華電國際電力股份有限公司

HUADIAN POWER INTERNATIONAL CORPORATION LIMITED

Stock Code：1071

ANNUAL REPORT 2018

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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 51,570.5 MW controlled installed capacity, with a total of 40,225 MW attributable to coal-fired generating units, 5,118.1 MW attributable to gas-fired generating units and 6,227.4 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 2018, the total number of employees of the Group amounted to 27,386.

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

(1) Details of controlled coal and gas-fired generating units are as follows:

	Name of power plant/company	Installed capacity *(MW)*	Equity interest held by the Company	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 600MW + 1 x 660MW + 2 x 330MW + 1 x 140MW
3	Laicheng Plant	1,200	100%	4 x 300MW
4	Fengjie Plant	1,200	100%	2 x 600MW
5	Shuozhou Thermal Power Branch Company	700	100%	2 x 350MW
6	Shenzhen Company	120	100%	120MW
7	Huadian Zouxian Power Generation Company Limited ("**Zouxian Company**")	2,000	69%	2 x 1,000MW
8	Huadian Laizhou Power Generation Company Limited ("**Laizhou Company**")	2,001.1	75%	2 x 1,000MW + 1.1MW
9	Huadian Weifang Power Generation Company Limited ("**Weifang Company**")	2,002.4	45%	2 x 670MW + 2 x 330MW + 2.4MW
10	Huadian Qingdao Power Generation Company Limited ("**Qingdao Company**")	1,220	55%	1 x 320MW + 3 x 300MW

COMPANY PROFILE (CONTINUED)

Name of power plant/company		Installed capacity *(MW)*	Equity interest held by the Company	Generating units
11	Huadian Zibo Thermal Power Company Limited ("**Zibo Company**")	950	100%	2 x 330MW + 2 x 145MW
12	Huadian Zhangqiu Power Generation Company Limited ("**Zhangqiu Company**")	925	87.5%	1 x 335MW+ 1 x 300MW + 2 x 145MW
13	Huadian Tengzhou Xinyuan Thermal Power Company Limited ("**Tengzhou Company**")	930	93.257%	2 x 315MW + 2 x 150MW
14	Hudian Longkou Power Generation Company Limited ("**Longkou Company**")	880	84.31%	4 x 220MW
15	Huadian Ningxia Lingwu Power Generation Company Limited ("**Lingwu Company**")	3,320	65%	2 x 1,060MW + 2 x 600MW
16	Sichuan Guang'an Power Generation Company Limited ("**Guang'an Company**")	2,400	80%	2 x 600MW + 4 x 300MW
17	Huadian Xinxiang Power Generation Company Limited ("**Xinxiang Company**")	1,320	90%	2 x 660MW
18	Huadian Luohe Power Generation Company Limited ("**Luohe Company**")	660	75%	2 x 330MW
19	Huadian Qudong Power Generation Company Limited ("**Qudong Company**")	660	90%	2 x 330MW
20	Anhui Huadian Suzhou Power Generation Company Limited ("**Suzhou Company**")	1,260	97%	2 x 630MW
21	Anhui Huadian Wuhu Power Generation Company Limited ("**Wuhu Company**")	2,320	65%	2 x 660MW + 1 x 1,000MW
22	Anhui Huadian Lu'an Power Generation Company Limited ("**Lu'an Company**")	1,320	95%	2 x 660MW
23	Hangzhou Huadian Banshan Power Generation Company Limited ("**Hangzhou Banshan Company**")	2,415.7	64%	3 x 415MW + 3 x 390MW + 0.7MW
24	Hangzhou Huadian Xiasha Thermal Power Company Limited ("**Xiasha Company**")	246	56%	1 x 88MW + 2 x 79MW
25	Hangzhou Huadian Jiangdong Thermal Power Company Limited ("**Jiangdong Company**")	960.5	70%	2 x 480.25MW
26	Huadian Zhejiang Longyou Thermal Power Company Limited ("**Longyou Company**")	406	100%	2 x 127.6MW + 1 x 130.3MW + 1 x 19.5MW + 1MW
27	Hebei Huadian Shijiazhuang Thermal Power Company Limited ("**Shijiazhuang Thermal Power Company**")	928.6	82%	453.6MW + 2 x 200MW + 3 x 25MW

COMPANY PROFILE (CONTINUED)

	Name of power plant/company	Installed capacity *(MW)*	Equity interest held by the Company	Generating units
28	Hebei Huadian Shijiazhuang Yuhua Thermal Power Company Limited ("**Yuhua Company**")	600	100%	2 x 300MW
29	Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited ("**Luhua Company**")	660	90%	2 x 330MW
30	Shaoguan City Pingshi Electric Power Plant Company Limited (Plant B) ("**Pingshi Power Company**")	600	100%	2 x 300MW
31	Guangdong Shaoguan Thermal Power Company Limited ("**Shaoguan Thermal Power Company**")	350	100%	350MW
32	Huadian Foshan Energy Company Limited ("**Foshan Energy Company**")	118	100%	2 x 59MW
33	Tianjin Huadian Fuyuan Thermal Power Company Limited ("**Fuyuan Thermal Power Company**")	400	100%	2 x 200MW
34	Huadian Hubei Power Generation Company Limited ("**Hubei Company**") *(Note)*	5,906.4	82.56%	2 x 680MW + 1 x 660MW + 2 x 640MW + 6 x 330MW + 1 x 300MW + 40 x 2MW + 246.4MW

COMPANY PROFILE (CONTINUED)

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

Power generation enterprise	Installed capacity *(MW)*	Shareholding percentage of Hubei Company	Generating units
Huadian Hubei Power Generation Company Limited Huangshi Thermal Power Branch Company ("**Huangshi Thermal Power Company**")	330	100%	1 x 330MW
Huadian Hubei Power Generation Company Limited Huangshi Photovoltaic Power Generation Branch Company ("**Huangshi Photovoltaic Power Generation Company**")	6.4	100%	6.4MW
Hubei Xisaishan Power Generation Company Limited ("**Xisaishan Company**")	660	50%	2 x 330MW
Hubei Huadian Xisaishan Power Generation Company Limited ("**Huadian Xisaishan Company**")	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 Zaoyang Photovoltaic Power Generation Company Limited ("**Zaoyang Photovoltaic Power Generation Company**")	100	100%	100MW
Hubei Huadian Suixian Yindian Photovoltaic Power Generation Company Limited ("**Suixian Photovoltaic Power Generation Company**")	100	100%	100MW

COMPANY PROFILE (CONTINUED)

(2) Details of controlled renewable energy generating units are as follows:

	Name of power plant/company	Installed capacity *(MW)*	Equity interest held by the Company	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**")	462	57%	3 x 70MW + 3 x 38MW + 3 x 46MW
5	Hebei Huadian Complex Pumping-storage Hydropower Company Limited ("**Hebei Hydropower Company**") *(Note)*	83.4	100%	1 x 16MW + 2 x 15MW + 1 x 11MW + 2 x3.2MW + 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**")	379.5	100%	72 x 2MW + 137 x 1.5MW + 30MW
11	Hebei Huarui Energy Group Corporation Limited ("**Huarui Company**")	99	100%	48 x 2MW + 2 x 1.5MW
12	Huadian Laizhou Wind Power Company Limited ("**Laizhou Wind Power Company**")	40.5	55%	27 x1.5MW
13	Huadian Laizhou Wind Power Generation Company Limited ("**Laizhou Wind Company**")	48	100%	24 x 2MW
14	Huadian Laizhou Wind Energy Power Company Limited ("**Laizhou Wind Energy Company**")	99.6	55%	48 x 2MW + 2 x 1.8MW
15	Huadian Changyi Wind Power Company Limited ("**Changyi Wind Power Company**")	97.5	100%	24 x 2MW + 33 x 1.5MW
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	Longkou Dongyi Wind Power Company Limited ("**Longkou Dongyi Wind Power Company**")	30	100%	20 x 1.5MW

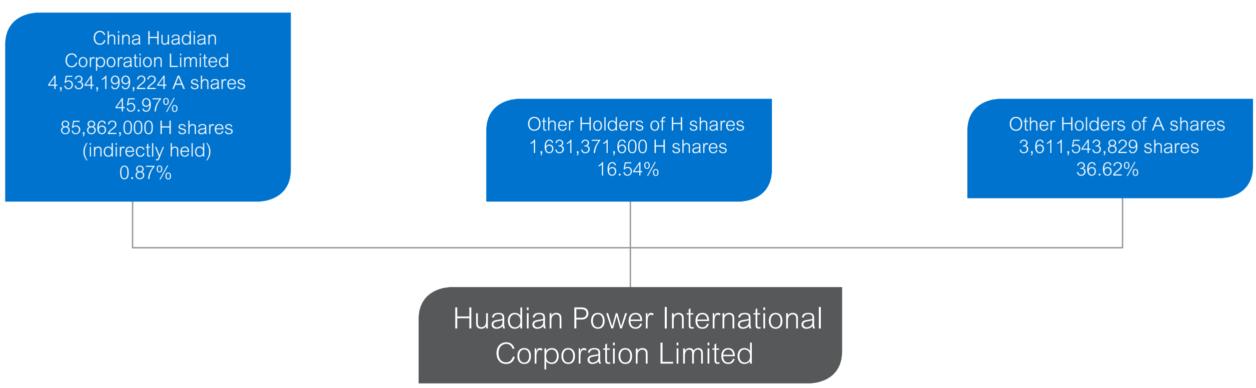
COMPANY PROFILE (CONTINUED)

	Name of power plant/company	Installed capacity *(MW)*	Equity interest held by the Company	Generating units
19	Huadian Shandong New Energy Company Limited ("**Shandong New Energy Company**")	415.5	100%	144 x 2MW + 100MW + 3 x 1.9MW + 1 x 1.8MW + 20MW
20	Huadian Xuwen Wind Power Company Limited ("**Xuwen Wind Power Company**")	99	100%	48 x 2MW + 2 x 1.5MW
21	Huadian Xiaxian Wind Power Company Limited ("**Xiaxian Wind Power Company**")	100	100%	50 x 2MW
22	Huadian Ningxia Ningdong Shangde Solar Power Company Limited ("**Shangde Solar Company**")	10	60%	10MW
23	Huadian Zhangjiakou Saibei New Energy Generation Company Limited ("**Zhangjiakou Saibei New Energy Company**")	4	100%	4MW
24	Huadian Ningbo New Energy Generation Company Limited ("**Ningbo New Energy Company**")	10	100%	10MW
25	Huadian Huzhou New Energy Power Generation Company Limited ("**Huzhou New Energy Company**")	30	100%	30MW
26	Huadian Taiqian Photovoltaic Power Generation Company Limited ("**Taiqian Photovoltaic Power Generation Company**")	100	50%	100MW

Note: Hebei Hydropower Company completed the acquisition of generating units with a total capacity of 6.4MW from Pingshan Gangnan Hydropower Co., Ltd. in 2018.

SHAREHOLDING STRUCTURE

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



BUSINESS REVIEW AND OUTLOOK

Tian Hongbao
Vice Chairman and General Manager

BUSINESS REVIEW

(1) Power Generation

As at 31 December 2018, the Group's total controlled installed capacity amounted to 49,952.4 MW. Power generation of the Group in 2018 amounted to approximately 209.85 million MWh, representing a year-on-year increase of approximately 9.46%; the volume of on-grid power sold amounted to 195.99 million MWh, representing a year-on-year increase of approximately 9.32%. The annual utilization hours of the Group's generating units were 4,264 hours, representing a year-on-year increase of 273 hours, among which the utilization hours of coal-fired generating units were 4,849 hours, representing a year-on-year increase of 347 hours. The coal consumption for power supply was 299.21g/KWh in aggregate, representing a year-on-year decrease of 0.4g/KWh.

(2) Turnover

In 2018, the Group's turnover amounted to approximately RMB87,419 million, representing an increase of approximately 11.41% over 2017. Revenue generated from sale of electricity amounted to approximately RMB69,111 million, representing an increase of approximately 12.13% over 2017; revenue generated from sale of heat amounted to approximately RMB4,912 million, representing an increase of approximately 22.01% over 2017; revenue from sale of coal was approximately RMB13,397 million, representing an increase of approximately 4.63% over 2017.

(3) Profit

In 2018, the profit amounted to approximately RMB6,269 million, representing a increase of approximately 43.16% over 2017, mainly due to the increase in the power generation and the price of on-grid power. For the year ended 31 December 2018, the profit for the year attributable to equity holders of the Company amounted to approximately RMB1,446 million, the profit for the year attributable to equity shareholders of the Company amounted to approximately RMB1,300 million, and the basic earnings per share was approximately RMB0.132.

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

(4) The Capacity of Newly-added Generating Units

From 1 January 2018 to the date of this report, the details of the Group's newly-added generating units are as follows:

Projects	**Category**	**Capacity** *(MW)*
Wuhu Company	Coal-fired	1,000
Shaoguan Thermal Power Company	Coal-fired	350
Shijiazhuang Thermal Power Company	Gas-fired	453.6
Shenzhen Company	Gas-fired	120
Foshan Energy Company	Gas-fired	118
Shuiluohe Company	Hydropower	134
Hebei Hydropower Company	Hydropower	6.4
Kangbao Wind Power Company	Wind power	49.5
Huzhou New Energy Company	Solar power	15
Taiqian Photovoltaic Power Generation Company	Solar power	100
Laizhou Company	Solar power	1.1
Zaozhuang New Energy Company	Solar power	10
Wuxue New Energy Company	Solar power	40
Shandong New Energy Company	Solar power	110
Suixian Photovoltaic Power Generation Company	Solar power	70
Huangshi Photovoltaic Power Generation Company	Solar power	6.4
Weifang Company	Solar power	2.4
Total		**2,586.4**

(5) The Shutdown of Installed Capacity

The shutdown of generating units by the Group from 1 January 2018 to the date of this report is as follows:

Projects	**Category**	**Capacity** *(MW)*
Huangshi Thermal Power Company	Coal-fired	200
Pingshi Company	Coal-fired	125
Huadian Suzhou Biomass Energy Power Generation Company Limited ("**Suzhou Biomass Energy Company**") *(note)*	Biomass energy	25
Total		**350**

Note: In August 2018, the creditor of Suzhou Biomass Energy Company applied to Anhui Suzhou Intermediate People's Court for bankruptcy liquidation of the company. Since September 2018, Suzhou Biomass Energy Company has been deconsolidated from the Group's consolidated financial statements, and according to the China Accounting Standards For Business Enterprises, a loss of RMB257 million was recognized as asset impairment, meanwhile a gain of RMB220 million was recognized as investment income.

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

(6) Generating Units Under Construction:

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

Type of generating units	Planned installed capacity *(MW)*
Coal-fired generating units	3,010
Gas-fired generating units	1,839.6
Hydropower generating units	989.8
Wind power generating units	354
Solar power generating units	8
Total	**6,201.4**

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 terms of the electricity market, according to the prediction of China Electricity Council, the power consumption in China will increase by approximately 5.5% in 2019, which is less than the growth rate in 2018. It is expected that the installed capacity of new generating units in China in 2019 will be approximately 110 million kW, of which the installed capacity of 62 million kW will be generated from non-fossil energy, and at the end of the year, the installed capacity of generating units in China will be approximately 2 billion kW, representing a year-on-year increase of approximately 5.5%. For the year, there was a balance between electricity supply and demand in China as a whole, with a tight supply of electricity in certain regions during the rush hours and the utilization hours of coal-fired equipment reaching approximately 4,400 hours. With the accelerated authorization for electricity distribution and sale businesses, continuous improvement in the electricity pricing mechanism, gradually independent operation of electricity trading organizations and accelerated implementation of pilot projects for the electricity spot market, the electricity market will further develop towards the market-oriented and competitive trend, from which power enterprises with a high-quality installation structure are expected to benefit.

In terms of the coal market, in 2019, with the gradual release of high-quality coal production capacity, slowdown in the economic growth and coal demand growth, it is expected that the coal supply and demand relation will tend to be stable, so there will be insufficient support for the price increase.

In terms of the capital market, the prudent monetary policy of the central government will be maintained to an appropriate degree, with reasonably sufficient liquidity. It enhances the countercyclical adjustment, encourages and directs financial institutes to provide greater support for the real economy, focuses on mitigating constraints on capital, liquidity, interest rate and otherwise.

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

(2) Development Strategies of the Group

The Company will carefully implement the national energy strategy and the "13th Five-Year" Development Plan, adhere to the new development philosophy, as well as standard operations and legal corporate governance as foundation, make effort to achieve the shift from scale expansion to profit improvement, accelerate the high-quality transformation and development, and endeavor to establish a competitive integrated energy company.

(3) Operation Plan of the Group in 2019

Where external conditions remain relatively stable, the Group expects to complete the goal of generating over 220 million MWh of power in 2019, and the utilisation hours of power-generating units are expected to basically remain stable, or decrease slightly. According to the actual progress of each project, in 2019, the Group intends to invest approximately RMB16 billion, among which approximately 68% will be used for the infrastructure of power supply projects, approximately 27% will be used for environmental protection and energy-saving technical transformation projects, and 5% will be used for other projects.

In 2019, the Company will focus on the work in the following four aspects:

Enhancing control and coordination of operations and comprehensively increasing management benefits. Defining responsibilities under revenue increase and expenditure reduction measures, enhancing overall management and control, strengthening management and control of key elements and indicators, and comprehensively promoting the quality and efficiency improvement work. Optimizing strategies, strengthening marketing, using advantages to generate profitable electricity, increasing the hours of equipment utilization, and leveraging advantages of centralized procurement to effectively reduce fuel costs. Properly managing funds, striving to diversify sources of funds, and ensuring the supply of funds and corporate credit security. Properly managing assets, standardizing disposal procedures, and increasing disposal proceeds.

Deepening the legal corporate governance and comprehensively promoting standard operations. Developing the philosophy of legal corporate governance, enhancing the risk awareness, conducting legal review in the whole process of important work including asset acquisition, project development, contract management and connected transaction, so as to prevent corporate legal risks. Strengthening the system construction, enhancing the system effectiveness and legality review, and preventing the system compliance risk.

Implementing new development philosophies and comprehensively promoting structural adjustment. Highlighting the main principle of structural adjustment and quality improvement, and adhering to the combination of asset acquisition and greenfield project development, and continuously promoting high-quality transformation and development of the Company.

Consolidating the safety foundation and comprehensively strengthening environmental protection work. Strengthening safety supervision and management, deeply carrying out the development into an intrinsically safe enterprise, comprehensively identifying and managing hidden dangers to production safety, conducting the prevention of natural disasters, reinforcing the investigation and analysis of safety accidents, and the implementation of preventive measures, so as to prevent risks in a timely manner. Properly benchmarking energy consumption, formulating and implementing consumption reduction measures and further lowering the energy consumption index. Enhancing the monitoring and management of the emissions of generating units and operations of environmental protection facilities, continuously unblocking the access to environmental protection information, and solidly and properly conducting emergency management of environmental protection work.

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

(4) Possible Risks and Measures

China's macro economy has seen changes amid overall stability, and faced downward pressure in the complicated and severe external environment, which lead to a greater uncertainty in the electricity consumption growth. In consideration of the international and domestic situation, industrial operation and local development, and the impact of the high base number in 2018, it is expected that the electricity consumption growth rate in China will fall steadily in 2019, and there are risks of year-on-year decline in the growth rate of power generation volume of the Group. With the further implementation of the electricity market-oriented reform, increasingly fierce competition on trading, and the gradual increase in the proportion of the volume of electricity traded in the market, the electricity pricing mechanism will be more complex, which will pose challenges for the marketing work of the Group.

In terms of the coal market, it is expected that the demand growth will slow down for the year, with a slightly loose supply-demand balance, but there are regional and periodical risks of resource shortages. In terms of market price, affected by various factors, there are greater demands for coal as a whole in certain regions, and there are risks of fluctuations in coal market prices.

In terms of environmental protection policy, the state intensifies the implementation of a series of special actions including defending the blue sky, with increasingly strict atmospheric, soil and water pollution control requirements, and increasingly strong binding force of ecological protection redlines, minimum environmental quality requirements, upper limits on resource utilization and the negative list for environmental access, which imposes stricter requirements on work of the Group including preliminary work, capital construction and production.

With regard to the above risks, in future operation and development, the Company will carry out in-depth study on electricity and coal markets and policies, make efforts to generate profitable electricity, and increase the hours of equipment utilization, so as to improve the benefits of the Group. It will optimize coal procurement strategies, leverage advantages of centralized procurement, and effectively reduce the fuel costs. Meanwhile, it will pay more attention to environmental protection work, comprehensively improve the self-discipline for eco-environment protection and enhance the operation and maintenance management of environmental protection facilities.

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:

Tian Hongbao (田洪寶), Chinese nationality, born in August 1960, former name: Tian Hongbao(田鴻寶), 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. At present, Mr. Tian acts as the Vice Chairman 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' experience in areas including power management and corporate finance.

Ni Shoumin (倪守民), Chinese nationality, born in October 1962. He graduated from Zhongnan University of Economics and Law, majoring in business administration, with a master's degree in EMBA. He currently serves as the Vice Chairman of the Company, the deputy secretary of the party committee and a director of Shandong Development Investment Holding Group Co., Ltd., and concurrently serves as a director of Taihe Assets Management Co., Ltd. and a director of Shandong Nuclear Power Company Ltd.. Mr. Ni started his career in July 1984, and has worked successively for the General Office of the Shandong Provincial Government, Hong Kong Hualu Group Co., Ltd., Shandong Hualu Group Company Limited and Hualu Holdings Group Company Limited. Mr. Ni has more than 30 years of working experience in macroeconomics, corporate management, etc.

Gou Wei (苟偉), Chinese nationality, 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 30 years of experience in power production and operation management.

Wang Xiaobo (王曉渤), Chinese nationality, born in March 1968. He graduated from Shandong University, majoring in economic management, with a bachelor's degree in economics. He is an economist. He currently serves as a Director of the Company, the director of capital operation department of Shandong Development Investment Holding Group Co., Ltd. Mr. Wang started his career in August 1991, and has worked successively for Weihai Huancui District Foreign Economic and Trade Commission, Shandong Foreign Investment Service Company, US Pacific Peak Investment Co., Ltd., British CAMCO International Carbon Asset Information Consulting (Beijing) Co., Ltd. and Hualu Holdings Group Company Limited. Mr. Wang has 27 years of working experience in capital operation, corporate management, etc.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Ding Huiping (丁慧平), Chinese nationality, 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 (王大樹), Chinese nationality, 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. 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 (王傳順), Chinese nationality, born in August 1965, former name Wang Genming (王根明), 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 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, a director of Shandong Auditors Association, deputy secretary-general of Council for the Promotion of Capital Market of Shandong Province. Mr. Wang once served at Shandong Audit Office, Shandong Accounting Firm, Shandong Zhengyuan Hexin Accounting Firm and China Rightson Certified Public Accountants.

Zong Wenlong (宗文龍), Chinese nationality, 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., Beijing Dongfang Guoxin Technology Co., Ltd., Datang Telecom Technology Co., Ltd., Aerospace Changfeng Technology Co., Ltd.. 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.

Chen Wei (陳煒), Chinese nationality, born in April 1975. She is a holder of doctorate degree in law, and currently serves as the chairman of the Board of Supervisors of the Company, the director of the audit and law department (discipline inspection and supervision department) of Shandong Development Investment Holding Group Co., Ltd., a director of the supervisory committee office, and concurrently serves as the chairman of the supervisory committee of Shandong Nuclear Power Company Ltd. Ms. Chen started her career in July 2000, and has worked successively for the provincial and grassroots tax authorities in Shandong Province. Ms. Chen has 18 years of working experience in taxation, auditing, law, corporate management, etc.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Peng Xingyu (彭興宇), Chinese nationality, 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 (袁亞男), Chinese nationality, born in February 1965, a senior engineer, graduated from the North China Electric Power University with a master's degree. She currently serves as an employee supervisor, a secretary of the discipline committee 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 (馬敬安), Chinese nationality, 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.

Zha Jianqiu (查劍秋), Chinese nationality, born in August 1969, is a certified public accountant, certified asset valuer, senior accountant and international certified internal auditor. He currently serves as 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 China Market Centre in Global Business Department of Ruihua Certified Public Accountants. As a certified public accountant, he has extensive experience in fields such as financial management and auditing.

Zhou Lianqing (周連青), Chinese nationality, 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 a fellow member of the Hong Kong Institute of Chartered 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Peng Guoquan (彭國泉), Chinese nationality, 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 30 years of experience in power production and management.

Chen Cunlai (陳存來), Chinese nationality, 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 Huadian Jinsha River Upstream Hydropower Development Co., Ltd.. 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 (陳斌), Chinese nationality, 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 has 22 years of experience in the power generation industry.

Feng Rong (馮榮), Chinese nationality, 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，and the director of China Huadian Finance Corporation Limited and Hubei Company. Mr. Feng previously served as the deputy director and director of the Financial Department of Baozhusi Hydropower Construction Administration Bureau, the director of the Operation and Management Department of Baozhusi Power Plant, 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 27 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 the data of the National Bureau of Statistics, the GDP of the PRC in 2018 amounted to RMB90,030.9 billion, representing an increase of 6.6% over 2017 determined based on comparable prices. Power consumption of the entire society totalled 6,844.9 billion KWh, representing an increase of 8.5% over 2017. With regard to different industries, the consumption by the primary industry accounted for 72.8 billion KWh, representing a year-on-year increase of 9.8%; secondary industry accounted for 4,723.5 billion KWh, representing a year-on-year increase of 7.2%; and tertiary industry accounted for 1,080.1 billion KWh, representing a year-on-year increase of 12.7%; and the consumption by urban and rural residents accounted for 968.5 billion KWh, representing a year-on-year increase of 10.4%.

(2) Turnover

In 2018, the turnover of the Group was approximately RMB87,419 million, representing an increase of approximately 11.41% over 2017, mainly due to the increase in the power generation and the price of on-grid power.

(3) Major Operating Expenses

In 2018, the operating expenses of the Group amounted to approximately RMB81,151 million, representing an increase of approximately 9.54% over 2017. The particulars are as follows:

Fuel costs of the Group amounted to approximately RMB44,980 million in 2018, representing an increase of approximately 13.47% over 2017, mainly due to the increase of power generation and the price of coals-as-fired.

Cost of coal sold of the Group amounted to approximately RMB12,389 million in 2018, representing an increase of approximately 0.95% over 2017, mainly due to the increase in sales volume of coal.

Depreciation and amortisation expenses of the Group amounted to approximately RMB10,398 million in 2018, representing a decrease of approximately 0.64% over 2017, mainly due to the cessation of depreciation arising from expiry of service life of certain units.

In 2018, the maintenance, repair and inspection expenses of the Group were approximately RMB3,840 million, representing an increase of approximately 44.31% as compared with 2017, mainly due to (a) the increase in the costs of consumable materials such as desulfurisation and denitrification materials as a result of the completion of ultra-low emission transformation of most of the Group's coal equipment; (b) the increase in the workload of overhaul and maintenance arranged according to the conditions of generating units; and (c) the expenses incurred in the separation and transfer of "water/electricity/heat supply and property management" equipment.

In 2018, the staff cost of the Group was approximately RMB5,309 million, representing an increase of approximately 15.14% as compared with 2017, mainly due to the increase in employee remuneration.

In 2018, the administration expenses of the Group was approximately RMB2,074 million, representing a decrease of approximately 14.61% as compared with 2017, mainly due to (a) a reduction in the controllable expenses as a result of greater cost control; and (b) the losses from the shutdown of Shunge Mine in 2017.

Taxes and surcharges of the Group amounted to approximately RMB1,094 million in 2018, representing an increase of approximately 23.99% over 2017, mainly due to the increase in the power generation.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(4) Investment Income

Investment income of the Group amounted to approximately RMB268 million in 2018, representing a decrease of approximately 47.27% over 2017. This was mainly due to the income from disposal of equity incurred in 2017.

(5) Other Revenue

Other revenue of the Group amounted to approximately RMB791 million in 2018, representing an increase of approximately 22.83% over 2017. This was mainly due to the increase in income from government grants.

(6) Finance Costs

Finance costs of the Group amounted to approximately RMB5,409 million in 2018, representing an increase of approximately 5.32% over 2017. This was mainly due to the increase in capital cost rate.

(7) Share of Results of Associates and Joint Ventures

Share of results of associates and joint ventures of the Group amounted to approximately RMB647 million in 2018, representing an increase of approximately 22.64% over 2017, which was mainly due to the increase in the profits of the coal mining enterprises invested by the Group.

(8) Income Tax

Income tax of the Group amounted to approximately RMB827 million in 2018, representing an increase of approximately 80.35% over 2017. This was mainly due to the increase in profits.

(9) Pledge and Mortgage of Assets

As at 31 December 2018, the Company and the Company's subsidiaries have pledged their income stream in respect of the sale of electricity heat as security for loans amounting to approximately RMB20,037 million.

As at 31 December 2018, some of the Company's subsidiaries have mortgaged their generating units and relevant equipments, land use rights and mining rights to secure loans amounting to approximately RMB3,189 million.

(10) Indebtedness

As at 31 December 2018, the total borrowings of the Group amounted to approximately RMB104,009 million, of which borrowings denominated in Euro amounted to approximately EUR11.45 million. The liabilities to assets ratio was approximately 70.00%, representing a decrease of 3.88 percentage points compared to the end of 2017. Borrowings of the Group were mainly of floating rates. Short-term borrowings and long-term borrowings due within one year amounted to approximately RMB37,327 million, and long-term borrowings due after one year amounted to approximately RMB66,683 million. The closing balance of super short-term debenture payables of the Group amounted to approximately RMB7,134 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 RMB10,075 million. The closing balance of obligations under finance lease of the Group amounted to approximately RMB3,014 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(11) Contingent Liabilities

As at 31 December 2018, Guang'an Company, a subsidiary of the Company, provided guarantees to banks for loans 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 2018, the balance of the Group's provision amounted to approximately RMB118 million.

(13) Cash Flow Analysis

In 2018, the net cash inflow from operating activities of the Group amounted to approximately RMB11,649 million, increased by approximately RMB4,506 million over 2017, mainly due to the increase in the electricity, heat and coal sales incomes for 2018; the net cash outflow used in investing activities amounted to approximately RMB16,465 million, increased by approximately RMB2,378 million over 2017, mainly due to the increase in construction work and technological innovation expenditures in 2018; the net cash inflow from financing activities amounted to approximately RMB4,038 million, decreased by approximately RMB3,965 million over 2017, mainly due to the increase in repayment of debts by the Group in 2018.

(14) 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 of Directors (the "**Board**") has the pleasure in presenting the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018 (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 2018, 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 2018 and the Group's and the Company's financial positions as of that date prepared in accordance with IFRSs are set out on pages 61 to 162 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 27 March 2019, the Board resolved to transfer 10% of the annual profit after tax as determined under the PRC accounting regulations, amounting to RMB75,864,000 (2017: RMB134,437,000), to the statutory surplus reserve.

DIVIDENDS

Pursuant to a resolution passed at the Board meeting held from 26 March 2019 to 27 March 2019, the Board proposes to declare a final cash dividend of RMB0.066 per share (tax inclusive, based on the total share capital of 9,862,976,653 shares) for the financial year ended 31 December 2018, totalling approximately RMB650,956,000 (tax inclusive). The dividend distribution proposal is subject to the approval by the shareholders at the upcoming 2018 annual general meeting. The notice convening the 2018 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.

If the above proposal for dividend distribution is considered and approved at the upcoming 2018 annual general meeting, the Company expects to distribute cash dividends on or before 30 August 2019.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Particulars of the Company's subsidiaries, associates and joint ventures as at 31 December 2018 are set out in notes 47 and 22 respectively to the consolidated 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 2018 are set out in note 31 to the consolidated 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 2018 are set out in note 10 to the consolidated 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 2018 are set out in note 17 to the consolidated 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 2018 are set out in the consolidated statement of changes in equity in the consolidated financial statements and note 40(c) to the consolidated financial statements prepared in accordance with IFRSs included in this annual report respectively.

DONATIONS

During the year of 2018, the Group made donations for charitable purposes in an aggregate amount of approximately RMB8,101,000 (2017: approximately RMB7,064,000).

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 carry out its social responsibility seriously and put more emphasis on environment protection work. 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 active arrangement and implementation, so as to ensure the environmental protection and improvement goes as planned and reaches the expected target.

In 2018, 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 2018, there were 88 coal-fired generating units realizing ultra-low emission, amounting to 37,825MW in total.

DIRECTORS' REPORT (CONTINUED)

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 total amounted to approximately RMB878 million during the year of 2018, details of which are set out in note 42 to the consolidated financial statements prepared in accordance with IFRSs included in this annual report.

EMPLOYEES' MEDICAL INSURANCE

During 2018, there was no change in employees' medical insurance policies of the Group as compared with that of 2017. 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 2018 and as at 31 December 2018 are set out in the Company's statement of changes in equity in the financial statements prepared in accordance with IFRSs and note 40 to the consolidated financial statements prepared in accordance with IFRSs included in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year of 2018, 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	33.55%	/
The five largest customers combined	58.98%	/
The largest supplier	/	6.38%
The five largest suppliers combined	/	22.51%

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 2018 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 2018, or was a substantial Shareholder of the Company as at 31 December 2018 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 Development Investment Holding Group Co., Ltd.	A shares	800,766,729 (L)	8.12%	9.83%	–
BlackRock, Inc.	H shares	105,593,762 (L)	1.07%	–	6.15%
		1,854,000 (S)	0.02%	–	0.11%

(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 2018, 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' REPORT (CONTINUED)

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 2018 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 re-election and re-appointment every three years.

Name	Position in the Company	Changes
Zhao Jianguo	Former Chairman, Non-executive Director	Resigned on 19 February 2019
Chen Bin	Former Vice Chairman, Executive Director	Resigned on 11 March 2019
Wang Yingli	Former Vice Chairman, Non-executive Director	Resigned on 30 October 2018
Ni Shoumin	Vice Chairman, Non-executive Director	Elected at the extraordinary general meeting of the Company held on 30 October 2018
Tian Hongbao	Vice Chairman, Executive Director, General Manager	Re-elected as an executive Director, the General Manager upon election at the AGM of the Company held on 30 June 2017, and elected as the Vice Chairman at the sixteenth meeting of the eighth session of the Board held on 11 March 2019
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	Resigned on 11 March 2019
Zhang Ke	Former Non-executive Director	Resigned on 30 October 2018
Wang Xiaobo	Former Non-executive Director	Elected at the extraordinary general meeting of the Company held on 30 October 2018
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	Former Chairman of the Supervisory Committee	Resigned on 30 October 2018
Chen Wei	Chairman of the Supervisory Committee	Elected at the extraordinary general meeting of the Company held on 30 October 2018
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 employee election on 30 June 2017
Ma Jing'an	Employee Representative Supervisor	Elected through employee election on 30 June 2017
Peng Guoquan	Deputy General Manager	Re-appointed at the first meeting of the eighth session of the Board held on 30 June 2017
Chen Cunlai	Deputy General Manager	Re-appointed 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-appointed at the first meeting of the eighth session of the Board held on 30 June 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 2018 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 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 13 to 16 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 OR MEMBERS OF SENIOR MANAGEMENT

As at 31 December 2018, the interests or short positions of the Directors, supervisors, chief executives or 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 2018.

Save as disclosed above, as at 31 December 2018, 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 or short position which the Director, supervisor, chief executive or member of senior management of the Company was deemed or taken to have under such provisions of the SFO) or was (ii) required to be entered in the register 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 of the Company to the same extent as it applies to the Directors of the Company).

In 2018, 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' REPORT (CONTINUED)

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 2018, the Company has purchased liability insurance for its Directors, supervisors to provide appropriate guarantee to the Directors and supervisors of the Company.

SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS

The Company has entered service contracts with its all 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 2018, there was no management or administration contract in respect of all or substantial part of the Company's business.

SIGNIFICANT EVENTS

(1) Equity Interest Transfer

According to the Reply on Relevant Matters in Relation to Transfer of A Shares Held by Shandong Development and Reform Commission in Huadian Power International Corporation Limited at nil Consideration (Guo Zi Chan Quan [2018] No. 326) issued by the State-owned Assets Supervision and Administration Commission of the State Council, upon termination of the fiduciary relationship with Shandong International Trust Co., Ltd. ("**Shandong International Trust**") in relation to shares of Huadian Power International by law, Shandong Development and Reform Commission ("**SDRC**") transferred 800,766,729 A shares of Huadian Power International to Shandong Development Investment Holding Group Co., Ltd. ("**Shandong Development**") at nil consideration.

No shares of the Company were held by Shandong Development prior to such transfer. Upon the transfer of 800,766,729 shares of the Company held by Shandong International Trust on behalf of SDRC (accounting for 8.12%) to Shandong Development at nil consideration, no shares of the Company will be held by Shandong International Trust, while Shandong Development will hold 800,766,729 shares of the Company, accounting for 8.12% of the Company's shares.

For details, please refer to the announcement of the Company dated 30 August 2018.

(2) Change of Directors and Supervisors

In consideration of the equity transfer by Shandong International Trust to Shandong Development, Ms. Wang Yingli tendered to the Board, her resignation as the vice chairman of the Company, a non-executive director and a member of the Strategic Committee; Mr. Zhang Ke tendered to the Board, his resignation as a non-executive director of the Company, a member of the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee (the "**Director Resignation**"); Mr. Li Xiaopeng tendered to the Board of Supervisors, his resignation as a supervisor and the chairman of the Board of Supervisors (the "**Supervisor Resignation**"). The director resignation and the supervisor resignation came into force on the conclusion of the extraordinary general meeting held on 30 October 2018.

DIRECTORS' REPORT (CONTINUED)

Mr. Ni Shoumin was elected as a non-executive director, the vice chairman of the Company and a member of the Strategic Committee, and Mr. Wang Xiaobo was elected as a non-executive director of the Company, a member of the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee, for a term commencing on the conclusion of the extraordinary general meeting held on 30 October 2018 and ending on the expiry date of the term of office for the eighth session of the Board, at which time each of them will be eligible for re-election. Ms. Chen Wei was elected as the supervisor and the chairman of the Board of Supervisors, for a term commencing on the conclusion of the extraordinary general meeting held on 30 October 2018 and ending on the expiry date of the term of office for the eighth session of the Board of Supervisors, at which time she will be eligible for re-election.

For details, please refer to the announcement of the Company dated 30 October 2018.

On 19 February 2019, Mr. Zhao Jianguo tendered his resignation as the chairman and a non-executive director of the eighth session of the Board of the Company, and the chairman of the Strategic Committee of the Board with effect from the same date due to his work commitments. On 11 March 2019, Mr. Chen Bin tendered his resignation as the vice chairman and an executive director of the eighth session of the Board of the Company, and a member of the Strategic Committee due to his age; Mr. Chu Yu tendered his resignation as a non-executive director of the eighth session of the Board of the Company, and a member of the Audit Committee, in each case with effect from the date, due to his work commitments. Mr. Zhao Jianguo, Mr. Chen Bin and Mr. Chu Yu have confirmed that they have no disagreements with the Board and there is no matter in relation to their resignations that need to be brought to the attention of the shareholders of the Company. The Board would like to express its satisfaction with the work done by them during their tenures of service and its high appreciation and sincere gratitude for their contributions to the development of the Company.

On 19 February 2019, at the fourteenth meeting of the eighth session of the Board of the Company, the nomination of Mr. Wang Xuxiang as a candidate for the director of the Company was approved and submitted at the general meeting for approval. On 11 March 2019, at the sixteenth meeting of the eighth session of the Board of the Company, the nomination of Mr. Chen Haibin, Mr. Tao Yunpeng and Mr. Chen Cunlai as candidates for the directors of the Company was approved and submitted at the general meeting for approval. The above extraordinary general meeting is proposed to be held on 9 April 2019, and the notice and supplemental announcement of the meeting were despatched to shareholders on 22 February 2019 and 11 March 2019.

For details, please refer to the announcements of the Company dated 19 February 2019, 22 February 2019 and 11 March 2019.

(3) Convening of the Extraordinary General Meetings

The Company held the first extraordinary general meeting of 2018 on 30 October 2018 (the "**2018 First EGM**"). At the first extraordinary general meeting of 2018, the followings were considered and approved (i) two proposals on the issue of financial financing instruments: the Company proposed to register and issue asset backed securities products in the interbank market or exchange market, and proposed the combination authorization for financing instruments and exchange corporate bond financing instruments to be applied for in exchange, insurance and other markets; (ii) election and appointment of Ms. Chen Wei as the member of the eighth session of the Board of Supervisors, for a term commencing on the conclusion of the extraordinary general meeting and ending on the expiry of the term of office for the eighth session of the Board of Supervisors; and (iii) election and appointment of Mr. Ni Shoumin and Mr. Wang Xiaobo as non-executive directors of the Company, for a term commencing on the conclusion of the extraordinary general meeting and ending on the expiry of the term of office for the eighth session of the Board.

For details, please refer to the announcements of the Company dated 12 September 2018 and 30 October 2018.

DIRECTORS' REPORT (CONTINUED)

On 27 December 2018, the Company held the second extraordinary general meeting of 2018 (the "**2018 Second EGM**"), at which the followings were considered and approved (i) 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; and (ii) 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).

For details, please refer to the announcements of the Company dated 12 November 2018 and 27 December 2018 and the circular dated 28 November 2018.

(4) Amendments to the Articles of Association

As China Huadian Corporation has changed its name to China Huadian Corporation Limited., it is necessary for the Company to amend relevant articles set out in the Articles of Association accordingly. Furthermore, pursuant to the Company Law of People's Republic of China and the Guidelines on Articles of Association of Listed Companies (Revised in 2016) (《上市公司章程指引(2016 年修訂)》) issued by the China Securities Regulatory Commission, shareholders who individually or jointly hold more than 3% of the Company's shares should be entitled to propose resolutions at the general meeting.

For details, please refer to the announcements of the Company dated 26 March 2018 and 26 June 2018.

(5) Change of Auditors

At the annual general meeting held on 26 June 2018, the appointment of BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) and BDO Limited as the domestic auditor and the overseas auditor of the Company, respectively (the "**Proposed Change of Auditors**") was approved, for a proposed term of office commencing on the date of approval and ending on the date of the next annual general meeting of the Company.

Deloitte Touche Tohmatsu Certified Public Accountants LLP(Special General Partnership), the former domestic auditor of the Company, and Deloitte Touche Tohmatsu (collectively, "**Deloitte**"), the former overseas auditor of the Company, had provided audit services to the Company for years and their term of service expired at the 2017 AGM. Pursuant to relevant requirements regarding the rotation of auditors issued by the Ministry of Finance and the State-owned Assets Supervision and Administration Commission, the Company decides to change its auditors as the service years of current auditors to the Company have reached the prescribed time limit. Deloitte has confirmed to the Board that there are no matters regarding their retirement as a domestic auditor and an overseas auditor which need to be brought to the attention of the shareholders of the Company.

For details, please refer to the announcements of the Company dated 26 March 2018 and 26 June 2018.

(6) Issue of Equity Financing Instruments

In 2018, the Company successfully issued two tranches of renewable debentures in the total amount of RMB5,000 million, including 3+N products in the total amount of RMB2,650 million with the average coupon rate of 4.94%, 5+N products in the total amount of RMB2,350 million with the average coupon rate of 5.15%, which reflected the outstanding performance in the current market in terms of the size of issue and financing costs. The Company successfully issued two tranches of perpetual medium-term notes each in the amount of RMB2,000 million, with the coupon rate of 4.86% and 4.68% respectively. The above equity financing instruments in the total amount of RMB9,000 million helped reduce the liabilities to assets ratio of the Company by approximately 4 percentage points.

CONNECTED TRANSACTION

Pursuant to requirements of the Hong Kong Listing Rules, the connected transactions conducted by the Group for the year ended 31 December 2018 are as follows:

CONTINUING CONNECTED TRANSACTIONS

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

A. Continuing connected transactions expected to be conducted in 2019:

On 2 November 2018, the Group and China Huadian entered into the Fuel, Equipments and Services Purchase (Supply) Framework Agreement, to regulate the purchase of fuel by the Company from China Huadian, 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 2019 and expires on 31 December 2019. 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 RMB8.0 billion and the annual cap for the sale of fuel and relevant services to China Huadian is RMB13 billion.

The coal mines of the Group and China Huadian are in different localities in which the mutual provision of coal may reduce the overall cost for the procurement of coal. 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 (in that the timing for the needs of the relevant services which are generally of a maintenance nature may differ).

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.

For details, please refer to the announcements of the Company dated 2 November 2018 and 27 December 2018 and the circular dated 28 November 2018.

DIRECTORS' REPORT (CONTINUED)

B. Continuing connected transactions conducted in 2018:

On 9 November 2017, the Group entered into the Existing Fuel, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian. According to the Existing Fuel, Equipments and Services Purchase (Supply) Framework Agreement, the annual cap for the purchase of fuel by the Group from China Huadian was RMB7.0 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 RMB7.0 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 RMB13.0 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 under the Existing Fuel, 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 Fuel, Equipments and Services Purchase (Supply) Framework Agreement exceed 5%, the transactions 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.

In 2018, the actual amount of fuel procurement by the Group from China Huadian was approximately RMB3,347 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 RMB5,287 million, and the actual amount sale of coal, provision of overhauls and maintenance of generation units of the power plants, alternative power generation and relevant quota services to China Huadian by the Group was approximately RMB11,011 million.

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.

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

A. Continuing connected transactions expected to be occurred in 2019:

On 2 November 2018, the Group entered into the Financial Services Framework Agreement with Huadian Finance for a term of three years commencing from 1 January 2019 to 31 December 2021, 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 RMB9.0 billion and shall not be more than the average daily loan balance from Huadian Finance to the Group. Upon the approval for the Financial Service Framework Agreement at the general meeting of the Company and entry into force of such agreement, the Group ceased to perform the original Financial Service Framework Agreement signed with Huadian Finance on 9 November 2017 for a term commencing on 1 January 2018 and ending on 31 December 2020.

DIRECTORS' REPORT (CONTINUED)

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 connected transactions under the Financial Services Framework 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 deposit of RMB9.0 billion of the deposit services under the Financial Services Framework 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 Framework 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 Framework 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 Framework 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 2 November 2018 and 27 December 2018 and the circular dated 28 November 2018.

B. Continuing connected transactions conducted in 2018:

On 9 November 2017, 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 2018 to 31 December 2020, 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 RMB6.8 billion and shall not be more than the average daily loan balance from Huadian Finance to the Group.

DIRECTORS' REPORT (CONTINUED)

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 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 deposit of RMB6.8 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.

In 2018, the maximum average daily balance of the deposits placed by the Group with Huadian Finance amounted to RMB6,799 million, which did not exceed RMB6.8 billion and was not more than the average daily loan balance from Huadian Finance to the Group.

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.

(3) Lease Agreement with Beijing Huabin Investment Company Limited ("Beijing Huabin")

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 with Beijing Huabin 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.

The annual rental paid by the Group to Beijing Huabin during 2018 amounted to approximately RMB40.61 million.

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

DIRECTORS' REPORT (CONTINUED)

(4) Finance Lease Framework Agreement ("Finance Lease Framework Agreement") with Huadian Financial Leasing Company Limited ("Huadian Financial Leasing")

On 10 May 2017, the Company entered into the Finance Lease Framework Agreement with Huadian Financial Leasing, pursuant to which (i) the term of the Finance Lease Framework Agreement was from 1 July 2017 to 30 June 2020, and (ii) the annual cap was 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.

The finance leases contemplated under the 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 2018, the Group had an outstanding finance balance of RMB1,406 million.

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

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

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.

In 2018, the actual amount of coal purchased by the Group from Shaanxi Coal Transportation was approximately RMB290 million.

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

DIRECTORS' REPORT (CONTINUED)

(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.

In 2018, the actual amount of coal purchased by the Group from Yanzhou Coal was approximately RMB3,151 million.

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

(7) Continuing Loan Framework Agreement with China Huadian

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 Group, 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.

As of 31 December 2018, the closing balance of loan of the Group advanced from China Huadian and its subsidiaries amounted to RMB9,972 million, falling within the maximum average annual balances approved by the Shareholders in the general meeting of the Company.

DIRECTORS' REPORT (CONTINUED)

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.

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 of the Company;

(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 41 to the consolidated 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 41 to the consolidated financial statements prepared in accordance with International Financial Reporting Standards do not constitute connected transactions of the Company under the Hong Kong Listing Rules.

DIRECTORS' REPORT (CONTINUED)

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year of 2018, 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 2018 prepared in accordance with IFRSs are set out on page 163. The Company is not aware of any matter taking place in the year ended 31 December 2018 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

In 2018, in the Shandong Shuntian Mining Co., Ltd. vs. Inner Mongolia Haoyuan Coal Company Limited ("**Haoyuan Company**"), a subsidiary of the Company equity transfer case, Haoyuan Company was the losing party, in respect of which the Group recorded litigation losses of RMB343 million.

As at 31 December 2018, certain members of the Group were a party to certain litigations arising from the Group's ordinary course of business or acquisition of assets, the management of the Group believes that legal liability which incur or may incur from any of the other cases unless disclosed matters 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 2018, 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 2018 and the financial statements prepared under IFRSs for the financial year ended 31 December 2018.

AUDITORS

At the AGM held on 26 June 2018, the Company changed the international auditor and the domestic auditor from Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) to BDO Limited and BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership).

For details, see the Change of Auditors in Significant Events section of this annual report.

By Order of the Board
Tian Hongbao
Vice Chairman and General Manager

Beijing, the PRC
27 March 2019

CORPORATE GOVERNANCE

The Company has always attached great importance to the corporate governance and continuously promoted management innovation. In strict compliance with the Company Law, the Securities Law of the PRC, Rules Governing the Listing of Stocks on Shanghai Stock Exchange, 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 of the Company include, but 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. Terms of Reference of the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee, and the Strategic Committee of the Board;
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. the Company's Management Methods on Raised Proceeds;
9. the Company's Management Methods on External Guarantees;
10. the Company's 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.

CORPORATE GOVERNANCE (CONTINUED)

The Board is committed to the principles of corporate governance in order to achieve a 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 in 2018 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 CG Code, the 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 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 Terms of Reference of the Strategic Committee.

– In the financial year of 2018, a total of six Board meetings were held by the Company.

– The Audit Committee comprises four members, including one non-executive Director 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 2018, 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
Ni Shoumin	Vice Chairman, Non-executive Director
Tian Hongbao	Executive Director
Gou Wei	Non-executive Director
Chu Yu	Non-executive Director
Wang Xiaobo	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

CORPORATE GOVERNANCE (CONTINUED)

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 elected to fill a temporary vacancy shall be elected by the Shareholders at the first general meeting following his/her election, and his/her term of office shall be terminated upon re-election of Directors. A Director who is elected 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 election, 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 of the Company 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 Board is 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 2018:

Name	**Trainings** *(Note)*
Zhao Jianguo	A
Chen Bin	A
Ni Shoumin	A、B
Tian Hongbao	A
Gou Wei	A、B
Chu Yu	A、B
Wang Xiaobo	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 2018.

CORPORATE GOVERNANCE (CONTINUED)

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 2018, 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.

At least once a year, the Chairman shall meet with the Non-executive Directors (including Independent Non-executive Directors) without Executive Directors present.

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.

CORPORATE GOVERNANCE (CONTINUED)

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. The Board has arrangements in place to ensure that all Directors are given an opportunity to include matters in the agenda for regular Board meetings. 14 days' notice shall be given prior to the commencement 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.

CORPORATE GOVERNANCE (CONTINUED)

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.

There has been a procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the expense of the Company. The Board resolves to provide separate independent professional advice to Directors.

Proposals to be passed by written resolution shall be dispatched to each Director, either by hand, mail, telex, facsimile or email, 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, administrative 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.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with by a physical Board meeting rather than a written resolution. Independent Non-executive Directors who, and whose close associates, have no material interest in the transaction should be present at that Board meeting.

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.

CORPORATE GOVERNANCE (CONTINUED)

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, administrative regulations or the Articles of Association and conferred by the Shareholders at general meetings.

CORPORATE GOVERNANCE (CONTINUED)

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.

Six Board meetings were held in the financial year from 1 January 2018 to 31 December 2018, 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	6/6
Chen Bin	Vice Chairman, Executive Director	6/6
Wang Yingli	Former Vice Chairman, Non-executive Director	4/4
Ni Shoumin	Vice Chairman, Non-executive Director	2/2
Tian Hongbao	Executive Director, General Manager	6/6
Gou Wei	Non-executive Director	6/6
Chu Yu	Non-executive Director	6/6
Zhang Ke	Former Non-executive Director	4/4
Wang Xiaobo	Non-executive Director	2/2
Ding Huiping	Independent Non-executive Director	6/6
Wang Dashu	Independent Non-executive Director	6/6
Wang Chuanshun	Independent Non-executive Director	6/6
Zong Wenlong	Independent Non-executive Director	6/6

CORPORATE GOVERNANCE (CONTINUED)

One AGM and two EGM were held in the financial year from 1 January 2018 to 31 December 2018, 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	1/3 *(Note)*
Chen Bin	Vice Chairman, Executive Director	3/3
Wang Yingli	Former Vice Chairman, Non-executive Director	1/2
Ni Shoumin	Vice Chairman, Non-executive Director	1/1
Tian Hongbao	Executive Director, General Manager	3/3
Gou Wei	Non-executive Director	1/3
Chu Yu	Non-executive Director	0/3
Zhang Ke	Former Non-executive Director	1/2
Wang Xiaobo	Non-executive Director	1/1
Ding Huiping	Independent Non-executive Director	3/3
Wang Dashu	Independent Non-executive Director	2/3
Wang Chuanshun	Independent Non-executive Director	1/3
Zong Wenlong	Independent Non-executive Director	3/3

Note: Mr. Zhao Jianguo, the Chairman, attended the 2017 AGM held by the Company on 26 June 2018 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 2018.

CORPORATE GOVERNANCE (CONTINUED)

AUDIT COMMITTEE

In accordance with the Hong Kong Listing Rules, the Board set up the Audit Committee in August 1999. It comprises 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, namely independent non-executive Directors, Mr. Wang Dashu and Mr. Wang Chuanshun, and non-executive Directors, Mr. Chu Yu and Mr. Wang Xiaobo. 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 three meetings respectively on 26 March, 27 April and 27 August 2018, with the average attendance rate of 100%. All of the Directors of the Committee attended all of the meetings in person instead of by proxy.

During the reporting period, the Audit Committee considered and approved internal control evaluation reports of the Company and the proposal on appointment of domestic and foreign auditors, examined relevant information in the annual and interim financial reports of the Company, carefully reviewed the Directors' Report, the Auditors' Report and Internal Control Audit Report, and considered and approved the newly revised list of connected parties, considered and approved proposals on continuing connected transactions and adoption of new accounting standards and change of accounting policies. 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.

CORPORATE GOVERNANCE (CONTINUED)

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 2018, 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 2018 assessment report on internal control which was approved on the 17th meeting of the 8th session of the Board. The 2018 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 2018, 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 2018, 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 2018 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. Wang Xiaobo, and independent non-executive Directors Mr. Wang Chuanshun and Mr. Zong Wenlong.

The Remuneration and Appraisal Committee held one meeting on 26 March 2018. The meeting studied the 2017 annual salaries of the executive Directors, General Managers and other senior management members of the Company based on the appraised results, the 2018 annual salary scheme for the executive Directors and General Manager of the Company and the 2017 work report of the Remuneration and Appraisal Committee of the Board, all of which were submitted to the Board for approval. All the members of the committee were present at the meeting in person, and there was no attendance by proxy.

CORPORATE GOVERNANCE (CONTINUED)

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 2018

In order to provide the necessary safeguard for the accomplishment of the strategic targets for the year 2018 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 2018

In order to provide the necessary safeguard for the accomplishment of the strategic targets for the year 2018 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 2018 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 2018

In order to secure the accomplishment of the strategic targets in 2018 and to ensure completion of the annual missions of the Board, the Remuneration and Appraisal Committee formulated the motivation and assessment methods for other senior management members (including the Deputy General Managers, Chief Financial Officer and the Secretary to the Board) of the Company in 2018 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 2018, the total number of employees of the Group amounted to 27,386. 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.

CORPORATE GOVERNANCE (CONTINUED)

ALLOWANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In 2018, 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 2018 (before individual income tax)

Name	Position in the Company	Remuneration (allowance) *(RMB0'000)*
Zhao Jianguo	Chairman, Non-executive Director	–
Chen Bin	Vice Chairman, Executive Director	80.90
Wang Yingli	Former Vice Chairman, Non-executive Director	–
Ni Shoumin	Vice Chairman, Non-executive Director	–
Tian Hongbao	Executive Director, General Manager	80.90
Gou Wei	Non-executive Director	–
Chu Yu	Non-executive Director	–
Zhang Ke	Former Non-executive Director	–
Wang Xiaobo	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	Former Chairman of the Supervisory Committee	–
Chen Wei	Chairman of the Supervisory Committee	–
Peng Xingyu	Supervisor	–
Yuan Yanan	Employee Representative Supervisor	72.90
Ma Jing'an	Employee Representative Supervisor	58.40
Zha Jianqiu	Independent Supervisor	7
Zhou Lianqing	Secretary to the Board	65.72
Peng Guoquan	Deputy General Manager	72.92
Chen Cunlai	Deputy General Manager	72.92
Chen Bin (Y)	Deputy General Manager, General Counsel	72.92
Feng Rong	Chief Financial Officer	65.72

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.

CORPORATE GOVERNANCE (CONTINUED)

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, shareholders individually or collectively holding over 3% 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 consider the criteria and procedures for the selection of Directors and senior management and the appointment plan, and to provide recommendations on it;

(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;

(5) to assess the independence of the independent non-executive Director; and

(6) 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 Company is headed by Mr. Ding Huiping (independent non-executive Director) as its chairman and is composed of Mr. Gou Wei (executive Director), Mr. Wang Xiaobo (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 two meetings on 26 March and 10 September 2018, and all of the member Directors of the Committee attended the meetings in person instead of by proxy. At the first meeting held on 27 March 2018, the 2017 Work Report of the Nomination Committee was considered and approved, and was submitted to the Board for consideration. At the second meeting held on 10 September 2018, the proposal on nomination of Mr. Ni Shoumin and Mr. Wang Xiaobo as candidates for Directors was considered and approved, and was submitted to the Board for consideration and reported at the general meeting for approval.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF 2018

As China Huadian Corporation has changed its name to China Huadian Corporation Limited, it is necessary for the Company to amend relevant articles set out in the Articles of Association of the Company accordingly. Furthermore, pursuant to the Company Law of People's Republic of China and the Guidelines on Articles of Association of Listed Companies (Revised in 2016) (《上市公司章程指引(2016年修訂)》) issued by the China Securities Regulatory Commission, shareholders who individually or jointly hold more than 3% of the company's shares should be entitled to propose resolutions at the general meeting, and the Company amended relevant terms in the Articles of Association.

For details, please refer to the Company's announcement published on the website of the Hong Kong Stock Exchange on 26 March 2018.

DIVIDEND POLICY

The Company implements active profit distribution measures, gives priority to cash dividends and pays attention to the reasonable investment returns to the investors. The Company shall distribute cash dividends provided that the Company has no significant cash outlay required for its operation and development in the foreseeable future, that the net profit for the year is positive, that the accumulated and undistributed profit at the end of the year is positive, that the cash flow generated from operating activities is positive and that the Company's normal operation will not be affected. In the profit distribution, the cash dividends shall account for at least 40%.

AUDITORS

For the year ended 31 December 2018, the Company paid an aggregate of approximately RMB8.90 million of audit service fees to our auditors, BDO Limited and BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership), including fees for audit of internal control provided by BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) to the Company. The audit service fees were considered by the Audit Committee 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 26 June 2018, at which the Chairman of the Board attended the meeting and answered questions. At the AGM, each matter was put forward in form of a separate proposal and voted by way of poll.

CORPORATE GOVERNANCE (CONTINUED)

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 2018. The information relating to the environmental, social and governance policies and performance of the Company in 2018 is set out in the Environmental, Social and Governance Report of the Company.

By order of the Board
Tian Hongbao
Vice Chairman and General Manager

Beijing, the PRC
27 March 2019

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

Tian Hongbao (Vice Chairman, Executive Director), Ni Shoumin (Vice Chairman, Non-executive Director), Gou Wei (Non-executive Director), Wang Xiaobo (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 Jinan, Shandong Province The People's Republic of China
Authorised representatives	Wang Xuxiang Zhou Lianqing
Company secretary	Zhou Lianqing
Hong Kong share registrar and transfer office	Hong Kong Registrars Limited 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Auditors	BDO Limited 25th Floor Wing On Centre 111 Connaught Road Central Hong Kong BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) 4th Floor, No. 61 East Nanjing Road, Huangpu District, Shanghai The People's Republic of China
Legal advisers to the Company as to Hong Kong law and United States law	Baker & McKenzie 14th Floor, Hutchison House 10 Harcourt Road, Central Hong Kong
as to PRC law	Haiwen & Partners 20 Floor, Fortune Financial Centre No. 5 Dong San Huan Mid Road Chao Yang District, Beijing The People's Republic of China

COMPANY PUBLICATIONS

The Company's 2018 annual report was published in April 2019. Copies of the annual report are available for inspection at:

PRC	Huadian Power International Corporation Limited No. 2 Xuanwumennei Street, Xicheng District, Beijing The People's Republic of China Tel: (8610) 8356 7888 Fax: (8610) 8356 7963
Hong Kong	Toppan Vintage Limited 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong Tel: (852)2973-8600 Fax: (852)2877-9978

INDEPENDENT AUDITOR'S REPORT

Tel : +852 2218 8288
Fax: +852 2815 2239
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25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

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 (together the "**Group**") set out on pages 61 to 162, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 2018, 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.

Impairment of Property, Plant and Equipment And Goodwill

Refer to notes 17 and 21 to the consolidated financial statements and the accounting policies on pages 70, 74 and 80 to 81.

Key audit matter	How the matter was addressed in our audit
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**"). 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. 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.	Our procedures in relation to carrying value of the property, plant and equipment and goodwill related to power generation included: • Testing the management's key internal controls over the impairment test of the long-term assets; • Evaluating the appropriateness of the methodologies of the impairment test; • Testing the underlying data used by the management 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 • Verifying the mathematical accuracy of the calculation in the impairment test of the long-term assets.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's 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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our 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.

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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and 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 the directors, 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.

BDO Limited
Certified Public Accountants

Amy, Yau Shuk Yuen
Practising certificate no. P06095

Hong Kong, 27 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Turnover	5	**87,419,418**	78,463,912
Operating expenses			
Fuel costs		**(44,980,414)**	(39,640,864)
Cost of coal sold		**(12,388,566)**	(12,272,334)
Depreciation and amortisation		**(10,398,216)**	(10,465,411)
Repairs, maintenance and inspection		**(3,839,939)**	(2,660,888)
Personnel costs	6	**(5,309,392)**	(4,610,753)
Administration expenses		**(2,073,634)**	(2,428,462)
Taxes and surcharges	7	**(1,094,297)**	(882,539)
Other operating expenses		**(1,066,355)**	(1,123,724)
		(81,150,813)	(74,084,975)
Operating profit		**6,268,605**	4,378,937
Investment income	8	**268,072**	508,365
Other revenue	9	**790,876**	643,867
Other net income	9	**103,747**	137,883
Interest income from bank deposits		**86,680**	91,970
Fair value gain on financial assets at fair value through profit or loss	23	**47,276**	–
Fair value gain on financial liabilities at fair value through profit or loss	35	**(64,496)**	–
Finance costs	10	**(5,409,024)**	(5,135,765)
Share of results of associates and joint ventures	22	**647,158**	527,703
Profit before taxation	11	**2,738,894**	1,152,960
Income tax	14	**(826,862)**	(458,484)
Profit for the year		**1,912,032**	694,476
Other comprehensive expense for the year (net of tax):	15	**(15,894)**	(22,335)
Items that may be subsequently reclassified to profit or loss:			
Net fair value loss on available-for-sale investments		**–**	(11,965)
Share of net fair value loss on available-for-sale investments of associates		**–**	(10,370)
Share of other comprehensive income of investees accounted for under the equity method		**(15,894)**	–
Total comprehensive income for the year		**1,896,138**	672,141
Profit for the year attributable to:			
Equity holders of the Company		**1,445,736**	435,905
Non-controlling interests		**466,296**	258,571
		1,912,032	694,476
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**1,430,374**	413,917
Non-controlling interests		**465,764**	258,224
		1,896,138	672,141
Basic earnings per share	16(a)	**RMB0.132**	RMB0.044

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	17	**149,582,344**	145,694,565
Construction in progress	18	**26,415,047**	23,648,651
Lease prepayments	19	**3,441,173**	3,013,047
Intangible assets	20	**5,843,716**	5,940,446
Goodwill	21	**1,432,802**	1,432,780
Interests in associates and joint ventures	22	**11,100,365**	10,836,925
Available-for-sale investments	23	**–**	241,867
Financial asset at fair value through profit or loss	23	**280,330**	–
Other non-current assets	24	**3,262,617**	2,738,336
Deferred tax assets	37(b)	**365,613**	270,487
		201,724,007	193,817,104
Current assets			
Inventories	26	**3,441,302**	2,871,233
Trade debtors and bills receivable	27	**10,670,383**	10,511,497
Deposits, other receivables and prepayments	28	**4,756,158**	4,092,172
Tax recoverable	37(a)	**113,790**	94,506
Restricted deposits	29	**39,799**	65,361
Lease prepayments	19	**112,356**	109,032
Cash and cash equivalents	30	**6,638,326**	7,416,801
		25,772,114	25,160,602
Current liabilities			
Bank loans	31(a)	**31,581,576**	36,100,608
Loans from shareholders	31(b)	**100,000**	–
State loans	31(c)	**2,774**	8,944
Other loans	31(d)	**5,642,320**	4,954,220
Short-term debentures payable	31(e)	**7,134,237**	6,059,239
Long-term debentures payable-current portion	31(f)	**2,597,864**	6,493,146
Amount due to the parent company		**47,021**	64,295
Obligations under finance leases	32	**621,420**	791,590
Trade creditors and bills payable	33	**19,157,988**	18,042,924
Other payables	34	**8,163,364**	7,580,928
Financial liabilities at fair value through profit or loss	35	**64,496**	–
Tax payable	37(a)	**421,350**	221,431
		75,534,410	80,317,325
Net current liabilities		**(49,762,296)**	(55,156,723)
Total assets less current liabilities		**151,961,711**	138,660,381

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2018

	Notes	2018 *RMB'000*	2017 *RMB'000*
Non-current liabilities			
Bank loans	31(a)	**59,399,344**	53,513,930
Loans from shareholders	31(b)	**1,678,666**	1,778,666
State loans	31(c)	**57,906**	61,373
Other loans	31(d)	**5,546,750**	6,855,191
Long-term debentures payable	31(f)	**7,477,547**	10,058,115
Obligations under finance leases	32	**2,392,958**	2,209,517
Long-term payables	36	**363,999**	414,852
Provisions	39	**117,625**	108,912
Deferred government grants	9	**1,614,386**	1,246,431
Deferred income	38	**2,746,688**	2,732,905
Deferred tax liabilities	37(b)	**2,305,891**	2,457,838
Retirement benefit obligations		**18,087**	20,858
		83,719,847	81,458,588
Net assets		**68,241,864**	57,201,793
Capital and reserves			
Share capital	40(b)	**9,862,977**	9,862,977
Perpetual capital securities	40(e)	**9,108,775**	–
Reserves	40(c)	**34,159,390**	33,046,182
Total equity holders of the Company		**53,131,142**	42,909,159
Non-controlling interests		**15,110,722**	14,292,634
Total equity		**68,241,864**	57,201,793

The consolidated financial statements on pages 61 to 162 were approved and authorised for issue by the board of directors on 27 March 2019 and are signed on its behalf by:

Tian Hongbao
Director

Zong Wenlong
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to equity holders of the Company										
	Share capital RMB'000 (note 40(b))	Capital reserve RMB'000 (note 40(c)(i))	Statutory surplus reserve RMB'000 (note 40(c)(ii))	Discretionary surplus reserve RMB'000	Revaluation reserve RMB'000 (note 40(c)(iii))	Fair value reserve RMB'000 (note 40(c)(iv))	Retained profits RMB'000	Perpetual capital securities 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 40(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 and 1 January 2018	**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**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**1,300,160**	**145,576**	**1,445,736**	**466,296**	**1,912,032**
Other comprehensive expense for the year (note 15)	**–**	**–**	**–**	**–**	**–**	**(15,362)**	**–**	**–**	**(15,362)**	**(532)**	**(15,894)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(15,362)**	**1,300,160**	**145,576**	**1,430,374**	**465,764**	**1,896,138**
Capital injection from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**498,893**	**498,893**
Issue of perpetual capital securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8,963,199**	**8,963,199**	**–**	**8,963,199**
Dividends recognised as distribution (note 40(a))	**–**	**–**	**–**	**–**	**–**	**–**	**(177,534)**	**–**	**(177,534)**	**–**	**(177,534)**
Dividends declared to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(220,001)**	**(220,001)**
Appropriation of general reserve	**–**	**–**	**75,864**	**–**	**–**	**–**	**(75,864)**	**–**	**–**	**–**	**–**
Appropriation of specific reserve	**–**	**–**	**129,831**	**–**	**–**	**–**	**(129,831)**	**–**	**–**	**–**	**–**
Utilisation of specific reserve	**–**	**–**	**(124,506)**	**–**	**–**	**–**	**124,506**	**–**	**–**	**–**	**–**
Others	**–**	**6,731**	**–**	**–**	**–**	**–**	**(787)**	**–**	**5,944**	**73,432**	**79,376**
31 December 2018	**9,862,977**	**14,883,689**	**3,309,073**	**68,089**	**44,726**	**(41,037)**	**15,894,850**	**9,108,775**	**53,131,142**	**15,110,722**	**68,241,864**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 *RMB'000*	2017 *RMB'000*
Cash flows from operating activities			
Cash received from customers and others		**102,967,000**	86,483,454
Cash paid to suppliers, employees and others		**(84,311,405)**	(73,010,721)
Cash generated from operations		**18,655,595**	13,472,733
Interest paid		**(6,157,004)**	(5,646,315)
PRC enterprise income tax paid	37(a)	**(849,614)**	(683,579)
Net cash generated from operating activities		**11,648,977**	7,142,839
Cash flows from investing activities			
Payment for the purchase of property, plant and equipment, construction in progress and intangible assets		**(17,244,975)**	(14,096,658)
Net cash inflow/(outflow) for the acquisition of subsidiary		**2,634**	(255,376)
Payment for investment in associates		**(23,339)**	(1,253,115)
Increase of other long-term receivables		**(157,650)**	(96,412)
Proceeds on disposal of associates		**–**	686,630
Payment on purchase of financial assets at fair value through profit or loss	23	**(300)**	–
Proceeds on disposal of financial assets at fair value through profit or loss	23	**11,031**	–
Proceeds on disposal of available-for-sale investment	23	**–**	49,465
Interest received		**89,188**	106,975
Withdrawal of restricted deposits		**260,164**	186,308
Placement of restricted deposits		**(234,602)**	(146,548)
Dividends received		**397,201**	402,634
Other investing activities		**435,442**	328,635
Net cash used in investing activities		**(16,465,206)**	(14,087,462)
Cash flows from financing activities			
Debentures			
– Net proceeds from debentures		**11,800,000**	11,500,000
– Repayment of debentures		**(17,300,000)**	(21,500,000)
– Proceeds from loans		**64,834,498**	62,277,059
– Repayment of loans		**(64,098,094)**	(40,984,023)
Obligation under finance leases			
– Proceeds obtained under sales and leaseback arrangement		**262,108**	495,997
– Lease payment under sales and leaseback arrangement		**(248,837)**	(774,399)
Bills financing			
– Proceeds from bank acceptance bills discounted		**2,075,729**	1,325,000
– Repayment of bank acceptance bills		**(2,227,609)**	(2,402,207)
Capital injection from non-controlling interests		**494,122**	509,022
Issue of perpetual capital securities		**8,985,000**	–
Dividends paid to non-controlling interests		**(253,385)**	(976,433)
Dividends distribution		**(177,534)**	(1,341,365)
Other financing activities		**(108,244)**	(125,845)
Net cash generated from financing activities		**4,037,754**	8,002,806
Net (decrease)/increase in cash and cash equivalents		**(778,475)**	1,058,183
Cash and cash equivalents at beginning of the year		**7,416,801**	6,358,618
Cash and cash equivalents at end of the year	30	**6,638,326**	7,416,801

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

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 2018 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 for certain financial instruments, which are measured 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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 major 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(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 recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (the "**FVPL**"), for which transaction costs are recognised directly in profit or loss.

(i) Policies applied from 1 January 2018

Investments other than equity securities

Non-equity securities held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held within a business model with the objective of collecting the contractual cash flows; and the contractual terms of the non-equity securities give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A gain or loss on an investment that is subsequently measured at amortised cost is recognised in profit or loss when the investment is derecognised or impaired. Interest income from these investments is included in finance income using the effective interest method.

  The Group assesses on a forward looking basis the expected credit losses associated with its non-equity securities carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk (see note 2(m)(i)).

– fair value through other comprehensive income (the "**FVOCI**") – recycling, if the objective of the business model is to hold the investments to collect the contractual cash flows and to sell financial assets; and the contractual term of the non-equity securities give rise on specified date to cash flows that are solely payments of principal and interest on the principal outstanding. Change in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains or losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVPL, if the investments does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Change in the fair value of the investment (including interest) are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(g) Other investments in securities *(Continued)*

(i) Policies applied from 1 January 2018 *(Continued)*

Equity securities

Investment in equity securities are always measured at fair value. Equity securities that are held for trading are measured at FVPL.

For equity securities which are not held for trading, the Group has made an irrecoverable election at initial recognition to recognise changes in FVPL rather than FVOCI.

The Group subsequently measures all equity securities at fair value. Since the Group's management has elected to present fair value gains and losses on equity securities in profit or loss, there is no subsequent reclassification of fair value gain or losses to other comprehensive income. Equity securities that are elected by the Group's management to be classified as FVPL are not subject to impairment.

Other investments in securities are financial assets at FVPL in relation to the equity securities were previously classified as available-for-sale investments. The fair value of these financial assets are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. Dividend income from these financial assets at FVPL is recognised in profit or loss in accordance with the policy set out in note 2(t)(i)(iv) and, where these financial assets at FVPL 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)(i)(iv).

(ii) Policies applied until 31 December 2017

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)(i)(iv).

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)(i)(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)(i)(iv). When these investments are derecognised or impaired (see note 2(m)(ii)), 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)(ii)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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)(iii)).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(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)(iii)).

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.

(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)(iii)).

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)(iii)). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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)(iii). 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.

(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)(iii)). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) Impairment of assets

(i) Impairment of financial assets (policies applied from 1 January 2018)

The Group recognises loss allowances for expected credit loss (the "**ECL**") on trade debtors and bills receivable related to sales of electricity, heat and coal, restricted deposits and cash and cash equivalents and debt instruments measured at amortised cost. The ECLs are measured on either of the following bases:

(1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and

(2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

For trade debtors and bills receivable related to sale of electricity, heat and coal, the Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected losses provision for all debtors. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For restricted deposit and cash equivalents placed in high credit-rated financial institutions are considered to be of low credit risk. Thus the impairment provision recognised during the period was limited to 12 months expected losses.

For debt instruments measured at amortised cost, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk, since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) Impairment of assets *(Continued)*

(i) Impairment of financial assets (policies applied from 1 January 2018) *(Continued)*

The Group considers a financial asset to be credit-impaired when:

(1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

(2) the financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non-credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(ii) Impairment of investments in securities and receivables (policies applied until 31 December 2017)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) Impairment of assets *(Continued)*

(ii) Impairment of investments in securities and receivables (policies applied until 31 December 2017) *(Continued)*

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.

– 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) Impairment of assets *(Continued)*

(iii) 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).

– **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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) Impairment of assets *(Continued)*

(iii) Impairment of other assets *(Continued)*

– **Reversals of impairment losses**

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

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

(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")

(i) Policies applied from 1 January 2018

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for credit loss (see note 2(m)(i)).

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

(ii) Policies applied until 31 December 2017

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)(ii)).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(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.

Cash and cash equivalents are assessed for ECL in accordance with the policy (see note 2(m)(i)).

(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.

(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.

Perpetual capital securities is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any interests are discretionary. Interest on perpetual capital securities classified as equity are recognised as distributions within equity.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(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 expire. 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

(i) Policies applied from 1 January 2018

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 original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at FVPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract.

Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the the accounting policy set out in note 2(m) and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of IFRS 15.

(ii) Policies applied until 31 December 2017

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(s) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(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.

(t) Revenue recognition

(i) Policies applied from 1 January 2018

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(t) Revenue recognition *(Continued)*

(i) Policies applied from 1 January 2018 *(Continued)*

(i) Electricity income

For sales of electricity, each unit sold is generally considered a distinct good and the related performance obligation is generally satisfied at a point in time when control of electricity is transferred to the customer. Revenue is thus recognised upon when the power grid companies received each unit of electricity. A standard tariff is charged for each unit of electricity, which is established by the government.

(ii) Heat income

For sales of heat, each unit sold is generally considered a distinct good and the related performance obligation is generally satisfied at a point in time when control of heat is transferred to the customer. Revenue is thus recognised upon the customers received each unit of heat.

(iii) Sale of coal

Revenue is recognised when control of the goods has transferred, being when the goods are delivered to and have been accepted by customers.

(iv) Other income

Dividend income

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

Interest income

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

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.

Upfront installation fees

Upfront 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(t) Revenue recognition *(Continued)*

(ii) Policies until 31 December 2017

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.

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(v) Income tax *(Continued)*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(z) Related parties *(Continued)*

(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.

(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).

(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.

(ac) Contract liabilities

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

(a) Adoption of new or revised IFRSs – effective 1 January 2018

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to IAS 40	Transfers of Investment Property
Amendments to IAS 28	Investment in Associates and Joint Ventures Annual Improvement of IFRS Standards 2014-2017 Cycle
Amendments to IFRS 2	Classification and Measurement of Share-Based Payment Transactions

Except as describe impact of IFRS 9 and IFRS 15 adoption in below, the application of the new or revised IFRS in this year has had no material impact on the Group's financial performance and positions.

IFRS 9 Financial Instruments

(a) Classification and measurement of financial instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of IFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of IFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under IFRS 9, except for certain trade debtors and bills receivable (that the trade receivables do not contain a significant financing component in accordance with IFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**amortised costs**"); (ii) financial assets at FVOCI; or (iii) financial assets at FVPL (as defined in above). The classification of financial assets under IFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "**SPPI criterion**"). Under IFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

(a) Adoption of new or revised IFRSs – effective 1 January 2018 *(Continued)*

IFRS 9 Financial Instruments *(Continued)*

(a) Classification and measurement of financial instruments (Continued)

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and its has not been designated as at FVPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVPL	FVPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt instruments)	Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity instruments)	Equity investments at FVOCI are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

(a) Adoption of new or revised IFRSs – effective 1 January 2018 *(Continued)*

IFRS 9 Financial Instruments *(Continued)*

(a) Classification and measurement of financial instruments (Continued)

The following table summarizes the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Carrying amount as at 1 January 2018 under IAS 39 *RMB'000*	Carrying amount as at 1 January 2018 under IFRS 9 *RMB'000*
Unlisted equity securities	Available-for-sale	FVPL	241,867	241,867
Other non-current assets	Loans and receivables	Amortised cost	155,032	155,032
Trade debtors and bills receivable	Loans and receivables	Amortised cost	10,511,497	10,511,497
Other receivables	Loans and receivables	Amortised cost	1,646,590	1,646,590
Restricted deposits	Loans and receivables	Amortised cost	65,361	65,361
Cash and cash equivalents	Loans and receivables	Amortised cost	7,416,801	7,416,801

(b) Impairment of financial assets

The adoption of IFRS 9 has changed the Group's impairment model by replacing the IAS 39 "incurred loss model" to the "ECLs model". IFRS 9 requires the Group to recognised ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than IAS 39. Restricted deposits and cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

No additional impairment for trade debtors and bills receivable and other receivables as at 1 January 2018 is recognised as the amount of additional impairment measured under the ECL model is immaterial.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade debtors and bills receivable using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade debtors and bills receivable for the sale of electricity, heat and coal, the management of the Group makes periodic individual assessment on the recoverability of trade debtors and bills receivable based on historical experience and forward-looking information. The adoption of the simplified ECL approach has not resulted in any additional impairment loss for trade debtors and bills receivable as at 1 January 2018. The expected credit loss for trade debtors and bills receivable is immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) *(CONTINUED)*

(a) Adoption of new or revised IFRSs – effective 1 January 2018 *(Continued)*

IFRS 9 Financial Instruments *(Continued)*

(b) Impairment of financial assets (Continued)

Measurement of ECLs *(Continued)*

For other non-current assets (including other long-term receivables with fixed-rate and non-current feature), the management of the Group makes individual assessment on the recoverability of other non-current assets based on historical experience and forward-looking information. The adoption of the simplified ECL approach has not resulted in any additional impairment loss for other non-current assets as at 1 January 2018. The expected credit loss for other non-current assets is immaterial.

For deposits and other receivables (including amount due from shareholders/joint ventures/associates/related parties), loss allowances are measured on 12 months basis and there had been no significant increase in credit risk since initial recognition. The management of the Group makes individual assessment for significant outstanding items and collective assessment for other insignificant outstanding items on the recoverability of deposits and other receivables based on historical experience and forward-looking information. The management considers that the expected credit loss for deposits and other receivables is immaterial.

For cash and cash equivalents (including restricted deposits and bank balances), the management of the Group considers the credit risk on cash and cash equivalents is limited because the counterparties are reputable banks, and the risk of inability to pay at the due date is low, therefore, the expected credit loss for cash and cash equivalents is immaterial.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

(c) Transition

The Group has applied the transitional provision in IFRS 9 such that IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9, if any, are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of IFRS 9 (the “**DIA**”):

- The determination of the business model within which a financial asset is held.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

(a) Adoption of new or revised IFRSs – effective 1 January 2018 *(Continued)*

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. IFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted IFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

Notes	Product/Service	Nature of the goods or services satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
(1)	Sale of electricity	Revenue is recognised at a point in time when electricity is supplied to power grid companies. Invoice are usually payable within 30 days.	**Impact** IFRS 15 did not result in significant impact on the Group's accounting policies.
(2)	Sale of heat	Revenue is recognised at a point in time when heat is supplied to customer.	**Impact** IFRS 15 did not result in significant impact on the Group's accounting policies.
(3)	Sale of coal	Revenue is recognised at a point in time when customer obtain control of the goods when the goods are delivered and have been accepted.	**Impact** IFRS 15 did not result in significant impact on the Group's accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

(a) Adoption of new or revised IFRSs – effective 1 January 2018 *(Continued)*

IFRS 15 Revenue from Contracts with Customers *(Continued)*

The impact of the adoption of IFRS 15 for each individual line item

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Consolidated statement of financial position (extract)	31 December 2017 *RMB'000*	IFRS 15 *RMB'000*	1 January 2018 Restated *RMB'000*
Current liabilities			
Other payables:			
– Receipts in advance	(1,358,617)	1,358,617	–
Other payables:			
– Contract liabilities	–	(1,358,617)	(1,358,617)

The amount by each consolidated financial statements line items affected in the current period and period to date by the application of IFRS 15 as compared to IAS 18 that were previously in effect before the adoption of IFRS 15 is as follows:

Consolidated statement of financial position (extract)	Amounts without the adoption of IFRS 15 *RMB'000*	As at 31 December 2018 effects of adoption of IFRS 15 *RMB'000*	Amounts as reported *RMB'000*
Current liabilities			
Other payables:			
– Receipts in advance	(1,375,579)	1,375,579	–
Other payables:			
– Contract liabilities	–	(1,375,579)	(1,375,579)

The adoption of IFRS 15 has no impact on the net cash flow from operating, investing and financing activities on the consolidated statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

(b) New or revised IFRSs that have been issued but are not yet effective

The following new/revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

IFRS 16	Leases[1]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRS 3	Definition of Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2018 Cycle[1]
Amendments to IAS 1 and IAS 8	Definition of Material[5]

1. Effective for annual periods beginning on or after 1 January 2019
2. Effective for annual periods beginning on or a date to be determined
3. Effective for annual periods beginning on or after 1 January 2021
4. Effective for acquisitions date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5. Effective for annual periods beginning on or after 1 January 2020

Except as explained below, the adoption of these new/revised IFRSs has no material impact on the Group's financial statements.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

(b) New or revised IFRSs that have been issued but are not yet effective *(Continued)*

IFRS 16 Leases *(Continued)*

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 2018, the Group has non-cancellable operating lease commitments of RMB380 million (2017: RMB403 million) as disclosed in note 43. 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.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements but yet completed its detailed assessment. The actual impact of applying IFRS 16 on the consolidated financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate as at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group choose to use practical expedients and recognition exemptions.

The Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments, extension and termination options and of sub-lease accounting. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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) Provision for expected credit loss on trade debtors and other receivables

(i) Policies applied from 1 January 2018

The provision rate of trade debtors and other receivables are made based on the assessment of their recoverability and the ageing analysis of the trade debtors and other receivables as well as other quantitative and qualitative information and on management's judgement and assessment of the forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. Information about the ECLs on the Group's trade debtors and other receivables are disclosed in notes 27 and 28 to the consolidated financial statements.

(ii) Policies applied until 31 December 2017

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

(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 37(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.

(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 39, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

5. TURNOVER

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

	2018 RMB'000	2017 RMB'000
Sale of electricity	**69,110,654**	61,634,215
Sale of heat	**4,911,666**	4,025,595
Sale of coal	**13,397,098**	12,804,102
	87,419,418	78,463,912

The Group's customers are mainly local power grid companies. In 2018, there is two 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 this customer, amounted to approximately RMB39,126 million (2017: RMB27,425 million). Details of concentration of credit risk arising from the customer is set out in note 45(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 revenue from sale of electricity, heat and coal is recognised at a point in time. The Group's assets are mainly located in the PRC.

The following table provides information about trade debtors and bills receivable and contract liabilities from contracts with customers.

	31 December 2018 RMB'000	1 January 2018 RMB'000
Trade debtors and bills receivable (note 27)	**10,670,383**	10,511,497
Contract liabilities (note 34)	**1,375,579**	1,358,617

The contract liabilities mainly relate to the advance consideration received from customers in relating to sale of heat and coal. RMB1,107 million of the contract liabilities as of 1 January 2018 has been recognised as revenue for the year ended 31 December 2018 from performance obligations satisfied. The amount of contract liabilities is expected to be recognised as revenue in future which usually within 12 months or less.

6. PERSONNEL COSTS

	2018 RMB'000	2017 RMB'000
Wages, welfare and other benefits	**3,562,207**	3,056,710
Retirement costs (note 42)	**877,573**	727,785
Other staff costs	**869,612**	826,258
	5,309,392	4,610,753

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

7. TAXES AND SURCHARGES

During the current year, taxes and surcharges of the group with the amounts of RMB1,094 million (2017: RMB883 million) mainly represent city maintenance and construction tax, education surcharge, urban land use tax, real estate tax and other taxes and surcharges.

8. INVESTMENT INCOME

	2018	2017
	RMB'000	*RMB'000*
Gain on loss of control of a subsidiary (note 47(a)(iv))	**219,675**	6,304
Loss on disposal of financial assets measured at FVPL (note 23)	**(4,078)**	–
Gain on disposal of a listed equity security (note 23)	**–**	19,916
Dividend income from available-for-sale investments	**–**	49,501
Dividend income from financial assets measured at FVPL	**28,088**	–
Interest on loans and receivables	**14,232**	14,197
Loss on disposal of an associate (note 22(d))	**–**	(237)
Gain on deemed disposal of an associate (note 22(a)(ii))	**4,053**	–
Gain on disposal of partial equity interest in an associate (note 22(d))	**–**	418,684
Gain on disposal of equity interest in associates (note 22(d))	**6,102**	–
	268,072	508,365

9. OTHER REVENUE AND NET INCOME

	2018	2017
	RMB'000	*RMB'000*
Other revenue		
Government grants (note)	**516,038**	322,222
Revenue from upfront installation fees for heating networks (note 38)	**195,138**	158,018
Others	**79,700**	163,627
	790,876	643,867
Other net income		
Net income on disposal of property, plant and equipment	**30,660**	25,143
Net income from sale of materials	**602,193**	304,917
Others (note 34(i))	**(529,106)**	(192,177)
	103,747	137,883

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 2018, the Group received such grants amounting to RMB287 million (2017: RMB131 million), and the amount released to profit or loss is RMB125 million (2017: RMB78 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

10. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest on loans and other financial liabilities	**5,842,367**	5,566,517
Less: interest capitalised	**(691,760)**	(651,093)
	5,150,607	4,915,424
Net foreign exchange loss/(gain)	**12,550**	(21,579)
Amortisation on unrecognised finance charges	**140,183**	159,157
Other finance costs	**105,684**	82,763
	5,409,024	5,135,765

The borrowing costs have been capitalised at an average rate of 4.70% per annum (2017: 4.70%) for construction in progress.

11. PROFIT BEFORE TAXATION

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

	2018	2017
	RMB'000	*RMB'000*
Amortisation		
– Lease prepayments	**117,594**	106,953
– Intangible assets	**238,983**	180,881
Depreciation of property, plant and equipment	**10,041,639**	10,177,577
Total depreciation and amortisation	**10,398,216**	10,465,411
Auditors' remuneration	**8,900**	10,950
Cost of inventories expensed	**61,208,919**	54,174,824
Impairment losses included in administration expenses		
– Trade debtors and bills receivable	**500**	–
– Deposits, other receivables and prepayments	**262,012**	–
– Inventories	**3,233**	–
– Construction in progress	**4,294**	299,559
– Property, plant and equipment	**113,134**	477,781
– Lease prepayments	**–**	1,417
Reversal of impairment losses		
– Trade debtors and bills receivable	**–**	(25)
– Deposits, other receivables and prepayments	**(1,133)**	–
– Inventories	**–**	(13)
Operating lease charges in respect of land and buildings	**169,693**	157,935
Research and development costs	**19,549**	13,549

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

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

2018	Directors' and Supervisors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Retirement benefits *RMB'000*	Bonuses *RMB'000*	Total *RMB'000*
Executive directors					
Chen Bin (note viii)	–	341	64	404	809
Tian Hongbao	–	341	64	404	809
Non-executive directors					
Zhao Jianguo (note ix)	–	–	–	–	–
Wang Yingli (note ii)	–	–	–	–	–
Gou Wei	–	–	–	–	–
Chu Yu (note x)	–	–	–	–	–
Zhang Ke (note iii)	–	–	–	–	–
Wang Xiaobo (note iv)	–	–	–	–	–
Ni Shoumin (note vi)	–	–	–	–	–
Independent non-executive directors					
Ding Huiping	–	80	–	–	80
Wang Dashu	–	80	–	–	80
Zong Wenlong	–	80	–	–	80
Wang Chuanshun	–	80	–	–	80
Supervisors					
Li Xiaopeng (note i)	–	–	–	–	–
Peng Xingyu	–	–	–	–	–
Yuan Yanan	–	311	54	364	729
Zha Jianqiu	–	70	–	–	70
Ma Jingan	–	251	50	283	584
Chen Wei (note v)	–	–	–	–	–
	–	1,634	232	1,455	3,321

Notes:

(i) Mr. Li Xiaopeng resigned as an employee representative supervisor on 30 October 2018.

(ii) Ms. Wang Yingli resigned as non-executive director on 30 October 2018.

(iii) Mr. Zhang Ke resigned as non-executive director on 30 October 2018.

(iv) Mr. Wang Xiaobo was appointed as non-executive director on 30 October 2018.

(v) Ms. Chen Wei was appointed as an employee representative supervisor on 30 October 2018.

(vi) Mr. Ni Shoumin was appointed as non-executive director on 30 October 2018.

(vii) No directors, supervisors, or the chief executive of the Company waived any remuneration in 2018 (2017: nil), and their emoluments shown above were mainly for their services as directors of the Company.

(viii) Mr. Chen Bin resigned as an executive director on 11 March 2019.

(ix) Mr. Zhao Jianguo resigned as non-executive director on 19 February 2019.

(x) Mr. Chu Yu resigned as non-executive director on 11 March 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

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

2017	Directors' and supervisors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Retirement benefits *RMB'000*	Bonuses *RMB'000*	Total *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) Mr. Ma Jingan was appointed as an employee representative supervisor on 26 June 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The six (2017: five) highest paid employee of the Group during the year included two directors (2017: two directors), details of whose remuneration are set out in note 12 above. Details of the remuneration for the year of the remaining four (2017: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2018 **RMB'000**	2017 *RMB'000*
Salaries and other emoluments	**1,243**	834
Retirement benefits	**218**	113
Bonuses	**1,456**	987
	2,917	1,934

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

	2018 ***Number of individuals***	2017 *Number of individuals*
Nil – Hong Kong Dollar ("**HK$**") 1,000,000	**4**	3

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:

	2018 **RMB'000**	2017 *RMB'000*
Current tax		
Charge for PRC enterprise income tax for the year	**1,061,989**	807,972
Under provision in respect of prior years	**11,946**	23,819
	1,073,935	831,791
Deferred tax (note 37(b))		
Origination and reversal of temporary differences and tax losses	**(247,073)**	(373,307)
Total income tax expense in the consolidated statement of profit or loss and other comprehensive income	**826,862**	458,484

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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:

	2018 **RMB'000**	2017 RMB'000
Profit before taxation	**2,738,894**	1,152,960
Notional PRC enterprise income tax expense at a statutory tax rate of 25% (2017: 25%)	**684,724**	288,240
Tax effect of non-deductible expenses	**161,950**	88,871
Tax effect of non-taxable income	**(3,823)**	(27,997)
Preferential tax rate on subsidiaries' profit or loss (note (a))	**(229,383)**	(242,269)
Tax credit (note (b))	**(20,046)**	(4,259)
Tax effect of share of results of associates and joint ventures	**(161,725)**	(131,926)
Tax effect of tax losses and deductible temporary differences not recognised	**415,923**	542,395
Utilisation of tax losses and deductible temporary differences previously not recognised	**(32,704)**	(78,390)
Under provision in respect of prior years	**11,946**	23,819
	826,862	458,484

Notes:

(a) The charge for PRC enterprise income tax is calculated at the statutory rate of 25% (2017: 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% (2017: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

15. OTHER COMPREHENSIVE EXPENSE

	2018 RMB'000	2017 RMB'000
Net decrease in fair value on available-for-sale investments	–	(15,953)
Net deferred tax credited to other comprehensive income (note 37(b))	–	3,988
	–	(11,965)
Share of net fair value loss on available-for-sale investments of associates	–	(10,370)
Share of other comprehensive income of investees accounted for under the equity method	**(15,894)**	–
Other comprehensive expense, net of income tax	**(15,894)**	(22,335)

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 and divided by the weighted average number of ordinary shares in issue during the year.

	For the year ended 31 December	
	2018 RMB'000	2017 RMB'000
Profit attributable to equity holders of the Company	**1,445,736**	435,905
Less: Cumulative distribution to perpetual capital securities (note 40(e))	**(145,576)**	–
Profit attributable to equity shareholders	**1,300,160**	435,905
Weighted average number of ordinary shares in issue	**9,862,976,653**	9,862,976,653
Basic earnings per share (RMB)	**0.132**	0.044

(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 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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 2017	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 and 1 January 2018	**57,973,285**	**150,878,898**	**10,280,621**	**4,121,042**	**223,253,846**
Additions	**162,483**	**27,536**	**65,090**	**91,266**	**346,375**
Transferred from construction in progress (note 18)	**4,008,752**	**8,768,411**	**514,291**	**854,696**	**14,146,150**
Net decrease arising from sales and leaseback arrangements	**–**	**(492,220)**	**–**	**–**	**(492,220)**
Disposals/write-offs	**(470,945)**	**(2,233,971)**	**–**	**(164,521)**	**(2,869,437)**
At 31 December 2018	**61,673,575**	**156,948,654**	**10,860,002**	**4,902,483**	**234,384,714**
Accumulated depreciation and impairment					
At 1 January 2017	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 And 1 January 2018	**15,573,413**	**56,145,592**	**3,565,410**	**2,274,866**	**77,559,281**
Charge for the year	**1,976,453**	**7,541,154**	**99,619**	**424,413**	**10,041,639**
Decrease arising from sales and leaseback arrangements	**–**	**(415,395)**	**–**	**–**	**(415,395)**
Disposals	**(416,935)**	**(1,918,622)**	**–**	**(160,732)**	**(2,496,289)**
Impairment loss (note (i))	**20,390**	**92,744**	**–**	**–**	**113,134**
At 31 December 2018	**17,153,321**	**61,445,473**	**3,665,029**	**2,538,547**	**84,802,370**
Net book value					
At 31 December 2018	**44,520,254**	**95,503,181**	**7,194,973**	**2,363,936**	**149,582,344**
At 31 December 2017	42,399,872	94,733,306	6,715,211	1,846,176	145,694,565

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

17. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Notes:

(i) Impairment losses

During the current year, 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 RMB113 million, with impairment losses recognised accordingly.

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脫困發展的意見》(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脫困發展工作的意見》(發改運行[2017]691號)), during the prior 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嶺煤礦的通知》) 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 during the prior year. 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, 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% (2017: 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 RMB3,775 million as at 31 December 2018 (2017: RMB4,353 million).

18. CONSTRUCTION IN PROGRESS

	2018 ***RMB'000***	2017 *RMB'000*
At 1 January	**23,648,651**	22,214,934
Additions	**16,916,840**	12,578,845
Transferred to property, plant and equipment (note 17)	**(14,146,150)**	(10,845,569)
Impairment loss (note 17(i))	**(4,294)**	(299,559)
At 31 December	**26,415,047**	23,648,651

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 RMB0.27 million (2017: RMB24 million) was fully impaired as at 31 December 2018. In addition, amounting to RMB6.49 million of certain preliminary projects which had been fully impaired was written off in 2018 (2017: RMB44 million). As of 31 December 2018, the accumulated impairment loss of construction in progress was RMB314 million (2017: RMB317 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.

	2018 ***RMB'000***	2017 *RMB'000*
Current assets	**112,356**	109,032
Non-current assets	**3,441,173**	3,013,047
	3,553,529	3,122,079

The Group has pledged lease prepayment with a net book value of RMB128 million (2017: RMB140 million) to secure bank borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

20. INTANGIBLE ASSETS

	Land use rights *RMB'000*	Concession assets *RMB'000* (note 25)	Development right of hydropower *RMB'000*	Others *RMB'000*	Total *RMB'000*
Cost					
At 1 January 2017	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 and 1 January 2018	**1,482,328**	**3,693,868**	**1,382,954**	**613,511**	**7,172,661**
Additions	**–**	**–**	**–**	**167,081**	**167,081**
Disposals	**–**	**–**	**–**	**(25,303)**	**(25,303)**
At 31 December 2018	**1,482,328**	**3,693,868**	**1,382,954**	**755,289**	**7,314,439**
Accumulated amortisation					
At 1 January 2017	–	908,179	–	106,026	1,014,205
Charge for the year	–	154,810	–	64,104	218,914
Disposals	–	–	–	(904)	(904)
At 31 December 2017 and 1 January 2018	**–**	**1,062,989**	**–**	**169,226**	**1,232,215**
Charge for the year	**–**	**154,953**	**–**	**84,030**	**238,983**
Disposals	**–**	**–**	**–**	**(475)**	**(475)**
At 31 December 2018	**–**	**1,217,942**	**–**	**252,781**	**1,470,723**
Net book value					
At 31 December 2018	**1,482,328**	**2,475,926**	**1,382,954**	**502,508**	**5,843,716**
At 31 December 2017	1,482,328	2,630,879	1,382,954	444,285	5,940,446

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

21. GOODWILL

	2018	2017
	RMB'000	*RMB'000*
Cost		
At 1 January	**1,448,791**	1,448,791
Addition (note 47(c))	**22**	–
31 December	**1,448,813**	1,448,791
Impairment		
At 1 January	**16,011**	16,011
Impairment loss recognised in the year	**–**	–
At 31 December	**16,011**	16,011
Carrying values		
At 31 December	**1,432,802**	1,432,780

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

	2018	2017
	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 Hydropower Company Limited	**89,184**	89,184
Hebei Huadian Kangbao Power Generation Company Limited	**3,062**	3,062
Huadian Hubei Power Generation Company Limited ("**Hubei Power Generation**")	**427,679**	427,679
Others	**7,446**	7,424
Total	**1,432,802**	1,432,780

During the year ended 31 December 2018, the Group recognised an impairment loss of nil (2017: nil).

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 (2017: a five-year period). Cash flows beyond the five-year period are projected using zero growth rates (2017: zero growth rates). The cash flows are discounted using a discount rate of 8% (2017: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

22. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	2018 ***RMB'000***	2017 *RMB'000*
Share of net assets	**11,199,655**	10,936,215
Less: impairment loss	**(99,290)**	(99,290)
	11,100,365	10,836,925
Fair value of listed investment	**243,820**	339,784

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 2018 (2017: nil), 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% (2017: 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 2018, 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** *RMB'000*	**Held by the Company** *%*	**Held by subsidiaries** *%*	**Principal activities**
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

22. INTERESTS IN ASSOCIATES AND JOINT VENTURES *(CONTINUED)*

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

Name of company	Paid up capital RMB'000	Proportion of ownership interest and voting rights: Held by the Company %	Held by subsidiaries %	Principal activities
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
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**") (note (ii))	4,077,961	12	–	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**")	322,640	39	–	Generation and sale of electricity
Huadian Huazhong Clean Energy Company Limited 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) According to the additional investment agreement signed with Jinshajiang Hydropower Company on 28 December 2017. The Company's shareholding has diluted from 20% to 12% such deemed disposal of associate and recognised in note 8. The Company still have significant influence over Jinshajiang Hydropower Company.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

	2018 ***RMB'000***	2017 *RMB'000*
Current assets	**8,532,346**	10,003,342
Non-current assets	**48,736,013**	48,958,063
Current liabilities	**(18,695,672)**	(18,439,100)
Non-current liabilities	**(20,330,893)**	(24,002,872)

	2018 ***RMB'000***	2017 *RMB'000*
Revenue	**20,370,779**	20,598,407
Profit for the year	**1,775,862**	1,196,664
Other comprehensive expense for the year	**–**	(26)
Total comprehensive income for the year attributable to equity shareholders of Huadian Coal	**1,775,862**	1,196,638
Dividends received during the year	**7,053**	–

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

	2018 ***RMB'000***	2017 *RMB'000*
Net assets	**18,241,794**	16,519,433
Non-controlling interests of Huadian Coal	**(7,919,499)**	(7,629,672)
Proportion of the Group's ownership interest	**12.98%**	12.98%
Carrying amount of the Group's interest	**1,339,834**	1,153,891

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

22. INTERESTS IN ASSOCIATES AND JOINT VENTURES *(CONTINUED)*

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

(ii) China Huadian Finance

	2018	2017
	RMB'000	*RMB'000*
Current assets	**13,975,608**	26,046,055
Non-current assets	**35,084,331**	17,762,340
Current liabilities	**(40,490,595)**	(36,298,832)
Non-current liabilities	**(1,000,000)**	–

	2018	2017
	RMB'000	*RMB'000*
Revenue	**1,263,780**	1,187,830
Profit for the year	**899,923**	882,912
Other comprehensive expense for the year	**(96,553)**	(62,975)
Total comprehensive income for the year	**803,370**	819,937
Dividends received during the year	**122,393**	117,957

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

	2018	2017
	RMB'000	*RMB'000*
Net assets	**7,569,344**	7,509,563
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	**1,267,500**	1,257,659

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

22. INTERESTS IN ASSOCIATES AND JOINT VENTURES *(CONTINUED)*

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

(iii) Yinxing Coal

	2018	2017
	RMB'000	*RMB'000*
Current assets	**371,080**	196,508
Non-current assets	**2,291,552**	2,260,200
Current liabilities	**(1,252,874)**	(922,998)
Non-current liabilities	**(616,455)**	(537,750)

	2018	2017
	RMB'000	*RMB'000*
Revenue	**905,803**	812,972
Total comprehensive income for the year	**305,532**	259,224

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

	2018	2017
	RMB'000	*RMB'000*
Net assets	**793,303**	995,960
Proportion of the Group's ownership interest	**50%**	50%
Effect of fair value adjustments at acquisition	**359,655**	360,892
Carrying amount of the Group's interest	**756,307**	858,872

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

	2018	2017
	RMB'000	*RMB'000*
The Group's share of profit	**115,740**	97,419
The Group's share of profit and other comprehensive income	**115,740**	97,419
Aggregate carrying amount of the Group's interests in these associates and joint ventures	**7,736,724**	7,566,503

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

22. INTERESTS IN ASSOCIATES AND JOINT VENTURES *(CONTINUED)*

(d) Disposal of investments in associates

In the current year, the Group disposed all of its 35% and 30% equity interest in Hubei Huazhong Electric Power Fuel Co., Limited ("湖北華中電力燃料有限責任公司") and Shanxi Huasheng Tonglian Coal Sales Co., Limited ("山西華盛統配煤炭銷售有限公司") respectively. The carrying amount of investment disposal was RMB8.52 million. The consideration of RMB14.62 million were not received and recognised as other receivables.

In the prior 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 prior 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.

	2018	2017
	RMB'000	*RMB'000*
Proceeds of disposal	**14,624**	671,630
Less: carrying amount of the investment disposed	**(8,522)**	(253,183)
Gain recognised (note 8)	**6,102**	418,447
Consideration		
Received in cash	**–**	671,630
Total consideration	**–**	671,630

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

	2018	2017
	RMB'000	*RMB'000*
The unrecognised share of loss of an associate for the year	**(44,027)**	(6,762)

	2018	2017
	RMB'000	*RMB'000*
Cumulative unrecognised share of loss of an associate	**(50,789)**	(6,762)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

23. AVAILABLE-FOR-SALE INVESTMENTS OR FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 RMB'000	2017 RMB'000
Unlisted investments:		
– Equity securities		
At cost	–	242,332
At FVPL	280,330	–
	280,330	242,332
Less: impairment loss	–	(465)
	280,330	241,867

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC.

From 1 January 2018, the Group has made an irrecoverable election to recognise the financial assets at FVPL and there is no subsequent reclassification of fair value gain or losses to other comprehensive income. The fair value of unlisted equity securities is measured using valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy.

Until 31 December 2017, the unlisted equity securities were 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 an unlisted equity security with fair value of RMB15 million. A disposal loss of RMB4 million has been recognised in profit or loss for the current year.

In the last 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 last year.

24. OTHER NON-CURRENT ASSETS

	2018 RMB'000	2017 RMB'000
Financial assets		
– Other long-term receivables with fixed-rate and non-current feature (note (ii))	352,303	252,893
Deductible Value Added Tax and other tax	2,487,613	2,053,787
Deferred differences arising from sales and leaseback arrangements and others (note (i))	520,562	529,517
	3,360,478	2,836,197
Less: impairment loss	(97,861)	(97,861)
	3,262,617	2,738,336

Notes:

(i) 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.

(ii) Other long-term receivables with fixed-rate and non-current feature that were past due but not impaired relate to an independent customer that have a good track record with the Group. Except for the impairment loss of approximately RMB98 million which is calculated based on 12-month ECL, management believes that no impairment allowance is necessary in respect of these remaining balances based on past experience, as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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 2018 and 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

	2018	2017
	RMB'000	*RMB'000*
Coal, gas and stalk	**2,764,163**	2,176,849
Fuel oil	**54,004**	51,720
Materials, components and spare parts	**623,135**	642,664
	3,441,302	2,871,233

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

27. TRADE DEBTORS AND BILLS RECEIVABLE

	2018	2017
	RMB'000	*RMB'000*
Trade debtors and bills receivable for the sale of electricity	**9,090,233**	8,789,891
Trade debtors and bills receivable for the sale of heat	**622,883**	414,287
Trade debtors and bills receivable for the sale of coal	**1,210,698**	1,560,250
	10,923,814	10,764,428
Less: allowance for doubtful debts	**(253,431)**	(252,931)
	10,670,383	10,511,497

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

27. TRADE DEBTORS AND BILLS RECEIVABLE *(CONTINUED)*

Notes:

(i) At 31 December 2018, the Group had not continued to recognise any Endorsed Bills.

At 31 December 2017, the Group endorsed certain bills receivable accepted by banks in the PRC (the "**Endorsed Bills**") with a carrying amount of RMB RMB355 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 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 were derecognised by the Group.

As at 31 December 2018, bank acceptance bills discounted of RMB2,112 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 RMB6.51 million (2017: RMB7.14 million) in total and charged into profit or loss.

(iii) As at 31 December 2018, trade receivables amounted to RMB3,298 million (2017: RMB2,358 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 (2017: RMB1.1 million) in total and charged into profit or loss.

(a) Ageing analysis

As at 31 December 2018, 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:

	2018 ***RMB'000***	2017 *RMB'000*
Within 1 year	**9,975,584**	10,306,608
1 to 2 years	**630,882**	142,498
2 to 3 years	**5,846**	16,226
Over 3 years	**58,071**	46,165
	10,670,383	10,511,497

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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)) (2017: see note 2(m)(ii)).

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

	2018 RMB'000	2017 RMB'000
At 1 January	**252,931**	252,956
Impairment loss recognised	**500**	–
Reversal of impairment loss	**–**	(25)
Write-off of impairment loss	**–**	–
At 31 December	**253,431**	252,931

At 31 December 2018, the Group's trade debtors and bills receivable totalling of RMB0.5 million (2017: nil) were individually determined to be impaired. At 31 December 2018, specific allowance for doubtful debts is RMB253 million (2017: 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:

	2018 RMB'000	2017 RMB'000
Neither past due nor impaired	**7,828,834**	7,611,971
Less than 1 year past due	**2,146,750**	2,703,463
1 to 2 years past due	**630,882**	144,452
2 to 3 years past due	**5,846**	14,301
More than 3 years past due	**58,071**	37,310
	10,670,383	10,511,497

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 ECL allowance is immaterial in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

28. DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

As at 31 December 2018, deposits, other receivables and prepayments of the Group with gross amounts of RMB5,174 million (2017: RMB4,234 million) mainly represent prepayment for purchasing inventories and materials, deductible VAT recoverable, dividends receivable and other receivables.

Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. 12-months ECLs is applied as there has no significant increase in credit risk since initial recognition. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

As at 31 December 2018, 12-month ECL of the Group amounted to RMB418 million (2017: RMB142 million), including bad debt allowance on receivables on Certified Emission Reductions of RMB85 million (2017: 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

	2018	2017
	RMB'000	*RMB'000*
Cash at bank and in hand	**420,309**	1,423,898
Cash at other financial institutions	**6,218,017**	5,992,903
	6,638,326	7,416,801

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

31. BORROWINGS

(a) Bank loans

	2018	2017
	RMB'000	*RMB'000*
Due:		
Within 1 year		
– short term bank loans	**23,747,947**	27,943,106
– current portion of long term bank loans	**7,833,629**	8,157,502
	31,581,576	36,100,608
After 1 year but within 2 years	**9,003,731**	7,069,139
After 2 years but within 5 years	**20,812,267**	18,340,183
After 5 years	**29,583,346**	28,104,608
	59,399,344	53,513,930
	90,980,920	89,614,538

As at 31 December 2018, all of the bank loans are unsecured, except for amounts of RMB19,842 million (2017: RMB18,051 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 and heat of certain subsidiaries, amounts of RMB3,189 million (2017: RMB3,406 million) in total which are secured by lease prepayments and property, plant and equipment with an aggregate carrying amount of RMB3,775 million (2017: RMB4,493 million) of certain subsidiaries and amounts of RMB1,653 million (2017: RMB1,924 million) in total are secured by guarantee from China Huadian and independent third parties. None of the bank loans contain financial covenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

31. BORROWINGS *(CONTINUED)*

(a) Bank loans *(Continued)*

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

	2018	2017
	RMB'000	*RMB'000*
RMB loans		
Floating interest rates mainly ranging from 3.92% to 6.40% per annum as at 31 December 2018 (2017: 3.87% to 5.75%), with maturities up to 2043	**76,098,434**	74,918,213
Fixed interest rates mainly ranging from 3.65% to 5.22% per annum as at 31 December 2018 (2017: 3.92% to 4.90%), with maturities up to 2019	**14,849,497**	14,237,631
United States Dollar ("US$") loans		
Floating interest rate of 3.05% per annum as at 31 December 2018 (2017: 3.05%), with maturities up to 2018	**–**	415,314
Euro loans		
Fixed interest rate of 2.50% per annum as at 31 December 2018 (2017: 2.50%), with maturity up to 2022	**32,989**	43,380
	90,980,920	89,614,538

The Group has US$ bank loans amounting to US$ Nil (2017: US$63.56 million) and Euro bank loan amounting to Euro4.20 million (2017: Euro5.56 million) as at 31 December 2018.

(b) Loans from shareholders

	2018	2017
	RMB'000	*RMB'000*
Due:		
Within one year	**100,000**	–
After 1 year but within 2 years	**550,000**	300,000
After 2 years but within 5 years	**1,100,000**	1,450,000
After 5 years	**28,666**	28,666
	1,778,666	1,778,666

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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:

	2018 ***RMB'000***	2017 *RMB'000*
Loans from China Huadian		
Floating interest rates ranging from 4.28% to 4.75% per annum as at 31 December 2018 (2017: 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 2018 (2017: 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 2018 (2017: floating interest rates of 4.90%), with maturities up to 2030	**28,666**	28,666
	1,778,666	1,778,666

(c) State loans

	2018 ***RMB'000***	2017 *RMB'000*
Due:		
Within 1 year		
– current portion of long term state loans	**2,774**	8,944
After 1 year but within 2 years	**4,810**	2,764
After 2 years but within 5 years	**4,764**	9,563
After 5 years	**48,332**	49,046
	57,906	61,373
	60,680	70,317

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

31. BORROWINGS *(CONTINUED)*

(c) State loans *(Continued)*

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

	2018 ***RMB'000***	2017 *RMB'000*
RMB loans		
Fixed interest rates mainly ranging from 2.55% to 2.82% per annum as at 31 December 2018 (2017: 2.55% to 2.82%), with maturities up to 2020	**2,455**	3,683
Floating interest rate of 1.80% per annum as at 31 December 2018 (2017: 1.80%), with maturities up to 2020	**1,363**	2,046
Euro loan		
Fixed interest rate of 3.09% per annum as at 31 December 2018 (2017: 3.09%), with maturities up to 2048	**56,862**	64,588
	60,680	70,317

The RMB state loans represent loans of RMB2.46 million (2017: RMB3.68 million) obtained from Ministry of Finance of the PRC in 2006 and a loan of RMB1.36 million (2017: RMB2.05 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 2018, the total amount of the above state loan is Euro7.25 million (2017: Euro8.28 million).

(d) Other loans

	2018 ***RMB'000***	2017 *RMB'000*
Due:		
Within 1 year		
– short term other loans	**2,839,000**	3,754,000
– current portion of long term other loans	**2,803,320**	1,200,220
	5,642,320	4,954,220
After 1 year but within 2 years	**1,935,262**	2,550,830
After 2 years but within 5 years	**3,282,968**	3,801,022
After 5 years	**328,520**	503,339
	5,546,750	6,855,191
	11,189,070	11,809,411

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

31. BORROWINGS *(CONTINUED)*

(d) Other loans *(Continued)*

Other loans are borrowed from China Huadian Finance Corporation Limited ("**China Huadian Finance**"), an associate of the Company and a fellow subsidiary of the Company. Other loans bear interest rates ranging from 1.80% to 5.39% per annum as at 31 December 2018 (2017: 1.80% to 5.39% per annum), with maturities from 2019 to 2028 (2017: 2018 to 2026).

All of the other loans are unsecured except for amounts totalling RMB195 million (2017: RMB211 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 (2017: RMB1,500 million) are secured by guarantee from China Huadian Corporation ("**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:

	2018 ***RMB'000***	2017 *RMB'000*
Loans from China Huadian Finance		
Floating interest rates ranging from 3.92% to 4.90% per annum as at 31 December 2018 (2017: 3.92% to 4.90%), with maturities up to 2028	**5,813,981**	5,558,775
Fixed interest rates ranging from 3.92% to 4.35% per annum as at 31 December 2018 (2017: 3.92% to 4.75%), with maturities up to 2019	**2,348,000**	3,312,000
Others		
Floating interest rates ranging from 1.80% to 5.39% per annum as at 31 December 2018 (2017:1.80% to 5.39%), with maturities up to 2027	**2,892,127**	2,846,636
Fixed interest rates of ranging from 4.00% to 5.39% per annum as at 31 December 2018 (2017: 3.92% to 4.52%), with maturities up to 2020	**134,962**	92,000
	11,189,070	11,809,411

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

31. BORROWINGS *(CONTINUED)*

(e) Short-term debentures payable

	2018 *RMB'000*	2017 *RMB'000*
Third tranche of super short-term debentures for the year of 2018	**4,115,275**	–
Fourth tranche of super short-term debentures for the year of 2018	**3,018,962**	–
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
	7,134,237	6,059,239

On 24 February 2018, the Group issued the first tranche of super short-term debentures of 2018 in PRC interbank debenture market. The super short-term debentures was issued at a total par value of RMB3,000 million with a maturity period of 180 days and bears interest at 4.45% per annum. The tranche is unsecured.

On 17 April 2018, the Group issued the second tranche of super short-term debentures of 2018 in PRC interbank debenture market. The super short-term debentures was issued at a total par value of RMB1,800 million with a maturity period of 180 days and bears interest at 4.21% per annum. The tranche is unsecured.

On 3 May 2018, the Group issued the third tranche of super short-term debentures of 2018 in PRC interbank debenture market. The super short-term debentures was issued at a total par value of RMB4,000 million with a maturity period of 270 days and bears interest at 4.35% per annum. The tranche is unsecured.

On 25 October 2018, the Group issued the forth tranche of super short-term debentures of 2018 in PRC interbank debenture market. The super short-term debentures was issued at a total par value of RMB3,000 million with a maturity period of 270 days and bears interest at 3.62% per annum. The tranche is unsecured.

During the current year, the Group repaid five tranches super short-term debentures with a total amount to principal amount of RMB10,800 million (2017: RMB19,500 million) at par value.

The effective interest rates of above debentures are ranging from 3.70% to 4.75% (2017: from 4.35% to 4.55%) per annum after considering the effect of issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

31. BORROWINGS *(CONTINUED)*

(f) Long-term debentures payable

	2018	2017
	RMB'000	*RMB'000*
First tranche of medium-term notes for the year of 2014	**2,597,864**	2,590,069
First tranche of non-public private placement bonds for the year of 2015	**–**	2,998,694
Second tranche of non-public private placement bonds for the year of 2015	**–**	3,494,452
First tranche of medium-term notes for the year of 2016	**1,987,401**	1,982,689
First tranche of medium-term notes for the year of 2017	**3,494,489**	3,492,839
Second tranche of medium-term notes for the year of 2017	**1,995,657**	1,992,518
	10,075,411	16,551,261
Less: Long-term debentures due within one year	**(2,597,864)**	(6,493,146)
	7,477,547	10,058,115

During the current year, the Group have no long-term debenture was issued.

During the current year, the Group repaid two tranche of non-public private placement bonds with principal amount of RMB6,500 million at par value.

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

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

The effective interest rates of above long-term debentures are ranged from 3.47% to 6.29% (2017: from 3.47% to 6.29%) per annum after considering the effect of issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

32. OBLIGATIONS UNDER FINANCE LEASES

The Group had obligations under finance leases payable as follows:

	At 31 December 2018		At 31 December 2017	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	621,420	708,975	791,590	926,037
After 1 year but within 2 years	732,553	826,940	546,933	644,656
After 2 years but within 5 years	1,318,038	1,489,384	1,351,379	1,464,414
After 5 years	342,367	386,875	311,205	337,095
	2,392,958	2,703,199	2,209,517	2,446,165
	3,014,378	3,412,174	3,001,107	3,372,202
Less: total future interest expenses		(397,796)		(371,095)
Present value of finance leases obligations		3,014,378		3,001,107

In 2018, the Group entered into three new agreements with a leasing company (note 41(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 2018, the carrying amounts of the facilities held under finance leases included in generators, machinery and equipment of property, plant and equipment amounted to RMB4,557 million (2017: RMB3,899 million).

33. TRADE CREDITORS AND BILLS PAYABLE

As at 31 December 2018, the ageing analysis of trade creditors and bills payable, presented based on the invoice date, is as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	14,057,094	12,706,878
1 to 2 years	3,110,936	2,258,506
Over 2 years	1,989,958	3,077,540
	19,157,988	18,042,924

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

34. OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Financial liabilities		
– Construction deposits	**1,544,752**	1,442,957
– Consideration payables on acquisitions	**694,578**	749,335
– Interest payables	**506,404**	702,164
– Wages payable	**238,716**	199,206
– Payables for installed capacity quota	**273,530**	273,530
– Payables for sewage charges	**34,502**	37,629
– Dividend payables to non-controlling interests	**331,176**	364,560
– Current portion of long-term payables (note 36)	**65,350**	65,350
– Others (note (i))	**1,819,214**	1,532,484
	5,508,222	5,367,215
Other tax payables	**1,279,563**	855,096
Receipts in advance (note 5)	**–**	1,358,617
Contract liabilities (note 5)	**1,375,579**	–
	8,163,364	7,580,928

Notes:

(i) Others mainly include payables on service fees, water charges and other miscellaneous items. Besides, the others for the year included the relevant provision for the loss of the equity transfer dispute of the subsidiary, Inner Mongolia Haoyuan Coal Company Limited ("內蒙古浩源煤炭有限公司"), and the relevant provision of RMB343 million was included in others of other net income.

(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.

Contract liabilities

	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Contract liabilities arising from:	**1,375,579**	1,358,617	–
Included:			
Sale of heat	**1,256,949**	–	–
Sale of coal	**32,295**	–	–
Total	**1,375,579**	1,358,617	1,358,617

Typical payment terms which impact on the amount of contract liabilities are as follows:

Sale of heat and sale of coal

Contract liabilities mainly relate to the deposits received from customers for sale of heat and sale of coal. The Group expects to deliver the goods to satisfy the performance obligations of these contract liabilities within one year or less.

Upon the adoption of IFRS 15, receipt in advance from customers previously included in trade and other payables has been reclassified to contract liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

35. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

In the prior year, the Group entered into a restructuring agreement (the "**restructuring agreement**") with four independent third parties and Ningxia West Venture Industry Co., Limited ("寧夏西部創業實業股份有限公司") (the "**Ningxia West**") (Formerly known as Guangxi (Yinchuan) Industrial Co., Limited "廣夏（銀川）實業股份有限公司"), an associated company. Pursuant to the restructuring agreement, the independent third parties and the Group guaranteed and undertook to the Ningxia West that, the accumulated consolidated after-tax net profit of the Ningxia West prepared in accordance with the China Accounting Standards (the "**CASs**") shall not be less than RMB1 billion (the "**Profit Guarantee**") for the three financial years ended 31 December 2018.

The financial liability at fair value through profit or loss represents a contingent consideration payable arising from the Profit Guarantee in related to the acquisition of specified percentage of equity interest of Ningxia West. Pursuant to the Profit Guarantee, the potential undiscounted amount of the contingent consideration receivable that the Group and four independent third parties could receive is between nil and the amount exceeded the RMB1 billion. The fair value of the financial liability at fair value through profit or loss was determined by applying the income approach and after considering the accumulated consolidated after-tax net profit of the guaranteed three-year period.

For the year ended 31 December 2018, the compensation amount is approximately RMB64 million.

36. LONG-TERM PAYABLES

An amount of RMB429 million (2017: RMB480 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 RMB364 million (2017: RMB65 million and RMB415 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

37. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Taxation in the consolidated statement of financial position represents:

	2018 RMB'000	2017 RMB'000
Net tax payable at 1 January	**83,239**	(64,973)
Provision for the year (note 14(a))	**1,061,989**	807,972
Under provision in respect of prior years (note 14(a))	**11,946**	23,819
Income tax paid	**(849,614)**	(683,579)
Net tax payable at 31 December	**307,560**	83,239
Representing:		
Tax payable	**421,350**	221,431
Tax recoverable – current portion	**(113,790)**	(94,506)
Tax recoverable – non-current portion, included in other non-current assets	**–**	(43,686)

(b) Deferred tax assets and liabilities recognised:

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

	At 1 January 2017 RMB'000	(Charged) credited to profit or loss RMB'000 (note 14(a))	Credited to fair value reserve RMB'000 (note 15)	Through disposal of subsidiary RMB'000	At 31 December 2017 and 1 January 2018 RMB'000	(Charged) credited to profit or loss RMB'000 (note 14(a))	Credited to fair value reserve RMB'000 (note 15)	At 31 December 2018 RMB'000
Provision for inventories and receivables and impairment of property, plant and equipment and construction in progress	95,535	7,307	–	(821)	102,021	(24,198)	–	77,823
Depreciation of property, plant and equipment	(1,236,966)	(23,158)	–	95,510	(1,164,614)	19,363	–	(1,145,251)
Fair value adjustments on property, plant and equipment, construction in progress, intangible assets and equity investment	(1,585,496)	228,084	3,988	11,790	(1,341,634)	95,191	–	(1,246,443)
Long-term payables discounting	(79,732)	2,814	–	–	(76,918)	–	–	(76,918)
Expenses to be claimed on paid basis	7,790	(1,116)	–	–	6,674	1,271	–	7,945
Tax losses	29,638	140,333	–	–	169,971	184,616	–	354,587
Others	98,323	19,043	–	(217)	117,149	(29,170)	–	87,979
	(2,670,908)	373,307	3,988	106,262	(2,187,351)	247,073	–	(1,940,278)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

37. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

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

Reconciliation to the consolidated statement of financial position is as follows:

	2018 **RMB'000**	2017 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**365,613**	270,487
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(2,305,891)**	(2,457,838)
	(1,940,278)	(2,187,351)

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 RMB3,739 million (2017: RMB3,772 million) and deductible temporary differences of approximately RMB3,591 million (2017: RMB3,516 million) due to the unpredictability of future profit streams. The expiration of tax losses under current tax legislation is as follows:

	2018 **RMB'000**	2017 RMB'000
2018	**–**	375,308
2019	**405,760**	633,264
2020	**327,045**	561,181
2021	**546,740**	687,622
2022	**781,219**	1,514,360
2023	**1,678,047**	–
	3,738,811	3,771,735

38. DEFERRED INCOME

Deferred income represents the unearned portion of upfront 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 installation fee recognised for the year amounting to RMB195 million (2017: RMB158 million) is included in "Other revenue" in the consolidated statement of profit or loss and other comprehensive income (note 9).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

39. 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.

	2018	2017
	RMB'000	*RMB'000*
At 1 January	**108,912**	100,845
Accretion expense	**8,713**	8,067
At 31 December	**117,625**	108,912

40. SHARE CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	2018	2017
	RMB'000	*RMB'000*
Final dividend proposed after the end of reporting period of RMB0.066 per share (2017: RMB0.018 per share)	**650,956**	177,534

Pursuant to a resolution passed at the directors' meeting held on 26 March and 27 March 2019, final dividend of RMB0.066 per share will be payable to shareholders for 2018, 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:

	2018	2017
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year approved and paid during the year, of RMB0.018 per share (2017: RMB0.136 per share)	**177,534**	1,341,365

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

40. SHARE CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

(b) Share capital

	2018 and 2017 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**

(c) Reserve

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

40. SHARE CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

(c) Reserve *(Continued)*

(iv) Fair value reserve

Policies applied from 1 January 2018

The fair value reserve comprises the Group's share of the cumulative net change in the fair value of financial asset at OCI of an associate at the end of the reporting period and is dealt with in accordance with the accounting policies in notes 2(g)(i) and 2(m)(i).

Policies applied until 31 December 2017

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)(ii) and 2(m)(ii).

(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 2018, the retained profits available for distribution were RMB7,372 million (2017: RMB7,160 million).

(e) Perpetual capital securities

During the current year, the Company total issued 6 tranches of public perpetual capital securities, which included (1) 1st tranche of renewable debentures of 2018 in public market (Type 1) (the "**18 Huadian Y1**"); (2) 1st tranche of renewable debentures of 2018 in public market (Type 2) (the "**18 Huadian Y2**"); (3) 2nd tranche of renewable debentures of 2018 in public market (Type 1) (the "**18 Huadian Y3**"); (4) 2nd tranche of renewable debenture of 2018 in public market (Type 2) (the "**18 Huadian Y4**"); (5) 1st tranche of perpetual notes 2018 (the "**Tranche A**"); and (6) 2nd tranche of perpetual note 2018 (the "**Tranche B**"), to third parties with an aggregate principal amount of RMB9 billion.

Type of securities	Issuance date	Category	Issue Price *RMB'000*	Number	Par value *RMB'000*
18 Huadian Y1	July 2018	Equity Instrument	0.1	15,000,000	1,500,000
18 Huadian Y2	July 2018	Equity Instrument	0.1	15,000,000	1,500,000
18 Huadian Y3	August 2018	Equity Instrument	0.1	11,500,000	1,150,000
18 Huadian Y4	August 2018	Equity Instrument	0.1	8,500,000	850,000
Tranche A	October 2018	Equity Instrument	0.1	20,000,000	2,000,000
Tranche B	October 2018	Equity Instrument	0.1	20,000,000	2,000,000
					9,000,000

The perpetual capital securities are issued at par value with a range of initial distribution rate from 4.68% to 5.20%. The interests of perpetual capital securities are recorded as distributions, which are payable annually after the approval of the Directors of the Company and may be deferred at the discretion of the Company unless compulsory distribution payment events (distributions to ordinary shareholders of the Company or reduction of the registered capital of the Company) occurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

40. SHARE CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

(e) Perpetual capital securities *(Continued)*

The perpetual capital securities have no fixed maturity date and are redeemable at the Company's discretion in whole in July 2021, July 2023, August 2021, August 2023, October 2021 and November 2021 respectively, the payment of the principal may be deferred for each renewable period as 3 or 5 years. The applicable distribution rate will be reset on first call date and each renewal period after first call date, to the sum of the applicable benchmark interest rate, the initial spread and 300 basis points per annum.

The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay any distribution for the perpetual capital securities. Therefore, the perpetual capital securities are classified as equity instrument and recorded in equity in the consolidated statement of financial position. During the year ended 31 December 2018, the profit attributable to holders of perpetual capital securities, based on the applicable distribution rate, was approximately RMB146 million.

Movement of the Perpetual Capital Securities is as follows:

	Principal *RMB'000*	**Distribution** *RMB'000*	**Total** *RMB'000*
As at 1 January 2018	**–**	**–**	**–**
Issue of perpetual capital securities	**8,963,199**	**–**	**8,963,199**
Profit attributable to holders of perpetual capital securities	**–**	**145,576**	**145,576**
As at 31 December 2018	**8,963,199**	**145,576**	**9,108,775**

(f) 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 2018 and 2017 were as follows:

	2018 *RMB'000*	2017 *RMB'000*
Total liabilities	**159,254,257**	161,775,913
Total assets	**227,496,121**	218,977,706
Liabilities to assets ratio	**70%**	74%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

41. 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 and its subsidiaries	Fellow subsidiaries of the Company
Huadian Fuxin Energy Limited Company and its subsidiaries	Fellow subsidiaries 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	Fellow subsidiaries of the Company
Hunan Huadian Changsha Power Generation Company Limited and its subsidiaries	Fellow subsidiaries of the Company
Hunan Huadian Changde Power Generation Company Limited	A fellow subsidiary of the Company
Guizhou Wujiang Hydroelectric Development Company Limited and its subsidiaries	Fellow subsidiaries of the Company
Huadian Trading International (Beijing) Company Limited and its subsidiaries	Fellow subsidiaries of the Company
China Huadian Group Science and Technology Research Institutes Company Limited	A fellow subsidiary of the Company
Huadian Xinjiang Power Generation Company Limited	A fellow subsidiary of the Company
Zhejiang Huadian Wuxijiang Hydropower Company Limited	A fellow subsidiary of the Company
Huadian Electric Power Research Institute 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
Xiangcheng Hydropower Company	An associate of the Group
Fucheng Mining Company	An associate of the Group
Shuozhou Tong-coal Wantongyuan Coal Transportation 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
Lu'an Municipal Thermal Power 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 (i))	A connected person of the Group
Shaanxi Coal Transportation and Marketing (Group) Company Limited ("**Shaanxi Coal Transportation and Marketing**") (note (ii))	A connected person of the Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

41. MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Transactions with shareholders, fellow subsidiaries, associates and a joint venture *(Continued)*

Notes:

(i) Yanzhou Coal is a substantial minority shareholder of a non-wholly owned subsidiary of the Company.

(ii) Shaanxi Coal Transportation and Marketing is a company of a substantial minority shareholder of a non-wholly owned subsidiary of the Company.

The Group had the following material transactions with shareholders, fellow subsidiaries, associates and a joint venture during the years ended 31 December 2018 and 2017:

	2018 **RMB'000**	2017 *RMB'000*
Sale of electricity to		
Fellow subsidiaries	**42,112**	119,987
Purchase of electricity from		
Fellow subsidiaries	**38,570**	143,267
Sale of coal to		
An associate	**–**	488,986
Fellow subsidiaries	**10,939,553**	10,452,870
Purchase of coal from		
Associates	**2,770,504**	3,885,432
Fellow subsidiaries	**828,994**	103,768
A connected person	**3,440,220**	3,714,451
Purchase of natural gas from		
Fellow subsidiaries	**32,710**	–
Sale of equipment to		
Fellow subsidiaries	**489,323**	156,234
Sale other services income from		
Fellow subsidiaries	**21,194**	–
Purchase of construction service and equipment from		
Fellow subsidiaries	**4,681,810**	4,348,578
Loan provided to		
An associate	**157,650**	96,412
Loans obtained from		
An associate	**12,899,001**	11,512,000
Loans repaid to		
An associate	**13,607,795**	9,376,220
A fellow subsidiary	**–**	385,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

41. 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 2018 and 2017: *(Continued)*

	2018 *RMB'000*	2017 *RMB'000*
Bills receivable discounted to		
An associate	**1,282,240**	1,381,160
Derecognised bills receivable collected by		
An associate	**1,392,240**	2,458,367
Lease payment under sales and leaseback arrangement to		
A fellow subsidiary	**101,098**	221,187
Financing received under sales and leaseback arrangement from		
A fellow subsidiary	**262,108**	495,997
Interest expenses paid to		
China Huadian	**82,849**	81,251
An associate	**391,372**	322,102
A fellow subsidiary	**–**	1,268
Rental and property management service expense to		
Associates	**56,689**	62,713
Fellow subsidiaries	**11,637**	11,156
Interest income from		
Associates	**92,128**	79,875
Rental and property management service income from		
An associate	**429**	–
Guarantee service expenses paid to		
China Huadian	**5,877**	5,897
Other service expenses paid to		
China Huadian	**108,364**	99,885
Associates	**31,194**	84,586
Fellow subsidiaries	**424,628**	185,599
Additional capital injection in		
Associates	**129,706**	1,173,115
A jointly venture	**–**	80,000
Consideration of disposal assets received from		
China Huadian	**–**	665,759
An associate	**–**	98,911

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

41. 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:

	2018	2017
	RMB'000	*RMB'000*
Construction in progress-construction and construction material prepayments		
Fellow subsidiaries	**471,967**	476,003
Trade debtors and bills receivable		
An associate	**–**	148,281
Fellow subsidiaries	**701,965**	879,944
Deposits, other receivables and prepayments		
Associates	**73,555**	247,779
A fellow subsidiary	**365,533**	1,508
A connected person	**24,810**	–
Other long-term receivables		
An associate	**254,442**	155,032
Cash and cash equivalents and restricted deposits		
An associate	**6,218,017**	6,069,189
Loans from a shareholder		
China Huadian	**(1,750,000)**	(1,750,000)
Other loans		
An associate	**(8,161,981)**	(8,870,775)
Trade creditors and bills payable		
China Huadian	**(12,049)**	(34,923)
Associates	**(191,807)**	(524,392)
Fellow subsidiaries	**(2,957,941)**	(2,103,726)
A connected person	**(41,648)**	(321,406)
Other payables		
China Huadian	**(34,973)**	(29,372)
Associates	**(12,095)**	(18,591)
Fellow subsidiaries	**(598,540)**	(658,738)
Receipts in advance		
A fellow subsidiary	**–**	(60,000)
Contract liabilities		
A fellow subsidiary	**(10,987)**	–
Obligation under finance leases		
A fellow subsidiary	**(1,406,292)**	(1,190,997)

Notes:

(i) At 31 December 2018, 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 (2017: RMB43.65 million).

(ii) At 31 December 2018, China Huadian provided guarantee to banks for loans granted to the Group amounting to RMB2,925 million (2017: RMB3,143 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

41. 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:

	2018 *RMB'000*	2017 *RMB'000*
Salaries and other emoluments	**3,126**	3,012
Retirement benefits	**502**	349
Bonuses	**3,195**	3,082
	6,823	6,443

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 2018 and 2017, 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 2018, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

41. MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

(e) Commitment with related parties

	2018	2017
	RMB'000	*RMB'000*
Capital commitment	**766,545**	1,809,968
Commitment on properties rental and management fees	**120,880**	167,043

42. RETIREMENT PLANS

The Group is required to make contributions to retirement plans operated by the State at range from 15% to 20% (2017: 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 RMB878 million during the year (2017: RMB728 million) which was charged to the consolidated statement of profit or loss and other comprehensive income.

43. COMMITMENTS

(a) Capital commitments

The Group had capital commitments at 31 December as follows:

	2018	2017
	RMB'000	*RMB'000*
Contracted for but not provided in the financial statements		
– Development of power plants	**8,989,148**	14,494,697
– Improvement projects and others	**1,085,873**	815,102
	10,075,021	15,309,799

(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:

	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**116,190**	96,825
After 1 year but within 5 years	**138,634**	188,068
After 5 years	**125,611**	118,155
	380,435	403,048

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

44. CONTINGENT LIABILITIES

During 2018, Guang'an Company, a subsidiary of the Group, has provided guarantees to banks for loans amounting to approximately RMB43.65 million which were granted to Sichuan Huayingshan Longtan Coal Company Limited.

Apart from the above guarantees disclosed in note 41(a)(i), the Group has no other material contingent liabilities as at 31 December 2018 (2017: nil).

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Categories of financial instruments

	2018 ***RMB'000***	2017 *RMB'000*
Financial assets		
At amortised cost		
– Other non-current assets	**254,442**	155,032
– Trade debtors and bills receivable	**10,670,383**	10,511,497
– Other receivables	**1,967,799**	1,646,590
– Restricted deposits	**39,799**	65,361
– Cash and cash equivalents	**6,638,326**	7,416,801
– Available-for-sale investments	**–**	241,867
At FVPL		
– Financial asset at FVPL	**280,330**	–
	19,851,079	20,037,148
Financial liabilities		
– At amortised cost	**148,813,482**	152,794,683
– Financial liabilities at FVPL	**64,496**	–
	148,877,978	152,794,683

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(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 2018, fixed rate borrowings comprise 28% of total borrowings of the Group (2017: 31%).

Sensitivity analysis

At 31 December 2018, 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 RMB712 million (2017: RMB698 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, 19% and 59% (2017: 24% and 55%) of the total trade debtors and bills receivable were due from the Group's largest customer and the five largest customers respectively.

The Group measures loss allowances for trade debtors and bills receivable at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. ECLs rates are based on actual loss experience. These rates are adjusted to reflect differences between economic conditions during the year over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. No impairment for trade debtors and bills receivable is provided as the amount of additional impairment measured under the ECLs model is immaterial.

Except for the financial guarantees given by the Group as set out in note 41(a)(i), 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 41(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

45. 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 RMB49,762 million (2017: RMB55,157 million). With regards to its future capital commitments and other financing requirements, the Group has unutilised banking facilities of RMB136.5 billion (2017: RMB141.0 billion) and an aggregate amount of debentures and bonds of RMB40.9 billion (2017: RMB33.9 billion) registered in the PRC interbank debenture market which has not been issued as at 31 December 2018.

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:

	2018						2017					
	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	7,301,236	–	–	–	7,301,236	7,134,237	6,082,774	–	–	–	6,082,774	6,059,239
Bank loans	35,308,694	11,621,530	27,974,543	39,674,549	114,579,316	90,980,920	39,674,428	9,525,466	23,770,180	37,678,204	110,648,278	89,792,041
Loans from shareholders	139,604	707,242	1,478,551	38,444	2,363,841	1,778,666	91,196	381,543	1,595,519	28,666	2,096,924	1,788,318
State loans	3,873	6,185	6,403	64,819	81,280	60,680	10,011	3,302	10,853	58,616	82,782	70,391
Other loans	6,728,774	2,444,873	4,412,760	440,582	14,026,989	11,189,070	5,460,300	2,876,136	4,134,739	551,289	13,022,464	11,825,630
Trade creditors and bills payable	19,157,988	–	–	–	19,157,988	19,157,988	18,042,924	–	–	–	18,042,924	18,042,924
Amount due to the parent company	47,021	–	–	–	47,021	47,021	64,295	–	–	–	64,295	64,295
Obligations under finance lease	708,975	826,940	1,489,384	386,875	3,412,174	3,014,378	926,037	644,656	1,464,414	337,095	3,372,202	3,001,107
Other payables	4,993,025	–	–	–	4,993,025	4,993,025	4,665,051	–	–	–	4,665,051	4,665,051
Long-term debentures payable (Including current portion of long-term debentures payable)	2,638,836	2,130,057	6,229,474	–	10,998,367	10,075,411	7,287,850	3,082,950	8,233,025	–	18,603,825	17,049,977
Retirement benefit obligations	–	484	3,130	17,016	20,630	18,087	–	2,856	11,562	19,164	33,582	20,858
Long-term payables	–	65,350	61,178	939,826	1,066,354	363,999	–	93,637	202,956	933,540	1,230,133	414,852
Financial guarantee contracts	43,650	–	–	–	43,650	–	43,650	–	–	–	43,650	–
	77,071,676	17,802,661	41,655,423	41,562,111	178,091,871	148,813,482	82,348,516	16,610,546	39,423,248	39,606,574	177,988,884	152,794,683

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

45. 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.

	2018			2017		
	US$ *RMB'000*	Euro *RMB'000*	HK$ *RMB'000*	US$ *RMB'000*	Euro *RMB'000*	HK$ *RMB'000*
Cash and cash equivalents	226	–	14	131	–	4
Bank loans	–	(32,989)	–	(415,314)	(43,380)	–
State loans	–	(56,863)	–	–	(64,588)	–
Other payables	–	–	–	(235)	–	–
Net exposure	226	(89,852)	14	(415,418)	(107,968)	4

(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.

	2018			2017		
	Decrease in foreign exchange rates *%*	Effect on profit after tax and retained profits *RMB'000*	Effect on consolidated equity *RMB'000*	Decrease in foreign exchange rates *%*	Effect on profit after tax and retained profits *RMB'000*	Effect on consolidated equity *RMB'000*
US$	(10)	(17)	(17)	(10)	31,156	31,156
Euro	(10)	6,739	6,739	(10)	8,098	8,098
HK$	(10)	–	–	(10)	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

45. 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 2017.

(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)).

	Fair value as at			
Financial assets	At 31 December 2018	At 31 December 2017	Fair value hierarchy	Valuation technique(s) and key input(s)
Listed equity securities classified as *available-for-sale investment – listed equity securities* in the consolidated statement of financial position	**–**	–	Level 1	Quoted bid prices in an active market
Financial asset at FVPL – unlisted equity securities in the consolidated statement of financial position	**280,330**	–	Level 3	The financial assets at FVPL are unlisted equity securities. The fair value is provided by the valuer. The fair value is measured by applying income approach and after considering the expected distributable profits of the investment discounted by a range of discount rate from 9.40% to 13.51%.

During the reporting period there is no transfer between instruments in Level 1 and Level 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(e) Fair values *(Continued)*

(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.

	2018		2017	
	Carrying amount *RMB'000*	Fair value *RMB'000*	Carrying amount *RMB'000*	Fair value *RMB'000*
Fixed rate borrowings and debentures payable	**10,745,310**	**10,672,541**	18,037,629	17,842,853

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.

46. 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.

47. INVESTMENTS IN SUBSIDIARIES

(a) General information of subsidiaries

The following list contains only the particulars of subsidiaries as at 31 December 2018, all of which are limited liability companies established and operating in the PRC, which principally affect the results, assets or liabilities of the Group:

		Proportion of ownership interest and voting rights		
Name of company	Paid up capital *RMB'000*	Held by the Company *%*	Held by subsidiaries *%*	Principal activities
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	847,436	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

47. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

(a) General information of subsidiaries *(Continued)*

		Proportion of ownership interest and voting rights		
Name of company	Paid up capital *RMB'000*	Held by the Company *%*	Held by subsidiaries *%*	Principal activities
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 華電鄒縣發電有限公司 ("**Zouxian Company**")	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	1,651,739	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	–	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	1,509,346	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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

47. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

(a) General information of subsidiaries *(Continued)*

Name of company	Paid up capital *RMB'000*	Proportion of ownership interest and voting rights Held by the Company *%*	 Held by subsidiaries *%*	Principal activities
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	2,049,000	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	635,600	100	–	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	1,001,996	–	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

47. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

(a) General information of subsidiaries *(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	*%*	*%*	
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 (note (iii))	–	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	118,000	100	–	Generation and sale of electricity
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	214,300	90	–	Generation and sale of electricity
Huadian Foshan Energy Company Limited 華電佛山能源有限公司	194,910	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 (note (ii))	Investment on new energy power resources
Ningxia Huadian Yongli Power Generation Company Limited 寧夏華電永利發電公司	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	3,140,360	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	–	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	–	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	–	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	–	Sale of electricity and heat
Huadian Shandong New Energy Power Generation Company Limited 華電山東新能源有限公司	608,550	100 (note (ii))	–	Generation and sale of electricity
Ningxia Huadian Heat Company Limited 寧夏華電供熱有限公司	1,034,250	53	–	Sale of heat

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

47. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

(a) General information of subsidiaries *(Continued)*

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, Huadian Feicheng New Energy Power Generation Company Limited, Huadian Laixi New Energy Power Generation Co., Limited ("華電萊西新能源發電有限公司") and Huadian Zibo Wind Power Co., Limited ("華電淄博風電有限公司") was merged by Huadian Shandong New Energy Power Generation Company Limited.

(iii) During the current year, Shenzhen Huanyu Star River Investment Company Limited was merged by Sichuan Huadian Power Investment Company Limited ("四川華電電力投資有限公司").

(iv) On 12 September 2018, the Suzhou Intermediate People's Court of Anhui Province received a winding-up application. Finally, the Group lost a subsidiary, namely Huadian Suzhou Biomass Power Generation Co., Limited ("華電宿州生物質能發電有限公司"), in the current year.

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

(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	
		2018	2017	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Weifang Company	the PRC	**55%**	55%	**74,688**	42,182	**1,670,368**	1,699,025
Zouxian Company	the PRC	**31%**	31%	**56,257**	45,069	**1,137,302**	1,081,045
Hubei Power Generation	the PRC	**17.4373%**	17.4373%	**231,972**	75,822	**3,403,895**	3,271,964
Individually immaterial subsidiaries with non-controlling interests						**8,899,157**	8,240,600
Total						**15,110,722**	14,292,634

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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

47. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

(i) Weifang Company and its subsidiary

	2018	2017
	RMB'000	*RMB'000*
Current assets	**458,010**	568,580
Non-current assets	**4,313,447**	4,402,570
Current liabilities	**(900,771)**	(853,089)
Non-current liabilities	**(855,871)**	(1,038,401)
Total equity	**3,014,815**	3,079,660
Non-controlling interests of Weifang Company	**(22,082)**	(11,583)

	2018	2017
	RMB'000	*RMB'000*
Revenue	**3,913,169**	3,328,894
Expenses	**(3,775,311)**	(3,252,504)
Profit for the year	**137,858**	76,390
Non-controlling interests of Weifang Company	**(889)**	(373)
Dividends paid to non-controlling interests	**105,563**	29,833
Net cash inflow from operating activities	**667,605**	564,195
Net cash outflow from investing activities	**(364,759)**	(136,046)
Net cash outflow from financing activities	**(278,178)**	(470,391)
Net cash inflow/(outflow)	**24,668**	(42,242)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

47. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

(ii) Zouxian Company

	2018 *RMB'000*	2017 *RMB'000*
Current assets	**348,095**	476,441
Non-current assets	**4,530,923**	4,805,394
Current liabilities	**(1,207,418)**	(1,791,489)
Non-current liabilities	**(2,880)**	(3,105)
Total equity	**3,668,720**	3,487,241

	2018 *RMB'000*	2017 *RMB'000*
Revenue	**3,836,987**	3,497,850
Expenses	**(3,655,512)**	(3,352,467)
Profit for the year	**181,475**	145,383
Dividends paid to non-controlling interests	**–**	42,694
Net cash inflow from operating activities	**358,322**	68,516
Net cash outflow from investing activities	**(153,006)**	(161,244)
Net cash (outflow)/inflow from financing activities	**(181,280)**	69,967
Net cash inflow/(outflow)	**24,036**	(22,761)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

47. 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

	2018 *RMB'000*	2017 *RMB'000*
Current assets	**3,200,218**	2,649,558
Non-current assets	**14,824,066**	16,864,480
Current liabilities	**(5,290,891)**	(5,578,542)
Non-current liabilities	**(6,154,390)**	(6,430,708)
Total equity	**6,579,003**	7,504,788
Non-controlling interests of Hubei Power Generation	**(2,018,157)**	(2,377,989)

	2018 *RMB'000*	2017 *RMB'000*
Revenue	**9,830,195**	7,195,390
Expenses	**(9,294,620)**	(7,103,216)
Profit for the year	**535,575**	92,174
Non-controlling interests of Hubei Power Generation	**(148,340)**	(72,369)
Dividends paid to non-controlling interests	**106,258**	252,385
Net cash inflow from operating activities	**1,737,686**	787,238
Net cash outflow from investing activities	**(1,250,174)**	(1,996,477)
Net cash (outflow)/inflow from financing activities	**(332,826)**	1,265,941
Net cash inflow	**154,686**	56,702

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

47. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

(c) Acquisition of subsidiary

On 3 April 1998, a fellow subsidiary of the Group, namely Hebei Huarui Energy Group Co., Limited ("河北華瑞能源集團有限公司"), invested RMB2,100,000 to Pingshan Gangnan Hydropower Co., Limited (("平山崗南水電有限責任公司") ("**Pingshan Gangnan**")) and acquired 35% equity interest of Pingshan Gangnan.

On 6 September 2018, an another fellow subsidiary of the Group, namely Hebei Huadian Hybrid Energy Storage Hydropower Co., Limited ("河北華電混合蓄能水電有限公司"), entered into an equity transfer agreement with an independent third party, which further acquired the remaining 15% equity interest of Pingshan Gangnan, at a cash consideration of approximately RMB1,453,000. The acquisition was completed on 31 December 2018. Accordingly, the Group owns 50% equity interest and the Group has a majority in the board of directors of Pingshan Gangnan. Consequently, Pingshan Gangnan became a subsidiary of the Group thereafter.

The fair value of identifiable assets and liabilities of Pingshan Gangnan as at the date of acquisition were:

	RMB'000
Property, plant and equipment	5,847
Trade debtors	181
Cash and cash equivalents	4,087
Prepayment	100
Trade payables	(46)
Deferred tax liabilities	(626)
Total identifiable net assets at fair value	9,543
Transferred from interests previously held and classified associate	(3,340)
Goodwill (note 21)	22
Non-controlling interest	(4,772)
Total cash consideration	1,453

Net cash inflow on acquisition:

	RMB'000
Cash paid	(1,453)
Cash and cash equivalents in the subsidiary acquired	4,087
	2,634

The Group has elected to measure the non-controlling interest in Pingshan Gangnan at fair value on date of acquisition, which determined by applying by the income approach and after considering the discounted estimated profit or loss from 2019 to 2025, which assumed discount rate of 13.07%. The amount of the non-controlling interest at the acquisition date amounted to RMB4,772,000.

Since the acquisition date, Pingshan Gangnan has contributed nil to Group's revenue and profit or loss. If the acquisition had occurred on 1 January 2018, Group revenue and profit would have been approximately RMB2,735,000 and RMB545,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is it intended to be a projection of future performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

48. 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.

	Debenture	Loans	Financial Lease	Bill Financing	Dividend Payables	Perpetual Capital Securities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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 and 1 January 2018	**22,610,500**	**103,272,932**	**3,001,107**	**235,596**	**364,560**	**–**	**129,484,695**
Financing cash flows	**(5,500,000)**	**736,404**	**13,271**	**(396,609)**	**(430,919)**	**8,985,000**	**3,407,147**
Dividends recognised as distribution	**–**	**–**	**–**	**–**	**177,534**	**–**	**177,534**
Dividends declared to non-controlling interests	**–**	**–**	**–**	**–**	**220,001**	**–**	**220,001**
Interest expense	**(260,867)**	**–**	**–**	**–**	**–**	**–**	**(260,867)**
Interest income	**360,015**	**–**	**–**	**–**	**–**	**–**	**360,015**
Profit attributable to holders of perpetual capital securities	**–**	**–**	**–**	**–**	**–**	**145,576**	**145,576**
Issuing cost	**–**	**–**	**–**	**–**	**–**	**(21,801)**	**(21,801)**
At 31 December 2018	**17,209,648**	**104,009,336**	**3,014,378**	**(161,013)**	**331,176**	**9,108,775**	**133,512,300**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 *RMB'000*	2017 *RMB'000*
Non-current assets		
Property, plant and equipment	**16,094,833**	16,546,246
Construction in progress	**2,498,285**	1,894,796
Lease prepayments	**893,685**	489,672
Intangible assets	**28,906**	34,307
Goodwill	**46,524**	46,524
Investments in subsidiaries	**43,365,143**	41,603,000
Interests in associates and joint ventures	**7,521,655**	7,287,594
Available-for-sale investments	**–**	26,900
Financial asset at fair value through profit or loss	**27,200**	–
Other non-current assets	**819,316**	754,118
	71,295,547	68,683,157
Current assets		
Inventories	**533,957**	419,336
Lease prepayments	**18,418**	18,418
Trade debtors and bills receivable	**831,929**	1,260,191
Amounts due from subsidiaries	**12,164,896**	11,935,582
Deposits, other receivables and prepayments	**1,610,678**	1,370,527
Cash and cash equivalents	**552,760**	1,971,054
	15,712,638	16,975,108
Current liabilities		
Bank loans	**9,988,790**	14,345,853
Other loans	**1,721,000**	1,576,000
Short-term debenture payables	**7,134,237**	6,059,239
Long-term debenture payables-current portion	**2,597,864**	6,493,146
Amount due to the parent company	**17,640**	17,640
Amounts due to subsidiaries	**1,005,880**	1,005,880
Trade creditors and bills payable	**2,247,626**	1,840,390
Other payables	**1,352,889**	1,746,265
Financial liabilities at fair value through profit or loss	**64,496**	–
	26,130,422	33,084,413
Net current liabilities	**(10,417,784)**	(16,109,305)
Total assets less current liabilities	**60,877,763**	52,573,852

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(CONTINUED)*

	2018 *RMB'000*	2017 *RMB'000*
Non-current liabilities		
Bank loans	**8,075,432**	4,641,647
State loans	**2,036**	3,055
Other loans	**755,001**	2,747,000
Long-term debentures payable	**7,477,547**	10,058,115
Long-term payable	**46,255**	–
Deferred government grants	**116,087**	117,273
Deferred tax liabilities	**53,807**	54,540
	16,526,165	17,621,630
Net assets	**44,351,598**	34,952,222
Capital and reserves		
Share capital	**9,862,977**	9,862,977
Perpetual capital securities	**9,108,775**	–
Reserves	**25,379,846**	25,089,245
Total equity	**44,351,598**	34,952,222

Movement in the Company's reserves

	Share capital *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Discretionary surplus reserve *RMB'000*	Perpetual capital securities *RMB'000*	Retained profits *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2017	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 and 1 January 2018	**9,862,977**	**14,835,394**	**3,025,730**	**68,089**	**–**	**7,160,032**	**34,952,222**
Dividends recognised as distribution	**–**	**–**	**–**	**–**	**–**	**(177,534)**	**(177,534)**
Issue of perpetual securities	**–**	**–**	**–**	**–**	**8,963,199**	**–**	**8,963,199**
Appropriation of general reserve	**–**	**–**	**79,110**	**–**	**–**	**(79,110)**	**–**
Profit and other comprehensive income for the year	**–**	**–**	**–**	**–**	**145,576**	**468,135**	**613,711**
Balance as at 31 December 2018	**9,862,977**	**14,835,394**	**3,104,840**	**68,089**	**9,108,775**	**7,371,523**	**44,351,598**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

50. EVENT AFTER THE REPORTING PERIOD

On 23 January 2019, the Company issued the first tranche of super short-term debentures for the year of 2019. The face value is RMB100 per super short-term debentures and it was issued at a total par value of RMB3.5 billion. The first tranche of super short-term debentures ("**19 Huadina SCP001**") was issued at a total par value of RMB3.5 billion with 180 days period and bears interest at 2.96% per annum.

On 11 March 2019, the Company issued the second tranche of super short-term debentures for the year of 2019. The face value is RMB100 per super short-term debentures and it was issued at a total par value of RMB3 billion. The second tranche of super short-term debentures ("**19 Huadina SCP002**") was issued at a total par value of RMB3 billion with 180 days period and bears interest at 2.78% per annum.

FIVE YEARS FINANCIAL SUMMARY

	2014 *RMB'000*	2015 *RMB'000*	2016 *RMB'000*	2017 *RMB'000*	**2018** ***RMB'000***
Turnover	67,781,771	66,788,917	62,837,146	78,463,912	**87,419,418**
Profit before taxation	9,458,091	12,937,027	5,972,773	1,152,960	**2,738,894**
Income tax credit	(1,936,271)	(3,157,593)	(1,677,547)	(458,484)	**(826,862)**
Profit for the year	7,521,820	9,779,434	4,295,226	694,476	**1,912,032**
Attributable to:					
Equity holders of the Company	5,959,045	7,329,439	3,127,799	435,905	**1,445,736**
Non-controlling interests	1,562,775	2,449,995	1,167,427	258,571	**466,296**
Profit for the year	7,521,820	9,779,434	4,295,226	694,476	**1,912,032**
Total non-current assets	168,114,901	185,899,680	191,912,000	193,817,104	**201,724,007**
Total current assets	20,735,128	24,076,076	21,163,716	25,160,602	**25,772,114**
Total assets	188,850,029	209,975,756	213,075,716	218,977,706	**227,496,121**
Total current liabilities	(70,080,098)	(67,143,909)	(74,154,430)	(80,317,325)	**(75,534,410)**
Total non-current liabilities	(75,833,469)	(84,769,708)	(80,550,362)	(81,458,588)	**(83,719,847)**
Net assets	42,936,462	58,062,139	58,370,924	57,201,793	**68,241,864**
Equity holders of the Company	31,705,180	43,699,189	43,838,317	42,909,159	**53,131,142**
Non-controlling interests	11,231,282	14,362,950	14,532,607	14,292,634	**15,110,722**
Total equity	42,936,462	58,062,139	58,370,924	57,201,793	**68,241,864**

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 holders of the Company are analysed as follows:

		Net profit attributable to equity holders of the Company		Net asset attributable to equity holders of the Company	
	Notes	**2018**	2017	**2018**	2017
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amounts under CAS		**1,695,395**	430,127	**52,031,011**	41,758,901
Adjustments					
Business combination involving entities under common control	(1)	**(243,787)**	(255,675)	**2,503,732**	2,747,519
Government grants	(2)	**33,592**	33,592	**(353,985)**	(387,577)
Maintenance and production safety funds	(3)	**38,851**	77,351	**28,674**	13,995
Separation and transfer of equipment	(4)	**(249,883)**	–	**–**	–
The equity interest in an associate being passively diluted		**4,053**	–	**–**	–
Taxation impact of the adjustments		**57,434**	63,295	**(536,203)**	(593,637)
Attributable to minority Interest		**110,081**	87,215	**(542,087)**	(630,042)
Amounts under IFRSs		**1,445,736**	435,905	**53,131,142**	42,909,159

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.

(4) Pursuant to the relevant PRC regulations for the separation and transfer of "Water/Electricity/Gas Supply and Property Management", the Group was required to transfer certain equipment to relevant parties without any consideration, which the loss will directly recognize to equity.

According to IFRSs, the loss from the separation and transfer of equipment should be first recorded in profit or loss as incurred, then to equity as reduced the retained profits for the Group.

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