report:	As this report is a related document of the 2016 Annual Report of the Group, it can be referred to in the Annual Report.

1. CLEAN ENERGY

As a leading listed clean energy company in China, we have consistently committed to the efficient utilisation of clean energy energies and the development and utilisation of renewable energy, taken it as our mission to create value, constantly intensified intensify structural adjustment, exerted the complementary advantage of diversified industrial layout, work hard to ensure an unfailing supply of green and clean energies, and assume the responsibility of promoting harmonious social development, environmental protection, energy conservation and emission reduction.

We adhere to provide stable green energy for the electric energy transmission and distribution parties, namely State Grid Corporation of China, China Southern Power Grid Co., Ltd. (中國南方電網有限責任公司) so as to maintain long-term profitability, business expansion and assets growth. We guarantee generation of cost effectiveness and promotion of long-term business interest by way of maintaining sound relationships and close communication and interaction with major coal and equipment suppliers.

Without consumption of fossil fuel, emission of waste gas and greenhouse gases, pollution of water, and emission of pollutants and hazardous wastes during the power generation process, our clean power generation industry, including wind power, hydropower and solar energy projects, etc., are environment-friendly businesses, which pose no major negative influence on environment and natural resources.

The gross power generation of the Company was 41,297,581.0 MWh in 2016, among which 27,307,918.3 MWh was generated by hydropower, wind power and solar energy, which means:

a save of approximately 8.54 million tons of standard coal;

a reduction of approximately 4,800 tons of emission of sulfur dioxide;

a reduction of approximately 6,700 tons of emission of oxynitride;

a reduction of approximately 923.2 tons of emission of smoke dust;

a reduction of approximately 19 million tons of emission of carbon dioxide.

The Group proactively responded to the domestic and international calls of green and low-carbon development, constantly intensified research on policies concerning the carbon market, made persistent efforts to enhance development of carbon emission reduction projects, and effectively consolidated the foundation of carbon assets management work. In the aspect of policy research, we continuously followed and researched the transactions in pilot carbon markets in seven provinces and cities in China. Based on this, a research project named Interpretation of National Carbon Market Policies and Coping Strategies was initiated and was successfully registered as a scientific and technological project of Huadian Group, which will place emphasis on analyzing the development and operation of domestic carbon markets. In the aspect of projects development, the Group has size advantage in development of CCER projects. The Group proactively promoted works concerning carbon quota, filing of CCER projects, etc., and achieved filing of 35 projects, including but not limited to the project of Inner Mongolia Huadian Wutaohai Wind Power 300MW Project Phase II, the 50MW photovoltaic power generation project of Huadian Fuxin Hami New Energy Company Limited, expecting to reduce the carbon emission by about 5,000,000 tons. We have a plan to file 46 projects in 2017, expecting to reduce the carbon emission by about 7.3 million tons.

2. ENERGY CONSERVATION AND EMISSION REDUCTION

The Group strictly followed a series of policies and regulations in relation to environmental protection such as the Environmental Protection Law (《中華人民共和國環境保護法》), Environment Compliance Guidance for Thermal Power Enterprise (《燃煤火電企業環境守法導則》), Technical Specifications on Ash Removal for Thermal Power Plant (《火電廠除塵工程技術規範》), Supervision and Management Measures on Environmental Protection of China Huadian Corporation (《中國華電集團公司環境保護監督管理辦法》), China Huadian Group Thermal Power Stations Flue Gas NOx Emission Reduction Related Guidance (《中國華電集團公司火電廠煙氣脱硝涉及導則》), China Huadian Corporation Environmental Events Accountability Measures (《中國華電集團公司環境事件責任追究辦法》), and ensured practical implementation in our practice and operation.

We intensified supervision and management on our three coal-fired power companies and ensured that the total amount of emission was strictly controlled within the range of index. In 2016, the total investment in environmental protection was RMB119.3 million, 9 renovation projects were completed, among which 1 was ultra-low emission renovation project, 3 projects were dust control of coal yard, 1 was corrosion prevention renovation of chimneys, 2 are comprehensive treatment projects of waste water, and 2 were desulphurization, dust removal, and denitrification up-to-standard emission renovation projects. No major environmental pollution accident or major environmental event happened during the year.

We have proactively participated in the management of environmental protection renovation projects, completed ultra-low emission renovation of the No.3 and No.4 generator sets of Fujian Huadian Kemen Power Generation Co., Ltd. and the No.7 and No.8 generator sets of Fujian Huadian Yong'an Power Generation Co. Ltd., and achieved electricity price subsidy for desulphurization and denitrification. Up to now, 8 coal-fired generator sets have been installed with high-efficient denitrification, desulphurization and dust removal equipments, the total emission of pollutants during the year reached standards. We have enhanced technical modification to promote reduction of emission, facilitated modification of environmental protection facilities, and accelerated delayed ultra-low emission renovation. Up to the date of this report, the modification of ultra low emission of 4 generator sets with a capacity of totally 1,800 MW has been completed. The number of generator sets accounted for 50%, the capacity accounted for 50%.

We have proactively promoted the entry of data of environmental protection information platform for power generation projects, ensured real-time online of emission data and that environmental indexes are controllable and within control.

Emission of major pollutants of coal-fired power plants of the Group in 2016

Item	Unit	2016
Emission of sulfur dioxide	Ton	2,055.5
Emission performance of sulfur dioxide	gram/KWH	0.175
Emission of oxynitride	Ton	2,891.0
Emission performance of oxynitride	gram/KWH	0.247
Emission of smoke dust	Ton	409.6
Emission performance of smoke dust	gram/KWH	0.035
Output of desulfuration gypsum	Ton	88,969.0

During the production and operation, we have taken measures like management innovation and technical modification to reduce the consumption of natural resources to the most extent.

Energy consumption of coal-fired power plants of the Group in 2016

Item	Unit	2016
Consumption of electricity (Integrated power plant)	KWH	680,839,621.0
Consumption of diesel	Ton	597.4
Consumption of gasoline	Ton	0
Consumption of coal	Ton of standard coal	3,725,929.3
Standard coal consumption per unit of power generated (Net coal consumption rate)	Grams of standard coal/KWH	310.8
Total consumption of water	Ton	12,429,595.0
Consumption of water per unit of power generated	Grams/KWH	1,061.0

The Group has proactively promoted circular economy, sold fly ash, ash and desulfuration gypsum of its coal-fired companies in a centralized mode for road construction, production of cement concrete, etc. The comprehensive utilisation rate reached 100%. All waste water produced during the power generation process was purified within the plants and then used for greening and sanitation in the plant areas, saving water resources to the utmost.

3. PEOPLE-ORIENTED

Human resource is the supporting force for sustainable development of the Group. Outstanding talents are valuable wealth of the Group. The group has firmly established the idea of people-orientation, promoted the strategy of strengthening the Company through talents, built a fair, reasonable, scientific and systematic human resource management mechanism, facilitated development of employees, cared for employees, enhanced cohesive force, and built a happy corporation.

As of 31 December 2016, we had a total of 9,824 employees. The following table sets forth a breakdown of our employees:

Business types	Number of employees	Proportion
General administration	147	1.5%
Hydropower	2,411	24.5%
Wind power	2,598	26.5%
Coal-fired power	2,984	30.4%
Other clean energies	1,684	17.1%
Total	9,824	100%

The following table sets forth a breakdown of our employees by education backgrounds:

Education background						
Total	**Postgraduate or above**	**Undergraduate**	**Junior college**	**Technical secondary school**	**Technical school**	**Senior high school or below**
9,824	191	3,773	3,000	1,165	339	1,356

The following table sets forth a breakdown of our employees by age:

	Grouping by age
≥55	473
50 – 54	1,429
45 – 49	1,884
40 – 44	1,508
35 – 39	957
30 – 34	848
25 – 29	1,626
≤24	1,099
Total	9,824

The following table sets forth a breakdown of our employees by gender:

Grouping by gender		
Total	**Male**	**Female**
9,824	7,588	2,236

1) Protection of Employee Rights

The Group has signed labor contracts with its employees in a timely manner and paid the social security fund and housing provident fund in strict compliance with the Labor Law of the PRC and the Labor Contract Law of the PRC. We strictly implement the Law of not to hire minors under the age of sixteen to become employees. Forced labor and illegal command or compel the hazardous operation that will endanger the personal safety of workers is strictly prohibit. The social security fund covers basic pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance. In addition, the Group also made contributions to the supplementary medical insurance and enterprise annuity fund for its employees. For employees working at the production lines, complete sets of labor protection wares and safety appliances were distributed in a timely manner in compliance with the Labor Law and related regulations concerning labor protection in power enterprises, ensuring personal safety of our associates and prevent occupational diseases.

2) Employee Development and Training

In 2016, through efforts of multiple respects, the Group worked hard to strengthen building of talents team and serve the strategy of strengthening the Company through talents. The Group has organised and conducted development and training for talents on operation and management, professional (management) and technical talents and operational talents in accordance with the annual education and training plan, held three sessions of "Fuxin Forum" training activities, timely conducted lectures on self-rescue and prevention and reduction of damage of geographical and natural disasters considering the fact of recurrent disasters during flood seasons, improving the capability level of employee. We have improved the composition of faculty and increased the capital input with respect to the coal-fired power, hydropower, wind power and natural gas distributed energy bases of the Company, invested about RMB19,700,000 in total, played the fundamental role of each unit in cultivating talents, and encouraged each unit to cultivate a talent team by use of the incentive mechanism.

During the Reporting Period, the Company's training headcount totaled 11,636, covering enterprise leaders (including director and supervisor), staff from every department on operation and management, professional and skilled technicians and new employed graduates, etc., on average each staff has taken over 80 hours of trainings; the Company also organised a teacher team of 194 management and technical talents, and external and part time teachers.

3) Remuneration Policies

At present, our payroll primarily comprises of basic salary and performance-based bonus. Salary increase or reduction in grass-roots enterprises is connected with the profitability of the enterprises. Backbone associates and those holding tough posts are better paid. Performance is a dominating factor for the pay to anyone in the Group, and the performance-based bonus depends on the result of performance appraisal on anyone within the Group.

4. COMPLIANCE WITH THE CODE

1) Compliance with the Law

The Group continuously strengthens the legal education, enhances the legal sense, conducted in-depth anti-corruption education, develops and improves the inner supervision system and mechanism, including the Anti-corruption Working System of Huadian Fuxin Energy Corporation Limited (《華電福新能源股份有限公司反舞弊工作制度》), Implementation Rules for Incorruptible Performance of Leaders of Huadian Fuxin Energy Corporation Limited (《華電福新能源股份有限公司領導人員廉潔從業實施細則》), Regulations on Registering and Handing in Gifts and Money Received in Official Activities of Huadian Fuxin Energy Corporation Limited (《華電福新能源股份有限公司關於公務活動中收受的禮品禮金實行登記上交的規定》), Implementation Rules for Handling Discipline Inspection, Supervision, and Petition Cases of Huadian Fuxin Energy Corporation Limited (《華電福新能源股份有限公司紀檢監察信訪案件辦理實施細則》), etc. We have set secretary of the Discipline Committee and the Supervision and Audit Department (Discipline Inspection Office) to comprehensively take charge of inner supervision of the Company, prevent corruption, handle reports of corruption and deal with cases involving violation of regulations and disciplines. During the Reporting Period, the Group saw no case involving corruption.

2) Safety First

The Group consistently implements the principle of "Safety first, prevention first and comprehensive treatment" in works of ensuring safe production, sticks to the ideas of people-orientation and safe development, and delivers a good performance in safe production based on jointed efforts of all employees. We have formulated the Safe Production Accountability System (《安全生產責任制》), ensuring each employee assumes respective safety responsibility. Moreover, other systems so formulated including:

Regulations on Safe Production Work of Huadian Fuxin Energy Corporation Limited (《華電福新能源股份有限公司安全生產工作規定》),

Measures on Standardized Management of Routine Works of Huadian Fuxin Energy Corporation Limited《華電福新能源股份有限公司例行工作規範化管理辦法》,

System on Special Patrol of General Manager (Plant Manager) and Presence of Employees (《總經理(廠長)特巡和人員到位制度》),

Unsafe Events Accountability and Assessment Measures of Huadian Fuxin Energy Corporation Limited (《華電福新能源股份有限公司不安全事件責任追究和考核辦法》),

Measures on Identifying Nature of Unsafe Events in Wind Power, Photovoltaic Power, Distributed Energy Stations, Biomass Power Generation, and Heat Supply Subsidiaries of Huadian Fuxin Energy Corporation Limited《華電福新能源股份有限公司風電、光伏、分佈式能源站、生物質發電、供暖企業不安全事件性質及認定辦法》,

Guidance on Anti-Violation of Regulations of Huadian Fuxin Energy Corporation Limited (《華電福新能源股份有限公司反違章管理指導意見》),

Regulations on Inspecting and Eliminating Power Safety Hazards of Huadian Fuxin Energy Corporation Limited (《華電福新能源股份有限公司電力安全隱患排查治理工作規定》)

Such safe production management systems have provided strong guarantee for the orderly implementation of safe production work. During the Reporting Period, the Group saw no accident of death, serious injury, general or above events involving equipment, fire disaster or environmental protection, ensuring a steady situation of safe production.

5. CARE FOR COMMUNITY

The Group commits to create economic, social and humanistic value, firmly keeps in mind our social responsibilities, proactively participates in programs for public good, sincerely serves the communities, and consistently endeavors to create a harmonious environment for the Company, employees, partners and the communities on a win-win basis. The following are some examples:

1) Public Benefit and Charity

Inner Mongolia Branch of the Company carries out activities of caring for exceptional children on a regular basis, including sending stationeries and consolation money to Children's Welfare Home and Yinglan Tianshi Kindergarten.

Henan Branch of the Company sent quilts, rice, edible oil, etc. to needy families in Caochang Village of Lianzhuang Township of Yiyang County.

Hebei Branch of the Company sent rice, flour, oil and other articles for daily use to needy families in Shangyi County during the Spring Festival.

Mindong Hydropower Development Company Limited donates money to local charity foundation every year.

Fujian Shaxian Chengguan Hydropower Company Limited donates money to local primary and secondary schools to support education.

18 employees of Guangzhou University Town Huadian New Energy Company Limited voluntarily participated in the "2016 Large-scale Unpaid Blood Donation Activity" held by the Blood Donation Office of Panyu District at Nancun Town, and donated blood without being paid.

2) Employee Activities

The Group consistently cares for physical and mental health of its employees. We have established 6 employee cultural and sports associations, including the Badminton Association, Ping-pong Association, Yoga Association, etc., to carry out various cultural and sports activities. The Group carried out the mountain climbing activity of "Step by Step to Win, Maintaining Good Health", set a reading room for employees to read science and technology books, carried out a reading activity at the Women's Day, held a special lecture for female employees with the theme of "To be a healthy and intellectual woman", organised a football team and a basketball team to carry out friendly competitions with teams of other organizations.

3) Serve the Community

The Group consistently places attention on the development of poor areas and the reconstruction of places where disasters ever happened.

Inner Mongolia Branch of the Company donated poverty alleviation fund of RMB480,000 to Xilinhot City, visited needy rural families at Hongnijing Township.

Zhouningxian Houlongxi Hydropower Generation Company Limited donated RMB32,000 to Zhouning County, which suffered from torrential rain, for its reconstruction.

Huadian Fuxin Gaotang New Energy Company Limited donated RMB100,000 to the Poverty Alleviation Office of Gaotang County for its poverty alleviation activities.

Gansu Branch of the Company donated signal receivers and televisions to three villages of Pingya Township of Wudu District of Longnan City, which worth RMB100,000; obtained RMB120,000 for three villages to plant Chinese medicine herbs; built computer rooms, health care clinics, and equipped them with medical facilities and necessary medicines, which worth RMB200,000.

During the Reporting Period, the donations made by the Group for public welfare amounted to approximately RMB4,020,000, among which RMB2,600,000 was donated for poverty alleviation, RMB380,000 was donated for environmental protection, and RMB140,000 was donated for educational and cultural causes. Besides, the Group has also made donations through public welfare social organizations and charitable organizations.

I. CORPORATE GOVERNANCE

The Hong Kong Stock Exchange issued the Corporate Governance Code and Report as currently set out in Appendix 14 of the Listing Rules which sets out the principles and the code provisions which listed issuers are required to apply and comply. During the Reporting Period, the Company has applied the principles as set out in the Corporate Governance Code and Report that are considered to be relevant to the Company and has complied with other code provisions of the Corporate Governance Code and Report.

The Board hereby presents to the shareholders the corporate governance report for the Reporting Period.

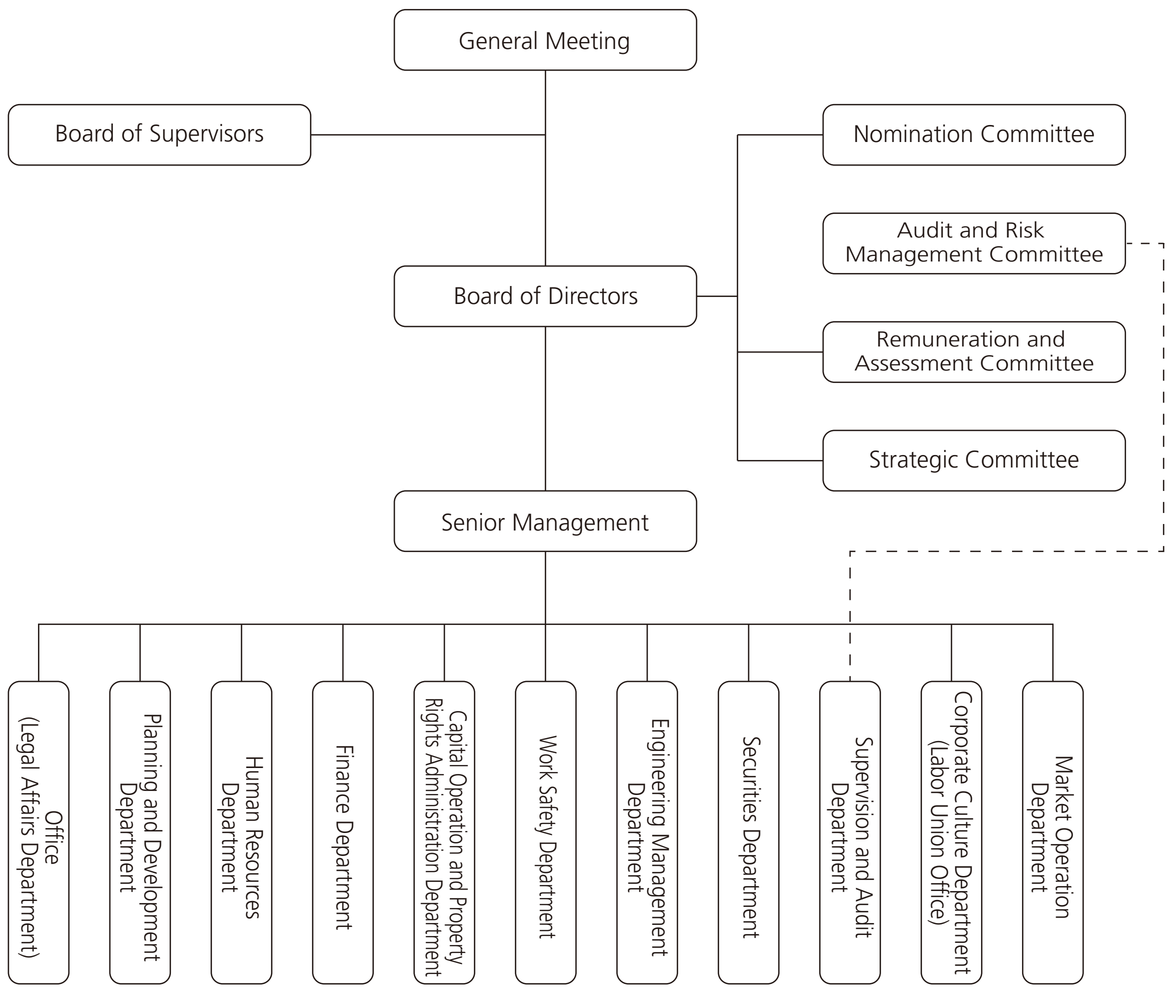
II. COMPLIANCE WITH THE CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct and rules governing dealings by its Directors and Supervisors in the securities of the Company. Having made specific enquiry to the Directors and Supervisors of the Company, all Directors and Supervisors have confirmed that they have strictly complied with the required standard set out in the Model Code during the Reporting Period. The Company has also set up guidelines in respect of the dealings by its relevant employees (as defined in the Listing Rules) in the Company's securities, which terms are no less exacting than the Model Code. The Company has not discovered any breach of the guidelines by its relevant employees.

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

III. CORPORATE GOVERNANCE STRUCTURE

The corporate governance structure of the Company is set out as follow:



IV. THE BOARD

The Board exercises its powers and functions in accordance with the provisions as set out in the Articles of Association. Under the principle of acting in the best interest of the Company and its shareholders, the Board reports its works at the general meetings, implements the resolutions passed thereon and is accountable to the general meetings.

(I) Composition of the Board

The Board consists of nine Directors during the Reporting Period, including three executive Directors, three non-executive Directors and three independent non-executive Directors.

The biographical details of the Directors as at the date of this report are set out on pages 26 to 29 of this annual report. There are no relationships (including financial, business, family or other material or relevant relationship) among members of the Board. The structure of the Board is well balanced with each Director having sound knowledge, experience and expertise relevant to the business operation and development of the Group. All Directors are aware of their joint and several responsibilities to the shareholders.

Since the listing of the Company, the Board has been in compliance with the requirements of the Listing Rules regarding the appointment of at least three independent non-executive Directors and the qualifications of the three independent non-executive Directors of the Company are in full compliance with the requirements under Rules 3.10(1) and (2) of the Listing Rules. In addition, the Company has received annual confirmations from independent non-executive Directors as to their respective independence in accordance with Rule 3.13 of the Listing Rules. The Company therefore considered all independent non-executive Directors to be in compliance with the independence requirements as set out in the Listing Rules.

The composition of the Second session of Board of the Company during the Reporting Period is set out as follows:

Name	Position	Date of Appointment
Mr. Fang Zheng	Chairman of the Board and Executive Director	30 June 2014
Mr. Shu Fuping	Executive Director	28 June 2016
	General Manager	17 November 2015
Mr. Jiang Bingsi	Executive Director	30 June 2014 and resigned on 28 June 2016
Mr. Li Lixin	Executive Director	30 June 2014
Mr. Yang Qingting	Non-executive Director	28 June 2016 and resigned on 23 February 2017
Mr. Tao Yunpeng	Non-Executive Director	30 June 2014
Mr. Zong Xiaolei	Non-Executive Director	30 June 2014 and resigned on 23 February 2017
Mr. Zhou Xiaoqian	Independent Non-Executive Director	30 June 2014 and resigned on 23 February 2017
Mr. Zhang Bai	Independent Non-Executive Director	30 June 2014
Mr. Tao Zhigang	Independent Non-Executive Director	30 June 2014

The annual term of the Second session of Board Members of the Company will be expired when the 2016 annual general meeting of the Company is held. For details of nomination and re-election of the Third session of Board Members of the Company, please refer to the relevant announcement of the Company at 24 March 2017.

(II) Board Meeting

Pursuant to the Articles of Association, the Board is required to hold at least four Board meetings each year, to be convened and hosted by the Chairman of the Board. A notice of at least fourteen days shall be dispatched for a regular Board meeting. The notice shall state the time, venue and means by which the Board meeting will be convened.

Except for the Board's consideration of matters in relation to connected transactions as stipulated by the Articles of Associations, the quorum for a Board meeting is the presence of at least half of the total number of the Directors. A Director may attend the Board meeting in person, or appoint another Director in writing as his proxy to attend the Board meeting. The secretary to the Board of the Company is responsible for preparing and keeping the minutes of Board meetings and ensuring that such minutes are available for inspection by any Director.

During the Reporting Period, eight meetings were held by the Board. The attendance record of the Directors at the Board meetings is disclosed on page 71 of this report.

(III) Power Exercised by the Board and the Management

The powers and duties of the Board and the management have been clearly defined in the Articles of Association, which aims to provide an adequate check and balances mechanism for good corporate governance and internal control.

The Board is responsible for deciding on the Company's business and investment plans, deciding on the establishment of the Company's internal management structure, formulating the Company's basic administration system, determining other material business and administrative matters of the Company and monitoring the performance of the management.

Led by the General Manager, the management of the Company is responsible to the Board for implementing the resolutions approved by the Board, formulating specific rules and regulations for the Company and administering the Company's day-to-day operation and management.

(IV) Directors' Training

Pursuant to code provision A.6.5 of the Corporate Governance Code and Report, all Directors should participate in continuous professional development to develop and update their knowledge and skills with a view to ensure that their contributions to the Board remains informed and appropriate.

During the Reporting Period, the Directors are regularly briefed on the amendments or updated on the relevant laws, rules and regulations. All Directors have participated in continuous professional development by reading training materials and attending training courses on the topics related to corporate governance and regulations.

According to the records maintained by the Company, the Directors received the following trainings, focusing on the roles, functions and duties of directors of a listed company in compliance with the Corporate Governance Code and Report on continuous professional development during the Reporting Period:

Directors	Studying Material	Participation in Training Courses
Executive Directors		
Fang Zheng	1	1
Shu Fuping	1	1
Li Lixin	1	1
Jiang Bingsi[1]	1	0
Non-Executive Directors		
Tao Yunpeng	1	1
Zong Xiaolei	1	1
Yang Qingting	1	0
Independent Non-Executive Directors		
Zhou Xiaoqian	1	1
Zhang Bai	1	1
Tao Zhigang	1	1

Note: [1] Mr. Jiang Bingsi resigned as the Company's Executive Director on 28 June 2016.

(V) Chairman and General Manager

The roles of the Chairman of the Board and General Manager (i.e. chief executive officer pursuant to the relevant Listing Rules) of the Company are segregated and held by different persons to ensure their respective independence of responsibilities, accountability and the balance of power and authority between them. During the Reporting Period, Mr. Fang Zheng acted as the Chairman of the Board; and Mr. Shu Fuping acted as the General Manager (appointed on 17 November 2015). The Chairman and General Manager do not have any relationships (including financial, business, family or other material or connected relationship). The rules and procedures of the Board meeting was considered and approved at the general meeting and the rules of duties and authorities specification of Directors and senior management was considered and approved at the Board meeting, which clearly defined the division of duties between the Chairman and the General Manager.

Mr. Fang Zheng, the Chairman of the Board, is responsible for leading the Board in determining the overall development strategies of the Company, ensuring that the Board is functioning effectively in performing its duties, discussing significant and appropriate matters in a timely manner, ensuring the formulation of good corporate governance practices and procedures by the Company and ensuring that the Board acts in the best interest of the Company and all of its shareholders. Mr. Shu Fuping, the General Manager, is mainly responsible for the Company's day-to-day operation and management, including organising the implementation of Board resolutions, making day-to-day decisions, etc.

(VI) Appointment and Re-election of Directors

Pursuant to the Articles of Association, Directors shall subject to election at general meetings with a term of office of no more than three years and may be re-elected. The Company has implemented a set of effective procedures for the appointment of new Directors. The nomination committee shall, in accordance with provisions of the relevant laws and regulations and the Articles of Association, take into account the practical situations of the Company, consider the selection criteria, selection procedures and terms of office of the Directors of the Company, and record and submit the resolutions to the Board for approval. All newly nominated directors are subject to election and approval at general meetings.

Each of the executive Directors and non-executive Directors has entered into a service contract with our Company. Currently, all the non-executive Directors (including the independent non-executive Directors) have been appointed for a term of three years and subject to re-election and reappointment.

(VII) Remuneration of Directors, Supervisors and Senior Management

The remuneration and assessment committee determines the remuneration plans or packages of Directors and Supervisors according to criteria such as educational background and work experience. Directors' remuneration is determined by the Board with reference to Directors' experience, work performance, position and market condition and subject to approval of general meeting.

The remuneration of the senior management is determined by the Board.

(VIII) Corporate Governance Functions

The Board as a whole is responsible for performing the corporate governance duties. During the Reporting Period, the Board performed the following duties in this regard:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

V. BOARD COMMITTEE

There are four Board committees, namely the audit and risk management committee, nomination committee, remuneration and assessment committee and strategic committee.

(I) Audit and Risk Management Committee

The Company has established the audit and risk management committee with written terms of reference in compliance with the Listing Rules. The primary responsibilities of the audit and risk management committee are to make recommendations to engage or replace its external auditor; 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 review and monitor the Company's policies and practices in terms of compliance with legal and regulatory requirements; to review the Company's financial control, risk management and internal control systems, and to provide recommendations and advices for the integrity and soundness of the internal systems of the Company; to monitor the Company's internal control and risk management systems, and consider the findings of any major investigations of internal control matters and the management's response; 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 advices 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; to report to the Board in respect of the provisions in the Corporate Governance Code. Its terms of reference are available on both of the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, the audit and risk management committee consists of three Directors: Mr. Zhang Bai (independent non-executive Director), Mr. Zong Xiaolei (non-executive Director) and Mr. Tao Zhigang (independent non-executive Director). Mr. Zhang Bai serves as the chairman of the audit and risk management committee.

During the Reporting Period, the audit and risk management committee held two meetings, details of which are as follows:

On 23 March 2016, the fourth meeting of the audit and risk management committee of the second session of the Board was held, at which (1) the report was made by the external auditor in respect of the auditing of the Company's financial statements for the twelve months ended 31 December 2015; (2) the Company's 2015 final financial report was considered and approved; (3) the Company's 2015 annual report and results announcement were considered and approved; (4) the Company's financial statements for the twelve months ended 31 December 2015 were considered and approved; (5) the Company's 2015 profit distribution scheme was approved and proposed; (6) the engagement of KPMG as the Company's 2016 international auditor was approved and proposed; and (7) the internal control functions and the obligation required under Corporate Governance Code and Report are reviewed.

On 19 August 2016, the fifth meeting of the audit and risk management committee of the second session of the Board was held, at which (1) the report was made by the external auditor in respect of the reviewing of the Company's financial statements for the six months ended 30 June 2016; and (2) the Company's 2016 interim report and results announcement were considered and approved.

(II) 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 status, 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; and to 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. Its terms of reference are available on both of the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, the nomination committee consists of three Directors: Mr. Zhou Xiaoqian (independent non-executive Director), Mr. Fang Zheng (executive Director) and Mr. Tao Zhigang (independent non-executive Director). Mr. Zhou Xiaoqian serves as the chairman of the nomination committee.

During the Reporting Period, the nomination committee held two meetings, details of which are as follows:

The first meeting of the nomination committee of the second session of the Board was held on 2 February 2016, at which (1) the nomination of Mr. Shu Fuping as the executive director candidate of the second session of the Board and the nomination of Mr. Yang Qingting as the non-executive director candidate of the second session of the Board were passed and proposed, and the said nominations were submitted by the Board to the General Meeting of Shareholders for examination and approval; (2) the nomination of Mr. Rong Qing as the secretary of the second session of the Board was approved and proposed.

The second meeting of the nomination committee of the second session of the Board was held on 14 December 2016, at which the nomination of Mr. Chen Haibin and Mr. Li Yinan as the non-executive director candidates of the second session of the Board and the nomination of Mr. Wu Yiqiang as the independent non-executive director candidate of the second session of the Board were passed and proposed.

The Company values the diversity of the members of the Board and has adopted a board diversity policy. The Nomination Committee under the Board shall be responsible for reviewing the qualification of candidates and review the structure of the Board in accordance with the objective criteria with due regard for the benefits of board diversity and offering suggestions to the Board correspondingly, and reviewing the Board diversity policy, as appropriate and reviewing the measurable objectives that the Board has set for implementing the Board diversity policy, and the progress on achieving the objectives, to ensure its effectiveness.

(III) 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 and submit to the Board to approval; to review the performance of the Directors (other than 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; to ensure that no Directors or any of their associates determine their own remunerations; and to attend to other matters as authorised by the Board. 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.

During the Reporting Period, 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.

During the Reporting Period, the remuneration and assessment committee held one meeting, details of which are as follows:

The second meeting of the remuneration and assessment committee of the second session of the Board was held on 23 March 2016, at which (1) the remuneration for the Company's directors and supervisors in 2015 was approved and proposed; and (2) the remuneration for the Company's senior management in 2015 was approved and proposed.

(IV) 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.

During the Reporting Period, the strategic committee consists of two Directors: Mr. Fang Zheng (executive Director) and Mr. Zhou Xiaoqian (independent non-executive Director). Mr. Fang Zheng serves as the chairman of the strategic committee.

During the Reporting Period, the strategic committee held one meeting, details of which are as follows:

The fourth meeting of the strategic committee of the second session of the Board was held on 23 March 2016, at which (1) the proposed grant of the general mandate to issue new domestic shares and H shares of the Company to the Board at the general meeting was approved and proposed; (2) the 2016 annual bank line of credit of the Company was approved and proposed; (3) the general mandate to issue domestic and foreign debt financing instruments to the Board at the general meeting was approved and proposed; (4) the review of the 2016 annual financial budget report of the Company was approved and proposed and (5) the review of the 2016 annual project development report of the Company was approved and proposed.

VI. BOARD OF SUPERVISORS

The Board of Supervisors is the supervisory body of the Company. The number and composition of the Board of Supervisors is in compliance with the provisions and requirements of the relevant laws, regulations and the Articles of Association. During the Reporting Period, the Board of Supervisors is made up of eight members, including three employee representative Supervisors and one independent Supervisor. The Supervisors of the Company shall seriously discharge their duties, and being responsible to the shareholders, shall protect the interests of the shareholders and the Company through reviewing the Company's financial status and monitoring any acts of non-compliance of the Directors, managers and other senior management of the Company to the laws, administrative regulations or the Articles of Association when performing their duties.

VII. ATTENDANCE RECORD OF DIRECTORS

During the Reporting Period, the attendance of Directors to the meetings of the Board and each Board committee as well as general meetings is as follows:

Name of Directors	Board Meetings Attended/Held	Audit and Risk Management Committee Meetings Attended/Held	Remuneration and Assessment Committee Meetings Attended/Held	Nomination Committee Meetings Attended/ Held	Strategic Committee Meetings Attended/Held	General Meeting Attended/Held
Executive Directors						
Fang Zheng	8/8			2/2	1/1	1/1
Shu Fuping[1]	5/5		0/0			1/1
Li Lixin	8/8					1/1
Jiang Bingsi[2]	3/3		0/1			
Non-executive Directors						
Tao Yunpeng	8/8					1/1
Zong Xiaolei	8/8	0/2				0/1
Yang Qingting[3]	5/5					0/1
Independent Non-executive Directors						
Zhou Xiaoqian	7/8			1/2	1/1	1/1
Zhang Bai	8/8	2/2	1/1			1/1
Tao Zhigang	8/8	2/2	1/1	2/2		1/1

Notes:

1. Mr. Shu Fuping was appointed as an executive director of the Company and a member of the remuneration and assessment committee on 28 June 2016.

2. Mr. Jiang Bingsi resigned as an executive director of the Company and a member of the remuneration and assessment committee on 28 June 2016.

3. Mr. Yang Qingting was appointed as a non-executive director of the Company on 28 June 2016.

VIII. AUDITOR AND REMUNERATION

KPMG was appointed as auditor for the Financial Statements prepared in accordance with the International Financial Reporting Standards for the year ended 31 December 2016.

During the Reporting Period, the remuneration payable by the Company to the auditor for the above audit services was RMB7.0 million, and the remuneration payable for the audit service related with the business acquisition was RMB0.4 million, and the remuneration payable by the Company to the auditor for the audit service related to the corporate bond issuance was RMB0.2 million. During the Reporting Period, the remuneration payable by the Company to the auditor for the non-audit services was RMB2.5 million, and the non-audit services were for the reviewing of the Company's interim results.

The responsibility of KPMG, as the Company's external auditor to the Financial Statements, is set out on pages 83 to 84 of this annual report. The Board concurs with the audit and risk management committee in respect of the matters relating to the selection, appointment, resignation and removal of the external auditor.

IX. DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility for preparing the Financial Statements of the Group for the year ended 31 December 2016. The Company's accounts are prepared in accordance with all relevant statutory requirements and appropriate accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; judgments and estimates made are prudent and reasonable; and the accounts are prepared on a going concern basis. The Board is responsible for presenting a clear and understandable assessment of annual and interim reports, the inside information and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. During the Reporting Period, the permitted indemnity provisions of the Company are set out in the Articles of Association and the liability insurances provided by the Company for Directors, Supervisors and senior executives. These insurances will indemnify the insured for any fee arising from its liability or the possible legal proceeding.

X. COMPANY SECRETARY

Ms. Mok Ming Wai, director of the external service provider KCS Hong Kong Limited, is the company secretary of the Company. During the year ended 31 December 2016, Ms. Mok Ming Wai has taken no less than 15 hours of relevant professional trainings to update her skills and knowledge.

XI. SHAREHOLDERS' RIGHTS

(I) Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to the Articles of Association, the Board shall convene an extraordinary general meeting within two months where any shareholder severally or jointly holding 10% or more of the Company's issued shares carrying voting rights requests in writing for the convening of an extraordinary general meeting. Two or more than two shareholders holding, severally or jointly, 10% or more of voting shares at such proposed meeting may request the Board to convene an extraordinary general meeting by signing and submitting one or several written requests with the same format and contents and specifying the agenda of the meeting. An extraordinary general meeting shall not consider matters not included in the notice of the meeting. An extraordinary general meeting shall be convened by the Board as soon as practicable upon receipt of the aforesaid written request. The aforesaid shareholding shall be calculated on the basis of the date on which the relevant shareholders submit the written request. If the Board fails to dispatch a notice of convening such meeting within thirty days upon receipt of the aforesaid written request, shareholders individually or jointly holding 10% or more of the shares carrying voting rights at the proposed meeting shall be entitled to propose to the Board of Supervisors to convene an extraordinary general meeting, provided that such proposal shall be made in writing. The Board of Supervisors may convene such a meeting within four months upon receipt of the request by the Board. If the Board of Supervisors fails to convene and preside over an extraordinary general meeting, the shareholders individually or jointly holding 10% or more of the shares of the Company for not less than ninety consecutive days may convene such a meeting by themselves. The procedures for convening such meeting should follow those for convening a general meeting of shareholders by the Board as closely as practicable.

All reasonable expenses incurred by convening and holding the aforesaid meeting by shareholders or the Board of Supervisors due to the failure of the Board to hold such meeting in response to the aforesaid request shall be borne by the Company. Such expenses shall be deducted from the amounts due by the Company to the director(s) who have defaulted their duties.

(II) Procedures for Directing Shareholders' Enquiries to the Board

Shareholders of the Company have the right to oversee the Company's business operations, and to put forward proposals and raise enquiries and to obtain relevant information in accordance with the provisions of the Articles of Association. In addition, except for those matters in relation to business secrets of the Company which cannot be made public at the general meeting, the Board and the Board of Supervisors shall respond or address to the enquiries and suggestions of the shareholders.

Shareholders requesting inspection of the relevant information or provision of the materials shall provide to the Company written documents evidencing the class and number of shares of the Company they hold. Upon verification of the shareholder's identity, the Company shall provide such information at the shareholder's request.

Contact details are as follows:

Address: Room 919, Building B, Huadian Plaza, No. 2 Xuanwumennei Road, Xicheng District, Beijing, PRC
Fax: 0086-10-83567357
Email: zqb@hdfx.com.cn

(III) Procedures for Putting Forward Proposals at a General Meeting

In overseeing and monitoring the business operation of the Company, the shareholders of the Company have the right to put forward proposals and raise enquiries. Shareholders holding 3% or more of the Company's voting shares have the right to put up ad hoc proposals in writing to the Company, and the Company shall include such ad hoc proposals into the agenda for such general meeting if they are within the terms of reference of general meeting.

The ad hoc proposals raised by shareholders shall satisfy the following criteria:

1. Free of non-compliant to the provisions of laws and regulations, and fall within the business scope of the Company and the terms of reference of the general meeting;

2. With definite topics to discuss and specific matters to resolve; and

3. Submitted or served to the Board in writing ten days prior to the date of the general meeting.

XII. COMMUNICATIONS WITH SHAREHOLDERS

The Company highly appreciated shareholders' opinions and advice, actively organised various investor relations activities to maintain connections with shareholders and made timely response to the reasonable requests of shareholders.

The Company publishes its announcements, financial information and other relevant information on the website at www.hdfx.com.cn, as a channel to promote communication. Shareholders are welcomed to make enquiries directly to the Company at its principal place of business in Hong Kong or the head office in the PRC. The Company will address to all enquiries in a timely and appropriate manner.

The Board welcomes shareholders' views and encourages them to attend the annual general meeting to communicate any concerns they might have with the Board or the management. Chairman of the Board and the chairmen of all committees usually attend the annual general meeting and other general meetings to address shareholders' queries.

During the Reporting Period, the Company convened the 2015 annual general meeting on 28 June 2016, at which the resolutions regarding the following issues had been reviewed and passed: (1) the Director's Report of the Company in 2015; (2) the Report of the Board of Supervisors of the Company in 2015; (3) the final financial report of the Company in 2015; (4) the audited financial statements of the Company in 2015; (5) the profit distribution scheme of the Company in 2015; (6) the engagement of KPMG as the international auditor of the Company in 2016; (7) the remuneration for the Directors and Supervisors of the Company in 2015; (8) election of Mr. Shu Fuping as the executive director of the second session of the Board of the Company and election of Mr. Yang Qingting as the non-executive director of the second session of the Board of the Company with the term from the date of approval at the general meeting to the expiration of the second session of the Board of the Company; (9) the deposit service agreement with China Huadian Finance Corporation Limited, which is one of the continuing connected transactions; (10) amendments to the Articles of Association; (10) the general mandate to issue the domestic and foreign debt financing instruments; and (11) the general mandate granted by the general meeting to the Board to issue new domestic shares and H shares of the Company.

Please refer to page 71 of this report for the attendance of each of the Directors at the general meeting. Arrangement will be made for the Board to address shareholders' queries at the 2016 annual general meeting of the Company.

XIII. INTERNAL CONTROL AND RISK MANAGEMENT

The Company attaches prime importance to internal control. A complete and prudent internal control system has been established to protect shareholders' investments and the Company's assets. The Board is responsible for the maintenance of a sound and effective internal control system of the Company and has established the Company's internal control policies and procedures for monitoring the internal control system.

In respect of rules and regulations, the Company set up systems on internal control, including information disclosure, risk management, connected transaction, financial management and management of general meeting, the Board and the Board of Supervisors, such as rules of procedures for Board meetings, rules of procedures for meetings of audit and risk management committee of the Board, rules of procedures for meetings of nomination committee under the Board, rules of procedures for meetings of remuneration and assessment committee of the Board, rules of procedures for meetings of strategic committee of the Board, the administrative rules of connected transactions, the administrative rules of information disclosure, the administration system of material transaction disclosure, the rules of duties and authorities specification of Directors and senior management, internal audit rules and anti-corruption system.

In terms of organisational structure, the Company established the financial department, capital operation and property rights management department, securities department, and supervision and audit department. Sufficient personnel were retained to take charge of the specific work such as financial operations and control, risk management, internal audit and anti-corruption. Besides, the Company arranged reasonable budgets and provided regular trainings to the staff of the Company and subsidiaries performing the duties of financial and risk management and internal audit so as to ensure that they are well trained and experienced.

Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against immaterial misstatement or loss.

The effective implementation of the internal control system ensured proper and orderly development of the Company's operating and management activities as well as effective control of risks, safeguarded the security and integrity of the Company's property and guaranteed the realisation of the Company's operating and management objectives.

Each department of the Company has the channel to submit information requests to the Board smoothly. Being the most senior point of contact to each department, the General Manager of the Company is responsible for effectively reporting to the Board in relation to the operation conditions of each department, and coordinating and mobilising the demands of each department to promote reasonable decision making within the Company. Accordingly, any possible significant matter (if subject to disclosure to the market) discovered by the staff can be reported to the management of the Company in a timely, accurate and effective manner and the decisions from the management of the Company can be implemented and executed accurately and timely with supervision.

During the Reporting Period, the Board reviewed the internal control systems of the Company and its subsidiaries and was not aware of any material deficiencies nor any material defaults with respect to financial, operational and compliance controls and risk management. The Board believes that the current internal control and monitoring system of the Company and its subsidiaries is adequate and effective and considers that the resources, qualifications and experience of the staff of the Company's accounting and financial reporting functions, its training programs and budget thereof are adequate.

The Board is also responsible for the maintenance of a sound and effective risk management system of the Company and has established the Company's risk management policies and procedures. For details about the risk factors and the relevant risk management by the Group during the Reporting Period, please refer to the Management Discussion and Analysis section and this Corporate Governance Report section of this annual report. The Board has reviewed and believes that the risk management system of the Group during the Reporting Period is sufficient and effective.

XIV. INVESTOR RELATIONS

(I) Investor Relations

The Articles of Association of the Company was amended on 28 June 2016. The amendments are mainly on the change of the shareholders' name of the Company. An updated version of the Articles of Association is available on both the websites of the Company and the Hong Kong Stock Exchange.

(II) Results Roadshows

The Company organised an interim results roadshow and an annual results roadshow during the Reporting Period. In March 2016, the management of the Company carried out annual results roadshow for 2015 in Hong Kong and Singapore, and held an investors' presentation, a press conference, a luncheon for stock analysts, twenty-two one-to-one meetings and two group meetings for investors. In August 2016, the management of the Company carried out interim results roadshows in Hong Kong and Singapore, and held an investors' presentation, a press conference, a luncheon for stock analysts, twenty one-to-one meetings and two group meetings.

(III) Investors' Routine Visits

During the Reporting Period, the Company received ninety-eight groups of investors by way of one-to-one/group/teleconference meetings and fully communicated and exchanged opinions with investors and analysts from over one hundred and eighty domestic and foreign institutions. In addition, the Company also held three reverse roadshows.

(IV) Investors Summits

During the Reporting Period, the management of the Company attended thirteen investors summits organised by famous international investment banks and fully communicated with investors through holding group/one-to-one meetings.

Report of the Board of Supervisors

On 30 June 2014, the second session of the Board of Supervisors was established upon the approval of the 2013 annual general meeting of the Company. The current session of the Board of Supervisors is made up of nine Supervisors during the Reporting Period.

In 2016, with joint efforts of all Supervisors, the Board of Supervisors of the Company acted in compliance with the requirements of the Company Law, the Articles of Association and the Listing Rules, performed their functions diligently and honestly, exercised their functions and powers legally and independently, performed their duties of supervision as to the operation of the Company and the performance of duties of the Directors and the senior management, ensured standardised operation of the Company and protected the legal interests of the Company and shareholders. The main area of work of the Board of Supervisors in 2016 is summarised as follows:

I. MEETINGS CONVENED BY THE BOARD OF SUPERVISORS

The Board of Supervisors convened three meetings in 2016:

The fifth meeting of the second session of the Board of Supervisors was held on 23 March 2016, at which (1) the report of the Board of Supervisors for 2015 was considered and approved; (2) the Company's 2015 annual report and results announcement were considered and approved; (3) the Company's 2015 final financial report was considered and approved; (4) the audited financial statements of the Company for 2015 was considered and approved; (5) the Company's 2015 profit distribution scheme was considered and approved.

On 19 August 2016, the sixth meeting of the second session of the Board of Supervisors was held, at which the Company's 2016 interim report and results announcement were considered and approved.

On 14 December 2016, the seventh meeting of the second session of the Board of Supervisors was held, at which Mr. Guo Xiaoping was identified and nominated as a candidate of independent supervisor of the second session of the Board of Supervisors of the Company.

II. WORK OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors, in an attitude responsible to the Company and the shareholders, fulfilled its duties in accordance with the provisions and requirements of the Company Law, the Articles of Association, the Rules of Procedures for the Board of Supervisors and other relevant laws, regulations and rules. We excised our power legally and independently, facilitated the standardised operation of the Company and protected the legal interests of the Company and the shareholders.

Independent opinions of the Board of Supervisors on the following matters:

1. Regulatory Compliance of the Company's Operation

During the Reporting Period, based on its supervision over the Directors and senior management, the Board of Supervisors is of the view that the Company operated in accordance with the Law, the major decisions of the Company were rational and its procedures were legal and valid; to further normalize the operation, the Company set up and improved its internal management system and internal control mechanism, which is in accordance with the management requirements for the Company; during the duty performance, the Directors and the senior management earnestly executed the national laws and regulations, the Articles of Association and the resolutions of the Board and the general meetings, acted in strict compliance with the principle of integrity, worked scrupulously to exercise the rights granted by shareholders and fulfilled their duties. The Company achieved excellent results in terms of project development, production and operation, capital operation, internal control enhancement, prevention and control of risks, upgrading of management efficiency, etc., with its annual tasks accomplished successfully in 2016. During the Reporting Period, none of the Directors or senior management of the Company was found for violating any law, regulation or the Articles of Association when doing their jobs and no action which contravened the interests of the shareholders or the Company was found.

2. Examination of the Company's Financial Conditions

During the Reporting Period, the Board of Supervisors scrutinized and examined the financial management system and the financial conditions of the Company and carefully reviewed the relevant financial information of the Company. The Board of Supervisors considered that the Company's financial management system was sound with proper management practices, and that the 2016 final accounts report gave a true, accurate and fair view on the financial conditions and operating results of the Company. The Board of Supervisors agrees with the 2016 unqualified financial audit report of the Company issued by KPMG.

3. Examination of the Company's Use of Proceeds

During the Reporting Period, the Board of Supervisors supervised how the proceeds were used by the Company, and it considered that the Company had earnestly managed and utilised the proceeds and increased the efficiency of the utilisation of the proceeds, and the actual supplementary operating capital is in line with the amount promised.

4. Examination of the Company's Major Acquisitions and Disposal of Assets

Having reviewed the information related to the Company's acquisitions, disposal of equity interests and assets, the Board of Supervisors is of the opinion that such acquisitions and disposals were conducted in a fair and reasonable way, and the Board of Supervisors is not aware of any insider trading or other matter which might impair the interests of Shareholders or cause loss of assets.

5. Connected Transactions

Having reviewed information related to the connected transactions in which the Company and/or its controlling shareholder were involved, the Board of Supervisors is of the opinion that such connected transactions were conducted in an open and fair way at reasonable prices, and beneficial to improve the performance of the Company. The value of the connected transactions were determined in accordance with the principle of exchange of equal values by reference to fair market value, without prejudice to the interests of the Company and minority shareholders.

6. Information Disclosure

Having reviewed the documents that the Company publicly disclosed in a serious manner, the Board of Supervisors is of the opinion that the Company had disclosed the relevant information in a true and complete manner in accordance with related requirements of the Hong Kong Stock Exchange and no false information was found.

Focusing on the operation target of the year 2017 and considering the particulars of the Company, the Board of Supervisors will enhance the effectiveness of the supervising and do the job in a more timely manner, improve the effectiveness and art of the Supervisors' reporting and handling, reinforce the supervising and auditing of the significant operation and administration activities, and take care of the progress of the critical work of the Company; the Supervisors will also conscientiously perform their obligations endowed by the Law and the Articles of Association of the Company to protect the interests of the Company and the shareholders, thus to maintain and add value to the assets.

Li Changxu
Chairman of the Board of Supervisors

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HUADIAN FUXIN ENERGY CORPORATION LIMITED

(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Huadian Fuxin Energy Corporation Limited ("the Company") and its subsidiaries ("the Group") set out on pages 85 to 186, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Assessing potential impairment of certain non-current assets (property, plant and equipment and intangible assets)

Refer to note 13 and 15 to the consolidated financial statements and the accounting policies on pages 105–106.

The Key Audit Matter

Certain of the Group's wind power plants located in areas where abandonment and curtailment of wind power has become more pronounced, recorded operating losses for the year ended 31 December 2016 which the directors considered to be indicators of potential impairment of the related property, plant and equipment and intangible assets.

In order to determine whether any impairment is required at the reporting date the directors assess the estimated recoverable amount of each separately identifiable cash generating unit ("CGU") to which the relevant non-current assets have been allocated using a value-in-use ("VIU") discounted cash flow technique. The preparation of the VIU calculations is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.

The directors have adopted certain key assumptions to estimate the recoverable amounts, which are also impacted by political and economic factors in Mainland China. Key assumptions include electricity volumes generated by each CGU during the forecast period and the expected on-grid tariffs for the provinces where these CGUs are located.

How the matter was addressed in our audit

Our audit procedures to assess potential impairment of certain non-current assets included the following:

- evaluating the directors' assessment of indicators of impairment, the identification of CGUs and the allocation of assets to each CGU, with reference to our understanding of the Group's business and the requirements of the prevailing accounting standards;
- challenging the directors' VIU calculations and the calculation of any impairment charges for the year by challenging key assumptions, which included future electricity volumes and expected on-grid tariffs, adopted in the VIU calculations for each CGU and the discount rates applied by the directors by comparing the directors' key assumptions with externally derived data, historical analyses and our expectations based on our industry knowledge;
- involving our internal valuation specialists to assist us in assessing whether the discount rates applied in the VIU calculations were within the range adopted by other companies in the same industry;

The Key Audit Matter	How the matter was addressed in our audit
We identified assessing potential impairment of certain non-current assets as a key audit matter because the carrying value of these assets is material to the consolidated financial statements; and any error in assessing potential impairment could have a material impact on the consolidated financial statements and also because of the significant management judgement and estimation required in assessing potential impairment which could be subject to potential management bias.	• comparing the actual results for the current year to the directors' estimates in their VIU calculations for the previous year in order to assess the historical accuracy of the forecasting process; • performing sensitivity analyses on the discount rates applied and the assumptions for revenue adopted by the directors in their VIU calculations to assess what changes thereto, either individually or collectively, would result in a different conclusion being reached and assessing whether there were any indicators of management bias in the selection of key assumptions; • assessing the disclosures in the consolidated financial statements in respect of the impairment assessment with reference to the requirements of the prevailing accounting standards.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report pursuant to section 405 of the Hong Kong Companies Ordinance is made solely to you as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ko Sin.

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

24 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2016 (Expressed in Renminbi ("RMB"))

	Note	2016 RMB'000	2015 RMB'000 (Restated–note 37)
Revenue	4	**15,917,027**	15,392,750
Other income	5	**179,733**	154,545
Operating expenses			
Cost of fuel	19(b)	**(3,059,426)**	(3,854,306)
Cost of substituted electricity		**–**	(99,487)
Depreciation and amortisation		**(4,027,177)**	(3,256,112)
Service concession construction costs		**(3,416)**	(40,017)
Personnel costs	7(a)	**(1,329,474)**	(1,193,873)
Repairs and maintenance		**(497,691)**	(427,878)
Cost of coal sold	19(b)	**(424,242)**	(884,558)
Administration expenses		**(511,569)**	(455,671)
Other operating expenses		**(892,775)**	(549,399)
		(10,745,770)	(10,761,301)
Operating profit		**5,350,990**	4,785,994
Finance income		**79,837**	165,666
Finance expenses		**(2,904,504)**	(2,754,199)
Net finance expenses	6	**(2,824,667)**	(2,588,533)
Share of profits less losses of associates and joint ventures		**630,166**	427,807
Profit before taxation	7	**3,156,489**	2,625,268
Income tax	8	**(533,518)**	(405,767)
Profit for the year		**2,622,971**	2,219,501

The notes on pages 94 to 186 form part of these financial statements.

	Note	2016 RMB'000	2015 RMB'000 (Restated–note 37)
Attributable to:			
Equity shareholders and the holders of perpetual medium-term notes of the Company		**2,023,026**	1,903,310
Non-controlling interests		**599,945**	316,191
Profit for the year		**2,622,971**	2,219,501
Basic and diluted earnings per share (RMB cents)	11	**22.69**	21.68
Profit for the year		**2,622,971**	2,219,501
Other comprehensive income for the year (after tax):			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of overseas subsidiaries		**5,147**	19,704
Available-for-sale securities: Changes in fair value recognised during the year		**(34,008)**	6,938
Other comprehensive income for the year		**(28,861)**	26,642
Total comprehensive income for the year		**2,594,110**	2,246,143
Attributable to:			
Equity shareholders and the holders of perpetual medium-term notes of the Company		**1,994,165**	1,929,952
Non-controlling interests		**599,945**	316,191
Total comprehensive income for the year		**2,594,110**	2,246,143

The notes on pages 94 to 186 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 30(b).

Consolidated Statement of Financial Position

(Expressed in RMB)

	Note	31 December 2016 RMB'000	31 December 2015 RMB'000 (Restated–note 37)
Non-current assets			
Property, plant and equipment	13	**78,611,860**	76,255,315
Lease prepayments	14	**1,481,849**	1,236,857
Intangible assets	15	**1,130,202**	1,119,696
Interest in associates and joint ventures	17	**7,505,868**	6,742,434
Other non-current assets	18	**3,953,125**	4,327,065
Deferred tax assets	28(b)	**364,754**	359,219
Total non-current assets		**93,047,658**	90,040,586
Current assets			
Inventories	19	**249,487**	398,033
Trade debtors and bills receivable	20	**5,052,102**	3,605,852
Prepayments and other current assets	21	**1,500,999**	1,766,699
Tax recoverable	28(a)	**38,105**	26,207
Restricted deposits	22	**64,332**	422,088
Cash and cash equivalents	23	**2,889,950**	2,031,198
Total current assets		**9,794,975**	8,250,077
Current liabilities			
Borrowings	24(b)	**14,238,617**	12,903,227
Obligations under finance leases	25	**25,261**	52,855
Trade creditors and bills payable	26	**1,569,040**	2,527,790
Other payables	27	**9,912,927**	12,149,223
Deferred income	29	**40,447**	30,830
Tax payable	28(a)	**250,071**	195,902
Total current liabilities		**26,036,363**	27,859,827
Net current liabilities		**(16,241,388)**	(19,609,750)
Total assets less current liabilities		**76,806,270**	70,430,836

The notes on pages 94 to 186 form part of these financial statements.

	Note	31 December 2016 RMB'000	31 December 2015 RMB'000 (Restated–note 37)
Non-current liabilities			
Borrowings	24(a)	**52,282,944**	47,572,092
Obligations under finance leases	25	**251,906**	454,063
Deferred income	29	**465,543**	412,249
Deferred tax liabilities	28(b)	**877,395**	842,212
Total non-current liabilities		**53,877,788**	49,280,616
NET ASSETS		**22,928,482**	21,150,220
CAPITAL AND RESERVES	30		
Share capital		**8,407,962**	8,407,962
Reserves		**9,631,717**	8,075,522
Perpetual medium-term notes		**1,994,000**	1,994,000
Total equity attributable to equity shareholders and the holders of perpetual medium-term notes of the Company		**20,033,679**	18,477,484
Non-controlling interests		**2,894,803**	2,672,736
TOTAL EQUITY		**22,928,482**	21,150,220

Approved and authorised for issue by the board of directors on 24 March 2017.

FANG Zheng
Chairman

LI Lixin
Director

The notes on pages 94 to 186 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2016 (Expressed in RMB)

	Attributable to the equity shareholders and the holders of perpetual medium-term notes of the Company									
	Share capital RMB'000	Capital reserve RMB'000	Reserve fund RMB'000	Exchange reserve RMB'000	Fair value reserve RMB'000	Retained earnings RMB'000	Equity attributable to the holders of perpetual medium-term notes RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	(Note 30(c))	*(Note 30(d)(i))*	*(Note 30(d)(ii))*	*(Note 30(d)(iii))*	*(Note 30(d)(iv))*		*(Note 31)*			
Balance at 1 January 2015	8,407,962	1,799,846	203,212	–	–	4,601,704	–	15,012,724	2,645,521	17,658,245
Business combination under common control *(Note 37)*	–	1,000	–	–	–	4,857	–	5,857	–	5,857
Restated balance at 1 January 2015	8,407,962	1,800,846	203,212	–	–	4,606,561	–	15,018,581	2,645,521	17,664,102
Changes in equity for 2015 (restated):										
Profit for the year	–	–	–	–	–	1,822,491	80,819	1,903,310	316,191	2,219,501
Other comprehensive income	–	–	–	19,704	6,938	–	–	26,642	–	26,642
Total comprehensive income	–	–	–	19,704	6,938	1,822,491	80,819	1,929,952	316,191	2,246,143
Issuance of perpetual medium-term notes, net of issuing expenses	–	–	–	–	–	–	1,994,000	1,994,000	–	1,994,000
Capital contributions	–	–	–	–	–	–	–	–	90,874	90,874
Dividends by subsidiaries to non-controlling equity owners	–	–	–	–	–	–	–	–	(211,150)	(211,150)
Dividends approved in respect of the previous year *(Note 30(b))*	–	–	–	–	–	(365,746)	–	(365,746)	–	(365,746)
Acquisition of non-controlling interests	–	(18,484)	–	–	–	–	–	(18,484)	(169,150)	(187,634)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	450	450
Distribution to the holders of perpetual medium-term notes	–	–	–	–	–	–	(80,819)	(80,819)	–	(80,819)
Transfer to reserve fund	–	–	206,914	–	–	(206,914)	–	–	–	–
Restated balance at 31 December 2015	8,407,962	1,782,362	410,126	19,704	6,938	5,856,392	1,994,000	18,477,484	2,672,736	21,150,220

The notes on pages 94 to 186 form part of these financial statements.

	Attributable to the equity shareholders and the holders of perpetual medium-term notes of the Company									
	Share capital RMB'000	Capital reserve RMB'000	Reserve fund RMB'000	Exchange reserve RMB'000	Fair value reserve RMB'000	Retained earnings RMB'000	Equity attributable to the holders of perpetual medium-term notes RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	(Note 30(c))	*(Note 30(d)(i))*	*(Note 30(d)(ii))*	*(Note 30(d)(iii))*	*(Note 30(d)(iv))*		*(Note 31)*			
Restated balance at 1 January 2016	8,407,962	1,782,362	410,126	19,704	6,938	5,856,392	1,994,000	18,477,484	2,672,736	21,150,220
Changes in equity for 2016:										
Profit for the year	-	-	-	-	-	1,908,026	115,000	2,023,026	599,945	2,622,971
Other comprehensive income	-	-	-	5,147	(34,008)	-	-	(28,861)	-	(28,861)
Total comprehensive income	-	-	-	5,147	(34,008)	1,908,026	115,000	1,994,165	599,945	2,594,110
Capital contributions	-	-	-	-	-	-	-	-	106,790	106,790
Dividends by subsidiaries to non-controlling equity owners	-	-	-	-	-	-	-	-	(420,300)	(420,300)
Dividends approved in respect of the previous year *(Note 30(b))*	-	-	-	-	-	(338,841)	-	(338,841)	-	(338,841)
Acquisition of non-controlling interests	-	(2,704)	-	-	-	-	-	(2,704)	(89,868)	(92,572)
Business combination under common control *(Note 37)*	-	(9,800)	-	-	-	-	-	(9,800)	-	(9,800)
Partially disposal shares of a subsidiary	-	150	-	-	-	-	-	150	25,500	25,650
Distribution to the holders of perpetual medium-term notes	-	-	-	-	-	-	(115,000)	(115,000)	-	(115,000)
Other changes in equity of associates	-	28,225	-	-	-	-	-	28,225	-	28,225
Transfer to reserve fund	-	-	220,427	-	-	(220,427)	-	-	-	-
Balance at 31 December 2016	8,407,962	1,798,233	630,553	24,851	(27,070)	7,205,150	1,994,000	20,033,679	2,894,803	22,928,482

The notes on pages 94 to 186 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2016 (Expressed in RMB)

	Note	2016 RMB'000	2015 RMB'000 (Restated)
Cash flows from operating activities			
Profit before taxation		**3,156,489**	2,625,268
Adjustments for:			
Depreciation and amortisation		**4,027,177**	3,256,112
Impairment loss of assets		**142,766**	36,952
Amortisation of deferred income		**(40,032)**	(29,378)
Net (gain)/loss on disposal of property, plant and equipment		**(5,061)**	2,002
(Gain)/loss on disposal of equity investment		**(20,502)**	604
Interest income on financial assets		**(55,567)**	(99,222)
Interest expenses on financial liabilities		**2,859,903**	2,728,148
Foreign exchange differences, net		**19,390**	524
Dividend income		**(24,270)**	(66,444)
Share of profits less losses of associates and joint ventures		**(630,166)**	(427,807)
Changes in working capital:			
Decrease in inventories		**148,546**	28,510
(Increase)/decrease in trade debtors and bills receivable		**(1,477,686)**	17,952
Decrease in prepayments and other current assets		**54,561**	56,517
Increase in trade and other payables		**1,640,121**	985,136
Cash generated from operations		**9,795,669**	9,114,874
Income tax paid	28(a)	**(461,562)**	(579,949)
Net cash generated from operating activities		**9,334,107**	8,534,925

The notes on pages 94 to 186 form part of these financial statements.

	2016 RMB'000	2015 RMB'000 (Restated)
Cash flows from investing activities		
Payments for the purchase of property, plant and equipment, lease prepayments and intangible assets	**(10,735,327)**	(14,756,310)
Decrease of restricted deposit	**307,250**	242,241
Payments for interests in associates and joint ventures	**(506,330)**	(1,920,294)
Payments for the purchase of available-for-sale equity investments	**–**	(363,077)
Payments for acquisition of subsidiaries	**(65,139)**	(38,568)
Proceeds from disposal of property, plant and equipment	**227,474**	57,832
Proceeds from disposal of an associate	**35,093**	–
Proceeds from disposal of available-for-sale equity investment	**–**	6,391
Proceeds from repayment of loans and advances	**–**	90,518
Dividends received	**425,343**	121,722
Interest received	**59,032**	113,247
Net cash used in investing activities	**(10,252,604)**	(16,446,298)
Cash flows from financing activities		
Net proceeds from issuance of perpetual medium-term notes	**–**	1,994,000
Capital contributions from the non-controlling shareholders	**106,790**	90,874
Proceeds from borrowings	**29,446,191**	23,011,340
Government grant received	**–**	72,187
Proceed from partially disposal of investment in a subsidiary	**25,650**	–
Repayment of borrowings	**(23,511,381)**	(14,370,586)
Dividends paid	**(925,480)**	(535,360)
Interest paid	**(3,043,572)**	(3,173,786)
Payments of finance lease obligations	**(251,241)**	(269,272)
Payment for acquisition of non-controlling interests	**(61,372)**	(168,834)
Net cash generated from financing activities	**1,785,585**	6,650,563

The notes on pages 94 to 186 form part of these financial statements.

	Note	**2016** **RMB'000**	2015 RMB'000 (Restated)
Net increase/(decrease) in cash and cash equivalents		**867,088**	(1,260,810)
Cash and cash equivalents at 1 January		**2,031,198**	3,295,120
Effect of foreign exchange rate changes		**(8,336)**	(3,112)
Cash and cash equivalents at 31 December	23	**2,889,950**	2,031,198

The notes on pages 94 to 186 form part of these financial statements.

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 company with limited liability. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("HKSE") on 28 June 2012. The Company and its subsidiaries (together the "Group") are mainly engaged in the generation and sale of hydropower, wind power, coal-fired power, solar power, natural gas-fired power and other clean power in the PRC.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on HKSE. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2016 comprise the Group and the Group's interest in associates and joint ventures.

The consolidated financial statements have been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at 31 December 2016 amounted to RMB16,241,388,000. 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 (see note 32(b)).

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial instruments classified as available-for-sale (see note 2(f)) are stated at their fair value.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (Continued)

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 39.

(c) Functional and presentation currency

The financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the presentation currency and the functional currency of the Company and its major subsidiaries.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company and the holders of perpetual medium-term notes. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company and the holders of perpetual medium-term notes. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(o) or (p) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(l)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)).

In the Company's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see note 2(l)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates, and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in notes 2(u)(v) and (u)(vi).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see note 2(l)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(l)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 2(u)(v) and 2(u)(vi), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see note 2(l)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Business combination for entities under common control

Business combinations arising from transfer of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the years or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's shareholder's consolidated financial statements.

Upon transfer of interest in an entity to another entity that are under the control of the shareholder that controls the Group, any difference between the Group's interest in the carrying value of the assets and liabilities and the cost of transfer of interest in the entity is recognised directly in equity.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(l)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(w)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings and structures	8–55 years
– Generators and related equipment	4–35 years
– Motor vehicles	6–10 years
– Furniture, fixtures and others	5–18 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(l)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(j) Intangible assets (other than goodwill)

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. Intangible assets received as consideration for providing construction services in a service concession arrangement are measured at fair value upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost less accumulated amortisation and impairment losses (see note 2(l)).

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(l)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Concession assets	23 years
– Software and others	5–10 years

Both the period and method of amortisation are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(l). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Sales and leaseback arrangement resulting in finance lease

A sales and leaseback arrangement which results in a finance lease is a means whereby the lessor provides finance to the lessee with the asset as security. To reflect the substance of the transaction, any excess of sales proceeds over the carrying amount of the asset is deferred and amortised as an adjustment to the depreciation of the asset. If the sales proceeds are less than the carrying amount of the asset which indicates that the asset may be impaired, an impairment loss is recognised if the carrying amount of the asset exceeds its recoverable amount (see note 2(l)). Any deficit of sales proceeds lower than the carrying amount, in the absence of impairment, is also deferred and amortised as an adjustment to the depreciation of the asset.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets (Continued)

(iv) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(l) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (Continued)

(i) Impairment of investments in debt and equity securities and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statement of financial position (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(l)(ii).

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (Continued)

(i) Impairment of investments in debt and equity securities and other receivables (Continued)

- For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- pre-paid interests in leasehold land classified as being held under an operating lease;
- intangible assets;
- goodwill; and
- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

- Reversals of impairment losses

  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(m) Inventories

Inventories excluding spare parts are carried at the lower of cost and net realisable values. Spare parts are stated in the statement of financial position at cost less provision for obsolescence.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the use.

When inventories are used, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(t)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(r) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for the statutory defined contribution pension plans are recognised as an expense in profit or loss when they are due.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Financial guarantees issued, provisions and contingent liabilities (Continued)

(i) Financial guarantees issued (Continued)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(t)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(t)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2(t)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of electricity and goods

Sale of electricity is recognised when electricity is supplied to the provincial grid companies. Sale of goods is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax ("VAT") or other sales taxes and is after deduction of any trade discounts.

(ii) Service concession construction revenue

Revenue relating to construction services under a service concession arrangement is recognised based on the stage of completion of the work performed. Operation or service revenue is recognised in the period in which the services are provided by the Group. When the Group provides more than one service in a service concession arrangement, the consideration received is allocated by reference to the relative fair values of the services delivered.

(iii) Rendering of services

Revenue from the rendering of services is recognised in profit or loss by reference to the stage of completion of the transaction based on the progress of work performed.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(v) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue recognition (Continued)

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(viii) Certified Emission Reductions ("CERs") income

The Group sells carbon credits known as CERs, generated from the wind farms and other renewable energy facilities which have been registered as Clean Development Mechanism ("CDM") projects with CDM Executive Board ("CDM EB") of the United Nations under the Kyoto Protocol. Revenue in relation to the CERs is recognised when following conditions are met:

– the counterparties have committed to purchase the CERs;

– the sales prices have been agreed; and

– relevant electricity has been generated.

The revenue related to CERs is recognised and recorded in trade receivables for the volume verified by the independent supervisors assigned by CDM EB and in other receivables for the remaining volume.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Perpetual medium-term notes

Perpetual medium-term note is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any interests are discretionary. Interests on perpetual medium-term notes classified as equity are recognised as distributions within equity.

Perpetual medium-term note is classified as a liability if it is redeemable on a specific date or at the option of the holder of the note, or if any interest payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note 2(o) and accordingly interests thereon are recognised on an accrual basis in profit or loss as part of finance expenses.

(y) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Related parties (Continued)

(ii) (continued)

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(f) The entity is controlled or jointly controlled by a person identified in (i).

(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(h) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. 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 year is as follows:

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Sales of electricity	**15,052,872**	14,091,021
Service concession construction revenue	**3,416**	40,017
Sales of coal	**443,949**	901,445
Others	**416,790**	360,267
	15,917,027	15,392,750

5 OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Government grants	**117,358**	62,168
Net gain/(loss) on disposal of property, plant and equipment	**5,061**	(2,002)
Penalty income from equipment suppliers *(note (i))*	**12,288**	46,401
Gain/(loss) on disposal of equity investment	**20,502**	(604)
Others	**24,524**	48,582
	179,733	154,545

Note:

(i) Penalty income from equipment suppliers mainly represents the amounts received/receivable from the third party equipment suppliers to compensate the losses incurred by the Group due to poor warranty services provided by the suppliers.

6 FINANCE INCOME AND EXPENSES

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Interest income on financial assets not at fair value through profit or loss	**55,567**	99,222
Dividend income from securities	**24,270**	66,444
Finance income	**79,837**	165,666
Interest on bank loans and other borrowings	**3,071,321**	3,120,042
Finance charges on obligations under finance leases	**21,489**	33,922
Less: interest expenses capitalised into property, plant and equipment	**(232,907)**	(425,816)
	2,859,903	2,728,148
Bank charges and others	**25,211**	25,527
Net foreign exchange losses	**19,390**	524
Finance expenses	**2,904,504**	2,754,199
Net finance expenses recognised in profit or loss	**(2,824,667)**	(2,588,533)

The borrowing costs have been capitalised at rates of 3.92% to 6.20% per annum for the year ended 31 December 2016 (2015: 4.13% to 6.88%).

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Personnel costs

	2016 RMB'000	2015 RMB'000 (Restated)
Salaries, wages and other benefits	**1,173,544**	1,058,256
Contributions to defined contribution retirement plans	**155,930**	135,617
	1,329,474	1,193,873

(b) Other items

	2016 RMB'000	2015 RMB'000 (Restated)
Amortisation		
– lease prepayments	**29,054**	24,859
– intangible assets	**42,991**	38,726
Depreciation		
– property, plant and equipment	**3,955,132**	3,192,527
Impairment losses		
– property, plant and equipment	**142,766**	36,952
– prepayments and other current assets	**39,858**	77
– trade debtors	**(6,588)**	1
Auditors' remuneration		
– audit services	**11,550**	10,600
– other services	**2,700**	2,500
Operating lease charges		
– hire of machinery	**7,141**	6,226
– hire of properties	**66,498**	64,796
Cost of inventory *(note 19(b))*	**3,812,176**	5,045,816

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:

	2016 RMB'000	2015 RMB'000 (Restated)
Current tax		
Provision for the year	**506,829**	427,321
(Over)/under provision in respect of prior years	**(2,996)**	11,737
	503,833	439,058
Deferred tax		
Origination and reversal of temporary differences	**29,685**	(33,291)
Total income tax	**533,518**	405,767

The current tax provision mainly included the PRC Corporate Income Tax which is made by the Company and its subsidiaries located in the PRC. It is calculated based on a statutory rate of 25% of the assessable profit, except for certain subsidiaries of the Company which are tax exempted or taxed at preferential rates, as determined in accordance with the relevant PRC income tax rules and regulations for the year ended 31 December 2016 and 2015.

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

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

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Profit before taxation	**3,156,489**	2,625,268
Applicable tax rate	**25%**	25%
Notional tax on profit before taxation	**789,122**	656,317
Tax effect of non-deductible expenses	**12,965**	26,726
Tax effect of non-taxable income	**(191,272)**	(131,637)
Tax effect of PRC tax concessions *(note (i))*	**(211,403)**	(245,314)
Tax effect of unused tax losses not recognised	**146,721**	91,734
Tax effect of utilisation of unrecognised tax losses in prior years	**(9,619)**	(3,796)
(Over)/under provision in respect of prior years	**(2,996)**	11,737
Actual tax expenses	**533,518**	405,767

Note:

(i) Pursuant to CaiShui [2011] No.58, the Company's subsidiaries established in the Western Region of the PRC are entitled to the preferential income tax rate of 15% from 2011 to 2020.

Under the relevant tax regulations, certain subsidiaries of the Company, being enterprises engaged in public infrastructure projects, 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 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and supervisors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' and supervisors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2016 Total RMB'000
Executive directors					
Mr. Fang Zheng *(Chairman)*	–	296	361	97	754
Mr. Shu Fuping *(note (i))*	–	296	361	97	754
Mr. Li Lixin	–	331	285	69	685
Mr. Jiang Bingsi *(note (i))*	–	–	–	–	–
Non-executive directors					
Mr. Yang Qingting *(note (ii))*	–	–	–	–	–
Mr. Tao Yunpeng	–	–	–	–	–
Mr. Zong Xiaolei	–	–	–	–	–
Independent non-executive directors					
Mr. Zhou Xiaoqian	100	–	–	–	100
Mr. Zhang Bai	100	–	–	–	100
Mr. Tao Zhigang	100	–	–	–	100
Supervisors					
Mr. Li Changxu	–	–	–	–	–
Mr. Wang Kun	–	–	–	–	–
Ms. Hu Xiaohong	–	–	–	–	–
Mr. Zou Xuanyong *(note (iii))*	–	127	37	10	174
Mr. Chen Wenxin	–	380	110	31	521
Ms. Ding Ruiling	–	80	–	–	80
Mr. Yan Zhongjun	–	269	329	93	691
Mr. Hou Jiawei	–	–	–	–	–
	300	1,779	1,483	397	3,959

Notes:

(i) Mr. Jiang Bingsi has resigned as executive director of the Company with effect from 28 June 2016 and Mr. Shu Fuping has been appointed as executive director of the Company with effect from 28 June 2016.

(ii) Mr. Yang Qingting has been appointed as non-executive director of the Company with effect from 28 June 2016.

(iii) Mr. Zou Xuanyong has resigned as supervisor of the Company with effect from 17 June 2016.

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

	Directors' and supervisors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	2015 Total *RMB'000*
Executive directors					
Mr. Fang Zheng *(Chairman)*	–	328	400	88	816
Mr. Jiang Bingsi *(note (ii))*	–	117	143	28	288
Mr. Li Lixin	–	367	316	63	746
Non-executive directors					
Mr. Chen Bin	–	–	–	–	–
Mr. Tao Yunpeng	–	–	–	–	–
Mr. Zong Xiaolei	–	–	–	–	–
Independent non-executive directors					
Mr. Zhou Xiaoqian	100	–	–	–	100
Mr. Zhang Bai	100	–	–	–	100
Mr. Tao Zhigang	100	–	–	–	100
Supervisors					
Mr. Li Changxu	–	–	–	–	–
Mr. Wang Kun	–	–	–	–	–
Mr. Xie Chunwang *(note (i))*	–	–	–	–	–
Ms. Hu Xiaohong	–	–	–	–	–
Mr. Wang Zhijun *(note (i))*	–	298	365	84	747
Mr. Zou Xuanyong	–	400	102	28	530
Mr. Chen Wenxin	–	400	102	28	530
Mr. Yan Azhang *(note (i))*	–	20	–	–	20
Ms. Ding Ruiling	–	80	–	–	80
Mr. Yan Zhongjun	–	298	365	84	747
Ms. Zhang Liying *(note (i))*	–	–	–	–	–
Mr. Hou Jiawei	–	–	–	–	–
General Manager					
Mr. Shu Fuping *(note (ii))*	–	47	40	8	95
	300	2,355	1,833	411	4,899

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Notes:

(i) Mr. Wang Zhijun, Mr. Yan Azhang and Mr. Xie Chunwang have resigned as supervisors of the Company on 2 February 2015, 16 March 2015 and 26 June 2015 respectively. Ms. Zhang Liying has been appointed as supervisor of the Company with effect from 26 June 2015 and has resigned on 15 December 2015.

(ii) Mr. Jiang Bingsi has resigned as the General Manager of the Company on 14 May 2015, and Mr. Shu Fuping has been appointed as the General Manager of the Company on 17 November 2015.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two are directors (2015: one) and one is supervisor (2015: two) whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other two (2015: two) individuals are as follows:

	2016 ***RMB'000***	2015 *RMB'000*
Salaries and other emoluments	**538**	596
Discretionary bonuses	**658**	730
Retirement scheme contributions	**186**	168
	1,382	1,494

The emoluments of the two (2015: two) individuals who are not directors or supervisors and are amongst the five individuals with the highest emoluments are within the following band:

	2016 ***Number of Individuals***	2015 *Number of individuals*
HK$ Nil to HK$1,000,000	**2**	2

11 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,908,028,000 (2015: RMB1,822,490,000 (restated)) and 8,407,962,000 ordinary shares (2015: 8,407,962,000 ordinary shares) in issue during the year, calculated as follows:

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Profit attributable to equity shareholders and the holders of perpetual medium-term notes of the Company	**2,023,026**	1,903,310
Less: distribution to the holders of perpetual medium-term notes	**(115,000)**	(80,819)
Profit attributable to ordinary equity shareholders of the Company	**1,908,026**	1,822,491

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

12 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised 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 resources 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.

– Solar power: this segment constructs, manages and operates solar power plants and generates electric power for sale to power grid companies.

– Natural gas-fired power: this segment constructs, manages and operates natural gas-fired power plants and generates electric power for sale to power grid companies.

– Other business: this segment mainly manages and operates other clean energy power and heat plants and generates electric power for sale to power grid companies or heat for sale to the customers. This segment also operates coal trading business.

(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 and joint ventures, investments in financial assets, tax recoverable, deferred tax assets and other corporate assets. Segment liabilities include trade creditors and bills payable, other payables and borrowings 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 amortisation of assets attributable to those segments. Segment revenue and expenses do not include service concession construction revenue and cost, and unallocated head office and corporate revenue and expenses.

12 SEGMENT REPORTING (CONTINUED)

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

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 resources allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below:

For the year ended 31 December 2016

	Hydropower	Wind power	Coal-fired power	Solar power	Natural gas -fired power	Other business	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers							
– Sales of electricity	4,024,568	5,259,341	3,413,658	888,876	1,361,397	105,032	15,052,872
– Sales of heat and others	12,569	31,380	175,634	85	183,922	452,246	855,836
Reportable segment revenue	4,037,137	5,290,721	3,589,292	888,961	1,545,319	557,278	15,908,708
Reportable segment profit (operating profit)	2,554,309	2,344,253	156,250	367,718	130,209	(45,180)	5,507,559
Depreciation and amortisation	(481,729)	(2,368,994)	(663,959)	(303,421)	(174,548)	(29,671)	(4,022,322)
Interest income	5,455	23,934	14,894	1,320	279	1,320	47,202
Interest expenses	(105,755)	(1,653,902)	(319,922)	(205,361)	(119,374)	(27,665)	(2,431,979)
Impairment losses of property, plant and equipment	(1,466)	(46,100)	-	(18,350)	(46,850)	(30,000)	(142,766)
Impairment losses of trade debtors and other receivables	(3,073)	(367)	(29,695)	-	(135)	-	(33,270)
Addition to non-current segment assets during the year	585,424	3,296,689	1,559,339	774,450	511,630	58,444	6,785,976
Reportable segment assets	10,669,188	54,732,230	13,191,821	8,889,884	4,706,057	959,969	93,149,149
Reportable segment liabilities	3,174,662	44,373,339	9,939,405	6,850,900	3,554,213	741,060	68,633,579

12 SEGMENT REPORTING (CONTINUED)

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

For the year ended 31 December 2015 (restated)

	Hydropower RMB'000	Wind power RMB'000	Coal-fired power RMB'000	Solar power RMB'000	Natural gas -fired power RMB'000	Other business RMB'000	Total RMB'000
Revenue from external customers							
– Sales of electricity	2,619,363	4,005,104	5,098,154	809,119	1,455,186	104,095	14,091,021
– Sales of heat and others	7,572	7,374	174,148	1,077	132,276	936,984	1,259,431
Reportable segment revenue	2,626,935	4,012,478	5,272,302	810,196	1,587,462	1,041,079	15,350,452
Reportable segment profit (operating profit)	1,249,651	1,947,576	1,133,057	427,038	159,580	10,023	4,926,925
Depreciation and amortisation	(471,808)	(1,676,195)	(646,149)	(269,877)	(156,092)	(32,044)	(3,252,165)
Interest income	3,314	85,248	3,587	7,435	1,481	1,217	102,282
Interest expenses	(157,902)	(1,342,636)	(388,062)	(227,541)	(104,161)	(19,074)	(2,239,376)
Impairment losses of property, plant and equipment	–	(3,432)	(33,520)	–	–	–	(36,952)
Impairment losses of trade debtors and other receivables	(78)	–	–	–	–	–	(78)
Addition to non-current segment assets during the year	503,683	9,844,925	963,724	1,118,480	666,870	76,619	13,174,301
Reportable segment assets	10,673,160	53,950,794	12,600,062	7,882,866	4,405,440	1,216,824	90,729,146
Reportable segment liabilities	3,852,980	44,477,852	9,208,696	6,217,717	3,390,873	1,172,985	68,321,103

12 SEGMENT REPORTING (CONTINUED)

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

	2016 RMB'000	2015 RMB'000 (Restated)
Revenue		
Reportable segment revenue	**15,908,708**	15,350,452
Service concession construction revenue	**3,416**	40,017
Unallocated head office and corporate revenue	**4,903**	2,281
Consolidated revenue	**15,917,027**	15,392,750
Profit		
Reportable segment profit	**5,507,559**	4,926,925
Unallocated head office and corporate revenue	**4,903**	2,281
Unallocated head office and corporate expenses	**(181,974)**	(142,608)
Share of profits less losses of associates and joint ventures	**630,166**	427,807
Net finance expenses	**(2,824,667)**	(2,588,533)
Gain/(loss) on disposal of equity investments	**20,502**	(604)
Consolidated profit before taxation	**3,156,489**	2,625,268
Assets		
Reportable segment assets	**93,149,149**	90,729,146
Inter-segment receivables	**(3,810,916)**	(2,997,773)
	89,338,233	87,731,373
Interest in associates and joint ventures	**7,505,868**	6,742,434
Other non-current assets – available-for-sale investment	**895,811**	959,819
Deferred tax assets	**364,754**	359,219
Tax recoverable	**38,105**	26,207
Unallocated head office and corporate assets	**4,699,862**	2,471,611
Consolidated total assets	**102,842,633**	98,290,663

12 SEGMENT REPORTING (CONTINUED)

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

	2016 RMB'000	2015 RMB'000 (Restated)
Liabilities		
Reportable segment liabilities	**68,633,579**	68,321,103
Inter-segment payables	**(3,810,916)**	(2,997,773)
	64,822,663	65,323,330
Tax payable	**250,071**	195,902
Deferred tax liabilities	**877,395**	842,212
Unallocated head office and corporate liabilities	**13,964,022**	10,778,999
Consolidated total liabilities	**79,914,151**	77,140,443

(c) Geographical information

As the Group does not have material operations outside the PRC, no geographic segment reporting is presented.

(d) Major customers

Revenue from the sales of electricity to the PRC government controlled power grid companies amounted to RMB14,056,573,000 for the year ended 31 December 2016 (2015: RMB13,018,002,000 (restated)).

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures RMB'000	Generators and related equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2015 (as previously reported)	14,195,799	49,534,281	277,972	316,213	14,622,512	78,946,777
Impact of business combination under common control *(note 37)*	27,402	383,738	2	3,624	47,431	462,197
Restated balance at 1 January 2015	14,223,201	49,918,019	277,974	319,837	14,669,943	79,408,974
Reclassification	(40,294)	51,653	(1,043)	(10,316)	–	–
Additions	34,872	37,949	13,599	18,243	12,956,906	13,061,569
Acquired through business combination	12,164	127,341	73	–	–	139,578
Transfer from construction in progress	996,223	13,319,531	5,410	22,105	(14,343,269)	–
Reclassification to lease prepayment	(16,259)	–	–	–	(99,315)	(115,574)
Disposals	(11,508)	(199,393)	(8,745)	(3,268)	–	(222,914)
Transfer to intangible assets	–	–	–	–	(3,534)	(3,534)
Exchange difference	–	(12,500)	–	–	–	(12,500)
Restated balance at 31 December 2015 and at 1 January 2016	15,198,399	63,242,600	287,268	346,601	13,180,731	92,255,599
Additions	**33,651**	**27,884**	**12,950**	**14,728**	**6,629,202**	**6,718,415**
Acquired through business combination	**–**	**–**	**–**	**–**	**155,025**	**155,025**
Transfer from construction in progress	**823,080**	**11,227,859**	**9,654**	**34,092**	**(12,094,685)**	**–**
Reclassification to lease prepayment	**–**	**–**	**–**	**–**	**(253,459)**	**(253,459)**
Disposals	**(140,878)**	**(125,986)**	**(13,720)**	**(5,650)**	**(177,379)**	**(463,613)**
Transfer to construction in progress	**–**	**(37,440)**	**–**	**(117)**	**37,557**	**–**
Exchange difference	**–**	**7,339**	**–**	**–**	**–**	**7,339**
At 31 December 2016	**15,914,252**	**74,342,256**	**296,152**	**389,654**	**7,476,992**	**98,419,306**

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings and structures RMB'000	Generators and related equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and others RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated depreciation and impairment losses						
At 1 January 2015 (as previously reported)	3,566,414	8,988,973	158,570	157,564	1,649	12,873,170
Impact of business combination under common control *(note 37)*	1,541	33,621	1	1,231	–	36,394
Restated balance at 1 January 2015	3,567,955	9,022,594	158,571	158,795	1,649	12,909,564
Reclassification	(39,794)	45,678	(1,574)	(4,310)	–	–
Depreciation charge for the year	407,947	2,709,744	27,936	29,578	–	3,175,205
Written back on disposal	(5,409)	(102,405)	(8,138)	(3,119)	–	(119,071)
Impairment losses *(note (iv))*	28,744	5,202	24	–	2,982	36,952
Exchange difference	–	(2,366)	–	–	–	(2,366)
Restated balance at 31 December 2015 and at 1 January 2016	3,959,443	11,678,447	176,819	180,944	4,631	16,000,284
Depreciation charge for the year	**460,638**	**3,412,425**	**26,608**	**35,459**	**–**	**3,935,130**
Written back on disposal	**(137,334)**	**(116,210)**	**(12,270)**	**(5,227)**	**(1,051)**	**(272,092)**
Impairment losses *(note (iv))*	**–**	**52,000**	**–**	**–**	**90,766**	**142,766**
Transfer to construction in progress	**–**	**(11,541)**	**–**	**(36)**	**11,577**	**–**
Exchange difference	**–**	**1,358**	**–**	**–**	**–**	**1,358**
At 31 December 2016	**4,282,747**	**15,016,479**	**191,157**	**211,140**	**105,923**	**19,807,446**
Net book value:						
At 31 December 2015	11,238,956	51,564,153	110,449	165,657	13,176,100	76,255,315
At 31 December 2016	**11,631,505**	**59,325,777**	**104,995**	**178,514**	**7,371,069**	**78,611,860**

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(i) The Group's property, plants and equipment are mainly located in the PRC.

(ii) Certain of the Group's interest-bearing bank borrowings were secured by certain of the Group's buildings and equipment as well as construction in progress, which had an aggregate net book value of RMB14,453,705,000 as at 31 December 2016 (31 December 2015: RMB16,913,136,000).

(iii) Property, plant and equipment held under finance lease

Certain properties and equipment of the Group with an aggregate net book value of RMB412,693,000 as at 31 December 2016 (31 December 2015: RMB572,413,000) are accounted for as finance leases with maturity periods of 10 to 12 years.

(iv) The recoverable amounts of the projects and the equipment have been estimated based on their value in use. The impairment losses have been included in other operating expenses.

(v) As at 31 December 2016, the Group is in the process of applying for or changing registration of the ownership certificates for certain properties. The directors are of the opinion that the Group is entitled to legally occupy or use these properties.

(vi) The analysis of net book value of the Group's properties is as follows:

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
In the PRC:		
Long-term leases	**7,309,063**	7,392,910
Medium-term leases	**4,322,442**	3,846,046
Total	**11,631,505**	11,238,956

14 LEASE PREPAYMENTS

	RMB'000
Cost:	
At 1 January 2015	1,200,825
Additions	67,979
Reclassification from property, plant and equipment	115,574
At 31 December 2015	1,384,378
At 1 January 2016	**1,384,378**
Additions	**20,875**
Reclassification from property, plant and equipment	**253,459**
At 31 December 2016	**1,658,712**
Accumulated amortisation:	
At 1 January 2015	121,058
Charge for the year	26,463
At 31 December 2015	147,521
At 1 January 2016	**147,521**
Charge for the year	**29,342**
At 31 December 2016	**176,863**
Net book value:	
At 31 December 2015	1,236,857
At 31 December 2016	**1,481,849**

Lease prepayments mainly represent prepayments for acquiring rights to use land, which are all located in the PRC, with lease period of 20–70 years.

15 INTANGIBLE ASSETS

	Concession assets RMB'000	Software and others RMB'000	Goodwill RMB'000	Total RMB'000
Cost:				
At 1 January 2015	623,602	65,034	496,647	1,185,283
Additions	40,017	13,634	–	53,651
Transfer from property, plant and equipment	–	3,534	–	3,534
Disposals	–	(109)	–	(109)
At 31 December 2015	663,619	82,093	496,647	1,242,359
At 1 January 2016	**663,619**	**82,093**	**496,647**	**1,242,359**
Additions	**3,416**	**50,143**	**–**	**53,559**
At 31 December 2016	**667,035**	**132,236**	**496,647**	**1,295,918**
Accumulated amortisation:				
Balance at 1 January 2015	57,691	27,583	–	85,274
Charge for the year	29,871	7,627	–	37,498
Written back on disposal	–	(109)	–	(109)
At 31 December 2015	87,562	35,101	–	122,663
Balance at 1 January 2016	**87,562**	**35,101**	**–**	**122,663**
Charge for the year	**32,276**	**10,777**	**–**	**43,053**
At 31 December 2016	**119,838**	**45,878**	**–**	**165,716**
Net book value:				
At 31 December 2015	576,057	46,992	496,647	1,119,696
At 31 December 2016	**547,197**	**86,358**	**496,647**	**1,130,202**

15 INTANGIBLE ASSETS (CONTINUED)

The amortisation charge for the year is included in "depreciation and amortisation" in the consolidated statement of profit or loss and other comprehensive income.

Impairment tests for cash generating units containing goodwill

Goodwill is allocated to the Group's cash generating units ("CGU") identified according to operating segment as follows:

	2016	2015
	RMB'000	*RMB'000*
Hydropower	**230,135**	230,135
Wind power	**266,512**	266,512
	496,647	496,647

The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts prepared by the management covering a five-year period. Cash flows beyond the five-year period are projected using zero growth rates. The cash flows are discounted using discount rates of 8%–11%. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. Key assumption used for the value-in-use calculations is the revenue from electricity sales. Management determined the revenue from electricity sales based on its expectation of electricity volume and the on-grid tariff approved by related government authorities.

16 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries at 31 December 2016 which principally affected the results, assets or liabilities of the Group. All of these subsidiaries are limited liability companies.

			Proportion of ownership interest			
Name of company	**Place of incorporation and business and date of establishment**	**Registered capital**	**Group's effective interest**	**Held by the Company**	**Held by subsidiaries**	**Principal activity**
		(RMB'000)				
Fujian Mianhuatan Hydropower Development Company Limited 福建棉花灘水電開發有限公司 ("Mianhuatan Hydropower") *(note (ii))*	the PRC 17 November 1995	800,000	60%	60%	–	Hydropower generation
Fujian Jinhu Power Generation Company Limited 福建省金湖電力有限責任公司 ("Jinhu Power") *(note (ii))*	the PRC 3 October 1996	100,000	48%	–	50%	Hydropower generation
Mindong Hydropower Development Company Limited 閩東水電開發有限公司 ("Mindong Hydropower") *(note (ii))*	the PRC 7 March 1997	250,405	51%	51%	–	Hydropower generation
Fujian Gaosha Hydropower Company Limited 福建省高砂水電有限公司 *(note (ii))*	the PRC 18 September 1997	66,000	62%	–	62%	Hydropower generation
Fujian Shaxian Chengguan Hydropower Company Limited 福建省沙縣城關水電有限公司 *(note (ii))*	the PRC 3 September 1997	66,000	40%	–	40%	Hydropower generation
Fujian Longyan Wan'anxi Hydropower Company Limited 福建省龍岩萬安溪水力發電有限責任公司 *(note (ii))*	the PRC 4 March 1998	40,000	41%	–	41%	Hydropower generation
Zhouningxian Houlongxi Hydropower Generation Company Limited 周寧縣後壟溪水電有限公司 *(note (ii))*	the PRC 30 September 2002	60,000	70%	–	70%	Hydropower generation
Fujian Shunchang Yangkou Hydropower Company Limited 福建省順昌洋口水電有限公司 *(note (ii))*	the PRC 11 July 2003	66,000	55%	–	55%	Hydropower generation
Fujian Songxixian Jinxing Hydropower Company Limited 福建省松溪縣金星水電有限公司 *(note (ii))*	the PRC 18 September 2003	13,000	45%	–	45%	Hydropower generation
Fujian Huadian Yong'an Power Generation Company Limited 福建華電永安發電有限公司	the PRC 23 October 1989	663,000	100%	100%	–	Coal-fired power generation

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business and date of establishment	Registered capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by subsidiaries	
		(RMB'000)				
Fujian Huadian Zhangping Coal-fired Power Company Limited 福建華電漳平火電有限公司	the PRC 18 November 1991	912,815	100%	100%	–	Coal-fired power generation
Fujian Huadian Shaowu Power Generation Company Limited 福建華電邵武發電有限公司	the PRC 29 March 2000	10,000	100%	100%	–	Coal-fired power generation
Fujian Huadian Kemen Power Generation Company Limited 福建華電可門發電有限公司	the PRC 18 September 2003	900,000	100%	100%	–	Coal-fired power generation
Maoming Zhong'ao Wind Power Company Limited 茂名市中坳風電有限公司 *(note (ii))*	the PRC 11 July 2005	83,288	51%	51%	–	Wind power generation
Inner Mongolia Huadian Huitengxile Wind Power Company Limited 內蒙古華電輝騰錫勒風力發電有限公司	the PRC 6 September 2005	547,000	100%	100%	–	Wind power generation
Inner Mongolia Huadian Bayin Wind Power Company Limited 內蒙古華電巴音風力發電有限公司	the PRC 19 December 2008	282,000	100%	100%	–	Wind power generation
Gansu Huadian Guazhou Wind Power Company Limited 甘肅華電瓜州風力發電有限公司	the PRC 6 January 2009	295,000	100%	100%	–	Wind power generation
Gansu Huadian Yumen Wind Power Company Limited 甘肅華電玉門風力發電有限公司	the PRC 9 November 2009	525,000	100%	100%	–	Wind power generation
Huadian Jilin Da'an Wind Power Company Limited 華電吉林大安風力發電有限公司	the PRC 4 March 2009	189,020	100%	100%	–	Wind power generation
Inner Mongolia Huadian Wutaohai Wind Power Company Limited 內蒙古華電烏套海風電有限公司	the PRC 29 April 2009	445,000	100%	100%	–	Wind power generation
Huadian Tieling Wind Power Company Limited 華電鐵嶺風力發電有限公司	the PRC 9 March 2009	183,500	100%	100%	–	Wind power generation
Hebei Huadian Shangyi Wind Power Company Limited 河北華電尚義風力發電有限公司	the PRC 19 May 2009	243,310	70%	70%	–	Wind power generation
Inner Mongolia Huadian Meiguiying Wind Power Company Limited 內蒙古華電玫瑰營風力發電有限公司	the PRC 23 July 2009	335,250	100%	100%	–	Wind power generation

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business and date of establishment	Registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
		(RMB'000)				
Shanxi Huadian Guangling Wind Power Company Limited 山西華電廣靈風力發電有限公司 *(note (ii))*	the PRC 26 May 2009	250,000	65%	–	65%	Wind power generation
Qitaihe Honghao Wind Power Company Limited 七台河宏浩風力發電有限公司*(note (ii))*	the PRC 24 May 2010	75,000	60%	60%	–	Wind power generation
Shanxi Huadian Yanggao Wind Power Company Limited 山西華電陽高風力發電有限公司*(note (ii))*	the PRC 18 August 2010	80,000	65%	–	65%	Wind power generation
Gansu Huadian Huanxian Wind Power Company Limited 甘肅華電環縣風力發電有限公司	the PRC 9 August 2011	722,000	100%	100%	–	Wind power generation
Shanghai Huadian Min Hang Energy Company Limited 上海華電閔行能源有限公司	the PRC 23 November 2011	180,000	100%	100%	–	Natural gas-fired power generation
Xinjiang Huadian Xuehu Wind Power Company Limited 新疆華電雪湖風力發電有限公司	the PRC 17 January 2012	159,000	100%	100%	–	Wind power generation
Damaoqi Xiehe Wind Power Company Limited 達茂旗協合風力發電有限公司	the PRC 9 April 2009	240,000	100%	100%	–	Wind power generation
Gansu Jingyuan Hangtian Wind Power Company Limited 甘肅靖遠航天風力發電有限公司	the PRC 8 August 2012	215,000	98%	98%	–	Wind power generation
Yunnan Huadian Daheishan Wind Power Company Limited 雲南華電大黑山風力發電有限公司	the PRC 24 April 2013	195,000	85%	85%	–	Wind power generation
Huadian Xinghua Solar Power Company Limited 華電興化太陽能發電有限公司	the PRC 21 August 2013	153,000	100%	100%	–	Solar power generation
Huadian Fuxin Xinjiang Power Company Limited 華電福新新疆能源有限公司	the PRC 25 February 2014	348,000	100%	100%	–	Solar power generation
Guangzhou University Town Huadian New Energy Company Limited 廣州大學城華電新能源有限公司 ("Guangzhou New Energy") *(note (ii))*	the PRC 5 February 2008	294,360	55%	55%	–	Natural gas-fired power generation
Huadian Fuxin International Investment Company Limited 華電福新國際投資有限公司	Hong Kong 14 March 2014	390,000 HK$'000	100%	100%	–	Investment holding
Elecdey Barchin, S.A. – Sociedad Unipersonal	Spain 29 October 2009	200 EURO'000	100%	–	100%	Wind power generation

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Notes:

(i) The English translation of the names is for reference only, except for the subsidiaries incorporate outside the PRC. The official names of these entities are in Chinese.

(ii) The Company's voting power in these entities attached to the equity interests does not allow the Company to have the rights to variable returns from its involvement with these entities and have the ability to affect those returns through its power over these entities according to the articles of association of these entities. However, the Company or its subsidiaries is the biggest shareholder of these entities and no other shareholders individually or in aggregate have the power to control these entities according to the articles of association. Historically, the Company controlled these entities by appointing senior management, approving annual budget and determining the remuneration of employees, etc. The Company or its subsidiaries had signed the concert party agreements with certain equity owners of these companies, whereby such equity owners have agreed to vote the same as the Company or its subsidiaries. Such equity owners have also confirmed that the voting in unison with the Company or its subsidiaries existed since the establishment of these companies. The PRC lawyer of the Company confirmed that the concert party agreements are valid under relevant PRC laws. Considering above mentioned factors, the directors are of the opinion that the Company controlled these entities during the years presented. Therefore the financial information of these companies is consolidated by the Company during the years presented.

The following table lists out the information relating to Mianhuatan Hydropower, Mindong Hydropower, Guangzhou New Energy and Jinhu Power, the four subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Mianhuatan Hydropower		Mindong Hydropower		Guangzhou New Energy		Jinhu Power	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
NCI percentage	**40%**	40%	**49%**	49%	**45%**	45%	**50%**	50%
Current assets	**165,298**	146,787	**39,826**	117,023	**70,852**	91,219	**47,185**	124,950
Non-current assets	**3,115,452**	3,230,677	**1,032,150**	1,050,523	**419,073**	458,143	**739,959**	761,443
Current liabilities	**537,487**	495,201	**191,012**	232,743	**39,016**	83,646	**185,299**	166,956
Non-current liabilities	**598,027**	931,893	**322,683**	447,989	**90,154**	121,566	**264,663**	346,787
Net assets	**2,145,236**	1,950,370	**558,281**	486,814	**360,755**	344,150	**337,182**	372,650
Carrying amount of NCI	**858,094**	780,148	**273,558**	238,539	**162,340**	154,868	**168,490**	185,137
Revenue	**1,235,933**	616,076	**414,517**	304,187	**478,185**	423,464	**337,362**	286,185
Profit and total comprehensive income for the year	**679,743**	236,405	**195,567**	116,927	**49,805**	38,585	**120,180**	81,184
Profit allocated to NCI	**271,897**	94,562	**95,828**	57,294	**22,412**	17,363	**60,054**	40,622
Dividends paid to NCI	**193,951**	31,535	**60,809**	62,034	**14,940**	31,500	**76,701**	20,951
Cash flows from operating activities	**938,954**	427,012	**341,561**	158,169	**113,321**	66,713	**186,845**	152,679
Cash flows from investing activities	**(548)**	(985)	**(34,976)**	(49,244)	**(6,904)**	(2,605)	**37,207**	(65,015)
Cash flows from financing activities	**(916,058)**	(399,384)	**(314,550)**	(112,987)	**(114,466)**	(70,959)	**(223,460)**	(77,656)

17 INTEREST IN ASSOCIATES AND JOINT VENTURES

	2016 RMB'000	2015 RMB'000
Share of net assets:		
– Unlisted investments	**7,059,787**	6,369,994
– Listed shares in Hong Kong	**446,081**	372,440
	7,505,868	6,742,434
Market value of listed shares	**318,803**	342,828

All of the associates and the joint ventures are limited liability companies. The following list contains only the particulars of material associates, which principally affected the results or assets of the Group. Except for Concord New Energy Group Limited ("Concord New Energy"), all of the other associates and the joint ventures are unlisted corporate entities whose quoted market prices are not available:

			Proportion of ownership interest			
Name of associate	**Place of incorporation and business**	**Registered/ issued capital** *RMB'000*	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activity**
Fujian Fuqing Nuclear Power Company Limited (福建福清核電有限公司)	the PRC	10,480,000	39%	39%	–	Nuclear power generation
Concord New Energy Group Limited (協合新能源集團有限公司)	Bermuda/the PRC	87,310 *(HK$'000)*	10.08%	–	10.08%	Construction of power plants
Zhonghai Fujian Gas Power Generation Company Limited (中海福建燃氣發電有限公司)	the PRC	777,000	25%	25%	–	Gas power generation
Pingnanxian Houlongxi Hydropower Company Limited (屏南縣後壟溪水電有限公司)	the PRC	86,000	45%	5%	40%	Hydropower generation
Sanmen Nuclear Power Co., Ltd. (三門核電有限公司)	the PRC	8,994,330	10%	10%	–	Nuclear power generation

17 INTEREST IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

All of the above associates and joint ventures are accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Fujian Fuqing Nuclear Power Company Limited		Concord New Energy Group Limited	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Gross amounts of the associates				
Current assets	**3,930,355**	3,362,644	**6,677,819**	4,868,349
Non-current assets	**58,563,365**	53,996,549	**6,861,187**	6,175,760
Current liabilities	**5,276,881**	4,296,230	**5,788,133**	4,394,959
Non-current liabilities	**44,005,065**	41,754,779	**3,325,466**	2,864,195
Equity	**13,211,774**	11,308,184	**4,425,407**	3,784,955
Revenue	**5,256,439**	2,839,522	**1,785,166**	3,478,562
Profit	**1,413,493**	818,771	**461,616**	406,940
Total comprehensive income	**1,413,447**	818,751	**468,270**	406,940
Dividend received from the associate	**287,040**	33,099	**7,872**	7,234
Reconciled to the Group's interests in the associates				
Gross amounts of net assets of the associate	**13,211,774**	11,308,184	**4,425,407**	3,784,955
Group's effective interest	**39%**	39%	**10.08%**	9.84%
Group's share of net assets of the associate	**5,152,592**	4,410,192	**446,081**	372,440
Carrying amount in the consolidated financial statements	**5,091,543**	4,410,192	**446,081**	372,440

17 INTEREST IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

	Zhonghai Fujian Gas Power Generation Company Limited		Pingnanxian Houlongxi Hydropower Company Limited	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Gross amounts of the associates				
Current assets	**491,115**	367,200	**41,458**	26,509
Non-current assets	**2,565,145**	2,768,029	**340,668**	359,994
Current liabilities	**828,247**	841,406	**127,554**	69,457
Non-current liabilities	**1,130,000**	1,130,000	**–**	80,030
Equity	**1,098,013**	1,163,823	**254,572**	237,016
Revenue	**2,186,784**	2,858,414	**68,407**	54,418
Profit	**203,996**	299,709	**17,556**	5,305
Total comprehensive income	**203,996**	299,709	**17,556**	5,305
Dividend received from the associate	**67,434**	15,115	**–**	–
Reconciled to the Group's interests in the associates				
Gross amounts of net assets of the associate	**1,098,013**	1,163,823	**254,572**	237,016
Group's effective interest	**25%**	25%	**45%**	45%
Group's share of net assets of the associate	**274,503**	290,956	**114,557**	106,657
Carrying amount in the consolidated financial statements	**274,503**	290,956	**114,557**	106,657

17 INTEREST IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

	Sanmen Nuclear Power Company Limited *(note i)*	
	2016	2015
	RMB'000	*RMB'000*
Gross amounts of the associates		
Current assets	**1,658,903**	1,644,785
Non-current assets	**54,073,853**	48,240,816
Current liabilities	**2,423,748**	2,196,200
Non-current liabilities	**40,025,163**	35,280,907
Equity	**13,283,845**	12,408,494
Reconciled to the Group's interests in the associates		
Gross amounts of net assets of the associate	**13,283,845**	12,408,494
Group's effective interest	**10%**	10%
Group's share of net assets of the associate	**1,328,385**	1,240,849
Carrying amount in the consolidated financial statements	**1,309,062**	1,240,849

Note:

(i) Sanmen Nuclear Power Company Limited was still in the construction stage and has not generated any profit or loss during the year ended 31 December 2016 and 2015.

Aggregate information of associates and joint ventures that are not individually material:

	2016	2015
	RMB'000	*RMB'000*
Aggregate carrying amount of individually immaterial associates and joint ventures in the consolidated financial statements	**270,122**	321,340
Aggregate amounts of the Group's share of those associates and joint ventures loss and total comprehensive income	**22,979**	8,864

18 OTHER NON-CURRENT ASSETS

	2016 RMB'000	2015 RMB'000
Deductible VAT *(note (i))*	**2,700,606**	2,966,648
Unquoted available-for-sale equity investment in non-listed companies, at cost *(note (ii))*	**594,955**	624,955
Available-for-sale equity securities, listed in Hong Kong *(note (iii))*	**300,856**	334,864
Deferred differences arising from sales and leaseback resulting in a finance lease	**175,025**	205,068
Loan to an associate *(note (iv))*	**28,179**	28,179
Others	**153,504**	167,351
	3,953,125	4,327,065

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 21).

(ii) The unquoted equity investments in non-listed companies are limited liability companies established in the PRC and whose quoted market prices are not available.

(iii) Pursuant to the agreement with China Energy Engineering Corporation Limited ("China Energy Engineering"), the Group has subscribed for the 243,722,000 shares of China Energy Engineering at the offering price of HK$1.59 per share on 8 December 2015. The Group recognised it as available-for-sale equity securities. For the year ended 31 December 2016, the net change in the fair value of available-for-sale equity securities is RMB34,008,000.

(iv) Loan to an associate is unsecured, interest bearing at a rate of 4.79% per annum and will be repaid in 2018.

19 INVENTORIES

(a) Inventories in the statement of financial position comprise:

	2016 RMB'000	2015 RMB'000
Coal	**127,744**	246,718
Fuel oil	**3,808**	6,957
Spare parts and others	**117,935**	144,358
	249,487	398,033

(b) The analysis of the amount of inventories recognised as expenses and included in profit or loss is as follows:

	2016 RMB'000	2015 RMB'000
Cost of fuel used	**3,059,426**	3,854,306
Cost of coal sold	**424,242**	884,558
Cost of spare parts and others used	**327,821**	303,163
Write down of inventories	**687**	3,789
	3,812,176	5,045,816

20 TRADE DEBTORS AND BILLS RECEIVABLE

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Amounts due from third parties	**5,039,050**	3,640,341
Amounts due from an associate	**6,750**	–
Amounts due from fellow subsidiaries	**16,227**	–
Less: allowance for doubtful accounts	**(9,925)**	(34,489)
	5,052,102	3,605,852

(a) Ageing analysis

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

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Current	**5,062,027**	3,640,341
Less: allowance for doubtful accounts	**(9,925)**	(34,489)
	5,052,102	3,605,852

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 22% to 90% of total electricity sales, relating to 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.

20 TRADE DEBTORS AND BILLS RECEIVABLE (CONTINUED)

(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 (see note 2 (l)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**34,489**	34,489
Impairment losses recognised	**2,449**	1
Uncollectible amounts written off	**(17,976)**	(1)
Reversal of impairment losses	**(9,037)**	–
At 31 December	**9,925**	34,489

The Group's trade debtors and bills receivable of RMB9,925,000 as at 31 December 2016 (31 December 2015: RMB34,489,000) 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:

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Neither past due nor impaired	**5,052,102**	3,605,852

20 TRADE DEBTORS AND BILLS RECEIVABLE (CONTINUED)

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 standardised 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 31 December 2016, 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.

21 PREPAYMENTS AND OTHER CURRENT ASSETS

	The Group	
	2016	2015
	RMB'000	*RMB'000*
		(Restated)
CERs receivable	**92,333**	166,784
Staff advance and other deposits	**43,824**	44,779
Amounts due from related parties		
– due from fellow subsidiaries	**15,193**	48,869
– due from associates	**47,049**	38,702
Loan to a third party	**–**	50,000
Deductible VAT *(note 18(i))*	**1,079,081**	1,264,814
Prepayments for the coal and spare parts supply	**96,918**	69,408
Other prepayments and debtors	**273,731**	265,319
	1,648,129	1,948,675
Less: allowance for doubtful debts	**(147,130)**	(181,976)
	1,500,999	1,766,699

21 PREPAYMENTS AND OTHER CURRENT ASSETS (CONTINUED)

Impairment losses in respect of prepayments and other current assets 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 prepayments and other current assets directly (see note 2 (l)(i)).

The movement in the allowance for doubtful debts is as follows:

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**181,976**	181,970
Impairment losses recognised	**39,858**	76
Uncollectible amounts written off	**(74,704)**	(70)
At 31 December	**147,130**	181,976

The Group's prepayments and other current assets of RMB147,130,000 as at 31 December 2016 (31 December 2015: RMB181,976,000) 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.

22 RESTRICTED DEPOSITS

Restricted deposits mainly represent cash pledged as collateral for bills payable, tender bonds and housing maintenance fund designated for specific purposes pursuant to the relevant PRC regulations.

23 CASH AND CASH EQUIVALENTS

	2016 RMB'000	2015 RMB'000 (Restated)
Cash on hand	**193**	260
Cash at bank	**442,761**	353,894
Deposits with a fellow subsidiary *(note (i))*	**2,446,996**	1,677,044
	2,889,950	2,031,198

Note:

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

24 BORROWINGS

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

	2016 RMB'000	2015 RMB'000
Bank loans and loans from financial institutions		
– Secured	**24,536,474**	23,322,985
– Unsecured *(note (i))*	**22,272,898**	23,100,169
Loans from China Huadian Corporation ("Huadian")		
– Unsecured	**3,246,447**	3,246,447
Loans from fellow subsidiaries		
– Secured	**676,310**	218,716
– Unsecured	**44,000**	200,000
Other borrowings *(note (e)(i))*		
– Unsecured	**6,981,137**	1,993,244
	57,757,266	52,081,561
Less: Current portion of long-term borrowings		
– Bank loans and loans from financial institutions	**(4,410,488)**	(4,503,469)
– Loans from fellow subsidiaries	**(63,834)**	(6,000)
– Loans from Huadian	**(1,000,000)**	–
	52,282,944	47,572,092

24 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:

	2016 **RMB'000**	2015 *RMB'000*
Guarantor		
– Huadian	**1,518,500**	1,897,500
– Non-controlling interests shareholders	**36,078**	174,000
	1,554,578	2,071,500

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

	2016 **RMB'000**	2015 *RMB'000*
Bank loans and loans from financial institutions		
– Secured	**70,000**	80,000
– Unsecured	**4,533,531**	3,436,425
Loans from a fellow subsidiary		
– Unsecured	**660,000**	380,000
Other borrowings *(note (e)(ii))*		
– Unsecured	**3,500,764**	4,497,333
	8,764,295	8,393,758
Add: Current portion of long-term borrowings		
– Bank loans and loans from financial institutions	**4,410,488**	4,503,469
– Loans from fellow subsidiaries	**63,834**	6,000
– Loans from Huadian	**1,000,000**	–
	14,238,617	12,903,227

24 BORROWINGS (CONTINUED)

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

	2016	2015
Long-term		
Bank loans and loans from financial institutions	**1.08%–6.00%**	2.12%–7.05%
Loans from Huadian	**4.15%–6.46%**	4.15%–6.46%
Loans from fellow subsidiaries	**4.90%**	4.28%–5.15%
Other borrowings	**3.04%–5.38%**	5.13%–5.38%
Short-term		
Bank loans and loans from financial institutions	**0.49%–4.35%**	1.64%–5.35%
Loans from a fellow subsidiary	**3.92%**	3.92%–5.35%
Other borrowings	**2.76%–2.80%**	3.11%–3.29%

(d) The borrowings are repayable as follows:

	2016 *RMB'000*	2015 *RMB'000*
Within 1 year or on demand	**14,238,617**	12,903,227
After 1 year but within 2 years	**6,191,113**	6,254,744
After 2 years but within 5 years	**21,717,849**	18,674,332
After 5 years	**24,373,982**	22,643,016
	52,282,944	47,572,092
	66,521,561	60,475,319

(e) Significant terms of other borrowings:

	2016 *RMB'000*	2015 *RMB'000*
Long-term		
Corporate bonds *(note (i))*	**6,981,137**	1,993,244
Short-term		
Financing instruments *(note (ii))*	**3,500,764**	4,497,333

24 BORROWINGS (CONTINUED)

(e) Significant terms of other borrowings: (Continued)

Notes:

(i) On 25 March 2013, the Company issued a five-year unsecured corporate bond of RMB1,000,000,000 at par with a coupon rate of 5.00% per annum and a ten-year unsecured corporate bond of RMB1,000,000,000 at par with a coupon rate of 5.30% per annum. The effective interest rates of above bonds are 5.13% and 5.38% per annum respectively. On 22 September 2016, the Company issued a five-year unsecured corporate bond of RMB3,000,000,000 at par with a coupon rate of 2.97% per annum, the effective interest rates of this bond is 3.04%. On 4 November 2016, the Company issued a five-year unsecured corporate bond of RMB900,000,000 at par with a coupon rate of 3.02% per annum and a seven-year unsecured corporate bond of RMB1,100,000,000 at par with a coupon rate of 3.18% per annum. The effective interest rates of above bonds are 3.09% and 3.23% per annum respectively.

(ii) At 31 December 2016, the balances represented unsecured ultra-short-term financing instruments with coupon rates of 2.76% to 2.80% per annum (2015: 3.20% to 3.29%).

25 OBLIGATIONS UNDER FINANCE LEASES

The Group had obligations under finance leases repayable as follows:

	2016		2015	
	Present value of the minimum lease payments *RMB'000*	**Total minimum lease prepayments** *RMB'000*	Present value of the minimum lease payments *RMB'000*	Total minimum lease prepayments *RMB'000*
Within 1 year	**25,261**	**37,583**	52,855	75,829
After 1 year but within 2 years	**25,530**	**36,666**	54,193	74,519
After 2 years but within 5 years	**78,318**	**104,508**	171,298	215,939
After 5 years	**148,058**	**167,813**	228,572	265,269
	251,906	**308,987**	454,063	555,727
	277,167	**346,570**	506,918	631,556
Less: total future interest expenses		**(69,403)**		(124,638)
Present value of finance lease obligations		**277,167**		506,918

At inception, the lease periods of the above finance lease obligations are approximately 10–12 years.

26 TRADE CREDITORS AND BILLS PAYABLE

	2016 **RMB'000**	2015 RMB'000
Trade creditors to third parties	**279,661**	363,098
Bills payable to third parties	**512,382**	1,870,575
Amounts due to related parties	**400,251**	67,537
Bills payable to related parties	**376,746**	226,580
	1,569,040	2,527,790

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

	2016 **RMB'000**	2015 RMB'000
Due within 3 months or on demand	**998,562**	1,078,816
Due after 3 months but within 6 months	**369,376**	988,847
Due after 6 months but within 1 year	**201,102**	460,127
	1,569,040	2,527,790

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

27 OTHER PAYABLES

	2016 RMB'000	2015 RMB'000 (Restated)
Payables for acquisition of property, plant and equipment and intangible assets	**6,697,994**	7,953,748
Provision for Mianhuatan resettlement compensation *(note (i))*	**40,000**	40,000
Retention payable *(note (ii))*	**1,011,514**	1,114,099
Dividends payable	**103,770**	140,284
Payable for acquisition of subsidiaries	**14,504**	21,923
Payables for staff related costs	**59,551**	64,537
Payables for other taxes	**210,551**	199,977
Interest payable	**262,171**	220,797
Amounts due to the fellow subsidiaries *(note (iii))*	**417,028**	1,187,532
Amounts due to the associates *(note (iii))*	**773,796**	847,251
Amounts due to Huadian *(note (iii))*	**12,000**	12,000
Other accruals and payables	**310,048**	347,075
	9,912,927	12,149,223

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 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 principle and paid to the local government additional compensations of RMB15 million, RMB15 million and RMB360 million in 2009, 2010 and 2011, respectively, totaling RMB390 million. In addition, the management of Mianhuatan Hydropower has recognised an additional provision of RMB40 million for this dispute during the year ended 31 December 2011. The total amounts of RMB430 million have been capitalised in the property, plant and equipment. 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 is 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 payment.

Except for the retention payable, all of the other payables are expected to be settled within one year or are repayable on demand.

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Tax payable/(recoverable) in the consolidated statement of financial position represents:

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Net tax payable at 1 January	**169,695**	310,586
Provision for the year *(note 8(a))*	**506,829**	427,321
(Over)/under provision in respect of prior years *(note 8(a))*	**(2,996)**	11,737
Income tax paid	**(461,562)**	(579,949)
Net tax payable at 31 December	**211,966**	169,695
Representing:		
Tax payable	**250,071**	195,902
Tax recoverable	**(38,105)**	(26,207)
	211,966	169,695

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Tax losses	Revaluation deficit	Provision for impairment of assets	Trial run revenue	Deferred income	Expenses deductible on payment basis	Revaluation surplus	Depreciation of property plant and equipment	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	4,749	58,993	39,423	140,019	50,576	11,932	(292,974)	(549,023)	20,084	(516,221)
(Charged)/credited to profit or loss *(note 8(a))*	16,444	(4,166)	(123)	52,405	497	4,326	9,094	(33,728)	(11,458)	33,291
Exchange difference	–	–	–	–	–	–	–	–	(63)	(63)
At 31 December 2015	21,193	54,827	39,300	192,424	51,073	16,258	(283,880)	(582,751)	8,563	(482,993)
At 1 January 2016	21,193	54,827	39,300	192,424	51,073	16,258	(283,880)	(582,751)	8,563	(482,993)
(Charged)/credited to profit or loss *(note 8(a))*	(4,703)	(3,759)	(19,853)	27,271	(3,014)	1,272	9,071	(34,257)	(1,713)	(29,685)
Exchange difference	–	–	–	–	–	–	–	–	37	37
At 31 December 2016	16,490	51,068	19,447	219,695	48,059	17,530	(274,809)	(617,008)	6,887	(512,641)

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised: (Continued)

Reconciliation to the consolidated statement of financial position

	2016 RMB'000	2015 RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	**364,754**	359,219
Net deferred tax liability recognised in the consolidated statement of financial position	**(877,395)**	(842,212)
	(512,641)	(482,993)

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 2(s), the Group has not recognised deferred tax assets in respect of unused tax losses of RMB2,163,586,000 as at 31 December 2016 (31 December 2015: RMB1,184,914,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities. For the unused tax losses as at 31 December 2016, RMB171,182,000, RMB301,823,000, RMB143,255,000, RMB487,060,000 and RMB1,060,266,000, if unused, will expire at the end of year 2017, 2018, 2019, 2020 and 2021, respectively.

(d) Deferred tax liability not recognised:

At 31 December 2016, taxable temporary differences relating to undistributed profits and PRC statutory surplus reserve of subsidiaries, associates and joint ventures amounted to RMB5,123,557,000 (31 December 2015: RMB4,428,443,000). No deferred tax liability was recognised in respect of these taxable temporary differences as dividends from subsidiaries, associates and joint ventures are not subject to PRC income tax and the Group has no plan to dispose these investments in the foreseeable future.

29 DEFERRED INCOME

	RMB'000
At 1 January 2015	398,117
Additions	76,348
Credited to profit or loss	(31,386)
At 31 December 2015	443,079
Less: current portion of deferred income	(30,830)
	412,249
At 1 January 2016	**443,079**
Additions	**104,950**
Credited to profit or loss	**(42,039)**
At 31 December 2016	**505,990**
Less: current portion of deferred income	**(40,447)**
	465,543

Deferred income mainly represents subsidies relating to the construction of property, plant and equipment and deferred differences arising from the sales and leaseback arrangement resulting in finance lease, which would be recognised as income or an adjustment to the depreciation of the asset on a straight-line basis over the expected useful life of the relevant assets.

30 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Capital RMB'000	Capital reserve RMB'000	Reserve fund RMB'000	Retained earnings RMB'000	Perpetual medium-term notes RMB'000	Total equity RMB'000
Balance at 1 January 2015	8,407,962	2,367,423	203,212	873,891	–	11,852,488
Changes in equity for 2015:						
Profit and total comprehensive income for the year	–	–	–	1,641,251	80,819	1,722,070
Issuance of perpetual medium-term notes, net of issuing expense *(note 31)*	–	–	–	–	1,994,000	1,994,000
Dividends approved in respect of the previous year *(note 30(b))*	–	–	–	(365,746)	–	(365,746)
Distribution for perpetual medium-term notes	–	–	–	–	(80,819)	(80,819)
Transfer to reserve fund	–	–	206,914	(206,914)	–	–
Balance at 31 December 2015 and 1 January 2016	8,407,962	2,367,423	410,126	1,942,482	1,994,000	15,121,993
Changes in equity for 2016:						
Profit and total comprehensive income for the year	**–**	**–**	**–**	**1,857,890**	**115,000**	**1,972,890**
Dividends approved in respect of the previous year *(note 30(b))*	**–**	**–**	**–**	**(338,841)**	**–**	**(338,841)**
Distribution for perpetual medium-term notes	**–**	**–**	**–**	**–**	**(115,000)**	**(115,000)**
Transfer to reserve fund	**–**	**–**	**220,427**	**(220,427)**	**–**	**–**
Balance at 31 December 2016	**8,407,962**	**2,367,423**	**630,553**	**3,241,104**	**1,994,000**	**16,641,042**

30 CAPITAL AND RESERVES (CONTINUED)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2016 RMB'000	2015 RMB'000
Final dividend proposed after the end of the reporting period of RMB0.0510 per share (2015: RMB0.0403 per share)	**428,806**	338,841

The Board resolved on 24 March 2017 that RMB0.0510 per share is to be distributed to the shareholders for 2016, subject to approval of the shareholders at the coming Annual General Meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2016 RMB'000	2015 RMB'000
Final dividend in respect of the previous year approved and paid during the year of RMB0.0403 per share (2015: RMB0.0435 per share)	**338,841**	365,746

(c) Share capital

	2016 RMB'000	2015 RMB'000
Ordinary shares, issued and fully paid		
5,837,738,400 domestic state-owned ordinary shares of RMB1.00 each	**5,837,738**	5,837,738
2,570,223,120 (2015: 2,570,223,120) H shares of RMB1.00 each	**2,570,224**	2,570,224
	8,407,962	8,407,962

30 CAPITAL AND RESERVES (CONTINUED)

In June and July 2012, the Company issued an aggregation of 1,622,616,000 H shares after exercise of overallotment option with a nominal value of RMB1.00 each, at a price of HK$1.65 per H share by way of an initial public offering (the "IPO") to Hong Kong and overseas investors. In connection with the IPO, 162,261,600 domestic state-owned shares of RMB1.00 each owned by Huadian, China Power Engineering Consulting Group Technology Development Co., Ltd. ("CPECG"), Kunlun Trust Co., Ltd. ("Kunlun Trust"), Guizhou Wujiang Hydropower Development Co., Ltd. ("Wujiang Hydropower"), China Huadian Engineering (Group) Co., Ltd. ("Huadian Engineering"), Industrial Innovation Capital Management Co., Ltd. ("Xingzheng Capital") and Fujian Datong Chuangye Capital Co., Ltd. ("Datong Capital") were converted into H shares on a one-for-one basis and transferred to the National Council for Social Security Fund of the PRC (the "NSSF").

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$1,155,617,000 (equivalent to RMB908,605,000).

On 3 December 2014, the Company issued 428,370,000 H shares with a par value of RMB1.00, at the placing price of HK$4.01 per H share. The net proceeds from the placing after deduction of issuing expenses amount to approximately HK$1,687,703,000 (equivalent to RMB1,335,732,000).

After the issuances of shares upon placing, 8,407,962,000 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.

(d) Nature and purpose of reserves

(i) Capital reserve

Capital reserve includes share premium and other capital reserve.

Share premium represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received from the IPO in 2012 and the placing of new H shares in 2014.

Other capital reserve mainly represents the difference between the total amount of the nominal value of shares issued and the amount of the net assets injected by the equity shareholders before the IPO in 2012.

30 CAPITAL AND RESERVES (CONTINUED)

(d) Nature and purpose of reserves (Continued)

(ii) Statutory surplus reserve

According to the Company's Article of Association, the Company is required to transfer 10% of its net profit to its statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the Company and is non-distributable other than in liquidation.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of oversea operations that have functional currency other than the RMB. The reserve is dealt with in accordance with the accounting policies set out in note 2(v).

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the end of the reporting period and is dealt with in accordance with the accounting policies in notes 2(f) and 2(l)(i).

(e) Distributability of reserves

At 31 December 2016, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB3,249,441,000 (31 December 2015: RMB1,942,482,000). After the end of the reporting period the directors proposed a final dividend of RMB5.10 cents per ordinary share (2015: RMB4.03 cents) amounting to RMB428,806,000 (2015: RMB338,841,000) (note 30(b)). This dividend has not been recognised as a liability at the end of the reporting period.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated by dividing total liabilities by total assets. The liability-to-asset ratios of the Group as at 31 December 2016 are 78% (31 December 2015: 78%).

There were no changes in the Group's approach to capital management compared with previous years. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

31 PERPETUAL MEDIUM-TERM NOTES

On 21 April 2015, the Company issued the first tranche of 2015 perpetual medium-term notes with total amount of RMB2,000,000,000. The perpetual medium-term notes are issued at par value with initial distribution rate of 5.75%. The perpetual medium-term notes were recorded as equity in the Group's financial statements, after netting off related issuance costs of approximately RMB6,000,000.

Interests of the perpetual medium-term notes are recorded as distributions, which is paid annually in arrears on 23 April in each year ("Distribution Payment Date") and may be deferred at the discretion of the Company unless compulsory distribution payment events (including distributions to ordinary shareholders of the Company or reduction of the registered capital of the Company) has occurred.

The perpetual medium-term notes have no fixed maturity date and are callable at the Company's option in whole on 23 April 2020 ("First Call Date") or any Distribution Payment Date falling after the First Call Date at their principal amounts together with any accrued, unpaid or deferred distributions. The applicable distribution rate will reset, on First Call Date and every five years after the First Call Date, to the sum of the applicable benchmark interest rate, the initial spread and 300 basis points per annum.

During the year ended 31 December 2016, the profit attributable to holders of perpetual medium-term notes, based on the applicable distribution rate, was RMB115,000,000 (2015: RMB80,819,000).

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate, currency risks and equity price risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, trade debtors and bills receivable, prepayments and other current assets, and other financial assets.

Substantially all of the Group's cash and cash equivalents as at 31 December 2016 and 2015 are deposited in the stated owned/controlled PRC banks, which the directors assessed the credit risk to be insignificant.

The receivables from sales of electricity mainly represent receivables from the provincial power grid companies. The Group has no significant credit risk with any of these power grid companies as the Company and its subsidiaries maintain long-term and stable business relationships with these companies. The receivables from the provincial power grid companies accounted for 93% of total trade debtor and bills receivable as at 31 December 2016 (31 December 2015: 90% (restated)). For other trade debtors and other receivables, the Group performs an ongoing individual credit evaluation of its customers' and counterparties' financial conditions. The allowance for doubtful debts has been made in the financial statements.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

The Group provided financial guarantees to related parties. Except for the financial guarantees extended by the Group as set out in note 34(a), the Group did not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 34(a).

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors and bills receivable, and prepayments and other current assets are set out in notes 20 and 21.

(b) Liquidity risk

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year.

The Company is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. As at 31 December 2016, the Group has unutilised banking facilities of RMB23,556,159,000. The Group manages the proportion of its current liabilities with respect to the total liabilities to mitigate the liquidity risk. The directors have determined that adequate liquidity exists to finance the future working capital and expenditure requirements of the Group.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2016					
	Carrying amount	**Contractual cash flows**	**1 year or less**	**1–2 years**	**2–5 years**	**More than 5 years**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Long-term borrowings *(note 24(a))*	**57,757,266**	**71,602,468**	**8,220,443**	**8,503,270**	**27,172,414**	**27,706,341**
Short-term borrowings *(note 24(b))*	**8,764,295**	**8,978,612**	**8,978,612**	**–**	**–**	**–**
Obligations under finance leases *(note 25)*	**277,167**	**346,570**	**37,583**	**36,666**	**104,508**	**167,813**
Trade creditors and bills payable *(note 26)*	**1,569,040**	**1,569,040**	**1,569,040**	**–**	**–**	**–**
Other payables *(note 27)*	**9,912,927**	**9,912,927**	**9,912,927**	**–**	**–**	**–**
	78,280,695	**92,409,617**	**28,718,605**	**8,539,936**	**27,276,922**	**27,874,154**

	2015					
	Carrying amount	Contractual cash flows	1 year or less	1–2 years	2–5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Long-term borrowings *(note 24(a))*	52,081,561	66,453,220	7,240,684	8,711,103	24,208,427	26,293,006
Short-term borrowings *(note 24(b))*	8,393,758	8,585,269	8,585,269	–	–	–
Obligations under finance leases *(note 25)*	506,918	631,556	75,829	74,519	215,939	265,269
Trade creditors and bills payable *(note 26)*	2,527,790	2,527,790	2,527,790	–	–	–
Other payables (restated) *(note 27)*	12,149,223	12,149,223	12,149,223	–	–	–
	75,659,250	90,347,058	30,578,795	8,785,622	24,424,366	26,558,275

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group regularly reviews and monitors the mix of fixed and variable rate borrowings in order to manage its interest rate risks. During the years ended 31 December 2016 and 2015, however, the management of the Group did not consider it necessary to use interest rate swaps to hedge their exposure to interest risk.

The following table details the profile of the Group's net borrowings (interest-bearing financial liabilities less interest-bearing financial assets) at the end of the reporting period. The interest rate and maturity information of the Group's borrowings are disclosed in note 24.

	2016 ***RMB'000***	2015 *RMB'000* *(Restated)*
Fixed rate borrowings:		
Borrowings *(note 24)*	**15,580,849**	11,126,499
Obligations under finance leases *(note 25)*	**96,662**	102,816
	15,677,511	11,229,315
Variable rate borrowings:		
Borrowings *(note 24)*	**50,940,712**	49,348,820
Obligations under finance leases *(note 25)*	**180,505**	404,102
Less: Deposits with banks and a fellow subsidiary (including restricted deposits)	**(2,954,089)**	(2,453,026)
	48,167,128	47,299,896
Total net borrowings	**63,844,639**	58,529,211

At 31 December 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates with all other variables held constant, would have decreased/increased the Group's profit after tax and the total equity by approximately RMB329,248,000 (2015: RMB305,084,000 (restated)).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at the end of the reporting period.

The estimated 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual end of the reporting period. The sensitivity analysis is performed on the same basis for the years of 2016 and 2015.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk

The Group is exposed to currency risk primarily through the business which give rise to receivables, borrowings and cash balances that are denominated in a foreign currency other than RMB. The currencies giving rise to this risk are primarily Euros, United States dollars and Hong Kong dollars.

(i) Recognised assets and liabilities

Except for the operation in Spain, all of the other revenue-generating operations of the Group are transacted in RMB. In addition, the Group has certain borrowings that are denominated in United States dollars ("US$") and Euros. The directors considered that the Group's exposure to foreign currency risk is insignificant.

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands and the Group may not be able to pay dividends in foreign currencies to its shareholders.

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than RMB to which they relate. For presentation purpose, the amounts of the exposure are shown in RMB, translated using the spot rate at the end of the reporting period.

	2016			2015		
	US$	**EUR**	**HK$**	US$	EUR	HK$
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	**6**	**71,018**	**32,935**	8	53,344	48,822
Long-term borrowings	**(165,585)**	**–**	**–**	(326,955)	(255,427)	–
Short-term borrowings	**–**	**(263,045)**	**(348,859)**	–	–	(326,734)
Net exposure	**(165,579)**	**(192,027)**	**(315,924)**	(326,947)	(202,083)	(277,912)

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (Continued)

(ii) Exposure to currency risk (Continued)

The followings are US$, EUR and HK$ exchange rates to RMB during the year ended 31 December 2016 and 2015:

	Average rate		**Reporting date spot rate**	
	2016	2015	**2016**	2015
US$	**6.6406**	6.2307	**6.9370**	6.4936
EUR	**7.3228**	6.9460	**7.3068**	7.0952
HK$	**0.8557**	0.8038	**0.8945**	0.8378

A 5% strengthening of RMB against the following currencies as at 31 December 2016 and 2015 would have increased/(decreased) the Group's profit after tax and the total equity by the amounts shown below.

	2016 *RMB'000*	2015 *RMB'000*
US$	**6,209**	12,261
EUR	**7,201**	7,578
HK$	**11,847**	10,422
	25,257	30,261

A 5% weakening of RMB against the above currencies as at 31 December 2016 and 2015 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual end of the reporting period. The analysis is performed on the same basis for the years of 2016 and 2015.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale equity securities (note 18). The Group's listed investments are listed on HKSE. Listed investment held in the available-for-sale portfolio has been chosen based on its longer term growth potential and are monitored regularly for performance against expectations.

Unlisted investments held in the available-for-sale portfolio are held for long term purpose. Their performance is assessed at least annually based on the information available to the Group, together with an assessment of their relevance to the Group's long-term strategic plans.

The directors considered that the Group's exposure to equity price risk is insignificant.

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, "Fair value measurement". 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 31 December 2016 and 31 December 2015, the financial instruments of the Group carried at fair value were available-for-sale equity securities. These instruments fall into Level 1 of the fair value hierarchy described above.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(f) Fair value measurement (Continued)

(ii) Financial assets and liabilities measured at fair value

		Fair value measurements as at 31 December 2016 categorised into		
	Fair value at 31 December 2016	**Quoted prices in active market for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Recurring fair value measurement				
Financial assets:				
Available-for-sale equity securities:				
– Listed	**300,856**	**300,856**	**–**	**–**

		Fair value measurements as at 31 December 2015 categorised into:		
	Fair value at 31 December 2015	**Quoted prices in active market for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets:				
Available-for-sale equity securities:				
– Listed	334,864	334,864	–	–

(iii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2016 and 2015.

As at 31 December 2016, the investments in unquoted equity securities (see note 18) 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.

33 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2016 and 2015 not provided for in the financial statements were as follows:

	2016	2015
	RMB'000	*RMB'000*
Contracted for	**7,367,849**	5,169,626
Authorised but not contracted for	**23,161,788**	17,953,832
	30,529,637	23,123,458

(b) At 31 December 2016 and 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 1 year	**61,572**	63,125
After 1 year but within 5 years	**172,512**	184,242
More than 5 years	**152,149**	206,227
	386,233	453,594

The Group leases certain buildings through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals.

34 CONTINGENT LIABILITIES

(a) Financial guarantees issued

The Group issued following financial guarantees to banks in respect of the bank loans granted to an associate:

	2016 **RMB'000**	2015 *RMB'000*
Financial guarantees to banks for:		
– An associate	**19,708**	25,374
	19,708	25,374

As at 31 December 2016, the directors do not consider it probable that a claim will be made against the Group under any of the guarantees.

(b) Contingent liability in respect of taxes on CDM 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 liability in respect of the resettlement compensation for Mianhuatan Hydropower

As set out in note 27(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. Mianhuantan 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.

35 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:

	2016	2015
	RMB'000	*RMB'000*
Purchase of power generation quota from		
A fellow subsidiary	**36,034**	42,160
Purchase of coal shipping service from		
Fellow subsidiaries	**45,113**	116,484
An associate	**6,671**	10,239
Purchase of construction service and construction materials from		
Fellow subsidiaries	**1,129,515**	1,286,834
An associate	**657,462**	1,478,588
Office rental and property management service provided by		
Fellow subsidiaries	**29,208**	25,359
Sale of goods and providing service to		
Fellow subsidiaries	**97,641**	679
Associates	**72,449**	159,262
Purchases of coal from		
Fellow subsidiaries	**927,801**	1,009,518
Huadian	**3,101**	–
Release of loan guarantees issued for		
An associate	**5,666**	5,504

35 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

	2016 **RMB'000**	2015 RMB'000
Release of loan guarantees issued by		
Huadian	**379,000**	394,300
Loans received from/(repaid to)		
Fellow subsidiaries	**581,594**	(413,948)
Net deposit change in		
Huadian Finance	**769,952**	(908,803)
Interest expenses		
Fellow subsidiaries	**40,271**	45,510
Huadian	**189,862**	193,177
An associate	**79**	–
Interest income		
Huadian Finance	**22,481**	15,972
Associates	**6,019**	1,568
Purchase of unquoted equity investment from		
Huadian	**–**	1,115,857
Acquisition of business from		
Huadian	**9,800**	–
Increase investment in		
A fellow subsidiary	**–**	120,215

(b) Outstanding balances and exposure with related parties

Details of the outstanding balances with related parties are set out in notes 18, 20, 21, 23, 24, 26, 27 and 34(a).

35 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(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 "government-related entities").

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

For the year ended 31 December 2016, revenue from the sales of electricity made to the provincial power grid companies which are government-related entities accounted for 93% of total revenue from the sales of electricity (2015: 92% (restated)). As at 31 December 2016, the trade debtors and bills receivable due from these power grid companies accounted for 93% of total trade and bills receivable (31 December 2015: 90% (restated)).

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

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

35 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, including amounts paid to the Company's directors and supervisors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Salaries and other emoluments	**3,471**	3,550
Discretionary bonus	**2,891**	2,903
Retirement scheme contributions	**795**	663
	7,157	7,116

(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 31 December 2016 and 2015, there was no material outstanding contribution to post-employment benefit plans.

(f) Commitment with related parties

	At 31 December 2016	At 31 December 2015
	RMB'000	*RMB'000*
Capital commitment	**881,232**	780,264
Commitment for office rental and property management fee	**22,173**	44,347

35 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(g) Applicability of the Listing Rules relating to connected transactions

The related party transactions with Huadian and its subsidiaries in respect of the sales and purchase of goods, providing and receiving service, borrowing loans, and purchase of interest in associate, as disclosed in note 35(a), constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Connected transactions" of the Director's Report of the Group for the year ended 31 December 2016.

36 RETIREMENT PLANS

The Group is required to make contributions to retirement plans operated by the government at range from 14% to 22% of the total staff salaries. A member of the plan is entitled to receive from the government a pension equal to a fixed proportion of his or her salary prevailing at the retirement date. In addition, the Group and its staff participate in a retirement plan managed by Huadian to supplement the above mentioned plan. The Group has no other material obligation to make payments in respect of pension benefits associated with these plans other than the annual contributions described above.

37 BUSINESS COMBINATION UNDER COMMON CONTROL

On 30 April 2016, Yunnan Huadian Fuxin Lijiang Wind Power Company Limited, the Company's subsidiary, acquired Ninglang wind power branch ("Ninglang Wind Power") of Yunnan Nujiang Hydropower Company Limited ("Nujiang Hydropower") from Nujiang Hydropower, a subsidiary of Huadian, at a cash consideration of RMB8,800,000. On 30 September 2016, the Company acquired Mengyin Dongda New Energy Company Limited ("Dongda New Energy") from Nanjing Guodian Nanzi New Energy Engineering Technology Company Limited ("Nanzi Engineering Technology"), a subsidiary of Huadian at a cash consideration of RMB1,000,000.

As the Company, Ninglang Wind Power and Nanzi Engineering Technology are under common control of Huadian, the acquisitions are determined as business combinations under common control. Assets and liabilities of Ninglang Wind Power and Nanzi Engineering Technology were recognised at the carrying amounts recognised previously in Huadian's consolidated financial statements. The consolidated financial statements of the Group have been restated as if the combinations had occurred at the beginning of the periods presented.

37 BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

The consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	At the acquisition date	
	Ninglang Wind Power	**Dongda New Energy**
	RMB'000	*RMB'000*
Consideration, fully paid in 2016	8,800	1,000

Recognised amounts of assets acquired and liabilities assumed:

	At the acquisition date	
	Ninglang Wind Power	**Dongda New Energy**
	RMB'000	*RMB'000*
Property, plant and equipment	383,997	229,434
Trade debtors and bills receivable	31,360	1,578
Prepayments and other current assets	7,489	24,831
Cash and cash equivalents	39,721	4,992
Trade creditors and bills payables	(363)	–
Other payables	(447,760)	(260,294)
Total identifiable net assets	14,444	541

37 BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

Details of the restatement of the Group's consolidated financial statements due to the business combination under common control:

	The Group (as previously reported) *RMB'000*	Ninglang Wind Power *RMB'000*	Dongda New Energy *RMB'000*	The Group (as restated) *RMB'000*
Consolidated statement of profit or loss and other comprehensive income items for the year ended 31 December 2015:				
Operating profit	4,764,725	21,269	–	4,785,994
Profit for the year	2,217,719	1,782	–	2,219,501
Profit attributable to:				
– Equity shareholders of the Company and the holders of perpetual medium-term notes	1,901,528	1,782	–	1,903,310
– Non-controlling interests	316,191	–	–	316,191
Basic and diluted earnings per share *(RMB cents)*	21.65	0.03	–	21.68
Other comprehensive income for the period	26,642	–	–	26,642
Total comprehensive income for the period	2,244,361	1,782	–	2,246,143
Attributable to:				
– Equity shareholders of the Company and the holders of perpetual medium-term notes	1,928,170	1,782	–	1,929,952
– Non-controlling interests	316,191	–	–	316,191
Consolidated financial position as at 31 December 2015:				
Non-current assets	89,356,188	430,827	253,571	90,040,586
Current assets	8,189,109	52,945	8,023	8,250,077
Current liabilities	(27,122,100)	(477,133)	(260,594)	(27,859,827)
Non-current liabilities	(49,280,616)	–	–	(49,280,616)
Total equity attributable to shareholders of the Company and the holders of perpetual medium-term notes	18,469,845	6,639	1,000	18,477,484
Non-controlling interests	2,672,736	–	–	2,672,736

38 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Non-current assets		
Property, plant and equipment	**1,726,403**	1,568,134
Lease prepayments	**94,250**	78,191
Intangible assets	**15,917**	8,827
Investments in subsidiaries	**18,875,620**	16,168,279
Interest in associates and joint ventures	**6,081,546**	5,640,050
Other non-current assets	**2,422,264**	1,176,293
Total non-current assets	**29,216,000**	24,639,774
Current assets		
Inventories	**349**	1,033
Trade debtors and bills receivable	**146,718**	142,200
Prepayments and other current assets	**1,312,096**	1,392,174
Restricted deposits	**3,852**	54,846
Cash and cash equivalents	**485,004**	148,656
Total current assets	**1,948,019**	1,738,909
Current liabilities		
Borrowings	**6,481,564**	6,643,371
Trade creditors and bills payable	**9,368**	5,608
Other payables	**513,941**	891,703
Deferred income	**35**	35
Total current liabilities	**7,004,908**	7,540,717
Net current liabilities	**(5,056,889)**	(5,801,808)
Total assets less current liabilities	**24,159,111**	18,837,966

38 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	31 December 2016 RMB'000	31 December 2015 RMB'000
Non-current liabilities		
Borrowings	**7,516,307**	3,714,176
Deferred income	**1,762**	1,797
Total non-current liabilities	**7,518,069**	3,715,973
NET ASSETS	**16,641,042**	15,121,993
CAPITAL AND RESERVES		
Share capital	**8,407,962**	8,407,962
Reserves	**6,239,080**	4,720,031
Perpetual medium-term notes	**1,994,000**	1,994,000
TOTAL EQUITY	**16,641,042**	15,121,993

Approved and authorised for issue by the board of directors on 24 March 2017.

FANG Zheng
Chairman

LI Lixin
Director

39 CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those polices and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 2. The Group believes the following critical accounting policies involve the most significant judgments and estimates used in the preparation of the financial statements.

(a) Impairment losses for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Group bases the estimates on the ageing of the receivable balance, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would by higher than estimated.

(b) Impairment losses of non-current assets

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, lease prepayments and intangible assets, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flow generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

(c) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgment exercised by the directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

39 CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

(d) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(e) Income tax

The Group files income taxes with a number of tax authorities. Judgment is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determinations are uncertain during the ordinary course of business. Where the final tax outcomes of these matters are different from the amounts originally recorded, the differences may impact the current income tax and deferred income tax provisions in the periods in which the final tax outcomes became available.

(f) Provision for guarantees

Provision for outstanding guarantees is recognised if it becomes probable that the holders of these guarantees will call upon the Group under the guarantees and the amount of that claim on the Group is expected to exceed the amount currently carried in payables in respect of the guarantee. The Group reviews the financial position of these guarantee holders regularly and estimates the amount to claim on the Group based on historical experience. If the financial position of these guarantee holders were to deteriorate, actual provisions would be higher than estimated.

40 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2016, the directors consider the immediate parent and ultimate controlling party of the Group to be Huadian, which is a state-owned enterprise established in the PRC. Huadian does not produce financial statements available for public use.

(Expressed in RMB unless otherwise indicated)

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to IAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to IFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
IFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

IFRS 16, Leases

As disclosed in note 2(k), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

IFRS 16, Leases (Continued)

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 33(b), at 31 December 2016 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB386,233,000, the majority of which is payable after the reporting date in more than 1 year. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

42 SUBSEQUENT EVENTS

On 24 March 2017, the Board of the Company proposed a final dividend. Further details are disclosed in note 30(b).

Definition and Glossary of Technical Terms

"Articles of Association"	the articles of association of the Company
"Group"	Huadian Fuxin Energy Corporation Limited and its subsidiaries
"Company", "we" or "us"	Huadian Fuxin Energy Corporation Limited
"Board"	the board of Directors of the Company
"Directors"	the director(s) of the Company
"Supervisors"	the supervisor(s) 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
"average utilization time"	the gross generation in 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
"CDM"	the Clean Development Mechanism, an arrangement under the Kyoto Protocol allowing industrialized countries to invest in projects that reduce greenhouse gas emissions in developing countries in order to earn emission credits
"Thirteenth Five-Year Plan"	"Thirteenth Five-Year Plan" with the full name being the Outline of the Thirteenth Five-Year Plan for National Economic and Social Development of the People's Republic of China, and the term of the "Thirteenth Five-Year Plan" starts in 2016 and ends in 2020
"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
"Corporate Governance Code and Report"	the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"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
"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 Engineering"	China Huadian Engineering Co., Ltd. (中國華電科工集團有限公司), a subsidiary of Huadian
"Huadian Finance"	China Huadian Finance Co., Ltd. (中國華電集團財務有限公司), a subsidiary of Huadian
"Huadian Group"	Huadian and its subsidiaries (excluding the Company and its subsidiaries)
"Fuqing Nuclear"	Fujian Fuqing Nuclear Power Company Limited
"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 People's Republic of China
"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)
"PRC" or "China"	the People's Republic of China
"Party"	the Communist Party of China
"Reporting Period"	the period from the 1 January 2016 to 31 December 2016
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

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

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

HEAD OFFICE IN THE PRC

919, Building B,
Huadian Plaza,
No. 2 Xuanwumennei Road,
Xicheng District,
Beijing, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

MEMBERS OF THE BOARD

Executive Directors

Mr. Fang Zheng *(Chairman of the Board)*
Mr. Shu Fuping
Mr. Li Lixin

Non-executive Directors

Mr. Tao Yunpeng
Mr. Chen Haibin
Mr. Li Yinan

Independent non-executive Directors

Mr. Zhang Bai
Mr. Tao Zhigang
Mr. Wu Yiqiang

COMMITTEES OF THE BOARD

Audit and Risk Management Committee

Mr. Zhang Bai *(Independent Non-executive Director) (Chairman)*
Mr. Tao Zhigang *(Independent Non-executive Director)*
Mr. Li Yinan *(Non-executive Director)*

Nomination Committee

Mr. Wu Yiqiang *(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. Wu Yiqiang *(Independent Non-executive Director) (Chairman)*
Mr. Zhang Bai *(Independent Non-executive Director)*
Mr. Shu Fuping *(Executive Director)*

Strategic Committee

Mr. Fang Zheng *(Executive Director and Chairman of the Board) (Chairman)*
Mr. Chen Haibin *(Non-executive Director)*

SUPERVISORS

Mr. Li Changxu
Mr. Wang Kun
Mr. Hou Jiawei
Ms. Hu Xiaohong
Mr. Yan Zhongjun
Mr. Chen Wenxin
Ms. Ding Ruiling
Mr. Guo Xiaoping

COMPANY SECRETARY

Ms. Mok Ming Wai

LEGAL REPRESENTATIVE OF THE COMPANY

Mr. Fang Zheng

AUTHORIZED REPRESENTATIVES

Mr. Fang Zheng
Ms. Mok Ming Wai

AUDITOR

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

LEGAL ADVISORS

As to Hong Kong law

Herbert Smith Freehills
23rd Floor, Gloucester Tower,
15 Queen's Road Central,
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

STOCK CODE

00816