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

2017
ANNUAL REPORT

Contents

Chairman - Huang Shaoxiong

Dear Shareholders,

In the past year, Huadian Fuxin earnestly practiced the new development philosophy in all respects. Taking development and upgrading as its main task with a primary focus on efficiency improvement, the Company further promoted capital operation and professional management, increased its efforts in quality and efficiency enhancement, deepened reform and innovation and reinforced safety and environmental protection. Thanks to these efforts, the Company advanced steadily with positive results achieved in every area of work. As of the end of 2017, its consolidated installed capacity in operation amounted to 15,540.2 MW, of which 76.8% attributable to clean energy; total consolidated assets amounted to RMB107,240 million, up 3.8% year on year; the owners' equity was RMB26,470 million, up 15.1% year on year; profit attributable to shareholders was RMB2,117 million, up 2.3% year on year; and operating revenue reached RMB16,810 million, up 5.1% year on year. In particular, the wind and solar power business, which has always been the Company's focused area of development, recorded an increase of 102.3% in profit, making it a huge profit contributor and demonstrating its tremendous advantages and potentials.

The principal contradiction facing Chinese society has now evolved into one between the people's ever-growing needs for a better life and unbalanced and inadequate development. The Company will act in response to the evolution of the principal contradiction in Chinese society and give top priority to quality and efficiency. In this regard, it will give full play to its professional capability and strengths in developing clean energy business, maintain its strategic composure and development direction, strive for quality and efficiency enhancement and continue to improve its investment and financing capability. Furthermore, it will consistently enhance its vitality, control, influence, international competitiveness and risk-resistance capability and strive to build itself into an internationally leading listed clean energy company featuring low carbon, safety and high efficiency.

2018 will be a crucial year for Huadian Fuxin to adapt to the economic development trends in the new era, focus on its goal of becoming a leading listed clean energy company in the world and advance towards higher-quality development. Following the guidance of Xi Jinping thought on Socialism with Chinese characteristics for a new era, Huadian Fuxin will capitalize on the opportunities brought about by the 19th CPC National Congress, focus on innovation in management and development and constantly upgrade existing assets and strengthen incremental assets. In a word, Huadian Fuxin will spare no effort to elevate its development, operation and management, deliver better returns to shareholders and contribute more to the building of ecological civilization and a beautiful China.

Last but not least, on behalf of the Board, I would like to extend my sincere gratitude to all shareholders, people and friends from all walks of life for their trust and support!

Chairman
Huang Shaoxiong

General Manager's Statement

Wu Jianchun - General Manager

Dear Shareholders,

In 2017, the Group was confronted with multiple difficulties and challenges such as mounting downward pressure on China's economy, overcapacity in the power generation sector, continuous decline in utilization hours of power generation facilities and surging coal price. However, under the strong leadership of the Board of Directors of the Company, the Group rose up to the challenges and took the initiatives to speed up business transformation and development and emphasize efficiency improvement, thereby maintaining good momentum in business operation and development. It focused on business transformation and upgrading, optimized and earnestly implemented its development plans for the "13th Five-Year" period. During the year, the Group obtained approval for an aggregate capacity of 2,176 MW, all of which was for new energy projects including the 300 MW offshore wind power farm in Fuqing Haitan Strait, the 300 MW Huadian Yuhuan No. 1 (華電玉環1號) offshore wind power project, the 1,200 MW gas turbine project in Zengcheng, Guangzhou and other clean energy projects in central and southeastern regions, laying a solid foundation for the green development of the Group. Thanks to its efforts in putting new projects into operation and promoting the progress and quality of project construction, the Group added 567.9 MW to the consolidated installed capacity of its clean energy business in the year, mainly including the wind and solar power projects with good economic benefits in central and southeastern regions without grid curtailment. In respect of quality and efficiency enhancement, the Group strove for revenue expansion and cost reduction in an all-round way and strictly monitored coal and gas prices and five kinds of expenses. As a result, the Group recorded a total profit of RMB2,808 million for the year with return on net assets exceeding 10%.

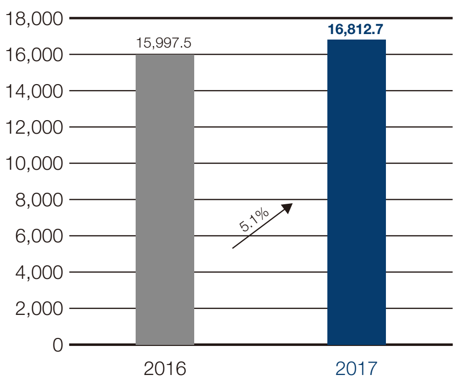
2018 is the outset year for full implementation of the guiding principles from the 19th CPC National Congress and a crucial year for pushing ahead with the "13th Five-Year Plan". In line with the state's energy development policies and power development plans, Huadian Fuxin will position itself for the new era, brave difficulties with firm confidence and adhere to the new development philosophy. To be specific, it will pursue high-quality development of its projects, enhance operation and management efficiency in an all-round way, strive to build an investment and financing platform with strong functions and speed up in the establishment of a professional service platform for new energy. Besides, it will further enhance regulatory compliance by consistently promoting law-based corporate governance and compliance operation, and accelerate in fostering the core competitiveness of the Group for the new era. To sum up, Huadian Fuxin will endeavor to create a new dimension for development in the new era and bring greater returns to all shareholders.

Lastly, on behalf of the management team of the Group, I would like to extend my gratitude to all shareholders, the Board of Directors and the board of supervisors of the Company for their trust and support and also to all employees for their hard work and contribution!

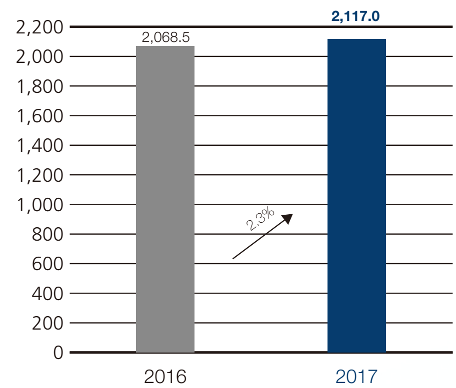
General Manager
Wu Jianchun

Key Operating and Financial Data

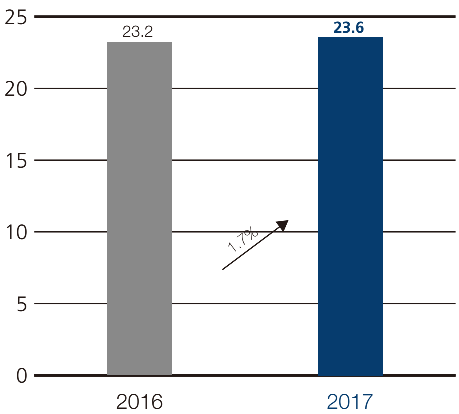
Revenue (RMB'000,000)



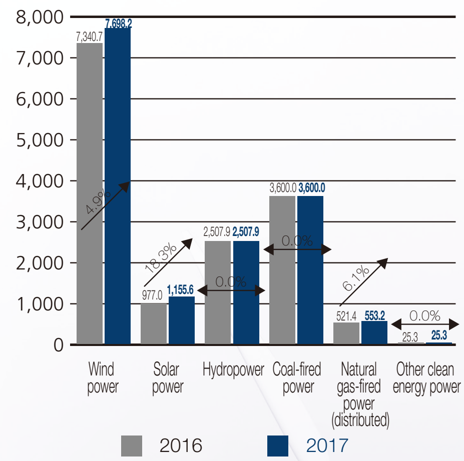
Profit attributable to shareholders of the Company (RMB'000,000)



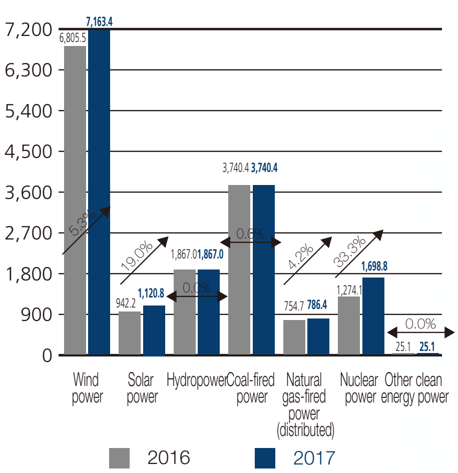
Basic and diluted earnings per share (RMB cents/share)



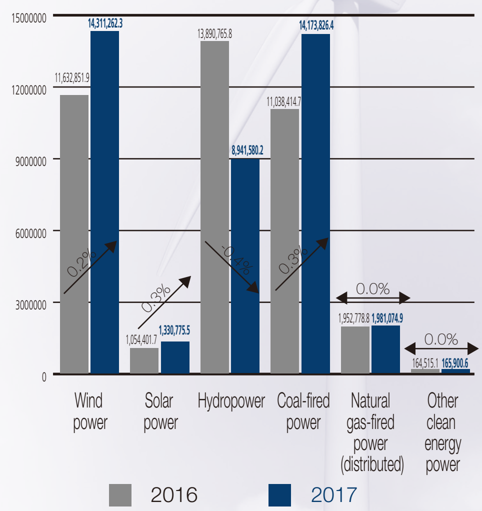
Consolidated installed capacity (MW)



Attributable installed capacity (MW)



Total electricity sales (MWh)



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

	2013 *RMB'000* *(Note)*	2014 *RMB'000*	2015 *RMB'000* *(Note)*	2016 *RMB'000* *(Note)*	**2017** ***RMB'000*** ***(Note)***
Revenue	13,242,409	13,945,375	15,432,874	15,997,504	**16,812,679**
Other net income	61,324	236,544	154,495	179,733	**210,194**
Operating expenses	(8,906,930)	(9,213,053)	(10,773,139)	(10,770,223)	**(12,162,147)**
Operating profit	4,396,803	4,968,866	4,814,230	5,407,014	**4,860,726**
Net profit	1,701,280	2,152,024	2,241,331	2,668,435	**2,465,504**
Attributable to:					
Equity owner of the Company	1,467,888	1,871,926	1,925,141	2,068,490	**2,117,043**
Non-controlling interests	233,392	280,098	316,191	599,945	**348,461**
Total comprehensive income for the year	1,701,280	2,152,024	2,267,973	2,639,574	**2,444,983**
Attributable to:					
Equity owner of the Company	1,467,888	1,871,926	1,951,782	2,039,629	**2,096,522**
Non-controlling interests	233,392	280,098	316,191	599,945	**348,461**
Basic and diluted earnings per share *(RMB cents)*	19.26	23.46	21.94	23.23	**23.62**

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

	2013 *RMB'000* *(Note)*	2014 *RMB'000*	2015 *RMB'000* *(Note)*	2016 *RMB'000* *(Note)*	**2017** ***RMB'000*** ***(Note)***
Total non-current assets	60,705,982	76,628,347	90,374,602	93,373,271	**95,915,132**
Total current assets	6,970,442	9,812,873	8,399,957	9,906,620	**11,324,726**
Total assets	67,676,424	86,441,220	98,774,559	103,279,891	**107,239,858**
Total current liabilities	21,816,286	27,078,972	28,103,753	26,218,337	**25,366,382**
Total non-current liabilities	32,149,246	41,698,146	49,498,756	54,065,778	**55,406,378**
Total liabilities	53,965,532	68,777,118	77,602,509	80,284,115	**80,772,760**
NET ASSETS	13,710,892	17,664,102	21,172,050	22,995,776	**26,467,098**
Total equity attributable to equity shareholders of the Company and the holders of perpetual medium-term notes	11,210,932	15,018,581	18,499,314	20,100,973	**23,424,367**
Non-controlling interests	2,499,960	2,645,521	2,672,736	2,894,803	**3,042,731**
Total equity	13,710,892	17,664,102	21,172,050	22,995,776	**26,467,098**

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.

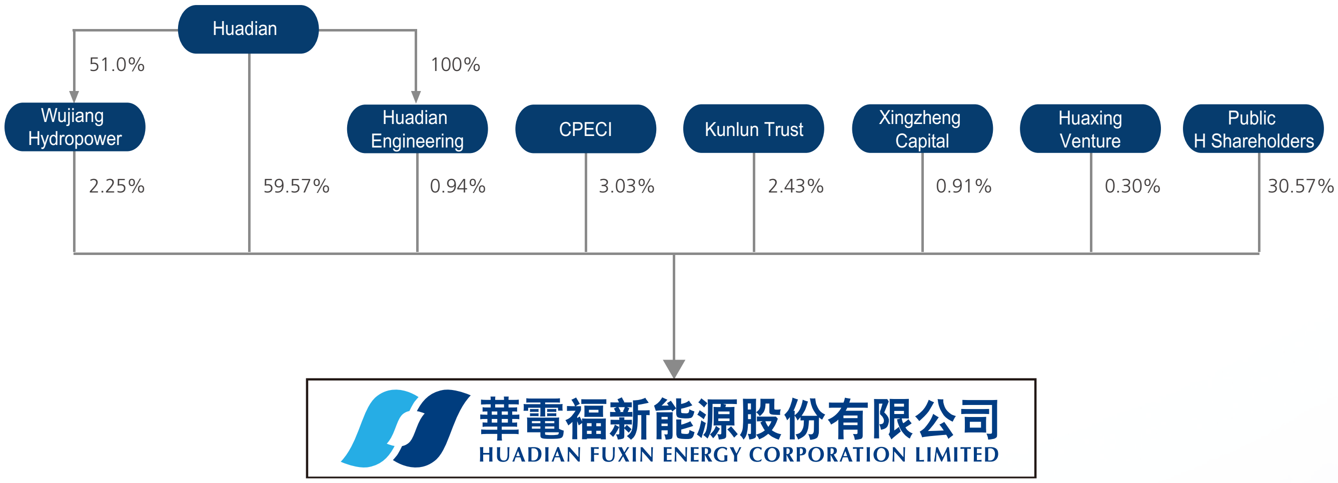
Company Profile

Huadian Fuxin Energy Corporation Limited ("Huadian Fuxin") is a listed clean energy company formed through the restructuring and consolidation of Huadian Group's nationwide new energy assets and regional assets in Fujian. Huadian Fuxin got listed on the Hong Kong Stock Exchange in June 2012.

As the major platform of Huadian Group for developing clean energy, Huadian Fuxin possesses a diversified portfolio of power generation business covering hydropower, wind power, coal-fired power, solar power, natural gas-fired power (distributed), biomass energy and nuclear power, and its assets are distributed across 27 provinces, municipalities and autonomous regions in China as well as in Spain. As at the end of 2017, Huadian Fuxin's consolidated installed capacity in operation amounted to 15,540.2 MW, including 7,698.2 MW in wind power, 1,155.6 MW in solar energy, 2,507.9 MW in hydropower, 3,600.0 MW in coal-fired power, 553.2 MW in natural gas-fired power (distributed) and 25.3 MW in other clean energy. In addition, it holds 39% equity interest in Fuqing Nuclear Power Plant and 10% equity interest in Sanmen Nuclear Power Plant. In terms of power generation structure, Huadian Fuxin pursue balanced and coordinated development of its hydropower, wind/solar power, high-efficient coal-fired power, natural gas-fired power and nuclear power segments, with distinctive characteristics of clean energy orientation, diversification and internationalization.

Corporate Shareholding Structure

As at 31 December 2017, the shareholding structure of the Company is as follows:



Corporate Milestones in 2017

In January, the Company was granted the "Best Investment Value Award" at the China Financial Market Listed Companies Awards in consecutive years.

On 18 January, the Company held a meeting for its 2017 outlook in Beijing. At the meeting, it summarized its efforts in 2016 and defined its targets for 2017 with an aim to enhance the core competitiveness of the Company under new circumstances.

On 24 March, the Company successfully held a press conferences to announce its 2016 annual results in Hong Kong, which was followed by results roadshows in Hong Kong and the U.S..

On 25 May, the containment dome of the No. 5 generating unit of Fuqing Nuclear Power Plant (held as to 39% by the Company) was successfully installed, indicating that the world's first demonstration nuclear power project using "Hualong One" technology, a domestically developed third-generation reactor design, has entered the assembly stage. It is the only nuclear power project with the third-generation pressurized water reactor under construction as planned in the world.

On 14 June, 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 23 June, 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 29 June, the 2016 annual general meeting of the Company was held in Beijing.

On 10 August, the Huadian natural gas, cold power and thermal power joint-supply engineering project in Zengcheng, Guangzhou, invested by the Company, laid cornerstone and commenced construction.

On 28 August, the Company successfully held a press conferences to announce its 2017 interim results in Hong Kong, which was followed by results roadshows in Hong Kong and Singapore.

On 17 September, the No. 4 generating unit of Fujian Fuqing Nuclear Power Plant was put into commercial operation, indicating that the Phase-I project of Fuqing Nuclear Power Plant was completed and put into production.

On 8 November, the Company successfully issued the first tranche of the three-year renewable corporate bonds in 2017 of RMB2.0 billion with an interest rate of 5.3%.

On 25 November, Huang Shaoxiong, Chairman of the Board of Directors, visited Zhang Zhinan, a member of the Standing Committee of the CPC Fujian Provincial Committee and Executive Vice Governor of Fujian Province. They had broad and in-depth exchanges of views on implementation of the guiding principles from the 19th CPC National Congress, how to make state capital become stronger, do better and grow bigger, and solving the difficulties in coal-fired power operation and other issues of common concern.

On 12 December, the "2017 Global Top 500 New Energy Enterprises" list was released and the Company ranked 132nd on the list.

On 26 December, the Company exercised its right of first refusal in relation to the new energy projects of Huadian and acquired all assets of Yanhu Wind Power Project owned by Huadian Shanxi Energy Co., Ltd., a subsidiary of Huadian, indicating that Huadian further fulfilled its non-competition undertakings.

Directors' Report

The Board hereby presents to shareholders the annual report and the audited financial statements for the year ended 31 December 2017 (the "Financial Statements").

SHARE CAPITAL

As of 31 December 2017, 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 2017 and the financial position of the Company and its subsidiaries as at 31 December 2017 are set out in the audited Financial Statements on pages 99 to 214.

A discussion and analysis of the Company's performance and business review during the year and the material factors underlying its results, financial position, the financial key performance indicators and the principal risks and uncertainties are set out in the "Management Discussion and Analysis" on pages 38 to 48 and "Key Operating and Financial Data" on page 4 of this annual report.

PROFIT DISTRIBUTION

The Board recommended distributing a final dividend of RMB0.556 per 10 shares (tax inclusive) in cash for the year ended 31 December 2017 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 2017 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 one tranche of renewable corporate bonds in the year of 2017. For further details about such issuance of debentures, please refer to the note 32 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 2017.

Name	Age	Position held in the Company	Date of Appointment/ Re-election/Re-appointment
Mr. HUANG Shaoxiong	55	Chairman of the Board and Executive Director	Appointed on 25 August 2017
Mr. WU Jianchun	54	Executive Director and General Manager	Appointed on 25 August 2017
Mr. LI Lixin	51	Executive Director	Re-elected on 29 June 2017
Mr. TAO Yunpeng	47	Non-executive Director	Re-elected on 29 June 2017
Mr. LI Yinan	48	Non-executive Director	Re-elected on 29 June 2017
Mr. MEI Weiyi	44	Non-executive Director	Appointed on 25 August 2017
Mr. ZHANG Bai	57	Independent Non-executive Director	Re-elected on 29 June 2017
Mr. TAO Zhigang	52	Independent Non-executive Director	Re-elected on 29 June 2017
Mr. WU Yiqiang	66	Independent Non-executive Director	Re-elected on 29 June 2017
Mr. FANG Zheng	53	Former Chairman of the Board and Executive Director	Re-elected on 29 June 2017 and resigned on 25 August 2017 due to change of job assignments
Mr. SHU Fuping	53	Former Executive Director and	Re-elected on 29 June 2017 and resigned on 25 August 2017 due to change of his personal job assignments
		Former General Manager	Appointed on 17 November 2015 and resigned on 29 June 2017
Mr. ZONG Xiaolei	52	Former Non-executive Director	Re-elected on 30 June 2014 and resigned on 23 February 2017 due to change of his personal job assignments
Mr. YANG Qingting	54	Former Non-executive Director	Appointed on 28 June 2016 and resigned on 23 February 2017 due to change of his personal job assignments
Mr. CHEN Haibin	49	Former Non-executive Director	Re-elected on 29 June 2017 and resigned on 25 August 2017 due to change of his personal job assignments
Mr. ZHOU Xiaoqian	76	Former Independent Non-executive Director	Re-elected on 30 June 2014 and resigned on 23 February 2017 due to change of his personal job assignments

Name	Age	Position held in the Company	Date of Appointment/ Re-election/Re-appointment
Mr. LI Changxu	55	Chairman of the Board of Supervisors	Re-elected on 29 June 2017
Mr. WANG Kun	47	Supervisor	Re-elected on 29 June 2017
Mr. HOU Jiawei	53	Supervisor	Re-elected on 29 June 2017
Ms. HU Xiaohong	47	Supervisor	Re-elected on 29 June 2017
Mr. YAN Zhongjun	45	Employee Representative Supervisor	Re-elected on 29 June 2017
Mr. CHEN Wenxin	50	Employee Representative Supervisor	Re-elected on 29 June 2017
Mr. ZHU Deyuan	44	Employee Representative Supervisor	Appointed on 20 July 2017
Ms. DING Ruiling	53	Independent Supervisor	Re-elected on 29 June 2017
Mr. GUO Xiaoping	61	Independent Supervisor	Re-elected on 29 June 2017
Mr. HUANG Shenyang	57	Chief Legal Adviser	Appointed on 20 December 2017
Mr. MA Junbiao	55	Vice General Manager	Appointed on 20 December 2017
Ms. WANG Huiping	50	Chief Financial Officer	Appointed on 20 December 2017
Mr. SUN Tao	41	Vice General Manager	Re-appointed on 29 June 2017
Mr. HUO Guangzhao	56	Former Vice General Manager	Re-appointed on 29 June 2017 and resigned on 24 December 2017
Mr. WANG Zhijun	54	Former Vice General Manager	Appointed on 3 February 2015 and resigned on 26 June 2017
Ms. YANG Yi	54	Former Chief Financial Officer	Re-appointed on 30 June 2014 and retired on 26 June 2017
Mr. RONG Qing	53	Former Secretary to the Board	Appointed in 3 February 2016 and retired on 29 June 2017

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 of the Hong Kong Stock Exchange 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 27 to 37 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 MATERIAL TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

At the end of the year 2017 or at any time during the year, there was no transactions, arrangements or contracts 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 2017, 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 85 in the Corporate Governance Report of this annual report.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2017, the Company has not entered into any equity-linked agreement.

DISCUSSION ON THE MATTERS RELATED TO THE ENVIRONMENT, SOCIETY AND GOVERNANCE

For details of (i) the environmental policies and performances of the Company; (ii) compliance with relevant laws and regulations that have significant effect on the Company; and (iii) the significant relationship between the Company and its employees, customers, suppliers and other important parties, please refer to the section headed "Environmental, Social and Governance Report".

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

On 31 December 2017, 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 2017, 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
BlackRock, Inc.	H Shares	Interest of corporation controlled by the substantial shareholder	158,976,349 (Long position)	6.19	1.89
			25,290,000 (Short position)	0.98	0.30
Central Huijin Investment Ltd.	H Shares	Interest of corporation controlled by the substantial shareholder	533,026,000 (Long position)	20.74	6.34
China Reinsurance (Group) Corporation	H Shares	Beneficial owner	533,026,000 (Long position)	20.74	6.34
Prime Capital Management Company Limited	H Shares	Investment manager	182,349,081 (Long position)	7.09	2.17

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 any time during the Reporting Period the Company or any of its subsidiaries did not make any arrangement that would enable the Directors or 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 2017.

CONNECTED TRANSACTIONS

The main connected transactions of the Group during 2017 are as follows:

(1) Non-exempt One-time Connected Transactions

On 26 December 2017, Shanxi Ruicheng Huadian Fuxin Solar Power Generation Co., Ltd. (山西芮城華電福新太陽能發電有限公司, a wholly-owned subsidiary of the Company), entered into the Assets Transfer Agreement with Huadian Shanxi Energy Co., Ltd. (華電山西能源有限公司, a subsidiary of Huadian which is the controlling shareholder of the Company), pursuant to which Shanxi Ruicheng Huadian Fuxin Solar Power Generation Co., Ltd. agreed to acquire and Huadian Shanxi Energy Co., Ltd. agreed to transfer to Shanxi Ruicheng Huadian Fuxin Solar Power Generation Co., Ltd. the wind power assets and the indebtedness of Yanhu Branch Company at a consideration of RMB192,000,000 which will be paid in cash. Upon completion of the transaction, Shanxi Ruicheng Huadian Fuxin Solar Power Generation Co., Ltd. will own such wind power assets and the indebtedness.

Pursuant to the Listing Rules, as Huadian is the controlling shareholder of the Company, both Huadian and Huadian Shanxi Energy 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 Assets Transfer Agreement and the transaction contemplated thereunder constituted the connected transactions of the Company. As one or more of the applicable percentage ratios (as defined in the "Listing Rules") with respect to the transactions under the Assets Transfer Agreement exceeds 0.1% but is lower than 5.0%, the transactions shall be subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement pursuant to the Rule 14A.76 of the Listing Rules.

(2) Non-exempt Continuing Connected Transactions

The Company 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, 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.

The table below sets out the annual caps and the actual transaction amounts for 2017 of the connected transactions:

Connected Transaction	Connected Person	Annual Cap for 2017 *(RMB'000)*	Actual Transaction Amount for 2017 *(RMB'000)*
(A) Property leasing framework agreement	Huadian Group	50,000	26,149
(B) Coal purchasing and shipping service framework agreement	Huadian Group	2,859,000	2,788,347
(C) Project contracting and equipment purchase framework agreement	Huadian Group	2,500,000	1,443,266
(D) Deposit service agreement	Huadian Finance	2,400,000	2,394,176
(E) CDM services framework agreement	Huadian Group	30,000	0
(F) Merchandising framework agreement	Huadian Group	620,000	858
(G) Finance leases framework agreement	Huadian Group	600,000	112,390

(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 commenced on 1 January 2015 and ended on 31 December 2017, subject to renewal.

The annual cap of the transaction for the year ended 31 December 2017 was RMB50,000,000 and the actual rent paid/payable to Huadian Group is RMB26,149,000.

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 commenced on 1 January 2015 and ended on 31 December 2017, subject to renewal.

The annual cap of the transaction for the year ended 31 December 2017 was RMB2,859,000,000 and the fees paid/payable by us to Huadian Group for the coal shipping is RMB2,788,347,000.

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 commenced on the 1 January 2015 and ended on 31 December 2017, subject to renewal.

The annual cap of the transaction for the year ended 31 December 2017 was RMB2,500,000,000 and the fees paid/payable to Huadian Group is RMB1,443,266,000.

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 with Huadian Finance on 21 April 2016, pursuant to which, Huadian Finance would provide the deposit service to various departments under the Company within the agreed caps.

In 2017, the maximum daily balance of this deposit service transaction was RMB2,400,000,000, while the actual maximum daily balance was RMB2,394,176,000.

The term of the deposit service agreement will end on 31 December 2019, 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 commenced on 1 January 2015 and ended on 31 December 2017, subject to renewal.

The annual cap of the transaction for the year ended 31 December 2017 was RMB30,000,000, while no relevant transaction was carried out during the year ended 31 December 2017.

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 Group 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 commenced on 1 January 2015 and ended on 31 December 2017, subject to renewal.

The annual cap of the transaction for the year ended 31 December 2017 was RMB620,000,000 and the fees received/receivable from Huadian Group is RMB858,000.

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 commenced on 1 January 2015 and ended on 31 December 2017, subject to renewal.

The annual cap of the transaction for the year ended 31 December 2017 was RMB600,000,000 and the fees paid/payable to Huadian Group is RMB112,390,000.

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.

The Company's independent non-executive Directors have reviewed such continuing connected transactions during the year 2017 and confirmed that:

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

(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 2017 that constitute "connected transaction" or "continuing connected transaction" as defined under Chapter 14A of the Listing Rules were disclosed in this section and note 36 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 2017, the purchase from the Group's five largest coal suppliers in aggregate contributed 67.9% of the Group's total purchase of coal for the year, among which, the total purchase from the largest coal supplier contributed 32.8% of the Group's total purchase of coal for the year.

For the year ended 31 December 2017, the purchase from the Group's five largest equipment suppliers in aggregate contributed 49.2% of the Group's total purchase of equipment for the year, among which, the total purchase from the largest equipment supplier contributed 22.2% of the Group's total purchase of equipment for the year.

For the year ended 31 December 2017, the sales to the Group's five largest customers in aggregate contributed 59.1% of the Group's total sales for the year, among which, the sales to the largest customer contributed 33.5% 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 37 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 Reporting Period.

Please refer to the Corporate Governance Report as set out on pages 72 to 90 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 2017, 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.

CHARITABLE DONATIONS

During the Reporting Period, charitable donation made by the Group was approximately RMB2.1346 million.

SIGNIFICANT EVENTS AFTER THE END OF REPORTING PERIOD

On 21 March 2018, the Board proposed a final dividend for the year ended 31 December 2017. Further details are disclosed in note 30(b) to the Financial Statements.

AUDIT AND RISK MANAGEMENT COMMITTEE

The audit and risk management committee of the Company has reviewed the annual consolidated financial statements for the year ended 31 December 2017, and is of the view that the Group's consolidated financial statements for the year ended 31 December 2017 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 2017 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.

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 2017. 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
HUANG Shaoxiong

Beijing, the PRC, 21 March 2018

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

Executive Directors

HUANG Shaoxiong, aged 55, has been appointed as the Chairman and an executive Director of the 3rd session of the Board of the Company since 25 August 2017, Mr. HUANG graduated from the Department of electric motor of Fuzhou University with a bachelor degree in engineering majoring in power plant and power systems. He is also a senior engineer. He has been serving as the director of the electrics branch, the chief of the enterprise management section, the deputy plant director and the plant director of Fujian Ansha Hydropower Plant; the plant director of Fujian Shaxikou Hydropower Plant; the plant director of Fujian Shuikou Hydropower Plant; the president of Shuikou Power Generation Company; the president of Shuikou Hydropower Plant Construction Corporation; the chairman of the board of directors of Fujian Youxi Basin Hydropower Development Co., Ltd.; the vice president and the president of Huadian Fujian Power Generation Company Limited; the president of China Huadian Corporation Fujian Branch; an executive director of the 1st session of the board of directors of Huadian Fuxin Energy Corporation Limited; an executive director and the president of Huadian Tendering Co. Ltd; and an executive director and the president of China Huadian Materials Company Limited.

WU Jianchun, aged 54, has been appointed as an executive Director of the 3rd session of the Board and the General Manager of the Company since 25 August 2017, Mr. WU graduated from the Department of fluvial ecosystem of East China Water Conservancy College with a bachelor degree in engineering majoring in power equipment of hydroelectric power station. He is also a senior engineer. He served as the deputy director of operation branch, the director of production department, the deputy chief engineer, the deputy plant director and the plant director of Wuxi River Hydropower Plant; the plant director of Zhejiang Huadian Wuxi River Hydropower Plant; the director of the Zhejiang Representative Office of China Huadian Corporation; the executive deputy director of the Preparation Office of Zhejiang Huadian Sanmen Power Plant; the deputy general manager of CHD Power Plant Operation Co., Ltd.; and the secretary of the Party committee of Guangdong Branch of China Huadian Corporation.

LI Lixin, aged 51, has been re-elected as an executive Director of the 3rd session of the Board of the Company since 29 June 2017. Mr. LI graduated from Shanghai Jiao Tong University with a master's degree in engineering majoring in thermal power machinery and equipment and was granted the title of senior engineer. He was an executive Director of the second session of the Board from June 2014 to June 2017. He had served as 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, the duty general manager of Fujian branch of Huadian Fuxin Energy Corporation Limited and an executive Director of the 1st session of the Board of Huadian Fuxin Energy Corporation Limited.

Non-executive Directors

TAO Yunpeng, aged 47, has been re-elected as a non-executive Director of the 3rd session of the Board of the Company since 29 June 2017. Mr. TAO graduate from Tsinghua University with a master's degree in engineering majoring in machinery design and manufacture and was granted the title of senior accountant. Mr. TAO was an executive Director of the second session of the Board from June 2014 to June 2017, 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 a non-executive director of the 1st session of the Board of Huadian Fuxin Energy Corporation Limited. Mr. TAO is currently the director of the capital operating and equity management department of China Huadian Corporation, a 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 a director of Guizhou Qianyuan Power Co., Ltd. (貴州黔源電力股份有限公司) (stock code: 002039.SZ), the vice chairman of Huadian Energy Company Limited (華電能源股份有限公司) (stock code: 600726.SH), and a director of Shenyang Jinshan Energy Co., Ltd. (瀋陽金山能源股份有限公司) (stock code: 600396.SH).

LI Yinan, aged 48, has been re-elected as a non-executive Director of the 3rd session of the Board of the Company since 29 June 2017. Mr. LI graduated from North China Electric Power University with a bachelor degree majoring in administrative engineering. He is also a professorate senior engineer. Since August 2016, he has been serving as chairman of China Power Engineering Consulting (Group) Investment Co., Ltd. He had served as the director of specialty department, the chief engineer and the deputy general manager of the center for technological economy of North China Electric Power Design Institute Co., Ltd. of China Power Engineering Consulting Group, the general manager of North China Power Engineering (Beijing) Co., Ltd., and the deputy chief engineer and the deputy general manager of North China Electric Power Design Institute Co., Ltd. of China Power Engineering Consulting Group.

MEI Weiyi, aged 44, Canadian, has been appointed as a non-executive Director of the 3rd session of the Board of the Company since 25 August 2017. Mr. MEI graduated from the University of Alberta, Canada, majoring in business administration (MBA) in mathematical finance. He previously served as the general manager of the Equity Investment Department of China Re Asset Management Company Ltd., the investment director of the asset management headquarters of China Investment Securities, the senior investment manager of the asset management department of Haitong Securities, and a funds management officer and derivatives trader at the Canadian Wheat Board, etc. He is currently the deputy general manager and an executive director of China Re Asset Management (Hong Kong) Company Ltd.

Independent Non-executive Directors

ZHANG Bai, aged 57, has been re-elected as an independent non-executive Director of the 3rd session of the Board of the Company since 29 June 2017. 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 dean of Fuzhou University, the director of Minxing Accountants Firm of Fuzhou University and a certified public accountant. He is an independent non-executive director of the 1st and 2nd sessions of the Board of Huadian Fuxin Energy Corporation Limited. Currently, Mr. ZHANG is also an independent non-executive director of Fujian New Huadu Supercenter Co., Ltd. (002264.SZ).

TAO Zhigang, aged 52, has been re-elected as an independent non-executive Director of the 3rd session of the Board of the Company since 29 June 2017. 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 is also 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).

WU Yiqiang, aged 66, has been re-elected as an independent non-executive Director of the 3rd session of the Board of the Company since 29 June 2017. Mr. WU graduated from Jilin University and is a professorate senior engineer. Since October 2011, he has been a consultant of China Power Construction and Engineering Consulting Co., Ltd. He had served as the deputy director of chief engineers' office of Shanxi Investigation Academy, head of the management section of the exploration department and deputy director of the exploration department of Electric Power Planning & Engineering Institute under Ministry of Energy, the assistant to the dean and director of business planning section of Electric Power Planning and Engineering Institute under Ministry of Electric Power, the assistant to the general manager and head of business planning department, and the deputy general manager of China Power Engineering and Construction Consulting Co., Ltd., assistant to the general manager and head of business planning department of China Power Engineering Consulting Corporation, the chairman of China Electric Power Planning & Engineering Association, the vice chairman of China Engineering and Consulting Association, the vice chairman of the engineering general contracting branch under China Engineering and Consulting Association, a standing member of Geotechnical Engineering Academic Committee under Architectural Society of China, the deputy director of the second session of the Survey and Design Standardization Committee in the Electric Power Industry and the deputy general manager of China Power Construction Engineering Consulting Co., Ltd.

Supervisors

LI Changxu, aged 55, has been re-elected as the Chairman of the 3rd session of the Board of Supervisors of the Company since 29 June 2017. Mr. LI graduated from the adult higher education department of Renmin University of China with a bachelor's degree in finance and accounting and was granted the title of senior accountant. Mr. LI was the chairman of the second session of the Board of Supervisors of the Company from June 2014 to June 2017. 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. He is now the deputy chief accountant of China Huadian Corporation. Currently, he is also 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).

WANG Kun, aged 47, has been re-elected as a Supervisor of the 3rd session of the Board of Supervisors of the Company since 29 June 2017. Mr. WANG graduated from Peking University with a master's degree in management and was granted the title of Chartered Financial Analyst (CFA). Mr. WANG was a Supervisor of the second session of the Board of Supervisors from June 2014 to June 2017. 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 president 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. Mr. Wang is now the manager of the asset management department of Kunlun Trust Co., Ltd. (昆侖信託有限責任公司), a subsidiary of China National Petroleum Corporation.

HOU Jiawei, aged 53, has been re-elected as a Supervisor of the 3rd session of the Board of Supervisors of the Company since 29 June 2017. 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 Co., Ltd. (中國華電科工集團有限公司) since October 2010. Prior to that, he served as the section chief of labour 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 China Huadian Corporation and the director of performance-based salary office of human resources department of China Huadian Corporation. Currently, he is also the chairman of the board of supervisors of Huadian Heavy Industries Co., Ltd. (601226.SH) (華電重工股份有限公司).

HU Xiaohong, aged 47, has been re-elected as a Supervisor of the 3rd session of the Board of Supervisors of the Company since 29 June 2017. Ms. HU graduated from Shenzhen University with a bachelor's degree in accounting and was granted the title of senior accountant. Ms. HU was a Supervisor of the second session of the Board of Supervisors of the Company from June 2014 to June 2017. 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 1st session of the Board of Supervisors of Huadian Fuxin Energy Corporation Limited. Ms. HU is now the director of the financial management department of Wujiang Hydropower.

DING Ruiling, aged 53, has been re-elected as an Independent Supervisor of the 3rd session of the Board of Supervisors of the Company since 29 June 2017. 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.

GUO Xiaoping, aged 61, has been re-elected as an independent Supervisor of the 3rd session of the Board of Supervisors of the Company since 29 June 2017. He graduated from Tianjin University of Finance and Economics with a bachelor degree in International Finance and Sun Yat-sen University with a master degree in Economic Law. Mr. GUO had served as vice director and director of the reserves division under State Administration of Foreign Exchange, general manager of China Investment Corporation (Singapore), vice director-general of Foreign Exchange Reserves Department and vice director-general of Management and Inspection Department under State Administration of Foreign Exchange and assistant to president, vice president, vice presidential director, senior counsellor of the president office and the chief representative of the Beijing Office of China Guangfa Bank.

YAN Zhongjun, aged 45, has been re-elected as an Employee Representative Supervisor of the 3rd session of the Board of Supervisors of the Company since 29 June 2017. Mr. YAN graduated from Renmin University of China with a bachelor's degree in economics management. He is also a senior political analyst. 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), a member of the Party committee, secretary of the discipline committee and director of the working committee of Huadian Fuxin Energy Corporation Limited.

ZHU Deyuan, aged 44, has been appointed as an Employee Representative Supervisor of the 3rd session of the Board of Supervisors of the Company since 20 July 2017. Mr. ZHU graduated from the Correspondence School of Shanghai University of Electric Power with a bachelor's degree. He is a senior engineer. He previously served as the deputy director and the secretary of the CPC branch (part-time) of the furnace team of the Maintenance Company under Laicheng Power Plant of Huadian International, grade one staff member and deputy director of the integration management department of Huadian New Energy Development Co., Ltd. and office director of Fujian branch of Huadian Fuxin Energy Corporation Limited. Mr. ZHU is now the director of the general office and the director of the human resources department of the Company.

CHEN Wenxin, aged 50, has been re-elected as an Employee Representative Supervisor of the 3rd session of the Board of Supervisors of the Company since 29 June 2017. 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 administrative officer. 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. Mr. CHEN is currently the deputy chief economist of Fujian branch of Huadian Fuxin Energy Corporation Limited.

Senior Management

For the biography of WU Jianchun, please refer to “Executive Directors” above.

HUANG Shenyang, aged 57, was appointed as a deputy secretary of the Party committee, secretary of discipline committee, director of the labour committee and general counsel of the Company on 20 December 2017. Mr. HUANG graduated from Tsinghua University with a master degree in management and is a senior engineer. He previously served as a deputy director of the Integration Operation Division of Electric Machinery Bureau under Ministry of Electric Power (電力部電力機械局), assistant to general manager, deputy general manager of Xiamen Huadian Machinery Associated Company (廈門華電機械聯營公司), head of international cooperation division of Electric Machinery Bureau under Ministry of Electric Power, deputy general manager, standing deputy general manager, general manager of Xiamen Huadian Power Station Equipment Company (廈門華電電站裝備公司), deputy chief economist, head of import and export department, director of business and legal affairs department of China Huadian Power Station Equipment Engineering Group Corporation (中國華電電站裝備工程(集團)總公司), deputy chief economist, general manager of overseas engineering department of China Huadian Engineering Co., Ltd., deputy general manager of Huadian Fuel Company Limited, deputy general manager of Huadian Coal Industry Group Co., Ltd., secretary of the Party committee, deputy general manager of Huadian Jinshan Energy Co., Ltd., secretary of the Party committee of Shenyang Jinshan Energy Co., Ltd. and secretary of the Party committee, deputy general manager and chairman of Huadian Property Co., Ltd.

MA Junbiao, aged 55, was appointed as a vice general manager of the Company on 20 December 2017. Mr. MA graduated from Xiamen University with an MBA degree. He is also a professor-level senior engineer. He successively served as head of technique division, deputy chief engineer, assistant to plant manager, chief engineer of Zhengzhou Water Resources Machinery Plant (鄭州水工機械廠) under Ministry of Electric Power, standing deputy general manager of Wuhan Huadian Steel Structure Co., Ltd. (武漢華電鋼結構有限公司), deputy director of water and power division of China Huadian Power Station Equipment Corporation (中國華電電站裝備工程總公司), deputy general manager and general manager of steel structure department of China Huadian Engineering (Group) Co., Ltd. (中國華電工程(集團)有限公司), deputy general manager of Huadian Tendering Co. Ltd, deputy general manager and general counsel of China Huadian Engineering (Group) Co., Ltd. (中國華電工程(集團)有限公司), general manager of Huadian Heavy Machinery Co., Ltd. (華電重工機械有限公司), deputy general manager and general counsel of China Huadian Engineering Co., Ltd., a director and general manager of Huadian Heavy Industries Co., Ltd..

WANG Huiping, aged 50, was appointed as the chief accountant of the Company on 20 December 2017. Ms. WANG graduated from Changsha University of Electric Power in Hunan with a bachelor's degree in Economics. She is a senior accountant. She previously served as deputy director and director of finance department of Shandong Nanding Thermal Power Plant, director of finance department, deputy chief accountant of Zibo SIPD Power Company Limited, deputy chief accountant, assistant to general manager, deputy general manager, chief accountant of Huadian Zibo Thermal Power Company Limited, director of planning and finance department of Shandong Branch of Huadian Power International Corporation Limited, deputy head of finance division, deputy director and director of finance and assets department, and director of asset management department of Huadian Power International Corporation Limited.

SUN Tao, aged 41, was re-appointed as a vice general manager of the Company on 29 June 2017. Mr. SUN graduated from Aalborg University in Denmark with a doctor's degree. He is a 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.

Company Secretary

MOK Ming Wai, aged 46, a director of TMF 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.

2. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN 2017

(I) Remuneration of Directors and Supervisors

Name	Position	Total remuneration received from the Company for the year ended 31 December 2017 *(RMB'000)*
Mr. HUANG Shaoxiong[(1)]	Chairman of the Board and Executive Director	372
Mr. WU Jianchun[(2)]	Executive Director and General Manager	372
Mr. LI Lixin	Executive Director	850
Mr. TAO Yunpeng	Non-executive Director	–
Mr. LI Yinan	Non-executive Director	–
Mr. MEI Weiyi	Non-executive Director	–
Mr. ZHANG Bai	Independent Non-executive Director	100
Mr. TAO Zhigang	Independent Non-executive Director	100
Mr. WU Yiqiang[(3)]	Independent Non-executive Director	83
Mr. FANG Zheng[(4)]	Former Chairman of the Board and Executive Director	372
Mr. SHU Fuping[(5)]	Former Executive Director and General Manager	186
Mr. ZONG Xiaolei	Former Non-executive Director	–
Mr. YANG Qingting	Former Non-executive Director	–
Mr. CHEN Haibin	Former Non-executive Director	–
Mr. ZHOU Xiaoqian[(6)]	Former Independent Non-executive Director	17
Mr. LI Changxu	Chairman of the Board of Supervisors	–
Mr. WANG Kun	Supervisor	–
Mr. HOU Jiawei	Supervisor	–
Ms. HU Xiaohong	Supervisor	–
Mr. YAN Zhongjun	Employee Representative Supervisor	551
Mr. CHEN Wenxin	Employee Representative Supervisor	532
Mr. ZHU Deyuan[(7)]	Employee Representative Supervisor	325
Ms. DING Ruiling	Independent Supervisor	80
Mr. GUO Xiaoping[(8)]	Independent Supervisor	67

Notes:

(1) Mr. HUANG Shaoxiong was appointed as the Chairman of the Board and an executive Director of the Company on 25 August 2017.

(2) Mr. WU Jianchun was appointed as an executive Director and the General Manager of the Company on 25 August 2017.

(3) Mr. WU Yiqiang was appointed as an independent non-executive Director of the Company on 23 February 2017.

(4) Mr. FANG Zheng resigned as the Chairman of the Board and an executive Director of the Company on 25 August 2017.

(5) Mr. SHU Fuping resigned as an executive Director of the Company on 25 August 2017 and as the General Manager of the Company on 29 June 2017.

(6) Mr. ZHOU Xiaoqian resigned as an independent non-executive Director of the Company on 23 February 2017.

(7) Mr. ZHU Deyuan was appointed as an Employee Representative Supervisor of the Company on 20 July 2017.

(8) Mr. GUO Xiaoping was appointed as an independent Supervisor of the Company on 23 February 2017.

(II) Remuneration of Senior Management

During the year ended 31 December 2017, the remuneration of the senior management of the Group falls within the following bands:

	Number of persons
RMB0.3 million to RMB0.7 million	4
RMB0.1 million to RMB0.3 million	3
RMB0.04 million to RMB0.06 million	2

In 2017, the overall power consumption increased by 6.6% from the previous year to 6,307.7 billion kWh. The overall power supply and demand was sufficient throughout the year, and total electricity consumption picked up. Currently, China's energy consumption growth is slowing down while the structure of installed capacity is being optimized on a continuous manner. The energy industry is shifting its production mode from extensive production to higher-quality and more-efficient production.

In order to optimize the structure of energy industry, adjust the production layout and promote the construction of socialist ecological civilization, the Government mainly focuses on development of clean and low-carbon energy to adjust the energy structure. While introducing policies to encourage the development of green and low-carbon energy, the Government has also taken measures to develop non-fossil energy and promote the clean and efficient use of fossil energy, so as to increase the proportion of natural gas and non-fossil energy consumption, and reduce the proportion of coal consumption, thereby realizing the goal of reducing carbon dioxide emission intensity and pollutant emission level.

I. BUSINESS REVIEW

In 2017, the Group committed to the development of clean and low-carbon energy, focused on the renovation of inventory and improved the profitability of coal-fired power. Besides, it also concentrated on the development of wind energy, solar energy, water energy and other clean energy, and adhered to high-quality construction requirements. The Group implemented delicacy management on the top of securing a reasonable construction cycle. As a result, projects under construction have been put into operation on schedule.

In 2017, profit attributable to equity owners of the Company was RMB2,117.0 million, representing an increase of 2.3% over 2016; consolidated installed capacity held by us was 15,540.2 MW, representing an increase of 3.8% over the previous year; and gross power generation was 42,558,608.1 MWh, representing an increase of 3.1% over the previous year.

The respective consolidated installed capacity of the power generating assets of the Group as of 31 December 2017 and 2016 by type was:

Consolidated Installed Capacity (MW)

Type	**2017**	2016	Change percentage
Wind power	**7,698.2**	7,340.7	4.9%
Solar power	**1,155.6**	977.0	18.3%
Hydropower	**2,507.9**	2,507.9	0.0%
Coal-fired power	**3,600.0**	3,600.0	0.0%
Natural gas-fired power (distributed)	**553.2**	521.4	6.1%
Other clean power	**25.3**	25.3	0.0%
Total	**15,540.2**	14,972.3	3.8%

The respective attributable consolidated installed capacity of the power generating assets of the Group as of 31 December 2017 and 2016 by type was:

Attributable Consolidated Installed Capacity (MW)

Type	**2017**	2016	Change percentage
Wind power	**7,163.4**	6,805.5	5.3%
Solar power	**1,120.8**	942.2	19.0%
Hydropower	**1,867.0**	1,867.0	0.0%
Coal-fired power	**3,740.4**	3,740.4	0.0%
Natural gas-fired power (distributed)	**786.4**	754.7	4.2%
Nuclear power	**1,698.8**	1,274.1	33.3%
Other clean power	**25.1**	25.1	0.0%
Total	**16,401.9**	15,409.0	6.4%

The respective gross generation of the power generating assets of the Group in 2017 and 2016 by type was:

Gross Power Generation (MWh)

Type	**2017**	2016	Change percentage
Wind power	**14,757,286.7**	12,159,196.7	21.4%
Solar power	**1,345,482.1**	1,058,634.3	27.1%
Hydropower	**9,106,060.4**	14,090,087.3	-35.4%
Coal-fired power	**15,016,453.9**	11,718,410.0	28.1%
Natural gas-fired power (distributed)	**2,167,345.0**	2,106,656.5	2.9%
Other clean power	**165,980.0**	164,596.2	0.8%
Total	**42,558,608.1**	41,297,581.0	3.1%

(I) Wind Power Business

As of 31 December 2017, the Group had a consolidated wind power installed capacity of 7,698.2 MW, representing an increase of 4.9% as compared with the year ended 31 December 2016. During the period from 1 January 2017 to 31 December 2017 (the "**Reporting Period**"), the consolidated installed capacity of the Group's new wind power projects which had commenced operation was 357.5 MW. The gross wind power generation was 14,757,286.7 MWh, representing an increase of 21.4% over the previous year. The average on-grid tariff (tax exclusive) was RMB445.8/MWh, representing a decrease of RMB13.7/MWh, or 3.0%, from the previous year. The average wind power utilisation time was 1,940 hours, which increased by 9.9% from the previous year.

In 2017, 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 and southeast regions where power generation is not curtailed. In 2017, nine new projects with an aggregate capacity of 760.0 MW were approved.

In the operation management process, we continued to enhance equipment reliability and efficiency, and carry out comprehensive improvement of generator sets with high failure and wind power sets with poor power generation performance. 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%.

(II) Solar Power Business

As of 31 December 2017, the Group had a consolidated solar power installed capacity of 1,155.6 MW, representing an increase of 18.3% as compared with that as of 31 December 2016. During the Reporting Period, the Group recorded an increase of 178.6 MW in its consolidated installed capacity newly put into operation in solar power business. In 2017, the Group's total solar power output was 1,345,482.1 MWh, and the average on-grid tariff (tax exclusive) was RMB837.3/MWh, decreased by RMB0.6/MWh, or 0.1%, from the previous year. The average solar power utilisation time was 1,331 hours.

(III) Hydropower Business

As of 31 December 2017, the Group had consolidated hydropower installed capacity of 2,507.9 MW, and 2 projects under construction, the total capacity of which was 1,300.0 MW.

The rainfall of Fujian Province ranged between the average and dry level in 2017, as compared to the extremely abundant incoming water in 2016. The Group cooperated actively with power grid companies to ensure high coordination of grid resources and optimal scheduling of water reservoirs. Even that the incoming water was 4% lower than the average of the normal years, our power generation was 11% higher than the average of normal years, fully demonstrating its function as a "ballast" and "stabilizer" of our results.

During the Reporting Period, the gross hydropower generation of the Group was 9,106,060.4 MWh, representing a decrease of 35.4% from the previous year; the average on-grid tariff (tax exclusive) was RMB284.7/MWh, representing a decrease of RMB8.9/MWh or 3.0% from the previous year.

(IV) Coal-fired Power Business

As at 31 December 2017, 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 15,016,453.9 MWh, representing an increase of 28.1% from the previous year. The average coal-fired power utilisation time was 4,171 hours, representing an increase of 28.1% from the previous year; the coal consumption for power generation was 307.2g/KWh, representing a decrease of 1.2% from the previous year; the average on-grid tariff (tax exclusive) was RMB326.4/MWh, representing an increase of RMB14.8/MWh or 4.7% from the previous year.

As the coal price lingered at high level during the Reporting Period, the average unit price (tax exclusive) of the standard coal of the Group's coal-fired power companies reached RMB744.6/ton, representing an increase of RMB209.0/ton, or 39.0%, from the previous year.

(V) Natural Gas-fired Power (distributed) Business and Other Business

As at 31 December 2017, the consolidated installed capacity put into operation of natural gas-fired power (distributed) projects of the Group amounted to 553.2 MW. During the Reporting Period, the Group recorded an increase of 31.8 MW in its consolidated installed capacity newly put into operation of natural gas-fired power projects. The consolidated installed capacity of the projects under construction was 1,550.0 MW.

The Report of the 19th National Congress of the Communist Party of China (the "19th NCCPC") proposed to build an energy system that is green, low-carbon, safe and efficient. We will capitalize on the opportunity and proactively make deployment to develop high-quality natural gas projects. As of 31 December 2017, the Group had 3 natural gas-fired power (distributed) projects approved by the PRC National Development and Reform Commission with an accumulated capacity of 296.0 MW.

As of 31 December 2017, the Group held 39% equity interest in Fuqing Nuclear Power Plant and 10% equity interest in Sanmen Nuclear Power Co., Ltd. The No. 4 generator set of Fuqing Nuclear Power Plant had formally commenced its commercial operation in September 2017.

As of 31 December 2017, we also had two biomass power 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 2017, the Group recorded a steady growth of its profit. In particular, the profit attributable to equity owners of the Company for the year of 2017 amounted to RMB2,117.0 million, representing an increase of 2.3% as compared with RMB2,068.5 million in 2016.

2. Revenue

The Group's revenue increased by 5.1% to RMB16,812.7 million in 2017 as compared with RMB15,997.5 million in 2016, primarily due to the increase in revenue from electricity sales of the Group's coal-fired power, wind power and solar power segments. The Group's revenue from sales of electricity increased by 6.2% to RMB16,068.7 million in 2017 as compared with RMB15,133.3 million in 2016, primarily due to an year-on-year increase of 3.0% in the Group's electricity sales and higher percentage of the new energy power generation, reflecting the stable business growth of the Group during the period.

The respective segment revenue of the Group in 2017 and 2016 is as follows:

	2017 ***RMB in million***	2016 *RMB in million* *(Restated)*	Change percentage
Wind power	**6,401.1**	5,371.2	19.2%
Solar power	**1,093.2**	889.0	23.0%
Hydropower	**2,517.9**	4,037.1	-37.6%
Coal-fired power	**4,896.4**	3,589.3	36.4%
Natural gas-fired power (distributed)	**1,583.4**	1,545.3	2.5%
Other	**185.3**	557.3	-66.8%
Total revenue of the reported segments	**16,677.3**	15,989.2	4.3%

3. Other income

In 2017, the Group's other income increased by 17.0% to RMB210.2 million as compared with RMB179.7 million in 2016, primarily due to the government grants during the year of RMB125.7 million, as compared with RMB117.4 million in 2016, representing an increase of 7.1%.

4. Operating expenses

The Group's operating expenses increased by 12.9% to RMB12,162.1 million in 2017 as compared with RMB10,770.2 million in 2016.

In 2017, the fuel cost increased from RMB3,059.4 million in 2016 to RMB4,601.1 million, representing an increase of 50.4%. In particular, fuel costs for coal-fired power segment increased from RMB1,975.9 million to RMB3,488.5 million due to the increase in coal price and power generation.

The Group's depreciation and amortisation expenses increased by 7.7% to RMB4,354.1 million in 2017 as compared with RMB4,043.1 million in 2016. This increase was primarily due to commencement of operation of the Group's new generating units.

The Group's labor costs increased by 3.6% to RMB1,382.5 million in 2017 as compared with RMB1,334.0 million in 2016, 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 decreased by 7.1% to RMB462.4 million in 2017 as compared with RMB497.7 million in 2016, primarily due to more stringent control over costs.

The Group's other operating expenses decreased by 21.9% to RMB699.4 million in 2017 as compared with RMB895.2 million in 2016, primarily due to decrease in the expenses of hydro-resources fee and reservoir maintenance fund.

5. Operating profit

The Group's operating profit decreased by 10.1% to RMB4,860.7 million in 2017 as compared with RMB5,407.0 million in 2016, primarily due to the year-on-year decrease of 53.0% and 44.0% in profit of hydropower segment and coal-fired power segment, respectively. The respective segment operating profit of the Group in 2017 and 2016 is as follows:

	2017 ***RMB in million***	2016 *RMB in million* *(Restated)*	Change percentage
Wind power	**3,065.6**	2,400.3	27.7%
Solar power	**523.1**	367.7	42.3%
Hydropower	**1,201.5**	2,554.3	-53.0%
Coal-fired power	**87.6**	156.3	-44.0%
Natural gas-fired power (distributed)	**153.7**	130.2	18.0%
Other	**(10.0)**	(45.2)	77.9%

6. Finance income

The Group's finance income increased by 37.4% to RMB109.9 million in 2017 as compared with RMB80.0 million in 2016, mainly due to the increased dividend from other investments.

7. Finance expenses

The Group's finance expenses decreased by 0.2% to RMB2,910.3 million in 2017 as compared with RMB2,915.2 million in 2016, primarily due to the decrease in capital cost following the Group's move to optimise debt structure and strengthen capital control.

8. Share of profits less losses of associates and joint ventures

The Group's share of profits less losses of associates and joint ventures increased by 17.7% to RMB742.0 million in 2017 as compared with RMB630.2 million in 2016, primarily due to a year-on-year increase of RMB130.3 million in earnings from our investment in Fuqing Nuclear Power Plant this year.

9. Income tax

The Group's income tax decreased by 36.9% to RMB336.7 million in 2017 as compared with RMB533.5 million in 2016, primarily due to a significant year-on-year decrease in the profit from the hydropower segment with higher taxes.

10. Net profit

The Group's net profit decreased by 7.6% to RMB2,465.5 million in 2017 as compared with RMB2,668.4 million in 2016, primarily due to the decrease in profit from the hydropower and coal-fired power segments of the Group during the year.

11. Profit attributable to equity owners of the Company

The profit attributable to equity owners of the Company increased by 2.3% to RMB2,117.0 million in 2017 as compared with RMB2,068.5 million in 2016, primarily due to a significant increase in profit from wind and solar power business with low income tax burden and high shareholding percentages as well as admirable increase in the profit from associates.

12. Profit attributable to non-controlling shareholders

The Group's profit attributable to non-controlling shareholders decreased by 41.9% to RMB348.5 million in 2017 as compared with RMB599.9 million in 2016, mainly due to the year-on-year decrease in profit and loss attributable to the non-controlling shareholders with larger non-controlling shareholding percentage in the hydropower segment since the profit of this segment decreased.

13. Liquidity and sources of capital

The Group's cash and cash equivalents decreased by 26.7% to RMB2,121.9 million as at 31 December 2017 as compared with the balance of RMB2,895.1 million as at 31 December 2016, primarily due to the decrease in appropriation of cash balance after the Group strengthened control and management of cash flows. The main sources of the Group's operating capital include: (1) approximately RMB23,735.0 million of unutilised banking facilities as at 31 December 2017; and (2) approximately RMB2,121.9 million of cash and cash equivalents.

As at 31 December 2017, the Group's borrowings increased by 3.6% to RMB69,161.6 million as compared with RMB66,739.7 million as at 31 December 2016, of which RMB15,382.3 million was short-term borrowings (including the current portion of long-term borrowings), and RMB53,779.3 million was long-term borrowings.

14. Capital expenditure

The Group's capital expenditure increased by 1.0% to RMB6,870.6 million in 2017 as compared with RMB6,800.7 million in 2016. Capital expenditure mainly comprises costs for purchase and construction of property, plant and equipment.

15. Net gearing ratio

As at 31 December 2017, the Group's net gearing ratio (net debt (i.e., total borrowings less cash and cash equivalents) divided by total equity) was 253.3%, representing a decrease of 24.3 percentage points as compared with 277.6% as at 31 December 2016, which was mainly due to the earnings retained and the issuance of renewable corporate bonds by the Group during the year.

16. Material acquisitions and disposals

The Group had not conducted any material acquisition and disposal in 2017.

17. Significant investment

The Group did not conduct any material investment in 2017.

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 2017, the total net book value of the pledged assets amounted to RMB14,819.6 million.

20. Contingent liabilities

As at 31 December 2017, the Group provided external guarantee of RMB14.5 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 dependent on the policies and regulations that support such development in the PRC. 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 gross electricity and revenue generated from a wind power project are highly dependent on wind conditions, which vary across seasons and regions. Our solar power projects are highly dependent on sunlight conditions. The gross electricity and revenue generated from solar power projects are highly dependent on sunlight 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 and other natural gas-fired power 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

General Secretary Xi Jinping proposed new thoughts, new views and new conclusions on the new development stage of China and main contradictions currently existed in the society and made deep and detailed elaborations on the ecological civilization construction and green development. In the new era of energy development, the Group will follow the guidance of the "Thirteenth Five-Year" Plan on energy development, actively establish a clean, low-carbon, safe and efficient green energy system, and optimize the energy structure to highlight the advantages of clean and low-carbon development. Based the plan and the actual conditions of the Company, the installed capacity of the Company will see rapid development and the proportion of clean energy will be further increased by 2020, thus generating higher benefits.

In order to promote the ecological civilization construction in China and realize the vision of building a green and beautiful China, the Group will continue to promote the scale development of non-fossil energy and strengthen the connection among the scale, layout, channels and market. It will stably develop wind power, solar energy and other renewable resources and expand the application of clean energy.

Actively developing the hydropower business. Hydropower is a key pillar in the clean and low-carbon development of the Company. The Group will sieve opportunities, keep a foothold in Fujian with a nationwide view and expand overseas markets to embark on a development path with self-establishment, reorganizations, mergers and acquisitions.

Continuously developing the wind and solar power industry. The new energy sector, including wind and solar power, is a key pillar in the clean and low-carbon development of the Company. We will speed up the high-quality construction of existing wind power and solar power generation projects, increase the reserve of quality wind power and solar power resources, seize opportunities and enhance the efficiency at every moment to achieve sustainable development.

Developing gas-related businesses with appropriate measures based on local conditions. The gas-fired power segment is an important part in the clean and low-carbon development of the Company. The Group will continue to improve and strengthen the natural gas distributed energy business and build it into a glistening business card of the Company.

Prudently developing the coal-fired power industry. Through keeping a foothold in Fujian and based on the conditions of the power market in Fujian, the Group will promote the progress of the efficient integration of ports and power plants in Fujian when appropriate and advance the coal-fired power cogeneration to achieve synchronous growth in the scale and benefit of the Company.

Increasing investment in nuclear power. Nuclear power is characterized by stable operation, controllable cost and obvious investment benefits. The Group will seize the opportunity of significant investment in Fuqing Nuclear and investment in Zhejiang Sanmen Nuclear Power (浙江三門核電) and actively seek investing in other nuclear power projects. It will conduct research and development of biomass and other emerging industries and vigorously seek new drivers to profit growth.

Speeding up the pilot on the reform of power sale. The Group will actively study the market-oriented reform of power and other policies and speed up the pace of the pilot on reform of power sale. It will seize the favorable opportunities in the reform of the national power system, energetically conduct the pilot on the reform of power sale and make deployments in the power sales field in advance.

Vigorously promoting the establishment of a professional services platform for new energy. The Group will deeply study the characteristics of the development, construction and operation of new energy projects and focus on building a development and service platform with high technology and management as well as strong professionalism positioned to serve new energy enterprises. It will expand the industrial layout and profit model of the Company and further improve the brand and market value of the Company.

Environmental, Social and Governance Report

ABOUT THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report (hereafter referred to as "ESG Report") mainly introduces the annual performance of various aspects with regard to environmental protection, compliance operation, employees' rights, community investment, etc. of Huadian Fuxin Energy Corporation Limited (the "Company" or "we") and its subsidiaries (collectively referred to as the "Group") in 2017. It is to be read in conjunction with "Corporate Governance Report" section of Huadian Fuxin Energy Corporation Limited 2017 Annual Report ("2017 Annual Report"), so as to have a comprehensive understanding on the environmental, social and corporate governance performance of the Group.

ESG Reporting Scope

Unless otherwise stated, the organizational scope of the ESG Report covers Huadian Fuxin Energy Corporation Limited and its subsidiaries. The ESG reporting period is consistent with that stated in the 2017 Annual Report of the Group, which is 1 January 2017 to 31 December 2017 ("reporting period"). All information disclosed in the ESG Report was sourced from the Group's document and statistic. The Group certifies that the truthfulness, accuracy and completeness of the ESG Report.

Reporting Guideline

The ESG Report was prepared based on the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited issued by the Stock Exchange of Hong Kong Limited ("SEHK").

Reporting Language

The ESG Report is published in two versions, Traditional Chinese and English. If there is any inconsistency between the Traditional Chinese version and English version, the Traditional Chinese version shall prevail.

Stakeholder Engagement

The preparation of the ESG Report was made with the engagement of each employee from different departments of the Group. This helped the Group have a better understanding on its current condition of sustainable development.

Comment and Feedback

Your feedback is immensely important for the Group to keep enhancing its environmental and social performance. If there are any comments or feedback, you are welcome to contact us by email at zqb@hdfx.com.cn.

1. ABOUT THE GROUP

As a leading listed clean energy company in China, the Group consistently commits to generating and providing green energy that is clean, eco-friendly and efficient since its establishment. By doing so, it is able to protect and improve the natural environment that people live in. While promoting the harmonious economic development and dedicating itself to improving its profit, the Group sincerely made contributions to the society through proactively engaging in community investment activities. Not only is this the establishment initiative of the Group, but also its mission and responsibility.

We believe, there would be an outstanding influence on global sustainable development created by China's clean energy and structural change in Chinese economy. The Group would proactively respond to the national strategy relating to economic and energy development, focus on the adjustment of China's power sector, adhere to the idea of green development, and keep improving the efficiency of the Group's generators and clean energy productivity. It is our wish to sincerely cooperate with those partners from different industries who are willing to develop clean energy. We could work together and make breakthrough in the blooming development of green industry so as to keep the earth as energetic as it is and the sky as blue as it could be.

In the year 2017, recognition from the society was gained by the Group due to its persistence in fulfilling corporate and social responsibility. For example, Fujian Huadian Kemen Power Generation Company Limited ("Kemen Power Generation"), Fujian Huadian Yong'an Power Generation Company Limited ("Yong'an Power Generation") and Fujian Huadian Zhangping Coal-fired Power Company Limited ("Zhangping Coal-fired Power") were all awarded as "Enterprise with Environmental Trustworthiness" by Fujian Provincial Department of Environmental Protection. This honour fully embodied the recognition from Fujian Provincial Department of Environmental for the contributions to environmental protection made by the subsidiaries listed above.

2. IN THE PRACTICE OF ENVIRONMENTAL PROTECTION

The Group strictly abides by the relevant laws and regulations relating to air and greenhouse gas ("GHG") emissions, discharges into water and land, and generation and disposal of waste, which include but are not limited to the *Environmental Protection Law of the People's Republic of China*, the *Water Pollution Prevention and Control Law of the People's Republic of China*, the *Water and Soil Conservation Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, the *Environment Compliance Guidance for Thermal Power Enterprise*, the *Emission Standard of Air Pollutants for Thermal Power Plants* and the *Notice of National Development and Reform Commission on Greenhouse Gas Emissions Reporting by the Major Enterprise and Public Institutions*. Moreover, in order to strictly implement supervision and administration of environmental protection over construction projects, the Group strictly implements and complies with those management measures which were stipulated according to applicable national laws and regulations relating to environmental protection, such as the *Supervision and Management Measures on Environmental Protection of China Huadian Corporation,* the *Administrative Measures of "Three Simultaneities" for Environmental Protection and Water and Soil Conservation at Construction Projects of China Huadian Corporation*, the *Measures for Managing Emission Permits of China Huadian Corporation*, etc.

2. IN THE PRACTICE OF ENVIRONMENTAL PROTECTION (CONTINUED)

Upholding the principle of "comprehensive planning, breakthrough in key area, precaution first, comprehensive management and control", the Group accomplished its tasks of environmental protection, which were in closed combination with fulfilment of energy conservation, resources saving and comprehensive utilization, and clean production. During the reporting period, there was no occurrence of major environmental pollution accident or major environmental incident in the Group.

2.1 Emissions

As a responsible power supply enterprise, the Group performed supervisory and regulatory responsibilities over its three coal-fired power subsidiaries and natural gas-fired power (distributed) projects and ensured that their total amount of emissions was strictly in compliance with the relevant standards. At the same time, the application of environmental protection information platform for power generation projects was proactively promoted, which enabled the real-time monitoring of emission data. The Group proactively engaged in the management of environmental protection renovation projects. During the reporting period, there were in total of 8 generators in the coal-fired power companies of the Group completed ultra-low emission renovation and Kemen Power Generation was the first company in Fujian Province whose four generators with a capacity of over 600 MW were all qualified generators with ultra-low emission. After the renovation, both sulphur dioxide and nitrogen oxides emissions from Kemen Power Generation reduced by around 75% compared to those before renovation; sulphur dioxide and nitrogen oxides emissions from Yong'an Power Generation reduced by roughly 74% and 11%, respectively, compared to those before renovation; and sulphur dioxide and nitrogen oxides emissions from Zhangping Coal-fired Power reduced by around 40% and 50%, respectively, compared to those before renovation.

The clean power generation projects of the Group, including wind power, hydropower, solar energy projects, etc., are eco-friendly businesses. There is no consumption of fossil fuel and negligible air emission and GHG emission from the projects above, which poses relatively minor impact on the environment and natural resources. The Group proactively responds to the domestic and international calls of green and low-carbon development and keeps promoting development of carbon emission reduction projects and the Chinese Certified Emission Reduction ("CCER") projects. The Group also proactively responds to the voluntary subscription for Chinese renewable energy green power certificate.

2. IN THE PRACTICE OF ENVIRONMENTAL PROTECTION (CONTINUED)

2.1 Emissions (Continued)

As of 31 December 2017, the performance data of the major emissions from the Group in the reporting period is listed as follows:

Parameter	Unit	Coal-fired power in 2017	Natural gas-fired power (distributed) in 2017
Total power generation	kWh	15,016,453,900.00	2,167,345,000.00
Air pollutant[1]			
Emission of sulphur dioxide	Metric ton	965.95	70.00
Emission intensity of sulphur dioxide	Metric ton/kWh electricity generated	6.43×10^{-8}	3.23×10^{-8}
Emission of nitrogen oxides	Metric ton	2,160.04	306.30
Emission intensity of nitrogen oxides	Metric ton/kWh electricity generated	14.38×10^{-8}	14.13×10^{-8}
Emission of particulate matter	Metric ton	252.32	33.18
Emission intensity of particulate matter	Metric ton/kWh electricity generated	1.68×10^{-8}	1.53×10^{-8}
GHG[2]			
Scope one: direct emission	Metric ton	13,626,968.21	
Emission intensity of scope one	Metric ton/kWh electricity generated	90.75×10^{-5}	
Scope two: indirect emission	Metric ton	5,152.17	Not applicable[3]
Emission intensity of scope two	Metric ton/kWh electricity generated	0.034×10^{-5}	

1 The listed data of air pollutants was the real-time monitoring data from coal-fired power projects and natural gas-fired power (distributed) projects. The data were sourced from 3 coal-fired power projects and 6 natural gas-fired power (distributed) projects of the Group.

2 The calculations of GHG emissions were set out based on the *Guideline of the Greenhouse Gas Emissions Accounting and Reporting for the Chinese Power Generation Enterprise (Trial)*. The data used in the calculation was sourced from the recorded data of the coal-fired power projects of the Group and best conservative estimates were made based upon historical performance data or benchmarking with similar facilities.

3 Materiality assessment was conducted and the GHG emissions from natural gas-fired power (distributed) projects were not disclosed according to the principle of materiality.

2. IN THE PRACTICE OF ENVIRONMENTAL PROTECTION (CONTINUED)

2.1 Emissions (Continued)

As of 31 December 2017, the emission reduction data of the hydropower, wind power and solar energy projects of the Group in the reporting period is listed as follows:

Parameter	Unit	Hydropower, wind power and solar energy projects in 2017
Total power generation	kWh	25,208,829,200.00
Equivalent to standard coal saving	Metric ton	8,598,712.14
Equivalent to sulphur dioxide reduction	Metric ton	1,621.58
Equivalent to nitrogen oxides reduction	Metric ton	3,626.16
Equivalent to particulate matter reduction	Metric ton	423.58
Equivalent to GHG reduction	Metric ton	22,884,883.24
Planted trees	Tree	6,667
GHG reduction by planted trees[4]	Metric ton	153.341

Wastewater and solid wastes are unavoidably generated by the Group during its operation. In order to firmly comply with the relevant requirements relating to the treatment and disposal of wastewater and solid waste, the Group has implemented environmental protection practices pursuant to relevant national and local standards of environmental protection. The wastewater from the coal-fired power companies and natural gas-fired power (distributed) projects of the Group was all treated through effective wastewater treatment systems. All coal-fired power companies and most of the natural gas-fired power (distributed) projects of the Group have implemented zero discharge practices for industrial wastewater. The treated wastewater would be reused for greening and sanitation in the plant areas. Take Yong'an Power Generation as an example, it has applied the method of "separation of drainage and sewage system and sorting treatment" to collect industrial wastewater in the industrial water treatment plant for treatment, while sewage is collected and sent to sewage treatment plant for treatment. The treated wastewater that meets applicable standard would be reused, which means zero-discharge of wastewater. By doing so, the utilization efficiency of water resources is promoted. On the solid waste front, around 1,725.44 metric tons of hazardous wastes, which mainly included spent lubricating oil, spent denitrification catalysts and used batteries, were generated by the Group in the reporting period. Moreover, around 137,032.00 metric tons of nonhazardous wastes generated by the Group, which mainly were desulfuration gypsums. The generated hazardous wastes were delivered by the Group to the qualified third-party for centralized treatment in accordance with the requirements of relevant environmental protection department. As for the nonhazardous waste, the Group proactively promoted circular economy and the desulfuration gypsums were sold and reused for various ways, like production of cement concrete, etc., so as to make resources reusable. During the reporting period, the amount of generated desulfuration gypsums were 137,012.00 metric tons and their recovery rate reached 100%.

4 The calculations of GHG reduction by planted trees were set out based on the *Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Building (Commercial, Residential or Institutional Purposes) in Hong Kong* published by Electrical and Mechanical Services Department and Hong Kong Environmental Protection Department.

2. IN THE PRACTICE OF ENVIRONMENTAL PROTECTION (CONTINUED)

2.1 Emissions (Continued)

As of 31 December 2017, the data of wastewater discharged and solid waste from the coal-fired power subsidiaries, natural gas-fired power (distributed) and wind power projects in the reporting period is listed as follows:

Parameter	Unit	2017
Total wastewater discharged	Metric ton	171,884.00
Hazardous waste	Metric ton	1,725.44
Intensity of hazardous waste	Metric ton/kWh electricity generated	0.05×10^{-6}
Nonhazardous waste	Metric ton	137,032.00
Intensity of nonhazardous waste	Metric ton/kWh electricity generated	4.29×10^{-6}

2.2 Use of Resources

The Group strictly abides by the policies and practices relating to use of resources, such as the *Cleaner Production Promotion Law of the People's Republic of China*, the *Environment Compliance Guidance for Thermal Power Enterprise*, etc. Moreover, the Group devotes itself to integrating the green and environmental concept into its production and operation. For instance, the coal-fired power subsidiaries of the Group have recycled and reused the treated industrial wastewater for water consumption reduction and further promoted the comprehensive usage of water resources. Mindong Hydropower Development Company Limited has formulated and implemented the *Measures for Administration of Waste Materials*, which regulates the management of waste materials and makes the usage of waste materials more efficiently. Furthermore, Shandong Branch of the Group has formulated and implemented management measures for water and electricity usage, so as to raise employees' awareness of energy saving and cherishing every single use of electricity and water. In active response to the National Energy Conservation Week and the National Low-carbon Day, Shandong Branch of the Group proposed a recommendation regarding energy saving and environmental protection, which included saving the usage of office supplies, water and electricity. The recommendation also included encouraging employees to take public transportation and repair and recycle the used materials. Moreover, the Group proactively responds to the call of energy conservation, emission reduction and green and low-carbon development. A series of practices were implemented therefore, such as implementing paperless office systems, recycling waste paper, etc.

On the front of energy usage, the Group formulated working plan for elevating energy efficiency, improved the management of energy consumption of the equipment and advanced technology renovation. For example, by improving the management of the heating equipment, the wind power projects of the Group decreased their usage of electricity; while by accomplishing upgrade and renovation of 4 generators, Kemen Power Generation reduced its coal consumption for power generation.

2. IN THE PRACTICE OF ENVIRONMENTAL PROTECTION (CONTINUED)

2.2 Use of Resources (Continued)

In terms of water sourcing, since both the coal-fired power projects and hydropower projects of the Group are concentrated in the areas of Fujian Province that are characterized by rich and diverse water resources, there are no difficulties with water sourcing.

As of 31 December 2017, the energy consumption and water consumption from the coal-fired power subsidiaries, natural gas-fired power (distributed) and wind power projects in the reporting period is listed as follows:

Parameter	Unit	Coal-fired power in 2017	Natural gas-fired power (distributed) in 2017	Wind power in 2017
Water consumption	Metric ton	12,020,336.00	1,995,359.00	43,558.24
Intensity of water consumption	Metric ton/kWh electricity generated	8.00×10^{-4}	9.20×10^{-4}	0.03×10^{-4}
Purchased electricity	kWh	7,323,624.00	36,267,336.00	34,286,504.05
Intensity of purchased electricity	kWh/kWh electricity generated	0.0005	0.017	0.002
Coal	Metric ton	7,170,797.72	0	0
Intensity of coal	Metric ton	4.78×10^{-4}	Not applicable	Not applicable
Natural gas	Ten thousand cubic meters	0	45,714.15	0
Intensity of natural gas	Ten thousand cubic meters/kWh electricity generated	Not applicable	0.21×10^{-4}	Not applicable
Gasoline	Metric ton	109.34	12.02	0
Intensity of gasoline	Metric ton/kWh electricity generated	0.73×10^{-8}	0.55×10^{-8}	Not applicable
Diesel	Metric ton	565.57	3.52	0
Intensity of diesel	Metric ton/kWh electricity generated	3.77×10^{-8}	0.16×10^{-8}	Not applicable

2. IN THE PRACTICE OF ENVIRONMENTAL PROTECTION (CONTINUED)

2.3 Taking Care of Environment

Staying committed to the path of improving ecological and green development, the Group strictly complies with the relevant policies and regulations on minimising the significant impact on the environment and natural resources, including but not limited to the *Measures for the Administration of Emergency Response Plans for Environmental Incident*, *the Implementation Measures for the Supervision and Inspection over Environmental Protection of China Huadian Corporation (2016 edition)*, the *Rules for Implementation of Supervision over Environmental Protection for Coal-fired Power Plant*. The Group also ensures that those emissions generated from its operation, such as air emission, wastewater, noise, etc., reach the relevant standards, for example, the *Emission Standard of Air Pollutants for Thermal Power Plants*, the *Integrated Wastewater Discharge Standard, the Emission Standard for Industrial Enterprises Noise at Boundary*, etc. Meanwhile, environmental impact assessment for construction projects has been conducted by the Group according to relevant requirements. By identifying environmental impact factors, the Group has formulated and implemented various environmental protection measures in a more effective way. For instance, the environmental impact factors found in the operation of the Group's wind power projects mainly include electromagnetic radiation, the impact from water loss and soil erosion and the impact on the adjacent wildlife. Therefore, the Group proactively conducted impact assessment of electromagnetic radiation for the wind power projects and took effective measures according to the result of the assessment. For instance, the equipment with good electromagnetic shielding performance was chosen to minimize its impact on the surrounding. In terms of preventing water loss and soil erosion, measures such as promoting greening, planting grass, building shelterbelts, etc., were implemented to minimize the impacts of water loss and soil erosion from construction works and restore natural landscape of the area. There are two major impacts on the adjacent wildlife: one is the rotation of wind turbine generator blades and the other is the noise generated by the wind turbine generators. On this account, Inner Mongolia Branch of the Company strictly prohibits either wind turbine generators maintenance and repair or civil construction conducting at night to avoid the disturbance to the nearby wildlife. Furthermore, warning visual patterns are painted at the top of the wind turbine blades, so that the bird could pay attention to them and learn to avoid the blades, which reduce the risk of being hit by them.

3. UPHOLDING COMPLIANCE OPERATION

3.1 Legal Management

The Group continued to strengthen legal education and enhance its understanding of laws. In addition, the Group conducted in-depth anti-corruption education and engaged in constant effort to improve the conduct of the Communist Party of China ("CPC"), so as to firmly promote the implementation of the system of accountability for improving the conduct of the CPC and upholding integrity. The Group strictly abides by the relevant laws and regulations relating to bribery, extortion, fraud and money laundering, including but not limited to the *Criminal Law of the People's Republic of China, the Regulations of the People's Republic of China for Suppression of Corruption*, relevant regulations of the State-owned Assets Supervision and Administration Commission of the State Council, Listing Rules, fair competition rules, etc. In order to implement legal management, the Group has also formulated and implemented various internal policies, such as the *Anti-corruption Working System of Huadian Fuxin Energy Corporation Limited, the Implementation Rules for Incorruptible Performance of Leaders of Huadian Fuxin Energy Corporation Limited,* etc. The Group has secretary of the Discipline Committee and the Supervision and Audit Department (Discipline Inspection Office) to take full responsibility for inner supervision over the Group, receive complaints through visiting, letter, text message, e-mail or other means and deal with the cases involving violation of regulations and disciplines timely. During the reporting period, the Group did not receive any legal cases of corruption.

In order to promote the conduct of the CPC and implement the work of combating corruption and promoting integrity, the Group proactively held the seminar of promoting the conduct of the CPC, combating corruption and promoting integrity in 2017. Also, the Group organized the activities of education month of combating corruption and promoting integrity and held 35 seminars about anti-corruption and promoting integrity in total. Moreover, the Group made full use of the dedicated website for anti-corruption and promoting integrity to keep enhancing employees' understanding of practice integrity at all levels.

The Group is a power supplier and its clients are grid corporation and large industry who has direct trading of power generating rights with the Group. Regarding the information of the Group and clients, the Group strictly abides by the applicable measures of privacy protection to keep the information safe by proper measures. The disclosure of the information relating to health, advertising and labelling of the power supplied by the Group is not applicable due to its business nature.

3. UPHOLDING COMPLIANCE OPERATION (CONTINUED)

3.2 Safety First

The Group consistently implements the principle of "safety first, prevention first, comprehensive treatment" in work safety management, sticks to develop safely and protects employees from occupational hazards. The Group strictly abides by the national laws and regulations, such as the *Work Safety Law of the People's Republic of China,* the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, etc. In addition, the Group has formulated and implemented administrative regulations and measures, such as the *Regulation on Safe Production Work of Huadian Fuxin Energy Corporation Limited,* the *Regulation on Safe Power Generation of Huadian Fuxin Energy Corporation Limited,* the *Unsafe Events Accountability and Assessment Measures of Huadian Fuxin Energy Corporation Limited,* the *Regulations on Inspecting and Eliminating Power Safety Hazards of Huadian Fuxin Energy Corporation Limited,* safety handbook, regulations for administration of labor protection articles, contingency plan for specific case, etc.

The Group has established permanent mechanism for safety management to ensure employees' safety during the operation of power generation, to ensure the reliable operation of equipment and supply of electricity and heat, and to protect national property and rights of employee from violation, conducting safe operation that is controllable and under control. For example, Mindong Hydropower Development Company Limited held rehearsal of contingency plan for extreme weather disasters to raise the safety awareness and responsibility of employees. The wind power projects of the Group have entrusted qualified occupational health technical service institutions to conduct occupational hazards assessment for their construction projects. The evaluation reports of the effectiveness of controlling the harm of occupational disease were written accordingly and further improvement of the management of occupational disease prevention and occupational hygiene was made. Moreover, in order to increase the emergency response capabilities of employees, the Group held regular rehearsal of emergency drill in the event of fire, flood control, first aid for electric shock, etc.

Figure 1. The comprehensive emergency drill in 2017 of Huadian (Fuqing) Wind Power Company Limited

3. UPHOLDING COMPLIANCE OPERATION (CONTINUED)

3.2 Safety First (Continued)

Figure 2. The rehearsal of contingency plan in 2017 of East Inner Mongolia Branch of the Company

Figure 3. The emergency drill in 2017 of Inner Mongolia Huadian Huitengxile Wind Power Company Limited

3. UPHOLDING COMPLIANCE OPERATION (CONTINUED)

3.3 Supply Chain Management

The Group has formulated and implemented administrative measures according to relevant laws and regulations, such as the *Measures for the Administration of Procurement of Huadian Fuxin Energy Corporation Limited*, the *Measures for the Supplier Management of Huadian Fuxin Energy Corporation Limited (Trial)*, etc., to regulate supplier management and assessment of the Group as well as to better satisfy the Group's needs of infrastructural and operational procurement. This also enables the Group to control procurement cost and increase procurement efficiency. The procurement management of the Group is strictly in compliance with the laws and regulations, such as the *Bidding Law of the People's Republic of China*, etc., and the principles of "openness, fairness, justice and good faith". Regarding supplier management, the Group has established categorized supplier list. Real-time tracking supplier assessment is conducted according to the principle of integration of quantified and qualified assessment and combination of real-time and regular assessment. Criteria for supplier assessment mainly include the management of the supplier, performance of quality, safety and service, whether it is certified ISO 14001 Environmental Management System, whether it has comprehensive policies and objectives regarding quality and environment, whether there was adverse social impact on production, operation or construction due to its performance, etc. Through this dynamic quantified assessment, the Group hopes to continuously optimize the selection of suppliers and keep the procurement risk under control.

4. PERSISTING IN PEOPLE-ORIENTED

Outstanding talents are valuable treasure of the Group. The Group adheres to the idea of "people-oriented", promotes the strategy of strengthening the Group through talents and builds a fair, reasonable, scientific human resource management system. By doing so it is able to facilitate development of employees. At the same time, the Group actively creates a promising company that employee could keep their mind on.

4.1 Employee Policies

The Group strictly complies with the relevant laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity and other benefits and welfare, including but not limited to the *Labor Law of the People's Republic of China,* the *Labor Contract Law of the People's Republic of China* and the *Trade Union Law of the People's Republic of China*. The Group has implemented sound recruitment systems, labor contract systems, comprehensive promotion mechanisms, comprehensive remuneration and benefit policies and compliant working hours, which enable employees to keep their mind on work. Employees have legally entered into labor contracts with the Group and it has provided social insurance funds (including basic pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing provident funds to employees. In addition, the Group has also provided supplementary medical insurance and enterprise annuity fund for its employees. At present, the payroll system of the Group primarily comprises of basic salary and performance-based bonus. Moreover, the people-oriented leave and holiday policies ensure that employees legally enjoy paid leaves and other public holidays and forced labor is prohibited. In addition, the Group advocates the employment policies regarding equality and diversity and it does not discriminate against employees because of race, nationality, colour, gender and other conditions.

4. PERSISTING IN PEOPLE-ORIENTED (CONTINUED)

4.1 Employee Policies (Continued)

On the front of preventing child labor, the Group strictly complies with the applicable laws and regulations, such as the *Law of the People's Republic of China on the Protection of Minors*, resolutely objecting to hire child labor under 16 years old as employee.

As of 31 December 2017, the Group had 9,908 employees in total. The following table sets forth a breakdown of employees:

Business types	Number of employees	Proportion
General administration	147	1.48%
Hydropower	2,378	24.00%
Wind power	2,655	26.80%
Coal-fired power	2,972	30.00%
Other clean energy	1,756	17.72%
Total	9,908	100%

The following table sets forth a breakdown of the employees by education background:

Education background

Total	Postgraduate or above	Undergraduate	Junior college	Technical secondary school	Technical school	Senior high school or below
9,908	192	4,006	3,005	1,104	314	1,287

4. PERSISTING IN PEOPLE-ORIENTED (CONTINUED)

4.1 Employee Policies (Continued)

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

Grouping by age	
55 years old or above	512
50–54 years old	1,563
45–49 years old	1,872
40–44 years old	1,415
35–39 years old	808
30–34 years old	955
25–29 years old	1,733
24 years old or below	1,050
Total	9,908

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

Grouping by gender

Total	Male	Female
9,908	7,653	2,255

4. PERSISTING IN PEOPLE-ORIENTED (CONTINUED)

4.2 Development and Training

The Group works hard to improve the development of talents team building and implement the strategy of prospering the Group by relying on talents. The Group has formulated and implemented comprehensive administrative measures for the training of operational staff. Safety training archives of employees are set up to record their training and examination result relating to procedures and regulations for safe operation, safety knowledge, safety skills, etc. Moreover, the Group has formulated annual education and training plan. According to this plan, the Group organised and conducted training for talents on operation and management, professional (management skill) and technical talents. The Group improved the quality of the team of teachers and elevated capital input to the training base of the coal-fired power, hydropower, wind power and natural gas-fired power (distributed) of the Group. The investment was around RMB22,500,000 in total.

During the reporting period, the training headcount of the Group totalled 12,096, covering enterprise leaders (including Directors and Supervisors), staff from every department on operation and management, professional technicians, skilled technicians and new employed graduates, etc. The average training hours completed per employee were over 80 hours.

4.3 Activities of Employees

The Group always cares about the physical and mental health of employees. For instance, considering that the power plant is far away from the urban area in Fuzhou and there is insufficient time for employees to be with their children, Kemen Power Generation thus held parent-child summer camp in a considerate way. This way not only created good opportunity for employees to be with their children during summer, but also let the children of employees have a more enriched and meaningful summer in Kemen Power Generation.

Figure 4. The summer camp in 2017 of Kemen Power Generation

4. PERSISTING IN PEOPLE-ORIENTED (CONTINUED)

4.3 Activities of Employees (Continued)

Kemen Power Generation positively held “happy farming”. This activity not only let employees know the correlation between the change of four seasons and growth of plants and let them get closer to the nature during planting and harvesting at the farm, but also let employees experience the hardship in farming. Farming not only brought happiness from harvesting, but also showed employees’ spirit of hard-working.

Figures 5 and 6. A rich harvest from the happy farm in Kemen Power Generation in 2017

5. CARING FOR SOCIAL BENEFIT

The Group keeps in mind its social responsibilities, proactively engages in activities for community investment and sincerely serves the community. Helping the local and adjacent communities where the Group operates at is the social responsibilities that it should fulfil during its operation, and is a valuable way to make contribution to the society as well as an important way to encourage and introduce employees of the Group to lead a positive life and be obliging. In response to the implementation of "persisting in taking targeted measures in poverty alleviation, persisting in winning the tough battle against poverty", the Group proactively engaged in the activities of assisting impoverished students and taking targeted measures in poverty alleviation, embodying its fulfilment of social responsibilities. During the reporting period, the donations made by the Group for community investment amounted approximately RMB2,134,600, mainly including the donations to those in straitened circumstance and constructions in impoverished areas.

Figure 7. The volunteer activity, "Donation to those in need and assisting impoverished students", in 2017 of Henan Branch of the Company

5. CARING FOR SOCIAL BENEFIT (CONTINUED)

Figure 8. General Manager of Hunan Huadian Chenzhou Wind Power Company Limited paid a visit to the aided family

Figure 9. Huadian Nanning New Energy Company Limited donated to the undergraduate in straitened circumstance

5. CARING FOR SOCIAL BENEFIT (CONTINUED)

Figure 10. The donation activity, “poverty-relief day”, of Guangzhou University Town Huadian New Energy Company Limited

SEHK ESG REPORTING GUIDE INDEX

General Disclosures and KPIs	Description	Relevant Chapter(s) or Explanation	Relevant Page(s)
	Environmental		
Aspect A1：Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	2	50
KPI A1.1	The types of emissions and respective emissions data.	2.1	52
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2.1	52
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2.1	53-54
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2.1	53-54
KPI A1.5	Description of measures to mitigate emissions and results achieved.	2.1	51
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	2.1	53

SEHK ESG REPORTING GUIDE INDEX (CONTINUED)

General Disclosures and KPIs	Description	Relevant Chapter(s) or Explanation	Relevant Page(s)
	Environmental (Continued)		
Aspect A2：Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	2.2	54
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	2.2	55
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	2.2	55
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	2.2	54
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	2.1 and 2.2	55
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable[5]	
Aspect A3：Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources.	2.3	56
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	2.3	56

5 Due to the business nature of the Group, this disclosure is not applicable to it.

SEHK ESG REPORTING GUIDE INDEX (CONTINUED)

General Disclosures and KPIs	Description	Relevant Chapter(s) or Explanation	Relevant Page(s)
	Social		
Aspect B1：Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	4.1	60, 63-64
KPI B1.1	Total workforce by gender, employment type, age, group and geographical region.	4.1	61-62
Aspect B2：Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	3.2	58
Aspect B3：Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work: Description of training activities.	4.2	63
Aspect B4：Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	4.1	60-61

SEHK ESG REPORTING GUIDE INDEX (CONTINUED)

General Disclosures and KPIs	Description	Relevant Chapter(s) or Explanation	Relevant Page(s)
	Social (Continued)		
Aspect B5：Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	3.3	60
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	3.3	60
Aspect B6：Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	3.1 and 3.2	57-58
Aspect B7：Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	3.1	57
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	3.1	57
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	3.1	57
Aspect B8：Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	5	65

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.

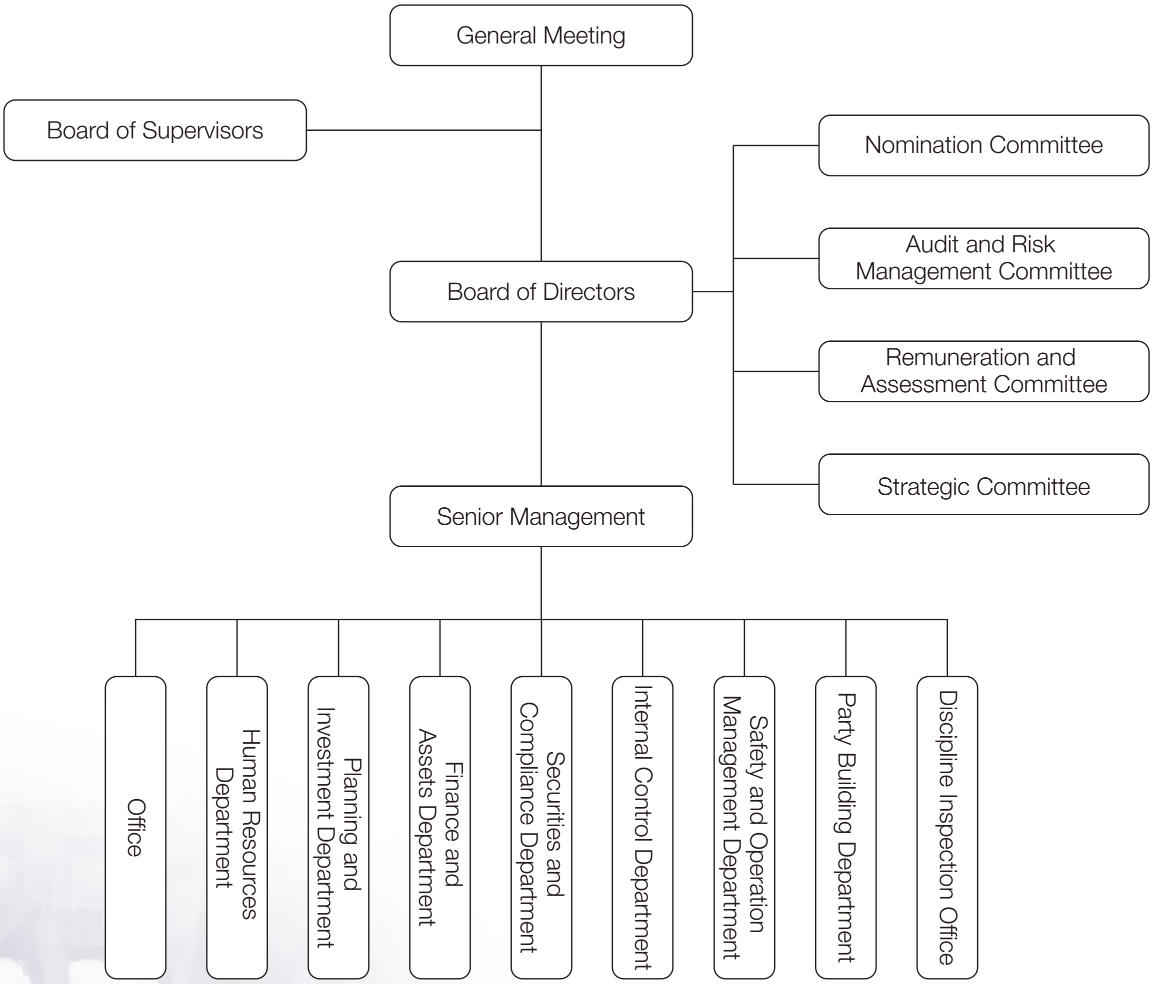
II. COMPLIANCE WITH THE CODE FOR SECURITIES TRANSACTIONS

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 27 to 30 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 third session of Board of the Company during the Reporting Period is set out as follows:

Name	Position held in the Company	Date of Appointment/Re-election
Mr. HUANG Shaoxiong	Chairman of the Board and Executive Director	Appointed on 25 August 2017
Mr. WU Jianchun	Executive Director	Appointed on 25 August 2017
Mr. LI Lixin	Executive Director	Re-elected on 29 June 2017
Mr. TAO Yunpeng	Non-executive Director	Re-elected on 29 June 2017
Mr. LI Yinan	Non-executive Director	Re-elected on 29 June 2017
Mr. MEI Weiyi	Non-executive Director	Appointed on 25 August 2017
Mr. ZHANG Bai	Independent Non-executive Director	Re-elected on 29 June 2017
Mr. TAO Zhigang	Independent Non-executive Director	Re-elected on 29 June 2017
Mr. WU Yiqiang	Independent Non-executive Director	Re-elected on 29 June 2017
Mr. FANG Zheng	Former Chairman of the Board and Executive Director	Re-elected on 29 June 2017 and resigned on 25 August 2017
Mr. SHU Fuping	Former Executive Director and General Manager	Re-elected on 29 June 2017 and resigned on 25 August 2017
Mr. CHEN Haibin	Former Non-executive Director	Re-elected on 29 June 2017 and resigned on 25 August 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, ten meetings were held by the Board. The attendance record of the Directors at the Board meetings is disclosed on page 84 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 Materials	Participation in Training Courses
Executive Directors		
HUANG Shaoxiong	1	0
WU Jianchun	1	0
LI Lixin	1	1
FANG Zheng [1]	1	1
SHU Fuping [2]	1	0
Non-executive Directors		
TAO Yunpeng	1	1
LI Yinan	1	1
MEI Weiyi	1	0
CHEN Haibin [3]	1	0
YANG Qingting [4]	1	0
ZONG Xiaolei[5]	1	0
Independent Non-executive Directors		
ZHANG Bai	1	1
TAO Zhigang	1	1
WU Yiqiang	1	1
ZHOU Xiaoqian[6]	1	0

Notes:

1 Mr. FANG Zheng resigned as the Chairman of the Board and an Executive Director on 25 August 2017.

2 Mr. SHU Fuping resigned as an Executive Director and General Manager on 25 August 2017.

3 Mr.CHEN Haibin resigned as a Non-executive Director on 25 August 2017.

4 Mr. YANG Qingting resigned as a Non-executive Director on 23 February 2017.

5 Mr. ZONG Xiaolei resigned as an Non-executive Director on 23 February 2017.

6 Mr. ZHOU Xiaoqian resigned as an Independent Non-executive Director on 23 February 2017.

(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. HUANG Shaoxiong acted as the Chairman of the Board (appointed on 25 August 2017); and Mr. WU Jianchun acted as the General Manager (appointed on 25 August 2017). 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 define the division of duties between the Chairman and the General Manager.

Mr. HUANG Shaoxiong, 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. WU Jianchun, the General Manager, is mainly responsible for the Company's day-to-day operation and management, including organizing 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 re-appointment.

(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 COMMITTEES

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. LI Yinan (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 2017, the sixth 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 2016; (2) the Company's 2016 final financial report was considered and approved; (3) the Company's 2016 annual report and results announcement were considered and approved; (4) the Company's financial statements for the twelve months ended 31 December 2016 were considered and approved; (5) the Company's 2016 profit distribution scheme was approved and proposed; (6) the engagement of KPMG as the Company's 2017 international auditor was approved and proposed; and (7) the internal control functions and the obligation required under Corporate Governance Code and Report were reviewed.

On 24 August 2017, the first meeting of the audit and risk management committee of the third 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 2017; and (2) the Company's 2017 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 for 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. WU Yiqiang (independent non-executive Director), Mr. FANG Zheng (former executive Director, resigned as executive Director, member of the nomination committee and the strategic committee on 25 August 2017), Mr. HUANG Shaoxiong (executive Director, appointed as executive Director, the Chairman of the Board, member of the nomination committee and the strategic committee on 25 August 2017) and Mr. TAO Zhigang (independent non-executive Director). Mr. HUANG Shaoxiong serves as the chairman of the nomination committee.

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

The third meeting of the nomination committee of the second session of the Board was held on 24 March 2017, at which the nomination of Mr. FANG Zheng, Mr. SHU Fuping and Mr. LI Lixin as the candidates for executive Directors of the third session of the Board, the nomination of Mr. TAO Yunpeng, Mr. CHEN Haibin and Mr. LI Yinan as the candidates for non-executive Directors of the third session of the Board and the nomination of Mr. ZHANG Bai, Mr. TAO Zhigang and Mr. WU Yiqiang as the candidates for independent non-executive Director of the third session of the Board were passed and proposed and the said nominations were submitted by the Board to the General Meeting for examination and approval.

The first meeting of the nomination committee of the third session of the Board was held on 5 July 2017, at which the nomination of Mr. HUANG Shaoxiong as a candidate for executive Director of the third session of the Board was passed and proposed and the said nomination was submitted by the Board to the General Meeting for examination and approval.

The second meeting of the nomination committee of the third session of the Board was held on 3 August 2017, at which (1) the nomination of Mr. WU Jianchun as a candidate for executive Director of the third session of the Board and the nomination of Mr. MEI Weiyi as a candidate for non-executive Director of the third session of the Board were passed and proposed and the said nominations were submitted by the Board at the General Meeting for consideration and approval; and (2) the nomination of Mr. WU Jianchun as the General Manager the Company was 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. LI Lixin (executive Director), Mr. ZHANG Bai (independent non-executive Director) and Mr. WU Yiqiang (independent non-executive Director). Mr. WU Yiqiang 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 third meeting of the remuneration and assessment committee of the second session of the Board was held on 24 March 2017, at which (1) the remuneration for the Company's Directors and Supervisors in 2016 was approved and proposed; and (2) the remuneration for the Company's senior management in 2016 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; to 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; to review the material capital operation and assets operation projects and make suggestions thereon.

During the Reporting Period, the strategic committee consists of three Directors: Mr. HUANG Shaoxiong (executive Director), Mr. WU Jianchun (executive Director) and Mr. WU Yiqiang (independent non-executive Director), while Mr. FANG Zheng, a former executive Director, resigned as an executive Director and a member of the nomination committee and the strategic committee of the Company on 25 August 2017. Mr. HUANG Shaoxiong 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 fifth meeting of the strategic committee of the second session of the Board was held on 24 March 2017, 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 2017 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 2017 annual financial budget report of the Company was approved and proposed; and (5) the review of the 2017 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 nine members, including three Employee Representative Supervisors and two independent Supervisors. 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						
HUANG Shaoxiong[1]	3/3			0/0	0/0	2/2
WU Jianchun[2]	3/3				0/0	2/2
LI Lixin	10/10		0/0			4/4
FANG Zheng[3]	7/7			3/3	1/1	2/2
SHU Fuping[4]	6/7		1/1			1/2
Non-executive Directors						
TAO Yunpeng	6/7					2/4
LI Yinan	7/7	1/2				2/4
MEI Weiyi	3/3					2/2
ZONG Xiaolei[5]	1/1	0/1				0/1
CHEN Haibin[6]	5/5				1/1	1/1
YANG Qingting[7]	1/1					0/1
Independent Non-executive Directors						
ZHANG Bai	10/10	2/2	1/1			4/4
TAO Zhigang	10/10	2/2		3/3		1/1
WU Yiqiang[8]	9/9		1/1	3/3	0/0	
ZHOU Xiaoqian[9]	1/1		1/1	1/1		0/1

Notes:

1. Mr. HUANG Shaoxiong was appointed as the Chairman of the Board and executive Director, as well as the chairman of the nomination committee and the strategic committee of the Company on 25 August 2017.

2. Mr. WU Jianchun was appointed as an executive Director and a member of the strategic committee of the Company on 25 August 2017.

3. Mr. FANG Zheng resigned as the chairman of the nomination committee and the strategic committee of the Company on 25 August 2017.

4. Mr. SHU Fuping resigned as an executive Director on 25 August 2017 and a member of the remuneration and assessment committee of the Company on 29 June 2017.

5. Mr. ZONG Xiaolei resigned as a member of the audit and risk management committee of the Company on 23 February 2017.

6. Mr. CHEN Haibin resigned as a member of the strategic committee of the Company on 25 August 2017.

7. Mr. YANG Qingting resigned as a non-executive Director on 23 February 2017.

8. Mr. WU Yiqiang was appointed as the chairman of the remuneration and assessment Committee, and a member of the nomination committee and the strategic committee of the Company on 23 February 2017.

9. Mr. ZHOU Xiaoqian resigned as the chairman of the remuneration and assessment committee and the nomination committee as well as a member of the strategic committee of the Company on 23 February 2017.

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 2017.

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 by the Company to the auditor for the audit service related to bonds issuance was RMB0.5 million. In addition, 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 97 to 98 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 2017. 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 TMF Hong Kong Limited, is the Company Secretary of the Company. The internal main contact person of the Company is Mr. ZHENG Zhiyang (Head of the Securities and Compliance Department of the Company). During the year ended 31 December 2017, Ms. MOK Ming Wai has taken no less than 15 hours of relevant continuous 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: 9/F, 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 four general meetings, the details of which are as follows:

The 2017 first extraordinary general meeting was held on 23 February 2017, at which the resolutions regarding the following issues had been reviewed and passed: (1) election of Mr. LI Yinan as the non-executive Director of the second session of the Board of the Company, Mr. WU Yiqiang as the independent non-executive Director of the second session of the Board of the Company and Mr. CHEN Haibin 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; (2) election of Mr. GUO Xiaoping as the independent Supervisor of the second session of the Board of Supervisors with the term from the date of approval at the general meeting to the expiration of the second session of the Board of the Supervisors of the Company; (3) amendments to the Articles of Association.

The 2016 annual general meeting was held on 29 June 2017, at which the resolutions regarding the following issues had been reviewed and passed: (1) the Director's Report of the Company in 2016; (2) the Report of the Board of Supervisors of the Company in 2016; (3) the final financial report of the Company in 2016; (4) the audited financial statements of the Company in 2016; (5) the profit distribution scheme of the Company in 2016; (6) the engagement of KPMG as the international auditor of the Company in 2017; (7) the remuneration for the Directors and Supervisors of the Company in 2016; (8) election of Mr. FANG Zheng, Mr. SHU Fuping and Mr. LI Lixin as the executive Directors of the third session of the Board of the Company, election of Mr. TAO Yunpeng, Mr. CHEN Haibin and Mr. LI Yinan as the non-executive Directors of the third session of the Board the Company, and election of Mr. ZHANG Bai, Mr. TAO Zhigang and Mr. WU Yiqiang as the independent non-executive Directors of the third session of the Board of the Company with the term from the date of approval at the general meeting to the expiration of the third session of the Board of the Company；(9) continuing connected transaction-the Coal Purchasing and Shipping Service Framework Agreement；(10) continuing connected transaction-the Finance Lease Framework Agreement；(11) continuing connected transaction-the Project Contracting, Operation Maintenance Service and Equipment Purchasing Framework Agreement；(12) the general mandate to issue the domestic and foreign debt financing instruments; and (13) the general mandate granted by the general meeting to the Board to issue new domestic shares and H shares of the Company.

The 2017 second extraordinary general meeting was held on 25 August 2017, at which election of Mr. HUANG Shaoxiong and Mr. WU Jianchun as executive Directors of the third session of the Board of the Company and election of Mr. MEI Weiyi as a non-executive Director of the third session of the Board of the Company was considered and approved, with the term from the date of approval at the general meeting to the expiration of the third session of the Board of the Company.

The 2017 third extraordinary general meeting was held on 20 December 2017, at which the resolution in relation to the amendments to Articles of Association was considered and approved.

Please refer to page 84 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 2017 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 finance and assets department, securities and compliance department, internal control department and discipline inspection office. Sufficient personnel were retained to take charge of the specific work such as financial operations and control, risk management, internal audit, anti-corruption and the control, management and disclosure of inside information. 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 the disclosure of inside information and other material news 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, which includes, among others, the control, management and disclosure of inside information, 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.

In addition, 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

14.1 Investor Relations Activities

Results Roadshows

The Company organised an interim results roadshow and an annual results roadshow during the Reporting Period. In March and May 2017, the management of the Company carried out annual results roadshow for 2016 in Hong Kong and the US, respectively, and held an investors' presentation, a press conference, a dinner party for stock analysts, twenty-two one-to-one meetings and two group meetings for investors. In August 2017, the management of the Company carried out the 2017 interim results roadshows in Hong Kong and Singapore, and held an investors' presentation, a press conference, a dinner party for stock analysts, twenty-one one-to-one meetings and three group meetings.

Investors' Routine Visits

During the Reporting Period, the Company received ninety groups of investors by way of one-to-one/group/teleconference meetings and fully communicated and exchanged opinions with investors and analysts from about two hundreds domestic and foreign institutions. In addition, the Company also held a reverse roadshow.

Investment Summits

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

Media Interviews

HUANG Shaoxiong, our Chairman, received interviews with the financial media in Hong Kong including South China Morning Post and China Financial Market, and more attention was attracted to the Company from the market as a result.

XV. ARTICLES OF ASSOCIATION

Amendments were made to the Articles of Association on 20 December 2017, the contents of which mainly includes the addition of the contents in relation to the Party building work and the establishment of rule-of-law and the changes of the names of shareholders. The latest version of the Articles of Association is available for inspection on the websites of the Company and the Hong Kong Stock Exchange.

Report of the Board of Supervisors

On 29 June 2017, the third session of the Board of Supervisors was established upon the approval of the 2016 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 2017, 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 2017 is summarised as follows:

I. MEETINGS CONVENED BY THE BOARD OF SUPERVISORS

The Board of Supervisors convened three meetings in 2017:

The eighth meeting of the second session of the Board of Supervisors of the Company was held on 24 March 2017, at which (1) the report of the Board of Supervisors for 2016 was considered and approved; (2) the Company's 2016 annual report and results announcement were considered and approved; (3) the Company's 2016 final financial report was considered and approved; (4) the audited financial statements of the Company for 2016 was considered and approved; (5) the Company's 2016 profit distribution scheme was considered and approved; and (6) the nomination of Mr. LI Changxu, Mr. WANG Kun, Ms. HU Xiaohong, Mr. HOU Jiawei, Ms. DING Ruiling (a candidate for independent Supervisor) and Mr. GUO Xiaoping (a candidate for independent Supervisor) as candidates for non-employee representative Supervisor of the third session of the Board of Supervisors of the Company was approved and submitted to the general meeting of the Company for consideration and approval.

The first meeting of the third session of the Board of Supervisors of the Company was held on 29 June 2017, at which Mr. LI Changxu was elected as the Chairman of the third session of the Board of Supervisors of the Company with the term from the date of approval at the meeting to the expiration of the third session of the Board of Supervisors of the Company.

The second meeting of the third session of the Board of Supervisors of the Company was held on 25 August 2017, at which the Company's 2017 interim report and results announcement were considered and approved.

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 2017. 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 2017 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 2017 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 2018 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 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 99 to 214, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017 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 notes 13 and 15 to the consolidated financial statements and the accounting policies on pages 118–119.

The Key Audit Matter	How the matter was addressed in our audit
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 2017 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.	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 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 Chu Man Wai.

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

21 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2017 (Expressed in Renminbi ("RMB"))

	Note	2017 RMB'000	2016 RMB'000 (Restated–note 38)
Revenue	4	**16,812,679**	15,997,504
Other income	5	**210,194**	179,733
Operating expenses			
Cost of fuel	19(b)	**(4,601,058)**	(3,059,426)
Depreciation and amortisation		**(4,354,148)**	(4,043,102)
Service concession construction costs		**(132,569)**	(3,416)
Personnel costs	7(a)	**(1,382,549)**	(1,333,961)
Repairs and maintenance		**(462,350)**	(497,691)
Cost of coal sold	19(b)	**(17,790)**	(424,242)
Administration expenses		**(512,255)**	(513,189)
Other operating expenses		**(699,428)**	(895,196)
		(12,162,147)	(10,770,223)
Operating profit		**4,860,726**	5,407,014
Finance income		**109,855**	79,996
Finance expenses		**(2,910,317)**	(2,915,223)
Net finance expenses	6	**(2,800,462)**	(2,835,227)
Share of profits less losses of associates and joint ventures		**741,963**	630,166
Profit before taxation	7	**2,802,227**	3,201,953
Income tax	8	**(336,723)**	(533,518)
Profit for the year		**2,465,504**	2,668,435

The notes on pages 107 to 214 form part of these financial statements.

	Note	2017 RMB'000	2016 RMB'000 (Restated–note 38)
Attributable to:			
Equity shareholders and the holders of perpetual medium-term notes and renewable corporate bonds of the Company		**2,117,043**	2,068,490
Non-controlling interests		**348,461**	599,945
Profit for the year		**2,465,504**	2,668,435
Basic and diluted earnings per share (RMB cents)	11	**23.62**	23.23
Profit for the year		**2,465,504**	2,668,435
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		**(4,886)**	5,147
Available-for-sale securities: changes in fair value recognised during the year		**(15,635)**	(34,008)
Other comprehensive income for the year		**(20,521)**	(28,861)
Total comprehensive income for the year		**2,444,983**	2,639,574
Attributable to:			
Equity shareholders and the holders of perpetual medium-term notes and renewable corporate bonds of the Company		**2,096,522**	2,039,629
Non-controlling interests		**348,461**	599,945
Total comprehensive income for the year		**2,444,983**	2,639,574

The notes on pages 107 to 214 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 2017 RMB'000	31 December 2016 RMB'000 (Restated–note 38)
Non-current assets			
Property, plant and equipment	13	**81,190,859**	78,932,238
Lease prepayments	14	**1,427,500**	1,484,604
Intangible assets	15	**1,298,844**	1,130,406
Interest in associates and joint ventures	17	**8,190,052**	7,505,868
Other non-current assets	18	**3,431,364**	3,955,401
Deferred tax assets	28(b)	**376,513**	364,754
Total non-current assets		**95,915,132**	93,373,271
Current assets			
Inventories	19	**277,378**	249,487
Trade debtors and bills receivable	20	**6,991,918**	5,139,960
Prepayments and other current assets	21	**1,918,518**	1,519,617
Tax recoverable	28(a)	**9,642**	38,105
Restricted deposits	22	**5,367**	64,332
Cash and cash equivalents	23	**2,121,903**	2,895,119
Total current assets		**11,324,726**	9,906,620
Current liabilities			
Borrowings	24(b)	**15,382,347**	14,268,767
Obligations under finance leases	25	**25,530**	25,261
Trade creditors and bills payable	26	**1,081,089**	1,569,349
Other payables	27	**8,714,858**	10,064,442
Deferred income	29	**50,111**	40,447
Tax payable	28(a)	**112,447**	250,071
Total current liabilities		**25,366,382**	26,218,337
Net current liabilities		**(14,041,656)**	(16,311,717)
Total assets less current liabilities		**81,873,476**	77,061,554

The notes on pages 107 to 214 form part of these financial statements.

	Note	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated–note 38)
Non-current liabilities			
Borrowings	24(a)	**53,779,291**	52,470,934
Obligations under finance leases	25	**225,897**	251,906
Deferred income	29	**482,796**	465,543
Deferred tax liabilities	28(b)	**918,394**	877,395
Total non-current liabilities		**55,406,378**	54,065,778
NET ASSETS		**26,467,098**	22,995,776
CAPITAL AND RESERVES	30		
Share capital		**8,407,962**	8,407,962
Reserves		**11,028,065**	9,699,011
Perpetual medium-term notes and renewable corporate bonds	31, 32	**3,988,340**	1,994,000
Total equity attributable to equity shareholders and the holders of perpetual medium-term notes and renewable corporate bonds of the Company		**23,424,367**	20,100,973
Non-controlling interests		**3,042,731**	2,894,803
TOTAL EQUITY		**26,467,098**	22,995,776

Approved and authorised for issue by the board of directors on 21 March 2018.

HUANG Shaoxiong
Chairman

WU Jianchun
Director

The notes on pages 107 to 214 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017 (Expressed in RMB)

	Attributable to the equity shareholders and the holders of perpetual medium-term notes and renewable corporate bonds 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 and renewable corporate bonds *RMB'000*	Sub-total *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, 32*			
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
Business combination under common control *(note 38)*	–	–	–	–	–	21,830	–	21,830	–	21,830
Restated balance at 1 January 2016	8,407,962	1,782,362	410,126	19,704	6,938	5,878,222	1,994,000	18,499,314	2,672,736	21,172,050
Changes in equity for 2016 (restated):										
Profit for the year	–	–	–	–	–	1,953,490	115,000	2,068,490	599,945	2,668,435
Other comprehensive income	–	–	–	5,147	(34,008)	–	–	(28,861)	–	(28,861)
Total comprehensive income	–	–	–	5,147	(34,008)	1,953,490	115,000	2,039,629	599,945	2,639,574
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	–	(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)	–	–	–	–
Restated balance at 31 December 2016	8,407,962	1,798,233	630,553	24,851	(27,070)	7,272,444	1,994,000	20,100,973	2,894,803	22,995,776

The notes on pages 107 to 214 form part of these financial statements.

	Attributable to the equity shareholders and the holders of perpetual medium-term notes and renewable corporate bonds 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 and renewable corporate bonds *RMB'000*	Sub-total *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, 32*			
Restated balance at 1 January 2017	8,407,962	1,798,233	630,553	24,851	(27,070)	7,272,444	1,994,000	20,100,973	2,894,803	22,995,776
Changes in equity for 2017:										
Profit for the year	-	-	-	-	-	1,986,143	130,900	2,117,043	348,461	2,465,504
Other comprehensive income	-	-	-	(4,886)	(15,635)	-	-	(20,521)	-	(20,521)
Total comprehensive income	-	-	-	(4,886)	(15,635)	1,986,143	130,900	2,096,522	348,461	2,444,983
Issuance of renewable corporate bonds, net of issuing expenses *(note 32)*	-	-	-	-	-	-	1,994,340	1,994,340	-	1,994,340
Capital contributions	-	-	-	-	-	-	-	-	88,960	88,960
Dividends by subsidiaries to non-controlling equity owners	-	-	-	-	-	-	-	-	(277,693)	(277,693)
Dividends approved in respect of the previous year *(note 30(b))*	-	-	-	-	-	(428,806)	-	(428,806)	-	(428,806)
Business combination under common control *(note 38)*	-	-	-	-	-	(198,173)	-	(198,173)	-	(198,173)
Disposal of subsidiary	-	-	-	-	-	-	-	-	(11,800)	(11,800)
Distribution to the holders of perpetual medium-term notes and renewable corporate bonds	-	-	-	-	-	-	(130,900)	(130,900)	-	(130,900)
Other changes in equity of associates	-	(9,589)	-	-	-	-	-	(9,589)	-	(9,589)
Transfer to reserve fund	-	-	186,640	-	-	(186,640)	-	-	-	-
Other	-	(5,382)	-	-	-	5,382	-	-	-	-
Balance at 31 December 2017	8,407,962	1,783,262	817,193	19,965	(42,705)	8,450,350	3,988,340	23,424,367	3,042,731	26,467,098

The notes on pages 107 to 214 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2017 (Expressed in RMB)

	Note	2017 RMB'000	2016 RMB'000 (Restated–note 38)
Cash flows from operating activities			
Profit before taxation		**2,802,227**	3,201,953
Adjustments for:			
Depreciation and amortisation		**4,354,148**	4,043,102
Impairment loss of assets		**129,617**	142,766
Amortisation of deferred income		**(61,533)**	(40,032)
Net gain on disposal of property, plant and equipment		**(29,982)**	(5,061)
Gain on disposal of equity investment		**(11,219)**	(20,502)
Interest income on financial assets		**(52,570)**	(55,726)
Interest expenses on financial liabilities		**2,890,822**	2,870,287
Foreign exchange differences, net		**(9,815)**	19,390
Dividend income		**(47,470)**	(24,270)
Share of profits less losses of associates and joint ventures			
Changes in working capital:		**(741,963)**	(630,166)
(Increase)/decrease in inventories		**(27,891)**	148,546
Increase in trade debtors and bills receivable		**(1,870,187)**	(1,516,204)
(Increase)/decrease in prepayments and other current assets		**(49,847)**	71,462
Increase in trade and other payables		**1,179,476**	1,617,943
Cash generated from operations		**8,453,813**	9,823,488
Income tax paid	28(a)	**(415,485)**	(461,562)
Net cash generated from operating activities		**8,038,328**	9,361,926

The notes on pages 107 to 214 form part of these financial statements.

	Note	2017 RMB'000	2016 RMB'000 (Restated–note 38)
Cash flows from investing activities			
Payments for the purchase of property, plant and equipment, lease prepayments and intangible assets		**(9,133,220)**	(10,768,152)
Decrease of restricted deposit		**58,495**	357,250
Payments for interests in associates and joint ventures		**(885,165)**	(506,330)
Payments for acquisition of business		**(172,800)**	(65,139)
Proceeds from disposal of property, plant and equipment		**86,207**	227,474
Proceeds from disposal of an associate		**–**	35,093
Proceeds from disposal of subsidiaries		**18,566**	–
Dividends received		**619,092**	425,343
Interest received		**59,139**	59,191
Net cash used in investing activities		**(9,349,686)**	(10,235,270)
Cash flows from financing activities			
Net proceeds from issuance of renewable corporate bonds	32	**1,994,340**	–
Capital contributions from the non-controlling shareholders		**88,960**	106,790
Proceeds from borrowings	23(b)	**22,321,672**	29,465,191
Proceed from partially disposal of investment in a subsidiary		**–**	25,650
Repayment of borrowings	23(b)	**(19,873,699)**	(23,558,194)
Dividends paid		**(802,647)**	(925,480)
Interest paid	23(b)	**(3,171,541)**	(3,057,233)
Payments of finance lease obligations	23(b)	**(37,292)**	(265,101)
Payment for acquisition of non-controlling interests		**–**	(61,372)
Net cash generated from financing activities		**519,793**	1,730,251
Net (decrease)/increase in cash and cash equivalents		**(791,565)**	856,907
Cash and cash equivalents at 1 January		**2,895,119**	2,046,548
Effect of foreign exchange rate changes		**18,349**	(8,336)
Cash and cash equivalents at 31 December	23(a)	**2,121,903**	2,895,119

The notes on pages 107 to 214 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 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 2017 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 2017 amounted to RMB14,041,656,000. 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 33(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.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair values less costs to sell.

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 40.

(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).

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures (Continued)

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 2(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Intangible assets (other than goodwill) (Continued)

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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets (Continued)

(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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (Continued)

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

- 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.

- 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).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

- 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).

- 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax (Continued)

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.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue recognition (Continued)

(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.

(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 initially recognized 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.

(x) Perpetual securities

Perpetual securities 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 securities classified as equity are recognised as distributions within equity.

Perpetual securities 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 23(b) to satisfy the new disclosure requirements introduced by the amendments to IAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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:

	2017	2016
	RMB'000	*RMB'000*
		(Restated–note 38)
Sales of electricity	**16,068,721**	15,133,349
Service concession construction revenue *(note (i))*	**132,569**	3,416
Sales of coal	**21,427**	443,949
Others	**589,962**	416,790
	16,812,679	15,997,504

Note:

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

The Group has recognised intangible assets related to the service concession arrangement representing the right the Group receives to charge a fee for sales of electricity during the concession period (see note 15). The Group has not recognised service concession receivables as the Grantor will not provide the Group any guaranteed minimum payment for the operating period of the wind power plants.

5 OTHER INCOME

	2017	2016
	RMB'000	*RMB'000*
		(Restated–note38)
Government grants	**125,651**	117,358
Net gain on disposal of property, plant and equipment	**29,982**	5,061
Gain on disposal of equity investments	**11,219**	20,502
Others	**43,342**	36,812
	210,194	179,733

6 FINANCE INCOME AND EXPENSES

	2017 **RMB'000**	2016 RMB'000 (Restated–note 38)
Interest income on financial assets not at fair value through profit or loss	**52,570**	55,726
Dividend income from securities	**47,470**	24,270
Net foreign exchange gains	**9,815**	–
Finance income	**109,855**	79,996
Interest on bank loans and other borrowings	**3,128,599**	3,081,705
Finance charges on obligations under finance leases	**11,552**	21,489
Less: interest expenses capitalised into property, plant and equipment	**(249,329)**	(232,907)
	2,890,822	2,870,287
Bank charges and others	**19,495**	25,546
Net foreign exchange losses	**–**	19,390
Finance expenses	**2,910,317**	2,915,223
Net finance expenses recognised in profit or loss	**(2,800,462)**	(2,835,227)

The borrowing costs have been capitalised at rates of 3.92% to 4.90% per annum for the year ended 31 December 2017 (2016: 3.92% to 6.20%).

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Personnel costs

	2017 RMB'000	2016 RMB'000 (Restated–note 38)
Salaries, wages and other benefits	**1,219,887**	1,177,411
Contributions to defined contribution retirement plans	**162,662**	156,550
	1,382,549	1,333,961

(b) Other items

	2017 RMB'000	2016 RMB'000 (Restated–note 38)
Amortisation		
– lease prepayments	**38,650**	29,147
– intangible assets	**46,577**	43,010
Depreciation		
– property, plant and equipment	**4,268,921**	3,970,945
Impairment losses		
– property, plant and equipment	**129,617**	142,766
– prepayments and other current assets	**15,867**	39,858
– trade debtors	**(2)**	(6,588)
Auditors' remuneration		
– audit services	**11,800**	11,550
– other services	**3,000**	2,700
Operating lease charges		
– hire of machinery	**7,932**	7,141
– hire of properties	**53,194**	66,498
Cost of inventory *(note 19(b))*	**4,828,086**	3,812,176

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:

	2017 RMB'000	2016 RMB'000 (Restated–note 38)
Current tax		
Provision for the year	**290,737**	506,829
Under/(over) provision in respect of prior years	**15,587**	(2,996)
	306,324	503,833
Deferred tax		
Origination and reversal of temporary differences	**30,399**	29,685
Total income tax	**336,723**	533,518

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 2017 and 2016.

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:

	2017 **RMB'000**	2016 RMB'000 (Restated–note 38)
Profit before taxation	**2,802,227**	3,201,953
Applicable tax rate	**25%**	25%
Notional tax on profit before taxation	**700,557**	800,488
Tax effect of non-deductible expenses	**2,974**	12,965
Tax effect of non-taxable income	**(200,536)**	(191,272)
Tax effect of PRC tax concessions *(note (i))*	**(339,333)**	(222,769)
Tax effect of unused tax losses not recognised	**172,436**	146,721
Tax effect of utilisation of unrecognised tax losses in prior years	**(14,962)**	(9,619)
Under/(over) provision in respect of prior years	**15,587**	(2,996)
Actual tax expenses	**336,723**	533,518

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*	Deferred compensation plan *RMB'000*	2017 Total *RMB'000*
Executive directors						
Mr. Huang Shaoxiong *(Chairman) (note (i))*	–	111	223	38	–	372
Mr. Fang Zheng *(note (i))*	–	111	223	38	–	372
Mr. Wu Jianchun *(note (i))*	–	111	223	38	–	372
Mr. Li lixin	–	302	510	38	–	850
Mr. Shu Fuping *(note (i))*	–	36	112	38	–	186
Non-executive directors						
Mr. Tao Yunpeng	–	–	–	–	–	–
Mr. Li Yinan *(note (ii))*	–	–	–	–	–	–
Mr. Mei Weiyi *(note (ii))*	–	–	–	–	–	–
Mr. Yang Qingting *(note (ii))*	–	–	–	–	–	–
Mr. Zong Xiaolei *(note (ii))*	–	–	–	–	–	–
Mr. Chen Haibin *(note (ii))*	–	–	–	–	–	–
Independent non-executive directors						
Mr. Zhang Bai	100	–	–	–	–	100
Mr. Tao Zhigang	100	–	–	–	–	100
Mr. Wu Yiqiang *(note (iii))*	83	–	–	–	–	83
Mr. Zhou Xiaoqian *(note (iii))*	17	–	–	–	–	17
Supervisors						
Mr. Li Changxu	–	–	–	–	–	–
Mr. Wang Kun	–	–	–	–	–	–
Mrs. Hu Xiaohong	–	–	–	–	–	–
Mr. Hou Jiawei	–	–	–	–	–	–
Mrs. Ding Ruiling	–	80	–	–	–	80
Mr. Guo Xiaoping *(note (iv))*	–	67	–	–	–	67
Mr. Yan Zhongjun	–	182	331	38	–	551
Mr. Chen Wenxin	–	175	319	38	–	532
Mr. Zhu Deyuan *(note (iv))*	–	92	195	38	–	325
	300	1,267	2,136	304	–	4,007

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Notes:

(i) Mr. Fang Zheng and Mr. Shu Fuping have resigned as executive directors of the Company with effect from 25 August 2017. Mr. Huang Shaoxiong and Mr. Wu Jianchun have been appointed as executive directors of the Company with effect from 25 August 2017.

(ii) Mr. Yang Qingting and Mr. Zong Xiaolei have resigned as non-executive directors of the Company with effect from 23 February 2017. Mr. Li Yinan and Mr. Chen Haibin have been appointed as non-executive directors of the Company with effect from 23 February 2017. Mr. Chen Haibin has resigned as non-executive director of the Company with effect from 25 August 2017 and Mr. Mei Weiyi has been appointed as non-executive director of the Company with effect from 25 August 2017

(iii) Mr. Zhou Xiaoqian has resigned as independent non-executive director of the Company with effect from 23 February 2017. Mr. Wu Yiqiang has been appointed as independent non-executive director of the Company with effect from 23 February 2017.

(iv) Mr. Guo Xiaoping and Mr. Zhu Deyuan have been appointed as supervisors of the Company with effect from 29 June 2017.

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*	Deferred compensation plan *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.

(Expressed in RMB unless otherwise indicated)

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one is director (2016: two) and two are supervisors (2016: one) whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other two (2016: two) individuals are as follows:

	2017 **_RMB'000_**	2016 _RMB'000_
Salaries and other emoluments	**404**	538
Discretionary bonuses	**720**	658
Retirement scheme contributions	**76**	186
	1,200	1,382

The emoluments of the two (2016: two) individuals who are not directors or supervisors and are amongst the five individuals with the highest emoluments are within the following band:

	2017 **_Number of Individuals_**	2016 _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 RMB1,986,143,000 (2016: RMB1,953,490,000 (restated)) and 8,407,962,000 ordinary shares (2016: 8,407,962,000 ordinary shares) in issue during the year, calculated as follows:

	2017 ***RMB'000***	2016 *RMB'000* *(Restated–note 38)*
Profit attributable to equity shareholders and the holders of perpetual medium-term notes and renewable corporate bonds of the Company	**2,117,043**	2,068,490
Less: distribution to the holders of perpetual medium-term notes	**(115,000)**	(115,000)
distribution to the holders of renewable corporate bonds	**(15,900)**	–
Profit attributable to ordinary equity shareholders of the Company	**1,986,143**	1,953,490

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 2017 and 2016 is set out below:

For the year ended 31 December 2017

	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	2,507,646	6,388,528	4,609,453	1,093,023	1,364,103	105,968	16,068,721
– Sales of heat and others	10,291	12,525	286,932	217	219,267	79,353	608,585
Reportable segment revenue	**2,517,937**	**6,401,053**	**4,896,385**	**1,093,240**	**1,583,370**	**185,321**	**16,677,306**
Reportable segment profit (operating profit)	**1,201,532**	**3,065,599**	**87,646**	**523,071**	**153,654**	**(9,991)**	**5,021,511**
Depreciation and amortisation	(489,224)	(2,512,562)	(699,626)	(428,080)	(189,861)	(33,448)	(4,352,801)
Interest income	5,045	26,003	8,012	2,740	11,910	2,937	56,647
Interest expenses	(88,133)	(1,633,160)	(301,456)	(227,626)	(108,496)	(17,751)	(2,376,622)
Impairment losses of property, plant and equipment	-	(116,120)	(2,838)	-	(229)	(10,430)	(129,617)
Impairment losses of trade debtors and other receivables	(60)	2,447	(18,162)	-	(90)	-	(15,865)
Addition to non-current segment assets during the year	531,827	2,914,933	1,756,158	1,129,069	520,011	17,285	6,869,283
Reportable segment assets	**10,432,875**	**56,664,028**	**14,759,586**	**10,129,250**	**4,889,246**	**864,380**	**97,739,365**
Reportable segment liabilities	**3,059,801**	**44,677,533**	**11,674,299**	**7,819,380**	**3,749,166**	**520,259**	**71,500,438**

12 SEGMENT REPORTING (CONTINUED)

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

For the year ended 31 December 2016 (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	4,024,568	5,339,818	3,413,658	888,876	1,361,397	105,032	15,133,349
– Sales of heat and others	12,569	31,380	175,634	85	183,922	452,246	855,836
Reportable segment revenue	4,037,137	5,371,198	3,589,292	888,961	1,545,319	557,278	15,989,185
Reportable segment profit (operating profit)	2,554,309	2,400,276	156,250	367,718	130,209	(45,180)	5,563,582
Depreciation and amortisation	(481,729)	(2,384,919)	(663,959)	(303,421)	(174,548)	(29,671)	(4,038,247)
Interest income	5,455	24,093	14,894	1,320	279	1,320	47,361
Interest expenses	(105,755)	(1,664,621)	(319,922)	(205,361)	(119,374)	(27,665)	(2,442,698)
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	3,304,540	1,559,339	774,450	511,630	58,444	6,793,827
Reportable segment assets	10,669,188	55,169,486	13,191,821	8,889,884	4,706,057	959,969	93,586,405
Reportable segment liabilities	3,174,662	44,743,298	9,939,405	6,850,900	3,554,213	741,060	69,003,538

12 SEGMENT REPORTING (CONTINUED)

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

	2017 RMB'000	2016 RMB'000 (Restated–note 38)
Revenue		
Reportable segment revenue	**16,677,306**	15,989,185
Service concession construction revenue	**132,569**	3,416
Unallocated head office and corporate revenue	**2,804**	4,903
Consolidated revenue	**16,812,679**	15,997,504
Profit		
Reportable segment profit	**5,021,511**	5,563,582
Unallocated head office and corporate revenue	**2,804**	4,903
Unallocated head office and corporate expenses	**(174,808)**	(181,973)
Share of profits less losses of associates and joint ventures	**741,963**	630,166
Net finance expenses	**(2,800,462)**	(2,835,227)
Gain on disposal of equity investments	**11,219**	20,502
Consolidated profit before taxation	**2,802,227**	3,201,953

12 SEGMENT REPORTING (CONTINUED)

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

	2017 RMB'000	2016 RMB'000 (Restated–note 38)
Assets		
Reportable segment assets	**97,739,365**	93,586,405
Inter-segment receivables	**(5,207,935)**	(3,810,916)
	92,531,430	89,775,489
Interest in associates and joint ventures	**8,190,052**	7,505,868
Other non-current assets – available-for-sale investment	**880,176**	895,811
Deferred tax assets	**376,513**	364,754
Tax recoverable	**9,642**	38,105
Unallocated head office and corporate assets	**5,252,045**	4,699,864
Consolidated total assets	**107,239,858**	103,279,891
Liabilities		
Reportable segment liabilities	**71,500,438**	69,003,538
Inter-segment payables	**(5,207,935)**	(3,810,916)
	66,292,503	65,192,622
Tax payable	**112,447**	250,071
Deferred tax liabilities	**918,394**	877,395
Unallocated head office and corporate liabilities	**13,449,416**	13,964,027
Consolidated total liabilities	**80,772,760**	80,284,115

12 SEGMENT REPORTING (CONTINUED)

(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 RMB14,510,134,000 for the year ended 31 December 2017 (2016: RMB14,137,051,000 (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 2016 (as previously reported)	15,198,399	63,242,600	287,268	346,601	13,180,731	92,255,599
Impact of business combination under common control *(note 38)*	9,782	319,936	687	543	6,244	337,192
Restated balance at 1 January 2016	15,208,181	63,562,536	287,955	347,144	13,186,975	92,592,791
Additions	33,651	27,884	12,950	14,768	6,634,420	6,723,673
Acquired through business combination	–	–	–	–	155,025	155,025
Transfer from/(to) construction in progress	830,846	11,231,551	9,654	34,092	(12,106,143)	–
Reclassification to lease prepayments	–	–	–	–	(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
Restated balance at 31 December 2016 and at 1 January 2017	15,931,800	74,665,884	296,839	390,237	7,476,996	98,761,756
Additions	**1,065**	**11,085**	**6,497**	**7,318**	**6,694,982**	**6,720,947**
Transfer from construction in progress	**410,813**	**3,712,312**	**8,594**	**12,091**	**(4,143,810)**	**–**
Disposals	**(33,255)**	**(115,702)**	**(30,684)**	**(13,597)**	**(44,337)**	**(237,575)**
Reclassification from/(to) lease prepayments	**8,668**	**41,480**	**–**	**–**	**(34,678)**	**15,470**
Reclassification to intangible assets	**–**	**–**	**–**	**–**	**(72,244)**	**(72,244)**
Others	**(29,084)**	**31,853**	**(10,470)**	**7,701**	**–**	**–**
Exchange difference	**–**	**17,185**	**–**	**–**	**–**	**17,185**
At 31 December 2017	**16,290,007**	**78,364,097**	**270,776**	**403,750**	**9,876,909**	**105,205,539**

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 2016 (as previously reported)	3,959,443	11,678,447	176,819	180,944	4,631	16,000,284
Impact of business combination under common control *(note 38)*	146	5,914	123	75	–	6,258
Restated balance at 1 January 2016	3,959,589	11,684,361	176,942	181,019	4,631	16,006,542
Depreciation charge for the year	460,987	3,427,675	26,717	35,565	–	3,950,944
Written back on disposals	(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
Restated balance at 31 December 2016 and at 1 January 2017	4,283,242	15,037,643	191,389	211,321	105,923	19,829,518
Depreciation charge for the year	**453,997**	**3,723,282**	**24,420**	**42,180**	**–**	**4,243,879**
Written back on disposals	**(17,551)**	**(95,816)**	**(28,029)**	**(12,784)**	**(38,367)**	**(192,547)**
Impairment losses *(note (iv))*	**2,838**	**70,430**	**–**	**–**	**56,349**	**129,617**
Others	**(2,951)**	**4,149**	**(2,180)**	**982**	**–**	**–**
Exchange difference	**–**	**4,213**	**–**	**–**	**–**	**4,213**
At 31 December 2017	**4,719,575**	**18,743,901**	**185,600**	**241,699**	**123,905**	**24,014,680**
Net book value:						
At 31 December 2016 (restated)	11,648,558	59,628,241	105,450	178,916	7,371,073	78,932,238
At 31 December 2017	**11,570,432**	**59,620,196**	**85,176**	**162,051**	**9,753,004**	**81,190,859**

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(i) The Group's property, plant 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 RMB14,819,593,000 as at 31 December 2017 (31 December 2016: RMB14,515,371,000 (restated)).

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

Certain properties and equipment of the Group with an aggregate net book value of RMB387,142,000 as at 31 December 2017 (31 December 2016: RMB412,693,000) are accounted for as finance leases with maturity periods of 9 to 11 years.

(iv) The recoverable amounts of the projects have been estimated based on their value in use or fair value less costs to sell. When determining the recoverable amounts based on value-in-use calculations, the management prepared the calculations with cash flow projections 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 7%-10%. 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. For these constructions in progress, the Group reviewed the construction and development plans of its wind power projects under construction in those areas. As a result, the impairment losses of RMB129,617,000 (2016:RMB142,766,000) have been included in other operating expenses.

(v) As at 31 December 2017, 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:

	2017 ***RMB'000***	2016 *RMB'000* *(Restated–note 38)*
In the PRC:		
Long-term leases	**7,273,900**	7,309,063
Medium-term leases	**4,296,532**	4,339,495
Total	**11,570,432**	11,648,558

14 LEASE PREPAYMENTS

	RMB'000
Cost:	
At 1 January 2016 (as previously reported)	1,384,378
Impact of business combination under common control *(note 38)*	428
Restated balance at 1 January 2016	1,384,806
Additions	23,296
Reclassification from property, plant and equipment	253,459
Restated balance at 31 December 2016 and at 1 January 2017	1,661,561
Additions	**2,262**
Transfer to property, plant and equipment	**(15,470)**
At 31 December 2017	**1,648,353**
Accumulated amortisation:	
At 1 January 2016 (as previously reported)	147,521
Impact of business combination under common control *(note 38)*	1
Restated balance at 1 January 2016	147,522
Charge for the year	29,435
Restated balance at 31 December 2016 and at 1 January 2017	176,957
Charge for the year	**43,896**
At 31 December 2017	**220,853**
Net book value:	
At 31 December 2016 (restated)	1,484,604
At 31 December 2017	**1,427,500**

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

15 INTANGIBLE ASSETS

	Concession assets RMB'000	Software and others RMB'000	Goodwill RMB'000	Total RMB'000
Cost:				
At 1 January 2016 (as previously reported)	663,619	82,093	496,647	1,242,359
Impact of business combination under common control *(note 38)*	–	53	–	53
Restated balance at 1 January 2016	663,619	82,146	496,647	1,242,412
Additions	3,416	50,319	–	53,735
Restated balance at 31 December 2016 and at 1 January 2017	667,035	132,465	496,647	1,296,147
Additions	**132,569**	**14,811**	**–**	**147,380**
Disposal	**(5,903)**	**(26)**	**–**	**(5,929)**
Transfer from construction in progress	**72,244**	**–**	**–**	**72,244**
At 31 December 2017	**865,945**	**147,250**	**496,647**	**1,509,842**
Accumulated amortisation:				
Balance at 1 January 2016	87,562	35,101	–	122,663
Impact of business combination under common control *(note 38)*	–	5	–	5
Restated balance at 1 January 2016	87,562	35,106	–	122,668
Charge for the year	32,276	10,797	–	43,073
Restated balance at 31 December 2016 and at 1 January 2017	119,838	45,903	–	165,741
Charge for the year	**32,595**	**14,857**	**–**	**47,452**
Written back on disposal	**(2,190)**	**(5)**	**–**	**(2,195)**
At 31 December 2017	**150,243**	**60,755**	**–**	**210,998**
Net book value:				
At 31 December 2016 (restated)	547,197	86,562	496,647	1,130,406
At 31 December 2017	**715,702**	**86,495**	**496,647**	**1,298,844**

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:

	2017 ***RMB'000***	2016 *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%–13%. 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 2017 which principally affected the results, assets or liabilities of the Group. All of these subsidiaries are limited liability companies.

Name of company	Place of incorporation and business and date of establishment	Registered capital *(RMB'000)*	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
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 Huadian Jinhu Power Company Limited 福建華電金湖電力有限公司 ("Jinhu Power") *(note (ii))* (Previous known as "Fujian Jinhu Power Generation Company Limited")	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 Huadian Gaosha Hydropower Company Limited 福建華電高砂水電有限公司 *(note (ii))* (Previous known as "Fujian Gaosha Hydropower Company Limited")	the PRC 18 September 1997	66,000	62%	–	62%	Hydropower generation
Huadian (Shaxian) Energy Company Limited 華電(沙縣)能源有限公司 *(note (ii))* (Previous known as "Huadian (Shaxian) Energy Hydropower Company Limited")	the PRC 3 September 1997	66,000	40%	–	40%	Hydropower generation
Fujian Huadian Wan'an Energy Company Limited 福建華電萬安能源有限公司 *(note (ii))* (Previous known as "Fujian Longyan Wan'anxi Hydropower Company Limited")	the PRC 4 March 1998	40,000	41%	–	41%	Hydropower generation
Zhouning Huadian Energy Company Limited 周寧華電能源有限公司 *(note (ii))* (Previous known as "Zhouningxian Houlongxi Hydropower Generation Company Limited)	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

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business and date of establishment	Registered capital *(RMB'000)*	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
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
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	219,020	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	480,000	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
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

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and business and date of establishment	Registered capital *(RMB'000)*	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
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	187,000	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	284,000	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	(HK$'000) 390,000	100%	100%	–	Investment holding
Elecdey Barchin, S.A.-Sociedad Unipersonal	Spain 29 October 2009	(EURO'000) 200	100%	–	100%	Wind power generation

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.

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	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	**54,140**	165,298	**36,380**	39,826	**90,435**	70,852	**28,548**	47,185
Non-current assets	**3,007,216**	3,115,452	**995,804**	1,032,150	**400,124**	419,073	**704,214**	739,959
Current liabilities	**332,956**	537,487	**152,085**	191,012	**47,635**	39,016	**129,530**	185,299
Non-current liabilities	**516,607**	598,027	**276,058**	322,683	**83,473**	90,154	**218,080**	264,663
Net assets	**2,211,793**	2,145,236	**604,041**	558,281	**359,451**	360,755	**385,152**	337,182
Carrying amount of NCI	**884,717**	858,094	**295,980**	273,558	**161,753**	162,340	**192,460**	168,490
Revenue	**599,678**	1,235,933	**315,389**	414,517	**481,196**	478,185	**246,699**	337,362
Profit and total comprehensive income for the year	**254,709**	679,743	**139,145**	195,567	**43,495**	49,805	**69,407**	120,180
Profit allocated to NCI	**101,884**	271,897	**68,181**	95,828	**19,573**	22,412	**34,683**	60,054
Dividends paid to NCI	**75,261**	193,951	**45,759**	60,809	**20,160**	14,940	**10,107**	76,701
Cash flows from operating activities	**368,380**	938,954	**217,790**	341,561	**87,942**	113,321	**134,735**	186,845
Cash flows from investing activities	**(2,989)**	(548)	**(11,502)**	(34,976)	**(21,553)**	(6,904)	**(6,783)**	37,207
Cash flows from financing activities	**(406,159)**	(916,058)	**(196,214)**	(314,550)	**(55,143)**	(114,466)	**(131,614)**	(223,460)

17 INTEREST IN ASSOCIATES AND JOINT VENTURES

	2017 RMB'000	2016 RMB'000
Share of net assets:		
– Unlisted investments	**7,740,905**	7,059,787
– Listed shares in Hong Kong	**449,147**	446,081
	8,190,052	7,505,868
Market value of listed shares	**253,782**	318,803

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	11,763,000	39%	39%	–	Nuclear power generation
Concord New Energy Group Limited (協合新能源集團有限公司)	Bermuda/ the PRC	86,768 *(HK$'000)*	10.14%	–	10.14%	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	9,846,970	10%	10%	–	Nuclear power generation

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

17 INTEREST IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Gross amounts of the associates				
Current assets	**4,840,507**	3,930,355	**3,708,449**	6,677,819
Non-current assets	**64,628,060**	58,563,365	**10,114,044**	6,861,187
Current liabilities	**7,835,449**	5,276,881	**3,616,445**	5,788,133
Non-current liabilities	**47,242,325**	44,005,065	**5,935,547**	3,325,466
Equity	**14,390,793**	13,211,774	**4,270,501**	4,425,407
Revenue	**7,364,821**	5,256,439	**1,035,967**	1,785,166
Profit	**1,747,730**	1,413,493	**206,618**	461,616
Total comprehensive income	**1,747,739**	1,413,447	**195,379**	468,270
Dividend receivable/received from the associate	**847,080**	287,040	**7,556**	7,872
Reconciled to the Group's interests in the associates				
Gross amounts of net assets of the associate	**14,390,793**	13,211,774	**4,270,501**	4,425,407
Group's effective interest	**39%**	39%	**10.14%**	10.08%
Group's share of net assets of the associate	**5,612,409**	5,152,592	**433,029**	446,081
Carrying amount in the consolidated financial statements	**5,657,272**	5,091,543	**449,147**	446,081

17 INTEREST IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

	Zhonghai Fujian Gas Power Generation Company Limited		Pingnanxian Houlongxi Hydropower Company Limited	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Gross amounts of the associates				
Current assets	**327,041**	491,115	**6,723**	41,458
Non-current assets	**2,324,117**	2,565,145	**323,025**	340,668
Current liabilities	**606,696**	828,247	**71,146**	127,554
Non-current liabilities	**1,130,000**	1,130,000	**–**	–
Equity	**914,462**	1,098,013	**258,602**	254,572
Revenue	**2,278,867**	2,186,784	**42,757**	68,407
Profit	**46**	203,996	**2,640**	17,556
Total comprehensive income	**46**	203,996	**2,640**	17,556
Dividend received from the associate	**45,899**	67,434	**–**	–
Reconciled to the Group's interests in the associates				
Gross amounts of net assets of the associate	**914,462**	1,098,013	**258,602**	254,572
Group's effective interest	**25%**	25%	**45%**	45%
Group's share of net assets of the associate	**228,616**	274,503	**116,371**	114,557
Carrying amount in the consolidated financial statements	**228,616**	274,503	**116,371**	114,557

17 INTEREST IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

	Sanmen Nuclear Power Company Limited *(note (i))*	
	2017	2016
	RMB'000	*RMB'000*
Gross amounts of the associates		
Current assets	**2,202,905**	1,658,903
Non-current assets	**57,838,227**	54,073,853
Current liabilities	**3,268,455**	2,423,748
Non-current liabilities	**42,284,280**	40,025,163
Equity	**14,488,397**	13,283,845
Reconciled to the Group's interests in the associates		
Gross amounts of net assets of the associate	**14,488,397**	13,283,845
Group's effective interest	**10%**	10%
Group's share of net assets of the associate	**1,448,840**	1,328,385
Carrying amount in the consolidated financial statements	**1,451,113**	1,309,062

Note:

(i) Sanmen Nuclear Power Company Limited was still in the construction stage and has not generated any profit or loss during the years ended 31 December 2017 and 2016.

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

	2017	2016
	RMB'000	*RMB'000*
Aggregate carrying amount of individually immaterial associates and joint ventures in the consolidated financial statements	**287,533**	270,122
Aggregate amounts of the Group's share of those associates and joint ventures' profit/(loss) and total comprehensive income	**20,543**	(22,979)

18 OTHER NON-CURRENT ASSETS

	2017 **RMB'000**	2016 RMB'000 (Restated–note 38)
Deductible VAT *(note (i))*	**2,256,094**	2,700,606
Unquoted available-for-sale equity investment in non-listed companies, at cost *(note (ii))*	**594,955**	594,955
Available-for-sale equity securities, listed in Hong Kong *(note (iii))*	**285,221**	300,856
Deferred differences arising from sales and leaseback resulting in a finance lease	**144,042**	175,025
Loan to an associate *(note (iv))*	**–**	28,179
Others	**151,052**	155,780
	3,431,364	3,955,401

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 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 2017, the net change in the fair value of available-for-sale equity securities is RMB15,635,000.

(iv) Loan to an associate is unsecured, interest bearing at rate of 4.79% per annum. As it will be repaid in 2018, it is recorded in prepayments and other current assets.

19 INVENTORIES

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

	2017	2016
	RMB'000	*RMB'000*
Coal	**138,413**	127,744
Fuel oil	**3,773**	3,808
Spare parts and others	**135,192**	117,935
	277,378	249,487

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

	2017	2016
	RMB'000	*RMB'000*
Cost of fuel used	**4,601,058**	3,059,426
Cost of coal sold	**17,790**	424,242
Cost of spare parts and others used	**209,238**	327,821
Write down of inventories	**–**	687
	4,828,086	3,812,176

20 TRADE DEBTORS AND BILLS RECEIVABLE

	2017 RMB'000	2016 RMB'000 (Restated–note 38)
Amounts due from third parties	**6,984,231**	5,126,908
Amounts due from an associate	**17,141**	6,750
Amounts due from fellow subsidiaries	**469**	16,227
Less: allowance for doubtful accounts	**(9,923)**	(9,925)
	6,991,918	5,139,960

(a) Ageing analysis

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

	2017 RMB'000	2016 RMB'000 (Restated–note 38)
Current	**7,001,841**	5,149,885
Less: allowance for doubtful accounts	**(9,923)**	(9,925)
	6,991,918	5,139,960

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:

	2017 ***RMB'000***	2016 *RMB'000*
At 1 January	**9,925**	34,489
Impairment losses recognised	**–**	2,449
Uncollectible amounts written off	**–**	(17,976)
Reversal of impairment losses	**(2)**	(9,037)
At 31 December	**9,923**	9,925

The Group's trade debtors and bills receivable of RMB9,923,000 as at 31 December 2017 (31 December 2016: RMB9,925,000) 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:

	2017 ***RMB'000***	2016 *RMB'000* *(Restated–note 38)*
Neither past due nor impaired	**6,991,918**	5,139,960

20 TRADE DEBTORS AND BILLS RECEIVABLE (CONTINUED)

(c) Trade debtors and bills receivable that are not impaired (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 2017, 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

	2017 ***RMB'000***	2016 *RMB'000* *(Restated note38)*
CERs receivable	**92,333**	92,333
Staff advance and other deposits	**39,715**	43,824
Amounts due from related parties		
– due from fellow subsidiaries	**19,060**	15,193
– due from associates	**422,286**	47,049
Deductible VAT *(note 18(i))*	**1,166,463**	1,097,467
Prepayments for the coal and spare parts supply	**88,027**	96,918
Other prepayments and debtors	**249,167**	273,963
	2,077,051	1,666,747
Less: allowance for doubtful debts	**(158,533)**	(147,130)
	1,918,518	1,519,617

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:

	2017 *RMB'000*	2016 *RMB'000*
At 1 January	**147,130**	181,976
Impairment losses recognised	**18,320**	39,858
Reversal of impairment losses	**(2,453)**	–
Uncollectible amounts written off	**(4,464)**	(74,704)
At 31 December	**158,533**	147,130

The Group's prepayments and other current assets of RMB158,533,000 as at 31 December 2017 (31 December 2016: RMB147,130,000) 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 AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents:

	2017	2016
	RMB'000	*RMB'000*
		(Restated–note 38)
Cash on hand	**244**	212
Cash at bank	**248,125**	442,812
Deposits with a fellow subsidiary *(note (i))*	**1,873,534**	2,452,095
	2,121,903	2,895,119

Note:

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

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans and other borrowings *RMB'000*	**Finance Leases** *RMB'000*	**Total** *RMB'000*
	(note 24)	*(note 25)*	
At 1 January 2017	66,739,701	277,167	67,016,868
Changes from financing cash flows:			
Proceeds from new bank loans	22,978,698	–	22,978,698
Repayment of bank loans	(20,486,507)	–	(20,486,507)
Capital element of finance lease rentals paid	–	(25,740)	(25,740)
Interest element of finance lease rentals paid	–	(11,552)	(11,552)
Interest paid	(3,168,252)	–	(3,168,252)
Total changes from financing cash flows	(676,061)	(37,292)	(713,353)
Exchange adjustments	12,091	–	12,091
Other changes:			
Finance charges on obligations under finance leases *(note 6)*	–	11,552	11,552
Interest expenses *(note 6)*	2,879,270	–	2,879,270
Capitalised borrowing costs *(note 6)*	249,329	–	249,329
Decrease in interest payable	(42,692)	–	(42,692)
Total other changes	3,085,907	11,552	3,097,459
At 31 December 2017	69,161,638	251,427	69,413,065

24 BORROWINGS

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

	2017 RMB'000	2016 RMB'000 (Restated–note 38)
Bank loans and loans from financial institutions		
– Secured	**25,729,180**	24,536,474
– Unsecured *(note (i))*	**23,983,771**	22,491,038
Loans from China Huadian Corporation Ltd. ("Huadian")		
– Unsecured	**2,246,447**	3,246,447
Loans from fellow subsidiaries		
– Secured	**701,788**	676,310
– Unsecured	**238,000**	44,000
Other borrowings *(note (e)(i))*		
– Unsecured	**6,986,874**	6,981,137
	59,886,060	57,975,406
Less: current portion of long-term borrowings		
– Bank loans and loans from financial institutions	**(4,950,354)**	(4,440,638)
– Loans from fellow subsidiaries	**(156,702)**	(63,834)
– Loans from Huadian	**–**	(1,000,000)
– Other borrowings	**(999,713)**	–
	53,779,291	52,470,934

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:

	2017 **RMB'000**	2016 *RMB'000*
Guarantor		
– Huadian	**1,163,000**	1,518,500
– Non-controlling interests shareholders	**30,600**	36,078
	1,193,600	1,554,578

24 BORROWINGS (CONTINUED)

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

	2017 RMB'000	2016 RMB'000 (Restated–note 38)
Bank loans and loans from financial institutions		
– Secured	**98,800**	70,000
– Unsecured	**7,766,778**	4,533,531
Loans from a fellow subsidiary		
– Unsecured	**1,410,000**	660,000
Other borrowings *(note (e)(ii))*		
– Unsecured	**–**	3,500,764
	9,275,578	8,764,295
Add: current portion of long-term borrowings		
– Bank loans and loans from financial institutions	**4,950,354**	4,440,638
– Loans from fellow subsidiaries	**156,702**	63,834
– Loans from Huadian	**–**	1,000,000
– Other borrowings	**999,713**	–
	15,382,347	14,268,767

24 BORROWINGS (CONTINUED)

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

	2017	2016 *(Restated–note 38)*
Long-term		
Bank loans and loans from financial institutions	**1.08%–6.20%**	1.08%–6.00%
Loans from Huadian	**4.15%–5.60%**	4.15%–6.46%
Loans from fellow subsidiaries	**4.75%–4.90%**	4.90%
Other borrowings	**3.04%–5.38%**	3.04%–5.38%
Short-term		
Bank loans and loans from financial institutions	**0.47%–5.00%**	0.49%–4.35%
Loans from a fellow subsidiary	**3.92%–4.35%**	3.92%
Other borrowings	**N/A**	2.76%–2.80%

(d) The borrowings are repayable as follows:

	2017 **RMB'000**	2016 *RMB'000* *(Restated–note 38)*
Within 1 year or on demand	**15,382,347**	14,268,767
After 1 year but within 2 years	**5,632,276**	6,191,113
After 2 years but within 5 years	**22,336,132**	21,717,849
After 5 years	**25,810,883**	24,561,972
	53,779,291	52,470,934
	69,161,638	66,739,701

24 BORROWINGS (CONTINUED)

(e) Significant terms of other borrowings:

	2017 **RMB'000**	2016 RMB'000
Long-term		
Corporate bonds *(note (i))*	**6,986,874**	6,981,137
Short-term		
Financing instruments *(note (ii))*	**–**	3,500,764

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% per annum. 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, which were repaid on 14 February 2017 and 2 April 2017 respectively.

25 OBLIGATIONS UNDER FINANCE LEASES

The Group had obligations under finance leases repayable as follows:

	2017		2016	
	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	**25,530**	**36,666**	25,261	37,583
After 1 year but within 2 years	**25,810**	**35,748**	25,530	36,666
After 2 years but within 5 years	**79,229**	**101,754**	78,318	104,508
After 5 years	**120,858**	**134,808**	148,058	167,813
	225,897	**272,310**	251,906	308,987
	251,427	**308,976**	277,167	346,570
Less: total future interest expenses		**(57,549)**		(69,403)
Present value of finance lease obligations		**251,427**		277,167

At inception, the lease periods of the above finance lease obligations are approximately 9 to 11 years.

26 TRADE CREDITORS AND BILLS PAYABLE

	2017	2016
	RMB'000	*RMB'000*
		(Restated–note 38)
Trade creditors to third parties	**722,324**	279,970
Bills payable to third parties	**165,035**	512,382
Trade creditors to related parties	**59,587**	400,251
Bills payable to related parties	**134,143**	376,746
	1,081,089	1,569,349

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

	2017	2016
	RMB'000	*RMB'000*
		(Restated–note 38)
Due within 3 months or on demand	**978,832**	998,871
Due after 3 months but within 6 months	**44,664**	369,376
Due after 6 months but within 1 year	**57,593**	201,102
	1,081,089	1,569,349

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

27 OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
		(Restated–note 38)
Payables for acquisition of property, plant and equipment and intangible assets	**5,324,073**	6,701,318
Provision for Mianhuatan resettlement compensation *(note (i))*	**40,000**	40,000
Retention payable *(note (ii))*	**896,430**	1,041,823
Dividends payable	**123,674**	103,770
Payable for acquisition of subsidiaries	**26,758**	14,504
Payables for staff related costs	**58,033**	59,551
Payables for other taxes	**171,834**	210,551
Interest payable	**219,479**	262,171
Amounts due to fellow subsidiaries *(note (iii))*	**865,362**	533,444
Amounts due to associates *(note (iii))*	**739,570**	773,796
Amounts due to Huadian *(note (iii))*	**12,000**	12,000
Other accruals and payables	**237,645**	311,514
	8,714,858	10,064,442

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

	2017 RMB'000	2016 RMB'000
Net tax payable at 1 January	211,966	169,695
Provision for the year *(note 8(a))*	290,737	506,829
Under/(over) provision in respect of prior years *(note 8(a))*	15,587	(2,996)
Income tax paid	(415,485)	(461,562)
Net tax payable at 31 December	102,805	211,966
Representing:		
Tax payable	112,447	250,071
Tax recoverable	(9,642)	(38,105)
	102,805	211,966

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

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (liabilities)/assets 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 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)
At 1 January 2017	**16,490**	**51,068**	**19,447**	**219,695**	**48,059**	**17,530**	**(274,809)**	**(617,008)**	**6,887**	**(512,641)**
(Charged)/credited to profit or loss *(note 8(a))*	**-**	**(3,759)**	**(2,374)**	**1,063**	**(1,138)**	**(4,088)**	**9,027**	**(27,619)**	**(1,511)**	**(30,399)**
Exchange difference	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,159**	**1,159**
At 31 December 2017	**16,490**	**47,309**	**17,073**	**220,758**	**46,921**	**13,442**	**(265,782)**	**(644,627)**	**6,535**	**(541,881)**

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

	2017 *RMB'000*	2016 *RMB'000*
Net deferred tax asset recognised in the consolidated statement of financial position	**376,513**	364,754
Net deferred tax liability recognised in the consolidated statement of financial position	**(918,394)**	(877,395)
	(541,881)	(512,641)

(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 RMB2,326,088,000 as at 31 December 2017 (31 December 2016: RMB2,163,586,000) 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 2017, RMB263,530,000, RMB273,120,000, RMB462,265,000, RMB583,845,000 and RMB743,328,000, if unused, will expire at the end of year 2018, 2019, 2020, 2021 and 2022, respectively.

(d) Deferred tax liability not recognised:

At 31 December 2017, taxable temporary differences relating to undistributed profits and PRC statutory surplus reserve of subsidiaries, associates and joint ventures amounted to RMB5,533,466,000 (31 December 2016: RMB5,190,851,000 (restated)). 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 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
At 1 January 2017	**505,990**
Additions	**90,457**
Credited to profit or loss	**(63,540)**
At 31 December 2017	**532,907**
Less: current portion of deferred income	**(50,111)**
	482,796

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	Capital reserve	Reserve fund	Retained earnings	Equity attributable to the holders of Perpetual medium-term notes and renewable corporate bonds	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 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 and 1 January 2017	8,407,962	2,367,423	630,553	3,241,104	1,994,000	16,641,042
Changes in equity for 2017:						
Profit and total comprehensive income for the year	**-**	**-**	**-**	**1,946,781**	**130,900**	**2,077,681**
Issuance of renewable corporate bonds, net of issuing expenses *(note 32)*	**-**	**-**	**-**	**-**	**1,994,340**	**1,994,340**
Dividends approved in respect of the previous year *(note 30(b))*	**-**	**-**	**-**	**(428,806)**	**-**	**(428,806)**
Distribution for perpetual medium-term notes and renewable corporate bonds	**-**	**-**	**-**	**-**	**(130,900)**	**(130,900)**
Transfer to reserve fund	**-**	**-**	**186,640**	**(186,640)**	**-**	**-**
Balance at 31 December 2017	**8,407,962**	**2,367,423**	**817,193**	**4,572,439**	**3,988,340**	**20,153,357**

30 CAPITAL AND RESERVES (CONTINUED)

(b) Dividends

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

	2017 *RMB'000*	2016 *RMB'000*
Final dividend proposed after the end of the reporting period of RMB0.0556 per share (2016: RMB0.0510 per share)	**467,483**	428,806

The Board resolved on 21 March 2018 that RMB0.0556 per share is to be distributed to the shareholders for 2017, 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

	2017 *RMB'000*	2016 *RMB'000*
Final dividend in respect of the previous year approved and paid during the year of RMB0.0510 per share (2016: RMB0.0403 per share)	**428,806**	338,841

30 CAPITAL AND RESERVES (CONTINUED)

(c) Share capital

	2017 RMB'000	2016 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 (2016: 2,570,223,120) H shares of RMB1.00 each	**2,570,224**	2,570,224
	8,407,962	8,407,962

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.

30 CAPITAL AND RESERVES (CONTINUED)

(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.

(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).

30 CAPITAL AND RESERVES (CONTINUED)

(e) Distributability of reserves

At 31 December 2017, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB4,572,439,000 (31 December 2016: RMB3,241,104,000). After the end of the reporting period the directors proposed a final dividend of RMB5.56 cents per ordinary share (2016: RMB5.10 cents) amounting to RMB467,483,000 (2016: RMB428,806,000) (see 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 2017 are 75% (31 December 2016: 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 2017, the profit attributable to holders of perpetual medium-term notes, based on the applicable distribution rate, was RMB115,000,000 (2016: RMB115,000,000).

32 RENEWABLE CORPORATE BONDS

On 6 November 2017, the Company issued the first tranche of renewable corporate bonds 2017 with total amount of RMB2,000,000,000. The renewable corporate bonds are issued at par value with initial distribution rate of 5.30%. The renewable corporate bonds were recorded as equity in the Group's financial statements, after netting off related issuance costs of approximately RMB5,660,000.

Interests of the renewable corporate bonds are recorded as distributions, which is paid annually in arrears on 6 November 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, reduction of the registered capital of the Company or external equity investment in equity) has occurred.

The renewable corporate bonds have no fixed maturity date and are callable at the Company's option in whole on 6 November 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 three 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 2017, the profit attributable to holders of perpetual medium-term notes, based on the applicable distribution rate, was RMB15,900,000.

33 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 2017 and 2016 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 95% of total trade debtor and bills receivable as at 31 December 2017 (31 December 2016: 93%). 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.

The Group provided financial guarantees to related parties. Except for the financial guarantees extended by the Group as set out in note 35(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 35(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.

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

(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 2017, the Group has unutilised banking facilities of RMB23,734,998,000 (2016: 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.

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:

	2017					
	Carrying amount *RMB'000*	Contractual cash flows *RMB'000*	1 year or less *RMB'000*	1–2 years *RMB'000*	2–5 years *RMB'000*	More than 5 years *RMB'000*
Long-term borrowings *(note 24(a))*	59,886,060	72,818,687	8,939,628	9,058,850	27,720,784	27,099,425
Short-term borrowings *(note 24(b))*	9,275,578	9,447,016	9,447,016	–	–	–
Obligations under finance leases *(note 25)*	251,427	308,976	36,666	35,748	101,754	134,808
Trade creditors and bills payable *(note 26)*	1,081,089	1,081,089	1,081,089	–	–	–
Other payables *(note 27)*	8,714,858	8,714,858	8,714,858	–	–	–
	79,209,012	92,370,626	28,219,257	9,094,598	27,822,538	27,234,233

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

(b) Liquidity risk (Continued)

	2016 *(Restated–note 38)*					
	Carrying amount *RMB'000*	Contractual cash flows *RMB'000*	1 year or less *RMB'000*	1–2 years *RMB'000*	2–5 years *RMB'000*	More than 5 years *RMB'000*
Long-term borrowings *(note 24(a))*	57,975,406	71,873,132	8,261,282	8,512,482	27,200,048	27,899,320
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)*	1,569,349	1,569,349	1,569,349	–	–	–
Other payables *(note 27)*	10,064,442	10,064,442	10,064,442	–	–	–
	78,650,659	92,832,105	28,911,268	8,549,148	27,304,556	28,067,133

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings issued at variable rates which 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 2017 and 2016, however, the management of the Group did not consider it necessary to use interest rate swaps to hedge their exposure to interest risk.

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

(c) Interest rate risk (Continued)

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.

	2017 ***RMB'000***	2016 *RMB'000* *(Restated–note 38)*
Fixed rate borrowings:		
Borrowings *(note 24)*	**14,548,346**	15,580,849
Obligations under finance leases *(note 25)*	**90,231**	96,662
	14,638,577	15,677,511
Variable rate borrowings:		
Borrowings *(note 24)*	**54,613,292**	51,158,852
Obligations under finance leases *(note 25)*	**161,196**	180,505
Less: Deposits with banks and a fellow subsidiary (including restricted deposits)	**(2,127,026)**	(2,959,239)
	52,647,462	48,380,118
Total net borrowings	**67,286,039**	64,057,629

At 31 December 2017, 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 RMB363,267,000 (2016: RMB333,823,000 (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.

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

(c) Interest rate risk (Continued)

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 2017 and 2016.

(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.

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

(d) Currency risk (Continued)

(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.

	2017			2016		
	US$	**EUR**	**HK$**	US$	EUR	HK$
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	**6**	**103,516**	**41,135**	6	71,018	32,935
Long-term borrowings	**(139,235)**	**–**	**–**	(165,585)	–	–
Short-term borrowings	**–**	**(280,883)**	**(326,005)**	–	(263,045)	(348,859)
Net exposure	**(139,229)**	**(177,367)**	**(284,870)**	(165,579)	(192,027)	(315,924)

The followings are US$, EUR and HK$ exchange rates to RMB during the year ended 31 December 2017 and 2016:

	Average rate		**Reporting date spot rate**	
	2017	2016	**2017**	2016
US$	**6.7573**	6.6406	**6.5342**	6.9370
EUR	**7.6308**	7.3228	**7.8023**	7.3068
HK$	**0.8673**	0.8557	**0.8359**	0.8945

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

(d) Currency risk (Continued)

(ii) Exposure to currency risk (Continued)

A 5% strengthening of RMB against the following currencies as at 31 December 2017 and 2016 would have (decreased)/increased the Group's profit after tax and the total equity by the amounts shown below.

	2017	2016
	RMB'000	*RMB'000*
US$	**5,221**	6,209
EUR	**6,651**	7,201
HK$	**10,683**	11,847
	22,555	25,257

A 5% weakening of RMB against the above currencies as at 31 December 2017 and 2016 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 2017 and 2016.

33 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 (see 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.

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

(f) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

At 31 December 2017 and 31 December 2016, 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.

(ii) Financial assets and liabilities measured at fair value

		Fair value measurements as at 31 December 2017 categorised into		
	Fair value at 31 December 2017 *RMB'000*	Quoted prices in active market for identical assets (Level 1) *RMB'000*	Significant other observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*
Recurring fair value measurement				
Financial assets:				
Available-for-sale equity securities:				
– Listed	**285,221**	**285,221**	**–**	**–**

		Fair value measurements as at 31 December 2016 categorised into		
	Fair value at 31 December 2016 *RMB'000*	Quoted prices in active market for identical assets (Level 1) *RMB'000*	Significant other observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*
Recurring fair value measurement				
Financial assets:				
Available-for-sale equity securities:				
– Listed	300,856	300,856	–	–

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

(f) Fair value measurement (Continued)

(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 2017 and 2016.

As at 31 December 2017, 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.

34 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2017 and 2016 not provided for in the financial statements were as follows:

	2017 ***RMB'000***	2016 *RMB'000*
Contracted for	**7,638,223**	7,367,849
Authorised but not contracted for	**24,351,689**	23,161,788
	31,989,912	30,529,637

34 COMMITMENTS (CONTINUED)

(b) At 31 December 2017 and 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**55,015**	61,572
After 1 year but within 5 years	**183,035**	172,512
More than 5 years	**179,737**	152,149
	417,787	386,233

The Group leases certain buildings through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals.

35 CONTINGENT LIABILITIES

(a) Financial guarantees issued

The Group issued following financial guarantees to banks in respect of the bank loans granted to an associate:

	2017	2016
	RMB'000	*RMB'000*
Financial guarantees to banks for:		
– An associate	**14,476**	19,708

As at 31 December 2017, the directors do not consider it probable that a claim will be made against the Group under any of the guarantees.

35 CONTINGENT LIABILITIES (CONTINUED)

(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 RMB40 million.

36 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:

	2017	2016
	RMB'000	*RMB'000*
Purchase of power generation quota from		
A fellow subsidiary	**–**	36,034
Purchase of coal shipping service from		
Fellow subsidiaries	**44,775**	45,113
An associate	**–**	6,671
Purchase of construction service and construction materials from		
Fellow subsidiaries	**1,443,266**	1,129,515
An associate	**98,903**	657,462
Office rental and property management service provided by		
Fellow subsidiaries	**26,149**	29,208
Sale of goods and providing service to		
Fellow subsidiaries	**858**	97,641
Associates	**114,769**	72,449
Purchases of coal from		
Fellow subsidiaries	**2,743,572**	927,801
Huadian	**–**	3,101
Release of loan guarantees issued for		
An associate	**5,232**	5,666

36 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

	2017	2016
	RMB'000	*RMB'000*
Release of loan guarantees issued by		
Huadian	**355,500**	379,000
Loans received from/(repaid to)		
Fellow subsidiaries	**969,478**	581,594
Huadian	**(1,000,000)**	–
Net deposit change in		
Huadian Finance	**(578,561)**	769,952
Interest expenses		
Fellow subsidiaries	**89,372**	40,271
Huadian	**121,686**	189,862
An associate	**–**	79
Interest income		
Huadian Finance	**21,356**	22,481
Associates	**3,950**	6,019
Acquisition of business from		
Fellow subsidiaries	**198,173**	9,800

(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 35(a).

36 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 2017, revenue from the sales of electricity made to the provincial power grid companies which are government-related entities accounted for 90% of total revenue from the sales of electricity (2016: 93%). As at 31 December 2017, the trade debtors and bills receivable due from these power grid companies accounted for 95% of total trade and bills receivable (31 December 2016: 93%).

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.

36 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:

	2017 ***RMB'000***	2016 *RMB'000*
Salaries and other emoluments	**2,341**	3,471
Discretionary bonus	**3,573**	2,891
Retirement scheme contributions	**487**	795
	6,401	7,157

(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 2017 and 2016, there was no material outstanding contribution to post-employment benefit plans.

(f) Commitment with related parties

	At **31 December** **2017** ***RMB'000***	At 31 December 2016 *RMB'000*
Capital commitment	**1,175,855**	881,232
Commitment for office rental and property management fee	**56,859**	22,173

36 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 36(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 2017.

37 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.

38 BUSINESS COMBINATION UNDER COMMON CONTROL

On 31 December 2017, Shanxi Ruicheng Huadian Fuxin Solar Power Company Limited, the Company’s subsidiary, acquired Yanhu wind power branch (“Yanhu Wind Power”) of Huadian Shanxi Energy Company Limited (“Shanxi Energy”) from Shanxi Energy, a subsidiary of Huadian, at a cash consideration of RMB198,173,000.

As the Group and Yanhu Wind Power are under common control of Huadian, the acquisitions are determined as business combinations under common control. Assets and liabilities of Yanhu Wind Power is recognised at the carrying amounts previously recognised 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.

38 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 Yanhu Wind Power *RMB'000*
Consideration:	
Cash paid in 2017	172,800
Consideration to be paid	25,373
Total	198,173

Recognised amounts of assets acquired and liabilities assumed:

	At the acquisition date Yanhu Wind Power *RMB'000*
Property, plant and equipment	306,368
Lease prepayments	2,612
Intangible assets	158
Other non-current assets	1,947
Trade debtors and bills receivable	124,965
Prepayments and other current assets	6,860
Cash and cash equivalents	6,775
Borrowings–non current liabilities	(14,305)
Trade creditors and bills payables	(571)
Other payables	(154,938)
Borrowings–current liabilities	(173,685)
Total identifiable net assets	106,186

38 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*	Yanhu Wind Power *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 2016:			
Operating profit	5,350,990	56,024	5,407,014
Profit for the year	2,622,971	45,464	2,668,435
Profit attributable to:			
– Equity shareholders of the Company and the holders of perpetual medium-term notes	2,023,026	45,464	2,068,490
– Non-controlling interests	599,945	–	599,945
Basic and diluted earnings per share *(RMB cents)*	22.69	0.54	23.23
Other comprehensive income for the period	(28,861)	–	(28,861)
Total comprehensive income for the period	2,594,110	45,464	2,639,574
Attributable to:			
– Equity shareholders of the Company and the holders of perpetual medium-term notes	1,994,165	45,464	2,039,629
– Non-controlling interests	599,945	–	599,945
Consolidated financial position as at 31 December 2016:			
Non-current assets	93,047,658	325,613	93,373,271
Current assets	9,794,975	111,645	9,906,620
Current liabilities	(26,036,363)	(181,974)	(26,218,337)
Non-current liabilities	(53,877,788)	(187,990)	(54,065,778)
Total equity attributable to shareholders of the Company and the holders of perpetual medium-term notes	20,033,679	67,294	20,100,973
Non-controlling interests	2,894,803	–	2,894,803

39 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	**2,462,696**	1,726,403
Lease prepayments	**93,709**	94,250
Intangible assets	**14,959**	15,917
Investments in subsidiaries	**20,198,421**	18,875,620
Investments in associates and joint ventures	**6,964,440**	6,081,546
Other non-current assets	**3,350,208**	2,422,264
Total non-current assets	**33,084,433**	29,216,000
Current assets		
Inventories	**309**	349
Trade debtors and bills receivable	**19,611**	146,718
Prepayments and other current assets	**1,705,942**	1,312,096
Restricted deposits	**3,861**	3,852
Cash and cash equivalents	**87,192**	485,004
Total current assets	**1,816,915**	1,948,019

39 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	31 December 2017 RMB'000	31 December 2016 RMB'000
Current liabilities		
Borrowings	**6,518,612**	6,481,564
Trade creditors and bills payable	**6,413**	9,368
Other payables	**1,665,453**	513,941
Deferred income	**–**	35
Total current liabilities	**8,190,478**	7,004,908
Net current liabilities	**(6,373,563)**	(5,056,889)
Total assets less current liabilities	**26,710,870**	24,159,111
Non-current liabilities		
Borrowings	**6,557,513**	7,516,307
Deferred income	**–**	1,762
Total non-current liabilities	**6,557,513**	7,518,069
NET ASSETS	**20,153,357**	16,641,042

39 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
CAPITAL AND RESERVES		
Share capital	**8,407,962**	8,407,962
Reserves	**7,757,055**	6,239,080
Perpetual medium-term notes and renewable corporate bonds	**3,988,340**	1,994,000
TOTAL EQUITY	**20,153,357**	16,641,042

Approved and authorised for issue by the board of directors on 21 March 2018.

HUANG Shaoxiong
Chairman

WU Jianchun
Director

40 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.

40 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.

41 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2017, 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)

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017 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
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
Amendments to IAS 40, *Investment property: Transfers of investment property*	1 January 2018
IFRIC 22, *Foreign currency transactions and advance consideration*	1 January 2018
IFRS 16, *Leases*	1 January 2019
IFRIC 23, *Uncertainty over income tax treatments*	1 January 2019

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

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

IFRS 9, Financial instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plan to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

- The Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of IFRS 9;

- With respect to the Group's financial assets currently classified as "available-for-sale", these are equity investments which the Group have the option to irrevocably designate as FVTOCI (without recycling) on transition to IFRS 9. The Group plans to elect this designation option for any of the investments held on 1 January 2018 and will recognise any fair value changes in respect of these investments in other comprehensive income as they arise. The Group are in the process of assessing the fair value of the available-for-sale financial assets currently measured at cost less impairment and will disclose the impact to the opening balance of the Group's equity as 1 January 2018 in interim financial report for the six months ending 30 June 2018.

- The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any above mentioned financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of IFRS 9.

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

IFRS 9, Financial instruments (Continued)

- The new impairment model in IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected credit loss” model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expect that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, the Group do not expect material change to the loss allowance for the Group’ trade debtors and other debt investment held at amortised cost.

- IFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The Group has assessed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9 and therefore it expects that the accounting for its hedging relationships will not be significantly impacted.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. IFRS 15, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. IFRS 15 provides that an entity should recognise revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for the goods or services provided and establishes a five step model to be applied by an entity in evaluating its contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

IFRS 15, Revenue from contracts with customers (Continued)

During 2017 the Group substantially completed its assessment of the potential impact of the new standard, including performing a review of revenue streams and customer contracts in order to evaluate the effects that this standard may have on the consolidated statement of comprehensive income and consolidated statement of financial position. The Group's revenues are substantially generated from the sales of electricity, heat and other goods. Effective 1 January 2018, the Group will adopt IFRS 15 utilizing the cumulative effect method, which results in the Group's retaining prior period figures as reported under the previous standards and recognising the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of retained earnings as at the date of initial adoption and will provide additional disclosures comparing results to previous IFRS in its 2018 consolidated financial statements. The Group plans to apply the new revenue standard only to contracts not completed as of the date of initial application, referred to as open contracts. Since the number of open contracts at 31 December is limited, and more than 99% of the Group's revenue comprised of contracts with customers from rate-regulated sales of power and heat, where revenue will continue to be recognised upon transmission to the customers. Pursuant to the new standard, the Group expects that the adoption of IFRS 15 will not have material impact on the consolidated financial statements.

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.

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (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 34(b), at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB323,815,000, 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.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

43 SUBSEQUENT EVENTS

On 15 March 2018, the green asset-backed security of "Ping An securities-Huadian Fuxin on-grid electricity sales receivables green asset plan" (the "ABS") was successfully issued on the Shanghai stock exchange with the Company as the sponsor and Ping An Securities Ltd as the plan manager of the ABS. The ABS was set up based on the on-grid electricity sales receivables of seven subsidiaries with total proceeds of RMB840,000,000.

On 21 March 2018, 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

"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huadian"	China Huadian Corporation (renamed to China Huadian Corporation Ltd. as of the date of this annual report)
"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 2017 to 31 December 2017
"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

20/F, Qiantian Mansion,
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HEAD OFFICE IN THE PRC

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

MEMBERS OF THE BOARD

Executive Directors

Mr. Huang Shaoxiong *(Chairman of the Board)*
Mr. Wu Jianchun
Mr. Li Lixin

Non-executive Directors

Mr. Tao Yunpeng
Mr. Li Yinan
Mr. Mei Wiiyi

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. Huang Shaoxiong *(Executive Director and Chairman of the Board) (Chairman)*
Mr. Tao Zhigang *(Independent Non-executive Director)*
Mr. Wu Yiqiang *(Independent Non-executive Director)*

Remuneration and Assessment Committee

Mr. Wu Yiqiang *(Independent Non-executive Director) (Chairman)*
Mr. Zhang Bai *(Independent Non-executive Director)*
Mr. Li Lixin *(Executive Director)*

Strategic Committee

Mr. Huang Shaoxiong *(Executive Director and Chairman of the Board) (Chairman)*
Mr. Wu Yiqiang *(Independent Non-executive Director)*
Mr. Wu Jianchun *(Executive Director)*

SUPERVISORS

Mr. Li Changxu
Mr. Wang Kun
Mr. Hou Jiawei
Ms. Hu Xiaohong
Mr. Yan Zhongjun
Mr. Chen Wenxin
Mr. Zhu Deyuan
Ms. Ding Ruiling
Mr. Guo Xiaoping

COMPANY SECRETARY

Ms. MOK Ming Wai

LEGAL REPRESENTATIVE OF THE COMPANY

Mr. HUANG Shaoxiong

AUTHORIZED REPRESENTATIVES

Mr. HUANG Shaoxiong
Ms. MOK Ming Wai

AUDITOR

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LEGAL ADVISORS

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PRINCIPAL BANKS

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Agricultural Bank of China Limited (Headquarters)
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China Merchants Bank Corporation Limited (Beijing Branch)
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STOCK CODE

00816