華電國際電力股份有限公司

HUADIAN POWER INTERNATIONAL CORPORATION LIMITED

Stock Code：1071

# 2017
# Annual Report

www.hdpi.com.cn

# Contents

# Company Profile

Huadian Power International Corporation Limited (the "**Company**") and its subsidiaries (together the "**Group**") are one of the largest comprehensive energy companies in the People's Republic of China (the "**PRC**"), and primarily engaged in the construction and operation of power plants, including large-scale efficient coal- or gas-fired generating units and various renewable energy projects. The Group's power generating assets are located in 14 provinces, autonomous regions and municipalities across the PRC at the prime location, mainly in the electricity and heat load centres or regions with abundant coal resources. As at the date of this report, the Group had a total of 60 controlled power plants which have commenced operations involving a total of 49,180.1 MW consolidated installed capacity, with a total of 39,000 MW attributable to coal-fired generating units, 4,426.5 MW attributable to gas-fired generating units and 5,753.6 MW attributable to renewable energy generating units such as hydropower, wind power and solar power generating units.

The Company was incorporated in Jinan, Shandong Province, the PRC on 28 June 1994. On 30 June 1999, the Company issued approximately 1,431 million H shares in its initial public offering, which are listed on The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**"). On 3 February 2005, the Company issued 765 million A shares in the PRC, which are listed on the Shanghai Stock Exchange. Subsequently, on 1 December 2009, 3 July 2012 and 18 July 2014, the Company issued 750 million, 600 million and 1,150 million A shares, respectively, each through a non-public issuance in the PRC, and all such A shares are listed on the Shanghai Stock Exchange. On 30 July 2014, the Company issued approximately 286 million H shares by way of placing, and such H shares are listed on the Hong Kong Stock Exchange. On 8 September 2015, the Company issued approximately 1,056 million A shares by way of non-public issuance, and such A shares are listed on the Shanghai Stock Exchange. Currently, the Company has an issued share capital comprising 8,145,743,053 A shares and 1,717,233,600 H shares, accounting for approximately 82.59% and 17.41%, respectively, of the total issued share capital of the Company. As of 31 December 2017, the total number of employees of the Group amounted to 28,024.

Details of the Group's major operational power generating assets as at the date of this report are as follows:

## (1) DETAILS OF THE CONTROLLED COAL- OR GAS-FIRED GENERATING UNITS ARE AS FOLLOWS:

| | Name of power plant/company | Installed capacity *(MW)* | Equity interest held by the Company | Composition of generating Units |
|---|---|---|---|---|
| 1 | Zouxian Plant | 2,575 | 100% | 1 x 635MW + 1 x 600MW + 4 x 335MW |
| 2 | Shiliquan Plant | 2,060 | 100% | 1 x 660MW + 1 x 600MW + 2 x 330MW + 1 x 140MW |
| 3 | Laicheng Plant | 1,200 | 100% | 4 x 300MW |
| 4 | Shuozhou Thermal Power Branch Company | 700 | 100% | 2 x 350MW |
| 5 | Huadian Zouxian Power Generation Company Limited ("**Zouxian Company**") | 2,000 | 69% | 2 x 1,000MW |
| 6 | Huadian Laizhou Power Generation Company Limited ("**Laizhou Company**") | 2,000 | 75% | 2 x 1,000MW |
| 7 | Huadian Weifang Power Generation Company Limited ("**Weifang Company**") | 2,000 | 45% | 2 x 670MW + 2 x 330MW |
| 8 | Huadian Qingdao Power Generation Company Limited ("**Qingdao Company**") | 1,220 | 55% | 1 x 320MW + 3 x 300MW |
| 9 | Huadian Zibo Thermal Power Company Limited ("**Zibo Company**") | 950 | 100% | 2 x 330MW + 2 x 145MW |
| 10 | Huadian Zhangqiu Power Generation Company Limited ("**Zhangqiu Company**") | 925 | 87.5% | 1 x 335MW+ 1 x 300MW + 2 x 145MW |
| 11 | Huadian Tengzhou Xinyuan Thermal Power Company Limited ("**Tengzhou Company**") | 930 | 93.257% | 2 x 315MW + 2 x 150MW |
| 12 | Huadian Longkou Power Generation Company Limited ("**Longkou Company**") | 880 | 84.31% | 4 x 220MW |
| 13 | Huadian Ningxia Lingwu Power Generation Company Limited ("**Lingwu Company**") | 3,320 | 65% | 2 x 1,060MW + 2 x 600MW |
| 14 | Sichuan Guang'an Power Generation Company Limited ("**Guang'an Company**") | 2,400 | 80% | 2 x 600MW + 4 x 300MW |
| 15 | Huadian Xinxiang Power Generation Company Limited ("**Xinxiang Company**") | 1,320 | 90% | 2 x 660MW |
| 16 | Huadian Luohe Power Generation Company Limited ("**Luohe Company**") | 660 | 75% | 2 x 330MW |
| 17 | Huadian Qudong Power Generation Company Limited ("**Qudong Company**") | 660 | 90% | 2 x 330MW |
| 18 | Anhui Huadian Suzhou Power Generation Company Limited ("**Suzhou Company**") | 1,260 | 97% | 2 x 630MW |
| 19 | Anhui Huadian Wuhu Power Generation Company Limited ("**Wuhu Company**") | 1,320 | 65% | 2 x 660MW |
| 20 | Anhui Huadian Lu'an Power Generation Company Limited ("**Lu'an Company**") | 1,320 | 95% | 2 x 660MW |

| | Name of power plant/company | Installed capacity *(MW)* | Equity interest held by the Company | Composition of generating Units |
|---|---|---|---|---|
| 21 | Hangzhou Huadian Banshan Power Generation Company Limited (“**Hangzhou Banshan Company**”) | 2,415.7 | 64% | 3 x 415MW + 3 x 390MW+ 0.7MW |
| 22 | Hangzhou Huadian Xiasha Thermal Power Company Limited (“**Xiasha Company**”) | 246 | 56% | 1 x 88MW + 2 x 79MW |
| 23 | Hangzhou Huadian Jiangdong Thermal Power Company Limited (“**Jiangdong Company**”) | 960.5 | 70% | 2 x 480.25MW |
| 24 | Huadian Zhejiang Longyou Thermal Power Company Limited (“**Longyou Company**”) | 406 | 100% | 2 x 127.6MW + 1 x 130.3MW + 1 x 19.5MW+ 1MW |
| 25 | Hebei Huadian Shijiazhuang Thermal Power Company Limited (“**Shijiazhuang Thermal Power Company**”) | 475 | 82% | 2 x 200MW + 3 x 25MW |
| 26 | Hebei Huadian Shijiazhuang Yuhua Thermal Power Company Limited (“**Yuhua Company**”) | 600 | 100% | 2 x 300MW |
| 27 | Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited (“**Luhua Company**”) | 660 | 90% | 2 x 330MW |
| 28 | Shaoguan City Pingshi Electric Power Plant Company Limited (Plant B) (“**Pingshi Power Company**”) | 725 | 100% | 2 x 300MW + 1 x 125MW |
| 29 | Tianjin Huadian Fuyuan Thermal Power Company Limited (“**Fuyuan Thermal Power Company**”) | 400 | 100% | 2 x 200MW |
| 30 | Huadian Hubei Power Generation Company Limited (“**Hubei Company**”) *(Note)* | 5,830 | 82.56% | 2 x 680MW + 1 x 660MW+ 2 x 640MW + 6 x 330MW +1 x 300MW + 40 x 2MW + 100MW + 40MW+30MW |
| 31 | Fengjie Plant | 1,200 | 100% | 2 x 600MW |

*Note:* Details of the installed generating units of Hubei Company are as follows:

| Name of power plant/company | Installed capacity *(MW)* | Equity interest held by Hubei Company | Composition of generating units |
|---|---|---|---|
| Huadian Hubei Power Generation Company Limited Huangshi Thermal Power Plant (“**Huangshi Thermal Power Plant**”) | 330 | 100% | 1 x 330MW |
| Hubei Xisaishan Power Generation Company Limited | 660 | 50% | 2 x 330MW |
| Hubei Huadian Xisaishan Power Generation Company Limited | 1,360 | 50% | 2 x 680MW |
| Hubei Huadian Xiangyang Power Generation Company Limited (“**Xiangyang Company**”) | 2,570 | 60.10% | 2 x 640MW+ 3 x 330MW+ 1 x 300MW |
| Hubei Huadian Jiangling Power Generation Company Limited (“**Jiangling Company**”) | 660 | 100% | 1 x 660MW |
| Hubei Huadian Wuxue New Energy Company Limited (“**Wuxue New Energy Company**”) | 120 | 100% | 40 x 2MW+40MW |
| Hubei Huadian Suixian Yindian Photovoltaic Power Generation Company Limited (“**Suixian Photovoltaic Power Generation Company**”) | 30 | 100% | 30MW |
| Hubei Huadian Zaoyang Photovoltaic Power Generation Company Limited (“**Zaoyang Photovoltaic Power Generation Company**”) | 100 | 100% | 100MW |

Huangshi Thermal Power Plant has suspended a 200MW unit since 1 January 2018.

# Company Profile (Continued)

## (2) DETAILS OF THE CONTROLLED RENEWABLE ENERGY GENERATING UNITS ARE AS FOLLOWS:

| | Name of power plant/company | Installed capacity *(MW)* | Equity interest held by the Company | Composition of generating units |
|---|---|---|---|---|
| 1 | Sichuan Huadian Luding Hydropower Company Limited ("**Luding Hydropower Company**") | 920 | 100% | 4 x 230MW |
| 2 | Sichuan Huadian Za-gunao Hydroelectric Development Company Limited ("**Za-gunao Hydroelectric Company**") | 591 | 64% | 3 x 65MW + 3 x 56MW + 3 x 46MW + 3 x 30MW |
| 3 | Lixian Xinghe Power Company Limited ("**Lixian Company**") | 67 | 100% | 3 x 11MW+4 x 8.5MW |
| 4 | Sichuan Liangshan Shuiluohe Hydropower Development Company Limited ("**Shuiluohe Company**") | 324 | 57% | 3 x 70MW + 3 x 38MW |
| 5 | Hebei Huadian Complex Pumping-storage Hydropower Company Limited ("**Hebei Hydropower Company**") | 77 | 100% | 1 x 16MW + 2 x 15MW + 1 x 11MW+ 20MW |
| 6 | Inner Mongolia Huadian Mengdong Energy Company Limited ("**Mengdong Energy Company**") | 399 | 100% | 262 x 1.5MW + 2 x 3MW |
| 7 | Huadian Kezuozhongqi Wind Power Company Limited ("**Kezuozhongqi Wind Power Company**") | 49.5 | 100% | 33 x 1.5MW |
| 8 | Huadian Power International Ningxia New Energy Power Company Limited ("**Ningxia New Energy Company**") | 1,311.5 | 100% | 147 x 2MW + 665 x 1.5MW + 20MW |
| 9 | Hebei Huadian Guyuan Wind Power Company Limited ("**Guyuan Wind Power Company**") | 290.5 | 100% | 167 x 1.5MW + 40MW |
| 10 | Hebei Huadian Kangbao Wind Power Company Limited ("**Kangbao Wind Power Company**") *(Note 1)* | 330 | 100% | 48 x 2MW + 136 x 1.5MW + 30MW |
| 11 | Huadian Laizhou Wind Power Company Limited ("**Laizhou Wind Power Company**") | 40.5 | 55% | 27 x 1.5MW |
| 12 | Huadian Laizhou Wind Power Generation Company Limited ("**Laizhou Wind Company**") | 48 | 100% | 24 x 2MW |
| 13 | Huadian Laizhou Wind Energy Power Company Limited ("**Laizhou Wind Energy Company**") | 99.6 | 55% | 48 x 2MW + 2 x 1.8MW |
| 14 | Huadian Changyi Wind Power Company Limited ("**Changyi Wind Power Company**") | 97.5 | 100% | 24 x 2MW + 33 x 1.5MW |
| 15 | Huadian Zibo Wind Power Company Limited ("**Zibo Wind Power Company**") | 48 | 100% | 24 x 2MW |
| 16 | Huadian Longkou Wind Power Company Limited ("**Longkou Wind Power Company**") | 99.3 | 65% | 23 x 1.5MW + 6 x 2.5MW + 24 x 2MW + 1 x 1.8MW |
| 17 | Huadian Zaozhuang New Energy Generation Company Limited ("**Zaozhuang New Energy Company**") | 60 | 100% | 25 x 2MW+ 10MW |
| 18 | Huadian Feicheng New Energy Generation Company Limited ("**Feicheng New Energy Company**") | 149.7 | 100% | 72 x 2MW + 3 x 1.9MW |
| 19 | Huadian Laixi New Energy Generation Company Limited ("**Laixi New Energy Company**") | 49.8 | 100% | 24 x 2MW + 1 x 1.8MW |
| 20 | Longkou Dongyi Wind Power Company Limited ("**Longkou Dongyi Wind Power Company**") | 30 | 100% | 20 x 1.5MW |

| | Name of power plant/company | Installed capacity *(MW)* | Equity interest held by the Company | Composition of generating units |
|---|---|---|---|---|
| 21 | Huadian Shandong New Energy Company Limited ("**Shandong New Energy Company**") *(Note 2)* | 58 | 100% | 24 x 2MW+10MW |
| 22 | Huadian Xuwen Wind Power Company Limited ("**Xuwen Wind Power Company**") | 99 | 100% | 48 x 2MW + 2 x 1.5MW |
| 23 | Huadian Xiaxian Wind Power Company Limited ("**Xiaxian Wind Power Company**") | 100 | 100% | 50 x 2MW |
| 24 | Huadian Ningxia Ningdong Shangde Solar Power Company Limited ("**Shangde Solar Company**") | 10 | 60% | 10MW |
| 25 | Huadian Zhangjiakou Saibei New Energy Generation Company Limited ("**Zhangjiakou Saibei New Energy Company**") | 4 | 100% | 4MW |
| 26 | Huadian Ningbo New Energy Generation Company Limited ("**Ningbo New Energy Company**") | 10 | 100% | 10MW |
| 27 | Huadian Huzhou New Energy Power Generation Company Limited ("**Huzhou New Energy Company**") | 15 | 100% | 15MW |
| 28 | Hebei Huarui Energy Group Corporation Limited ("**Huarui Company**") *(Note 3)* | 99 | 100% | 48 x 2MW + 2 x 1.5MW |
| 29 | Huadian Suzhou Biomass Energy Power Generation Company Limited ("**Suzhou Biomass Energy Company**") | 25 | 78% | 2 x 12.5MW |

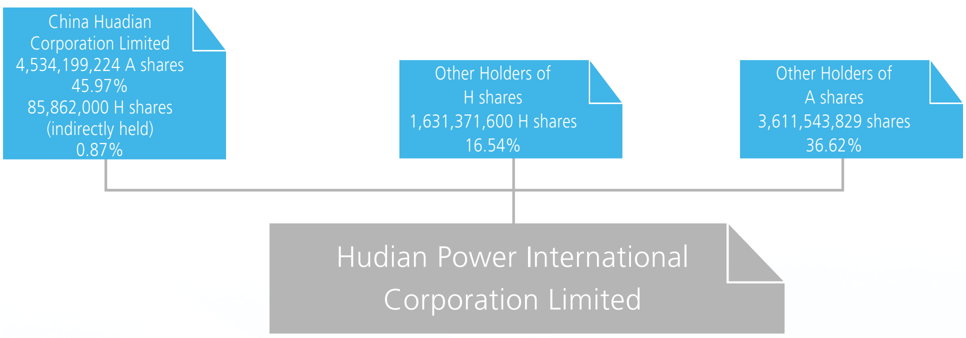
*Note 1:* Kangbao Wind Power Company, a subsidiary of the Company, absorbed and merged State Development Zhangjiakou Wind Power Company Limited, a former subsidiary of the Company in 2017.

*Note 2:* Shandong New Energy Company is a new subsidiary established by the Company in 2017 which absorbed and merged Huadian Zhangqiu New Energy Generation Company Limited and Huadian Yiyuan New Energy Power Generation Company Limited, both former subsidiaries of the Company.

*Note 3:* As at the date of this report, the installed capacity of wind power of Hebei Huadian Yuzhou Wind Power Company Limited, a wholly-owned subsidiary of Huarui Company, amounted to 99MW.

## SHAREHOLDING STRUCTURE

The shareholding structure of the Company as at the date of this report is set out as follows:



# Chairman's Statement


Dear Shareholders:

In 2017, the Group thoroughly implemented each of the decisions and arrangements made by the board of directors of the Company (the "**Board**"). Under the complex and rigorous situations of high-level coal prices, continuous decrease in utilisation hours, increasing intensive market competition and tightening environmental constraints, facing with the difficulties, the Group took positive actions to improve quality and efficiency, promoted transformation and development, strengthen safety and environmental protection, and achieved new success and new progress in all aspects of work. The Group achieved power generation of approximately RMB191.72 million MWh, representing a year-on-year increase of approximately 0.87%. The Group achieved a turnover of approximately RMB78,464 million, profit for the year attributable to equity shareholders of the Company of approximately RMB436 million, and basic earnings per share of approximately RMB0.044. The Board proposes to declare a final cash dividend of RMB0.018 per share (tax inclusive) for the financial year ended 31 December 2017.

In the aspects of project development, in 2017, the Group focused on long-term sustainable development, earnestly implemented the national energy industry policy, and closely focused on constructing a clean, low carbon, safe and efficient energy system to lay out the industry and adjust its structure. Throughout the year, a total of approximately 5,700 MW of power projects were approved and filed. The layout of the distributed energy projects of multi-generation of heat, power and cooling were optimised in economically developed regions and urban load centres. The Group selected and prioritised gas-fired thermal power projects with better thermal power market and guaranteed investment income. In accordance with the principle of market space and profitability, the Group promoted the development of wind and solar power in an orderly manner.

In the aspect of safety and environmental protection, in 2017, the Group strengthened the safety supervision and guidance, carried out in-depth investigation of hidden dangers, reinforced the quality control of examination and repair, and constantly consolidated the management foundation of safety and environmental protection. The Group significantly improved the equipment reliability and steadily reduced the energy consumption by strengthening the energy conservation and technology research. Throughout the year, the hydropower sector achieved "zero unscheduled downtime" and 13 enterprises in thermal power sector achieved "zero unscheduled downtime". The coal consumption for power supply was 299.61g/KWh in aggregate, representing a year-on-year decrease of 1.73g/KWh. There was a total of 87 coal-fired generating units which needed to undergo ultra-low emission reformation, among which 82 units has been completed.

Looking back to 2017, all employees of the Group actively responded to severe situation in business operation, adapted the reform and faced the challenge, dedicating both talent and effort to produce results with great achievements. In the meantime, the Group's achievements were attributable to the trust and support from the shareholders and the care and help from all sectors of society. I hereby extend my heartfelt gratitude to them.

In 2018, on the basis of ensuring safe and environmental friendly production as well as assuring stable operation of generating units, the Group will continue to carry out works with improved quality and enhanced efficiency, explore power and thermal energy market, place more emphasis on the control of three main costs (fuel, capital and resources). By progressing the direction towards reformation and development, the Group will seize the momentum of industry development, enhance the level of value creation, accelerate the establishment of a comprehensive energy company with stronger competitiveness, and reward our shareholders and investors with good performances.

**Zhao Jianguo**
*Chairman*

Beijing, the PRC
26 March 2018

# Business Review and Outlook

## BUSINESS REVIEW

### (1) Power Generation

As at 31 December 2017, the Group's total consolidated installed capacity amounted to 49,330.1 MW. Power generation of the Group in 2017 amounted to approximately 191.72 million MWh, representing a year-on-year increase of approximately 0.87%; the volume of on-grid power sold amounted to 179.28 million MWh, representing a year-on-year increase of approximately 0.82%. The utilisation hours of the Group's generating units were approximately 3,991 hours among which the utilisation hours of coal-fired power generating units were 4,502 hours. The coal consumption for power supply was 299.61g/KWh in aggregate, representing a year-on-year decrease of 1.73g/KWh.

### (2) Turnover

In 2017, the Group's turnover amounted to approximately RMB78.464 billion, representing an increase of approximately 24.87% over 2016. Revenue generated from sale of electricity amounted to approximately RMB61.634 billion, representing an increase of approximately 5.97% over 2016; revenue generated from sale of heat amounted to approximately RMB4.026 billion, representing an increase of approximately 16.96% over 2016; and revenue from sale of coal was approximately RMB12.804 billion, representing an increase of approximately RMB11.572 billion over 2016.

### (3) Profit

In 2017, the Group's operating profit amounted to approximately RMB4.379 billion, representing a decrease of approximately 55.67% over 2016, mainly due to the increase in fuel cost for power generation of the Group as a result of increase in coal prices. For the year ended 31 December 2017, the profit for the year attributable to equity shareholders of the Company amounted to approximately RMB436 million, and the basic earnings per share was approximately RMB0.044.

### (4) The Installed Capacity of Newly-added Generating Units

From 1 January 2017 to the date of this report, the details of the Group's newly added generating units are as follows:

| Name of Project | Category | Capacity *(MW)* |
|---|---|---|
| Shiliquan Plant | Coal-fired | 660 |
| Jiangling Company | Coal-fired | 660 |
| Kangbao Wind Power Company | Wind Power | 100.5 |
| Longkou Wind Power Company | Wind Power | 49.8 |
| Changyi Wind Power Company | Wind Power | 48 |
| Ningxia New Energy Company | Wind Power | 49.5 |
| Shandong New Energy Company | Wind Power | 48 |
| Wuxue New Energy Company | Wind Power | 26 |
| Feicheng New Energy Company | Wind Power | 49.9 |
| Xuwen Wind Power Company | Wind Power | 49.5 |
| Xiaxian Wind Power Company | Wind Power | 100 |
| Guyuan Wind Power Company | Photovoltaic Power | 20 |
| Huzhou New Energy Company | Photovoltaic Power | 15 |
| Zaoyang Photovoltaic Power Generation Company | Photovoltaic Power | 70 |
| Ningbo New Energy Company | Photovoltaic Power | 10 |
| Hebei Hydropower Company | Photovoltaic Power | 20 |
| Hangzhou Banshan Company | Photovoltaic Power | 0.7 |
| Longyou Company | Photovoltaic Power | 1 |
| Wuxue New Energy Company | Photovoltaic Power | 40 |
| Zaozhuang New Energy Company | Photovoltaic Power | 10 |
| Total | | 2,027.9 |

*Note:* The 40MW solar power generating unit of Wuxue New Energy Company and 10MW solar power generating unit of Zaozhuang New Energy Company have commenced commercial operations in 2018.

### (5) Projects Under Construction

As at the date of this report, the Group's major generating units which are under construction are as follows:

| Type of generating projects | Planned installed capacity *(MW)* |
|---|---|
| Coal-fired generating projects | 4,904 |
| Gas-fired and distributive energy | 4,990 |
| Wind power projects | 1,550 |
| Hydropower projects | 492 |
| Solar energy projects | 81 |
| Total | 12,017 |

The Group will manage the construction of its projects and the pace of their operation in accordance with the national and local energy policies, the conditions of the power market and the Group's overall strategy.

## BUSINESS OUTLOOK

### (1) Competition Landscape and Development Trend of the industry

In respect of power market, the national power consumption in 2018 will continue to grow at a smooth and relatively quick speed as in 2017 with an annual growth rate of around 5.5%, as estimated by China Electricity Council. In 2018, additional power generation infrastructure facilities installed across the country reached approximately 120 million kW, among which non-fossil energies power installed accounted for approximately 70 million kW. It is expected that there would be ample power supply to meet the demand in general across the country, with an excessive supply in certain regions and tight supply in some regions during peak season. Utilisation hours of coal-fired equipment are expected to reach around 4,210 hours, basically maintaining the same level as those of 2017. As power structural reform continued to be promoted across the country, China explored and carried out spot trading of electricity, gradually built a power market that combines mid- to long-term transactions with spot transactions, and orderly promoted the pilot reform of incremental power distribution business. With competition in market power becoming fiercer, the proportion of market power will gradually increase while the discount on tariff will decrease.

In respect of coal market, in 2018, as the government promoted to release advanced production capacity, coal supply is expected to increase. Where the market presents a balance between demand and supply with specific regions occasionally manifesting tight supply-demand relationship, coal price is expected to ease from record high. With a series of regulatory policies such as long-term agreements and contracts, coal inventory and coal import being performed by the PRC, control on coal price has been more effective.

In respect of capital markets, the central government has implemented neutral and prudent monetary policies to control over the supply of currency from source. With funds supply remained to be tight, it is expected that capital market will maintain the status of balance with tight supply, as a result of which the capital cost of the enterprise will see an increase.

### (2) Development Strategy of the Group

By practically implementing the national energy strategy and the "13th Five-Year Plan", adhering to advancement with stability, adjustment while progressing and the new development concepts, the Group will seize opportunities for transformation and development to promote high-quality development. With the main line of improving quality and enhancing efficiency, we will focus on capital operation, capital guarantee, standardised management and coordination to strive to build a comprehensive energy company with strong competitiveness.

### (3) Operation Plan of the Group in 2018

Where external conditions remain relatively stable, the Group expects to complete the goal of generating approximately 200 million MWh of power in 2018 and expects a slight decrease in utilisation hours of power-generating equipment. According to the actual progress of each project, in 2018, the Group intends to invest approximately RMB19 billion, among which approximately 70% will be used for the infrastructure of power supply projects, approximately 20% will be used for environmental protection and energy saving technology reform and other projects, and the remaining will be used for heating network, coal mine and other projects.

In 2018, the Company will continue to improve the quality and efficiency in its works, increase its revenue and reduce expenditure, expand the market and control costs, in order to enhance its efficiency in all dimensions.

In respect of improvement of quality and efficiency, the Company will proactively put forward the priority power generation plan to harvest an efficient market power, so as to ensure that the planned amount of electricity to be higher than the "three same" (same region, same type and same capacity unit) standards and the market share to be higher than the proportion of installed capacity. The Company aims to reduce power loss by way of offering heating supply with clean energy, power substitution, and cross-regional transactions. Accelerate its steps in expanding the heat market by strengthening connections among its networks and optimizing economic operation, so as to focus on enhancing heat supply capability and efficiency.

# Business Review and Outlook (Continued)

In respect of reduction of expenditure, the Company will place more emphasis on the control of three costs: fuel, capital and resources, and strictly control the expenditure on various items to maintain its competitive advantages on low cost. Through in-depth study on the coal market, the Company will determine its procurement strategy in a scientific manner, accurately determine its procurement timetable, optimise the structure of coals procured and maintain reasonable inventory of coal, so as to effectively control the cost of coal. Through in-depth analysis of monetary policy and capital movement, the Company pre-arrange to implement the stock financing connection and incremental financing arrangement, so as to protect the safety of funds and control the cost of financing. The Company will improve its management on resources to effectively reduce inventory and control procurement costs.

In respect of safety production, the Company will continue to follow its main line on building an enterprise that is safe in nature, carry out an all-rounded safety production responsibility system, improve prevention and source control, strengthen the safety environmental protection infrastructure of the Company by technological methods such as informatisation and intelligentisation, in order to ensure the safe and stable operation of units.

## (4) Potential Risks and Countermeasures

In respect of electricity market, there will still be an obvious contradiction of oversupply in 2018. The utilisation hours of power generation equipment, in particular the utilisation hours of coal-fired power generators, will be exposed to a risk of downward trend. With the further advancement of the marketised reform of the electricity market, the planned amount of electricity has been reduced year by year and the ratio of marketised electricity transaction has gradually increased. It is expected that the competition of transaction in the market will become fiercer, bringing about uncertainties of increase in power generation volume and increase in market shares of the Company. At the same time, the country has successively introduced policies on tariff for new wind power and photovoltaic projects under which the overall tariff is on a downward trend and there is a potential decrease in the profitability of power companies.

In respect of coal market, coal price remained at a high level, leading to great pressure to the operation of the Company. In 2018, the policy of removing outdated production capacity will remain in the coal industry. In general, the supply of coal resources will be stable following the release of advanced production capacity, but there exists the risk of regional and progressive resources tension. In respect of market price, affected by various elements, part of the regions have greater overall demand for coal, leading to the risk of fluctuation in market price of coal.

In respect of policies on environmental protection, the country has implemented "replacing official fees with taxation" and announced the implementation of the environmental protection tax law. The environmental protection tax to be paid by the Company in the territory where its assets are located is expected to record an increase to a certain extent as compared with the sewage charges paid previously and the Company will face the risk on higher environmental protection costs on an ongoing basis.

In respect of capital markets, the central government has implemented neutral and prudent monetary policies, and there is still tight supply of funds. It is expected that the financial department will continue to adopt stringent credit policies for coal-fired power companies and there is a potential increase in the financing costs of the Company.

Facing the above risks, the Company will vigorously focus on marketing, develop profitable market power structure and special policy power structure, strive to expand its market share and ensure that utilisation hours reach or exceed the "three same" standards during its future operation and development. The Group will display the advantage of its business scale, strengthen its power structure optimisation, focus on energy saving and emission reduction, improve the reliability of its generating units and further minimise costs so as to maximise power generation efficiency. The Company will closely keep track of the changes of policy and domestic and overseas coal market, and strengthened management of inventories and other measures by constantly exploring new channels for coal supply, so as to effectively prevent market risk of coal. The Company will make good use of the latest trend and new opportunities in the development of power supply, transform the advantage of project reserve into the advantage of scientific development, effectively promote the sustainable development of the Company, and strive to gain first mover advantage in the reformation of power system. At the same time, the Group will comprehensively apply various financing instruments, adjust and optimise its credit structure, effectively leverage its advantage in business scale and strengthen the coordination and scheduling of funds to enhance capital utilisation efficiency.

**Chen Bin**
*Vice Chairman and Executive Director*

Beijing, the PRC
26 March 2018

# Directors, Supervisors and Senior Management

As at the date of this report, the biographies of the directors of the Company ("**Director**"), supervisors and senior management of the Company are as follows:

## DIRECTORS

**Zhao Jianguo**, Chinese, born in September 1958, is a senior engineer graduated from the Hefei University of Technology and holds a master's degree. Mr. Zhao is currently the chairman of the Company, and the chairman and secretary of the Leading Party Members' Group of China Huadian Corporation Limited. Mr. Zhao had served in the Tangshan General Power Plant, the North China Power Group Company (Bureau), the State Power Corporation, the Guangxi Electric Power Company Limited (Bureau), the China Southern Power Grid Co., Ltd. and China Huadian Corporation. Mr. Zhao has over 30 years of working experience in power management.

**Chen Bin**, Chinese, born in November 1958, a senior engineer with a bachelor's degree in Law, graduated from Hebei University. Mr. Chen is currently a vice chairman of the Company and the party secretary of the Company. Mr. Chen joined the People's Liberation Army of China in 1976. From 1980, Mr. Chen has successively worked at Hangzhou Zhakou Power Plant, Power Bureau of Zhejiang Province, Hangzhou Banshan Power Plant, Hangzhou Banshan Power Generation Company Limited, Zhejiang Representative Office of China Huadian Corporation and China Huadian Corporation. Mr. Chen has over 30 years of experience in power management.

**Wang Yingli**, Chinese, born in September 1961, is a senior engineer and holds a MBA degree. Ms. Wang is currently a vice chairman of the Company. She is also a member of the standing committee of the Party Committee of Shandong Lucion Investment Holdings Group Co., Ltd., and the party secretary and chairman of Shandong International Trust Co., Ltd. Ms. Wang commenced her career in 1981 and had worked at Shandong University, Shandong International Trust Co., Ltd. and Shandong Lucion Investment Holdings Group Co., Ltd. She has over 30 years of experience in macroeconomics, trust investment management.

**Tian Hongbao**, Chinese, born in August 1960, a senior economist with a master's degree in Economic Law, graduated from North China Electric Power University majoring in Management Engineering with a Bachelor's degree in Management, and subsequently graduated from the Graduate School of the Party School of the Central Committee. Mr. Tian is currently a Director and the general manager of the Company. Mr. Tian has successively held positions in Linyi Electric Power Bureau, Weifang Electric Power Bureau, Shandong Weifang Power Plant, Beijing No. 2 Thermal Power Plant, Huadian (Beijing) Thermal Power Company Limited, China Huadian Corporation, Huadian Shaanxi Energy Company Limited and China Huadian Group Capital Holdings Limited (and concurrently served as chairman of China Chuancai Securities Co., Ltd.). Mr. Tian has over 30 years of experience in areas including power management and corporate finance.

**Gou Wei**, Chinese, born in June 1967, a senior engineer graduated from North China Electric Power University with a master's degree. Mr. Gou is currently a director and the head of the Financial and Risk Department of China Huadian Corporation Limited. Mr. Gou had successively worked at Jiangyou Electric Power Plant, Sichuan Guang'an Power Generation Co., Ltd., Huadian Power International Corporation Limited, Hubei branch of China Huadian Corporation, Huadian Hubei Power Co., Ltd. and China Huadian Corporation. Mr. Gou has 29 years of experience in power production and operation management.

# Directors, Supervisors and Senior Management (Continued)

**Chu Yu**, Chinese, born in August 1963, an engineer, graduated from Shanghai Electric Power College. Mr. Chu is currently a director of the Company, the chairman of China Huadian Group Capital Holdings Company Limited, and a director of Huadian Property Co., Ltd. and Guizhou Wujiang Hydropower Development Company Limited. He had worked at Yangzhou Power Plant, Yangzhou Power Generation Co., Ltd., Huadian Fuel Company Limited Jiangsu Transfer Branch (華電燃料有限公司江蘇調運分公司), Huadian Coal Industry Group Company Limited Jiangsu Branch (華電煤業集團有限公司江蘇分公司), China Huadian Corporation Jiangsu Branch and China Huadian Corporation. He has over 30 years of experience in power production and operation management.

**Zhang Ke**, Chinese, born in February 1978, obtained a bachelor's degree in Monetary Banking from Qingdao University. He is a deputy general manager of the infrastructure fund management department of Shandong International Trust Co., Ltd.. Mr. Zhang started his career in 2001 and has been serving Shandong International Trust Co., Ltd. for years and gained many years of experience in fields such as funds, investment and financing, securities.

**Ding Huiping**, Chinese, born in June 1956, is a professor and Ph.D. tutor and is an independent Director of the Company, the Head of PRC Enterprise Competitiveness Research Center of Beijing Jiaotong University, and concurrently an independent director of Metro Land Corporation Ltd., an independent director of Shandong International Trust Co., Ltd. and an external supervisor of China Merchants Bank Co., Ltd.. Mr. Ding graduated from Northeastern University with a bachelor's degree in Engineering in February 1982. He studied in Sweden in 1987 and acquired an associate doctoral degree in Industry Engineering in 1991, a doctoral degree in Enterprise Economics in 1992 and conducted postdoctoral research. He has been working at Economic and Management School of Northern Jiaotong University (presently known as Beijing Jiaotong University) since 1994. Research directions: enterprise economics and innovative management, investment and financing decisions and management of enterprise values, business strategies and supply chain management of enterprises.

**Wang Dashu**, Chinese, born in September 1956, obtained a master's degree in Management from the Department of Economics from Peking University and a doctoral degree in Economics from La Trobe University in Australia. He is currently an independent Director of the Company, a professor at School of Economics of Peking University and a special researcher at Sichuan Market Regulatory Research Centre of the State Administration for Industry and Commerce (國家工商總局四川市場監管研究院). He served as a visiting professor at Stanford University in the U.S., a coordinator for PRC projects of United Nations Industrial Development Organisation and a project consultant of Asian Development Bank. He is specialised in fields such as Economics, Public Finance, Finance, Marketing, Demography.

**Wang Chuanshun**, Chinese, born in August 1965, is a certified public accountant and a senior accountant. Mr. Wang graduated from Southwest Agricultural University with a master's degree. He currently serves as an independent Director of the Company, a director of Shandong Branch of Ruihua Certified Public Accountants (瑞華會計師事務所山東分所) and concurrently serves as an independent non-executive director of Luzheng Futures Company Limited, chairman of the board of supervisors of the Institute of Certified Public Accountants of Shandong Province, a director of Shandong Accountants Association (山東省會計協會), a director of Shandong Auditors Association (山東省審計協會), deputy secretary-general of Council for the Promotion of Capital Market of Shandong Province (山東省資本市場促進會). Mr. Wang once served at Shandong Audit Office (山東省審計廳), Shandong Accounting Firm (山東會計師事務所), Shandong Zhengyuan Hexin Accounting Firm (山東正源和信會計師事務所) and China Rightson Certified Public Accountants (中瑞華恒信會計師事務所).

**Zong Wenlong**, Chinese, born in October 1973, holds a doctoratal degree in Accounting. He is currently an independent Director of the Company, a professor at the School of Accountancy of Central University of Finance and Economics. He served as an independent director of Ningbo Ligong Online Monitoring Technology Co., Ltd. and currently serves as an independent director of Beijing Transtrue Technology Inc. (北京真視通科技股份有限公司), Beijing Dongfang Guoxin Technology Co., Ltd. (北京東方國信科技股份有限公司), Datang Telecom Technology Co., Ltd., Aerospace Changfeng Technology Co., Ltd. (航天長峰科技股份有限公司). He is specialised in the theories and practices of Accountancy, particularly accounting standards for business enterprises, the finance and accounting policies on non-profit organisations.

## SUPERVISORS

**Li Xiaopeng**, Chinese, born in March 1973, is a senior economist with a master's degree, Mr. Li is currently a supervisor of the Company, deputy director of Property Right Management Department of Shandong Lucion Investment Holdings Group Co., Ltd. Mr. Li started his career in 1995 and has successively worked in Shandong International Trust Co., Ltd and Shandong Lucion Investment Holdings Group Co., Ltd.. He has many years of experience in fields such as fund, investment, financing and securities.

**Peng Xingyu**, Chinese, born in November 1962, graduated from Wuhan University with a master's degree in Economics. He is a Chinese Certified Public Accountant and a senior accountant. Mr. Peng is currently a supervisor of the Company, chief auditor of China Huadian Corporation Limited, and the chairman of the supervisory committee of Huadian Coal Industry Group Company Limited. Mr. Peng had worked at Huazhong Electric Power Management Bureau, China Huazhong Electric Power Corporation, Hubei Electric Power Company and China Huadian Corporation. He has over 30 years of experience in fields such as power finance, assets, corporate operation and capital operation.

**Yuan Yanan**, Chinese, born in February 1965, a senior engineer, graduated from the North China Electric Power University with a master's degree. She currently serves as a secretary of the discipline committee, an employee supervisor and the Director of the Working Committee of the Company. Before joining the Company, Ms. Yuan had worked at North China Electric Power University, the State Energy Investment Corporation, China Development Bank and China Huadian Corporation. She has over 30 years of working experience in various areas such as power production, finance, asset and financial management.

**Ma Jing'an**, Chinese, born in March 1966, graduated from Jilin University with a master's degree in engineering and is a senior administrative engineer. He is currently an employee supervisor, director of the party construction department and the discipline inspection office of the Company. Mr. Ma started his career in 1986 and has worked for Fangzi Power Plant, Weifang Power Plant, Huadian Power International Corporation Limited and Shanxi Maohua Energy Investment Company Limited. Mr. Ma has over 30 years of working experience in various aspects such as corporate culture and labor union.

## Directors, Supervisors and Senior Management (Continued)

**Zha Jianqiu**, Chinese, born in August 1969, is a certified public accountant, certified asset valuer, senior accountant, international certified internal auditor and an independent supervisor of the Company. Mr. Zha graduated from Nanjing Audit University and obtained a master's degree in Business Administration from Guanghua School of Management of Peking University and a doctoral degree in Corporate Management from the Economics and Management School of Beijing Jiaotong University. After graduation, he worked for the National Audit Office of the PRC. He was a partner to and a general manager of Overseas Business Department of Crowe Horwath CPA. He was a special technical assistant to the chairman of the Supervisory Committee of State-owned Enterprise of the State Council, an independent director and the chairman of the Audit Committee of IRICO Group Electronics Company Limited and a council member of the Certified Management Committee of Beijing Institute of Certified Public Accountants. He is currently the director of the Department of International Liaison of Ruihua Certified Public Accountants. As a certified public accountant, he has extensive experience in fields such as financial management and auditing.

### SECRETARY TO THE BOARD

**Zhou Lianqing**, Chinese, born in November 1960, a senior engineer and a graduate from Shandong University with a master's degree. Mr. Zhou is currently the secretary to the Board and an associate member of the Hong Kong Institute of Company Secretaries. Mr. Zhou started his working career in 1982. Before joining the Company, Mr. Zhou had worked at the Shandong Xindian Power Plant and Shandong Electric Power Group Corporation. He has over 30 years of experience in electric power generation, management, laws and regulations, finance, investor relations, securities management and many other sectors.

### SENIOR MANAGEMENT

**Peng Guoquan**, Chinese, born in October 1966, a senior engineer with a master's degree, graduated from Huazhong University of Science and Technology, majoring in Thermal Energy and Power. Mr. Peng is currently a deputy general manager of the Company. Mr. Peng concurrently serves as the chairman of Anhui Wenhui New Products Promotion Company Limited and Anhui Hualin International Energy Company Limited, the vice chairman of CNNP CHD Hebei Nuclear Power Co., Ltd. Mr. Peng had served in Qingshan Thermal Power Plant, Wuchang Thermal Plant and Anhui Huadian Wuhu Power Generation Company Limited. Mr. Peng has 29 years of experience in power production and management.

**Chen Cunlai**, Chinese, born in November 1962, is an EMBA, senior economist and senior accountant. Graduated from North China Electric Power University majoring in Business Administration, Mr. Chen is currently the deputy general manager of the Company and a director of China Huadian Finance Corporation Limited. Mr. Chen had served as director of Financial Planning Department, deputy chief economist, deputy chief accountant and assistant to factory manager of Zouxian Plant. He had also served as the head of Supervision & Audit Department, the head of HR Administration Department, the deputy chief accountant and the head of Financial Department and the chief financial officer of the Company. Mr. Chen has over 30 years of experience in power production, operation management and financial management.

**Chen Bin**, Chinese, born in September 1973, graduated from Guanghua School of Management, Peking University with a master's degree in Economics and Management. He currently serves as a vice general manager and general legal counsel of the Company. Mr. Chen had successively worked in China Electric Power News, China Guodian Corporation and Guodian Finance Corporation Ltd.. He had served as an employee supervisor and the director of the Working Committee of the Company. Mr. Chen Bin has 21 years of experience in the power generation industry.

**Feng Rong**, Chinese, born in June 1968, graduated from Changsha Normal College of Water Resources and Electric Engineering and is a senior accountant. He is currently the chief financial officer of the Company. Mr. Feng previously served as the deputy director and director of the Financial Department of Baozhusi Hydropower Construction Administration Bureau (寶珠寺水電建設管理局), the director of the Operation and Management Department of Baozhusi Power Plant (寶珠寺電廠), the deputy director of the Financial Department of Sichuan Branch of China Huadian Corporation (taking charge of works), the director of the Financial Asset Department of Sichuan Branch of China Huadian Corporation and Huadian Sichuan Power Company Limited, the deputy chief accountant and director of the Financial Asset Department of Sichuan Branch of China Huadian Corporation and Huadian Sichuan Power Company Limited (Huadian Jinshajiang Upstream Hydropower Development Company Limited), the chief accountant of Huadian Sichuan Power Company Limited (Huadian Jinshajiang Upstream Hydropower Development Company Limited), the member of the Leading Party Members' Group and the chief account of Huadian Sichuan Power Company Limited (Sichuan Branch of China Huadian Corporation) and chief accountant of Sichuan Branch of Huadian Power International Corporation Limited. Mr. Feng has 26 years of working experience in operation management and financial management.

# Management Discussion and Analysis

## (1) MACROECONOMIC CONDITIONS AND ELECTRICITY DEMAND

According to preliminary calculation based on relevant information and statistics, the national gross domestic product ("GDP") in 2017 amounted to RMB82,712.2 billion, representing a year-on-year increase of 6.9% determined based on comparable prices. Electricity consumption of the entire society totalled 6,307.7 billion KWh, representing a year-on-year increase of 6.6%. With regard to different industries, the consumption by the primary industry accounted for 115.5 billion KWh, representing a year-on-year increase of 7.3%; secondary industry accounted for 4,441.3 billion KWh, representing a year-on-year increase of 5.5%; and tertiary industry accounted for 881.4 billion KWh, representing a year-on-year increase of 10.7%; and the electricity consumption by urban and rural residents accounted for 869.5 billion KWh, representing a year-on-year increase of 7.8%.

## (2) TURNOVER

In 2017, the turnover of the Group was approximately RMB78,464 million, representing an increase of approximately 24.87% over 2016, mainly due to the impact of increase in the revenue of coal trading and power generation business.

## (3) MAJOR OPERATING EXPENSES

In 2017, the operating expenses of the Group amounted to approximately RMB74,085 million, representing an increase of approximately 39.89% over 2016. The particulars are as follows:

Fuel costs of the Group amounted to approximately RMB39,641 million in 2017, representing an increase of approximately 37.45% over 2016. This was mainly due to the impact of significant increase in the purchase price of coal.

Cost of coal sold of the Group amounted to approximately RMB12,272 million in 2017, representing an increase of approximately RMB11,249 million over 2016. This was mainly due to the year-on-year increase in trade volume of coal and year-on-year increase in the purchase price of coal.

Depreciation and amortisation expenses of the Group amounted to approximately RMB10,465 million in 2017, representing a decrease of approximately 2.30% over 2016. This was mainly due to the cessation of depreciation arising from expiry of service life of certain units.

Repairs, maintenances and inspection expenses of the Group amounted to approximately RMB2,661 million in 2017, representing a decrease of approximately 13.64% over 2016. This was mainly due to the stringent control on the cost of this item.

Administration expenses of the Group amounted to approximately RMB2,428 million in 2017, representing a decrease of approximately 12.73% over 2016. This was mainly due to the year-on-year decrease of provision for impairment by the Group.

Taxes and surcharges of the Group amounted to approximately RMB883 million in 2017, representing a decrease of approximately 8.50% over 2016. This was mainly due to the increase in coal price and the deductible input tax.

Other operating expenses of the Group amounted to RMB1,124 million in 2017, representing an increase of approximately 8.69% over 2016. This was mainly due to the increase in volume of heat purchase of heat-supply enterprises and power replacement purchase fees of power generation enterprises.

## (4) INVESTMENT INCOME

Investment income of the Group amounted to approximately RMB508 million in 2017, representing an increase of approximately RMB495 million over 2016. This was mainly due to the realizing the gain on disposal of equity interests.

## (5) OTHER REVENUE

Other revenue of the Group amounted to approximately RMB644 million in 2017, representing a decrease of approximately 6.39% over 2016. This was mainly due to the decrease in government subsidies.

## (6) SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

Share of results of associates and joint ventures of the Group amounted to approximately RMB528 million in 2017, representing an increase of approximately RMB335 million over 2016, which was mainly due to the increase in the profits of the coal mining enterprises invested by the Group.

## (7) FINANCE COSTS

Finance costs of the Group amounted to approximately RMB5,136 million in 2017, representing an increase of approximately 2.44% over 2016. This was mainly due to the increase in borrowings of the Group.

## (8) INCOME TAX

Income tax of the Group amounted to approximately RMB458 million in 2017, representing a decrease of approximately 72.67% over 2016. This was mainly due to the decrease in the profit of the Group.

## (9) PLEDGE AND MORTGAGE OF ASSETS

As at 31 December 2017, some of the Company's subsidiaries have pledged their tariff collection rights as security for loans amounting to approximately RMB18.262 billion.

As at 31 December 2017, some of the Company's subsidiaries have mortgaged their generating units and relevant equipment, land use rights and mining rights to secure loans amounting to approximately RMB3,406 million.

## (10) INDEBTEDNESS

As at 31 December 2017, the total borrowings of the Group amounted to approximately RMB103,273 million, of which borrowings denominated in US dollars and Euro amounted to approximately US$63.56 million and approximately EUR13.84 million, respectively. The total liabilities to total assets ratio was 73.88%, representing an increase of 1.27 percentage points compared to the end of 2016. Borrowings of the Group were mainly of floating rates. Short-term borrowings and long-term borrowings due within one year amounted to approximately RMB41,064 million, and long-term borrowings due after one year amounted to approximately RMB62,209 million. The closing balance of short-term and super short-term debenture payables of the Group amounted to approximately RMB6,059 million, and the closing balance of the medium-term notes (including the portion due within one year) and debt financing instruments issued through non-public offering to target subscribers (including the portion due within one year) amounted to approximately RMB16,551 million. The closing balance of obligations payable under finance lease of the Group amounted to approximately RMB3,001 million.

## (11) CONTINGENT LIABILITIES

At 31 December 2017, Guang'an Company, a subsidiary of the Company, provided guarantees to banks for borrowings amounting to approximately RMB43.65 million which were granted to Sichuan Huayingshan Longtan Coal Company Limited, an associate of Guang'an Company.

## (12) PROVISIONS

Provisions represent the Group's best estimate of its liabilities and remedial work costs arising from mine disposal and environmental restoration based on industry practices and historical experience. As at 31 December 2017, the balance of the Group's provision amounted to approximately RMB109 million.

## (13) CASH FLOW ANALYSIS

In 2017, the net cash inflow from operating activities of the Group amounted to approximately RMB7,143 million, decreased by approximately RMB9,691 million over 2016, mainly due to the impact that the coal price remained at a high level throughout 2017; the net cash outflow used in investing activities amounted to approximately RMB14,087 million, decreased by approximately RMB1,547 million over 2016, mainly due to the combined impact of the disposal of equity interests of associates by the Group and year-on-year decrease in material infrastructure and construction expenses; the net cash inflow from financing activities amounted to approximately RMB8,003 million, and the net cash outflow from financing activities in 2016 amounted to approximately RMB4,079 million. Changes are mainly due to the impact of expansion of scale of borrowings and decrease in dividend distribution.

## (14) IMPAIRMENT LOSSES

In 2017, the impairment losses of the Group amounted to approximately RMB779 million, mainly due to the provision for impairment of the suspension of Erdaoling Coal Mine of Shunge Mining Industry Company Limited made by the Group. The Board is of the view that, according to the International Financial Reporting Standards ("IFRSs"), the provision for asset impairment is based on the principle of prudence, is well-founded, and fairly reflects the asset conditions of the Group and therefore approved the provision for asset impairment.

## (15) EXCHANGE RATE FLUCTUATION RISK AND RELATED HEDGING

The Group mainly engages in business and obtains income in China, and has a relatively small amount of foreign currency borrowings. Therefore, the exchange rate fluctuation risk is relatively low. Based on the above considerations, the Group did not adopt relevant hedging measures.

# Directors' Report

The Board has the pleasure in presenting the annual report together with the audited financial statements of the Group for the year ended 31 December 2017 (the "**Year**").

## PRINCIPAL ACTIVITIES

The Group is principally engaged in the generation of electricity and heat, sales of coal and other relevant businesses in the PRC. All electricity generated is supplied to the grid companies where the plants are located. In 2017, the Company had strictly complied with relevant laws and regulations and industrial rules that impose significant influence on the operation of the Company. The chief operating decision makers review the Group's revenue and profit as a whole, which is determined in accordance with the Group's accounting policies, for resources allocation and performance assessment. Therefore, the Group has only one operating and reportable segment and no further segment information is presented in this financial information. The profit of the Group for the year ended 31 December 2017 and the Group's and the Company's financial positions as of that date prepared in accordance with IFRSs are set out on pages 50 to 126 of the annual report.

## STATUTORY SURPLUS RESERVE

According to the Company's articles of association (the "**Articles of Association**"), the Company is required to transfer at least 10% (at the discretion of the Board) of its profit after tax, as determined under the PRC accounting regulations, to its statutory surplus reserve until the surplus reserve balance reaches 50% of its registered capital. The transfer to the statutory surplus reserve must be made before the distribution of dividend to Shareholders. The statutory surplus reserve can be used to make up losses (if any) of the previous year and may be converted into share capital by issuance of new shares to Shareholders in proportion to their existing Shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after the issue of new shares is not less than 25% of the registered share capital. On 26 March 2018, the Board resolved to transfer 10% of the annual profit after tax as determined under the PRC accounting regulations, amounting to RMB134,437,000 (2016: RMB411,366,000), to the statutory surplus reserve.

## DIVIDENDS

Pursuant to a resolution passed at the Board meeting held on 26 March 2018, the Board proposes to declare a final cash dividend of RMB0.018 per share (tax inclusive, based on the total share capital of 9,862,976,653 shares) for the financial year ended 31 December 2017, totalling approximately RMB177,534,000 (tax inclusive). The total dividend accounts for approximately 40.72% of the profit for the year attributable to equity shareholders for 2017. The dividend distribution proposal is subject to the approval by the shareholders at the upcoming 2017 annual general meeting. The notice convening the 2017 annual general meeting of the Company, containing details of the period and procedures of the closure of register of members, will be published and dispatched to shareholders of the Company in due course.

## SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Particulars of the Company's subsidiaries, associates and joint ventures as at 31 December 2017 are set out in notes 46 and 22 respectively to the financial statements prepared in accordance with IFRSs included in this annual report.

## BANK LOANS AND OTHER LOANS

Details of bank loans and other loans of the Group and the Company as at 31 December 2017 are set out in note 31 to the financial statements prepared in accordance with IFRSs included in this annual report.

## INTEREST CAPITALISED

Details relating to the interest capitalised by the Group during the year 2017 are set out in note 10 to the financial statements prepared in accordance with IFRSs included in this annual report.

## PROPERTY, PLANT AND EQUIPMENT

Details relating to movements in property, plant and equipment of the Group and those of the Company during the year 2017 are set out in note 17 to the financial statements prepared in accordance with IFRSs included in this annual report.

## RESERVES

Details relating to movements in reserves of the Group and the Company for the year ended 31 December 2017 are set out in the consolidated statement of changes in equity in the financial statements and note 39(c) to the financial statements prepared in accordance with IFRSs included in this annual report respectively.

## DONATIONS

During the year of 2017, the Group made donations for charitable purposes in an aggregate amount of approximately RMB7,064,000 (2016: approximately RMB1,264,000).

## TAX REDUCTION AND EXEMPTION

The Company was not aware of any tax reduction and exemption granted to any shareholder by virtue of the securities held in the Company.

## ENVIRONMENTAL PROTECTION POLICIES

The Group will put more emphasis on environment protection work from the angle of corporate sustainability and development. In particular, the Group will strictly implement the requirements of environment protection and monitor environmental index, in order to standardise the management of operation and maintenance of environmental facilities, and to improve the operation rate and efficiency of environmental protection facilities, so as to ensure standard-compliant emission. By adhering to the principles of safety and reliability, mature technology and cost-effectiveness, the Company will continue to optimise and refine technical improvement, make reasonable arrangement and implementation, so as to ensure the environmental protection and improvement goes as planned and reaches the expected target.

In 2017, the Group continuously strengthened its management and control over the technological improvement of the environmental protection, improved the monitoring platform construction of environmental protection and strengthen the real-time online monitoring of environmental protection. As of 31 December 2017, there were 82 coal-fired generating units realizing ultra-low emission, amounting to 33,000MW in total.

## RETIREMENT PLANS

The Group is required to contribute to the retirement plans operated by the State at a range of 15% to 20% of its staffs' salaries. After reaching retirement age and handling retirement procedures, a member subscribed to the plan is entitled to receive pension from the State.

In addition, the Group's staff has participated in an enterprise annuity plan managed by the annuity council of China Huadian Corporation Limited ("**China Huadian**") to supplement the above-mentioned plan. According to the plan, employees are required to pay a certain amount as their personal savings for pension insurance based on their service periods in the Company and its subsidiaries, while the Company and its subsidiaries pay four times as much as the amount of employee contributions. The employees will receive the total contribution of the plan when retiring. The Group's contribution to these plans amounted to approximately RMB728 million during the year of 2017, details of which are set out in note 41 to the financial statements prepared in accordance with IFRSs included in this annual report.

## EMPLOYEES' MEDICAL INSURANCE

During 2017, there was no change in employees' medical insurance policies of the Group as compared with that of 2016. The Group anticipates that implementation of the above medical insurance will not have any significant impact on the business operation and financial position of the Group. Apart from the above contributions, the Group is not required to pay any other medical expenses for its staff.

## PRE-EMPTIVE RIGHTS

Under the Articles of Association and the laws of the PRC, there was no rule relating to pre-emptive right in the Company which requires the Company to offer or issue new shares to its existing Shareholders in proportion to their respective shareholdings in the Company.

## SHARE CAPITAL

Details of the share capital of the Company for the year 2017 and as at 31 December 2017 are set out in the Company's statement of changes in equity in the financial statements prepared in accordance with IFRSs and note 39(b) to the financial statements prepared in accordance with IFRSs included in this annual report.

## MAJOR CUSTOMERS AND SUPPLIERS

For the financial year of 2017, details regarding the percentages of the Group's sales and purchases attributable to its major customers and major suppliers, respectively, are as follows:

| | Approximate Percentage in the Group's | |
|---|---|---|
| | **Sales** | **Purchases** |
| The largest customer | 34.71% | / |
| The five largest customers combined | 59.04% | / |
| The largest supplier | / | 3.18% |
| The five largest suppliers combined | / | 11.05% |

The suppliers of the Group are mainly coal supply enterprises. The distribution of the subordinate power generation enterprises of the Group is relatively scattered. Therefore, the distribution of the suppliers are also scattered. The total purchase volume of the Group from the five largest suppliers did not exceed 30%.

None of the Directors, their close associates or substantial shareholders (each of which to the knowledge of the Directors owns 5% or more of the Company's share capital) had any interest in the five largest suppliers and customers of the Group at any time during the year.

## SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, each of the following persons, not being a Director, supervisor, chief executive or members of the senior management of the Company, had an interest or short position as at 31 December 2017 in the Company's shares or underlying shares (as the case may be) which was disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "**SFO**"), or was otherwise interested in 5% or more of any class of issued share capital of the Company as at 31 December 2017, or was a substantial Shareholder of the Company as at 31 December 2017 as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**").

| Name of Shareholder | Class of shares | Number of shares held | Approximate percentage of the total number of shares of the Company in issue | Approximate percentage of the total number of A shares of the Company in issue | Approximate percentage of the total number of H shares of the Company in issue |
|---|---|---|---|---|---|
| China Huadian | A shares | 4,534,199,224 (L) | 45.97% | 55.66% | – |
| | H shares | 85,862,000 (L) (note) | 0.87% | – | 5.00% |
| Shandong International Trust Co., Ltd | A shares | 800,766,729 (L) | 8.12% | 9.83% | – |
| JP Morgan Chase & Co. | H shares | 169,828,316 (L) | 1.72% | – | 9.88% |
| | | 2,874,581 (S) | 0.03% | – | 0.16% |
| | | 2,708,000 (P) | 0.03% | – | 0.15% |
| BlackRock, Inc. | H shares | 88,760,443 (L) | 0.90% | – | 5.17% |
| | | 28,000 (S) | 0.00% | – | 0.00% |

(L) = long position
(S) = short position
(P) = lending pool

*Note:*

So far as the Directors are aware or are given to understand, these 85,862,000 H shares were held directly by a wholly-owned subsidiary of China Huadian, namely, China Huadian Hong Kong Company Limited through CCASS in the name of HKSCC Nominees Limited.

Save as disclosed above and so far as the Directors are aware, as at 31 December 2017, no other person (other than the Directors, supervisors, chief executive or members of senior management of the Company) had any interest or short position in the Company's shares or underlying shares (as the case may be) which was disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO, or was otherwise a substantial Shareholder (as defined in the Hong Kong Listing Rules) of the Company.

## SUFFICIENCY OF PUBLIC FLOAT

Based on data that is publicly available to the Company and to the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Directors believe that the Company has maintained the relevant applicable minimum percentage of listed securities as prescribed by Rule 8.08 of the Hong Kong Listing Rules.

## DIRECTORS, SUPERVISORS, CHIEF EXECUTIVES AND SENIOR MANAGEMENT

The following table sets forth certain information concerning the Directors, supervisors and senior management of the Company for the financial year ended 31 December 2017 and as at the date of this report. All Directors and supervisors of the Company are currently serving a term of three years, renewable upon reelection and re-appointment every three years.

| Name | Position in the Company | Changes |
|---|---|---|
| Zhao Jianguo | Chairman, Non-executive Director | Re-elected and appointed at the annual general meeting of the Company held on 30 June 2017 |
| Chen Bin | Vice Chairman, Executive Director | Re-elected and appointed at the annual general meeting of the Company held on 30 June 2017 |
| Wang Yingli | Vice Chairman, Non-executive Director | Re-elected and appointed at the annual general meeting of the Company held on 30 June 2017 |
| Tian Hongbao | General Manager, Executive Director | Re-elected and appointed at the annual general meeting of the Company held on 30 June 2017 |
| Gou Wei | Non-executive Director | Re-elected and appointed at the annual general meeting of the Company held on 30 June 2017 |
| Chu Yu | Non-executive Director | Re-elected and appointed at the annual general meeting of the Company held on 30 June 2017 |
| Zhang Ke | Non-executive Director | Re-elected and appointed at the annual general meeting of the Company held on 30 June 2017 |
| Ding Huiping | Independent Non-executive Director | Re-elected and appointed at the annual general meeting of the Company held on 30 June 2017 |
| Wang Dashu | Independent Non-executive Director | Re-elected and appointed at the annual general meeting of the Company held on 30 June 2017 |
| Wang Chuanshun | Independent Non-executive Director | Re-elected and appointed at the annual general meeting of the Company held on 30 June 2017 |
| Zong Wenlong | Independent Non-executive Director | Re-elected and appointed at the annual general meeting of the Company held on 30 June 2017 |
| Li Xiaopeng | Chairman of the Supervisory Committee | Re-elected and appointed at the annual general meeting of the Company held on 30 June 2017 |
| Peng Xingyu | Supervisor | Re-elected and appointed at the annual general meeting of the Company held on 30 June 2017 |
| Zha Jianqiu | Independent Supervisor | Re-elected and appointed at the annual general meeting of the Company held on 30 June 2017 |
| Yuan Yanan | Employee Representative Supervisor | Re-elected through democratic means on 30 June 2017 |
| Wei Aiyun | Former Employee Representative Supervisor | Resigned on 30 June 2017 |
| Ma Jing'an | Employee Representative Supervisor | Elected through democratic means on 30 June 2017 |
| Peng Guoquan | Deputy General Manager | Re-elected at the first meeting of the eighth session of the Board held on 30 June 2017 |
| Xing Shibang | Former Deputy General Manager | Appointed at the first meeting of the seventh session of the Board held on 30 May 2014, with the term ended on 30 June 2017 |
| Chen Cunlai | Deputy General Manager, Former Chief Financial Officer | Resigned as Chief Financial Officer and appointed as Deputy General Manager at the 22nd meeting of the seventh session of the Board held on 28 March 2017, re-elected at the first meeting of the eighth session of the Board held on 30 June 2017 |
| Chen Bin (Y) | Deputy General Manager, General Counsel | Re-elected at the first meeting of the eighth session of the Board held on 30 June 2017 |
| Xie Yun | Former Deputy General Manager, Chief Engineer | Appointed at the first meeting of the seventh session of the Board held on 30 May 2014, with the term ended on 30 June 2017 |
| Li Zengfang | Former Chief Financial Officer | Appointed at the 22nd meeting of the seventh session of the Board held on 28 March 2017, re-elected at the first meeting of the eighth session of the Board held on 30 June 2017, resigned on 21 August 2017 |
| Feng Rong | Chief Financial Officer | Appointed at the 6th meeting of the eighth session of the Board held on 13 November 2017 |

The Directors' and supervisors' remunerations for the year ended 31 December 2017 are set out in note 12 to the financial statements prepared in accordance with IFRSs included in this annual report.

The biographical details of the incumbent Directors, supervisors and members of senior management of the Company, including essentially the particulars required under paragraph 12 of Appendix 16 to the Hong Kong Listing Rules (if and as applicable and appropriate), are set out on pages 11 to 15 in this annual report.

Each of the independent non-executive Directors has issued a confirmation in respect of the factors set out in Rule 3.13 of the Hong Kong Listing Rules concerning his independence pursuant to Rule 3.15 of the Hong Kong Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

## SECURITIES INTERESTS OF DIRECTORS, SUPERVISORS, CHIEF EXECUTIVES AND SENIOR MANAGEMENT

As at 31 December 2017, the interests or short positions of the Directors, supervisors, chief executives and members of senior management of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Part XV of SFO) which were 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 recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") adopted by the Company, to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

| Name | Position in the Company | Holding of number of A shares and individual interests of the Company | Identity of A shares held |
|---|---|---|---|
| Gou Wei | Non-executive Director | 10,000 *(Note)* | Beneficial owner |

*Note:*

Accounting for approximately 0.0001% of the total issued A shares of the Company as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, none of the Directors, supervisors, chief executives or members of senior management of the Company and their respective associates had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which was (i) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and short position which the Director, supervisor, chief executive or member of senior management of the Company was taken or deemed to have under such provisions of the SFO) or was (ii) required to be entered in the register of interests required to be kept by the Company pursuant to section 352 of the SFO, or (iii) which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code (which for this purpose shall be deemed to apply to the supervisors to the same extent as it applies to the Directors.

In 2017, the Company has adopted a code of conduct regarding securities transactions by directors of the Company on terms identical to those of the Model Code. Having made specific enquiries of all Directors, the Company understands that all Directors have complied with the required standards set out in the Model Code.

## DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

No contract of significance or proposed contract of significance, to which the Company or any of its subsidiaries and holding company was a party and in which a Director or supervisor or their related entities (as defined in Article 486 of Hong Kong Companies Ordinance) had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year. None of the Company or its subsidiaries had provided any loan or quasi-loan to any Director or other members of senior management of the Company.

## DIRECTORS' INTERESTS IN THE BUSINESS THAT COMPETES WITH THE COMPANY

None of our Directors has any interest in any business that competes or is likely to compete, either directly or indirectly, with the Company.

## PERMITTED INDEMNITY PROVISIONS

In 2017, the Company has purchased liability insurance for its Directors and supervisors to provide certain guarantee to the Directors and supervisors of the Company.

## SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS

The Company has entered service contracts with its Directors and supervisors. No Director or supervisor of the Company has entered into any service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

## MANAGEMENT CONTRACT

In 2017, there was no management or administration contract in respect of all or substantial part of the Company's business.

## SIGNIFICANT EVENTS

### (1) Re-designation and Change of the Directors, Supervisors and Senior Management

On 30 June 2017, the Company held the 2016 annual general meeting (the "**2016 AGM**"), on which Mr. Zhao Jianguo, Mr. Chen Bin, Ms. Wang Yingli, Mr. Tian Hongbao, Mr. Gou Wei, Mr. Chu Yu and Mr. Zhang Ke were re-elected as directors of the eighth session of the Board; Mr. Ding Huiping, Mr. Wang Dashu, Mr. Wang Chuanshun and Mr. Zong Wenlong were re-elected as independent non-executive Directors of the eighth session of the Board; Mr. Li Xiaopeng, Mr. Peng Xingyu and Mr. Zha Jianqiu were re-elected as supervisors (not representing the employees of the Company) of the eighth session of the Supervisory Committee of the Company (the "**Supervisory Committee**"); and the Board was authorised to determine and finalise the remuneration of the directors. The above directors will serve a term of three years commencing from the conclusion of the 2016 AGM and expiring at the conclusion of the general meeting electing the ninth session of the Board to be held by the Company; and the above supervisors will serve a term of three years commencing from the conclusion of the 2016 AGM and expiring at the conclusion of the general meeting electing the ninth session of the Supervisory Committee (not representing the employees of the Company) to be held by the Company.

Ms. Wei Aiyun (魏愛雲) ("**Ms. Wei**"), an employee representative supervisor of the seventh session of the Supervisory Committee, ceased to act as an employee representative supervisor of the Company as she has reached the age of retirement. The employees of the Company democratically elected Mr. Ma Jing'an (馬敬安) to replace Ms. Wei as an employee representative supervisor of the eighth session of the Supervisory Committee of the Company for a term from 30 June 2017 upon conclusion of the 2016 AGM to the expiry of the eighth session of the Supervisory Committee.

Since 30 June 2017, Mr. Xing Shibang (邢世邦) ceased to serve as the deputy general manager of the Company, and Mr. Xie Yun (謝雲) ceased to serve as the deputy general manager and the chief engineer of the Company.

For details, please refer to the announcement of the Company dated 30 June 2017.

Mr. Li Zengfang (李增昉) ("**Mr. Li**"), the former chief financial officer of the Company, resigned as the chief financial officer of the Company with effect from 21 August 2017 due to personal work arrangements. Mr. Li confirmed that he has no disagreement with the Board and there were no matters that need to be brought to the attention of the shareholders of the Company in connection with his resignation as the chief financial officer of the Company. Mr. Feng Rong (馮榮) has been appointed as the chief financial officer of the Company at the sixth meeting of the eighth session of the Board on 13 November 2017.

### (2) Convening of the Extraordinary General Meetings

The Company held the first extraordinary general meeting of 2017 on 29 December 2017 (the "**2017 First EGM**"), which considered and approved (i) the special resolution in relation to the amendments to the Articles of Association (see below for details); (ii) the ordinary resolution in relation to the entering into by the Company of the Fuel, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian and the continuing connected transactions contemplated thereunder together with their respective annual caps; (iii) the ordinary resolution in relation to the continuing connected transaction on the provision of deposit services by China Huadian Finance Corporation Limited ("**Huadian Finance**") to the Group under the Financial Service Agreement entered into between the Company and Huadian Finance together with the maximum average daily balance of deposit (inclusive of accrued interests); and (iv) the ordinary resolution in relation to the Loan Framework Agreement entered into between the Company and China Huadian and the continuing connected transactions contemplated thereunder (which constitute an exempted financial assistance under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Hong Kong Listing Rules**")) and the caps for the borrowing balance.

For details, please refer to the announcements of the Company dated 14 November 2017 and 29 December 2017 and the circular dated 5 December 2017.

### (3) Amendments to the Articles of Association of the Company

In order to adapt to the business needs of the Company, paragraph 2 of Article 11 of the Articles of Association has been revised as "The Company's scope of business includes construction, operation and management of power plants and businesses related to power generation, technological service and information consultation relating to the power business, information consultancy, sale, purchase and service of power and thermal products, design and construction of electric power engineering, and operation of power distribution networks." The amendment has been considered and approved at the 2016 AGM.

For details, please refer to the announcements of the Company dated 28 March 2017 and 30 June 2017, as well as the circular of the Company dated 9 June 2017.

To consistently implement the spirits of the "Notice of Facilitating Incorporation of the Requirements for Party Construction Work of State-owned Enterprises into the Articles of Association" promulgated by the Organisation Department of the Central Committee of the Communist Party of China and the Party Committee of the State-owned Assets Supervision and Administration Commission of the State Council and to further optimise corporate governance, the Company amended the Articles of Association in accordance with the requirements of relevant laws and regulations. The amendment has been considered and approved at the 2017 First EGM.

For details, please refer to the announcement of the Company dated 27 October 2017 and 29 December 2017 and the circular dated 5 December 2017.

## CONNECTED TRANSACTION

Pursuant to requirements of the Hong Kong Listing Rules, the connected transactions conducted by the Group for the year ended 31 December 2017 are as follows:

### (1) Participate in the Capital Increase in Huadian Jinsha River Upstream Hydropower Development Co., Ltd. (華電金沙江上游水電開發有限公司) ("Huadian Jinsha River")

On 13 June 2017, the Company entered into the Capital Increase Agreement ("**Capital Increase Agreement**") with Huadian Jinsha River. Prior to the capital increase, China Huadian and the Company respectively held 80% and 20% equity interests in Huadian Jinsha River. Immediately after the capital increase, the registered capital of Huadian Jinsha River will be increased from RMB1.1 billion to RMB3 billion, which will be funded entirely before 31 December 2020 by capital contributions by the existing shareholders of Huadian Jinsha River on a pro-rata basis. The Company will contribute an amount of RMB380 million in cash and pay up the outstanding unpaid capital contribution of RMB4.2 million to Huadian Jinsha River, both on a pro-rata basis, totaling RMB384.2 million. Upon completion of the capital increase, the equity interests held by the Company in the then enlarged registered capital of Huadian Jinsha River are expected to remain as 20%. The Directors consider that the transaction contemplated under the Capital Increase Agreement is in line with the Company's development strategy of adjusting its power structure, which is expected to bring benefits to the operation of the Company.

Huadian Jinsha River is a subsidiary of China Huadian, and thus a connected person of the Company. The Capital Increase Agreement constitutes a connected transaction of the Company as defined under Chapter 14A of the Hong Kong Listing Rules. As the percentage ratio applicable to the capital contribution by the Company under the capital increase exceeds 0.1% but is less than 5%, pursuant to Rule 14A.76 of the Hong Kong Listing Rules, the transaction is subject to the annual reporting and announcement requirements but is exempt from circular and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

For details, please refer to the announcement of the Company dated 13 June 2017.

### (2) Disposal of Property to Beijing Huabin Investment Company Limited (北京華濱投資有限公司) ("Beijing Huabin")

On 21 December 2017, the Company entered into the Property Sale and Purchase Agreement with Beijing Huabin, pursuant to which the Company agreed to dispose of, and Beijing Huabin agreed to acquire the target property for a consideration of RMB98.91 million. The disposal of the target property is conducive to revitalise existing assets and retrieve capital to focus on the development of core businesses. The Company realised gains derived from the disposal (deducting the taxation and other expenses payable by the Company in respect of the above-mentioned disposal) of approximately RMB48.35 million. The proceeds from the disposal will be used as the general working capital of the Company.

Beijing Huabin is a wholly-owned subsidiary of Huadian Property Company Limited ("**Huadian Property**"), which is owned as to 43.4% by China Huadian, the controlling Shareholder of the Company. As such, according to the Hong Kong Listing Rules, Beijing Huabin is an associate of China Huadian and thus a connected person of the Company. The disposal contemplated under the Property Sale and Purchase Agreement therefore constitutes a connected transaction of the Company as defined under Chapter 14A of the Hong Kong Listing Rules. As the highest percentage ratio applicable to the disposal exceeds 0.1% but is less than 5%, the transaction is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

For details, please refer to the announcement of the Company dated 21 December 2017.

### (3) Disposal of 8% Equity Interest in Huadian Property to China Hudian

On 21 December 2017, the Company entered into the Equity Transfer Agreement with China Huadian. Pursuant to the Equity Transfer Agreement, the Company agreed to dispose of, and China Huadian agreed to acquire 8% equity interests in Huadian Property for a consideration of RMB665.76 million. The Company's gains derived from the disposal (deducting the taxation and other expenses payable by the Company in respect of the above-mentioned disposal) was approximately RMB419 million. The proceeds from the disposal are expected to fund the general working capital of the Company or be used for future investment.

China Huadian is the controlling Shareholder of the Company and thus a connected person of the Company, and therefore the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company as defined under Chapter 14A of the Hong Kong Listing Rules. As the highest percentage ratio applicable to the transaction contemplated under the Equity Transfer Agreement exceeds 0.1% but is less than 5%, the transaction is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

For details, please refer to the announcement of the Company dated 21 December 2017.

### (4) Capital Increase in Huadian Group Beijing Fuel Logistics Co., Ltd. ("Beijing Fuel Logistics")

On 13 April 2017, Beijing Fuel Logistics held a shareholders' meeting which resolved to increase the registered capital of Beijing Fuel Logistics to RMB1 billion with relevant contributions to be made by China Huadian and the Company in cash phase by phase. Prior to the capital contribution, China Huadian and the Company's contribution to Beijing Fuel Logistics accounted for 9% and 91% of the registered capital of Beijing Fuel Logistics, respectively. Upon completion of the capital increase, China Huadian will contribute a total of RMB90 million, accounting for 9% of the registered capital of Beijing Fuel Logistics; while the Company will contribute a total of RMB910 million, accounting for 91% of registered capital of Beijing Fuel Logistics.

As of 13 April 2017, China Huadian held 46.84% of the shares of the Company and was the controlling Shareholder of the Company. Therefore, China Huadian and the Company jointly participated in the transaction of capital increase in Beijing Fuel Logistics. In accordance with the provisions of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (the "**Shanghai Listing Rules**"), such transaction constitutes a related party transaction in which the Company and the related person joint invest.

For details, please refer to the announcement of the Company dated 13 April 2017.

## CONTINUING CONNECTED TRANSACTIONS

### (1) Coal, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian

#### A. Continuing connected transactions expected to be conducted in 2018:

On 9 November 2017, the Group and China Huadian entered into the Fuel, Equipments and Services Purchase (Supply) Framework Agreement, which constituted all framework agreements for the purchase of fuel by the Company (including subsidiaries incorporated into the consolidated financial statements of the Company, the same applies below) from China Huadian (including its subsidiaries and invested companies directly or indirectly held as to 30% or more by it; the same applies below), provision of engineering equipment, systems, products, engineering and construction contracting, environmental protection system renovation project and miscellaneous and relevant services by China Huadian to the Company, and the sale of fuel and relevant services to China Huadian by the Company. The term of the Fuel, Equipments and Services Purchase (Supply) Framework Agreement commenced from 1 January 2018 and expires on 31 December 2018. Pursuant to the Fuel, Equipments and Services Purchase (Supply) Framework Agreement, the annual cap for the purchase of fuel by the Group from China Huadian is RMB7.0 billion; the annual cap for the provision of engineering equipment, systems, products, engineering and construction contracting, environmental protection system renovation project and miscellaneous and relevant services by China Huadian is RMB7.0 billion and the annual cap for the sale of fuel and relevant services to China Huadian is RMB13 billion. China Huadian is a controlling Shareholder of the Company, and thus a connected person of the Company under the Hong Kong Listing Rules. The connected transaction contemplated under the Fuel, Equipments and Services Purchase (Supply) Framework Agreement will be continuously or frequently carried out in the ordinary and usual course of business of the Group, thus constituting continuing connected transactions of the Company under the Hong Kong Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules) in respect of the transactions under the Fuel, Equipments and Services Purchase (Supply) Framework Agreement exceed 5%, the transactions contemplated thereunder are subject to all applicable requirements including the independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The independent Shareholders have approved such transactions and relevant annual caps.

Since the coal mines of the Group and China Huadian are in different localities, the mutual provision of coal may reduce the overall cost of coal procurement. In addition, a subsidiary of the Group is primarily engaged in coal trading services, through which the Group is able to enhance its bargaining power in the process of coal procurement by way of bulk procurement and sales, and reduce the overall cost for coal procurement of the Group accordingly. The mutual provision of relevant services between China Huadian and the Group provides more efficient allocation of labour (the time required for a service that is generally of a maintenance nature may vary).

For details, please refer to the announcements of the Company dated 9 November 2017 and 29 December 2017 and the circular dated 4 December 2017.

### B. Continuing connected transactions conducted in 2017:

On 7 November 2016, the Group entered into the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian, according to the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement, the annual cap for the purchase of coal by the Group from China Huadian was RMB6.0 billion; the annual cap for provision of engineering equipment, systems, products and engineering and construction contracting projects, supplies procurement services and other miscellaneous and relevant services by China Huadian was RMB5.0 billion; and the annual cap for the sale of coal and provision of services such as overhauls and maintenance of generating units of power plants, alternative power generation and relevant quota services to China Huadian is RMB12.0 billion. China Huadian is the controlling Shareholder of the Company, and thus a connected person of the Company under the Hong Kong Listing Rules. The connected transactions contemplated under the Coal, Equipment and Services Purchase (Supply) Framework Agreement will be continuous or frequently carried out in the ordinary and usual course of the business of the Group, thus constituting continuing connected transactions of the Company under the Hong Kong Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules) in respect of the transactions under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement exceed 5%, the transactions contemplated thereunder are subject to all applicable requirements including the independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The independent Shareholders have approved such transactions and relevant annual caps.

For details, please refer to the announcements of the Company dated 7 November 2016 and 29 December 2016 and the circular dated 12 December 2016.

In 2017, the actual amount of coal procurement by the Group from China Huadian was approximately RMB3,889 million; the actual amount of provision of engineering equipment, systems, products, and engineering and construction contracting projects, supplies procurement service and other miscellaneous and relevant services by China Huadian was approximately RMB4,810 million, and the actual amount sale of coal, provision of maintenance services for generation units of the power plants, alternative power generation and relevant quota services to China Huadian by the Group was approximately RMB10.729 billion.

## (2) Financial Services Agreement and the Supplemental Agreement with Huadian Finance

### A. Continuing connected transactions expected to be occurred in the future:

On 9 November 2017, the Group entered into the Financial Services Agreement with Huadian Finance for a term of three years commencing from 1 January 2018 to 31 December 2020, pursuant to which Huadian Finance shall provide certain financial services (including deposit services, loan services, settlement services and other financial services) to the Group. Pursuant to the Financial Services Agreement, the maximum daily balance of the deposits placed by the Group with Huadian Finance is RMB6.8 billion and shall not be more than the average daily loan balance from Huadian Finance to the Group.

China Huadian is the controlling Shareholder of the Company, and thus a connected person of the Company. Huadian Finance is an associate of China Huadian and is held by China Huadian as to 36.148%. Thus, Huadian Finance is an associate of China Huadian and is a connected person of the Company under the Hong Kong Listing Rules. As the Financial Services Agreement will be continuously or frequently carried out in the ordinary and usual course of the business of the Group, thus constituting continuing connected transactions of the Company under the Hong Kong Listing Rules. As one or more of the applicable percentage ratios in relation to the maximum average daily balance of RMB6.8 billion of the deposit services under the Financial Services Agreement exceeds 5%, the provision of deposit services to the Group by Huadian Finance constitute discloseable transactions and non-exempt continuing connected transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 and the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The independent Shareholders have approved the transaction and relevant annual caps. Since the amount of the settlement services and other financial services under the Financial Services Agreement will continue to be very small, they fall within the de minimis threshold as stipulated under Rule 14A.76(1) of the Hong Kong Listing Rules and are fully exempted from the requirements under Chapter 14A of the Hong Kong Listing Rules. The Company will monitor the transaction amounts of such financial services and will comply with relevant requirements under the Hong Kong Listing Rules as and when required. In respect of the provision of loan services under the Financial Services Agreement, since the services provided by Huadian Finance to the Group are at fees not higher than the fees charged by other commercial banks and financial institutions in the PRC for the same services, the transactions involving provision of financial assistance by Huadian Finance to the Group are on normal commercial terms or better to the Group where no security over the Group's assets is granted in respect of the financial assistance. Such loans are fully exempted continuing connected transactions under Rule 14A.90 of the Hong Kong Listing Rules.

Considering the long-term relationship between the Group and Huadian Finance, the Company considers that it is beneficial to continue to enter into the Financial Services Agreement with Huadian Finance as such transaction has facilitated the growth of the principal business and installation capacity of the Group, improved the utilisation efficiency of the capital of the Group, and enabled the Group to gain desirable profits. The transactions will also continue to facilitate the operation and growth of the businesses of the Group.

For details, please refer to the announcements of the Company dated 9 November 2017 and 29 December 2017 and the circular dated 4 December 2017.

### B. Continuing connected transactions occurred in 2017:

On 6 November 2014, the Group entered into the Existing Financial Services Agreement with Huadian Finance, a non-wholly owned subsidiary of China Huadian, with a term of three years from 1 January 2015 to 31 December 2017, pursuant to which, Huadian Finance provides the Group with deposit, loan, settlement and other financial services. Among which, the maximum daily balance of the deposits placed by the Group with Huadian Finance was RMB6.0 billion and shall not be more than the average daily loan balance from Huadian Finance to the Group. On 15 May 2015, the Company and Huadian Finance entered into the Supplemental Agreement to the Existing Financial Services Agreement regarding the acquisition of equity interest in Hubei Company, pursuant to which, the maximum daily balance of the deposits placed by the Group with Huadian Finance was adjusted to RMB7.5 billion for the period from 1 January 2015 to 31 December 2017, and must not be higher than the average daily loan balance from Huadian Finance to the Group.

China Huadian is the controlling Shareholder of the Company, and thus a connected person of the Company. Huadian Finance is an associate of China Huadian and is held by China Huadian as to 36.148% as at the date of the Existing Financial Services Agreement, and thus, Huadian Finance is an associate of China Huadian and is a connected person of the Company under the Hong Kong Listing Rules. The connected transactions contemplated under Existing Financial Services Agreement will be continuously or frequently carried out in the ordinary and usual course of the business of the Group, thus constituting continuing connected transactions of the Company under the Hong Kong Listing Rules. As one or more of the applicable percentage ratios in relation to the maximum average daily balance of RMB7.5 billion of the deposit services under the Existing Financial Services Agreement exceeds 5%, the provision of deposit services to the Group by Huadian Finance constitute discloseable transactions and non-exempt continuing connected transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 and the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The independent Shareholders have approved the transactions and relevant annual caps. Since the amount of the settlement services and other financial services under the Existing Financial Services Agreement will continue to be very small, they fall within the de minimis threshold as stipulated under Rule 14A.76(1) of the Hong Kong Listing Rules and are fully exempted from the requirements under Chapter 14A of the Hong Kong Listing Rules. In respect of the provision of loan services under the Existing Financial Services Agreement, since the services provided by Huadian Finance to the Group are at fees not higher than the fees charged by other commercial banks and financial institutions in the PRC for the same services, the transactions involving provision of financial assistance by Huadian Finance to the Group are on normal commercial terms or better to the Group where no security over the Group's assets is granted in respect of the financial assistance. Such loans are fully exempted continuing connected transactions under Rule 14A.90 of the Hong Kong Listing Rules.

For details, please refer to the announcements of the Company dated 6 November 2014, 23 December 2014 and 15 May 2015 and the circulars of the Company dated 27 November 2014 and 8 June 2015.

In 2017, the maximum average daily balance of the deposits placed by the Group with Huadian Finance amounted to RMB7.009 billion, which did not exceed RMB7.5 billion and was not more than the average daily loan balance advanced from Huadian Finance to the Group.

## (3) Lease Agreement with Beijing Huabin

### A. Continuing connected transactions expected to be occurred in the future：

On 5 December 2017, the Company entered into the Lease Agreement with Beijing Huabin in respect of the lease of certain properties of Huadian Tower by the Company, pursuant to which, during the three years from 1 January 2018 to 31 December 2020, the Group leased certain properties of Huadian Tower from Beijing Huabin, and the annual rent is approximately RMB42.64 million. Beijing Huabin is a wholly-owned subsidiary of Huadian Property, which is owned as to 43.4% by China Huadian, the controlling Shareholder of the Company. As such, according to the Hong Kong Listing Rules, Beijing Huabin is an associate of China Huadian and thus a connected person of the Company. The connected transactions under the Lease Agreement will constitute continuing connected transactions of the Company under the Hong Kong Listing Rules. As the highest applicable percentage ratio in respect of the annual rentals of the continuing connected transactions under the Lease Agreement exceeds 0.1% but is lower than 5%, such transactions shall be subject to the reporting, announcement and annual review requirements under the Listing Rules but is exempt from the independent Shareholders' approval requirement. Considering the long-term relationship between the Group and Beijing Huabin, the Company considers that it is beneficial to continue to enter into the Lease Agreement as such transactions have provided the Group a good working environment and will continue to facilitate the operation and growth of the Group's businesses.

For details, please refer to the announcement of the Company dated 5 December 2017.

**B. Continuing connected transactions occurred in 2017:**

On 6 November 2014, the Group entered into the Existing Lease Agreement with Beijing Huabin, pursuant to which, the Group would lease certain properties in the China Huadian Tower from Beijing Huabin for a term of three years commencing from 1 January 2015 to 31 December 2017 at an annual rental of approximately RMB49 million. China Huadian is a controlling Shareholder of the Company, and thus a connected person of the Company. Beijing Huabin is a wholly-owned subsidiary of Huadian Property, and China Huadian holds 35% equity of Huadian Property at the date when the agreement was renewed. Therefore, Beijing Huabin is an associate of China Huadian and a connected person of the Company under the Hong Kong Listing Rules. The connected transactions contemplated under the Existing Lease Agreement will be continuously or frequently carried out in the ordinary and usual course of the business of the Group, thus constituting continuing connected transactions of the Company under the Hong Kong Listing Rules. As the highest applicable percentage ratio in respect of the annual rentals of the continuing connected transactions under the Existing Lease Agreement exceeds 0.1% but is lower than 5%, such transactions shall be subject to the reporting, announcement and annual review requirements under the Listing Rules but is exempt from the independent Shareholders' approval requirement.

For details, please refer to the announcement of the Company dated 6 November 2014.

The annual rental paid by the Group to Beijing Huabin during 2017 amounted to approximately RMB46.667 million.

## (4) Finance Lease Framework Agreement ("Finance Lease Framework Agreement") with Huadian Financial Leasing Company Limited ("Huadian Financial Leasing") and further revisions

On 20 April 2016, the Company renewed Finance Lease Framework Agreement with Huadian Financial Leasing, pursuant to which Huadian Financial Leasing has agreed to provide the Group with finance lease services. These services include direct leasing and leaseback services. The contract period of the Finance Lease Framework Agreement was from 24 March 2016 to the date of the next annual board meeting (28 March 2017), and the aggregate finance amount outstanding from time to time in respect of all finance leases will not exceed RMB1.25 billion. Huadian Financial Leasing is a subsidiary of China Huadian, the controlling Shareholder of the Company and thus a connected person of the Company. The continuing transactions under the Renewed Finance Lease Framework Agreement constitute continuing connected transactions of the Company. As one or more of the percentage ratios applicable to the finance lease of the Company under the Renewed Finance Lease Framework Agreement exceeds 0.1% but is lower than 5%, pursuant to Rule 14A.76 of the Hong Kong Listing Rules, the transactions are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirements.

On 28 March 2017, the Company renewed the Finance Lease Framework Agreement with Huadian Financial Leasing again, with the contract period from 28 March 2017 to the date of the next annual board meeting (30 March 2018). The aggregate finance amount outstanding from time to time in respect of all finance leases will not exceed RMB1.25 billion. As one or more of the percentage ratios applicable to the finance lease of the Company under the Renewed Finance Lease Framework Agreement exceeds 0.1% but is lower than 5%, pursuant to Rule 14A.76 of the Hong Kong Listing Rules, the transactions are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirements.

On 10 May 2017, the Company entered into the Revised Finance Lease Framework Agreement with Huadian Financial Leasing, pursuant to which (i) the contract period was revised as 1 July 2017 to 30 June 2020, and (ii) the existing annual cap was adjusted from RMB1.25 billion for the applicable period up to the end date of the 2017 annual board meeting (26 March 2018) to RMB6 billion for the three fiscal years ended 30 June 2020. As one or more of the percentage ratios applicable to the finance lease of the Company under the Revised Finance Lease Framework Agreement exceeds 5%, the transactions are subject to requirements of reporting, announcement and the approval from independent Shareholders. The independent Shareholders have approved such transactions and related annual caps.

For details, please refer to the announcements of the Company dated 20 April 2016, 28 March 2017, 10 May 2017 and 30 June 2017 and the circular of the Company dated 9 June 2017.

The finance leases contemplated under the Revised Finance Lease Framework Agreement are expected to reduce the Company's finance costs, improve its capital utilisation rate and thereby promote its business development. In particular, the finance leases can provide stable, reliable and low-cost financial support for the Group's clean energy power generation projects and lay a solid foundation for the Group's future daily operations.

As at 31 December 2017, the Group had an outstanding finance balance of RMB1.191 billion.

## (5) Coal Purchase Framework Agreement with Shaanxi Coal Selling and Transportation (Group) Corporation ("Shaanxi Coal Transportation")

### A. Continuing connected transactions expected to be occurred in the future:

On 9 November 2017, the Company entered into the Coal Purchase Framework Agreement with Shaanxi Coal Transportation for a term of three years, pursuant to which, from 1 January 2018 to 31 December 2020, the Company's annual purchase cap for the purchase of coal from Shaanxi Coal Transportation amounts to RMB2.5 billion. Shaanxi Coal Transportation is a wholly-owned subsidiary of Shaanxi Coal and Chemical Group. Since Shaanxi Coal and Chemical Group is a substantial shareholder of a subsidiary of the Company, Shaanxi Coal and Chemical Group is a connected person of the Company at the subsidiary level pursuant to the Hong Kong Listing Rules. Shaanxi Coal Transportation is also a connected person of the Company at the subsidiary level pursuant to the Hong Kong Listing Rules. The continuing transactions between Shaanxi Coal Transportation and the Group under the Coal Purchase Framework Agreement constitute continuing connected transactions of the Company. As the Directors have approved the transactions under the Coal Purchase Framework Agreement and the independent non-executive Directors have confirmed that the terms of such transactions are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole, pursuant to Rule 14A.101 of the Hong Kong Listing Rules, the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Considering the established relationship between Shaanxi Coal Transportation and the Company, the Company considers that it is beneficial to the Group to continue the supply of coal by Shaanxi Coal Transportation to the Group as such transaction ensures the stable supply of coal required for the power generation business of the Group, and also for management purposes. The Directors believe that it will continue to facilitate the operation and development of the businesses of the Group.

For details, please refer to the announcement of the Company dated 9 November 2017.

### B. Continuing connected transactions occurred in 2017:

On 15 May 2015, the Company entered into the Coal Purchase Framework Agreement between the Company and Shaanxi Coal Selling and Transportation (Group) Corporation (the "**Existing Coal Purchase Framework Agreement**") with Shaanxi Coal Transportation, pursuant to which, the annual cap for the purchase of coal by the Company from Shaanxi Coal Transportation was RMB1.2 billion from 1 July 2015 to 31 December 2015, and the annual cap for the purchase of coal by the Company from Shaanxi Coal Transportation for each of 2016 and 2017 is RMB2.5 billion. Shaanxi Coal Transportation is a wholly-owned subsidiary of Shaanxi Coal and Chemical Group. Since Shaanxi Coal and Chemical Group is a substantial shareholder of a subsidiary of the Company, Shaanxi Coal and Chemical Group is a connected person of the Company at the subsidiary level pursuant to the Hong Kong Listing Rules. Shaanxi Coal Transportation is also a connected person of the Company at the subsidiary level pursuant to the Hong Kong Listing Rules. The continuing transactions between Shaanxi Coal Transportation and the Group under the Existing Coal Purchase Framework Agreement constitute continuing connected transactions. As one or more of the applicable percentage ratios in respect of the Existing Coal Purchase Framework Agreement and the existing annual caps of Shaanxi Coal Transportation exceed 1% but are less than 5%, the provision of coal by Shaanxi Coal Transportation to the Group under the Existing Coal Purchase Framework Agreement will be exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

For details, please refer to the announcement of the Company dated 15 May 2015 and the circular of the Company dated 8 June 2015.

From 1 January 2017 to 31 December 2017, the actual amount of coal purchased by the Group from Shaanxi Coal Transportation was approximately RMB3 million.

## (6) Coal Purchase Framework Agreement with Yanzhou Coal Mining Company Ltd. ("Yanzhou Coal")

The Group renewed the Coal Purchase Framework Agreement with Yanzhou Coal on 7 November 2016, for another term of three years from 1 January 2017 to 31 December 2019. The annual caps for the coal purchase did not exceed RMB8 billion. Yanzhou Coal is a substantial shareholder of Zouxian Company (a non-wholly owned subsidiary of the Company), thus Yanzhou Coal is a connected person of the Company and the purchases of coal from Yanzhou Coal by the Company constitute continuing connected transactions of the Group under the Hong Kong Listing Rules. As the Directors have approved the transactions under the Coal Purchase Framework Agreement and the independent non-executive Directors have confirmed that the terms of such transactions are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole, pursuant to Rule 14A.101 of the Hong Kong Listing Rules, the transactions contemplated thereunder are exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Considering the long-term relationship between the Group and Yanzhou Coal, the Company considers that it is beneficial to continue to enter into the Coal Purchase Framework Agreement as these transactions have facilitated the Group's principal business, and provided the Group a good working environment and will continue to facilitate the operation and growth of the Group's businesses.

For details, please refer to the announcement of the Company dated 7 November 2016.

In 2017, the actual amount of coal purchased by the Group from Yanzhou Coal was approximately RMB3.714 billion.

## (7) Continuing Loan Framework Agreement with China Huadian

### A. Continuing Connected Transactions expected to be occurred in the future:

On 9 November 2017, the Group entered into the Continuing Loan Framework Agreement with China Huadian for a term of three years from 1 January 2018 to 31 December 2020. Provided that the loan interest rate shall not exceed that available to the Company from commercial banks during the same period and the loans do not require the Group to provide any form of mortgage, pledge, third party guarantee or other forms of guarantee, the annual average loan balance provided by China Huadian to the Group shall not exceed RMB20 billion. As China Huadian is a controlling Shareholder of the Company, it is thus a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules. According to the requirements of the Hong Kong Listing Rules, the Continuing Loan Framework Agreement constitutes financial assistance of connected persons to the Company, provided that: (i) the financing cost of the Group shall not be higher than that available to the Company from the commercial banks for the same financing products with the same term during the same period and the loans are conducted on normal commercial terms or better to the Group; and (ii) the loans are not secured by any of the assets of the Group, such loans are exempted financial assistance under Rule 14A.90 of the Hong Kong Listing Rules and are not subject to the reporting, announcement and relevant independent Shareholder's approval requirements under the Hong Kong Listing Rules. However, the above loans constitute continuing related party transactions of the Company pursuant to the relevant requirements of the Shanghai Listing Rules and the PRC law. The transactions have been approved by the independent Shareholders.

For details, please refer to the announcements of the Company dated 9 November 2017 and 29 December 2017 and the circular of the Company dated 4 December 2017.

### B. Continuing Connected Transactions occurred in 2017:

On 6 November 2014, the Group entered into the Existing Continuing Loan Framework Agreement with China Huadian for a term of three years from 1 January 2015 to 31 December 2017, provided that the loan interest rate shall not exceed that available to the Company from commercial banks during the same period and the loans do not require the Group to provide any form of mortgage, pledge, third party guarantee or other forms of guarantee, the annual average loan balance provided by China Huadian to the Group shall not exceed RMB20 billion. As China Huadian is a controlling Shareholder of the Company, it is thus a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules. According to the requirements of the Hong Kong Listing Rules, the Existing Continuing Loan Framework Agreement constitutes financial assistance of connected persons to the Company, provided that: (i) the financing cost of the Group shall not be higher than that available to the Company from the commercial banks for the same financing products with the same term during the same period and the loans are conducted on normal commercial terms or better to the Group; and (ii) the loans are not secured by any of the assets of the Group, such loans are exempted financial assistance under Rule 14A.90 of the Hong Kong Listing Rules and are not subject to the reporting, announcement and relevant independent Shareholder's approval requirements under the Hong Kong Listing Rules. However, the above loans constitute continuing related party transactions of the Company pursuant to the relevant requirements of the Shanghai Listing Rules and the PRC law. The transactions have been approved by independent Shareholders.

For details, please refer to the announcements of the Company dated 6 November 2014 and the circular of the Company dated 27 November 2014 published in Hong Kong.

As of 31 December 2017, the closing balance of loan of the Group advanced from China Huadian and its subsidiaries amounted to RMB10.791 billion, falling within the maximum average annual balances approved by the Shareholders in the general meeting of the Company.

## (8) Continuing Loan Framework Agreement with Shandong International Trust Company Limited ("SITC")

On 6 November 2014, the Group entered into the Continuing Loan Framework Agreement with SITC for a term of three years from 1 January 2015 to 31 December 2017. provided that the loan interest rate shall not exceed that available to the Company from commercial banks during the same period and the loans do not require the Group to provide any form of mortgage, pledge, third party guarantee or other forms of guarantee, the annual average loan balance provided by SITC to the Group shall not exceed RMB10 billion, respectively. SITC held 9.09% equity interests in the Company as at the date of the Continuing Loan Framework Agreement, it is thus a related person of the Company under the Shanghai Listing Rules. Since (i) the financing cost of the Group shall not be higher than that available to the Company from the commercial banks for the same financing products with the same term during the same period and the loans are conducted on normal commercial terms or better to the Group; and (ii) the loans are not secured by any of the assets of the Group, such loans are exempted financial assistance under Rule 14A.90 of the Hong Kong Listing Rules and are not subject to the reporting, announcement and relevant independent Shareholder's approval requirements under the Hong Kong Listing Rules. However, such transactions constitute related party transactions of the Group pursuant to the relevant requirements of the Shanghai Listing Rules. The transactions have been approved by the independent Shareholders.

For details, please refer to the announcement of the Company dated 6 November 2014 and circular of the Company dated 27 November 2014 published in Hong Kong.

As of 31 December 2017, the closing balance of loan of the Group advanced from SITC was nil, falling within the maximum average annual balances approved by the Shareholders in the general meeting of the Company.

The Company has engaged external auditors to report on the Group's six aforesaid continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditors' Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have submitted an unqualified letter containing their conclusions in respect of the No. (1) to No. (6) continuing connected transactions set out above to the Board in accordance with Rule 14A.56 of the Hong Kong Listing Rules. A copy of the Auditors' Letter has been provided by the Company to the Hong Kong Stock Exchange.

The auditors of the Company confirmed that these continuing connected transactions:

(1) had been approved by the Board;

(2) were carried out on the price policies of the Company, if the transactions are related to the provision of goods or services by the Company;

(3) were carried out under relevant agreements of these transactions; and

(4) did not exceed the caps as disclosed in previous announcements.

The Company's independent non-executive Directors have reviewed the continuing connected transactions set out above and confirmed that:

(1) these transactions were entered into in the ordinary and usual course of the business of the Group;

(2) these transactions were under normal commercial terms or more favourable terms; and

(3) these transactions were conducted under agreed terms of relevant transactions which are fair and reasonable and in the interests of the Group and its shareholders as a whole.

In respect of the Company's material related party transactions set out in note 40 to the financial statements prepared in accordance with International Financial Reporting Standards, to the extent that they constitute connected transactions and/or continuing connected transactions of the Company under the Hong Kong listing Rules that apply to it, the Company confirms that it has complied with the relevant requirements under the Hong Kong Listing Rules (if applicable).

Save as disclosed above, the material related party transactions of Company set out in note 40 to the financial statements prepared in accordance with International Financial Reporting Standards do not constitute connected transactions of the Company under the Hong Kong Listing Rules.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year of 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its issued securities ("securities" having the meaning as ascribed thereto under paragraph 1 of Appendix 16 to the Hong Kong Listing Rules).

## FINANCIAL SUMMARIES

Summaries of the results and the assets and liabilities of the Group for each of the five financial years ended 31 December 2017 prepared in accordance with IFRSs are set out on page 127. The Company is not aware of any matter taking place in the year ended 31 December 2017 that would be required to be disclosed under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

## BUSINESS REVIEW

A discussion of the business review of the Group is set out in the section headed "Business Review and Outlook" of this annual report.

## MATERIAL LITIGATION

As at 31 December 2017, certain members of the Group were a party to certain litigations arising from the Group's ordinary course of business or acquisition of assets, but the management of the Group believes that possible legal liability which may incur from any of the aforesaid cases will not have material adverse effect on the financial position and operating results of the Group.

## DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2017, the Group's deposits placed with financial institutions or other parties did not include any designated or entrusted deposits, or any material time deposits which could not be collected by the Group upon maturity.

## AUDIT COMMITTEE

The Company's Audit Committee has reviewed the annual results of the Group for 2017 and the financial statements prepared under IFRSs for the financial year ended 31 December 2017.

## AUDITORS

At the annual general meeting of the Company ("**AGM**") held on 25 June 2013, the Company changed its international and domestic auditors from KPMG and KPMG Huazhen (Special General Partnership) to Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP respectively.

On 30 June 2017, the Company held the AGM to re-appoint Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP as the Company's international and domestic auditors respectively for the financial year ended 31 December 2017.

By Order of the Board
**Zhao Jianguo**
*Chairman*

Beijing, the PRC
26 March 2018

# Corporate Governance Report

The Company has always attached great importance to the corporate governance and continuously promoted management innovation. In strict compliance with the Company Law of the PRC ("**Company Law**"), the Securities Law of the PRC, the Shanghai Listing Rules, the Hong Kong Listing Rules and relevant provisions promulgated by domestic and overseas securities regulatory institutions, the Company has improved its corporate governance structure, enhanced the level of its governance and endeavoured to achieve a harmonious development between the Company's growth and the interest of its Shareholders.

The codes on corporate governance practices adopted by the Company include, but are not limited to, the following documents:

1. Articles of Association;
2. Code on Shareholders' General Meetings, Code on Board Practices and Code on Supervisory Committee (as parts of the current Articles of Association of the Company);
3. Working procedures for Audit Committee, Remuneration and Appraisal Committee, Nomination Committee, and Strategic Committee of the Board of the Company;
4. Working Requirements for Independent Directors;
5. Working Requirements for Secretary to the Board;
6. Working Rules for General Manager;
7. Code on the Company's Investment Projects;
8. Management Methods on Raised Proceeds;
9. Management Methods on External Guarantees;
10. Management Rules on Information Disclosure;
11. Management Rules on Investor Relations and Implementation Procedures;
12. Code on Trading in Securities of the Company by Directors (Supervisors) of the Company;
13. Code on Trading in Securities of the Company by Employees of the Company;
14. Management Methods for Affairs of the Board of Directors;
15. Working Rules on Annual Report for the Audit Committee of the Board;
16. Working Rules on Annual Report for Independent Directors;
17. Management Methods on Connected Transactions; and
18. Insider Registration and Management Methods.

The Board is committed to the principles of corporate governance consistent with prudent management and enhancement of Shareholders' value. Transparency, accountability and independence are enshrined under these principles.

The Board has reviewed the relevant requirements prescribed under the corporate governance codes adopted by the Company and its actual practices, and has taken the view that the corporate governance of the Company during the year 2017 has met the requirements under the code provisions in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Hong Kong Listing Rules and there was no deviation from such provisions. In certain aspects, the corporate governance codes adopted by the Company are more stringent than the code provisions set out in the Corporate Governance Code, the main particulars of which are as follows:

– The Company has formulated the Code on Trading in Securities of Huadian Power International Corporation Limited by Directors (Supervisors) and the Code on Trading in Securities of Huadian Power International Corporation Limited by Employees, which are on terms no less exacting than those set out in the Model Code, as set out in Appendix 10 to the Hong Kong Listing Rules.

– In addition to the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee, the Company has established the Strategic Committee and stipulated the Working Procedures for the Strategic Committee.

– In the financial year of 2017, a total of ten Board meetings were held by the Company.

– The Audit Committee comprises five members, including two non-executive Directors and three independent non-executive Directors.

## THE BOARD OF DIRECTORS

As an efficient leader of the Company, the Board is responsible for the leadership and supervision of the Company.

Directors as a whole are responsible for advancing activities of the Company through commanding and monitoring. We are of the opinion that all Directors can act on an objective basis and make decisions in the interest of the Company.

As at 31 December 2017, members of the Board are set out below:

| Name | Position in the Company |
|---|---|
| Zhao Jianguo | Chairman, Non-executive Director |
| Chen Bin | Vice Chairman, Executive Director |
| Wang Yingli | Vice Chairman, Non-executive Director |
| Tian Hongbao | Executive Director |
| Gou Wei | Non-executive Director |
| Chu Yu | Non-executive Director |
| Zhang Ke | Non-executive Director |
| Ding Huiping | Independent Non-executive Director |
| Wang Dashu | Independent Non-executive Director |
| Wang Chuanshun | Independent Non-executive Director |
| Zong Wenlong | Independent Non-executive Director |

In order to achieve sustainable and balanced development, the Company will take into account many aspects concerning the diversity of members of the Board, including but not limited to gender, age, cultural and educational background, race, professional expertise, skills, knowledge and terms of service, when determining the composition of the Board.

The biographical details of Directors and connections between them are detailed in the section headed "Directors, Supervisors and Senior Management" in this annual report. Directors (including non-executive Directors) of each session serve a term of three years, renewable upon re-election and reappointment. The term of office for independent non-executive Directors is renewable with a limit of six years. A Director who is appointed to fill a temporary vacancy shall be elected by the Shareholders at the first general meeting following his/her appointment, and his/her term of office shall be terminated upon re-election of Directors. A Director who is appointed for the first time shall report to the Board his/her position as director or other roles in other companies or entities upon his/her appointment, and such reporting of relevant interests is updated annually. In the event that the Board considers that a conflict of interest exists for a Director or any of his/her associates when considering any resolution, such Director shall report such interest and abstain from voting.

The independent non-executive Directors have submitted written confirmation of their independence as required by Rule 3.13 of the Hong Kong Listing Rules. The independent non-executive Directors have extensive expertise and experience. Among the nine non-executive Directors, four of them (representing more than one-third of all the Directors) are independent non-executive Directors, where Mr. Zong Wenlong is an accounting professional. While playing an important role of check and balance, they safeguard the interests of the Shareholders and the Company as a whole. The Directors are of the opinion that all independent non-executive Directors are able to deliver effective independent judgments under the independence guidelines set out in Rule 3.13 of the Hong Kong Listing Rules, and are independent in accordance with such guidelines.

To ensure compliance with the Board procedures and all applicable rules, each Director has access to advice and services of the Secretary to the Board. Directors are encouraged to enroll in comprehensive professional development courses and seminars relating to the Hong Kong Listing Rules, the Companies Ordinance, laws and corporate governance practices so that they can continuously update and further improve their relevant knowledge and skills. From time to time, the Directors are provided with written training materials to develop and refresh their professional skills.

The current Directors received the following trainings with an emphasis related to the roles, functions and duties of a director of a listed company during the year ended 31 December 2017:

| **Name** | **Trainings** *(Note)* |
|---|---|
| Zhao Jianguo | A |
| Chen Bin | A |
| Wang Yingli | A |
| Tian Hongbao | A |
| Gou Wei | A |
| Chu Yu | A |
| Zhang Ke | A、B |
| Ding Huiping | A |
| Wang Dashu | A |
| Wang Chuanshun | A |
| Zong Wenlong | A |

*Note:*

A: Read relevant listing rules, the general business or responsibilities of the directors and other relevant training materials and updates

B: Attend seminars and/or lectures

The current Secretary to the Board has taken no less than 15 hours of relevant professional training for the year ended 31 December 2017.

## CHAIRMAN AND GENERAL MANAGER

To improve independence, accountability and responsibility, the positions of the Chairman and General Manager of the Company are assumed by different individuals. As at 31 December 2017, Mr. Zhao Jianguo and Mr. Tian Hongbao are currently serving as Chairman and General Manager, respectively. As the legal representative of the Company, the Chairman presides over the Board, aiming to ensure that the Board acts in the best interest of the Company, operates effectively, duly fulfils its responsibilities and engages in discussion of important and appropriate matters, and to ensure Directors' access to accurate, timely and clear data. In addition, the Chairman appoints the Secretary to the Board to arrange for agenda of every Board meeting and consider any matter proposed by other Directors to be included in the agenda, thus ensuring that all Directors are properly briefed regarding matters discussed at the Board meeting and have the access to adequate and reliable data in due time.

The General Manager heads the management to take charge of daily operation of the Company. With the cooperation from other executive Directors and management team of each business department, the General Manager manages the businesses of the Company, including implementation of policies adopted by the Board and reporting to the Board in respect of the overall operation of the Company.

## THE MANAGEMENT

The Board and the management work separately and cooperate with each other in accordance with relevant requirements of the Company Law, the Articles of Association and the Working Rules for General Manager of the Company. The duties and responsibilities of the management include, but are not limited to, the following matters:

(1) to preside over the production, operation and management of the Company, and to implement resolutions of the Board;

(2) to formulate development plans, annual production and operation plans, annual financial budget scheme and final account plan, profit (after tax) distribution plan and loss recovery plan of the Company;

(3) to implement the Company's annual business plans and investment schemes;

(4) to formulate the scheme of the Company's internal management structure;

(5) to formulate the Company's basic management system;

(6) to formulate the Company's basic regulations;

(7) to determine remuneration, bonus and penalties of employees of the Company and to determine appointment or dismissal of them;

(8) to handle significant business on behalf of the Company; and

(9) to exercise other powers within the authorisation of Articles of Association and the Board.

## BOARD MEETINGS

The Board shall convene at least four meetings annually, approximately one in each quarter. The Chairman of the Board should convene the Board Meetings, ensure the Board's effective discharge of its duties, schedule agenda of Board meetings and consider matters proposed by other Directors to be included in the agenda. Notice of meeting shall be delivered 14 days prior to the date of a regular meeting.

The Chairman of the Board shall convene an extraordinary meeting of the Board within 10 days in any of the following cases:

(1) when proposed by the Shareholders representing more than 10% voting rights;

(2) when deemed as necessary by the Chairman of the Board;

(3) when proposed jointly by more than one-third of the Directors;

(4) when proposed jointly by more than one-half of the independent Directors;

(5) when proposed by the Supervisory Committee; and

(6) when proposed by the General Manager.

Notices of Board meetings and extraordinary Board meetings should be served on all Directors, either by facsimile, express mail, registered air mail, by hand or email.

If the time and venue for a regular meeting have been previously determined by the Board, no notice is necessary. Otherwise, the Chairman of the Board or relevant proposer shall inform the Secretary to the Board of the proposal and agenda of the Board meeting in writing, and the Secretary to the Board shall then dispatch a notice containing time, venue and agenda of the Board meeting to the Directors 10 days prior to the date of the meeting. However, each Director may waive his/her right for being served with the notice of the Board meeting prior or subsequent to the dispatch of the notice. The Secretary to the Board should also send a copy of the above mentioned notice of the Board meeting to the Chairman of the Supervisory Committee of the Board prior to the meeting.

Each Director has one vote. The Board's resolutions shall be passed by a simple or two-thirds majority of the Directors in accordance with the stipulations of relevant laws, regulations and Articles of Association of the Company. A Director shall attend Board meetings in person. Regular or extraordinary Board meetings can be held by way of teleconference meeting or by virtue of similar telecommunication device. So long as the participating Directors can hear and communicate effectively with each other, all participating Directors are deemed as if they had participated in the meeting in person.

A Director shall appoint, in writing, another Director to attend the meeting on his/her behalf in case of unavailability of attendance. The scope of authorisation shall be specified in the authorisation letter. The Director attending the meeting on behalf of the entrusting Director shall only exercise the rights within the authorisation letter. Should a Director neither attend a Board meeting nor appoint another Director to attend on his/her behalf, such Director shall be deemed to have waived his/her voting rights at such meeting.

The Secretary to the Board shall prepare detailed minutes for the matters put to the Board meeting for consideration and resolutions passed, including any reserved or dissenting opinion expressed by the Directors. Within a reasonable period of time following the conclusion of the Board meeting, the Secretary to the Board shall dispatch to all Directors the draft and final minutes of Board meetings at which reserved or dissenting opinions are expressed by the Directors for comments and for records, respectively.

Proposals to be passed by written resolution shall be dispatched to each Director, either by hand, mail, telex or facsimile, instead of convening a Board meeting. Unless otherwise stipulated by applicable laws, regulations and/or relevant listing rules, a resolution shall come into effect without a Board meeting being convened when the number of Directors signing and consenting to the written resolution meets the quorum for the resolution as required by the laws and regulations and the Articles of Association in connection therewith, and the signed resolution is returned to the Secretary to the Board by the aforesaid means.

Any written resolution not being executed by Directors in accordance with legal procedures, even opined by each Director by other means, shall not come into legal force as a resolution of the Board. Minutes of meetings of the Board and its committees shall be kept by the Secretary to the Board, and upon any Director's request to review, the Secretary to the Board shall produce to such Director the requested minutes within a reasonable period of time.

To ensure sound corporate governance, the Board has established the following committees: Audit Committee, Remuneration and Appraisal Committee and Strategic Committee, and specified their respective terms of references in accordance with principles stipulated by laws, regulations and the CG Code. Relevant administrative departments set up by those special committees in the Company are responsible for the preparation of meeting documents while those special committees report to the Board.

The Board reports to the general meeting, and is also responsible for the completeness of financial data as well as the effectiveness of internal control system and risk management procedures of the Company. Besides, the Board shall bear the responsibility for the preparation of corporate financial statements, while the General Manager assumes duties of attaining business goals and attending to daily operations of the Company. Through regular reviews of functions of the General Manager and his/her authorised powers, the Board ensures the rationality of such arrangement. In addition, the Board also regularly reviews performances in relation to budget and business goals of operating departments, and retained various powers, including:

(1) to convene general meetings and report its work to the general meetings;

(2) to implement the resolutions passed at general meetings;

(3) to decide the Company's business plans and investment schemes;

(4) to formulate the Company's annual budget scheme and final account plan;

(5) to formulate the Company's profit distribution plan and loss recovery plan;

(6) to formulate proposals for increasing or reducing the Company's registered capital and the issue of corporate debentures;

(7) to draw up plans for repurchase of the Company's shares or proposal for merger, division or dissolution of the Company;

(8) within the authorisation of the general meeting, to determine external investment, acquisition and disposal of assets, pledge of assets, trusted finance, connected transactions; and other guarantee matters subject to approval of the general meeting as stipulated by law, administrative regulations and the Article of Association;

(9) to determine the establishment of the Company's internal management structure;

(10) to appoint or dismiss the Company's General Manager and the Secretary to the Board, and pursuant to the General Manager's nominations, to appoint or dismiss senior management including the Deputy General Managers and financial officers of the Company and determine their remuneration, bonus and penalties;

(11) to formulate the Company's basic management system;

(12) to formulate proposed amendments to the Articles of Association;

(13) to manage the information disclosure of the Company;

(14) to propose at general meetings for the appointment or change of auditors providing audit services to the Company;

(15) to hear the work report and inspect the work of the Company's General Manager; and

(16) to exercise any other powers specified in relevant laws and regulations or the Articles of Association and conferred by the Shareholders at general meetings.

Except for the Board's resolutions in respect of the matters specified in the abovementioned items (6), (7), (12) and external guarantees which shall be passed by two-thirds majority of the Directors, the Board's resolutions in respect of any other aforesaid matters may be passed by a simple majority. The Board mainly performed the following duties in respect of corporate governance in the Reporting Period:

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

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

(3) to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors of the Company;

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

(5) to review the Company's compliance with CG Code and disclosure in the Corporate Governance Report in the annual report.

Ten Board meetings were held in the financial year from 1 January 2017 to 31 December 2017, the attendance of each Director at which is set out as follows:

| Name | Position in the Company | Number of meetings actually attended (including by proxy)/ number of meetings to attend |
|---|---|---|
| Zhao Jianguo | Chairman, Non-executive Director | 10/10 |
| Chen Bin | Vice Chairman, Executive Director | 10/10 |
| Wang Yingli | Vice Chairman, Non-executive Director | 10/10 |
| Tian Hongbao | Executive Director, General Manager | 10/10 |
| Gou Wei | Non-executive Director | 10/10 |
| Chu Yu | Non-executive Director | 10/10 |
| Zhang Ke | Non-executive Director | 10/10 |
| Ding Huiping | Independent non-executive Director | 10/10 |
| Wang Dashu | Independent non-executive Director | 10/10 |
| Wang Chuanshun | Independent non-executive Director | 10/10 |
| Zong Wenlong | Independent non-executive Director | 10/10 |

One AGM and one EGM were held in the financial year from 1 January 2017 to 31 December 2017, the attendance of each Director at which is set out as follows:

| Name | Position in the Company | Number of meeting actually attended (including by proxy)/ number of meetings to attends |
|---|---|---|
| Zhao Jianguo | Chairman, Non-executive Director | 1/2 *(Note)* |
| Chen Bin | Vice Chairman, Executive Director | 2/2 |
| Wang Yingli | Vice Chairman, Non-executive Director | 0/2 |
| Tian Hongbao | Executive Director, General Manager | 2/2 |
| Gou Wei | Non-executive Director | 1/2 |
| Chu Yu | Non-executive Director | 1/2 |
| Zhang Ke | Non-executive Director | 2/2 |
| Ding Huiping | Independent non-executive Director | 1/2 |
| Wang Dashu | Independent non-executive Director | 2/2 |
| Wang Chuanshun | Independent non-executive Director | 1/2 |
| Zong Wenlong | Independent non-executive Director | 2/2 |

*Note:* Mr. Zhao Jianguo, the Chairman, attended the 2016 AGM held by the Company on 30 June 2017 by correspondence.

## DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors confirm that they are responsible for the preparation of the financial statements of the Group. Mr. Feng Rong was in charge of the accounting department. With the assistance of the accounts department, the Directors ensure that the financial statements of the Company are prepared in compliance with relevant laws, regulations and applicable accounting policies. The Directors also confirm that the financial statements of the Company will be published timely.

The responsibility statement made by the Company's auditors in respect of the financial statements of the Company is set out in the section headed "Independent Auditors' Report" of this annual report.

## SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code" as the code of conduct regarding securities transactions by its Directors. In addition, it formulated the "Code on Trading of the Company's Securities by Directors (Supervisors) of Huadian Power International Corporation Limited" which requires the Directors and Supervisors to sign, as early as the commencement of their term of office, a statement on shares transaction undertaking that any share transaction by Directors or Supervisors and their associates will be reported to the Board or the Supervisory Committee. No securities transaction should be conducted by the Directors or Supervisors prior to a written consent being given with a specific date certifying compliance of the proposed transaction with the listing rules of Hong Kong Stock Exchange and Shanghai Stock Exchange and the requirements regarding transactions of securities of listed companies by Directors and supervisors as stipulated in the abovementioned codes.

After specific inquiries with all Directors and Supervisors, the Directors and Supervisors of the Company have complied with the relevant codes on securities transactions by Directors and Supervisors set out in the "Model Code" and the "Code on Trading of the Company's Securities by Directors (Supervisors) of Huadian Power International Corporation Limited" during the year ended 31 December 2017.

## AUDIT COMMITTEE

In accordance with the Hong Kong Listing Rules, the Board set up the Audit Committee in August 1999. Subsequently, in accordance with the Shanghai Listing Rules, the Board set up another audit committee in March 2004. The two committees comprise the same five members, including three independent non-executive Directors and two non-executive Directors. Currently, one of the five members is an accounting professional. In addition to carrying out duties in accordance with the Hong Kong Listing Rules and requirements stipulated in the "A Guide for Effective Operation of an Audit Committee" issued by Hong Kong Institute of Certified Public Accountants and the "Principle on Governance of Listed Companies" issued by the China Securities Regulatory Commission, the Audit Committee of the Board comprising such five members also formulated the "Working Rules for the Audit Committee of the Board of Directors of Huadian Power International Corporation Limited" by setting out the scope of their powers and functions in details.

The primary terms of reference of the Audit Committee include:

(1) to make recommendations to the Board on the appointment, reappointment or replacement of the external auditor;

(2) to review and monitor the external auditor's independence and objectivity as well as the effectiveness of the audit process;

(3) to formulate and implement policies on engaging an external auditor to supply non-audit services;

(4) to act as the key representative body for the communication between the Company and the external auditor;

(5) to examine, monitor and supervise integrity of the Company's financial statements, annual reports and interim reports, and to review the major opinions on financial reporting in such statements and reports; and

(6) to examine and continuously monitor the efficient operation of internal control and risk management system of the Company, hear the report regarding internal control and risk management mechanism as well as the system establishment of the enterprise, and offer opinion and suggestion accordingly.

The terms of reference of the Audit Committee is published on the webpage of the Company at http://www.hdpi.com.cn/. As at the date of this report, the current Audit Committee is chaired by independent non-executive Director, Mr. Zong Wenlong, and comprises four other members including independent non-executive Directors Mr. Wang Dashu and Mr. Wang Chuanshun, and non-executive Directors, Mr. Chu Yu and Mr. Zhang Ke. They are responsible for the communication between the Company's internal and external auditors, supervision and examination while giving advice to the Board on audit, risk management, internal control and corporate governance. In particular, Mr. Zong Wenlong is an accounting professional.

The Audit Committee held seven meetings on 27 March, 30 June, 29 August, 26 September, 27 October, 13 November, 15 December 2017, respectively, the average attendance of which was 100%. The attendance of each Director is set out as follows (there was no attendance by proxy):

| Name | Number of meetings actually attended (including by proxy)/ number of meetings to attend | Attendance rate |
|---|---|---|
| Zong Wenlong | 7/7 | 100% |
| Wang Dashu | 7/7 | 100% |
| Wang Chuanshun | 7/7 | 100% |
| Chu Yu | 7/7 | 100% |
| Zhang Ke | 7/7 | 100% |

During the reporting period, the Audit Committee of the Board considered and approved the proposals in relation to disposal of assets, connected transactions, continuing connected transactions, the recognition of provision for asset impairment, and the Internal Control Self-evaluation Report, the appointment of internal and external auditors as well as the relevant information in the annual and interim financial reports of the Company, carefully reviewed the Directors' Report, the Auditors' Report and Internal Control Auditing Report, and considered and approved the newly revised list of connected parties, considered and approved the proposals such as the amendments to the Company's Internal Control Evaluation System. In respect of corporate governance, the Audit Committee has developed and reviewed the Company's policies and practices on corporate governance and make recommendations to the Board; reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements; developed, reviewed and monitored the code of conduct and compliance manual applicable to the Company's employees and Directors; and reviewed the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

## RISK MANAGEMENT AND INTERNAL CONTROL

### Main Features of the Risk Management and Internal Control Systems

The Board is responsible for the ongoing supervision on the Company's risk management and internal control systems. The Board has developed the Group's risk management and internal control systems and confirmed that the Board bears the overall responsibility for overseeing and reviewing the effectiveness of the risk management and internal control systems to safeguard the interest of the shareholders and the assets of the Group. It reviews the effectiveness of the systems at least annually to ensure the adequacy of resources, staff qualifications and experiences, training programs received by staffs and budget of the Group on accounting, internal audit and financial reporting functions.

The Company has established its special department to regularly review the adequacy and effectiveness of the Group's risk management and internal control systems, and the Audit Committee of the Board will review the work report and suggestions made by the independent internal audit department on the effectiveness of the key internal control system.

The Company's risk management and internal control systems are designed to manage rather than eliminate risks, and can only provide reasonable but not absolute assurance against material misstatement or loss. We have employed a bottom-up approach to identify, assess and mitigate risk to the largest extent at all business unit levels and across functional areas of the Group.

### Process Used to Identify, Evaluate and Manage Major Risks

The Company's risk management and internal control systems are mainly responsible for tracking and recording identified major risks, assessing and evaluating major risks and developing and updating counter-measures, as well as continuing to test risk management and internal control procedures to ensure their effectiveness.

The Company has put in place appropriate policies and monitoring procedures to ensure that no asset will be used or disposed without authorisation of the Company. The Company maintains reliable financial and accounting records in accordance with the relevant accounting standards and regulatory reporting regulations, and properly identifies and manages major risks which may affect the Company's performance, and reasonably ensures that the level of risk is within the acceptable scope of the Company.

## Process Used to Review the Effectiveness of the Risk Management and Internal Control Systems and to Resolve Material Internal Control Defects

During the risk evaluation process, each business department and major subsidiaries which face risks are the first responsible persons to identify the major risks that have reached target, It should assess the residual risks and report to the management, the Audit Committee of the Board and the Board after considering the counter-measures against major risks.

The internal control department of the Company carries out its work based on identified risks and defects. The annual internal control evaluation work plan formulated by the internal control department of the Company covers the Company's operation, business and finance and major procedures of its affiliated entities, and reports the evaluation findings to the management and the Board. The internal control department of the Company urges relevant entities to rectify the internal control defects identified in the process and reports the progress of rectification to the Audit Committee of the Board and the management on a regular basis.

The internal control department of the Company reports the adequacy and effectiveness of its monitoring to the management, the Audit Committee and the Board.

The management of the Company, with assistance of the internal control department, is responsible for the design, implementation and monitoring of the risk management and internal control systems, and reports the effectiveness of risk management and internal control to the Audit Committee and the Board.

The Company has adopted various policies and procedures to evaluate and enhance the effectiveness of the risk management and internal control systems, including requiring the management of the Company to conduct assessment on a regular basis and control the risks at a level which is acceptable to the Company to ensure that the risk management and internal control systems operate effectively, which the Company believes will enhance the corporate governance in the future and improve the risk management and internal control capacities of the Company.

The Company has integrated risk management and internal control into its daily operations. The functional departments and affiliated entities of the Company continuously conduct risk assessment, formulate risk management strategies and risk counter-measures, assess residual risks and report risk events and counter-measures implemented to the relevant business management departments of the Company on a timely basis. The relevant business departments of the Company summarise the possibility and effect of risk events, analyse the effectiveness of its risk management and internal control strategies and counter-measures, and report to the management and the Board on a regular basis.

## Procedures and Internal Control for the Handling and Dissemination of Inside Information

The Board has already established a policy on the procedures and internal control for the handling and dissemination of inside information. The policy stipulated the duty and responsibility of inside information announcement, restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemption and waiver to the disclosure of inside information, and also compliance and reporting procedures. Every senior management of the Company must take all reasonable measures to prevent a breach of the disclosure requirement in relation to the Company. They must promptly bring any possible leakage or divulgence of inside information to the attention of the management, who will notify the Board accordingly and take appropriate actions promptly. For any material violation of this policy, the Board will decide, or designate appropriate persons to decide, the course of actions for rectifying the problem and avoiding reoccurrence.

In 2017, the effectiveness assessment on risk management and internal control of the Company and its subsidiaries was conducted using the "Internal Control and Risk Management – A Basic Framework" issued by HKICPA as guidance, and in accordance with requirements of the "Standard Regulations on Corporate Internal Control" jointly issued by five PRC ministries and commissions including the Ministry of Finance of the PRC, specifically covering various material aspects including operational control, finance control, compliance control and risk management. Based on the assessment results, the Audit Committee of the Board prepared the draft 2017 assessment report on internal control which was approved on the 8th meeting of the 8th session of the Board. The 2017 assessment report on risk management and internal control of the Board concluded that no material and important internal control defect was found from the assessment, and therefore confirmed that the Company has fully complied with provisions of risk management and internal control set out in the CG Code in 2017, and confirmed that the existing risk management and internal control systems of the Company was in line with the relevant PRC laws and requirements of securities regulators, and it could effectively perform the role of controlling and preventing in areas of major enterprise risks, serious management fraud and important procedures. The Board and the Audit Committee considered that the Company has adequate resources, qualification and experience of employees in accounting and financial reporting, and that the relevant employees have received adequate trainings, and the Company has adequate budget. The Company handled and disseminated the inside information according to the information disclosure management system and the stipulated procedures to ensure that inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made after obtaining the appropriate approval.

In 2017, the Company has performed its duties in accordance with the latest requirements of Hong Kong Listing Rules on risk management and internal control of listed companies. The Board considers that the risk management and internal control systems of the Group in 2017 was effective and adequate.

## REMUNERATION AND APPRAISAL COMMITTEE

The Board has set up a Remuneration and Appraisal Committee. The Remuneration and Appraisal Committee is a specialised committee of the Board established under the resolutions of the general meeting of the Company. It is responsible for studying the performance appraisal standards for the Directors and the senior management of the Company, performing appraisal and giving its advice. It is also responsible for research and review of the remuneration policy and scheme for the Directors and the senior management of the Company. The Remuneration and Appraisal Committee is accountable to the Board. It has reviewed the current remuneration policy and proposed to the Board to improve the remuneration policy and system. After each meeting, the Committee will report to the Board. None of the Directors shall participate in the determination of his/her own remuneration.

The primary terms of reference of the Remuneration and Appraisal Committee of the Board include:

(1) to make recommendations to the Board on the remuneration's policy and developing procedure for Directors and senior management;

(2) to review and approve the management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board;

(3) to review and approve compensation payable to executive Directors and senior management of the Company for any loss or termination of office or appointment;

(4) to supervise the execution of the Company's remuneration system; and

(5) to review duty performance by Directors and senior management and carry out performance appraisal of them.

The terms of reference of the Remuneration and Appraisal Committee are published on the Company's Webpage: http://www.hdpi.com.cn/. As at the date of this report, the current Remuneration and Appraisal Committee of the Board is chaired by independent non-executive Director, Mr. Wang Dashu, and comprises four other members including non-executive Directors Mr. Gou Wei and Mr. Zhang Ke, and independent non-executive Directors Mr. Wang Chuanshun and Mr. Zong Wenlong.

The Remuneration and Appraisal Committee held four meeting on 27 March, 9 May, 30 June and 29 August 2017. The meeting studied the 2016 annual salaries of the executive Directors, General Managers and other senior management members of the Company based on the appraised results, the 2017 annual salary scheme for the executive Directors and General Manager of the Company, the annual allowance for independent Directors of the 8th session of the Board and the 2016 work report of the Remuneration and Appraisal Committee of the Board, all of which were submitted to the Board for approval. The attendance of each Director at the meeting is as follows (there was no attendance by proxy):

| Name | Number of meetings actually attended (including by proxy)/ number of meetings to attend | Attendance Rate |
|---|---|---|
| Wang Dashu | 4/4 | 100% |
| Gou Wei | 4/4 | 100% |
| Zhang Ke | 4/4 | 100% |
| Wang Chuanshun | 4/4 | 100% |
| Zong Wenlong | 4/4 | 100% |

The Remuneration and Appraisal Committee of the Board reviewed and monitored the training and continuous professional development of Directors and senior management of the Company in the reporting period. The remuneration of the executive Directors, General Manager and other senior management members of the Company were determined based on their calibre, education level and commitment to work with reference to the Company's results and profit, industry comparables and market conditions.

## ANNUAL SALARY SCHEME FOR THE DIRECTORS IN 2017

In order to provide the necessary safeguard for the accomplishment of the strategic targets for the year 2017 and to ensure completion of the annual missions of the Board, the Company linked the annual salary scheme for the Directors of the Company with the annual operating performance of the Company with reference to the Company's actual circumstances.

## ANNUAL SALARY SCHEME FOR THE GENERAL MANAGER IN 2017

In order to provide the necessary safeguard for the accomplishment of the strategic targets for the year 2017 and to ensure completion of the annual plans of the Company, the Company linked the annual salary scheme for the General Manager of the Company with the annual operating performance of the Company with reference to the Company's actual circumstances.

Based on the Company's development strategies, external environmental changes, annual performance results, wage level of employees and other factors, and with reference to the salary level of the listed peers and the Company's actual circumstances, the Remuneration and Appraisal Committee of the Board determined the annual basic salary plan for the Directors and General Manager of the Company in 2017 in line with such principles as integration of incentives and constraints, priority to efficiency while giving considerations to impartiality, and combination of material and ideological incentives, subject to the approval of the shareholders or Board before implementation of such plan.

## MOTIVATION AND APPRAISAL METHODS FOR OTHER SENIOR MANAGEMENT IN 2017

In order to secure the accomplishment of the strategic targets in 2017 and to ensure completion of the annual missions of the Board, the Remuneration and Appraisal Committee of the Board formulated the motivation and assessment methods for other senior management members (including the Deputy General Managers, Chief Financial Officer, Chief Engineer and the Secretary to the Board) of the Company in 2017 with reference to the Company's actual circumstances, and the annual base salary scheme for the General Manager of the Company, and in line with the performance based and integration of incentives and constraints principles. The motivation and appraisal methods are carried out by the Remuneration and Appraisal Committee of the Board upon approval of the Board.

## EMPLOYEE REMUNERATION POLICY FOR THE GROUP

As of 31 December 2017, the total number of employees of the Group amounted to 28,024. Consistently complying with state regulations, the Group determines the salary of the employees at various levels based on its economic benefits, and adheres to the concept of "identify talents through performance, select talents through competition and award talents through remuneration", thus establishing the objective, impartial, scientific and effective remuneration distribution mechanism and performance appraisal mechanism for its employees.

## ALLOWANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In 2017, each of the independent non-executive Directors, namely, Mr. Ding Huiping, Mr. Wang Dashu, Mr. Wang Chuanshun and Mr. Zong Wenlong were paid an independent Director's allowance of approximately RMB80,000 (before tax).

Remuneration (allowance) of Directors, supervisors and senior management of the Company in 2017 (before income tax)

| **Name** | **Position in the Company** | **Remuneration (allowance) of Directors, supervisors and senior management** *(RMB0'000)* |
|---|---|---|
| Zhao Jianguo | Chairman, Non-executive Director | – |
| Chen Bin | Vice Chairman, Executive Director | 78.36 |
| Wang Yingli | Vice Chairman, Non-executive Director | – |
| Tian Hongbao | Executive Director, General Manager | 78.36 |
| Gou Wei | Non-executive Director | – |
| Chu Yu | Non-executive Director | – |
| Zhang Ke | Non-executive Director | – |
| Ding Huiping | Independent non-executive Director | 8 |
| Wang Dashu | Independent non-executive Director | 8 |
| Wang Chuanshun | Independent non-executive Director | 8 |
| Zong Wenlong | Independent non-executive Director | 8 |
| Li Xiaopeng | Chairman of the Supervisory Committee | – |
| Peng Xingyu | Supervisor | – |
| Yuan Yanan | Employee Representative Supervisor | 64.41 |
| Wei Aiyun | Former Employee Representative Supervisor | 4.67 |
| Ma Jing'an | Employee Representative Supervisor | 27.77 |
| Zha Jianqiu | Independent Supervisor | 7 |
| Zhou Lianqing | Secretary to the Board | 63.28 |
| Peng Guoquan | Deputy General Manager | 64.46 |
| Xing Shibang | Former Deputy General Manager | 32.10 |
| Chen Cunlai | Deputy General Manager, Former Chief Financial Officer | 64.46 |
| Chen Bin (Y) | Deputy General Manager, General Counsel | 64.15 |
| Xie Yun | Former Deputy General Manager, Chief Engineer | 31.65 |
| Li Zengfang | Former Chief Financial Officer | 26.37 |
| Feng Rong | Chief Financial Officer | 5.26 |

## NOMINATION COMMITTEE

On 28 March 2012, the Board set up a Nomination Committee, which is a body specifically set up by the Board according to the resolution of the general meeting, and mainly responsible for making recommendations to the Board on the procedures, standards and qualifications of electing and appointing Directors and senior management of the Company. The standards relating to the selection and recommendation of director candidates include the Director's appropriate professional knowledge and background, personal ethics, as well as their time commitment to the affairs of the Company.

If the term of office of the Board expires or the Board proposes to add new directors or to fill vacancies of the Board, the Nomination Committee of the Board shall recommend to the Board the candidates. Upon being considered and approved by the Board, relevant proposals will be submitted at the general meeting shareholder(s) of the Company for approval. Other director candidates other than the independent non-executive directors shall be nominated by the Board, the Supervisory Committee of the Company, shareholders individually or collectively holding over 5% of the total voting shares of the Company, and elected at the general meeting of the Company. The candidates for the independent non-executive directors shall be nominated by the Board, the Supervisory Committee of the Company, shareholders individually or collectively holding over 1% of the total voting shares of the Company, and elected at the general meeting of the Company.

The primary terms of reference of the Nomination Committee include:

(1) to regularly review the structure, size and composition of the Board;

(2) to study and make recommendations on the standards and procedures for selecting the Company's Directors and senior management of the Company;

(3) to verify the personal information of all the candidates for election or re-election of the Company's Directors and senior management of the Company, and submit the verification result to the Board or the general meeting of the Company for reference;

(4) in case of resignation or removal of a Director, to present the Board the reasons for such resignation or removal and other matters that need to be specified to shareholders; in case of resignation or removal of a senior management member of the Company, to present the Board the reasons for such resignation or removal; and

(5) to formulate and review the standards for establishing the special committees under the Board and provide proposed amendments to the Board when appropriate.

As at the date of this report, the incumbent Nomination Committee of the Board is headed by Mr. Ding Huiping (independent non-executive Director) as its chairman and is composed of Mr. Gou Wei (executive Director), Mr. Zhang Ke (non-executive Director), Mr. Wang Dashu (independent non-executive Director), and Mr. Wang Chuanshun (independent non-executive Director) as members.

The Nomination Committee of the Board held three meetings on 27 March, 9 May and 30 June 2017. All the members of the committee were present at the meeting in person, and there was no attendance by proxy. During the first meeting held on 27 March 2017, the Nomination Committee of the Board considered and approved the proposals of recommending Mr. Chen Cunlai as the Deputy General Manager and Mr. Li Zengfang as the Chief Financial Officer of the Company. During the second meeting held on 9 May 2017, the Nomination Committee of the Board considered and approved the proposal of re-election of the Board. During the third meeting held on 30 June 2017, the Nomination Committee of the Board considered and approved the proposal of Mr. Ding Huiping being the chairman of the Nomination Committee of the eighth session of the Board; considered and approved Mr. Tian Hongbao as General Manager of the Company; appointed Mr. Peng Guoquan, Mr. Chen Cunlai, Mr. Chen Bin as the Deputy General Managers of the Company and Mr. Li Zengfang as the Chief Financial Officer of the Company.

## AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF 2017

In order to enter the power sales side markets as soon as possible, and enhance the market share of the Company and social influence, at the 22nd meeting of the seventh session of the Board, the Company considered and approved the increase in sales of power business within the thermal power operating scope and the amendments to the terms in the Articles of Association in respect of the operating scope of the Company. For details, please refer to the Company's announcement published on the website of the Hong Kong Stock Exchange on 28 March 2017.

In order to implement the spirit of the "Notice of Solidly Pushing the Requirement of State-Owned Enterprises for Party Building to be Incorporated into the Articles of Association" issued by the CPC Central Committee and the SASAC Party Committee of State Council, and to further improve corporate governance, at the fifth meeting of the eighth session of the Board, the Company considered and approved the amendments to the Articles of Association in accordance with the requirements of relevant laws and regulations. For details, please refer to the Company's announcement published on the website of the Hong Kong Stock Exchange on 27 October 2017.

## AUDITORS

For the year ended 31 December 2017, the Company paid an aggregate of approximately RMB10.95 million of audit service fees to our auditors, Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP, including fees for audit of internal control provided by Deloitte Touche Tohmatsu Certified Public Accountants LLP to the Company. The audit service fees were considered by the Audit Committee of the Board and the Board and were approved at the AGM.

## SHAREHOLDERS' RIGHTS

Shareholders individually or jointly holding 10% or more of the Company's shares may request the convening of an EGM by signing one or more counterpart requisition(s) stating the meeting agenda and requiring the Board to convene the meeting. The Board shall give a reply in writing, as to whether or not it agrees to convene the meeting within 10 days after receiving the aforementioned requisition.

Shareholders individually or jointly holding 3% or more of the Company's shares shall have the right to submit proposals at a general meeting of the Company. Shareholders individually or jointly holding 3% or more of the Company's shares may submit extra proposals to the convener of a general meeting in writing 10 days prior to the meeting. The convener shall issue a supplemental notice of the general meeting and announce the contents of such extra proposals within 2 days after receipt thereof.

## INVESTOR RELATIONS

The Company undertakes that it shall make impartial disclosure and full and transparent reporting. The ultimate duty of the Chairman is to ensure effective communication with the investors and the Board's understanding of the opinions of substantial shareholders. In this regard, the Chairman shall meet with the Shareholders. The Secretary to the Board is responsible for the day-to-day contacts between the Board and substantial Shareholders.

The previous AGM of the Company was held in Beijing on 30 June 2017, at which the Chairman of the Board attended the meeting and answered questions. At the said general meeting, each matter was put forward in form of a separate proposal and voted by way of poll.

The senior management of the Company shall preside over presentations and attend the meetings with institutional investors and financial analysts for intercommunication in respect of the Company's results and business prospects, which is a regular function of investor relations. Investors and the public may access the Company's website to download presentation data used in these meetings from online database. The website also sets out the detailed information on the Company's businesses.

For any enquiry addressed to the Board, investors can contact the Board through shareholder hotlines (8610–83567779, 83567900 or 83567905) or by email (hdpi@hdpi.com.cn) or by fax (8610–83567963), and Shareholders may raise questions at annual or extraordinary general meetings of the Company.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES AND PERFORMANCE

The Company complied with the "comply or explain" provisions set out in the Environmental, Social and Governance Reporting Guide in 2017. The information relating to the environmental, social and governance policies and performance of the Company in 2017 is set out in the Environmental, Social and Governance Report of the Company.

By Order of the Board
**Zhao Jianguo**
*Chairman*

Beijing, the PRC
26 March 2018

As at the date of this report, the Board comprises:

*Zhao Jianguo (Chairman, Non-executive Director), Chen Bin (Vice Chairman, Executive Director), Wang Yingli (Vice Chairman, Non-executive Director), Tian Hongbao (Executive Director), Gou Wei (Non-executive Director), Chu Yu (Non-executive Director), Zhang Ke (Non-executive Director), Ding Huiping (Independent Non-executive Director), Wang Dashu (Independent Non-executive Director), Wang Chuanshun (Independent Non-executive Director) and Zong Wenlong (Independent Non-executive Director).*

# Corporate Information

## CORPORATE INFORMATION

| | |
|---|---|
| **Legal address** | 14800 Jingshi Road<br>Jinan, Shandong Province<br>The People's Republic of China |
| **Authorised representatives** | Chen Bin<br>Zhou Lianqing |
| **Company secretary** | Zhou Lianqing |
| **Hong Kong share registrar and transfer office** | Hong Kong Registrars Limited<br>17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong |
| **Auditors** | Deloitte Touche Tohmatsu<br>35 Floor, One Pacific Place<br>88 Queensway<br>Hong Kong<br><br>Deloitte Touche Tohmatsu Certified Public Accountants LLP<br>8 Floor, Tower W2, The Towers, Oriental Plaza<br>No. 1 East Chang An Avenue, Beijing<br>The People's Republic of China |
| **Legal advisers to the Company as to Hong Kong law and United States law** | Baker & McKenzie<br>14th Floor, Hutchison House<br>10 Harcourt Road, Central<br>Hong Kong |
| **as to PRC law** | Haiwen & Partners<br>20 Floor, Fortune Financial Centre<br>No. 5 Dong San Huan Mid Road<br>Chao Yang District, Beijing<br>The People's Republic of China |

## COMPANY PUBLICATIONS

The Company's 2017 annual report was published in April 2018. Copies of the annual report are available for inspection at:

| | |
|---|---|
| **PRC** | Huadian Power International Corporation Limited<br>No. 2 Xuanwumennei Street,<br>Xicheng District, Beijing<br>The People's Republic of China<br>Tel: (8610) 8356 7888<br>Fax: (8610) 8356 7963 |
| **Hong Kong** | Wonderful Sky Financial Group Limited<br>6/F, Nexxus Building,<br>41 Connaught Road<br>Central, Hong Kong<br>Tel: (852) 2851–1038<br>Fax: (852) 2815–1352 |

* *For identification purposes only*

Deloitte. 德勤

**TO THE SHAREHOLDERS**
**OF HUADIAN POWER INTERNATIONAL CORPORATION LIMITED**
*(Incorporated in the People's Republic of China with limited liability)*

## OPINION

We have audited the consolidated financial statements of Huadian Power International Corporation Limited (the "Company") and its subsidiaries (collectively referred to as "the **Group**") set out on pages 50 to 126, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 Standard 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**"), and we have fulfilled our other ethical responsibilities in accordance with 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 judgment, 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.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| Disposal of partial equity interest in Huadian Property Company Limited | |
| We identified the transaction in relation to disposal of partial equity interest in Huadian Property Company Limited ("**Huadian Property**") as a key audit matter due to the amount of the transaction had a substantial impact on the consolidated financial statements and it is a related party transaction.<br><br>During the current year, the Company entered into an agreement with its parent company, China Huadian Corporation Limited ("**China Huadian**") to dispose of 8% equity interests in Huadian Property accounted for as an associate to China Huadian. The consideration was determined based on an independent valuation report and recognised a gain arising from the aforesaid transaction amounting to RMB419 million.<br><br>Detail of this transaction is set out in note 22(d) and 40(a), to the consolidated financial statements. | Our procedures in relation to the disposal of partial equity interest in Huadian Property included:<br><br>• Testing the controls relevant to our audit on the disposal of partial equity interest in Huadian Property;<br><br>• Examining the directors' resolution, the agreement, the announcement relating to the disposal and supporting documentation such as independent directors' approval etc.;<br><br>• Challenging the appropriateness of key assumptions and judgements used in the valuation report;<br><br>• Checking arithmetical accuracy of the computation provided by the independent valuer; and<br><br>• Evaluating the adequacy of the disclosure for this disposal in the consolidated financial statements. |

## KEY AUDIT MATTERS (CONTINUED)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| The carrying value of property, plant and equipment and goodwill related to power generation | |
| We identified the carrying value of property, plant and equipment and goodwill related to power generation as a key audit matter due to significant accounting estimations involved in estimating the recoverable amounts of the relevant assets and cash generating units ("**CGUs**").<br><br>The capacity of power generation is at risk of overcapacity in power market of certain regions. Hence management performed an impairment test on the property, plant and equipment and goodwill associated with the relevant CGUs related to power generation in those regions, after taking into account the Group's future power generation operating plans and the outlook for the industry.<br><br>The recoverable amount of the relevant assets or the CGUs has been determined based on value-in-use calculation through discounting the estimated future cash flows generated from the relevant assets or the CGUs to the present value. In estimating the aforesaid recoverable amount, management is required to consider all relevant factors with reasonable and supportable assumptions to make significant accounting estimations. Details of property, plant and equipment, goodwill and the related estimation uncertainty are set out in notes 17, 21 and 4(a), respectively, to the consolidated financial statements. | Our procedures in relation to management's impairment test of the property, plant and equipment and goodwill related to power generation included:<br><br>• Testing the Group's key internal controls over valuation and determination of non-current asset impairments;<br><br>• Evaluating the appropriateness of the methodologies of the impairment test;<br><br>• Testing the underlying data used by the Group in the impairment test, evaluating the appropriateness of management's key assumptions and judgements in the impairment test and how the external valuer's work was relied on by management; and<br><br>• Verifying the mathematical accuracy of the calculation in the impairment test. |

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by 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.

Those charged with governance are responsible 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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 those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 those charged with governance, 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 the independent auditor's report is Wong Tin Chak, Samuel.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong

26 March 2018

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

*For the year ended 31 December 2017*
*(Prepared under International Financial Reporting Standards)*
*(Expressed in Renminbi)*

| | Notes | 2017<br>RMB'000 | 2016<br>RMB'000 |
|---|---|---|---|
| **Turnover** | 5 | **78,463,912** | 62,837,146 |
| **Operating expenses** | | | |
| Fuel costs | | **(39,640,864)** | (28,841,169) |
| Cost of coal sold | | **(12,272,334)** | (1,023,465) |
| Depreciation and amortisation | | **(10,465,411)** | (10,712,147) |
| Repairs, maintenance and inspection | | **(2,660,888)** | (3,081,298) |
| Personnel costs | 6 | **(4,610,753)** | (4,519,265) |
| Administration expenses | | **(2,428,462)** | (2,782,795) |
| Taxes and surcharges | 7 | **(882,539)** | (964,556) |
| Other operating expenses | | **(1,123,724)** | (1,033,868) |
| | | **(74,084,975)** | (52,958,563) |
| **Operating profit** | | **4,378,937** | 9,878,583 |
| Investment income | 8 | **508,365** | 13,487 |
| Other revenue | 9 | **643,867** | 687,793 |
| Other net income | 9 | **137,883** | 113,833 |
| Interest income from bank deposits | | **91,970** | 99,821 |
| Finance costs | 10 | **(5,135,765)** | (5,013,212) |
| Share of results of associates and joint ventures | 22 | **527,703** | 192,468 |
| **Profit before taxation** | 11 | **1,152,960** | 5,972,773 |
| Income tax | 14 | **(458,484)** | (1,677,547) |
| **Profit for the year** | | **694,476** | 4,295,226 |
| **Other comprehensive expense for the year (net of tax):** | 15 | **(22,335)** | (28,770) |
| *Items that may be subsequently reclassified to profit or loss:* | | | |
| Net fair value loss on available-for-sale investments | | **(11,965)** | (3,963) |
| Share of net fair value loss on available-for-sale investments of associates | | **(10,370)** | (24,807) |
| **Total comprehensive income for the year** | | **672,141** | 4,266,456 |
| **Profit for the year attributable to:** | | | |
| Equity shareholders of the Company | | **435,905** | 3,127,799 |
| Non-controlling interests | | **258,571** | 1,167,427 |
| | | **694,476** | 4,295,226 |
| **Total comprehensive income for the year attributable to:** | | | |
| Equity shareholders of the Company | | **413,917** | 3,099,859 |
| Non-controlling interests | | **258,224** | 1,166,597 |
| | | **672,141** | 4,266,456 |
| **Basic earnings per share** | 16(a) | **RMB0.044** | RMB0.317 |

# Consolidated Statement of Financial Position

*At 31 December 2017*
*(Prepared under International Financial Reporting Standards)*
*(Expressed in Renminbi)*

| | Notes | 2017 | 2016 |
|---|---|---|---|
| | | RMB'000 | RMB'000 |
| **Non-current assets** | | | |
| Property, plant and equipment | 17 | **145,694,565** | 146,701,724 |
| Construction in progress | 18 | **23,648,651** | 22,214,934 |
| Lease prepayments | 19 | **3,013,047** | 2,902,835 |
| Intangible assets | 20 | **5,940,446** | 6,114,886 |
| Goodwill | 21 | **1,432,780** | 1,432,780 |
| Interests in associates and joint ventures | 22 | **10,836,925** | 9,411,044 |
| Available-for-sale investments | 23 | **241,867** | 281,970 |
| Other non-current assets | 24 | **2,738,336** | 2,673,055 |
| Deferred tax assets | 36(b) | **270,487** | 178,772 |
| | | **193,817,104** | 191,912,000 |
| **Current assets** | | | |
| Inventories | 26 | **2,871,233** | 2,737,360 |
| Trade debtors and bills receivable | 27 | **10,511,497** | 7,254,884 |
| Deposits, other receivables and prepayments | 28 | **4,092,172** | 4,383,316 |
| Tax recoverable | 36(a) | **94,506** | 221,387 |
| Restricted deposits | 29 | **65,361** | 105,121 |
| Lease prepayments | 19 | **109,032** | 103,030 |
| Cash and cash equivalents | 30 | **7,416,801** | 6,358,618 |
| | | **25,160,602** | 21,163,716 |
| **Current liabilities** | | | |
| Bank loans | 31(a) | **36,100,608** | 17,724,554 |
| State loans | 31(c) | **8,944** | 9,479 |
| Other loans | 31(d) | **4,954,220** | 5,025,620 |
| Short-term debentures payable | 31(e) | **6,059,239** | 19,754,377 |
| Long-term debentures payable-current portion | 31(f) | **6,493,146** | 1,996,900 |
| Amount due to the parent company | | **64,295** | 31,191 |
| Obligations under finance leases | 32 | **791,590** | 735,430 |
| Trade creditors and bills payable | 33 | **18,042,924** | 20,796,385 |
| Other payables | 34 | **7,580,928** | 7,899,531 |
| Tax payable | 36(a) | **221,431** | 180,963 |
| | | **80,317,325** | 74,154,430 |
| **Net current liabilities** | | **(55,156,723)** | (52,990,714) |
| **Total assets less current liabilities** | | **138,660,381** | 138,921,286 |

# Consolidated Statement of Financial Position (Continued)

*At 31 December 2017*
*(Prepared under International Financial Reporting Standards)*
*(Expressed in Renminbi)*

| | Notes | 2017 | 2016 |
|---|---|---|---|
| | | RMB'000 | RMB'000 |
| **Non-current liabilities** | | | |
| Bank loans | 31(a) | **53,513,930** | 52,916,289 |
| Loans from shareholders | 31(b) | **1,778,666** | 1,778,666 |
| State loans | 31(c) | **61,373** | 66,214 |
| Other loans | 31(d) | **6,855,191** | 4,932,920 |
| Long-term debentures payable | 31(f) | **10,058,115** | 11,053,323 |
| Obligations under finance leases | 32 | **2,209,517** | 2,692,366 |
| Long-term payables | 35 | **414,852** | 360,135 |
| Provisions | 38 | **108,912** | 100,845 |
| Deferred government grants | 9(a) | **1,246,431** | 1,306,819 |
| Deferred income | 37 | **2,732,905** | 2,469,687 |
| Deferred tax liabilities | 36(b) | **2,457,838** | 2,849,680 |
| Retirement benefit obligations | | **20,858** | 23,418 |
| | | **81,458,588** | 80,550,362 |
| **NET ASSETS** | | **57,201,793** | 58,370,924 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 39(b) | **9,862,977** | 9,862,977 |
| Reserves | 39(c) | **33,046,182** | 33,975,340 |
| **Total equity attributable to equity shareholders of the Company** | | **42,909,159** | 43,838,317 |
| **Non-controlling interests** | | **14,292,634** | 14,532,607 |
| **TOTAL EQUITY** | | **57,201,793** | 58,370,924 |

The consolidated financial statements on pages 50 to 126 were approved and authorised for issue by the board of directors on 26 March 2018 and are signed on its behalf by:

**Chen Bin**
*Director*

**Tian Hongbao**
*Director*

# Consolidated Statement of Changes in Equity

*For the year ended 31 December 2017*
*(Prepared under International Financial Reporting Standards)*
*(Expressed in Renminbi)*

| | Attributable to equity shareholders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital *RMB'000* *(note 39(b))* | Capital reserve *RMB'000* *(note 39(c)(i))* | Statutory surplus reserve *RMB'000* *(note 39(c)(ii))* | Discretionary surplus reserve *RMB'000* | Revaluation reserve *RMB'000* *(note 39(c)(iii))* | Fair value reserve *RMB'000* *(note 39(c)(iv))* | Retained profits *RMB'000* | Total *RMB'000* | Non-controlling interests *RMB'000* | Total equity *RMB'000* |
| **Balance at 1 January 2017** | **9,862,977** | **14,878,228** | **3,006,351** | **68,089** | **44,726** | **(3,687)** | **15,981,633** | **43,838,317** | **14,532,607** | **58,370,924** |
| Profit for the year | **–** | **–** | **–** | **–** | **–** | **–** | **435,905** | **435,905** | **258,571** | **694,476** |
| Other comprehensive expense for the year *(note 15)* | **–** | **–** | **–** | **–** | **–** | **(21,988)** | **–** | **(21,988)** | **(347)** | **(22,335)** |
| Total comprehensive income for the year | **–** | **–** | **–** | **–** | **–** | **(21,988)** | **435,905** | **413,917** | **258,224** | **672,141** |
| Capital injection from non-controlling interests | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **526,839** | **526,839** |
| Acquisition of non-controlling interests | **–** | **272** | **–** | **–** | **–** | **–** | **–** | **272** | **(17,174)** | **(16,902)** |
| Loss of control of a subsidiary | **–** | **–** | **12,646** | **–** | **–** | **–** | **(12,646)** | **–** | **(353,696)** | **(353,696)** |
| Dividends recognised as distribution *(note 39(a))* | **–** | **–** | **–** | **–** | **–** | **–** | **(1,341,365)** | **(1,341,365)** | **–** | **(1,341,365)** |
| Dividends declared to non-controlling interests | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(653,515)** | **(653,515)** |
| Appropriation of general reserve | **–** | **–** | **134,437** | **–** | **–** | **–** | **(134,437)** | **–** | **–** | **–** |
| Appropriation of specific reserve | **–** | **–** | **120,317** | **–** | **–** | **–** | **(120,317)** | **–** | **–** | **–** |
| Utilisation of specific reserve | **–** | **–** | **(45,867)** | **–** | **–** | **–** | **45,867** | **–** | **–** | **–** |
| Others | **–** | **(1,542)** | **–** | **–** | **–** | **–** | **(440)** | **(1,982)** | **(651)** | **(2,633)** |
| **Balance at 31 December 2017** | **9,862,977** | **14,876,958** | **3,227,884** | **68,089** | **44,726** | **(25,675)** | **14,854,200** | **42,909,159** | **14,292,634** | **57,201,793** |
| Balance at 1 January 2016 | 9,862,977 | 14,878,477 | 2,555,606 | 68,089 | 44,726 | 24,253 | 16,265,061 | 43,699,189 | 14,362,950 | 58,062,139 |
| Profit for the year | – | – | – | – | – | – | 3,127,799 | 3,127,799 | 1,167,427 | 4,295,226 |
| Other comprehensive expense for the year *(note 15)* | – | – | – | – | – | (27,940) | – | (27,940) | (830) | (28,770) |
| Total comprehensive income for the year | – | – | – | – | – | (27,940) | 3,127,799 | 3,099,859 | 1,166,597 | 4,266,456 |
| Capital injection from non-controlling interests | – | 393 | – | – | – | – | – | 393 | 702,370 | 702,763 |
| Dividends recognised as distribution *(note 39(a))* | – | – | – | – | – | – | (2,958,893) | (2,958,893) | – | (2,958,893) |
| Dividends declared to non-controlling interests | – | – | – | – | – | – | – | – | (1,697,070) | (1,697,070) |
| Appropriation of general reserve | – | – | 411,366 | – | – | – | (411,366) | – | – | – |
| Appropriation of specific reserve | – | – | 68,050 | – | – | – | (68,050) | – | – | – |
| Utilisation of specific reserve | – | – | (28,671) | – | – | – | 28,671 | – | – | – |
| Others | – | (642) | – | – | – | – | (1,589) | (2,231) | (2,240) | (4,471) |
| Balance at 31 December 2016 | 9,862,977 | 14,878,228 | 3,006,351 | 68,089 | 44,726 | (3,687) | 15,981,633 | 43,838,317 | 14,532,607 | 58,370,924 |

# Consolidated Statement of Cash Flows

*For the year ended 31 December 2017*
*(Prepared under International Financial Reporting Standards)*
*(Expressed in Renminbi)*

| | Notes | 2017 | 2016 |
|---|---|---|---|
| | | RMB'000 | RMB'000 |
| **Operating activities** | | | |
| Cash received from customers and others | | **86,483,454** | 76,289,514 |
| Cash paid to suppliers, employees and others | | **(73,010,721)** | (51,377,119) |
| Cash generated from operations | | **13,472,733** | 24,912,395 |
| Interest paid | | **(5,646,315)** | (5,298,499) |
| PRC enterprise income tax paid | 36 | **(683,579)** | (2,780,148) |
| **Net cash generated from operating activities** | | **7,142,839** | 16,833,748 |
| **Investing activities** | | | |
| Payment for the purchase of property, plant and equipment, construction in progress and intangible assets | | **(14,096,658)** | (16,913,539) |
| Net cash outflow for the acquisition of subsidiaries | | **(255,376)** | – |
| Payment for investment in associates | | **(1,253,115)** | (91,966) |
| Increase of other long-term receivables | | **(96,412)** | (58,408) |
| Proceeds on disposal of associates | | **686,630** | 7,396 |
| Proceeds on disposal of available-for-sale investment | 23 | **49,465** | 210,000 |
| Interest received | | **106,975** | 120,066 |
| Withdrawal of restricted deposits | | **186,308** | 427,756 |
| Placement of restricted deposits | | **(146,548)** | (186,307) |
| Dividends received | | **402,634** | 534,555 |
| Other investing activities | | **328,635** | 316,501 |
| **Net cash used in investing activities** | | **(14,087,462)** | (15,633,946) |
| **Financing activities** | | | |
| Debentures | | | |
| – Net proceeds from debentures | | **11,500,000** | 27,958,000 |
| – Repayment of debentures | | **(21,500,000)** | (25,000,000) |
| – Proceeds from loans | | **62,277,059** | 31,353,410 |
| – Repayment of loans | | **(40,984,023)** | (33,901,169) |
| Obligation under finance leases | | | |
| – Proceeds obtained under sales and leaseback arrangement | | **495,997** | 675,000 |
| – Lease payment under sales and leaseback arrangement | | **(774,399)** | (729,686) |
| Bills financing | | | |
| – Proceeds from bank acceptance bills discounted | | **1,325,000** | 2,073,943 |
| – Repayment of bank acceptance bills | | **(2,402,207)** | (1,569,296) |
| Capital injection from non-controlling interests | | **509,022** | 605,416 |
| Dividends paid to non-controlling interests | | **(976,433)** | (2,434,353) |
| Dividends distribution | | **(1,341,365)** | (2,958,893) |
| Other financing activities | | **(125,845)** | (151,636) |
| **Net cash generated from/(used in) financing activities** | | **8,002,806** | (4,079,264) |
| **Net increase/(decrease) in cash and cash equivalents** | | **1,058,183** | (2,879,462) |
| **Cash and cash equivalents at 1 January** | | **6,358,618** | 9,238,080 |
| **Cash and cash equivalents at 31 December** | 30 | **7,416,801** | 6,358,618 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2017*
*(Prepared under International Financial Reporting Standards)*
*(Expressed in Renminbi)*

## 1. BACKGROUND OF THE COMPANY

Huadian Power International Corporation Limited (the "**Company**") was established in Shandong province of the People's Republic of China (the "**PRC**") on 28 June 1994 as a joint stock limited company and the office address is No. 2 Xuanwumennei Street, Xicheng District, Beijing, the PRC.

The Company and its subsidiaries (together referred to as the "**Group**") are principally engaged in the generation and sale of electricity, heat and coal. The majority of electricity generated is supplied to the local power grid companies where the power plants are located.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance ("**CO**"). A summary of the significant accounting policies adopted by the Group is set out below.

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

### (b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Group and its interests in associates and joint ventures.

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories, or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of the consolidated 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 amounts 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.

Judgement made by management in the application of IFRSs that have significant effects on the consolidated financial statements and key sources of estimation uncertainty are discussed in note 4.

### (c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control is achieved when the Company:

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

– the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

– potential voting rights held by the Group, other vote holders or other parties;

– rights arising from other contractual arrangements; and

– any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Subsidiaries and non-controlling interests (Continued)

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 and transactions 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. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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.

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. 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.

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 the Group's relevant components of equity and non-controlling interests within consolidated equity to reflect the change in relative interests, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests is adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. 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 and calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. 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(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 2(f)). All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary, i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(m)).

### (d) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

### (f) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's and the joint venture's accounting policies to those of the Group. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

When there is an objective evidence indicating that the net investments in associates and joint ventures may be impaired, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised in profit or loss forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Investments in associates and joint ventures (Continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale is accounted for using the equity method.

Upon disposal or partial disposal of the Group's interest in an associate or a joint venture in which the Group lost significant influence or joint control and discontinued the use of equity method, any retained interest that is within the scope of IAS 39 is measured at fair value on that date, the difference between the carrying amount of the associate or joint venture at the date, and the proceeds from disposing of such interest (or partial interest) in the associate or joint venture and the fair value of the retained interest is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the Group lost significant influence or joint control over the investee.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

In the Company's statement of financial position, the investments in associates and joint ventures are stated at cost less provision for impairment losses. The results of associates and joint ventures are accounted for by the Company on the basis of dividends received and receivable.

### (g) Other investments in securities

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

Investments in securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include 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(t)(iv) and (v).

Other investments in securities are classified as available-for-sale investments. 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, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(t)(iv) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 2(t)(v). When these investments are derecognised or impaired (see note 2(m)), the cumulative gain or loss is reclassified from equity to profit or loss.

Available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see note 2(m)).

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(m)).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets 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 capitalisation of borrowing costs (see note 2(w)).

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodies within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

When proved and probable coal reserves have been determined, costs incurred to develop coal mines are capitalised as part of the cost of the mining structures. When stripping activities can be shown to give rise to future benefits from the mineral property, the Group capitalises the related production stripping costs into property, plant and equipment as mining structure, including production stripping costs for surface mining activities.

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, other than mining structures and mining rights, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

| | |
|---|---|
| – Buildings | 20–45 years |
| – Generators, machinery and equipment | 5–20 years |
| – Motor vehicles, furniture, fixtures, equipment and others | 5–10 years |

Mining structures and mining rights are depreciated on a units-of-production method utilising only proved and probable coal reserves in the depletion base.

The Group's mining rights are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules.

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.

### (i) Construction in progress

Construction in progress is stated at cost, which comprises construction expenditure, including interest costs and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest costs during the construction period, and the cost of related equipment, less impairment losses (see note 2(m)).

The costs are transferred to property, plant and equipment and depreciation will be provided at the appropriate rates specified in note 2(h) above when the relevant assets are completed and ready for their intended use.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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(m)).

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(m)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the asset's 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 | the shorter of remaining concession period or 25 years |
| – Development right of hydropower | 45 years |
| – Others | 5–10 years |

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Leased assets

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

**(i) Classification of leases**

Assets that are held by 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 right of 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 included in 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 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(m). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

**(iii) Sales and leaseback arrangement resulting in finance lease**

A sales and leaseback arrangement which results in a finance lease is a means whereby the lessor provides finance to the lessee with the asset as security. To reflect the substance of the transaction, any excess of sales proceeds over the carrying amount of the asset, or any deficit of sales proceeds lower than the carrying amount of the asset, is deferred and amortised as an adjustment to the depreciation of the asset.

**(iv) Operating lease charges**

Where the Group has the right to use an asset held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the accounting periods covered by the lease term. Lease incentives received are recognised in profit or loss on a straight-line basis over the lease term. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Lease prepayments

Lease prepayments represent cost of land use rights and sea use rights paid to the PRC's land bureau and oceanic bureau respectively. Lease prepayments are stated at cost, less accumulated amortisation and any impairment losses (see note 2(m)). Amortisation is charged to profit or loss from the date of initial recognition on a straight-line basis over the respective periods of the rights which mainly range from 10 years to 70 years.

### (m) Impairment of assets

**(i) Impairment of investments in securities and receivables**

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or other investments that are classified as available-for-sale securities and stated at fair value 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 adverse effect on the debtor;

– the disappearance of an active market for that financial assets because of financial difficulties; and

– a significant or prolonged decline in the fair value of an investment in an equity investment below its cost.

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Impairment of assets (Continued)

**(i) Impairment of investments in securities and receivables (Continued)**

– For available-for-sale securities carried at fair value, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss when they are considered impaired. 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. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

**(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;

– construction in progress;

– lease prepayments;

– intangible assets;

– investments in associates and joint ventures;

– other non-current assets (other than financial assets); and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, 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)

### (m) 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 amount of an asset will not be reduced below its individual fair value less costs of disposal, 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.

### (n) Inventories

Inventories, comprising coal, stalk, fuel oil, gas, materials, components and spare parts for consumption are carried at the lower of cost and net realisable values.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, cost 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, the estimated conversion costs during power generation, and the estimated costs necessary to make the sale.

When inventories are used or sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised, or capitalised to property, plant and equipment when installed, as appropriate. 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.

### (o) Trade debtors and bills receivable and other receivables ("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(m)).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

### (p) 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, having been within three months of maturity at acquisition.

### (q) Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) Financial liabilities and equity instruments (Continued)

**(i) Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

**(ii) Other financial liabilities**

Other financial liabilities including bank loans, loans from shareholders, state loans, other loans, short-term debentures payable, amount due to the parent company, trade creditors and bills payable, other payables, long-term debentures payable, long-term payables, are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

### (r) Derecognition of financial assets or financial liabilities

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### (s) Financial guarantees issued, provisions and contingent liabilities

**(i) Financial guarantees issued**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values, and are subsequently measured at the higher of:

– the amount of obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

– the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

**(ii) 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)

### (t) 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) Electricity income**

Electricity income is recognised when electricity is supplied to the power grid companies.

**(ii) Heat income**

Heat income is recognised when heat is supplied to customers.

**(iii) Sale of coal**

Income from the sale of coal is recognised when the risks and rewards to the ownership of the goods have been passed to the customers.

**(iv) Dividend income**

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

**(v) Interest income**

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

**(vi) Government grants**

Government grants are recognised in the consolidated 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. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred government grants in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

**(vii) Upfront connection and installation fees**

Upfront connection and installation fee received for connecting the customers' premises to the heat network of the Group is deferred and recognised on a straight-line basis over the expected service terms after the completion of the installation work.

### (u) 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. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

Foreign currency translation differences relating to funds borrowed relevant to construction in progress, to the extent that they are regarded as an adjustment to interest costs, are capitalised during the construction period (see note 2(i)). All other exchange differences are dealt with in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (v) 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. Taxable profit differs from profit before tax as reported in the consolidated financial statements because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

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

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried 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. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 the assets and settle the liabilities simultaneously.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost that of 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 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 are interrupted or complete.

### (x) Employee benefits

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

Short term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

**(ii) Termination benefits**

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

### (y) Research expenditure

Expenditure on research activities is recognised as expenses in the period in which it is incurred.

### (z) Related parties

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

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

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

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

(i) 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);

(ii) 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);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (z) Related parties (Continued)

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

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

(vi) The entity is controlled or jointly controlled by a person identified in (a); or

(vii) A person identified in (a)(i) 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).

Close family members 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.

### (aa) Segment reporting

The Group's most senior executive management ("the chief operating decision makers") review the Group's revenue and profits as a whole for the purposes of allocating resources and assessing the performance (note 5).

### (ab) Dividends

Dividends are recognised as a liability in the period in which they are declared.

## 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

### 3.1 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied, for the first time, the following amendments to IFRSs:

| | |
|---|---|
| Amendments to IAS 7 | Disclosure Initiative |
| Amendments to IAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses |
| Amendments to IFRS 12 | As part of the Annual Improvements to IFRSs 2014–2016 Cycle |

Except as describe below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**Amendments to IAS 7 Disclosure Initiative**

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 47. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 47, the application of these amendments has had no impact on the Group's consolidated financial statements.

*(Expressed in Renminbi)*

## 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

### 3.2 New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

| | |
|---|---|
| IFRS 9 | Financial Instruments [1] |
| IFRS 15 | Revenue from Contracts with Customers and the related Amendments [1] |
| IFRS 16 | Leases [2] |
| IFRS 17 | Insurance Contracts [4] |
| IFRIC 22 | Foreign Currency Transactions and Advance Consideration [1] |
| IFRIC 23 | Uncertainty over Income Tax Treatment [2] |
| Amendments to IFRS 2 | Classification and Measurement of Share-based Payment Transactions [1] |
| Amendments to IFRS 4 | Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts [1] |
| Amendments to IFRS 9 | Prepayment Features with Negative Compensation [2] |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3] |
| Amendments to IAS 19 | Plan Amendment, Curtailment or Settlement [2] |
| Amendments to IAS 28 | Long-term Interests in Associates and Joint Ventures [2] |
| Amendments to IAS 28 | As part of the Annual Improvements to IFRS Standards 2014–2016 Cycle [1] |
| Amendments to IAS 40 | Transfers of Investment Property [1] |
| Amendments to IFRSs | Annual Improvements to IFRS Standards 2015–2017 Cycle [2] |

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

Other than as further explained below, the directors of the Company do not anticipate that the application of the new and revised IFRSs above will have a material impact on the Group's consolidated financial statements and the disclosure in the foreseeable future.

**IFRS 9 Financial Instruments**

IFRS 9 introduces new requirements for classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of IAS 39 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("**FVTOCI**"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

## 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

### 3.2 New and revised IFRSs in issue but not yet effective (Continued)

**IFRS 9 Financial Instruments (Continued)**

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39 Financial Instruments: Recognition and Measurement, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors anticipated the following potential impact on initial application of IFRS 9.

*Classification and measurement*

- As disclosed in note 27, some of the Group entities' trade debtors and bills receivable have been factored or discounted to banks or endorsed to suppliers, which may be regarded as held within a business model whose objective is achieved both by collecting contractual cash flows and selling the receivables. As their contractual terms give rise to cash flows on specified dates that are payments of principal and interest on the principal outstanding, these receivables qualify for classification as FVTOCI with the fair value gains or losses accumulated in reserve subsequently reclassified to profit or loss upon derecognition under IFRS 9, which is different from the current treatment.

- Equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in note 23: these securities qualified for designation as measured at FVTOCI under IFRS 9, however, the Group plans not to elect the option for designating these securities to be measured at FVTOCI and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss. The directors of the Company do not anticipate that the amounts of fair value change relating to these securities to be adjusted to retained profits as at 1 January 2018 will be material.

- All other financial assets and financial liabilities will continue to be measured on the same basis as are currently measured under IAS 39.

*Impairment*

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of IFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would not significantly increase as compared to the accumulated amount recognised under IAS 39 mainly attributable to expected credit losses provision on trade and other receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets at 1 January 2018.

## 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

### 3.2 New and revised IFRSs in issue but not yet effective (Continued)

**IFRS 15 Revenue from Contracts with Customers and the related Amendments**

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

## 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

### 3.2 New and revised IFRSs in issue but not yet effective (Continued)

**IFRS 16 Leases**

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified assets is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for own use while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, leases payments in relation to lease liability will be allocated to a principal and an interest portion which will be presented as financing cash flows by the Group.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee.

The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use asset separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB403 million as disclosed in note 42. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

Furthermore, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual result may differ from these estimates.

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### (a) Impairment for non-current assets

As disclosed in notes 17, 18 and 21, if circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36, Impairment of assets.

The carrying amounts of individual assets or the cash-generating units ("**CGUs**") containing the non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. The assets or the CGUs are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use.

In determining the value in use, expected cash flows generated by the assets or the CGUs are discounted to their present value, the Group uses all readily available information, including estimates based on reasonable and supportable assumptions and projections of sale volume, tariff and amount of operating costs.

### (b) Impairment for trade debtors and other receivables

As disclosed in notes 27 and 28, the Group estimates impairment losses for bad and doubtful debts resulting from the inability of the debtors to make the required payments. The Group bases the estimates on the ageing of the receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the debtors' were to deteriorate, actual write-offs would be higher than estimated.

### (c) Depreciation and amortisation

As disclosed in notes 17 and 20, property, plant and equipment and intangible assets are depreciated and amortised over their estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account upgrading and improvement work performed, and anticipated technological changes. If there have been significant changes in the factors used to determine the depreciation or amortisation, the rate of depreciation or amortisation is revised prospectively.

### (d) Deferred tax assets

As disclosed in note 36(b), a deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. The Group uses all readily available information which includes reasonable and supportable assumptions and projections of sales volume, tariff and relevant operating costs to estimate whether there will be sufficient available future taxable profits to utilise deductible temporary differences. Any significant change in estimates would result in adjustment in the amount of deferred tax assets and income tax in future years.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### (e) Useful life of land use rights

Note 20 contains information relating to the indefinite life of the acquired land use rights which were assigned by the PRC's land bureau with indefinite land use period. Where the expectation is different from the original assumptions, such difference will impact carrying amount of the intangible assets and amortisation and impairment loss on intangible assets charged to profit or loss in the period in which such assumptions have been changed.

### (f) Provision on remediation costs

As disclosed in note 38, the estimation of the liabilities for mine disposal and environmental restoration involves the estimates of the amount and timing of future cash outflows as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including the size of mining area, future production development plan and reserve volume to determine the scope, amount and timing of reclamation and mine closure works to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred.

## 5. TURNOVER

Turnover represents the sale of electricity, heat and coal. Major components of the Group's turnover are as follows:

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Sale of electricity | **61,634,215** | 58,162,964 |
| Sale of heat | **4,025,595** | 3,441,752 |
| Sale of coal | **12,804,102** | 1,232,430 |
| | **78,463,912** | 62,837,146 |

The Group's customers are mainly local power grid companies. In 2017, there is one customer sale with whom has exceeded 10% of the Group's revenue, and revenue from sale of electricity to this customer, including sale to entities which are known to the Group to be under common control of with this customer, amounted to approximately Renminbi ("**RMB**") 27,425 million (2016: RMB32,040 million). Details of concentration of credit risk arising from the customer is set out in note 44(b).

The chief operating decision makers review the Group's revenue and profit as a whole, which is determined in accordance with the Group's accounting policies, for resources allocation and performance assessment. Therefore, the Group has only one operating and reportable segment and no further segment information is presented in the consolidated financial statements. The Group's major customers are the power grid operators in relation to the sale of electricity. The Group's assets are mainly located in the PRC.

## 6. PERSONNEL COSTS

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Wages, welfare and other benefits | **3,056,710** | 2,974,790 |
| Retirement costs *(note 41)* | **727,785** | 743,054 |
| Other staff costs | **826,258** | 801,421 |
| | **4,610,753** | 4,519,265 |

## 7. TAXES AND SURCHARGES

During the current year, taxes and surcharges of the group with the amounts of RMB883 million (2016: RMB965 million) mainly represent city maintenance and construction tax, education surcharge, urban land use tax, real estate tax, special fund for structural adjustment of industrial enterprises and other taxes and surcharges.

## 8. INVESTMENT INCOME

| | 2017 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Loss on deemed disposal of part of the interest in an associate | **–** | (144,287) |
| (Loss)/gain on disposal of an associate *(note 22(d))* | **(237)** | 1,396 |
| Gain on disposal of partial equity interest in an associate *(note 22(d))* | **418,684** | – |
| Gain on loss of control of a subsidiary | **6,304** | – |
| Gain on disposal of a listed equity security *(note 23)* | **19,916** | – |
| Dividend income from available-for-sale investments | **49,501** | 35,732 |
| Interest on loans and receivables | **14,197** | 14,085 |
| Gain on disposal of an unlisted equity security *(note 23)* | **–** | 106,561 |
| | **508,365** | 13,487 |

## 9. OTHER REVENUE AND NET INCOME

| | 2017 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Other revenue** | | |
| Government grants *(note)* | **322,222** | 473,876 |
| Revenue from upfront connection and installation fees for heating networks *(note 37)* | **158,018** | 142,739 |
| Others | **163,627** | 71,178 |
| | **643,867** | 687,793 |
| **Other net income** | | |
| Net income on disposal of property,plant and equipment | **25,143** | 1,524 |
| Net income from sale of materials | **304,917** | 239,555 |
| Others | **(192,177)** | (127,246) |
| | **137,883** | 113,833 |

*Note:*

Government grants mainly represent value added tax refund and the grants from government for environmental protection and heat supply. There is no unfulfilled condition relating to those grants.

In addition, for grants related to assets, such grants have been deferred and released to profit or loss in accordance with the useful lives of the related assets. In 2017, the Group received such grants amounting to RMB131 million (2016: RMB194 million), and the amount released to profit or loss is RMB78 million (2016: RMB88 million).

## 10. FINANCE COSTS

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Interest on loans and other financial liabilities | **5,566,517** | 5,238,066 |
| Less: interest capitalised | **(651,093)** | (497,498) |
| | **4,915,424** | 4,740,568 |
| Net foreign exchange (gain)/loss | **(21,579)** | 47,023 |
| Amortisation on unrecognised finance charges | **159,157** | 164,146 |
| Other finance costs | **82,763** | 61,475 |
| | **5,135,765** | 5,013,212 |

The borrowing costs have been capitalised at an average rate of 4.70% per annum (2016: 4.93%) for construction in progress.

## 11. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Amortisation | | |
| – Lease prepayments | **106,953** | 91,961 |
| – Intangible assets | **180,881** | 181,588 |
| Depreciation of property, plant and equipment | **10,177,577** | 10,438,598 |
| Total depreciation and amortisation | **10,465,411** | 10,712,147 |
| Auditors' remuneration | **10,950** | 10,850 |
| Cost of inventories expensed | **54,174,824** | 32,583,162 |
| Impairment losses included in administration expenses | | |
| – Trade debtors and bills receivable | **–** | 7,315 |
| – Deposits, other receivables and prepayments | **–** | 59 |
| – Inventories | **–** | 4,056 |
| – Construction in progress | **299,559** | 15,070 |
| – Property, plant and equipment | **477,781** | 951,600 |
| – Interests in associates and joint ventures | **–** | 99,290 |
| – Goodwill | **–** | 16,011 |
| – Lease prepayments | **1,417** | – |
| Reversal of impairment losses | | |
| – Trade debtors and bills receivable | **(25)** | (594) |
| – Inventories | **(13)** | – |
| Operating lease charges in respect of land and buildings | **157,935** | 205,013 |
| Research and development costs | **13,549** | 14,830 |

## 12. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS

Details of directors', chief executive's and supervisors' emoluments are as follows:

| 2017 | Directors' and supervisors' fees | Salaries, allowances and benefits in kind | Retirement benefits | Bonuses | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Executive directors** | | | | | |
| Chen Bin | – | 338 | 46 | 400 | 784 |
| Tian Hongbao | – | 338 | 46 | 400 | 784 |
| **Non-executive directors** | | | | | |
| Zhao Jianguo | – | – | – | – | – |
| Wang Yingli | – | – | – | – | – |
| Gou Wei | – | – | – | – | – |
| Chu Yu | – | – | – | – | – |
| Zhang Ke | – | – | – | – | – |
| **Independent non-executive directors** | | | | | |
| Ding Huiping | – | 80 | – | – | 80 |
| Wang Dashu | – | 80 | – | – | 80 |
| Zong Wenlong | – | 80 | – | – | 80 |
| Wang Chuanshun | – | 80 | – | – | 80 |
| **Supervisors** | | | | | |
| Li Xiaopeng | – | – | – | – | – |
| Peng Xingyu | – | – | – | – | – |
| Yuan Yanan | – | 278 | 37 | 329 | 644 |
| Zha Jianqiu | – | 70 | – | – | 70 |
| Wei Aiyun *(note i)* | – | 21 | 3 | 23 | 47 |
| Ma Jingan *(note ii)* | – | 125 | 13 | 140 | 278 |
| | – | 1,490 | 145 | 1,292 | 2,927 |

*Notes:*

(i) Ms. Wei Aiyun resigned as an employee representative supervisor on 25 June 2017.

(ii) Ms. Ma Jingan was appointed as an employee representative supervisor on 26 June 2017.

(iii) No directors, supervisors, or the chief executive of the Company waived any remuneration in 2017 (2016: nil), and their emoluments shown above were mainly for their services as directors of the Company.

## 12. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Details of directors', chief executive's and supervisors' emoluments are as follows (Continued):

| 2016 | Directors' and supervisors' fees | Salaries, allowances and benefits in kind | Retirement benefits | Bonuses | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Executive directors** | | | | | |
| Chen Bin | – | 334 | 44 | 430 | 808 |
| Geng Yuanzhu *(note i)* | – | 222 | 30 | – | 252 |
| Tian Hongbao *(note ii)* | – | 28 | 3 | 36 | 67 |
| **Non-executive directors** | | | | | |
| Zhao Jianguo *(note iii)* | – | – | – | – | – |
| Li Qingkui *(note iv)* | – | – | – | – | – |
| Chen Jianhua *(note v)* | – | – | – | – | – |
| Wang Yingli | – | – | – | – | – |
| Gou Wei | – | – | – | – | – |
| Chu Yu | – | – | – | – | – |
| Zhang Ke | – | – | – | – | – |
| **Independent non-executive directors** | | | | | |
| Ding Huiping | – | 80 | – | – | 80 |
| Wang Dashu | – | 80 | – | – | 80 |
| Wei Jian *(note vi)* | – | 33 | – | – | 33 |
| Zong Wenlong | – | 80 | – | – | 80 |
| Wang Chuanshun *(note vii)* | – | 48 | – | – | 48 |
| **Supervisors** | | | | | |
| Li Xiaopeng | – | – | – | – | – |
| Peng Xingyu | – | – | – | – | – |
| Chen Bin | – | 272 | 36 | 347 | 655 |
| Wei Aiyun | – | 229 | 35 | 279 | 543 |
| Zha Jianqiu | – | 70 | – | – | 70 |
| Yuan Yanan *(note viii)* | – | 92 | 12 | 116 | 220 |
| | – | 1,568 | 160 | 1,208 | 2,936 |

*Notes:*

(i) Mr. Geng Yuanzhu resigned as an executive director on 17 August 2016.

(ii) Mr. Tian Hongbao was appointed as an executive director on 29 December 2016. He is also general manager of the Company and his emoluments disclosed above include those for services rendered by him as the general manager.

(iii) Mr. Zhao Jianguo was appointed as a non-executive director on 25 October 2016.

(iv) Mr. Li Qingkui resigned as a non-executive director on 25 October 2016.

(v) Mr. Chen Jianhua resigned as a non-executive director on 17 November 2016.

(vi) Mr. Wei Jian resigned as an independent non-executive director on 31 May 2016.

(vii) Mr. Wang Chuanshun was appointed as an independent non-executive director on 31 May 2016.

(viii) Ms. Yuan Yanan was appointed as an employee representative supervisor on 30 August 2016.

## 13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid employee of the Group during the year included two directors (2016: one director), details of whose remuneration are set out in note 12 above. Details of the remuneration for the year of the remaining three (2016: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

| | 2017 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Salaries and other emoluments | **834** | 1,094 |
| Retirement benefits | **113** | 147 |
| Bonuses | **987** | 1,409 |
| | **1,934** | 2,650 |

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within following bands is as follows:

| | 2017 | 2016 |
|---|---|---|
| | *Number of individuals* | *Number of individuals* |
| Nil – Hong Kong Dollar ("**HK$**")1,000,000 | **3** | 4 |

## 14. 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 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Current tax** | | |
| Charge for PRC enterprise income tax for the year | **807,972** | 1,910,985 |
| Under provision in respect of prior years | **23,819** | 28,587 |
| | **831,791** | 1,939,572 |
| **Deferred tax** *(note 36(b))* | | |
| Origination and reversal of temporary differences and tax losses | **(373,307)** | (262,025) |
| Total income tax expense in the consolidated statement of profit or loss and other comprehensive income | **458,484** | 1,677,547 |

## 14. 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 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Profit before taxation | **1,152,960** | 5,972,773 |
| Notional PRC enterprise income tax expense at a statutory tax rate of 25% (2016: 25%) | **288,240** | 1,493,193 |
| Tax effect of non-deductible expenses | **88,871** | 161,497 |
| Tax effect of non-taxable income | **(27,997)** | (21,555) |
| Preferential tax rate on subsidiaries' profit or loss *(note (a))* | **(242,269)** | (228,155) |
| Tax credit *(note (b))* | **(4,259)** | (6,283) |
| Tax effect of share of results of associates and joint ventures | **(131,926)** | (48,117) |
| Tax effect of tax losses and deductible temporary differences not recognised | **542,395** | 358,846 |
| Utilisation of tax losses and deductible temporary differences previously not recognised | **(78,390)** | (60,466) |
| Under provision in respect of prior years | **23,819** | 28,587 |
| | **458,484** | 1,677,547 |

*Notes:*

(a) The charge for PRC enterprise income tax is calculated at the statutory rate of 25% (2016: 25%) on the estimated assessable profit or loss for the year determined in accordance with relevant enterprise income tax rules and regulations, except for certain subsidiaries of the Company, which are tax exempted or taxed at preferential rates of 7.5%, 12.5% or 15% (2016: 7.5%, 12.5% or 15%).

(b) Tax credit represents additional deductions in relation to equipment for environmental protection pursuant to the applicable PRC tax laws and regulations.

## 15. OTHER COMPREHENSIVE EXPENSE

| | 2017 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Changes in fair value on available-for-sale investments | **(15,953)** | (5,284) |
| Net deferred tax credited to other comprehensive income *(note 36(b))* | **3,988** | 1,321 |
| | **(11,965)** | (3,963) |
| Share of net fair value loss on available-for-sale investments of associates | **(10,370)** | (24,807) |
| Other comprehensive expense (net of income tax) | **(22,335)** | (28,770) |

## 16. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the year ended 31 December 2017 of RMB436 million (2016: RMB3,128 million) and the weighted average of 9,862,976,653 ordinary shares in issue during the year (2016: 9,862,976,653 shares).

### (b) Diluted earnings per share

No diluted earnings per share was presented as there were no potential ordinary shares outstanding during the years ended 31 December 2017 and 2016.

## 17. PROPERTY, PLANT AND EQUIPMENT

| | Buildings | Generators, machinery and equipment | Mining structures and mining rights | Motor vehicles, furniture, fixtures, equipment and others | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Cost | | | | | |
| At 1 January 2016 | 53,235,712 | 135,720,848 | 9,598,010 | 3,344,169 | 201,898,739 |
| Additions | 9,779 | 14,061 | – | 74,111 | 97,951 |
| Transferred from construction in progress *(note 18)* | 3,831,995 | 9,803,548 | 506,937 | 666,175 | 14,808,655 |
| Net decrease arising from sales and leaseback arrangements | – | (370,087) | – | – | (370,087) |
| Disposals/write-offs | (153,018) | (1,736,106) | – | (94,907) | (1,984,031) |
| At 31 December 2016 | **56,924,468** | **143,432,264** | **10,104,947** | **3,989,548** | **214,451,227** |
| Additions | **3,292** | **46,020** | **169,294** | **50,565** | **269,171** |
| Transferred from construction in progress *(note 18)* | **1,694,366** | **8,976,977** | **6,380** | **167,846** | **10,845,569** |
| Net decrease arising from sales and leaseback arrangements | **–** | **(110,851)** | **–** | **–** | **(110,851)** |
| Disposals/write-offs | **(648,841)** | **(1,465,512)** | **–** | **(86,917)** | **(2,201,270)** |
| At 31 December 2017 | **57,973,285** | **150,878,898** | **10,280,621** | **4,121,042** | **223,253,846** |
| Accumulated depreciation and impairment | | | | | |
| At 1 January 2016 | 11,963,802 | 41,586,395 | 3,108,805 | 1,698,924 | 58,357,926 |
| Charge for the year | 1,931,699 | 8,146,882 | 6,113 | 354,516 | 10,439,210 |
| Decrease arising from sales and leaseback arrangements | – | (247,301) | – | – | (247,301) |
| Disposals | (141,001) | (1,524,717) | – | (86,214) | (1,751,932) |
| Impairment loss *(note (i))* | – | 951,600 | – | – | 951,600 |
| At 31 December 2016 | **13,754,500** | **48,912,859** | **3,114,918** | **1,967,226** | **67,749,503** |
| Charge for the year | **1,976,480** | **7,786,562** | **35,942** | **384,799** | **10,183,783** |
| Decrease arising from sales and leaseback arrangements | **–** | **(79,800)** | **–** | **–** | **(79,800)** |
| Disposals | **(168,528)** | **(525,912)** | **–** | **(77,546)** | **(771,986)** |
| Impairment loss *(note (i))* | **10,961** | **51,883** | **414,550** | **387** | **477,781** |
| At 31 December 2017 | **15,573,413** | **56,145,592** | **3,565,410** | **2,274,866** | **77,559,281** |
| Net book value | | | | | |
| At 31 December 2017 | **42,399,872** | **94,733,306** | **6,715,211** | **1,846,176** | **145,694,565** |
| At 31 December 2016 | 43,169,968 | 94,519,405 | 6,990,029 | 2,022,322 | 146,701,724 |

## 17. PROPERTY, PLANT AND EQUIPMENT (Continued)

*Notes:*

(i) Impairment losses

In accordance with the requirements of the government documents including "Opinions on Coal Industries in Resolving Superfluous Production Capacity for Purposes of Poverty Alleviation and Development" (Guo Fa [2016] No.7) (《關於煤炭行業化解過剩產能實現脱困發展的意見》(國發[2016]7號)) and "Opinions on Due Performance of Steel and Coal Industries in Resolving Superfluous Production Capacity for Purposes of Poverty Alleviation and Development for 2017" (Fa Gai Yun Xing [2017] No.691) (《關於做好2017年鋼鐵煤炭行業化解過剩產能實現脱困發展工作的意見》(發改運行[2017]691號)), during the current year, the government of Alxa Left Banner has issued the Notice of the Closure of Erdaoling Coal Mine of Shunge Mining Industry Company Limited (《關於依法關閉阿拉善盟順舸礦業有限責任公司二道岭煤礦的通知》) according to the Laws, requesting for the closure of Erdaoling coal mine ("**Erdaoling Coal Mine**"), which is owned by Inner Mongolia Alax League Shunge Mining Industry Corporation Company Limited ("**Shunge Company**"), a wholly-owned subsidiary of the Group. The carrying value of property, plant and equipment and construction in progress of Shunge Company were impaired of RMB422 million and RMB276 million respectively, with impairment losses recognised accordingly.

In addition, the capacity of power generation is at risk of overcapacity in power market of certain regions. The management assessed the carrying value of the property, plant and equipment and goodwill related to power generation, after taking into account the Group's future power generation operating plans and the outlook for the industry. Each power generation plant constitutes a CGU. Based on the impairment testing results, the carrying value of property, plant and equipment related to certain power generation of the Group were impaired of RMB56 million (2016: RMB952 million), with impairment losses recognised accordingly.

The recoverable amount of the relevant CGUs had been 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 a discount rate of 8% (2016: 8%). The discount rates used are pre-tax and reflect specific risks relating to the relevant group of assets.

Other key assumptions for the value in use calculations during the current and prior years include the expected sales price, demand of products in specific regions where these assets are located, production capacities, fuel cost and others. Management determined these key assumptions based on past performance and its expectations on market development.

(ii) Certain of the Group's interest-bearing bank borrowings were secured by certain of the Group's property, plant and equipment, which had an aggregate net book value of RMB4,353 million as at 31 December 2017 (2016: RMB4,510 million).

## 18. CONSTRUCTION IN PROGRESS

| | **2017**<br>***RMB'000*** | 2016<br>*RMB'000* |
|---|---|---|
| At 1 January | **22,214,934** | 19,502,837 |
| Additions | **12,578,845** | 17,535,822 |
| Transferred to property, plant and equipment *(note 17)* | **(10,845,569)** | (14,808,655) |
| Impairment loss *(note17(i))* | **(299,559)** | (15,070) |
| At 31 December | **23,648,651** | 22,214,934 |

*Note:*

During the current year, certain projects of the Group were identified that they have no economic value for further development or the likelihood to obtain preliminary approval by the National Development and Reform Commission or its local agencies is remote. As a result, the carrying amount of related preliminary projects of RMB24 million (2016: RMB15 million) was fully impaired as at 31 December 2017. In addition, amounting to RMB44 million of certain preliminary projects which had been fully impaired was written off in 2017 (2016: RMB60 million). As of 31 December 2017, the accumulated impairment loss of construction in progress was RMB317 million (2016: RMB61 million).

## 19. LEASE PREPAYMENTS

Lease prepayments represent cost of land use rights and sea use right paid to the Ministry of Land and Resources of the PRC and State Oceanic Administration of the PRC, respectively.

| | 2017 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Current assets | **109,032** | 103,030 |
| Non-current assets | **3,013,047** | 2,902,835 |
| | **3,122,079** | 3,005,865 |

The Group has pledged lease prepayment with a net book value of RMB140 million (2016: RMB143 million) to secure bank borrowings.

## 20. INTANGIBLE ASSETS

| | Land use rights | Concession assets | Development right of hydropower | Others | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000 (note 25)* | *RMB'000* | *RMB'000* | *RMB'000* |
| Cost | | | | | |
| At 1 January 2016 | 1,540,938 | 3,699,719 | 1,382,954 | 382,473 | 7,006,084 |
| Additions | – | – | – | 135,109 | 135,109 |
| Disposals | – | (4,164) | – | (7,938) | (12,102) |
| At 31 December 2016 | **1,540,938** | **3,695,555** | **1,382,954** | **509,644** | **7,129,091** |
| Additions | **–** | **–** | **–** | **107,575** | **107,575** |
| Disposals | **(58,610)** | **(1,687)** | **–** | **(3,708)** | **(64,005)** |
| At 31 December 2017 | **1,482,328** | **3,693,868** | **1,382,954** | **613,511** | **7,172,661** |
| Accumulated amortisation | | | | | |
| At 1 January 2016 | – | 753,112 | – | 61,232 | 814,344 |
| Charge for the year | – | 156,094 | – | 44,794 | 200,888 |
| Disposals | – | (1,027) | – | – | (1,027) |
| At 31 December 2016 | **–** | **908,179** | **–** | **106,026** | **1,014,205** |
| Charge for the year | **–** | **154,810** | **–** | **64,104** | **218,914** |
| Disposals | **–** | **–** | **–** | **(904)** | **(904)** |
| At 31 December 2017 | **–** | **1,062,989** | **–** | **169,226** | **1,232,215** |
| Net book value | | | | | |
| At 31 December 2017 | **1,482,328** | **2,630,879** | **1,382,954** | **444,285** | **5,940,446** |
| At 31 December 2016 | 1,540,938 | 2,787,376 | 1,382,954 | 403,618 | 6,114,886 |

Intangible assets of the Group's consolidated statement of financial position mainly represent land use rights assigned by the PRC's land bureau with indefinite land use period and concession assets to operate wind power plants granted by the government under service concession arrangements, and development right of hydropower. Useful lives of land use rights are indefinite and titles of these rights are not transferable.

Development right of hydropower was obtained through acquisition of Sichuan Liangshan Shuiluohe Hydropower Development Company Limited ("**Shuiluohe Company**") in 2011. As at the acquisition date, all preliminary hydropower projects of Shuiluohe Company had obtained approval for basin development and preliminary work from the Development and Reform Commission of Sichuan Province. Amortisation of development right of hydropower will start after related hydropower plants are put into operation over its estimated useful life on a straight-line basis.

## 21. GOODWILL

| | 2017 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Cost | | |
| At 1 January and 31 December | **1,448,791** | 1,448,791 |
| Impairment | | |
| At 1 January | **16,011** | – |
| Impairment loss recognised in the year | **–** | 16,011 |
| At 31 December | **16,011** | 16,011 |
| Carrying values | | |
| At 31 December | **1,432,780** | 1,432,780 |

The carrying amount of goodwill at the end of the reporting period is attributable to below subsidiaries or power plants:

| | 2017 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Laicheng Power Plant | **19,031** | 19,031 |
| Huadian Weifang Power Generation Company Limited | **20,845** | 20,845 |
| Hebei Huadian Shijiazhuang Thermal Power Company Limited | **99,946** | 99,946 |
| Hangzhou Huadian Banshan Power Generation Company Limited | **59,322** | 59,322 |
| Hebei Huarui Energy Group Corporation Limited | **38,491** | 38,491 |
| Huadian Longkou Power Generation Company Limited | **327,420** | 327,420 |
| Shaoguan Pingshi Power Plant Company Limited (Plant B) | **340,376** | 340,376 |
| Lixian Star River Ganbao Hydropower Company Limited *(note)* | **–** | 51,765 |
| Lixian Star River Hydropower Company Limited *(note)* | **89,184** | 37,419 |
| State Development Zhangjiakou Wind Power Company Limited *(note)* | **–** | 3,062 |
| Hebei Huadian Kangbao Wind Power Company Limited *(note)* | **3,062** | – |
| Huadian Hubei Power Generation Company Limited ("**Hubei Power Generation**") | **427,679** | 427,679 |
| Others | **7,424** | 7,424 |
| Total | **1,432,780** | 1,432,780 |

*Note:* In the current year, Lixian Star River Ganbao Hydropower Company Limited has been merged by Lixian Star River Hydropower Company Limited. In addition, State Development Zhangjiakou Wind Power Company Limited has been merged by Hebei Huadian Kangbao Wind Power Company Limited.

During the year ended 31 December 2017, the Group recognised an impairment loss of nil (2016: RMB16 million).

The basis of the recoverable amounts of the CGUs containing goodwill and their major underlying assumptions are summarised below:

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 management covering a five-year period (2016: a five-year period). Cash flows beyond the five-year period are projected using zero growth rates (2016: zero growth rates). The cash flows are discounted using a discount rate of 8% (2016: 8%). The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

Other key assumptions for the value in use calculations include the expected sales price of electricity, demands of electricity in specific regions where these power plants are located, fuel cost and others. Management determined these key assumptions based on past performance and its expectations on market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of these units.

## 22. INTERESTS IN ASSOCIATES AND JOINT VENTURES

| | 2017 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Share of net assets | **10,936,215** | 9,510,334 |
| Less: impairment loss | **(99,290)** | (99,290) |
| | **10,836,925** | 9,411,044 |
| Fair value of listed investment | **339,784** | 386,700 |

The capacity of power generation is at risk of overcapacity in power market of certain regions. The management assessed the carrying value of investments in associates related to power generation. Each power generation plant constitutes a CGU. Based on the impairment testing results, the carrying value of investments in associates related to power generation of the Group were impaired of nil in 2017 (2016: RMB99 million), with impairment losses recognised accordingly.

The recoverable amount of investments in associates has been determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts prepared by management of the Company covering a five-year period. Cash flows beyond the five-year period are projected using zero growth rates. The cash flows are discounted using a discount rate of 9.40% (2016: 9.40%). The discount rates used are pre-tax and reflect specific risks relating to the relevant group of assets.

### (a) General information of associates

The following list contains only the particulars of associates as at 31 December 2017, all of which are limited liability companies established and operating in the PRC, which principally affected the results, assets or liabilities of the Group:

| | | Proportion of ownership interest and voting rights | | |
|---|---|---|---|---|
| Name of company | Paid up capital | Held by the Company | Held by subsidiaries | Principal activities |
| | *RMB'000* | *%* | *%* | |
| Huadian Property Company Limited 華電置業有限公司 ("**Huadian Property**") *(note (i))* | 2,697,500 | 8.31 | – | Property development |
| Huadian Coal Industry Group Company Limited 華電煤業集團有限公司 ("**Huadian Coal**") *(note (i))* | 3,657,143 | 11.82 | 1.16 | Provision of coal procurement service |
| China Huadian Finance Corporation Limited 中國華電集團財務有限公司 ("**China Huadian Finance**") *(note (i))* | 5,000,000 | 14.93 | 1.532 | Provision of corporate financial service to its group companies |
| Hengshui Hengxing Power Generation Company Limited 衡水恒興發電有限責任公司 | 475,000 | – | 30 | Generation and sale of electricity and heat |
| Hebei Jiantou Yuzhou Wind Power Company Limited 河北建投蔚州風能有限公司 | 364,000 | – | 44.08 | Generation and sale of electricity |
| Hebei Xibaipo Second Power Generation Company Limited 河北西柏坡第二發電有限責任公司 | 880,000 | – | 35 | Generation and sale of electricity and heat |
| Guodian Inner Mongolia Dongsheng Thermal Power Company Limited 國電內蒙古東勝熱電有限公司 | 500,000 | – | 20 | Generation and sale of electricity and heat |
| Xingtai Guotai Power Generation Company Limited 邢臺國泰發電有限責任公司 | 400,000 | – | 35 | Generation and sale of electricity and heat |
| Guodian Huai'an Thermal Power Company Limited 國電懷安熱電有限公司 | 514,800 | – | 35 | Generation and sale of electricity and heat |
| Otog Front Banner Changcheng Mine Company Limited 鄂托克前旗長城煤礦有限責任公司 | 676,180 | 35 | – | Sale of mines machinery and accessory |
| Inner Mongolia Fucheng Mining Company Limited 內蒙古福城礦業有限公司 ("**Fucheng Mining Company**") | 837,604 | 35 | – | Sale of ores steels products |
| Otog Front Banner Changcheng No.3 Mining Company Limited 鄂托克前旗長城三號礦業有限公司 | 1,110,594 | 35 | – | Production and sale of coal |
| Otog Front Banner Changcheng No.5 Mining Company Limited 鄂托克前旗長城五號礦業有限公司 | 519,483 | 35 | – | Production and sale of coal |

## 22. INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

### (a) General information of associates (Continued)

| Name of company | Paid up capital | Proportion of ownership interest and voting rights | | Principal activities |
|---|---|---|---|---|
| | | Held by the Company | Held by subsidiaries | |
| | *RMB'000* | *%* | *%* | |
| Otog Front Banner Zhengtai Trading Company Limited 鄂托克前旗正泰商貿有限公司 | 6,770 | 35 | – | Production and sale of coal |
| Ningxia Western Venture Industrial Co., Ltd 寧夏西部創業實業股份有限公司 ("**NWVI**") *(note (i))* | 1,458,375 | 4.87 | – | Railway development and management |
| Ningxia Yinxing Coal Company Limited 寧夏銀星煤業有限公司 ("**Yinxing Coal**") | 611,000 | 50 | – | Production and sale of coal |
| Huadian Jinshajiang Upstream Hydropower Development Company Limited 華電金沙江上游水電開發有限公司 ("**Jinshajiang Hydropower Company**") | 2,446,777 | 20 | – | Generation and sale of electricity |
| Sichuan Huayingshan Longtan Coal Company Limited 四川華鎣山龍灘煤電有限責任公司 ("**Longtan Coal Company**") | 144,250 | – | 45 | Production and sale of coal |
| Sichuan Balanghe Hydropower Development Company Limited 四川巴郎河水電開發有限責任公司 | 120,000 | – | 20 | Generation and sale of electricity |
| Datang Xiangcheng Tangdian Hydropower Development Company Limited 大唐鄉城唐電水電開發有限公司 ("**Xiangcheng Hydropower Company**") | 712,749 | – | 49 | Generation and sale of electricity |
| Datang Derong Tangdian Hydropower Development Company Limited 大唐得榮唐電水電開發有限公司 ("**Derong Hydropower Company**") | 197,700 | – | 49 | Generation and sale of electricity |
| CNNP CHD Hebei Nuclear Power Company Limited 中核華電河北核電有限公司 ("**Hebei Nuclear Power**") | 289,070 | 39 | – | Generation and sale of electricity |
| Huadian Huazhong Clean Energy Company Limited *(note (ii))* 華電華中清潔能源有限公司 | 300,000 | – | 20 | Generation and development of gas |

*Notes:*

(i) According to the articles of association of these companies, the Company has representations in the board of directors and therefore can participate in the financial and operating policy decisions of these companies so as to have significant influence in their activities.

(ii) During the current year, the name of Hubei Shale Gas Development Company Limited was changed to Huadian Huazhong Clean Energy Company Limited.

(iii) The English translation of the names is for identification only. The official names of these entities are in Chinese.

## 22. INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

### (b) Summary financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

**(i) Huadian Coal**

| | 2017<br>RMB'000 | 2016<br>RMB'000 |
|---|---|---|
| Current assets | **10,003,342** | 8,889,190 |
| Non-current assets | **48,958,063** | 49,674,532 |
| Current liabilities | **(18,439,100)** | (20,441,213) |
| Non-current liabilities | **(24,002,872)** | (23,448,263) |

| | 2017<br>RMB'000 | 2016<br>RMB'000 |
|---|---|---|
| Revenue | **20,598,407** | 21,132,996 |
| Profit/(loss) for the year | **1,196,664** | (85,356) |
| Other comprehensive expense for the year | **(26)** | (8) |
| Total comprehensive income/(expense) for the year attributable to equity shareholders of Huadian Coal | **1,196,638** | (85,364) |

Reconciliation of the above summarised financial information to the carrying amount of the interest in Huadian Coal recognised in the consolidated financial statements:

| | 2017<br>RMB'000 | 2016<br>RMB'000 |
|---|---|---|
| Net assets | **16,519,433** | 14,674,246 |
| Non-controlling interests of Huadian Coal | **(7,629,672)** | (6,969,054) |
| Proportion of the Group's ownership interest | **12.98%** | 12.98% |
| Carrying amount of the Group's interest | **1,153,891** | 1,000,134 |

**(ii) China Huadian Finance**

| | 2017<br>RMB'000 | 2016<br>RMB'000 |
|---|---|---|
| Current assets | **26,046,055** | 23,478,182 |
| Non-current assets | **17,762,340** | 14,773,317 |
| Current liabilities | **(36,298,832)** | (29,845,333) |
| Non-current liabilities | **–** | (1,000,000) |

| | 2017<br>RMB'000 | 2016<br>RMB'000 |
|---|---|---|
| Revenue | **1,187,830** | 1,105,111 |
| Profit for the year | **882,912** | 794,064 |
| Other comprehensive expense for the year | **(62,975)** | (150,686) |
| Total comprehensive income for the year | **819,937** | 643,378 |
| Dividends received during the year | **117,957** | 60,515 |

## 22. INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

### (b) Summary financial information of material associates (Continued)

#### (ii) China Huadian Finance (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in China Huadian Finance recognised in the consolidated financial statements:

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Net assets | **7,509,563** | 7,406,166 |
| Proportion of the Group's ownership interest | **16.462%** | 16.462% |
| Goodwill recognised at acquisition | **21,435** | 21,435 |
| Carrying amount of the Group's interest | **1,257,659** | 1,240,638 |

#### (iii) Yinxing Coal

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Current assets | **196,508** | 167,087 |
| Non-current assets | **2,260,200** | 2,035,168 |
| Current liabilities | **(922,998)** | (885,022) |
| Non-current liabilities | **(537,750)** | (582,971) |

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Revenue | **812,972** | 509,357 |
| Total comprehensive income for the year | **259,224** | 11,782 |

Reconciliation of the above summarised financial information to the carrying amount of the interest in Yinxing Coal recognised in the consolidated financial statements:

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Net assets | **995,960** | 734,262 |
| Proportion of the Group's ownership interest | **50%** | 50% |
| Effect of fair value adjustments at acquisition | **360,892** | 362,129 |
| Carrying amount of the Group's interest | **858,872** | 729,260 |

## 22. INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

### (c) Aggregate information of associates and joint ventures that are not individually material

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| The Group's share of profit | **97,419** | 66,937 |
| The Group's share of profit and other comprehensive income | **97,419** | 66,937 |
| Aggregate carrying amount of the Group's interests in these associates and joint ventures | **7,566,503** | 6,441,012 |

### (d) Disposal of investments in associates

In the prior year, the Group held a 16.31% interest in Huadian Property and accounted for the investment as an associate. In the current year, the Group disposed of 8% interest in Huadian Property to China Huadian Corporation Limited ("**China Huadian**") for proceeds of RMB665.76 million determined based on an independent valuation report. The Group has accounted for the remaining 8.31% interest as an associate, due to that according to the articles of Huadian Property, the Company has one representation in the board of directors and therefore can participate in the financial and operating policy decisions of Huadian Property, so as to have significant influence in its activities. In addition, during the current year, the Group completed the liquidation of Huadian Hubei Material Company, previously owned as an associate. The consideration arising from the aforesaid liquidation was RMB5.87 million.

In the last year, the Group disposed of its entire interest in Wuhan Jiuyuan Electric Company Limited ("**Jiuyuan Company**") to a third party for consideration of RMB1.396 million. These transactions had resulted in the recognition of a gain in profit or loss, calculated as follows:

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| Proceeds of disposal | **671,630** | 1,396 |
| Less: carrying amount of the investment disposed | **(253,183)** | – |
| Gain recognised *(note 8)* | **418,447** | 1,396 |
| Consideration | | |
| Received in cash | **671,630** | 1,396 |
| Total consideration | **671,630** | 1,396 |

### (e) Where the Group has unrecognised share of losses of associates:

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| The unrecognised share of loss of an associate for the year | **(6,762)** | – |

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| Cumulative unrecognised share of loss of an associate | **(6,762)** | – |

### (f) The joint ventures held by the Company are not material to the consolidated financial statements.

## 23. AVAILABLE-FOR-SALE INVESTMENTS

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Listed investments: | | |
| – Equity securities listed in the PRC | – | 45,502 |
| Unlisted investments: | | |
| – Equity securities | **242,332** | 237,629 |
| | **242,332** | 283,131 |
| Less: impairment loss | **(465)** | (1,161) |
| | **241,867** | 281,970 |

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

In the current year, the Group disposed of a listed equity security with carrying amount of RMB50 million. A disposal gain of RMB20 million has been recognised in profit or loss for the current year.

In the last year, the Group disposed of an unlisted equity security with carrying amount of RMB104 million. A disposal gain of RMB107 million had been recognised in profit or loss for the last year.

## 24. OTHER NON-CURRENT ASSETS

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Financial assets | | |
| – Other long-term receivables with fixed-rate and non-current feature | **252,893** | 314,177 |
| Deductible Value Added Tax and other tax | **2,053,787** | 2,049,833 |
| Deferred differences arising from sales and leaseback arrangements and others *(note)* | **529,517** | 406,906 |
| | **2,836,197** | 2,770,916 |
| Less: impairment loss | **(97,861)** | (97,861) |
| | **2,738,336** | 2,673,055 |

*Note:*

Deferred differences arising from sale and leaseback arrangements represent the deficit of sale proceeds over the carrying amounts of the assets disposed under the sale and leaseback arrangements which resulted in finance lease. The differences are deferred and amortised as adjustments to the depreciation of the assets over their estimated useful lives.

## 25. SERVICE CONCESSION ARRANGEMENT

The Group entered into to certain service concession agreements with local governments (the "**Grantors**") to construct and operate wind power plants during the concession period, which is normally for 25 years of operation. 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 dispose of the wind power plants to local government at nil consideration. Service concession construction revenue 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-contracted. In 2017, there is no additional construction work incurred for service concession arrangement, and correspondingly no revenue and cost on service concession has been recognised in profit or loss.

The Group has recognised intangible assets (note 20) related to the service concession arrangement representing the right the Group receives to charge a fee for sales of electricity. 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.

The Group recognises the intangible assets at the fair value of the concession construction service and amortises the intangible assets over the operating period of the service concession projects.

## 26. INVENTORIES

| | 2017 *RMB'000* | 2016 *RMB'000* |
|---|---|---|
| Coal, gas and stalk | **2,176,849** | 2,032,661 |
| Fuel oil | **51,720** | 55,041 |
| Materials, components and spare parts | **642,664** | 649,658 |
| | **2,871,233** | 2,737,360 |

All of the inventories for future usage and sales are expected to be utilised within one year.

## 27. TRADE DEBTORS AND BILLS RECEIVABLE

| | 2017 *RMB'000* | 2016 *RMB'000* |
|---|---|---|
| Trade debtors and bills receivable for the sale of electricity | **8,789,891** | 6,468,848 |
| Trade debtors and bills receivable for the sale of heat | **414,287** | 370,486 |
| Trade debtors and bills receivable for the sale of coal | **1,560,250** | 668,506 |
| | **10,764,428** | 7,507,840 |
| Less: allowance for doubtful debts | **(252,931)** | (252,956) |
| | **10,511,497** | 7,254,884 |

*Notes:*

(i) At 31 December 2017, the Group endorsed certain bills receivable accepted by banks in the PRC (the "**Endorsed Bills**") with a carrying amount of RMB355 million (2016: RMB240 million) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "**Endorsement**"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated liabilities. The aggregate carrying amount of the trade payables and other payables settled by the Endorsed Bills is RMB355 million (2016: RMB240 million) as at 31 December 2017.

(ii) As at 31 December 2017, bank acceptance bills discounted or endorsed to banks and suppliers of RMB3,488 million (2016: RMB3,802 million) were derecognised by the Group (the "**Derecognised Bills**"). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant. Losses related to derecognition of the Derecognised Bills was RMB7.14 million (2016: RMB8.68 million) in total and charged into profit or loss.

(iii) As at 31 December 2017, trade receivables amounted to RMB2,358 million (2016: RMB2,776 million) had been factored to a bank on a non-recourse basis. These trade receivables were derecognised as the Group had transferred the significant risks and rewards relating to the trade receivables to the bank under the non-recourse factoring agreements. Losses related to derecognition of the derecognised trade receivables was RMB1.1 million (2016: RMB1.6 million) in total and charged into profit or loss.

### (a) Ageing analysis

As at 31 December 2017, the ageing analysis of trade debtors and bills receivable (net of allowance for doubtful debts), presented based on the invoice date, which approximated to the revenue recognition date, is as follows:

| | 2017 *RMB'000* | 2016 *RMB'000* |
|---|---|---|
| Within 1 year | **10,306,608** | 6,866,465 |
| 1 to 2 years | **142,498** | 318,586 |
| 2 to 3 years | **16,226** | 69,309 |
| Over 3 years | **46,165** | 524 |
| | **10,511,497** | 7,254,884 |

## 27. TRADE DEBTORS AND BILLS RECEIVABLE (Continued)

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

Impairment loss 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(m)(i)).

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

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| At 1 January | **252,956** | 247,751 |
| Impairment loss recognised | **–** | 7,315 |
| Reversal of impairment loss | **(25)** | (594) |
| Write-off of impairment loss | **–** | (1,516) |
| At 31 December | **252,931** | 252,956 |

At 31 December 2017, the Group's trade debtors and bills receivable totalling of nil (2016: RMB7 million) were individually determined to be impaired. At 31 December 2017, specific allowance for doubtful debts is RMB253 million (2016: RMB253 million). 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<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Neither past due nor impaired | **7,611,971** | 5,535,309 |
| Less than 1 year past due | **2,703,463** | 1,350,989 |
| 1 to 2 years past due | **144,452** | 310,838 |
| 2 to 3 years past due | **14,301** | 57,235 |
| More than 3 years past due | **37,310** | 513 |
| | **10,511,497** | 7,254,884 |

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## 28. DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

As at 31 December 2017, deposits, other receivables and prepayments of the Group with gross amounts of RMB4,234 million (2016: RMB4,526 million) mainly represent prepayment for purchasing inventories and materials, deductible VAT recoverable, dividends receivable and other receivables.

As at 31 December 2017, specific allowance for doubtful debts of the Group amounted to RMB142 million (2016: RMB143 million), including bad debt allowance on receivables on Certified Emission Reductions of RMB85 million (2016: RMB85 million).

## 29. RESTRICTED DEPOSITS

Restricted deposits mainly represent deposits at banks and other financial institutions with maturity over three months and as collateral for bills payable.

## 30. CASH AND CASH EQUIVALENTS

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Cash at bank and in hand | **1,423,898** | 1,900,945 |
| Cash at other financial institutions | **5,992,903** | 4,457,673 |
| | **7,416,801** | 6,358,618 |

## 31. BORROWINGS

### (a) Bank loans

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Due: | | |
| Within 1 year | | |
| – short term bank loans | **27,943,106** | 11,098,290 |
| – current portion of long term bank loans | **8,157,502** | 6,626,264 |
| | **36,100,608** | 17,724,554 |
| After 1 year but within 2 years | **7,069,139** | 8,436,780 |
| After 2 years but within 5 years | **18,340,183** | 18,960,206 |
| After 5 years | **28,104,608** | 25,519,303 |
| | **53,513,930** | 52,916,289 |
| | **89,614,538** | 70,640,843 |

## 31. BORROWINGS (Continued)

### (a) Bank loans (Continued)

As at 31 December 2017, all of the bank loans are unsecured, except for amounts of RMB18,051 million (2016: RMB19,259 million) in total which are secured by the income stream in respect of the sale of electricity and trade debtors for the sale of electricity of certain subsidiaries, amounts of RMB3,406 million (2016: RMB3,330 million) in total which are secured by lease prepayments and property, plant and equipment with an aggregate carrying amount of RMB4,493 million (2016: RMB4,653 million) of certain subsidiaries and amounts of RMB1,924 million (2016: RMB1,955 million) in total are secured by guarantee from China Huadian and independent third parties. None of the bank loans contain financial covenants.

Details of the currencies, interest rates and maturity dates of bank loans are as follows:

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| **RMB loans** | | |
| Floating interest rates mainly ranging from 3.87% to 5.75% per annum as at 31 December 2017 (2016: 3.87% to 5.75%), with maturities up to 2041 | **74,918,213** | 63,826,151 |
| Fixed interest rates mainly ranging from 3.92% to 4.90% per annum as at 31 December 2017 (2016: 3.92% to 5.70%), with maturities up to 2032 | **14,237,631** | 6,316,830 |
| **United States Dollar ("US$") loans** | | |
| Floating interest rate of 3.05% per annum as at 31 December 2017 (2016: 3.05% to 5.86%), with maturities up to 2018 | **415,314** | 447,326 |
| **Euro loans** | | |
| Fixed interest rate of 2.50% per annum as at 31 December 2017 (2016: 2.50%), with maturity up to 2022 | **43,380** | 50,536 |
| | **89,614,538** | 70,640,843 |

The Group has US$ bank loans amounting to US$63.56 million (2016: US$64.50 million) and Euro bank loan amounting to Euro5.56 million (2016: Euro6.92 million) as at 31 December 2017.

### (b) Loans from shareholders

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Due: | | |
| After 1 year but within 2 years | **300,000** | – |
| After 2 years but within 5 years | **1,450,000** | 1,650,000 |
| After 5 years | **28,666** | 128,666 |
| | **1,778,666** | 1,778,666 |

## 31. BORROWINGS (Continued)

### (b) Loans from shareholders (Continued)

All of the loans from shareholders are unsecured and denominated in RMB. Details of the interest rates and maturity dates of loans from shareholders are as follows:

| | 2017 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Loans from China Huadian** | | |
| Floating interest rates ranging from4.28% to 4.75% per annum as at 31 December 2017 (2016: floating interest rates ranging from 4.28% to 4.75%), with maturities up to 2021 | **1,550,000** | 1,550,000 |
| Fixed interest rates ranging from 4.15% to 6.40% per annum as at 31 December 2017 (2016: fixed interest rates ranging from 4.15% to 6.40%), with maturities up to 2021 | **200,000** | 200,000 |
| **Others** | | |
| Floating interest rate of 4.90% per annum as at 31 December 2017 (2016: floating interest rates of 4.90%), with maturities up to 2030 | **28,666** | 28,666 |
| | **1,778,666** | 1,778,666 |

### (c) State loans

| | 2017 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Due: | | |
| Within 1 year | | |
| – current portion of long term state loans | **8,944** | 9,479 |
| After 1 year but within 2 years | **2,764** | 9,451 |
| After 2 years but within 5 years | **9,563** | 9,079 |
| After 5 years | **49,046** | 47,684 |
| | **61,373** | 66,214 |
| | **70,317** | 75,693 |

## 31. BORROWINGS (Continued)

### (c) State loans (Continued)

Details of the currencies, interest rates and maturity dates of state loans are as follows:

| | 2017 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **RMB loans** | | |
| Fixed interest rates mainly ranging from 2.55% to 2.82% per annum as at 31 December 2017 (2016: 2.55% to 2.82%), with maturities up to 2020 | **3,683** | 4,910 |
| Floating interest rate of 1.80% per annum as at 31 December 2017 (2016: 1.80%), with maturities up to 2020 | **2,046** | 2,730 |
| **Euro loan** | | |
| Fixed interest rate of 3.09% per annum as at 31 December 2017 (2016: 3.09%), with maturities up to 2048 | **64,588** | 68,053 |
| | **70,317** | 75,693 |

The RMB state loans represent loans of RMB3.68 million (2016: RMB4.91 million) obtained from Ministry of Finance of the PRC in 2006 and a loan of RMB2.05 million (2016: RMB2.73 million) obtained from Ministry of Finance of Weifang Municipal Government in 2005. The RMB state loans are unsecured.

The Euro state loan represents a loan facility maximum of Euro14.50 million granted by the KfW Bankengruppe of Germany to the PRC State Government pursuant to a loan agreement entered into in December 2008 based on a series of bilateral financial cooperation agreements between The Federal Republic of Germany and the PRC State Government. The loan is to finance the Qingdao central heating system under the Energy Efficiency programme. The PRC State Government on-lent the loan facility to Qingdao Heat Company through China Agricultural Bank and is guaranteed by Qingdao Finance Bureau. As at 31 December 2017, the total amount of the above state loan is Euro8.28 million (2016: Euro9.31 million).

### (d) Other loans

| | 2017 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Due: | | |
| Within 1 year | | |
| – short term other loans | **3,754,000** | 3,308,000 |
| – current portion of long term other loans | **1,200,220** | 1,717,620 |
| | **4,954,220** | 5,025,620 |
| After 1 year but within 2 years | **2,550,830** | 1,146,010 |
| After 2 years but within 5 years | **3,801,022** | 2,916,726 |
| After 5 years | **503,339** | 870,184 |
| | **6,855,191** | 4,932,920 |
| | **11,809,411** | 9,958,540 |

## 31. BORROWINGS (Continued)

### (d) Other loans (Continued)

All of the other loans are unsecured except for amounts totalling RMB211 million (2016: RMB232 million) in respect of certain subsidiaries, which are secured by the income stream in respect of the sale of electricity of these subsidiaries, and amounts totalling RMB1,500 million (2016: RMB1,500 million) are secured by guarantee from China Huadian. All of the other loans are denominated in RMB. Details of the interest rates and maturity dates of other loans are as follows:

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| **Loans from China Huadian Finance** | | |
| Floating interest rates ranging from 3.92% to 4.90% per annum as at 31 December 2017 (2016: 3.92% to 4.90%), with maturities up to 2026 | **5,558,775** | 4,366,995 |
| Fixed interest rates ranging from 3.92% to 4.75%per annum as at 31 December 2017 (2016:3.92% to 4.90%), with maturities up to 2020 | **3,312,000** | 2,368,000 |
| **Loans from China Fortune International Trust Co., Ltd. ("China Fortune Trust")** | | |
| Floating interest rate of 5.39% per annum as at 31 December 2017 (2016: 5.39%), with maturities up to 2017 | **–** | 385,000 |
| **Others** | | |
| Floating interest rates ranging from 1.80% to 5.39% per annum as at 31 December 2017 (2016: 2.80% to 5.39%), with maturities up to 2021 | **2,846,636** | 2,763,545 |
| Fixed interest rates ranging from 3.92% to 4.52% per annum as at 31 December 2017 (2016: 3.92% to 4.52%), with maturities up to 2018 | **92,000** | 75,000 |
| | **11,809,411** | 9,958,540 |

## 31. BORROWINGS (Continued)

### (e) Short-term debentures payable

| | 2017 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| First tranche of short-term debentures for the year of 2016 | **–** | 3,063,709 |
| Third tranche of super short-term debentures for the year of 2016 | **–** | 3,564,844 |
| Fourth tranche of super short-term debentures for the year of 2016 | **–** | 3,050,143 |
| Fifth tranche of super short-term debentures for the year of 2016 | **–** | 3,041,556 |
| Sixth tranche of super short-term debentures for the year of 2016 | **–** | 3,528,516 |
| Seventh tranche of super short-term debentures for the year of 2016 | **–** | 3,505,609 |
| First tranche of super short-term debentures for the year of 2017 | **3,049,647** | – |
| Second tranche of super short-term debentures for the year of 2017 | **2,007,436** | – |
| Third tranche of super short-term debentures for the year of 2017 | **1,002,156** | – |
| | **6,059,239** | 19,754,377 |

On 7 August 2017, the Company issued the first tranche of super short-term debentures of 2017 in the PRC interbank debenture market. The super short-term debenture was issued at a total par value of RMB3,000 million with a maturity period of 270 days and bears interest at 4.28% per annum. The tranche is unsecured.

On 24 November 2017, the Company issued the second tranche of super short-term debentures of 2017 in the PRC interbank debenture market. The super short-term debenture was issued at a total par value of RMB2,000 million with a maturity period of 180 days and bears interest at 4.18% per annum. The tranche is unsecured.

On 7 December 2017, the Company issued the third tranche of super short-term debentures of 2017 in the PRC interbank debenture market. The super short-term debenture was issued at a total par value of RMB1,000 million with a maturity period of 180 days and bears interest at 4.35% per annum. The tranche is unsecured.

During the current year, the Group repaid one tranche of short-term debentures and five tranches of super short-term debentures totally amounting to principal amount of RMB19,500 million (2016: RMB22,000 million) at par value.

The effective interest rates of above debentures are ranging from 4.35% to 4.55% (2016: from 2.89% to 3.18%) per annum after considering the effect of issue costs.

## 31. BORROWINGS (Continued)

### (f) Long-term debentures payable

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| First tranche of medium-term notes for the year of 2012 | **–** | 1,498,250 |
| First tranche of medium-term notes for the year of 2014 | **2,590,069** | 2,582,272 |
| First tranche of non-public private placement bonds for the year of 2014 of Hubei Power Generation | **–** | 498,650 |
| First tranche of non-public private placement bonds for the year of 2015 | **2,998,694** | 2,998,595 |
| Second tranche of non-public private placement bonds for the year of 2015 | **3,494,452** | 3,494,479 |
| First tranche of medium-term notes for the year of 2016 | **1,982,689** | 1,977,977 |
| First tranche of medium-term notes for the year of 2017 | **3,492,839** | – |
| Second tranche of medium-term notes for the year of 2017 | **1,992,518** | – |
| | **16,551,261** | 13,050,223 |
| Less: Long-term debentures due within one year | **(6,493,146)** | (1,996,900) |
| | **10,058,115** | 11,053,323 |

On 4 May 2017, the Company issued the first tranche of medium-term notes of 2017. This bond is unsecured 5-year note totalling RMB3,500 million which was issued at par value of RMB100 each and bear interest at 4.85% per annum.

On 19 May 2017, the Company issued the second tranche of medium-term notes of 2017. This bond is unsecured 5-year note totalling RMB2,000 million which was issued at par value of RMB100 each and bear interest at 4.80% per annum.

During the current year, the Group repaid one tranche of medium term notes with principal amount of RMB1,500 million at par value.

During the current year, the Group repaid one tranche of non-public private placement bonds with principal amount of RMB500 million at par value.

During the last year, the Group repaid one tranche of non-public private placement bonds with principal amount of RMB3,000 million at par value.

The effective interest rates of above long-term debentures are ranged from 3.47% to 6.29% (2016: from 3.47% to 6.29%) per annum after considering the effect of issue costs.

## 32. OBLIGATIONS UNDER FINANCE LEASES

The Group had obligations under finance leases payable as follows:

| | At 31 December 2017 | | At 31 December 2016 | |
|---|---|---|---|---|
| | Present value of the minimum lease payments | Total minimum lease payments | Present value of the minimum lease payments | Total minimum lease payments |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 year | **791,590** | **926,037** | 735,430 | 890,134 |
| After 1 year but within 2 years | **546,933** | **644,656** | 829,924 | 945,850 |
| After 2 years but within 5 years | **1,351,379** | **1,464,414** | 1,744,258 | 1,878,385 |
| After 5 years | **311,205** | **337,095** | 118,184 | 125,509 |
| | **2,209,517** | **2,446,165** | 2,692,366 | 2,949,744 |
| | **3,001,107** | **3,372,202** | 3,427,796 | 3,839,878 |
| Less: total future interest expenses | | **(371,095)** | | (412,082) |
| Present value of finance lease obligations | | **3,001,107** | | 3,427,796 |

In 2017, the Group entered into five new agreements with a leasing company (note 40(a)) to sell certain of the Group's facilities and leaseback the facilities for 6 years to 10 years. The Group has an option to purchase these facilities at a nominal price of RMB1 at the end of the lease period.

As at 31 December 2017, the carrying amounts of the facilities held under finance lease included in generators, machinery and equipment of property, plant and equipment amounted to RMB3,899 million (2016: RMB4,537 million).

## 33. TRADE CREDITORS AND BILLS PAYABLE

As at 31 December 2017, the ageing analysis of trade creditors and bills payable, presented based on the invoice date, is as follows:

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Within 1 year | **12,706,878** | 16,227,976 |
| 1 to 2 years | **2,258,506** | 2,353,677 |
| Over 2 years | **3,077,540** | 2,214,732 |
| | **18,042,924** | 20,796,385 |

## 34. OTHER PAYABLES

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Financial liabilities | | |
| – Quality guarantee deposits | **1,442,957** | 1,543,778 |
| – Consideration payables on acquisitions | **749,335** | 1,030,964 |
| – Interest payables | **702,164** | 544,831 |
| – Wages payable | **199,206** | 195,436 |
| – Payables for installed capacity quota | **273,530** | 273,530 |
| – Payables for sewage charges | **37,629** | 28,354 |
| – Dividend payables to non-controlling interests | **364,560** | 708,751 |
| – Current portion of long-term payables *(note 35)* | **65,350** | 113,000 |
| – Others *(note (i))* | **1,532,484** | 1,562,141 |
| | **5,367,215** | 6,000,785 |
| Other tax payables | **855,096** | 565,606 |
| Receipts in advance | **1,358,617** | 1,333,140 |
| | **7,580,928** | 7,899,531 |

*Notes:*

(i) Others mainly include payables on service fees, water charges and other miscellaneous items.

(ii) All of the other payables of the Group are expected to be settled or recognised as income within one year or are repayable on demand.

## 35. LONG-TERM PAYABLES

An amount of RMB480 million (2016: RMB473 million) represents payables to local governments for mining rights, by using a pre-tax discount rate that reflects current assessments of the time value of money and interest expenses was recognised with the passage of time. In accordance with the repayment schedule set out in the relevant agreement, the current portion and non-current portion of this long term payable were RMB65 million and RMB415 million (2016: RMB113 million and RMB360 million).

## 36. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

### (a) Taxation in the statement of financial position represents:

| | 2017 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Net tax payable at 1 January | **(64,973)** | 775,603 |
| Provision for the year *(note 14(a))* | **807,972** | 1,910,985 |
| Under provision in respect of prior years *(note 14(a))* | **23,819** | 28,587 |
| Income tax paid | **(683,579)** | (2,780,148) |
| Net tax payable at 31 December | **83,239** | (64,973) |
| Representing: | | |
| Tax payable | **221,431** | 180,963 |
| Tax recoverable – current portion | **(94,506)** | (221,387) |
| Tax recoverable – non-current portion, included in other non-current assets | **(43,686)** | (24,549) |

### (b) Deferred tax assets and liabilities:

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

| | At 1 January 2016 | (Charged) credited to profit or loss | Credited to fair value reserve | At 31 December 2016 | (Charged) credited to profit or loss | Credited to fair value reserve | Through disposal of subsidiary | At 31 December 2017 |
|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000 (note 14(a))* | *RMB'000 (note 15)* | *RMB'000* | *RMB'000 (note 14(a))* | *RMB'000 (note 15)* | *RMB'000* | *RMB'000* |
| Provision for inventories and receivables and impairment of property, plant and equipment and construction in progress | 108,506 | (12,971) | – | 95,535 | 7,307 | – | (821) | 102,021 |
| Depreciation of property, plant and equipment | (1,383,832) | 146,866 | – | (1,236,966) | (23,158) | – | 95,510 | (1,164,614) |
| Fair value adjustments on property, plant and equipment, construction in progress, intangible assets and equity investment | (1,718,085) | 131,268 | 1,321 | (1,585,496) | 228,084 | 3,988 | 11,790 | (1,341,634) |
| Long-term payables discounting | (82,434) | 2,702 | – | (79,732) | 2,814 | – | – | (76,918) |
| Expenses to be claimed on paid basis | 8,753 | (963) | – | 7,790 | (1,116) | – | – | 6,674 |
| Tax losses | 50,731 | (21,093) | – | 29,638 | 140,333 | – | – | 169,971 |
| Others | 82,107 | 16,216 | – | 98,323 | 19,043 | – | (217) | 117,149 |
| | (2,934,254) | 262,025 | 1,321 | (2,670,908) | 373,307 | 3,988 | 106,262 | (2,187,351) |

## 36. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

### (b) Deferred tax assets and liabilities (Continued)

Reconciliation to the statement of financial position is as follows:

| | 2017<br>RMB'000 | 2016<br>RMB'000 |
|---|---|---|
| Net deferred tax assets recognised in the statement of financial position | **270,487** | 178,772 |
| Net deferred tax liabilities recognised in the statement of financial position | **(2,457,838)** | (2,849,680) |
| | **(2,187,351)** | (2,670,908) |

In accordance with the accounting policy set out in note 2(v), the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately RMB3,772 million (2016: RMB2,524 million) and deductible temporary differences of approximately RMB3,516 million (2016: RMB3,096 million) due to the unpredictability of future profit streams. The expiration of tax losses under current tax legislation is as follows:

| | 2017<br>RMB'000 | 2016<br>RMB'000 |
|---|---|---|
| 2017 | **–** | 195,664 |
| 2018 | **375,308** | 420,069 |
| 2019 | **633,264** | 674,724 |
| 2020 | **561,181** | 578,125 |
| 2021 | **687,622** | 655,001 |
| 2022 | **1,514,360** | – |
| | **3,771,735** | 2,523,583 |

## 37. DEFERRED INCOME

Deferred income represents the unearned portion of upfront connection and installation fees received from customers for connecting the customers' premises to the heat network of the Group. The amount is deferred until completion of the installation work and recognised in profit or loss in equal instalments over the expected service terms of the relevant services.

The upfront connection and installation fee recognised for the year amounting to RMB158 million (2016: RMB143 million) is included in "Other revenue" in the consolidated statement of profit or loss and other comprehensive income (note 9).

## 38. PROVISIONS

The provision represents the Group's best estimate of the remediation costs for Group's liability on mine disposal and environmental restoration, which is based on industry standards and historical experience.

| | 2017<br>RMB'000 | 2016<br>RMB'000 |
|---|---|---|
| At 1 January | **100,845** | 93,375 |
| Accretion expense | **8,067** | 7,470 |
| At 31 December | **108,912** | 100,845 |

## 39. SHARE CAPITAL, RESERVES AND DIVIDENDS

### (a) Dividends

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

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Final dividend proposed after the end of reporting period of RMB0.018 per share (2016: RMB0.136 per share) | **177,534** | 1,341,365 |

Pursuant to a resolution passed at the directors' meeting held on 26 March 2018, final dividend of RMB0.018 per share will be payable to shareholders for 2017, subject to the approval of the shareholders at the coming annual general meeting.

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

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Final dividend in respect of the previous financial year approved and paid during the year, of RMB0.136 per share (2016: RMB0.300 per share) | **1,341,365** | 2,958,893 |

### (b) Share capital

| | 2017 and 2016 | |
|---|---|---|
| | *No. of shares '000* | *RMB'000* |
| **Ordinary shares, registered issued and fully paid:** | | |
| **A shares of RMB1 each** | | |
| At 1 January and at 31 December | **8,145,743** | **8,145,743** |
| **H shares of RMB1 each** | | |
| At 1 January and at 31 December | **1,717,234** | **1,717,234** |
| **Total** | | |
| At 1 January and at 31 December | **9,862,977** | **9,862,977** |

## 39. SHARE CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (c) Reserves

**(i) Capital reserve**

Capital reserve represents premium received from issuance of shares, share of a joint venture or an associate's capital reserve movements which are required to be included in this reserve by the PRC regulations and the difference between the fair value of the interest-free loans provided by the parent company initially recognised in the financial statements and the nominal amount of loans received by the Group.

**(ii) Statutory surplus reserves**

*General reserve*

According to the Company's Articles of Association, the Company is required to transfer at least 10% (at the discretion of the board of directors) of its profit after taxation, as determined under PRC accounting rules and regulations, to a statutory general 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.

The statutory general surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

*Specific reserve*

Pursuant to the relevant PRC regulations for coal mining companies, the Group is required to set aside an amount to maintenance and production funds. The funds can be used for maintenance of production and improvements of safety at the mines, and are not available for distribution to shareholders.

**(iii) Revaluation reserve**

Revaluation reserve represents the fair value adjustment of acquisition of Huadian Weifang Power Generation Company Limited ("**Weifang Company**") relating to the previously held interest of the Group.

**(iv) Fair value reserve**

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held by the Group and the Group's share of the cumulative net change in the fair value of available-for-sale securities of an associate at the end of the reporting period and is dealt with in accordance with the accounting policies in notes 2(g) and 2(m)(i).

### (d) Distributability of reserves

According to the Company's Articles of Association, the retained profits available for distribution are the lower of the amount as determined under PRC accounting rules and regulations and the amount determined under IFRSs. As of 31 December 2017, the retained profits available for distribution were RMB7,160 million (2016: RMB7,529 million).

## 39. SHARE CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (e) Capital management

The Group's capital management objectives are:

– to ensure the Group's ability to continue as a going concern;

– to provide an adequate return to shareholders; and

– to maintain an optimal capital structure to reduce cost of capital.

In order to maintain and improve the capital structure, the Group may, for the purpose of business expansion, issue new shares to reduce its liabilities to assets ratio.

The Group monitors its capital structure on the basis of liabilities to assets ratio. This ratio is calculated as total liabilities divided by total assets.

The liabilities to assets ratio as at 31 December 2017 and 2016 were as follows:

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Total liabilities | **161,775,913** | 154,704,792 |
| Total assets | **218,977,706** | 213,075,716 |
| Liabilities to assets ratio | **74%** | 73% |

## 40. MATERIAL RELATED PARTY TRANSACTIONS

### (a) Transactions with shareholders, fellow subsidiaries, associates and a joint venture

Shareholders, fellow subsidiaries, associates and a joint venture that had material transactions with the Group are as follows:

| Name of related parties | Nature of relationship |
|---|---|
| China Huadian | Parent company of the Company |
| China Huadian Engineering Corporation and its subsidiaries | Fellow subsidiaries of the Company |
| Huadian Shanxi Energy Company Limited and its subsidiaries | Fellow subsidiaries of the Company |
| Guodian Nanjing Automation Company Limited and its subsidiaries | Fellow subsidiaries of the Company |
| CHD Power Plant Operation Company Limited and its subsidiaries | Fellow subsidiaries of the Company |
| Huadian Sichuan Power Company Limited and its subsidiaries | Fellow subsidiaries of the Company |
| China Huadian Materials Company Limited and its subsidiaries | Fellow subsidiaries of the Company |
| Huadian Inner Mongolia Energy Company Limited and its subsidiaries | Fellow subsidiaries of the Company |
| China Huadian Capital Holdings Company Limited and its subsidiaries | Fellow subsidiaries of the Company |
| Huadian Energy Company Limited and its subsidiaries | Fellow subsidiaries of the Company |
| China Huadian Advanced Training Centre | Fellow subsidiaries of the Company |
| China Huadian Electrical Construction Technical and Economic Consulting Centre | A fellow subsidiary of the Company |
| Huadian Shaanxi Energy Company Limited | A fellow subsidiary of the Company |
| Huadian Fuxin Energy Limited Company and its subsidiaries | A fellow subsidiary of the Company |
| China Fortune Trust | A fellow subsidiary of the Company |
| Hubei Huadian Wuchang Thermal Power Company Limited | A fellow subsidiary of the Company |
| Anhui Huadian Lu’an Power Generation Company Limited | A fellow subsidiary of the Company |
| China Huadian Clean Energy Company Limited | A fellow subsidiary of the Company |
| Huadian Jiangsu Energy Limited Company and its subsidiaries | A fellow subsidiary of the Company |
| Hunan Huadian Changsha Power Generation Company Limited | A fellow subsidiary of the Company |
| Hunan Huadian Changde Power Generation Company Limited | A fellow subsidiary of the Company |
| Guizhou Wujiang Hydroelectric Development Company Limited | A fellow subsidiary of the Company |
| Huadian Trading International (Beijing) Company Limited | A fellow subsidiary of the Company |
| China Huadian Finance | An associate of the Group |
| Longtan Coal Company | An associate of the Group |
| Huadian Coal | An associate of the Group |
| Yinxing Coal | An associate of the Group |
| Derong Hydropower Company | An associate of the Group |
| Xiangcheng Hydropower Company | An associate of the Group |
| Shanxi Huasheng Tongpei Coal Sales Company Limited | An associate of the Group |
| Fucheng Mining Company | An associate of the Group |
| Shuozhou Tong-coal Wantongyuan Coal Tranportation and Sales Company Limited | An associate of the Group |
| Hebei Nuclear Power | An associate of the Group |
| Otog Front Banner Changcheng Mine Company Limited | An associate of the Group |
| Otog Front Banner Changcheng No.3 Mining Company Limited | An associate of the Group |
| Jinshajiang Hydropower Company | An associate of the Group |
| Otog Front Banner Changcheng No.5 Mining Company Limited | An associate of the Group |
| Ningxia Zhongning Power Generation Company Limited | An associate of the Group |
| Huadian Taiqian Photovoltaic Power Generation Company Limited | A joint venture of the Group |
| Beijing Huabin Investment Company Limited | A subsidiary of an associate of the Group |
| Beijing Huabin Property Management Company Limited | A subsidiary of an associate of the Group |
| Ningxia Ningdong Railway Corporation Limited | A subsidiary of an associate of the Group |
| Yanzhou Coal Mining Company Limited. (“**Yanzhou Coal**”) *(note)* | A connected person of the Group |

*Note:* Yanzhou Coal is a substantial minority shareholder of a non-wholly owned subsidiary of the Company.

## 40. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

### (a) Transactions with shareholders, fellow subsidiaries, associates and a joint venture (Continued)

The Group had the following material transactions with shareholders, fellow subsidiaries, associates and a joint venture during the years ended 31 December 2017 and 2016:

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| *Sale of electricity to* | | |
| Fellow subsidiaries | **119,987** | 120,167 |
| *Purchase of electricity from* | | |
| Fellow subsidiaries | **143,267** | 64,896 |
| *Sale of coal to* | | |
| An associate | **488,986** | – |
| Fellow subsidiaries | **10,452,870** | 33,147 |
| *Purchase of coal from* | | |
| Associates | **3,885,432** | 2,687,349 |
| Fellow subsidiaries | **103,768** | 283,921 |
| A connected person | **3,714,451** | 1,902,226 |
| *Sale of equipment to* | | |
| Fellow subsidiaries | **156,234** | 465,460 |
| *Purchase of construction service and equipment from* | | |
| Fellow subsidiaries | **4,348,578** | 3,054,291 |
| *Loan provided to* | | |
| An associate | **96,412** | 58,408 |
| *Loans obtained from* | | |
| China Huadian | **–** | 1,000,000 |
| An associate | **11,512,000** | 6,663,000 |
| *Loans repaid to* | | |
| China Huadian | **–** | 1,175,000 |
| An associate | **9,376,220** | 6,400,920 |
| A fellow subsidiary | **385,000** | 3,000 |

## 40. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

### (a) Transactions with shareholders, fellow subsidiaries, associates and a joint venture (Continued)

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| *Bills receivable discounted to* | | |
| An associate | **1,381,160** | 2,168,197 |
| *Derecognised bills receivable collected by* | | |
| An associate | **2,458,367** | 1,707,771 |
| *Lease payment under sales and leaseback arrangement to* | | |
| An associate | **–** | 80,263 |
| A fellow subsidiary | **221,187** | 63,659 |
| *Financing received under sales and leaseback arrangement from* | | |
| A fellow subsidiary | **495,997** | 675,000 |
| *Interest expenses paid to* | | |
| China Huadian | **81,251** | 75,954 |
| An associate | **322,102** | 276,037 |
| A fellow subsidiary | **1,268** | 21,229 |
| *Interest income from* | | |
| Associates | **79,875** | 74,656 |
| *Rental and property management service expenses to* | | |
| Associates | **62,713** | 55,341 |
| Fellow subsidiaries | **11,156** | 12,371 |
| *Guarantee service expenses paid to* | | |
| China Huadian | **5,897** | 5,930 |
| *Other service expenses paid to* | | |
| China Huadian | **99,885** | 4,754 |
| Associates | **84,586** | 104,728 |
| Fellow subsidiaries | **185,599** | 250,701 |
| *Additional capital injection in* | | |
| Associates | **1,173,115** | 121,966 |
| A joint venture | **80,000** | – |
| *Consideration of disposal assets received from* | | |
| China Huadian | **665,759** | – |
| An associate | **98,911** | – |

## 40. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

### (a) Transactions with shareholders, fellow subsidiaries, associates and a joint venture (Continued)

The balances due from (to) shareholders, fellow subsidiaries and associates are as follows:

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| *Construction in progress-construction and construction material prepayments* | | |
| Fellow subsidiaries | **476,003** | 707,519 |
| *Trade debtors and bills receivable* | | |
| An Associate | **148,281** | – |
| Fellow subsidiaries | **879,944** | 65,201 |
| *Deposits, other receivables and prepayments* | | |
| Associates | **247,779** | 217,778 |
| A fellow subsidiary | **1,508** | 11,337 |
| *Other long-term receivables* | | |
| An associate | **155,032** | 216,317 |
| *Cash and cash equivalents and restricted deposits* | | |
| An associate | **6,069,189** | 4,538,489 |
| *Loans from a shareholder* | | |
| China Huadian | **(1,750,000)** | (1,750,000) |
| *Other loans* | | |
| An associate | **(8,870,775)** | (6,734,995) |
| A fellow subsidiary | **–** | (385,000) |
| *Trade creditors and bills payable* | | |
| China Huadian | **(34,923)** | (2,293) |
| Associates | **(524,392)** | (144,171) |
| Fellow subsidiaries | **(2,103,726)** | (1,946,510) |
| A connected person | **(321,406)** | (554,793) |
| *Other payables* | | |
| China Huadian | **(29,372)** | (28,898) |
| Associates | **(18,591)** | (12,778) |
| Fellow subsidiaries | **(658,738)** | (534,426) |
| *Receipts in advance* | | |
| A fellow subsidiary | **(60,000)** | (19,600) |
| *Obligation under finance leases* | | |
| A fellow subsidiary | **(1,190,997)** | (885,000) |

*Notes:*

(i) At 31 December 2017, Sichuan Guang'an Power Generation Company Limited ("**Guang'an Company**"), a subsidiary of the Group, provided guarantees to banks for loans granted to Longtan Coal Company amounting to RMB43.65 million (2016: RMB43.65 million).

(ii) At 31 December 2017, China Huadian provided guarantee to banks for loans granted to the Group amounting to RMB3,143 million (2016: RMB3,151 million).

## 40. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Transactions with key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in note 12 and certain of the highest paid employees as disclosed in note 13, is as follows:

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Salaries and other emoluments | **3,012** | 3,005 |
| Retirement benefits | **349** | 355 |
| Bonuses | **3,082** | 3,044 |
| | **6,443** | 6,404 |

Total remuneration is included in "personnel costs" (see note 6).

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

The Group participates in various defined contribution retirement plans organised by municipal and provincial governments and China Huadian for its staff. As at 31 December 2017 and 2016, there was no material outstanding contribution to post-employment benefit plans.

### (d) Transactions with other government-related entities in the PRC

China Huadian is a PRC state-owned enterprise. Government-related entities, other than entities under China Huadian, over which the PRC government has control, joint control or significant influence are also considered as related parties of the Group ("**other government-related entities**"). The majority of the business activities of the Group are conducted with other government-related entities.

The transactions between the Group and other government-related entities are conducted in the ordinary course of the Group's business within normal business operations. The Group has established its approval process 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.

Having considered the potential for transactions to be impacted by related party relationships, the Group's approval processes and financing policy, and information that would be necessary for an understanding of the potential effect of the relationship on the consolidated financial statements, the directors believe that the following transactions are collectively significant for disclosure purpose:

– sale of electricity to the grid

The Group sells substantially all its electricity to local government-related power grid companies, and the tariff of electricity is regulated by relevant government. For the year ended 31 December 2017, management estimates that the aggregate amount of the Group's significant transactions with other government-related entities are at least 97% of its sale of electricity.

– depositing and borrowing

The Group deposits most of its cash in government-related financial institutions, and also obtains short-term and long-term loans from these banks in the ordinary course of business. The interest rates of the bank deposits and loans are regulated by the People's Bank of China.

– other transactions

Other collectively significant transactions with other government-related entities include a large portion of fuel purchases, property, plant and equipment construction. The pricing and the selection of suppliers and service providers are not dependent on whether the counterparties are government-related entities or not.

### (e) Commitment with related parties

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Capital commitment | **1,809,968** | 3,252,628 |
| Commitment on properties rental and management fees | **167,043** | 65,148 |

## 41. RETIREMENT PLANS

The Group is required to make contributions to retirement plans operated by the State at range from 15% to 20% (2016: 15% to 20%) of the staff salaries. A member of the plan is entitled to receive from the State a pension equal to a fixed proportion of his or her salary prevailing at the retirement date. In addition, the Group participates in a retirement plan managed by China 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.

The Group's contribution to these plans amounted to RMB728 million during the year (2016: RMB743 million) which was charged to the consolidated statement of profit or loss and other comprehensive income.

## 42. COMMITMENTS

### (a) Capital commitments

The Group had capital commitments at 31 December as follows:

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Contracted for but not provided in the financial statements | | |
| – Development of power plants | **14,494,697** | 18,111,899 |
| – Improvement projects and others | **815,102** | 806,215 |
| | **15,309,799** | 18,918,114 |

### (b) Operating lease commitments

At 31 December, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are payable as follows:

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Within 1 year | **96,825** | 103,192 |
| After 1 year but within 5 years | **188,068** | 109,953 |
| After 5 years | **118,155** | 167,343 |
| | **403,048** | 380,488 |

## 43. CONTINGENT LIABILITIES

As at 31 December 2017, some subsidiaries of the Company were the defendants in certain lawsuits for events incurred before the acquisition date. At the end of the reporting period, above lawsuits were in progress whose final outcomes cannot be determined at present. The directors of the Company consider that the outcome of these outstanding lawsuits will not result in significant adverse effect on the financial position and operating results of the Group.

Apart from the litigations and guarantees disclosed in note 40(a)(i), the Group has no other material contingent liabilities as at 31 December 2017 (2016: nil).

## 44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

### Categories of financial instruments

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Financial assets | | |
| – Loans and receivables (including cash and cash equivalents) | **19,795,281** | 15,679,001 |
| – Available-for-sale investments | **241,867** | 281,970 |
| | **20,037,148** | 15,960,971 |
| Financial liabilities | | |
| – Amortised cost | **152,794,683** | 145,898,052 |

Exposure to interest rate, credit, currency and liquidity 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) Interest rate risk

The interest rates and terms of repayment of the outstanding interest-bearing liabilities of the Group is disclosed in note 31. At 31 December 2017, fixed rate borrowings comprise 31% of total borrowings of the Group (2016: 35%).

**Sensitivity analysis**

At 31 December 2017, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would have decreased the Group's profit after tax and total equity by approximately RMB698 million (2016: RMB610 million).

The sensitivity analysis above indicates the Group's exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period. The impact on the Group's profit after tax (and retained profits) and consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for prior year.

### (b) Credit risk

The Group's credit risk is primarily attributable to trade debtors and bills receivable. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade debtors and bills receivable, individual credit evaluations are performed regularly on all customers granted with credit period. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer. Trade debtors are due within 30 to 90 days from the date of billing. For bills received from customers, the Group generally accepts only bank acceptance bills in order to minimise the risk of default payment. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 24% and 55% (2016: 22% and 59%) of the total trade debtors and bills receivable were due from the Group's largest customer and the five largest customers respectively.

Except for the financial guarantees given by the Group as set out in note 40(a), the Group does 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 40(a(i)).

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors and bills receivable are set out in note 27.

## 44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

At the end of the reporting period, the Group had net current liabilities of RMB55,157 million (2016: RMB52,991 million). With regards to its future capital commitments and other financing requirements, the Group has unutilised banking facilities of RMB141.0 billion (2016: RMB160.8 billion) and an aggregate amount of debentures and bonds of RMB33.9 billion (2016: RMB24.4 billion) registered in the PRC interbank debenture market which has not been issued as at 31 December 2017.

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 | | | | | | 2016 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Contractual undiscounted cash outflow | | | | | | Contractual undiscounted cash outflow | | | | | |
| | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | More than 5 years | Total | Carrying amount | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | More than 5 years | Total | Carrying amount |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Short-term debentures payable | **6,082,774** | **–** | **–** | **–** | **6,082,774** | **6,059,239** | 19,909,114 | – | – | – | 19,909,114 | 19,754,377 |
| Bank loans | **39,674,428** | **9,525,466** | **23,770,180** | **37,678,204** | **110,648,278** | **89,792,041** | 20,868,355 | 10,796,295 | 24,230,632 | 34,269,576 | 90,164,858 | 70,787,785 |
| Loans from shareholders | **91,196** | **381,543** | **1,595,519** | **28,666** | **2,096,924** | **1,788,318** | 91,074 | 81,529 | 1,954,238 | 28,666 | 2,155,507 | 1,788,211 |
| State loans | **10,011** | **3,302** | **10,853** | **58,616** | **82,782** | **70,391** | 10,952 | 10,389 | 10,363 | 57,347 | 89,051 | 75,773 |
| Other loans | **5,460,300** | **2,876,136** | **4,134,739** | **551,289** | **13,022,464** | **11,825,630** | 5,439,806 | 1,365,835 | 3,224,496 | 923,578 | 10,953,715 | 9,972,631 |
| Trade creditors and bills payable | **18,042,924** | **–** | **–** | **–** | **18,042,924** | **18,042,924** | 20,796,385 | – | – | – | 20,796,385 | 20,796,385 |
| Amount due to the parent company | **64,295** | **–** | **–** | **–** | **64,295** | **64,295** | 31,191 | – | – | – | 31,191 | 31,191 |
| Obligations under finance lease | **926,037** | **644,656** | **1,464,414** | **337,095** | **3,372,202** | **3,001,107** | 890,134 | 945,850 | 1,878,385 | 125,509 | 3,839,878 | 3,427,796 |
| Other payables | **4,665,051** | **–** | **–** | **–** | **4,665,051** | **4,665,051** | 5,455,954 | – | – | – | 5,455,954 | 5,455,954 |
| Long-term debentures payable (Including current portion of long-term debentures payable) | **7,287,850** | **3,082,950** | **8,233,025** | **–** | **18,603,825** | **17,049,977** | 2,621,400 | 7,022,100 | 4,944,800 | – | 14,588,300 | 13,424,396 |
| Retirement benefit obligations | **–** | **2,856** | **11,562** | **19,164** | **33,582** | **20,858** | – | 2,925 | 9,191 | 22,812 | 34,928 | 23,418 |
| Long-term payables | **–** | **93,637** | **202,956** | **933,540** | **1,230,133** | **414,852** | – | 72,506 | 241,525 | 857,215 | 1,171,246 | 360,135 |
| Financial guarantee contracts | **43,650** | **–** | **–** | **–** | **43,650** | **–** | 43,650 | – | – | – | 43,650 | – |
| | **82,348,516** | **16,610,546** | **39,423,248** | **39,606,574** | **177,988,884** | **152,794,683** | 76,158,015 | 20,297,429 | 36,493,630 | 36,284,703 | 169,233,777 | 145,898,052 |

## 44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (d) Currency risk

#### (i) Recognised assets and liabilities

The Group is exposed to currency risk primarily arising from borrowings which are denominated in US$ and Euro, as well as cash and cash equivalents denominated in HK$. Depreciation or appreciation of US$, Euro and HK$ against RMB would affect the financial position and operating results of the Group.

#### (ii) Exposure to currency risk

The following table details the Group's major exposure at the end of the reporting period to currency risk arising from monetary assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | US$ | Euro | HK$ | US$ | Euro | HK$ |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash and cash equivalents | **131** | **–** | **4** | 11,633 | – | 5 |
| Bank loans | **(415,314)** | **(43,380)** | **–** | (447,326) | (50,536) | – |
| State loans | **–** | **(64,588)** | **–** | – | (68,053) | – |
| Other payables | **(235)** | **–** | **–** | (444) | (44) | – |
| Net exposure | **(415,418)** | **(107,968)** | **4** | (436,137) | (118,633) | 5 |

#### (iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and consolidated equity in that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Decrease in foreign exchange rates | Effect on profit after tax and retained profits | Effect on consolidated equity | Decrease in foreign exchange rates | Effect on profit after tax and retained profits | Effect on consolidated equity |
| | *%* | *RMB'000* | *RMB'000* | *%* | *RMB'000* | *RMB'000* |
| US$ | **(10)** | **31,156** | **31,156** | (10) | 32,710 | 32,710 |
| Euro | **(10)** | **8,098** | **8,098** | (10) | 8,898 | 8,898 |
| HK$ | **(10)** | **–** | **–** | (10) | – | – |

## 44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (d) Currency risk (Continued)

#### (iii) Sensitivity analysis (Continued)

A 10% weakening of RMB against the above currencies 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 assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2016.

### (e) Fair values

#### (i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable (note 2(b)).

| Financial assets | Fair value as at | | Fair value hierarchy | Valuation technique(s) and key input(s) |
|---|---|---|---|---|
| | At 31 December 2017 | At 31 December 2016 | | |
| Listed equity securities classified as available-for-sale investment-listed equity securities in the consolidated statement of financial position | – | 7,886,010 shares of the Bank of Communications Co., Ltd.- RMB46 million | Level 1 | Quoted bid prices in an active market |

During the reporting period there is no transfer between instruments in Level 1 and Level 2.

#### (ii) Financial instruments carried at other than fair value

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Fixed rate borrowings and debentures payable | **18,037,629** | **17,842,853** | 14,600,194 | 14,638,875 |

The fair value measurements of above financial liabilities are within the level 2 category, which have been determined based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of the Group entities.

## 45. PARENT AND ULTIMATE HOLDING COMPANY

The directors of the Company consider its parent and ultimate holding company to be China Huadian, which is a state-owned enterprise established in the PRC. China Huadian does not produce financial statements available for public use.

## 46. INVESTMENTS IN SUBSIDIARIES

### (a) General information of subsidiaries

The following list contains only the particulars of subsidiaries as at 31 December 2017, all of which are limited liability companies established and operating in the PRC, which principally affect the results, assets or liabilities of the Group:

| Name of company | Paid up capital | Proportion of ownership interest and voting rights: Held by the Company | Proportion of ownership interest and voting rights: Held by subsidiaries | Principal activities |
|---|---|---|---|---|
| | *RMB'000* | *%* | *%* | |
| Sichuan Guang'an Power Generation Company Limited 四川廣安發電有限責任公司 | 1,785,860 | 80 | – | Generation and sale of electricity |
| Huadian Qingdao Power Generation Company Limited 華電青島發電有限公司 | 727,436 | 55 | – | Generation and sale of electricity and heat |
| Huadian Weifang Power Generation Company Limited 華電濰坊發電有限公司 | 1,328,889 | 45 *(note (i))* | – | Generation and sale of electricity and heat |
| Huadian Zibo Thermal Power Company Limited 華電淄博熱電有限公司 | 773,850 | 100 | – | Generation and sale of electricity and heat |
| Huadian Zhangqiu Power Generation Company Limited 華電章丘發電有限公司 | 758,114 | 87.5 | – | Generation and sale of electricity and heat |
| Huadian Tengzhou Xinyuan Thermal Power Company Limited 華電滕州新源熱電有限公司 | 493,205 | 93.26 | – | Generation and sale of electricity and heat |
| Huadian Xinxiang Power Generation Company Limited 華電新鄉發電有限公司 | 853,386 | 90 | – | Generation and sale of electricity |
| Anhui Huadian Suzhou Power Generation Company Limited 安徽華電宿州發電有限公司 | 854,914 | 97 | – | Generation and sale of electricity |
| Huadian Ningxia Lingwu Power Generation Company Limited 華電寧夏靈武發電有限公司 | 2,050,239 | 65 | – | Generation and sale of electricity |
| Sichuan Huadian Luding Hydropower Company Limited 四川華電瀘定水電有限公司 | 1,516,090 | 100 | – | Generation and sale of electricity |
| Huadian Zouxian Power Generation Company Limited ("**Zouxian Company**") 華電鄒縣發電有限公司 | 3,000,000 | 69 | – | Generation and sale of electricity |
| Huadian International Ningxia New Energy Power Company Limited 華電國際寧夏新能源發電有限公司 | 1,806,000 | 100 | – | Generation and sale of electricity |
| Anhui Huadian Wuhu Power Generation Company Limited 安徽華電蕪湖發電有限公司 | 1,351,640 | 65 | – | Generation and sale of electricity and heat |
| Inner Mongolia Huadian Mengdong Energy Company Limited 內蒙古華電蒙東能源有限公司 | 797,128 | 100 *(note (ii))* | – | Generation and sale of electricity |
| Huadian Luohe Power Generation Company Limited 華電漯河發電有限公司 | 600,800 | 75 | – | Generation and sale of electricity and heat |
| Hangzhou Huadian Banshan Power Generation Company Limited 杭州華電半山發電有限公司 | 1,220,334 | 64 | – | Generation and sale of electricity and heat |
| Hebei Huadian Shijiazhuang Thermal Power Company Limited 河北華電石家莊熱電有限公司 | 1,132,530 | 82 | – | Generation and sale of electricity and heat |
| Hebei Huadian Shijiazhuang Yuhua Thermal Power Company Limited 河北華電石家莊裕華熱電有限公司 | 636,020 | 60 | 40 | Generation and sale of electricity and heat |
| Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited 河北華電石家莊鹿華熱電有限公司 | 500,550 | 90 | – | Generation and sale of electricity and heat |

## 46. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### (a) General information of subsidiaries (Continued)

| Name of company | Paid up capital | Proportion of ownership interest and voting rights: Held by the Company | Proportion of ownership interest and voting rights: Held by subsidiaries | Principal activities |
|---|---|---|---|---|
| | *RMB'000* | *%* | *%* | |
| Sichuan Huadian Zagunao Hydroelectric Development Company Limited 四川華電雜谷腦水電開發有限責任公司 | 980,563 | 64 | – | Generation and sale of electricity |
| Hebei Huarui Energy Group Corporation Limited 河北華瑞能源集團有限公司 | 938,000 | 100 | – | Sale of electricity and investment on power resources |
| Shanxi Maohua Energy Investment Company Limited 山西茂華能源投資有限公司 | 2,500,000 | 100 | – | Sale of coal and investment in coal, electricity and heat industry |
| Hebei Huadian Guyuan Wind Power Company Limited 河北華電沽源風電有限公司 | 446,100 | 100 | – | Generation and sale of electricity |
| Huadian Longkou Power Generation Company Limited 華電龍口發電股份有限公司 | 488,000 | 84.31 | – | Generation and sale of electricity and heat |
| Shaoguan Pingshi Power Plant Company Limited (Plant B) 韶關市坪石發電廠有限公司(B廠) | 989,000 | 100 | – | Generation and sale of electricity |
| Huadian Laizhou Power Generation Company Limited 華電萊州發電有限公司 | 1,849,000 | 75 | – | Generation and sale of electricity |
| Hebei Huadian Kangbao Wind Power Company Limited 河北華電康保風電有限公司 | 590,600 | 100 *(note(v))* | – | Generation and sale of electricity |
| Anhui Huadian Lu'an Power Plant Company Limited 安徽華電六安電廠有限公司 | 921,500 | 95 | – | Generation and sale of electricity |
| Huadian Qudong Power Generation Company Limited 華電渠東發電有限公司 | 568,000 | 90 | – | Generation and sale of electricity and heat |
| Shantou Huadian Power Generation Company Limited 汕頭華電發電有限公司 | 590,000 | 51 | – | Generation and sale of electricity |
| Shijiazhuang Huadian Heat Corporation Limited 石家莊華電供熱集團有限公司 | 502,370 | 100 | – | Sale of heat |
| Huadian Laizhou Port Company Limited 華電萊州港務有限公司 | 215,130 | 65 | – | Port construction and operation |
| Huadian Laizhou Wind Power Company Limited 華電萊州風力發電有限公司 | 91,914 | 100 | – | Generation and sale of electricity |
| Inner Mongolia Haoyuan Coal Company Limited 內蒙古浩源煤炭有限公司 | 3,000 | 85 | – | Sales of mining equipment and components |
| Shunge Company 內蒙古阿拉善盟順舸礦業集團順舸礦業有限責任公司 | 30,000 | 100 | – | Coal mine improvement and sales of mining equipment |
| Shuiluohe Company 四川涼山水洛河電力開發有限公司 | 978,361 | – | 57 | Generation and sale of electricity |
| Tianjin Huadian Fuyuan Thermal Power Company Limited 天津華電福源熱電有限公司 | 257,000 | 100 | – | Generation and sale of electricity and heat |
| Hangzhou Huadian Xiasha Thermal Power Company Limited 杭州華電下沙熱電有限公司 | 259,338 | 56 | – | Generation and sale of electricity and heat |
| Huadian Zhejiang Longyou Thermal Company Limited 華電浙江龍遊熱電有限公司 | 255,000 | 100 | – | Generation and sale of electricity and heat |
| Hangzhou Huadian Jiangdong Thermal Power Company Limited 杭州華電江東熱電有限公司 | 497,952 | 70 | – | Generation and sale of electricity and heat |
| Shenzhen Huanyu Star River Investment Company Limited 深圳市環宇星河投資有限責任公司 | 20,000 | 100 | – | Investment on hydropower resources |
| Inner Mongolia Huatong Ruisheng Energy Company Limited 內蒙古華通瑞盛能源有限公司 | 35,000 | 90 | – | Production and sale of coal |
| Huadian Zaozhuang New Energy Power Generation Company Limited 華電棗莊新能源發電有限公司 | 88,000 | 100 | – | Generation and sale of electricity |

## 46. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### (a) General information of subsidiaries (Continued)

| Name of company | Paid up capital | Proportion of ownership interest and voting rights Held by the Company | Held by subsidiaries | Principal activities |
|---|---|---|---|---|
| | *RMB'000* | *%* | *%* | |
| Huadian Xuwen Wind Power Company Limited 華電徐聞風電有限公司 | 147,700 | 100 | – | Generation and sale of electricity |
| Huadian Shangdu Wind Power Company Limited 華電商都風電有限公司 | 20,000 | 100 | – | Generation and sale of electricity |
| Huadian Guangdong Shunde Energy Company Limited 華電廣東順德能源有限公司 | 131,300 | 90 | – | Generation and sale of electricity |
| Huadian Foshan Energy Company Limited 華電佛山能源有限公司 | 126,600 | 100 | – | Generation and sale of electricity |
| Huadian Feicheng New Energy Power Generation Company Limited 華電肥城新能源發電有限公司 | 214,000 | 100 | – | Investment on new energy power resources |
| Ningxia Huadian Yongli Power Generation Company Limited 寧夏華電永利發電有限公司 | 61,600 | 100 | – | Generation and sale of electricity and heat |
| Huadian Hubei Power Generation Company Limited 華電湖北發電有限公司 | 3,006,347 | 82.5627 | – | Generation and sale of electricity and heat |
| Huadian Guangdong Energy Sales Company Limited 華電廣東能源銷售有限公司 | 100,000 | 100 | – | Sale of electricity and heat |
| Huadian Anhui Energy Sales Company Limited 華電安徽能源銷售有限公司 | 110,000 | 100 *(note (iii))* | – | Sale of electricity and heat |
| Huadian Henan Energy Sales Company Limited 華電河南能源銷售有限公司 | 50,000 | 100 *(note (iii))* | – | Sale of electricity and heat |
| Huadian Ningxia Energy Sales Company Limited 華電寧夏能源銷售有限公司 | 21,000 | 100 *(note (iii))* | – | Sale of electricity and heat |
| Huadian Shandong Energy Sales Company Limited 華電山東能源銷售有限公司 | 210,000 | 100 *(note (iii))* | – | Sale of electricity and heat |
| Huadian Shandong New Energy Power Generation Company Limited 華電山東新能源發電有限公司 | 108,000 | 100 *(note (iv))* | – | Generation and sale of electricity |
| Ningxia Huadian Heat Company Limited 寧夏華電供熱有限公司 | 525,000 | 53 *(note (iii))* | – | Sale of heat |

*Notes:*

(i) According to the articles of association of these companies, the Company holds majority of members in the board of directors which is the governing body of these companies and therefore has the power to direct the relevant activities of these companies, and is exposed, or has rights, to variable returns from the involvement with the investee, and has the ability to use its power to affect the amount of those returns.

(ii) During the current year, the name of Huadian Inner Mongolia Kailu Wind Power Company Limited was changed to Inner Mongolia Huadian Mengdong Energy Company Limited.

(iii) The companies were newly set up in 2017.

(iv) During the current year, Huadian Yiyuan New Energy Power Generation Company was merged by Huadian Shandong New Energy Power Generation Company Limited.

(v) During the current year, State Development Zhangjiakou Wind Power Company Limited has been merged by Hebei Huadian Kangbao Wind Power Company Limited.

(vi) The English translation of the names is for identification only. The official names of these entities are in Chinese.

## 46. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### (b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests.

| Name of the subsidiary | Place of establishment and principal place of business | Proportion of ownership interests and voting rights held by non-controlling interests | | Profit allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | | | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Weifang Company | the PRC | **55%** | 55% | **42,182** | 266,322 | **1,699,025** | 1,686,676 |
| Zouxian Company | the PRC | **31%** | 31% | **45,069** | 157,728 | **1,081,045** | 1,078,670 |
| Hubei Power Generation | the PRC | **17.4373%** | 17.4373% | **75,822** | 222,288 | **3,271,964** | 3,455,488 |
| Individually immaterial subsidiaries with non-controlling interests | | | | | | **8,240,600** | 8,311,773 |
| Total | | | | | | **14,292,634** | 14,532,607 |

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information including goodwill and effect of fair value adjustments of assets and liabilities recognised upon acquisition of these subsidiaries but before inter-company eliminations is as follows:

#### (i) Weifang Company and its subsidiary

| | 2017 | 2016 |
|---|---|---|
| | RMB'000 | RMB'000 |
| Current assets | **568,580** | 677,450 |
| Non-current assets | **4,402,570** | 4,678,074 |
| Current liabilities | **(853,089)** | (1,500,822) |
| Non-current liabilities | **(1,038,401)** | (797,517) |
| Total equity | **3,079,660** | 3,057,185 |
| Non-controlling interests of Weifang Company | **(11,583)** | (11,609) |

| | 2017 | 2016 |
|---|---|---|
| | RMB'000 | RMB'000 |
| Revenue | **3,328,894** | 3,262,127 |
| Expenses | **(3,252,504)** | (2,778,236) |
| Profit for the year | **76,390** | 483,891 |
| Non-controlling interests of Weifang Company | **(373)** | (404) |
| Dividends paid to non-controlling interests | **29,833** | 208,727 |
| Net cash inflow from operating activities | **564,195** | 926,982 |
| Net cash outflow from investing activities | **(136,046)** | (303,518) |
| Net cash outflow from financing activities | **(470,391)** | (632,148) |
| Net cash outflow | **(42,242)** | (8,684) |

## 46. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### (b) Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

**(ii) Zouxian Company**

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| Current assets | **476,441** | 470,035 |
| Non-current assets | **4,805,394** | 5,054,981 |
| Current liabilities | **(1,791,489)** | (1,641,967) |
| Non-current liabilities | **(3,105)** | (403,468) |
| Total equity | **3,487,241** | 3,479,581 |

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| Revenue | **3,497,850** | 3,540,219 |
| Expenses | **(3,352,467)** | (3,031,419) |
| Profit for the year | **145,383** | 508,800 |
| Dividends paid to non-controlling interests | **42,694** | 142,394 |
| Net cash inflow from operating activities | **68,516** | 1,402,469 |
| Net cash outflow from investing activities | **(161,244)** | (88,306) |
| Net cash inflow/(outflow) from financing activities | **69,967** | (1,305,936) |
| Net cash (outflow)/inflow | **(22,761)** | 8,227 |

**(iii) Hubei Power Generation and its subsidiaries**

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| Current assets | **2,649,558** | 2,334,915 |
| Non-current assets | **16,864,480** | 16,039,132 |
| Current liabilities | **(5,578,542)** | (4,700,209) |
| Non-current liabilities | **(6,430,708)** | (5,958,071) |
| Total equity | **7,504,788** | 7,715,767 |
| Non-controlling interests of Hubei Power Generation | **(2,377,989)** | (2,555,714) |

## 46. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### (b) Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

#### (iii) Hubei Power Generation and its subsidiaries (Continued)

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Revenue | **7,195,390** | 7,506,569 |
| Expenses | **(7,103,216)** | (7,066,568) |
| Profit for the year | **92,174** | 440,001 |
| Non-controlling interests of Hubei Power Generation | **(72,369)** | (176,307) |
| Dividends paid to non-controlling interests | **252,385** | 532,567 |
| Net cash inflow from operating activities | **787,238** | 1,863,209 |
| Net cash outflow from investing activities | **(1,996,477)** | (2,066,237) |
| Net cash inflow/(outflow) from financing activities | **1,265,941** | (288,679) |
| Net cash inflow/(outflow) | **56,702** | (491,707) |

## 47. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

| | Debentures<br>*RMB'000* | Loans<br>*RMB'000* | Financial Leases<br>*RMB'000* | Bill Financing<br>*RMB'000* | Dividend Payables<br>*RMB'000* | Total<br>*RMB'000* |
|---|---|---|---|---|---|---|
| At 1 January 2017 | 32,804,600 | 82,453,742 | 3,427,796 | 1,306,560 | 708,751 | 120,701,449 |
| Financing cash flows | (10,000,000) | 21,293,036 | (278,402) | (1,077,207) | (2,317,798) | 7,619,629 |
| Dividends recognised as distribution | – | – | – | – | 1,341,365 | 1,341,365 |
| Dividends declared to non-controlling interests | – | – | – | – | 653,515 | 653,515 |
| Lost control of a subsidiary | – | (456,000) | (151,097) | – | – | (607,097) |
| Foreign exchanges translation | – | (17,846) | – | – | – | (17,846) |
| Interest expenses | (194,100) | – | 2,810 | 6,243 | – | (185,047) |
| Dividends transferred to share capital | – | – | – | – | (21,273) | (21,273) |
| At 31 December 2017 | 22,610,500 | 103,272,932 | 3,001,107 | 235,596 | 364,560 | 129,484,695 |

## 48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | **16,546,246** | 15,764,540 |
| Construction in progress | **1,894,796** | 2,290,370 |
| Lease prepayments | **489,672** | 410,387 |
| Intangible assets | **34,307** | 39,708 |
| Goodwill | **46,524** | 46,524 |
| Investments in subsidiaries | **41,603,000** | 39,843,581 |
| Interests in associates and joint ventures | **7,287,594** | 6,107,479 |
| Available-for-sale investments | **26,900** | 26,500 |
| Other non-current assets | **754,118** | 820,094 |
| | **68,683,157** | 65,349,183 |
| **Current assets** | | |
| Inventories | **419,336** | 400,293 |
| Lease prepayments | **18,418** | 15,566 |
| Trade debtors and bills receivable | **1,260,191** | 489,681 |
| Amounts due from subsidiaries | **11,935,582** | 15,316,207 |
| Deposits, other receivables and prepayments | **1,370,527** | 2,399,310 |
| Cash and cash equivalents | **1,971,054** | 1,991,778 |
| | **16,975,108** | 20,612,835 |
| **Current liabilities** | | |
| Bank loans | **14,345,853** | 4,411,014 |
| State loans | **–** | 1,018 |
| Other loans | **1,576,000** | 1,195,000 |
| Short-term debenture payables | **6,059,239** | 19,754,377 |
| Long-term debenture payables-current portion | **6,493,146** | 1,498,250 |
| Amount due to the parent company | **17,640** | 17,640 |
| Amounts due to subsidiaries | **1,005,880** | 962,684 |
| Trade creditors and bills payable | **1,840,390** | 2,202,560 |
| Other payables | **1,746,265** | 1,794,041 |
| | **33,084,413** | 31,836,584 |
| **Net current liabilities** | **(16,109,305)** | (11,223,749) |
| **Total assets less current liabilities** | **52,573,852** | 54,125,434 |

## 48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

| | 2017 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Non-current liabilities** | | |
| Bank loans | **4,641,647** | 6,276,030 |
| State loans | **3,055** | 3,055 |
| Other loans | **2,747,000** | 1,383,000 |
| Long-term debentures payable | **10,058,115** | 11,053,323 |
| Deferred government grants | **117,273** | 124,468 |
| Deferred tax liabilities | **54,540** | 54,664 |
| | **17,621,630** | 18,894,540 |
| **NET ASSETS** | **34,952,222** | 35,230,894 |
| **CAPITAL AND RESERVES** | | |
| Share capital | **9,862,977** | 9,862,977 |
| Reserves | **25,089,245** | 25,367,917 |
| **TOTAL EQUITY** | **34,952,222** | 35,230,894 |

### Movement in the Company's reserves

| | Share capital | Capital reserve | Statutory surplus reserve | Discretionary surplus reserve | Retained profits | Total equity |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Balance at 1 January 2016 | 9,862,977 | 14,835,394 | 2,467,281 | 68,089 | 6,556,768 | 33,790,509 |
| Dividends recognised as distribution | – | – | – | – | (2,958,893) | (2,958,893) |
| Appropriation of general reserve | – | – | 411,366 | – | (411,366) | – |
| Profit and other comprehensive income for the year | – | – | – | – | 4,399,278 | 4,399,278 |
| Balance at 31 December 2016 | 9,862,977 | 14,835,394 | 2,878,647 | 68,089 | 7,585,787 | 35,230,894 |
| Dividends recognised as distribution | – | – | – | – | (1,341,365) | (1,341,365) |
| Appropriation of general reserve | – | – | 134,437 | – | (134,437) | – |
| Loss of control of a subsidiary | – | – | 12,646 | – | (12,646) | – |
| Profit and other comprehensive income for the year | – | – | – | – | 1,062,693 | 1,062,693 |
| Balance at 31 December 2017 | 9,862,977 | 14,835,394 | 3,025,730 | 68,089 | 7,160,032 | 34,952,222 |

# Five Years Financial Summary

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Turnover | 66,049,455 | 67,781,771 | 66,788,917 | 62,837,146 | **78,463,912** |
| Profit before taxation | 7,094,676 | 9,458,091 | 12,937,027 | 5,972,773 | **1,152,960** |
| Income tax credit | (1,515,481) | (1,936,271) | (3,157,593) | (1,677,547) | **(458,484)** |
| Profit for the year | 5,579,195 | 7,521,820 | 9,779,434 | 4,295,226 | **694,476** |
| Attributable to: | | | | | |
| Equity shareholders of the Company | 4,096,933 | 5,959,045 | 7,329,439 | 3,127,799 | **435,905** |
| Non-controlling interests | 1,482,262 | 1,562,775 | 2,449,995 | 1,167,427 | **258,571** |
| Profit for the year | 5,579,195 | 7,521,820 | 9,779,434 | 4,295,226 | **694,476** |
| Total non-current assets | 156,315,197 | 168,114,901 | 185,899,680 | 191,912,000 | **193,817,104** |
| Total current assets | 16,981,399 | 20,735,128 | 24,076,076 | 21,163,716 | **25,160,602** |
| Total assets | 173,296,596 | 188,850,029 | 209,975,756 | 213,075,716 | **218,977,706** |
| Total current liabilities | (62,119,087) | (70,080,098) | (67,143,909) | (74,154,430) | **(80,317,325)** |
| Total non-current liabilities | (77,697,802) | (75,833,469) | (84,769,708) | (80,550,362) | **(81,458,588)** |
| Net assets | 33,479,707 | 42,936,462 | 58,062,139 | 58,370,924 | **57,201,793** |
| Total equity attributable to equity shareholders of the Company | 23,010,521 | 31,705,180 | 43,699,189 | 43,838,317 | **42,909,159** |
| Non-controlling interests | 10,469,186 | 11,231,282 | 14,362,950 | 14,532,607 | **14,292,634** |
| Total equity | 33,479,707 | 42,936,462 | 58,062,139 | 58,370,924 | **57,201,793** |

# Supplemental Information

## 1. DIFFERENCES ON ACCOUNTING FIGURES BY ADOPTING DOMESTIC AND FOREIGN ACCOUNTING PRINCIPLES

### RECONCILIATION OF THE FINANCIAL STATEMENTS PREPARED UNDER CAS AND IFRSs

Effects of major differences between the CAS and IFRSs on net profit and net assets attributable to equity shareholders of the Company are analysed as follows:

| | | Net profit attributable to equity shareholders of the Company | | Net assets attributable to equity shareholders of the Company | |
|---|---|---|---|---|---|
| | *Notes* | **2017** | 2016 | **2017** | 2016 |
| | | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Amounts under CAS | | **430,127** | 3,344,443 | **41,758,901** | 42,619,387 |
| Adjustments: | | | | | |
| Business combination involving entities under common control | (1) | **(255,675)** | (354,417) | **2,747,519** | 3,003,194 |
| Government grants | (2) | **33,592** | 33,592 | **(387,577)** | (421,169) |
| Maintenance and production safety funds | (3) | **77,351** | 46,820 | **13,995** | 11,308 |
| The equity interest in an associate being passively diluted | | **–** | (144,595) | **–** | – |
| Taxation impact of the adjustments | | **63,295** | 87,986 | **(593,637)** | (656,932) |
| Attributable to minority interests | | **87,215** | 113,970 | **(630,042)** | (717,471) |
| Amounts under IFRSs | | **435,905** | 3,127,799 | **42,909,159** | 43,838,317 |

*Notes:*

(1) According to the accounting policies adopted in the Group's financial statements prepared under IFRSs, assets and liabilities acquired by the Group during business combination, irrespective of whether such business combination is involving entities under common control or not, are measured at the fair value of identifiable assets and liabilities of the acquiree at the date of acquisition. In preparing the consolidated financial statements, the respective financial statements of subsidiaries are adjusted based on the fair value of individual identifiable assets and liabilities at the date of acquisition. The excess of purchase consideration paid by the Company over its share of fair value of identifiable net assets of the acquired was recognised as goodwill.

In accordance with CAS, assets and liabilities acquired by the Group in business combination involving entities under common control are measured at their carrying value at the date of combination. The excess of carrying value of purchase consideration paid by the Company over its share of carrying value of identifiable net assets of the acquiree for business combination involving entities under common control reduces the share premium of capital reserve or retained profits.

In addition, according to CAS, in respect of business combination involving entities under common control, when preparing consolidated financial statements, the opening balances as well as the comparative figures of the financial statements should be adjusted as if the current structure and operations resulting from the acquisitions had been in existence since prior periods (no earlier than the later of both parties were under common control).

(2) According to IFRSs, conditional government grants should be first recorded in long-term liabilities and amortised to profit or loss using the straight line method over the useful lives of the relevant assets after fulfilling the requirements from the government in respect of the construction projects.

According to CAS, government grants related to assets (required to be recorded in capital reserve pursuant to the relevant government notice) are not recognised as deferred income.

(3) Pursuant to the relevant PRC regulations for coal mining companies, the funds for production maintenance and production safety are accrued by the Group at fixed rates based on coal production volume. Provision for maintenance and production funds is recognised as expense in profit or loss with a corresponding adjustment to the specific reserve. The maintenance and production funds and special fees on other similar mining enterprises could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve back to retained earnings.

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

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