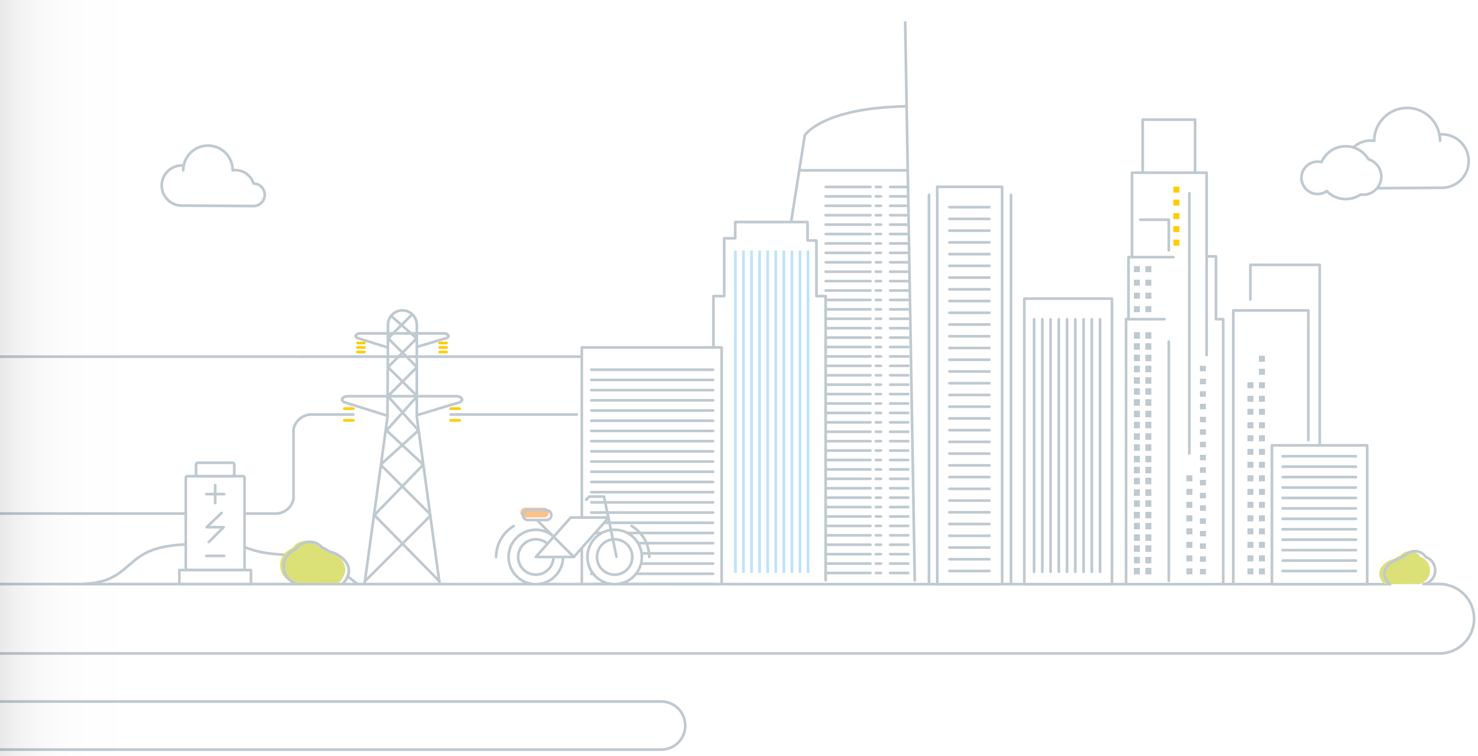
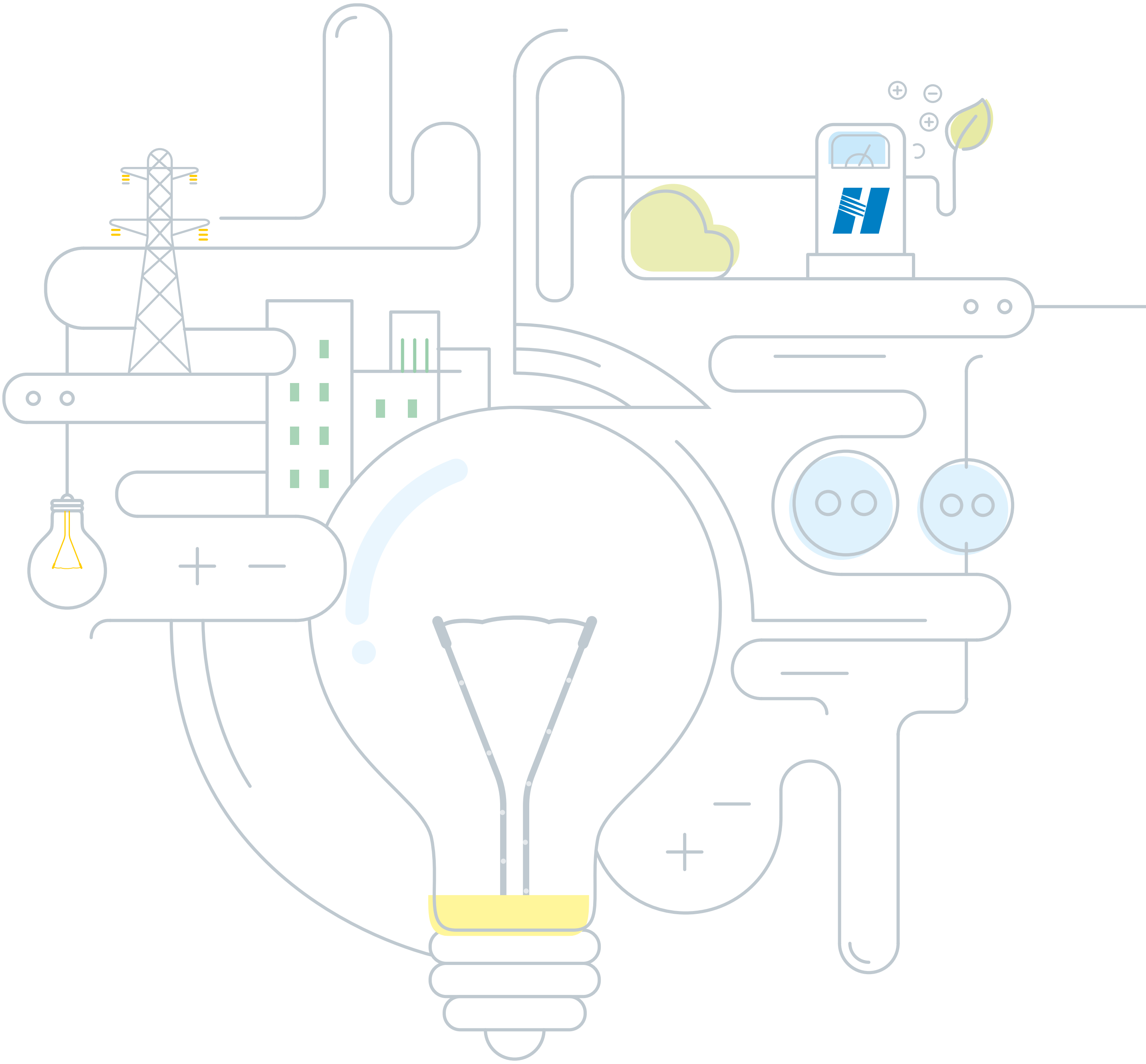
華能新能源股份有限公司
Huaneng Renewables Corporation Limited *

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

(Stock Code: 0958)

2017 Annual Report

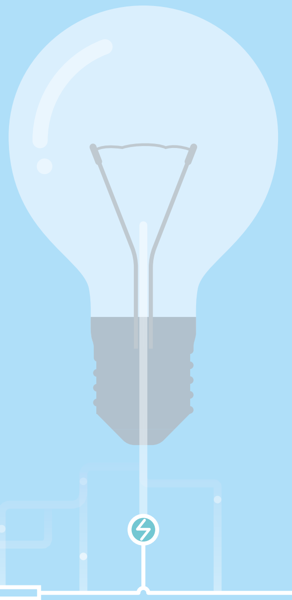




Overview

The Company is committed to the investment, construction and operation of new energy projects. It focuses on developing and operating wind power projects while promoting synergistic growth of solar power and other renewable energies. The Company adheres to scientific development and rational business distribution. With operations of scaled wind farms and distributed wind farms, utilization of onshore and offshore wind resources, attention to both development and acquisition, the Company strives to improve its growth quality and efficiency and to continuously increase its profitability, competitiveness and sustainable development capabilities, so as to maintain its established position in the People's Republic of China (the "PRC") and to expand into international markets with a view to becoming an internationally competitive and premier renewable energy provider.

Since its establishment, the Company has been focusing on its mission of green power development and clean energy production. The Company places great emphasis on protecting and improving the environment and on fulfilling its social responsibilities, and strives to bring sustainable, stable and increasing returns to its shareholders.



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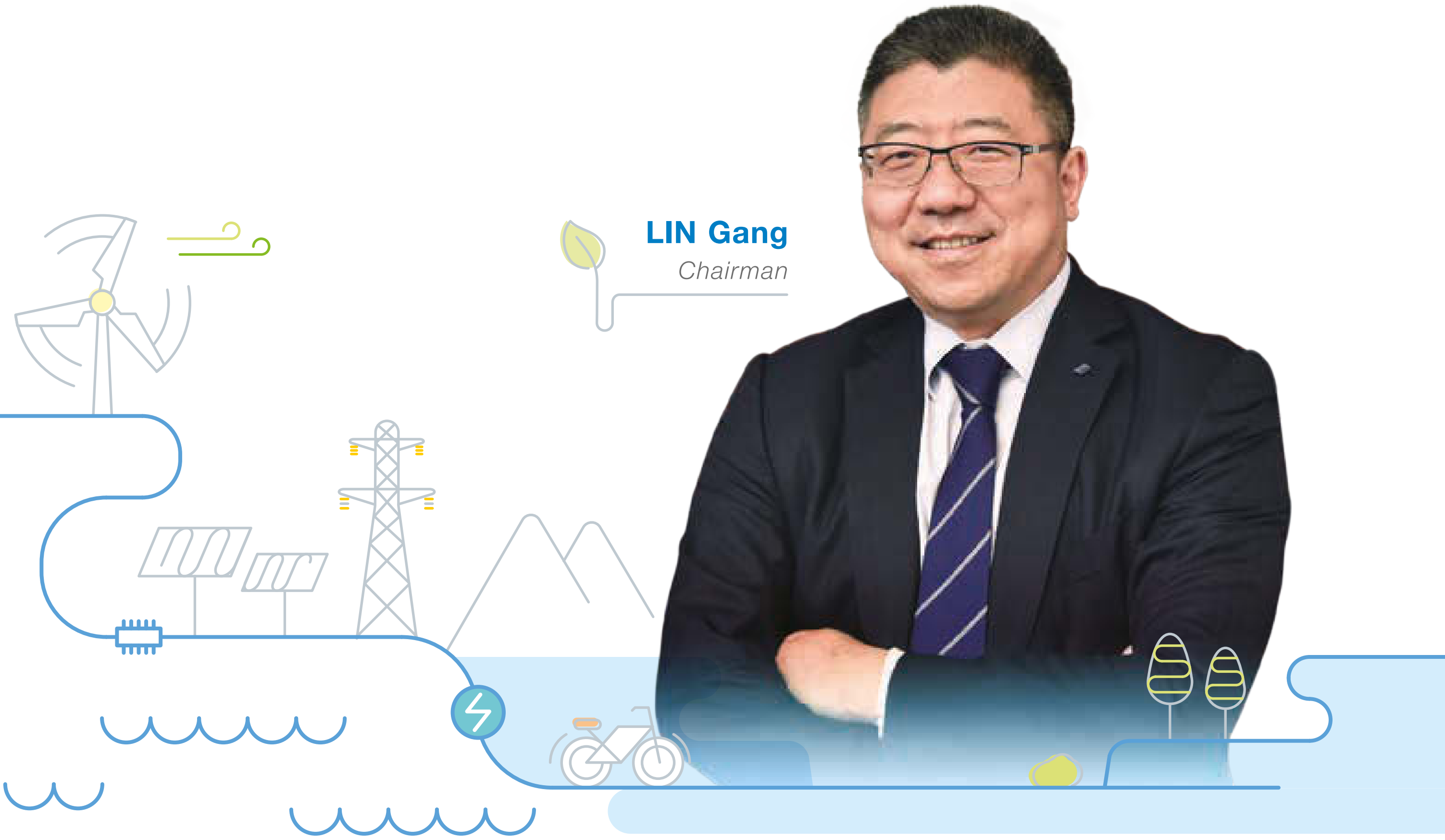
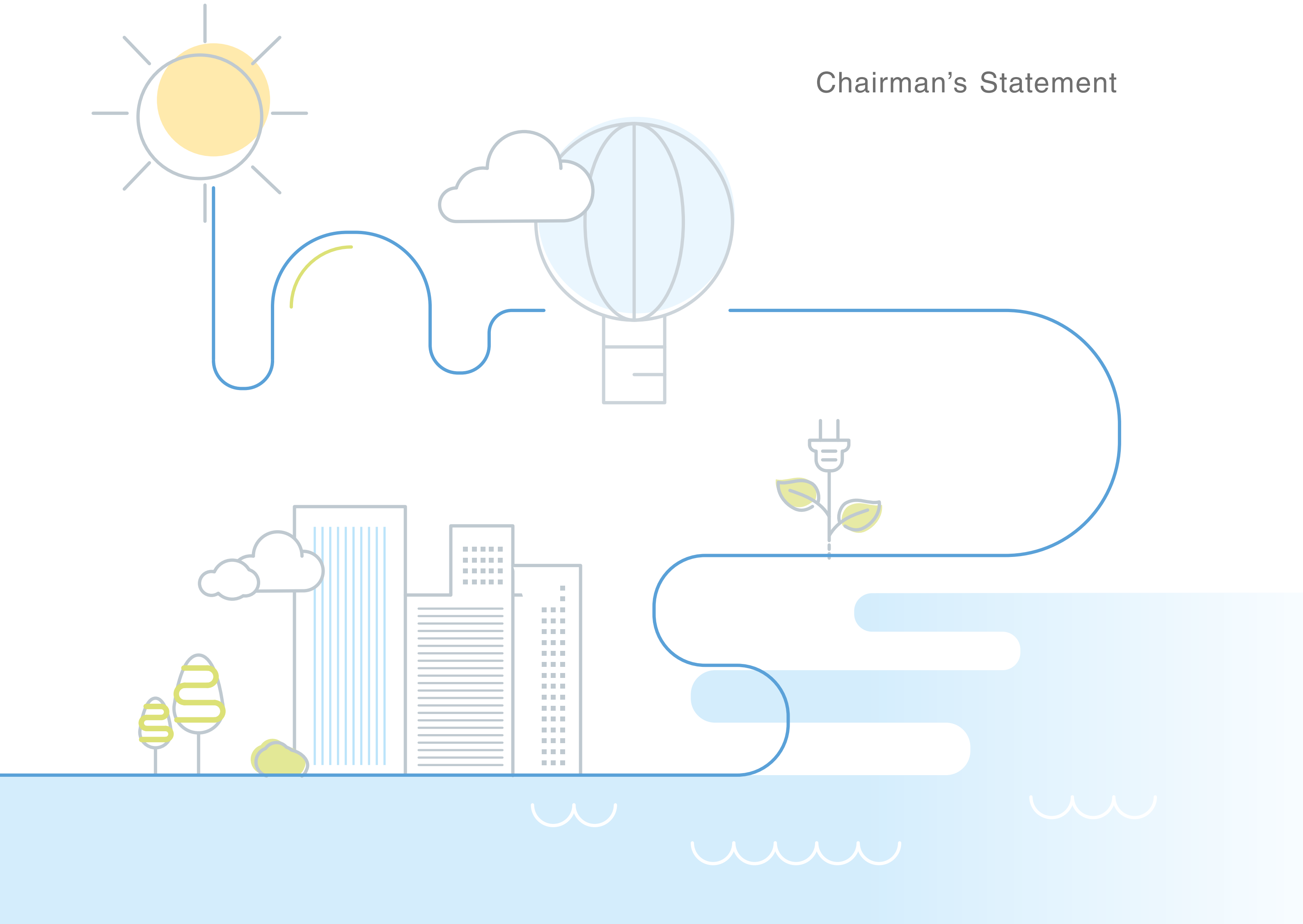
CHAIRMAN'S STATEMENT



Dear shareholders,

In 2017, with strong support of all the shareholders, the Board of Directors, while adhering to the development philosophy of focusing on quality and efficiency, and the goal of maximizing the shareholders' interest, led all the staff of the Company to make joint efforts and forge ahead, grasped the opportunity to build on the good momentum, and made further progress through reform and development. We have made solid progress toward realizing the goal of creating a world-class enterprise with global competitiveness.

The journey has been gratifying and diligence always pays off. In 2017, the Company has remained on the Global Top 500 New Energy Enterprises list for the fourth consecutive year. In capital market, the Company was awarded "Listed Company with Most Investment Value in the 13th Five-Year Plan" of the 7th China Securities Golden Bauhinia Award, as well as the highest corporate governance award "Platinum Award" and the special category award "Best Environmental Responsibility Award", both presented by "The Assets". The development of the Company was highly recognized by the public, and its market image and influence was further improved.



The stable environment contributes to our development. The year of 2018 marks a key year for the Company to deepen its reform and make innovation in its development. The new energy industry is confronting a complicated situation with both opportunities and challenges. Facing the new situations and requirements, the Board of Directors will take the analysis, research and decision-making process seriously, proactively adapt to the development trend of the new energy industry, scientifically evaluate the industrial policies and market situation, firmly seize the opportunities for development, continuously explore new methods to overcome development problems and nurture new profit models, so as to further enhance the competitiveness and profitability of the Company and create stable return growth for its shareholders.

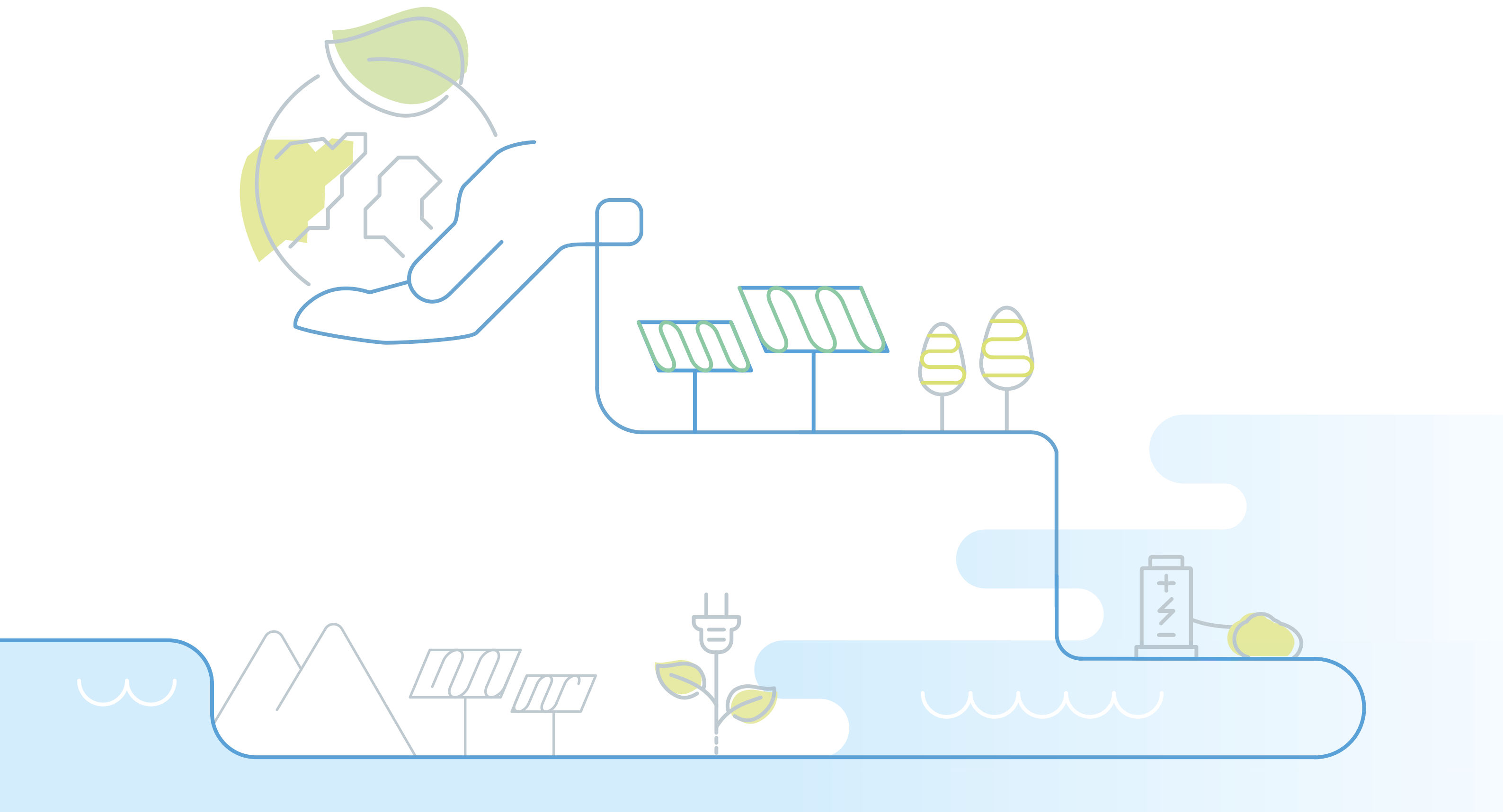
Finally, on behalf of the Board of Directors, I would like to extend my sincere gratitude to all shareholders, investors, the public and our friends for their long-held trust and support!

PRESIDENT'S STATEMENT

Cao Shiguang
President

Dear shareholders,

In 2017, the management of the Company unswervingly implemented the development philosophy of focusing on quality and efficiency and took the promotion of competitiveness as the core of operation and management. With the joint efforts of all employees, the Company achieved new progress in various tasks.

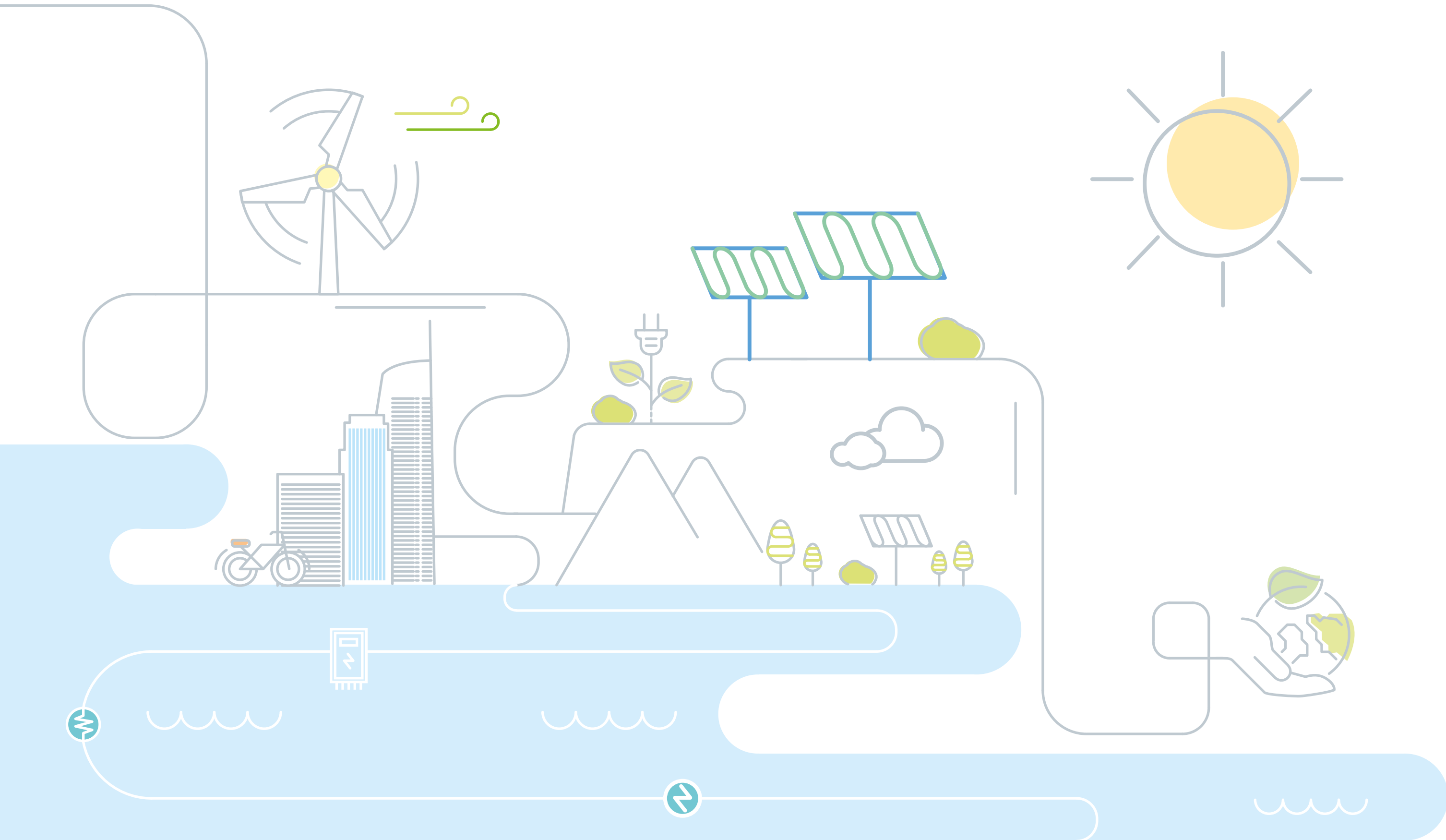


In the past year, the Company has made tremendous efforts to promote the efficiency of equipment management, and the reliability of the equipment has been improved consequently; the Company strengthened policy research and decision-making judgement, actively followed the dynamics in the market, and maintained a leading position in the industry in terms of weighted average utilization hours of the year. Besides, the cost and expenditure was managed effectively under the intensified cost control. Throughout the year, the overall safety situation of the Company was stable, the development work was progressed steadily, the level of corporate governance was further enhanced and the business performance hit a new record high.

The year of 2018 marks an important year for the Company to create a world-class new energy enterprise with international competitiveness. Under this context, the management will unswervingly implement all the work allocated by the Board of Directors, firmly grasp the historic development opportunities of the new energy industry and properly respond to the difficulties and challenges. Moreover, we will take the objective as our guidance, market as our direction and reform as our driver, embrace the working ideas of "guarantee security, improve efficiency, highlight development and strengthen management", so as to achieve more outstanding results and create new values for the shareholders.

Lastly, on behalf of the management and all employees of the Company, I would like to extend my sincere gratitude to all the shareholders and investors for their continued support, care and trust.

CORPORATE PROFILE



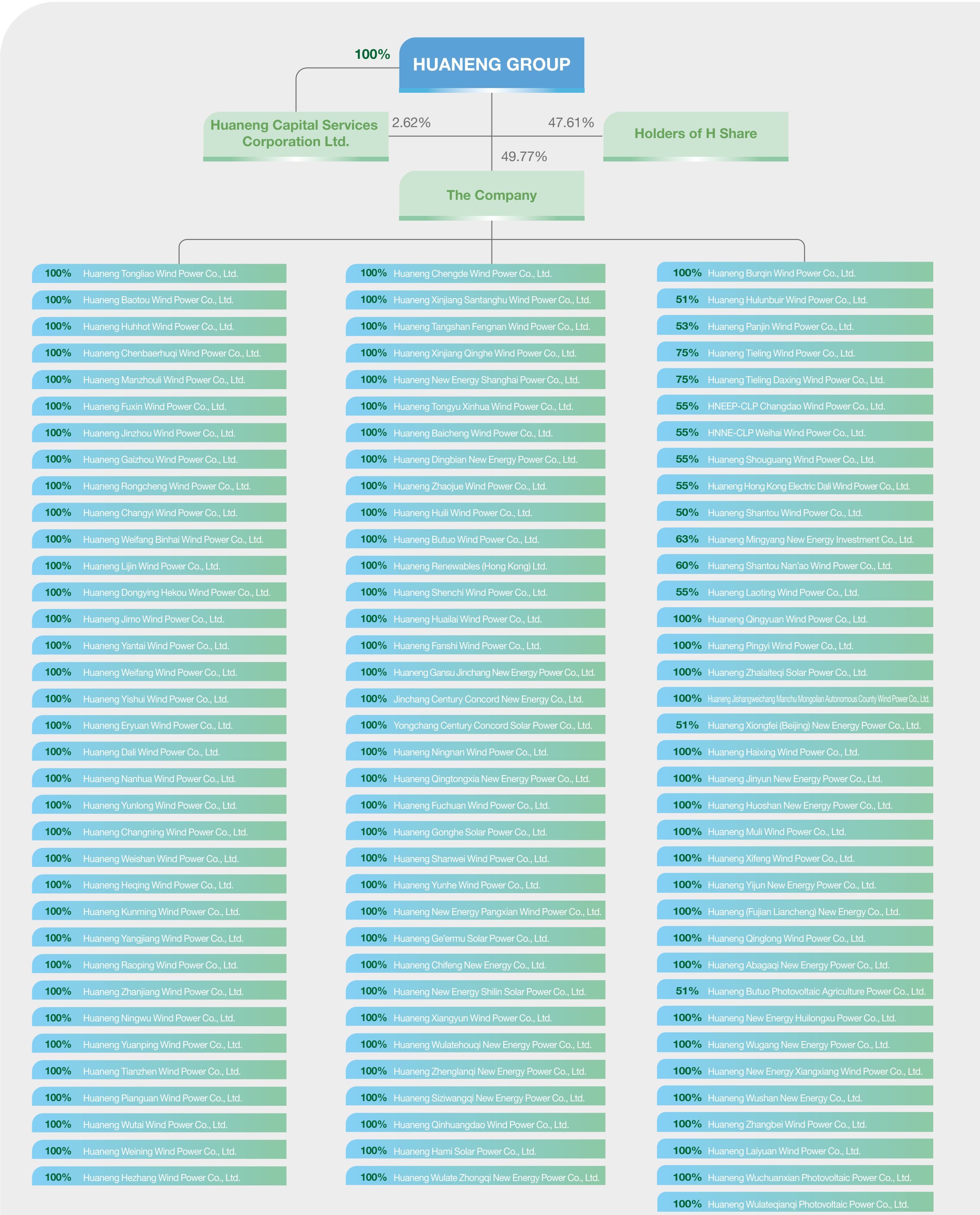
CORPORATE INTRODUCTION

The predecessor of Huaneng Renewables Corporation Limited (the "**Company**") is Huaneng New Energy Industrial Co., Ltd., which was established in November 2002. On 10 June 2011, the Company was successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**") with an aggregate of 8,446,898,000 shares in issue, and later in 2013, 2014 and 2017, 582,317,360 new H shares, 698,780,832 new H shares and 838,536,000 new H shares were issued respectively by way of non-public offering. As at the end of 2017, the total number of shares of the Company was 10,566,532,192 shares, of which China Huaneng Group Co., Ltd. ("**Huaneng Group**"), the controlling shareholder of the Company, directly and indirectly held 52.39% of the Company's total issued shares.

The Company is committed to the investment, construction and operation of new energy projects. It focuses on developing and operating wind power projects while promoting synergistic growth of solar power and other renewable energies. The Company adheres to scientific development and rational business distribution. With operations of scaled wind farms and distributed wind farms, utilization of onshore and offshore wind resources, attention to both development and acquisition, the Company strives to improve its growth quality and efficiency and to continuously increase its profitability, competitiveness and sustainable development capabilities, so as to maintain its established position in the People's Republic of China (the "**PRC**") and to expand into international markets with a view to becoming an internationally competitive and premier renewable energy provider.

Since its establishment, the Company has been focusing on its mission of green power development and clean energy production. The Company places great emphasis on protecting and improving the environment and on fulfilling its social responsibilities, and strives to bring sustainable, stable and increasing returns to its shareholders.

CORPORATE STRUCTURE



Note: *Numbers may not add up due to rounding.*

Xinjiang (solar)

Installed Capacity	50.0 MW
Percentage of Installed Capacity	0.4%

Gansu (solar)

Installed Capacity	150.0 MW
Percentage of Installed Capacity	1.3%

Xinjiang (wind)

Installed Capacity	447.5 MW
Percentage of Installed Capacity	3.9%

Qinghai (solar)

Installed Capacity	255.0 MW
Percentage of Installed Capacity	2.2%

Ningxia (solar)

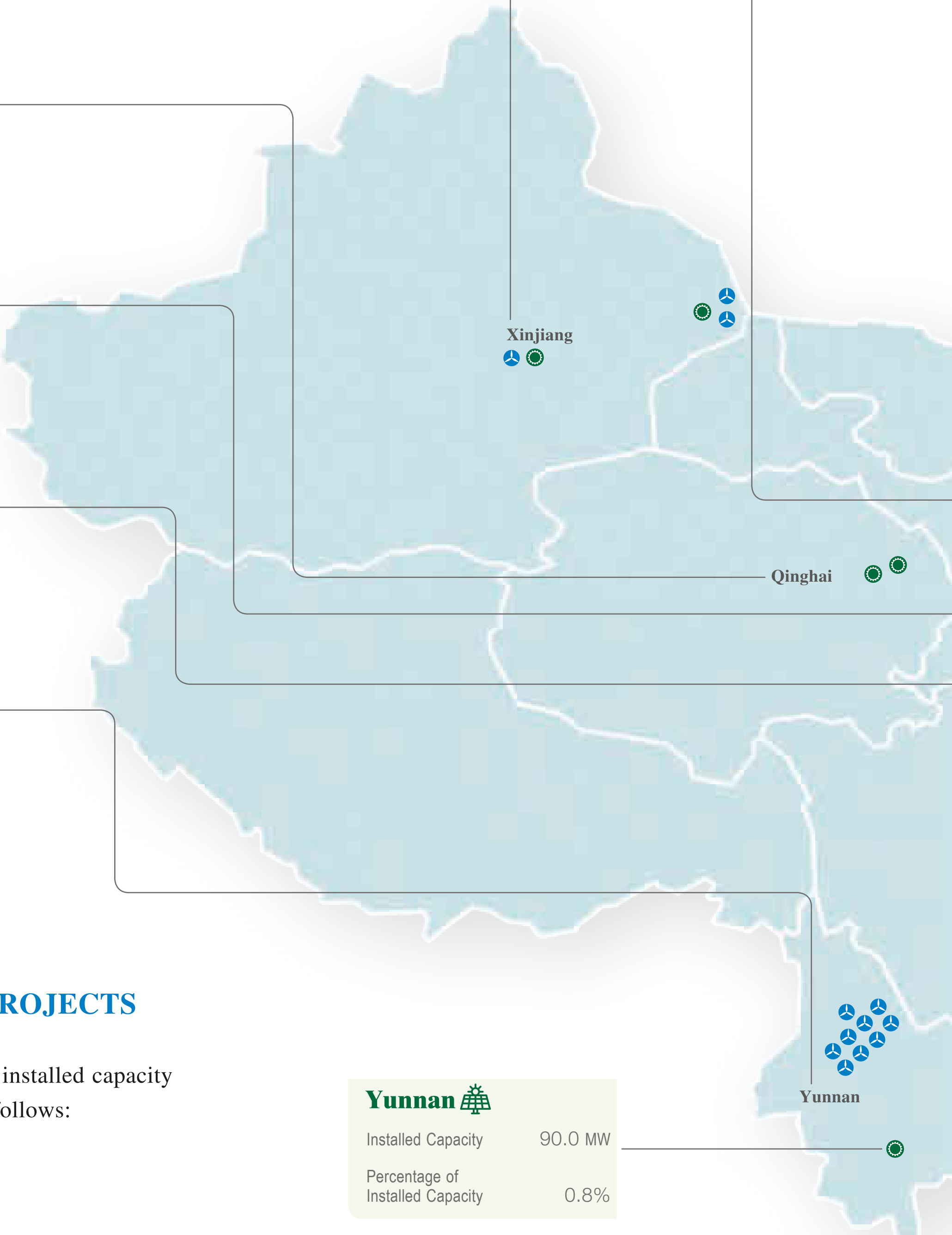
Installed Capacity	30.0 MW
Percentage of Installed Capacity	0.3%

Shaanxi (wind)

Installed Capacity	458.5 MW
Percentage of Installed Capacity	4.0%

Yunnan (wind)

Installed Capacity	1,116.5 MW
Percentage of Installed Capacity	9.7%



Yunnan (solar)

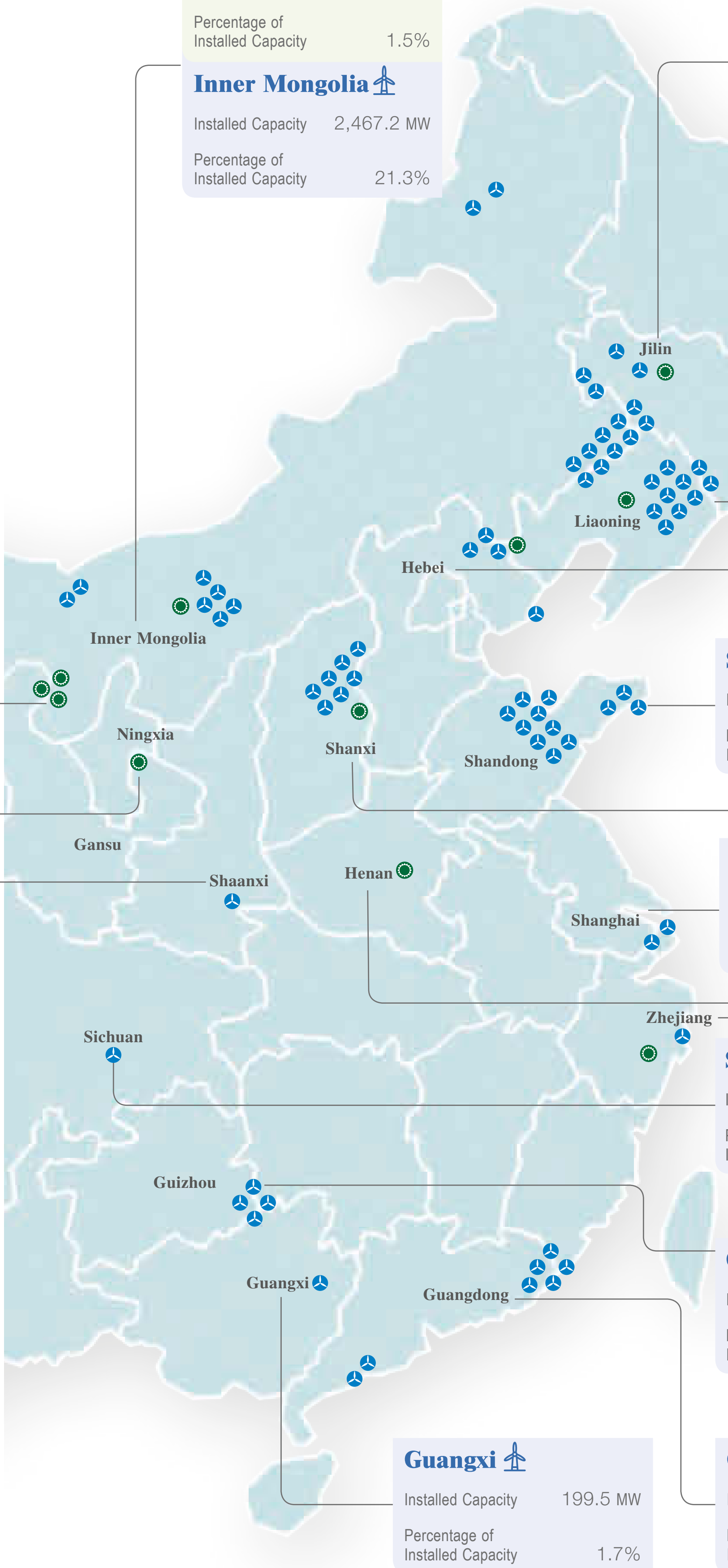
Installed Capacity	90.0 MW
Percentage of Installed Capacity	0.8%

DISTRIBUTION OF PROJECTS

Distribution of the Company's installed capacity as at 31 December 2017 is as follows:

- *denotes wind power installed capacity*
- *denotes solar power installed capacity*

Note: Percentage of the installed capacity represents the percentage ratio of the Company's installed capacity in each region to the total installed capacity of the Company (Due to rounding, the total percentage may not add up to 100%)



Inner Mongolia (Solar)

Installed Capacity	170.0 MW
Percentage of Installed Capacity	1.5%

Inner Mongolia (Wind)

Installed Capacity	2,467.2 MW
Percentage of Installed Capacity	21.3%

Jilin (Solar)

Installed Capacity	10.0 MW
Percentage of Installed Capacity	0.1%

Jilin (Wind)

Installed Capacity	396.0 MW
Percentage of Installed Capacity	3.4%

Liaoning (Solar)

Installed Capacity	56.0 MW
Percentage of Installed Capacity	0.5%

Liaoning (Wind)

Installed Capacity	1,408.5 MW
Percentage of Installed Capacity	12.2%

Hebei (Solar)

Installed Capacity	20.0 MW
Percentage of Installed Capacity	0.2%

Hebei (Wind)

Installed Capacity	411.5 MW
Percentage of Installed Capacity	3.6%

Shandong (Wind)

Installed Capacity	975.0 MW
Percentage of Installed Capacity	8.4%

Shanxi (Solar)

Installed Capacity	40.0 MW
Percentage of Installed Capacity	0.3%

Shanxi (Wind)

Installed Capacity	743.5 MW
Percentage of Installed Capacity	6.4%

Shanghai (Wind)

Installed Capacity	108.0 MW
Percentage of Installed Capacity	0.9%

Sichuan (Wind)

Installed Capacity	591.0 MW
Percentage of Installed Capacity	5.1%

Henan (Solar)

Installed Capacity	1.0 MW
Percentage of Installed Capacity	0.01%

Guizhou (Wind)

Installed Capacity	787.0 MW
Percentage of Installed Capacity	6.8%

Zhejiang (Wind)

Installed Capacity	74.5 MW
Percentage of Installed Capacity	0.6%

Zhejiang (Solar)

Installed Capacity	8.0 MW
Percentage of Installed Capacity	0.1%

Guangxi (Wind)

Installed Capacity	199.5 MW
Percentage of Installed Capacity	1.7%

Guangdong (Wind)

Installed Capacity	502.6 MW
Percentage of Installed Capacity	4.3%

MAJOR CORPORATE EVENTS IN 2017

JANUARY

The Company convened the 2017 Safety Production Meeting to summarize the safety production in 2016, analyse the current safety production situation and make plan of safety production work in 2017.

The Company issued the announcement on power generation for 2016, announcing its power generation of 19,435,069.4 MWh, representing a year-on-year increase of 32.5%.

FEBRUARY

The Company held the third session of the first staff representative meeting and 2017 work meeting to review its works in 2016, analyse the circumstances faced by the Company and study the plan for its work in 2017.

MARCH

The Company announced its annual results for 2016 with net profit attributable to equity shareholders of the Company reaching RMB2,658.9 million, representing a year-on-year increase of 43.0%.

The Company held its 2016 annual results analyst/ fund manager meeting and press conference in Hong Kong and carried out its 2016 annual results roadshow afterwards.

The Company obtained the filing of first batch of totaling 9.3MW roof-top photovoltaic power generation project in Tianjin.

APRIL

The Company successfully issued the first tranche of super short-term debentures with an amount of RMB1 billion with the issuing interest rate of 4.05% in 2017.

MAY

The Company completed the placing of 838,536,000 new H shares at a placing price of HK$2.61 and raised a total amount of approximately HK$2,188,578,960.

JUNE

The National Renewable Energy Information Management Center issued the first batch of 20 green power certificates of renewable energy power generation projects in China. The Company successfully obtained the first batch of green certificates for 8 projects including Shandong Lijin Wind Power and enjoyed the largest quantity of green certificate approval and issue projects in the industry.

The Company held its 2016 annual general meeting. Resolutions including the Work Report of the Board of Directors for 2016, Work Report of the Supervisory Committee for 2016, Financial Report for 2016 and the Profit Distribution for 2016 were considered and passed.

The Company obtained the approval of 100MW wind power project in Hunan.

JULY

The three national ministries and commissions sponsored the green certificates voluntary subscription cum the First China Green Power Summit Forum. President Cao Shiguang attended the event on behalf of the Company and accepted the honorable certificate presented by the leaders of ministries and commissions to the first batch of green certificate sales units.

The Company held its 2017 mid-year work meeting cum economic activities analysis meeting and summarized its work in the first half of the year, analyzed the circumstances faced by the Company and made work plan for the second half of the year.

The Company issued the announcements on power generation for June and the first half of 2017 respectively, announcing its gross power generation for the first half of the year of 11,860,637.4 MWh, representing a year-on-year increase of 14.7%.

The Company successfully issued the second tranche of super short-term debentures with an amount of RMB1 billion with the issuing interest rate of 4.29% in 2017.

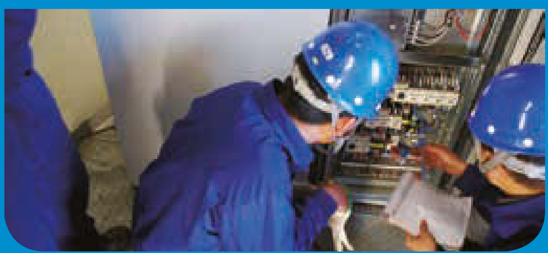
AUGUST

The Company announced its interim results for 2017 with net profit attributable to equity shareholders of the Company reaching RMB2,031.8 million, representing a year-on-year increase of 12.4%.

The Company held its 2017 interim results analyst/fund manager meeting and press conference in Hong Kong and carried out its 2017 interim results roadshow afterwards.

The Company successfully issued the third tranche of short-term financing bonds for 2017 with a total amount of RMB1 billion with the interest rate of 4.48%.

The Company announced the implementation of the profit distribution in 2016 and distributed a cash dividend of RMB0.041 (tax inclusive) per ordinary share for the end of 2016 to its shareholders.



SEPTEMBER

The Company obtained the approval of 76 MW wind power project in Hubei, achieving breakthrough in wind power development in Hubei.

The Company obtained the approval of the 200 MW wind power project in Mengxi UHV Channel.

OCTOBER

The 2016 Annual Report of the Company was granted the Bronze Prize for Frontpage Design and Honorable Award for Printing and Manufacturing of the Energy and Infrastructure Category at the 31st International ARC Awards.

NOVEMBER

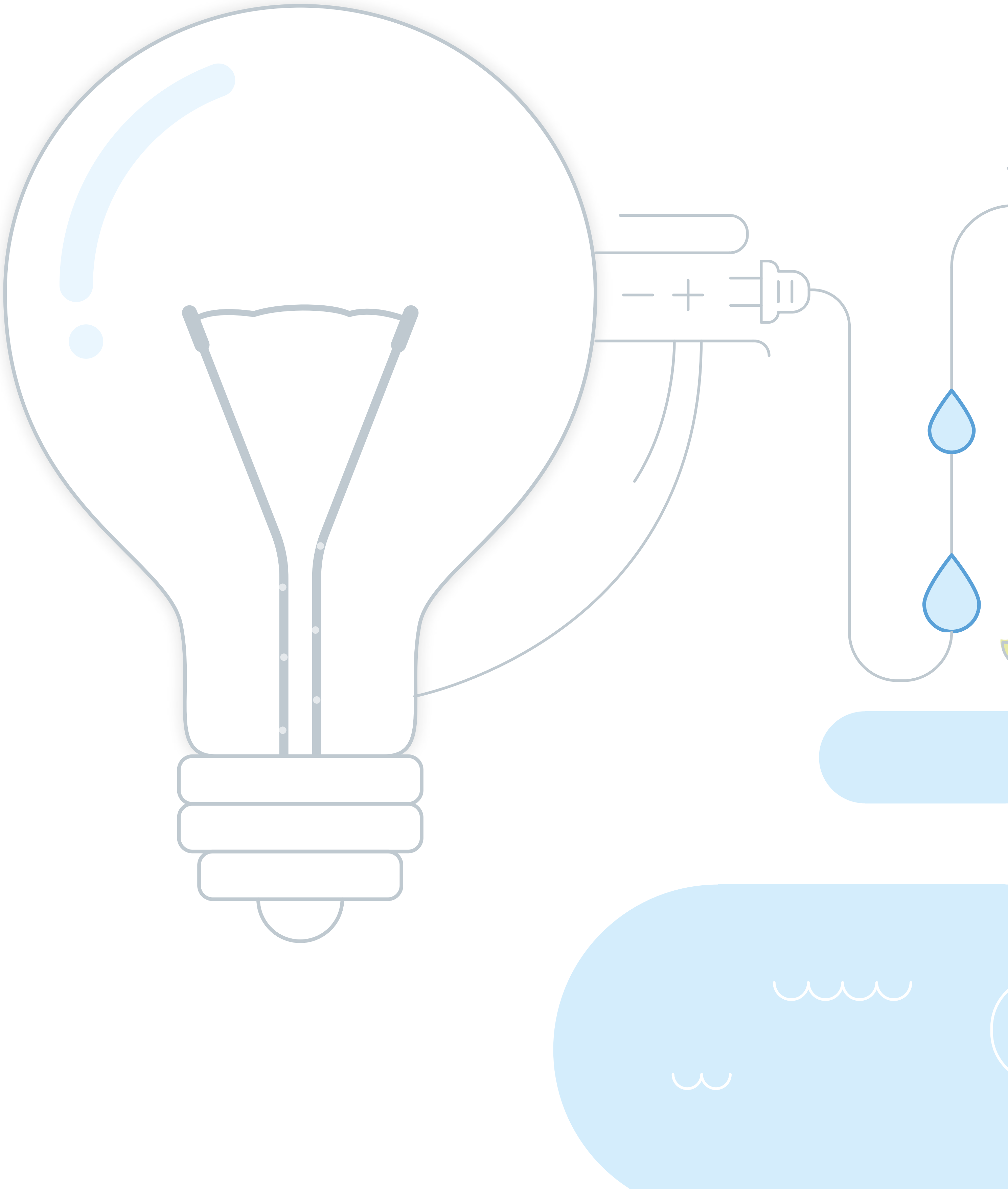
The Company won the 7th China Securities Golden Bauhinia Award "Listed Company with Most Investment Value in the 13th Five-Year Plan".

The Company successfully issued the fourth tranche of super short-term debentures with an amount of RMB1 billion with the issuing interest rate of 4.29% in 2017.

DECEMBER

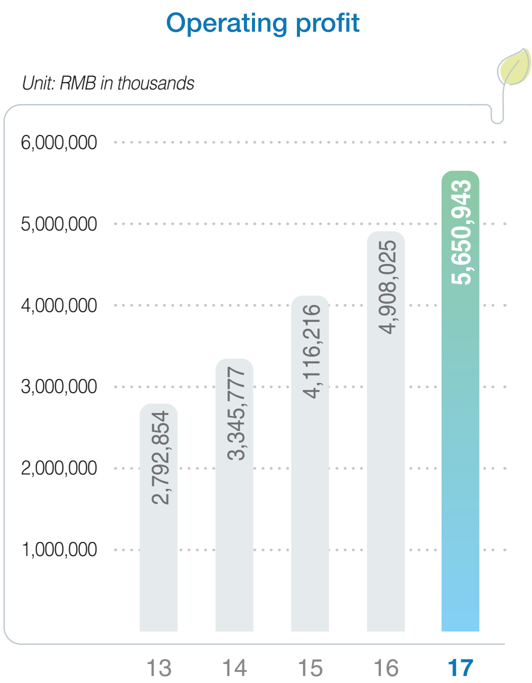
The Company was granted the 2016 highest corporate governance award "Platinum Award" and the special category award "Best Environmental Responsibility Award", both presented by "The Assets".

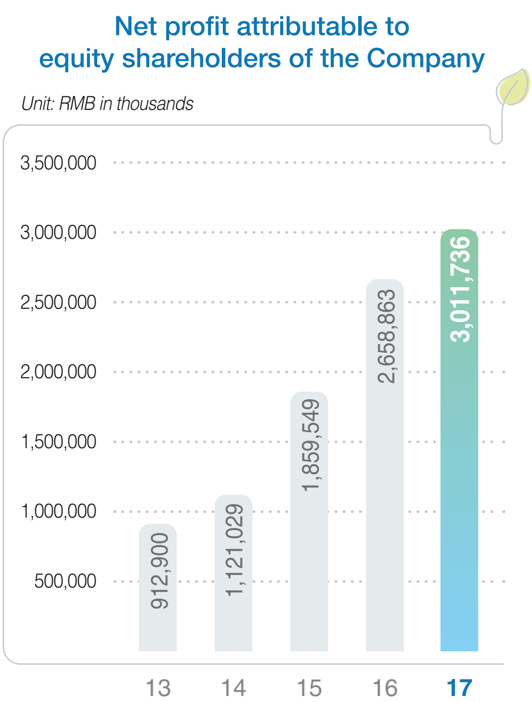
The Company obtained a total approved capacity of 40 MW in wind power projects in Chongqing, achieving breakthrough in wind power development in Chongqing.

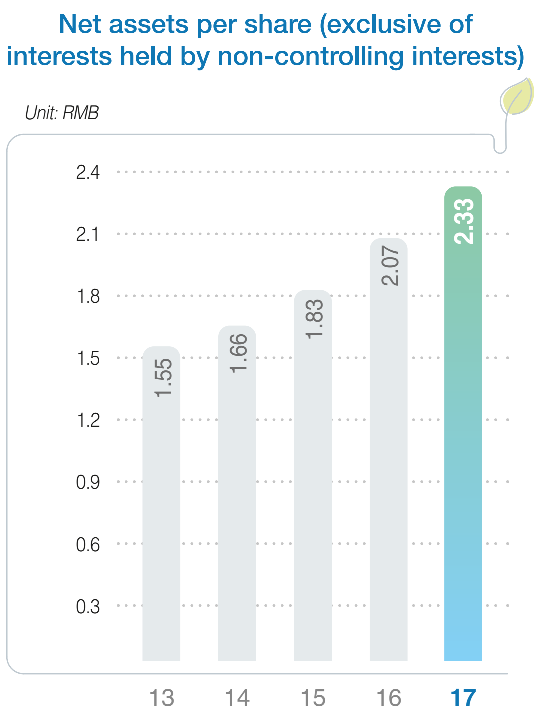


FINANCIAL AND OPERATIONAL SUMMARY

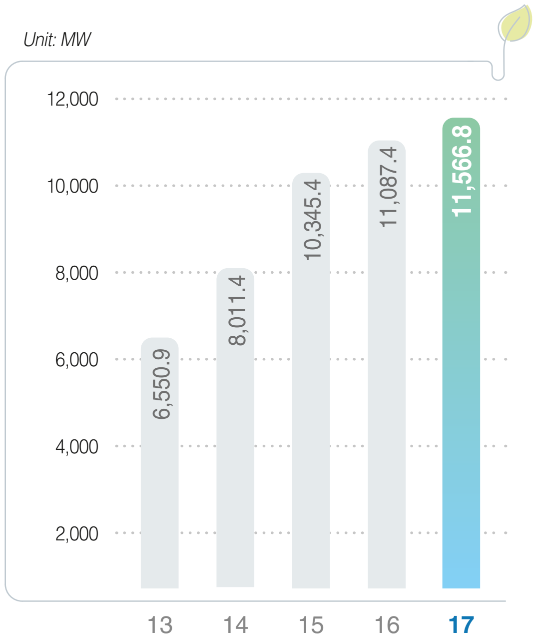
Financial and Operational Summary



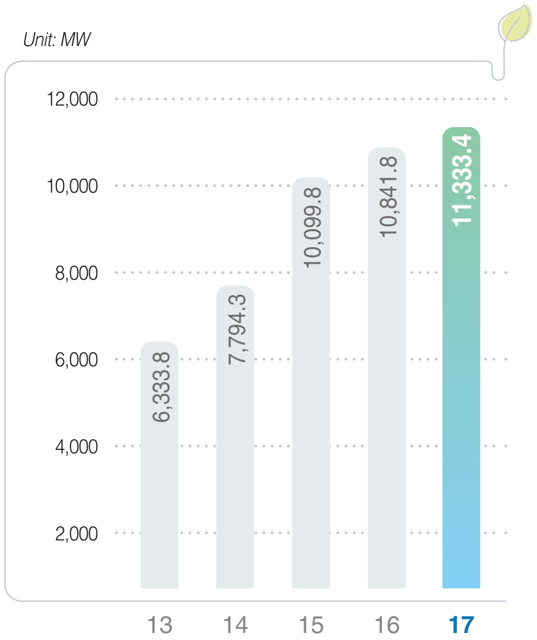




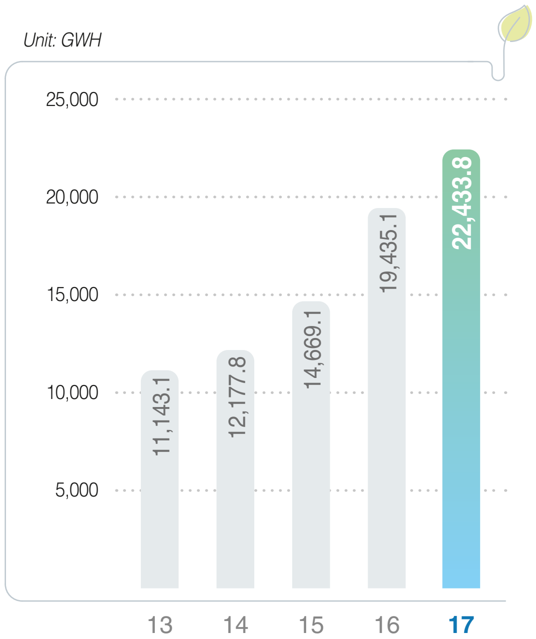
Total installed capacity



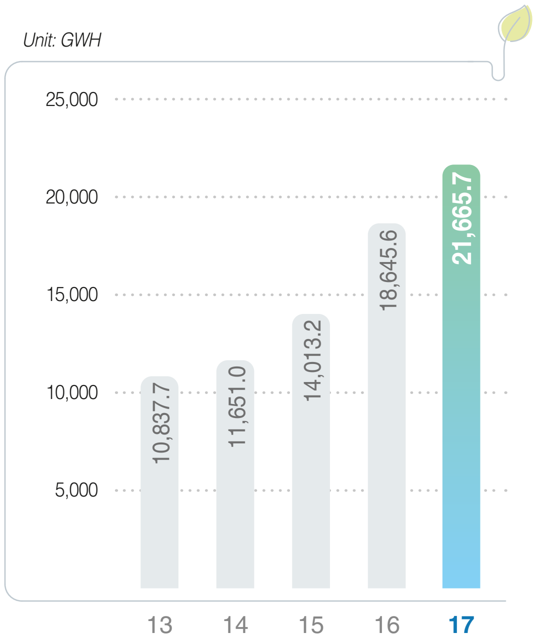
Attributable installed capacity



Gross power generation



Net power sold



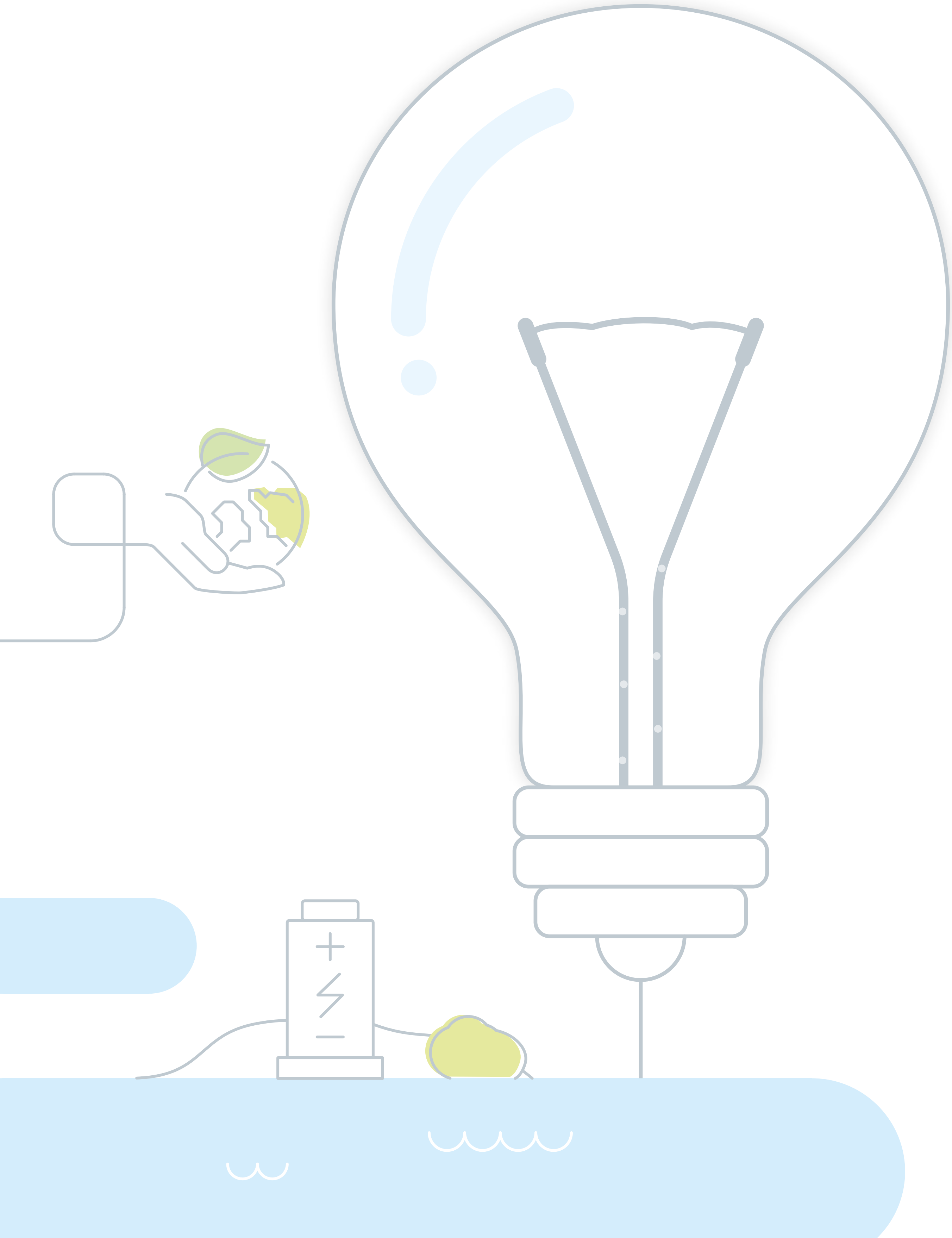
FIVE YEARS SUMMARY OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2013 *RMB'000*	2014 *RMB'000*	2015 *RMB'000*	2016 *RMB'000*	**2017** ***RMB'000***
Revenue	5,908,787	6,151,073	7,356,881	9,238,583	**10,554,355**
Other net income	79,035	167,651	434,889	321,698	**468,859**
Operating expenses	(3,194,968)	(2,972,947)	(3,675,554)	(4,652,256)	**(5,372,271)**
Operating profit	2,792,854	3,345,777	4,116,216	4,908,025	**5,650,943**
Net Profit	942,349	1,146,764	1,899,186	2,708,014	**3,061,322**
Net profit attributable to:					
Equity shareholders of the Company	912,900	1,121,029	1,859,549	2,658,863	**3,011,736**
Non-controlling interests	29,449	25,735	39,637	49,151	**49,586**
Basic and diluted earnings per share (RMB cents)	10.66	12.39	19.12	27.33	**29.38**

FIVE YEARS SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 31 December				
	2013	2014	2015	2016	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Total non-current assets	50,811,145	62,996,820	74,900,999	76,749,036	**75,106,816**
Total current assets	9,859,871	11,141,483	7,651,780	8,695,572	**11,241,753**
Total assets	60,671,016	74,138,303	82,552,779	85,444,608	**86,348,569**
Total current liabilities	19,344,110	25,740,898	28,533,234	30,517,250	**27,086,065**
Total non-current liabilities	26,466,004	31,512,204	35,395,087	33,933,395	**33,820,602**
Total liabilities	45,810,114	57,253,102	63,928,321	64,450,645	**60,906,667**
NET ASSETS	14,860,902	16,885,201	18,624,458	20,993,963	**25,441,902**
Total equity attributable to equity shareholders of the Company	14,024,769	16,101,254	17,797,808	20,137,150	**24,601,613**
Non-controlling interests	836,133	783,947	826,650	856,813	**840,289**
TOTAL EQUITY	14,860,902	16,885,201	18,624,458	20,993,963	**25,441,902**

MANAGEMENT DISCUSSION AND ANALYSIS



2017 BUSINESS REVIEW

In 2017, the Company's management, together with all of its staff, made joint efforts to forge ahead with determination and overcome challenges and difficulties. The Company persisted in promoting the quality of future development and economic efficiency as its core task, and enhancing competitiveness as its driving force, responded proactively to the new situation and changes in the power market. In the meantime, the Company continued to optimize the business layout and power structure, strengthened its cost control efforts, maintained a stable situation of safety operation and achieved a new height in operating performance.

1. Power generation

In response to relevant policies frequently promulgated by the State and local governments, the Company promptly organized research on countermeasures. The Company adhered to the implementation of the "market-oriented" marketing philosophy and actively participated in on-market transactions, effectively increased power generation, and achieved a significant reduction in curtailment rate. The Company actively and steadily carried out green certificate sales which accounted for one-third of market share in voluntary trade, taking a leading role in the market.

In 2017, the gross power generation of the Company reached 22,433,827.0 MWh, representing a year-on-year increase of 15.4%, of which wind power generation amounted to 21,191,298.6 MWh, representing a year-on-year increase of 15.0%; solar power generation amounted to 1,242,528.4 MWh, representing a year-on-year increase of 23.9%.

The power generation of the Company by business sector and region in 2017 and 2016 is set out as follows:

	Gross power generation of the year (MWh)		
Business sector and region	**2017**	2016	Change
Wind power generation	**21,191,298.6**	18,432,500.2	15.0%
Including: Inner Mongolia	**4,679,903.0**	4,284,749.2	9.2%
Yunnan	**3,123,417.4**	2,686,241.1	16.3%
Liaoning	**2,946,416.3**	2,572,316.8	14.5%
Shandong	**1,757,762.5**	1,764,391.4	-0.4%
Shanxi	**1,423,831.4**	1,284,525.8	10.8%
Sichuan	**1,319,413.0**	968,273.0	36.3%
Guizhou	**1,270,628.1**	1,178,490.3	7.8%
Guangdong	**1,068,443.2**	993,551.1	7.5%
Xinjiang	**924,719.8**	802,944.1	15.2%
Jilin	**754,087.7**	444,688.9	69.6%
Hebei	**743,606.3**	676,450.2	9.9%
Shannxi	**713,090.9**	511,688.8	39.4%
Shanghai	**195,471.6**	199,822.4	-2.2%
Zhejiang	**139,239.1**	64,367.1	116.3%
Guangxi	**131,268.3**	–	–
Solar power generation	**1,242,528.4**	1,002,569.2	23.9%
Total	**22,433,827.0**	19,435,069.4	15.4%

The weighted average utilization hours of the Company's wind farms in 2017 were 2,082 hours, representing a substantial increase of 116 hours as compared to 2016 and 134 hours over the nation-wide average level, maintaining a leading position in the industry. The weighted average utilization hours of the Company's solar power projects in 2017 were 1,590 hours, representing an increase of 62 hours as compared to 2016.

The weighted average utilization hours of the Company by business sector and region in 2017 and 2016 are set out as follows:

	Weighted average utilization hours (hour)		
Business sector and region	**2017**	2016	Change
Weighted average utilization hours of wind power	**2,082**	1,966	5.9%
Including: Guangxi	**3,772**	–	–
Yunnan	**2,799**	2,570	8.9%
Sichuan	**2,643**	2,765	-4.4%
Liaoning	**2,137**	1,934	10.5%
Guangdong	**2,133**	2,084	2.4%
Xinjiang	**2,066**	2,152	-4.0%
Hebei	**2,057**	1,952	5.4%
Zhejiang	**2,051**	1,866	9.9%
Shannxi	**1,989**	2,501	-20.5%
Shanxi	**1,947**	1,842	5.7%
Jilin	**1,904**	1,571	21.2%
Inner Mongolia	**1,897**	1,744	8.8%
Shanghai	**1,810**	1,850	-2.2%
Shandong	**1,774**	1,831	-3.1%
Guizhou	**1,770**	1,671	5.9%
Weighted average utilization hours of solar power	**1,590**	1,528	4.0%

2. Project construction

In 2017, the Company steadily advanced project construction. The commissioning of the first rooftop photovoltaic project in Henan Province and photovoltaic projects in Zhejiang Province achieved a breakthrough for the Company in the above two regions. In 2017, the newly installed capacity was 506.6 MW, of which the capacity of newly installed wind power projects and photovoltaic projects was 461.6 MW and 45.0 MW respectively.

As at 31 December 2017, the Company accumulated a total installed capacity of 11,566.8 MW, of which the total installed capacity of wind power projects and photovoltaic projects was 10,686.8 MW and 880.0 MW respectively.

The breakdown of the Company's installed capacity by business sector and region as at 31 December 2017 and 2016 is set out as follows:

		Installed capacity (MW)		
Business sector and region		**As at 31 December 2017**	As at 31 December 2016	Change
Wind power installed capacity		**10,686.8**	10,252.4	4.2%
Including:	Inner Mongolia	**2,467.2**	2,467.2	–
	Liaoning	**1,408.5**	1,402.5	0.4%
	Yunnan	**1,116.5**	1,116.5	–
	Shandong	**975.0**	1,002.2	-2.7%Note
	Guizhou	**787.0**	729.0	8.0%
	Shanxi	**743.5**	743.5	–
	Sichuan	**591.0**	493.5	19.8%
	Guangdong	**502.6**	502.6	–
	Shannxi	**458.5**	358.5	27.9%
	Xinjiang	**447.5**	447.5	–
	Hebei	**411.5**	361.5	13.8%
	Jilin	**396.0**	396.0	–
	Guangxi	**199.5**	49.5	303.0%
	Shanghai	**108.0**	108.0	–
	Zhejiang	**74.5**	74.5	–
Solar power installed capacity		**880.0**	835.0	5.4%
Including:	Qinghai	**255.0**	255.0	–
	Inner Mongolia	**170.0**	160.0	6.3%
	Gansu	**150.0**	150.0	–
	Yunnan	**90.0**	90.0	–
	Liaoning	**56.0**	30.0	86.7%
	Xinjiang	**50.0**	50.0	–
	Shanxi	**40.0**	40.0	–
	Ningxia	**30.0**	30.0	–
	Hebei	**20.0**	20.0	–
	Jilin	**10.0**	10.0	–
	Zhejiang	**8.0**	–	–
	Henan	**1.0**	–	–
Total		**11,566.8**	11,087.4	4.3%

Note: The Company's Changdao wind power project in Shangdong Province was dismantled in 2017.

3. Preliminary development

In 2017, the Company effectively coped with the unfavorable situation arising from the tightening of development policies in some provinces and actively expanded the preliminary development to optimize the regional distribution. 634.0 MW capacity of projects were included in the annual wind power development plan and 97.8 MW of photovoltaic projects obtained construction scale. A series of development agreements with a total capacity of 3,043.53 MW were signed, indicating an upward trend of resources reserves.

In 2017, the Company obtained a total approved capacity of 1,024.0 MW in wind power projects and established business presence in Hubei and Chongqing provinces for the first time, and obtained a filed capacity of 84.3 MW in photovoltaic projects, of which three distributed rooftop photovoltaic project filings, including Tianjin Jingcheng Weiye, were the first batch of photovoltaic projects of the Company in Tianjin. The above approvals of wind power projects and the filings of photovoltaic projects were of landmark significance for the Company's continued optimization of business layout and power structure.

4. Cost control

In 2017, the cost control of the Company achieved outstanding results. Through strengthening cost management in the entire process of project construction and strictly examining project settlement, project cost was effectively controlled. By constructing and improving a diversified financing system, and capturing favorable market windows, the Company successfully issued super short-term debentures with an amount of RMB4 billion, ensured capital security through multiple channels and achieved a year-on-year decrease of the overall financing costs.

5. Science and technology support

In 2017, the Company completed 6 pilot projects on technological innovation and successfully applied for 12 patents and copyrights. The Company actively carried out high-precision wind energy resource map research and development, and cooperated with wind turbine manufacturers and research institutions to jointly promote advanced technology development and demonstration. For congelation region projects, the combined wind measurement method was proposed and implemented, which greatly improved the data quality and formation efficiency of such projects.

6. H Share placement

On 18 May 2017, the Company completed the placing of 838,536,000 new H shares at the placing price of HK$2.61 per share and raised gross proceeds of approximately HK$2,188,578,960, which has provided financial support for the Company's development and effectively reduced the Company's debt level.

7. **Awards in the capital market**

In 2017, the Company performed outstandingly in the capital market. The Company received the China Securities Golden Bauhinia Awards nomination for the fourth consecutive year and was awarded the "Best Investment Value Award for Listed Companies for the 13th Five-Year Plan Period", as well as the highest corporate governance award "Platinum Award" and the special category award "Best Environmental Responsibility Award", both presented by "The Assets". The 2016 Annual Report of the Company was granted the Bronze Prize for Frontpage Design and the Honorable Award for Printing and Producing of the Energy and Infrastructure Category at the 31st International ARC Awards.

2018 BUSINESS OUTLOOK

Looking ahead into 2018, the State will continue to vigorously adjust the energy structure and increase the supply of clean energy. It will continue to increase efforts to solve grid curtailment issues, and the consumption rate of renewable energy is expected to further increase. However, factors such as the intensified market competition, the reduction of wind and photovoltaic power benchmark tariffs, and the rising proportion of on-market transactions will also impact on the operation and development of the Company.

Facing the complex business environment, the Company will actively adjust to the market trend, unswervingly adhere to the development philosophy of focusing on quality and economic efficiency, strengthen policy pre-judgment, seize development opportunities, actively reserve high-quality resources, deepen quality improvement and efficiency enhancement, so as to promote the operation and development performance of the Company to a new level.

In 2018, the Company will focus on the following aspects:

1. In terms of safety operation, the Company will continue to consolidate foundations of safety, make efforts to improve the level of refined management of production, in order to further improve the equipment's healthy operation and management efficiency.

2. In terms of power market, the Company will pay close attention and actively respond to the power sector reform and policy changes, strengthen research on marketing strategies and adhere to the economic centric principle to co-ordinate various on-market transactions.

3. In terms of project construction, with the principle of improving the management of project construction quality and the target of controlling the project cost, the Company will continue to optimize the process management of project construction and promote the project with high efficiency and high quality in full swing.

4. In terms of preliminary development, the Company will closely follow the policy dynamics, seize development opportunities and intensify efforts to reserve high-quality resources. It will also explore and promote development model innovation and accelerate project formation.

5. In terms of capital costs, the Company will take the development trend of capital markets into consideration and continue to explore diversified financing channels, effectively control the cost of capital through innovation in financing models and appropriate combination of long-term and short-term financing, etc.

6. In terms of scientific and technological innovation, the Company will strengthen science and technology's leading role, comprehensively promote technological innovation as well as the application of new technologies, new materials and new processes in preliminary projects and construction projects. It will improve the scientific and technological innovation system, strengthen the building of scientific and technological team so as to stimulate the enthusiasm for scientific and technological innovation.

RESULTS OF OPERATIONS AND ANALYSIS

1. Overview

In 2017, profit before taxation of the Group amounted to RMB3,407.7 million, representing an increase of RMB498.2 million or 17.1% as compared with RMB2,909.5 million of the previous year. Net profit amounted to RMB3,061.3 million, representing an increase of RMB353.3 million or 13.0% as compared with RMB2,708.0 million of the previous year. Net profit attributable to equity shareholders of the Company amounted to RMB3,011.7 million, representing an increase of RMB352.8 million or 13.3% as compared with RMB2,658.9 million of the previous year.

2. Revenue

In 2017, revenue of the Group amounted to RMB10,554.4 million, representing an increase of RMB1,315.8 million or 14.2% as compared with RMB9,238.6 million of the previous year. The change in revenue was primarily due to the fact that, in 2017, the power sold by the Group amounted to 21,665.7 million kWh, representing an increase of 3,020.1 million kWh or 16.2% as compared with 18,645.6 million kWh of the previous year. In 2017, the on-grid tariff (tax inclusive) of the Group was RMB0.570/kWh, representing a decrease of 1.6% as compared with the previous year.

3. Other net income

In 2017, other net income of the Group amounted to RMB468.9 million, representing an increase of RMB147.2 million or 45.8% as compared with RMB321.7 million of the previous year. The increase in other net income was mainly due to the increased compensation income from suppliers and constructors and the increased government grants including the immediate refund income of value-added tax.

4. Operating expenses

In 2017, operating expenses of the Group amounted to RMB5,372.3 million, representing an increase of RMB720.0 million or 15.5% as compared with RMB4,652.3 million of the previous year. The increase was primarily due to the increase in depreciation and amortisation expenses and personnel costs arising from the newly-added installed capacity of operational projects, as well as the influence of impairment losses.

Depreciation and amortisation expenses: in 2017, depreciation and amortisation expenses of the Group amounted to RMB3,798.5 million, representing an increase of RMB336.2 million or 9.7% as compared with RMB3,462.3 million of the previous year. The increase was primarily due to the increase in the installed capacity of operational projects.

Personnel costs and administration expenses: in 2017, personnel costs and administration expenses of the Group amounted to RMB761.6 million, representing an increase of RMB135.3 million or 21.6% as compared with RMB626.3 million of the previous year. The increase was primarily due to: (1) the increase in headcount resulting from the Group's scale expansion; (2) the increase in lease expenses, tax expenses and other relevant expenses.

Repairs and maintenance and other operating expenses: in 2017, the Group's repairs and maintenance and other operating expenses amounted to RMB812.2 million, representing an increase of RMB248.6 million or 44.1% as compared with RMB563.6 million of the previous year. The main reason for the increase was due to the impairment losses of RMB204.2 million recognised in 2017.

5. Operating profit

In 2017, operating profit of the Group amounted to RMB5,650.9 million, representing an increase of RMB742.9 million or 15.1% as compared with RMB4,908.0 million of the previous year.

6. Net finance expenses

In 2017, net finance expenses of the Group amounted to RMB2,238.3 million, representing an increase of RMB242.9 million or 12.2% as compared with RMB1,995.4 million of the previous year. This was mainly due to exchange losses arising from the fluctuations of exchange rates.

7. Income tax

In 2017, income tax of the Group amounted to RMB346.3 million, representing an increase of RMB144.8 million or 71.9% as compared with RMB201.5 million of the previous year. The increase was mainly due to the increase in profit before taxation.

8. Liquidity and source of funding

As at 31 December 2017, the current assets of the Group amounted to RMB11,241.8 million, including bank deposits, cash and restricted deposits of RMB2,554.8 million, trade debtors and bills receivable of RMB7,214.0 million. Current liabilities of the Group amounted to RMB27,086.1 million, comprising RMB20,352.8 million of short-term borrowings (including short-term borrowings, super short-term debentures and long-term borrowings due within one year) and RMB6,253.0 million of other payables (which primarily consisted of payables for equipment purchased from suppliers, construction payables and retention payables). As at 31 December 2017, the current ratio (the current assets to current liabilities ratio) of the Group was 0.42, representing an increase of 0.14 as compared with 0.28 as at 31 December 2016.

As at 31 December 2017, the Group's outstanding borrowings (including bonds) amounted to RMB49,804.1 million, representing a decrease of RMB1,130.7 million as compared with RMB50,934.8 million as at 31 December 2016. As at 31 December 2017, the Group's outstanding borrowings comprised short-term borrowings (including short-term borrowings, super short-term debentures and long-term borrowings due within one year) of RMB20,352.8 million and long-term borrowings (including bonds) of RMB29,451.3 million, which were all denominated in RMB.

9. Capital expenditure

In 2017, the capital expenditure of the Group amounted to approximately RMB3,655.9 million, representing a decrease of RMB4,248.3 million or approximately 53.7% as compared with RMB7,904.2 million of the previous year, which was primarily due to the year-on-year decrease in construction investment of the Group in 2017.

10. Net gearing ratio

As at 31 December 2017, the net gearing ratio of the Group, which was calculated by dividing net debt (total borrowings and obligations under finance leases minus cash and cash equivalents) by the sum of net debt and total equity, was 65.8%, representing a decrease of 5.2 percentage points as compared with 71.0% as at 31 December 2016. The decrease was mainly due to the influence of the placing of H shares of the Company.

11. Material investments

In 2017, the Group made an investment of RMB60.82 million to Tianjin HIWLR-Taikang Equity Investment Fund Centre (Limited Partnership).

12. Material acquisitions and disposals

The Group did not have any material acquisition or disposal in 2017.

13. Pledge of assets

As at 31 December 2017, certain property, plant and equipment of the Group were pledged for bank loans of Huaneng Ge'ermu Photovoltaic Power Generation Co., Ltd.

14. Contingent liabilities

As at 31 December 2017, the Group did not have any material contingent liability.

RISK FACTORS AND RISK MANAGEMENT

1. Risk associated with polices

The development of wind power and solar power companies largely depends on the State policy and industry policy, laws and regulations and the incentive schemes. Changes in the upstream and downstream policies and the laws and regulations in the facilities manufacturing sector and power grid sector have a great impact on wind power and solar power enterprises. In addition, with further deepening of the power sector reform, establishment of power trading mechanism, and orderly liberalization of the power generation and consumption plan, the proportion of the Company's market-traded electricity is gradually increasing and the competition is intensifying. These will cause certain impact on the Company's electricity sales strategy and its price.

Accordingly, the Company will closely follow the policy direction, strengthen assessment on policies, and improve the insight into the policies. The Company will deepen benchmarking management, grasp the market dynamics in real time, and foresee the potential adverse effects. The Company will coordinately develop and implement practical measures to reduce potential risks, so as to take the initiative to manage risks associated with policies.

2. Risk associated with climate

Wind power and solar power generation are sensitive to climate changes. The total wind power and solar power resources in an area change every year, which is the key factor affecting the power generation in the area. Furthermore, wind farms are usually located in remote areas with adverse environment, where natural disasters are more frequent. Extreme weather like freeze, typhoons, strong thunderstorm, tornadoes and so forth, poses great risks to the safety operation in the wind farm.

With regard to risks associated with climate, the Company constantly optimizes the layout of wind farms and solar power stations, which are now distributed among 19 regions across the country, reducing the impact of annual climate changes in a single region on the annual power generation of the Company. In light of the frequent extreme weather in recent years, the Company has summarized the experience of disaster prevention and mitigation, made technical changes to the existing projects under risk, and optimized the newly built projects in terms of project design, equipment selection, project construction and other aspects. In addition, the Company has formulated its own comprehensive contingency plans and natural disaster contingency plans, guided its subsidiaries to formulate and improve the natural disaster contingency plans and to establish a smooth and efficient contingency response mechanism. The Company has developed the "Guidance on Emergency Supplies Allocation in the Wind Farm", guiding the wind farm to prepare all kinds of emergency supplies. The Company will carry out special inspections in a timely manner to overcome the flood and cold seasons, take measures to deal with disasters in advance and maximally control the loss of disasters.

3. Risk associated with grid curtailment

At present, the domestic economy is running steadily and better than expected. The State has vigorously adjusted its energy structure and intensified its efforts to solve the "wind, solar and water curtailment" problems. These are beneficial to the consumption of renewable energy, and consequently the abandonment of wind power and grid curtailment in the northeast, north and northwest of China will be further relieved. However, the construction progress of local power grid is lagging behind the formation of new projects, and there is a risk of intensified grid curtailment.

Accordingly, the Company has further optimized the layout of its projects in recent years. The Company shifted the focus of project development to regions with better grid access conditions. The Company will also continue to improve the operating condition of the facilities by strengthening equipment management and optimizing the operation of wind turbines. In addition, the Company actively participated in the formulation of renewable energy consumption policies by both national and local governments, reflecting the reasonable demands of renewable energy companies. The Company aimed to strive for the best interest of both the industry and the Company to pursue favorable policies and to create a better environment for the Company's operation and development.

4. Risk associated with capital

The State puts the prevention of financial risks in a more prominent position. The Central Economic Work Conference put forward that prudent monetary policy should be neutral, control the master gate of money supply, and maintain a reasonable growth in the scale of monetary loans and social financing. Under the background of deleveraging and risk prevention, it is expected that the capital market will maintain a tight balance, and the cost of capital will see certain increase.

To actively respond to market changes, the Company will attach equal importance to direct and indirect debt financing while ensuring the safety of capital, and further diversify the financing channels. Besides maintaining a sound traditional financing platform, the Company will make full use of the close integration of capital and business, continue to innovate the financing model, optimize the structure, coordinate the capital arrangement, strengthen capital management and control, and strictly control the risk of capital, so as to provide strong financial support for the continuous and healthy development of the Company.

HUMAN RESOURCES

1. SUMMARY OF HUMAN RESOURCES

As at 31 December 2017, the Company had a total of 2,415 full-time employees, among which 165 received postgraduate degrees or above (representing 6.8% of the total number of employees), 1,688 received undergraduate degrees (representing 69.9% of the total number of employees) and 562 received college diplomas or below (representing 23.3% of the total number of employees).

The Company had 14 employees aged above 55 (representing 0.6% of the total number of employees); 446 employees aged between 36 (inclusive) and 55 (representing 18.5% of the total number of employees); 1,955 employees aged 36 or below (representing 80.9% of the total number of employees).

2. EMPLOYEE INCENTIVES

The Company has adopted various incentive mechanisms to attract talents and has established an effective mechanism for staff performance appraisal and management. It has also studied and formulated incentive policies to attract professional technical and management talents in the wind power industry. To cope with development needs, the Company has established a sound performance assessment mechanism based on the position-specific target accountability system, which is conducted by objectively evaluating the performance of staff against all performance targets framed in a sense that incentives and restraints run concurrently. Open promotion is adopted for some mid-level positions, thus creating opportunities for staff development. The Company is strived to achieve the multi-channel development of management talents, technical talents, and talents with special skills.

3. STAFF TRAINING

To meet the needs for healthy development of the Company and self-development of employees, the Company attaches great importance to the build up of its workforce and has been strengthening employee training. With a view to enhancing the professional capability and management skills of employees, the Company organized a wide range of trainings under different levels and categories in 2017 for various personnel ranging from the management to technical employees. The Company provides a four-level orientation and training program to newly-joined staff including management interface cognition, standardized management of power generation system, wind power enterprises basic practice and scientific and refined management of listed companies, and designs training programs based on the professional and specialty backgrounds of individual employees. The Company's subsidiaries organize various professional training and induction training courses delivered by professional lecturers and experienced technical experts, and the employees take part in various kinds of technical skills competitions. The Company also actively encourages its subsidiaries to carry out on-the-job training, appraisal and certification of skilled personnel so as to improve employees' quality.

4. REMUNERATION POLICY

The Company has fully implemented an annual remuneration system for the management of its subsidiaries with different categories of remuneration mechanisms. The Company scientifically determines employee's remuneration based on the remuneration policy, with an emphasis on the evaluation results of employees in determining performance-based remuneration. It awards its subsidiaries that meet or exceed expectations on task completion or have special contributions. The remuneration policy favours subsidiaries with good performance. The Company cares about the income of frontline staff and staff who work in remote areas or who face difficult living conditions. The Company provides income incentives and links job performance of the management and employees of its subsidiaries with their income. Based on evaluation results, remunerations are adjusted to favour individuals and departments with outstanding contributions, and collaboration among different departments is also taken into account, which cultivates a result, performance and contribution oriented working culture.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As a leading domestic new energy company, Huaneng Renewables puts great value on the protection and improvement of the environment and is committed to developing green power, and delivering clean energy. In 2017, the Company coordinated the development of a variety of renewable energy sources while striving to improve efficiency and quality. It continuously enhanced its competitiveness and sustainability, and had a positive impact on the environment and the community.

STAKEHOLDER ENGAGEMENT

The Company places a high emphasis on stakeholders' concerns and needs, and is continuously improving stakeholder participation mechanisms, strengthening communication and exchanges with stakeholders, and enhancing the transparency of operations. In 2017, the Company innovated in its communications by proactively working with national energy authorities, industry associations, and experts. The Company took the lead in launching a corporate salon of five new energy giants, which allowed new energy companies to communicate, raise demands and better understand and respond to stakeholders' needs.

Combining principles deriving from the Company's business model with the concerns expressed by stakeholders through various communications channels, the Company identified material Environmental, Social and Governance ("**ESG**") matters that are the subject of this report.

Stakeholders	Expectations and requirements	Engagement
Government and Regulators	– Compliance with laws and regulations Orderly operations – Guaranteeing the safety and reliability of the product – Promoting technological progress – Implementing the tasks of energy saving and reducing emissions – Providing reliable employment	– Information disclosures – Regular communications – Visiting reception
Investors	– Providing a sustained and stable return on investment – Compliance operations – Strengthening information disclosures	– Shareholders' meetings – Information disclosures – Performance roadshow – Investment summit – Visiting reception
Customers	– Providing high-quality products and services – Creating value for customers	– Customer activity – Regular communications

Stakeholders	Expectations and requirements	Engagement
Employees	– Maintaining the rights and interests of employees – Improving development channels – Improving professional skills – Safeguarding occupational health – Promoting work-life balance	– Labor contracts – Workers congress – Opinion inquiries – Making public the affairs of enterprises
Suppliers and Partners	– Procurement with openness, equality, and fairness – Adhering to contracts – Mutual benefit and long-term cooperation	– Contracts, agreements – Products and services
Peer Companies and Industry Organizations	– Fair operations – Win-win cooperation – Promoting industry development	– Integrity – Technical exchanges – Holding industry activities
Community	– Participating in community development – Supporting public welfare projects – Ecological environment protection	– Targeted poverty alleviation – Cooperation – Safety and environmental protection – Public service

MATERIAL ISSUES AND MATRIX

The Company further clarifies key areas of its environmental, social and governance information disclosure and practice, and therefore makes the report more pertinent and responsive. In compliance with the Environmental, Social and Governance Report Guide of HKEX, the Company identified the issues stakeholders are concerned with and made a materiality analysis. As a result the extent and boundary of the information disclosure were finally confirmed so as to ensure the EHS information disclosure is more accurate and comprehensive.

Screening Flow for Material Environmental, Social and Governance Topics

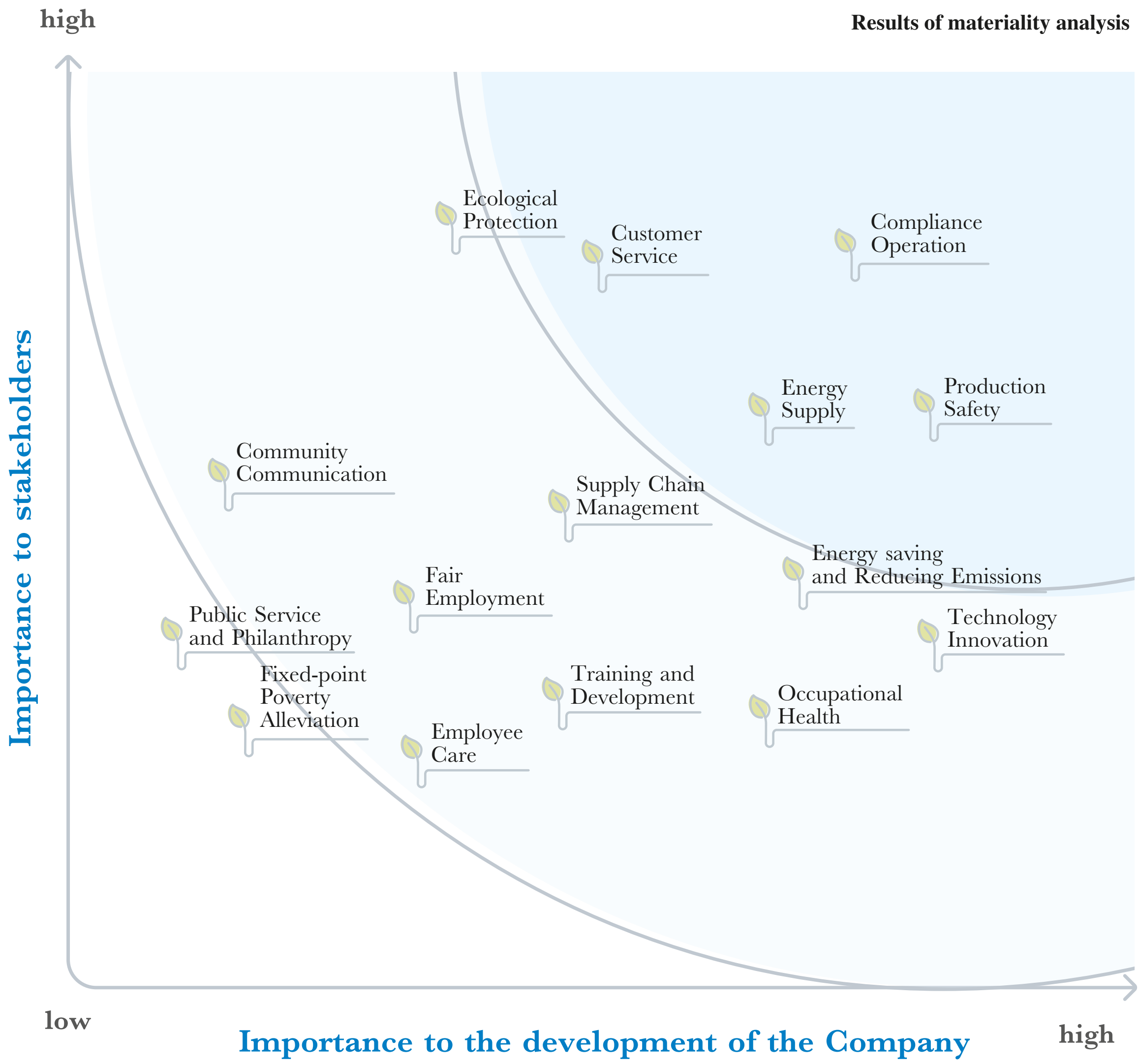
Topic Sources

- Analysis and suggestions from internal and external experts
- Media analysis
- National and International Peer Companies Benchmarking Study
- Corporate management suggestions
- Industry frontier research

Screening standard

- Contribution to sustainable development
- Stakeholders' concerns
- Reference to related ESG report guidelines
- Accordance with the needs of corporate strategic development

Results of materiality analysis



RESPONSIBLE OPERATIONS

Guided by the concept of "quality and efficiency as the core", the Company fully integrated its operations according to the principle of "increasing quality and efficiency". In 2017, the Company actively carried out various tasks in terms of institutional development, technical reviews, scientific research management, advancement of key demonstration projects, promotion of cutting-edge technologies, and training. The Company also strengthened innovation in all aspects of the business, including the business model, systems and mechanisms, management, technology and products.

Compliance operations

Risk management

The Company attaches great importance to risk management and internal controls. In order to improve its overall operations, management, and ability to prevent risks, the Company formulated a number of rules and regulations, such as *Rules for the Proceedings of the Board of Directors, Overall Risk Management Measures, Measures for Information Disclosures, Measures for Managing Legal Affairs* and others. These rules and regulations were also adjusted in accordance with updates to existing laws and regulations. In addition, the Company hired experts to give employees training on compliance so as to raise company-wide awareness of compliance issues.

For the period between 1 January 2017 and 31 December 2017 (the "**Reporting Period**"), the Company assessed the risk management and internal control systems of the Company and its affiliates and evaluated the effectiveness of these systems. No major deficiencies or errors were found in the supervision of operations, compliance, or risks.

Clean governance

Clean governance and anti-corruption have always been priorities of the Company. It was to that end that the Company's systems and processes were designed. Considering the Company's actual situation, relevant rules were developed and implemented based on relevant laws and regulations and the Group's administrative process documents, including *Measures for Clean Governance and Liability System, Detailed Rules for the Supervision of Clean Governance, List of Supervisory Responsibilities*, etc. These rules and measures make the Company's clean governance more systematic, scientific, and comprehensive. In addition, taking the opportunity of the Group's special inspection tour, the Company carried out a strict self-examination of party discipline, and strengthened discipline inspection and supervision. All these measures strengthened employees' awareness of discipline, compliance, and professional integrity, thus ensuring the Company's sound and sustainable development from the perspective of discipline.

During the Reporting Period, no corruption-related incidents or litigation occurred.

Products and Services

With wind power development and operation as the core, supplemented by solar energy and other renewable energy sources, the Company seeks to develop energy sources in a coordinated manner. Adhering to scientific development and rational principles, the Company aims to grow by combining the successful management and efficient distribution of existing products with trail-blazing development and mergers and acquisitions. The Company now owns photovoltaic and wind power generating operations across the country, and is expanding to more areas to deliver more clean energy to more communities.

The Company pays close attention to the quality management of projects under construction. The concept of "quality first as a vital and lasting goal" has taken root in the Company and all projects under construction have their quality inspection managed by a dedicated subdivision, the Huaneng Quality Control Center. In addition, through organizing quality training for infrastructure projects, the Company enhanced employee awareness of quality control, to ensure the quality of projects under construction is controllable, and remains so. To progress projects, the Company adheres to management by objective and scale. Through daily reports, video conferences, and other forms of communication, the Company manages and progresses projects in a timely manner.

In line with industry practice, the Company continuously reinforces the responsibility of its regional marketing entities to provide customers with better services. Utilizing industrial synergies with regional branches, the Company provides customers with more comprehensive and diverse services in Liaoning and Hulunbuir.

Technology Innovation

The Company is committed to constructing scientific and technological management systems. In 2017, based on the existing systems and internal reviews, the Company formulated a series of new systems and supporting documents, including: *The Scientific and Technological Innovation Performance Appraisal Methods, The Scientific and Technological Innovation Individual Award Incentive Method,* and *The Methods of Intellectual Property Management in Science and Technology.* Relying on these systems, performance reviews of scientific and technological innovation in the Company were regulated, and the level and quality of the intellectual property management of scientific and technological projects was comprehensively improved. During the Reporting Period, the Company applied for 12 patents and was granted 5.

The Company effectively integrates scientific research resources, actively carries out research and development and organizes and coordinates management of the Group's scientific and technological projects. In 2017, the project of *Design, Construction, Operation and Maintenance Technical Specification and Test Certification System Construction of Offshore Wind Plants* and two other national high technology research and development planning projects undertaken by the Company (part of *The National 863 Program*) were approved by the Ministry of Science and Technology.

The Company actively participates in the formulation of national standards and industrial standards, and is committed to improving the overall level of the industry. The Company took the lead in preparing the national standard, *Basic Technical Requirements for Wind Turbine Generator Systems in Offshore Wind Plants* and the energy industry standard, *Anti-Corrosion Technical Specification for the Concrete Foundations of Wind Turbine Generator Systems in Offshore Wind Plants*, both of which have been reviewed and submitted for approval. The draft of the energy industry standard, *Regulations for Wind Turbine Generator System Flight Overhauling* has been reviewed by the China Electricity Council, and *Technical Regulations for the Safety Evaluation of Offshore Wind Plant Operations* has been listed in the plan of energy industry standards.

Supply Chain Management

Effective and well-developed supply chain management is the foundation for guaranteeing project development and service quality, as well as being the essential condition for ensuring the smooth running of the Company. The Company constantly reformulates and improves its approach to *Procurement Management, Procurement Approval, Urgent or Emergency Procurement, Bidding Document and Other Supply Chain* management systems, which make the bid invitation work of the Company more standardized and efficient.

In order to strengthen supplier management and to establish long-term cooperation and mutually beneficial relationships with suppliers, the Company follows the *Supplier Management Implementation Regulations (Trial)* of the Huaneng Group in carrying out supplier grading, classification and rating, supplier access, supplier evaluation, supplier library maintenance, and other works to ensure the compliance of suppliers in the areas of product quality, environmental protection, community responsibility, etc. Through a supplier access link, the Company strictly enforces access policy and standards, and requires the bidders for all bidding sections to have achieved ISO9001:2008 quality management system certification. At the same time, the Company conducts quantitative and qualitative, real-time and periodic assessment and evaluation of supplier cooperation conditions every year. Different treatment measures such as rectification or non-cooperation are taken for suppliers whose evaluation results do not meet requirements or in response to specific incidences of malpractice. In this way, supplier structures and management can be optimized and improved.

During the Reporting Period, the Company signed contracts with 973 suppliers, all of which are domestic.

ENVIRONMENTAL RESPONSIBILITY

The Company actively practices the national green development strategy, delivers green energy, improves environmental quality, provides diversified solutions to environmental protection and actively responds to domestic and foreign policies on climate change. At the same time, the Company is continuously developing management measures and taking action to minimize the energy consumption and other environmental impacts of its own operations. During the Reporting Period, the Company did not violate any environmental laws, and was involved in no incidences of environmental pollution.

Clean Energy

The global development and utilization of renewable energy is constantly expanding. The development of renewable energy has become a core element of many countries' efforts to promote energy transformation and address climate change. This is also true of China. By actively following *the 13th Five-Year Plan for Energy Development and the 13th Five-Year Plan for Renewable Energy Development* issued by the National Energy Administration, the Company focuses on promoting the transformation of energy production and utilization, and constructing a clean, low carbon, safe and efficient energy system.

In 2017, the Company sped up its development of clean energy, improved the power supply structure, and fully promoted the construction of renewable energy projects. The installed capacity of the Company reached 11,566.8 MW, of which wind power installed capacity was 10,686.8 MW and solar installed capacity was 880.0 MW. The renewable energy generating capacity was 22,433,827.0 MWh, of which wind power was 21,191,298.6 MWh and photovoltaic power was 1,242,528.4 MWh.

Saving Resources

The Company has strengthened its resource conservation management in all aspects of the business, reducing the intensity of resource consumption, actively promoting the adoption of energy-saving technology, and enhancing the efficiency of resource utilization. Through strict adherence to the *China Huaneng Group Corporation Environmental Protection Work Assessment and Accountability Measures (trial)*, the Company complies with environmental protection laws and regulations to ensure that the construction, production, and operation of projects happen in harmony with environmental protection practices.

Energy consumed by the Company included electricity, gasoline and diesel fuel. During the Reporting Period, the total power consumption of the Company was 56.0 MWh, while volumes of gasoline and diesel fuel consumed were 82.8 and 7.6 myrialiter respectively. Greenhouse gas emissions were 43,452.6 tons of CO_2 equivalent.

During the Reporting Period, consumption of municipal water was 66,661.2 tons and consumption of surface water (from wells and rivers) was 64,577.9 tons.

During the Reporting Period, the only hazardous waste produced by the Company was used oil, which was disposed by a qualified third party. The total amount disposed was 42.8 tons.

Ecological Protection

The Company acts strictly in accordance with national laws and regulations on environmental protection and adheres to the principle of "Three-Simultaneity" (i.e. facilities for environmental protection and water and soil conservation are designed, constructed and delivered at the same time as the main project). The Company implements the environmental policies of "prevention first, overall planning, comprehensive prevention and control, suiting measures to local conditions, strengthening management and paying attention to efficiency" and "focusing on both specific and general control". By formulating effective measures varying on the particular requirements of the construction and operational stages of projects, the Company puts environmental protection and conservation measures into practice through careful planning and scientific management.

- During the project design and field exploration stage, the Company tries not to occupy nature reserves, drink water reserves, or impact on fundamental farmland and biodiversity conservation areas. The Company tries to minimize temporary land occupation and preserve the ecological environment and the natural landscape of construction areas to the greatest extent possible. In the feasibility study and design stages of projects, the environmental impact assessment work is carried out to a high standard, applying stringent criteria.

- The Company communicates regularly with local environmental protection departments during the process of project construction. Existing rural roads are usually used as much as possible. The roads to construction sites and their roadbeds are embanked with concrete so as to ensure structural safety and to maintain soil and water levels. The Company strictly adheres to discharge standard principles, and handles construction waste, waste water, and domestic sewage appropriately. Areas affected by serious dust pollution are sprayed regularly, and the exposed parts of the capping mass must be covered in a timely manner.

- Advised by local agriculture and forestry departments, the Company uses suitable local plants to restore vegetation after project construction.

- After projects are put into operation, the Company actively verifies that environmental standards are met.

Green Office

As a leading new energy enterprise in China, the Company adheres to the concept of low-carbon operations. In 2017, the Company adopted the green office concept, actively promoting paperless offices, reform of the use of Company cars, energy conservation and emission reductions. In addition, the Company popularized the relevant concepts to its employees and raised their environmental awareness.

The Company implemented a paperless office system through information-based means. As a result, all of the Company's regular office and government documents are created and stored electronically. At the same time, the Company has independently developed a conference management module. Before any meeting, the conference materials are uploaded to the conference system, and the conference paper consumption is reduced by using tablet computers. In addition, the Company has built a video conferencing system that covers all units of the Company. This system, which adopted the mode of taking the headquarters as the main node, regional branches as secondary nodes and wind power plants as terminal nodes, substitutes for traditional conferences, enabling the Company to coordinate work in a timely and effective manner while saving energy and emissions from travel.

During the Reporting Period, the major solid waste generated by the Company was office trash and kitchen garbage, the total amount of which was 1,554.7 tons.

COMMITMENT TO EMPLOYEES

The Company's development comes from the unremitting efforts of each employee. Adhering to the principles of "people-orientation and collective progress", the Company is committed to the collective development of both employees and company by creating a comfortable work environment for its employees.

Fair Employment

The Company attaches great importance to legal employment and the lawful rights and interests of employees. It strictly complies with the *Labor Law of the PRC*, the *Labor Contract Law of the PRC* and other relevant national laws and regulations. The Company signs employment contracts with all employees and prohibits the use of child labor and forced labor. In recruitment, remuneration, training, promotion and other work, the Company prohibits any kind of discrimination by gender, region of origin, religion, age, political opinion, etc. It is committed to ensuring that all employees are treated openly, fairly, and impartially at work.

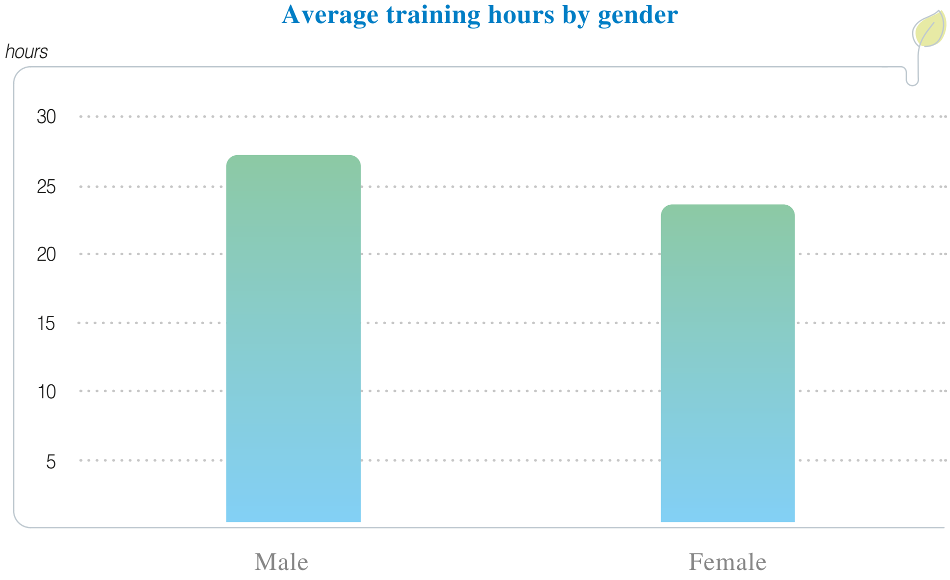
During the Reporting Period, the Company had a total of 2,415 employees, all Chinese. The labor contract signing rate was 100%, and the social insurance coverage rate was 100%.

Career Development

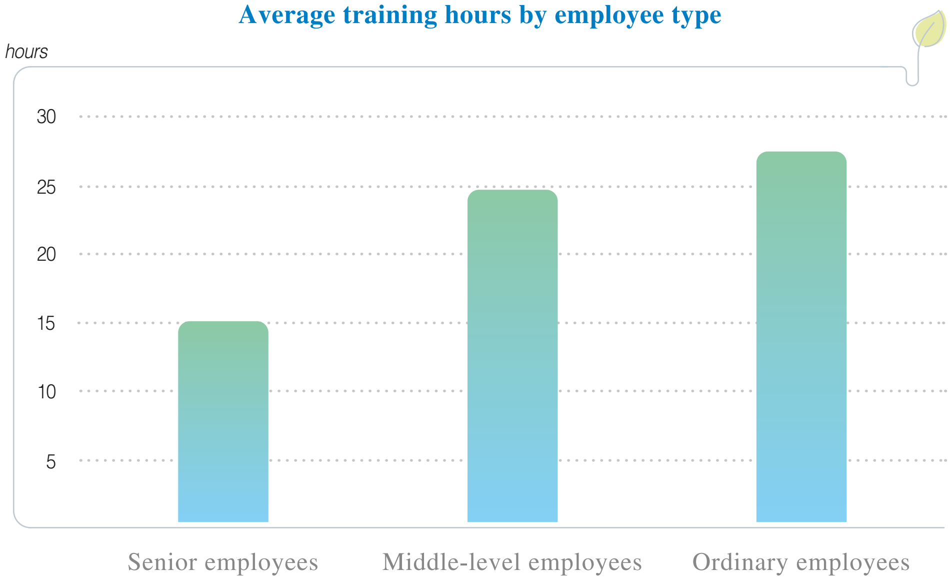
The Company has worked to construct an open framework for employees' career development. Employees can learn promotion requirements and set their career development goals according to published policies and measures, including *Ordinary Employee Recruitment of the Headquarters of Huaneng Renewables, Measures for the Selection and Management of Senior Professionals (trial),* and *Measures for the Selection and Management of Senior Technicians (trial)*. For administrators, skilled professionals, and technicians, the Company has established various career development channels, through which they can fully develop their potential.

The Company attaches great importance to employees' individual development as well as their learning and training. Through a multi-level, multi-channel, multi-dimensional training program, employees can participate in training at various stages of employment including following recruitment, when changing position, after promotion, etc., to realize their complete development. Meanwhile, the Company strives to establish a talent training base, a professionals training network for wind power companies, training centers, and a platform for grass-root companies to carry out school-corporation cooperation, online training programs, and apprenticeship schemes. In order to further strengthen training performance, the Company vigorously carries out activities such as skill contests, technical contests, and on-the-job training through the establishment of an internal competition mechanisms. During the Reporting Period, the Company's total training hours were 44,510.

Average training hours by gender



Average training hours by employee type



Health and Safety

A well-developed safety management system is the basis for ensuring the health and safety of employees. The Company implements the safety management policy "A Prevention-oriented Focus with Safety First" and defined 2017 as the "Year of Implementing a Production Safety Responsibility System". A Production Safety Committee was established to implement a production safety responsibility system and to ensure each employee's occupational health. During the Reporting Period, all personnel in the Company had a physical examination and no work-related deaths occurred.

Promote and Equip Climb-Free Wind Turbine Generators to Protect Employees' Health

The engine cabin of wind turbine generators is usually more than 80 meters high, and it takes a lot of physical effort to climb the towers. Lumbar intervertebral disc protrusion and lumbar muscle strain caused by long-term tower climbing are typical occupational injuries in the wind power industry. In order to protect employees, and based on the advice of widely using climb-assisted devices the Company requires all new projects to be equipped with climb-free devices or hoists, and requires projects that have already been put into production to install such devices. As of December 2017, the Company has invested a total of RMB27.76 million in installing 1,851 climb-free devices, accounting for 29% of the total wind turbines, which has greatly reduced labor and effectively prevented occupational injuries.

Based on industry characteristics and operational characteristics, the Company continues to optimize and improve its safety management systems, and has successively formulated *Measures for Anti-violation and Measures for Checking and Responding to Potential Hazards*. The measures clearly specify management approaches, such as the "Red Line System", "Quantitative Assessment System" and "Joint Assessment System". The Company set up a database of potential hazards, which records and normalizes each of the potential hazard checks and responses to improve overall hazard management. In view of the potential safety risks caused by complex and adverse conditions on the wind farms, the Company prepared and released, (a first for the industry) *Design Specification for Road Traffic Safety Facilities in Wind Farm* to clarify the configuration conditions, standards, specifications and construction process requirements for road protection and warning facilities. Thus placing traffic safety risks under intensive management control.

The Company continues to strengthen the supervision of safety inspections. Throughout the year it organizes numerous special inspections, such as outsourcing project inspection, spring safety inspection, and flood control inspection to guide grass-roots enterprises to eliminate potential safety hazards and management blind spots. In 2017, the Company completed a total of 42 on-site safety inspections of production and construction projects, which covered all its subordinate grass-roots enterprises, and sent 19 feedback letters regarding about 400 problems to ensure that safety management was effectively implemented.

Corporate Safety Culture Construction

The Company values the cultivation of corporate safety culture as an important part of safety management and actively carries out related work.

The Mengxi, Shanxi, Zhejiang and Guangxi branches organized Safety Lectures. Through the lectures, safety has been highlighted in the Company.

The wind plants of Jilin and Shanxi branches launched the activities "A Letter to Family Members" and "Safety Messages from Family Members". These letters and messages combined safety messages with family care and raised employees' awareness of their personal responsibility for safety at work.

The Shanxi branch carried out the essay-writing activity "I make recommendations for safety management". It adopted opinions from grassroots employees to improve safety management and to stimulate employees' enthusiasm for participating in work safety activities.

In addition to strengthening safety management, the Company carries out various forms of safety education and training in a planned and hierarchical manner. It also formulated the document *Management Measures for Safety Production Education and Training of Huaneng Renewables Co., Ltd.* to standardize safety training activities. In 2017, the Company organized a safety production management training class to enhance the management capabilities of the cadres of various units from various aspects including safety awareness, legal knowledge, and on-site safety risks. In terms of training methods, the Company implemented normalized and networked teaching of safety regulations and procedures. In order to further improve training results, the Company collected information on accidents inside and outside the system, and compiled and published the document *Collected Typical Accident Cases in the Wind Power Industry (Volume 2)*. It also conducted comprehensive accident case analysis within the system to improve its accident prevention and response capability.

The Company is committed to best practice in the prevention, reporting, investigation and handling of workplace accidents. It formulated the policy documents *Contingency Plans for Major and Urgent Safety Accidents (Trial)* and *Investigation Specifications for Safety Accidents in Power Generation*, which put forward clear requirements for preparation, safety exercises and responses to unexpected accidents and incidents to ensure the effective implementation of emergency procedures and emergency rescue work.

During the Reporting Period, the Company organized 261 emergency drills.

Employee Care

The Company attaches importance to the voices of employees. By strengthening corporate democratic management, workers' congresses, and giving full play to employees' democratic decision-making power, the Company protects the rights and interests of the employees, mobilizes their enthusiasm, initiative and creativity, and enhances the unity of the Company.

For those employees who are facing difficulties, the Company does a good job of assisting, and actually solving their difficulties by means of financial support. The Company also consoles grass-roots employees and employees in special positions during important festivals in order to create a warmer working environment for them.

Celebrating National Day – Shaanxi Branch Consoling the Workers of the Wind Farm Project Units

In September 2017, the Shaanxi branch went to its wind farms and project units to meet front-line workers before and on National Day. The Company sent gifts to the front-line workers and greetings to those who stayed at their stations during the festival. It also sent blessings to their families and thanked them for their long-term understanding and support of the new energy business.

In addition, the Company advocates an active and healthy lifestyle. It organizes employee participation in various sports events such as walking and badminton competitions. It has established a "Home of Reading and Writing Fans" and holds many thematic activities, such as essay writing for Women's Day and reading activities for "Scholarly Huaneng" as part of encouraging employees to achieve a good work-life balance.

Recreational and Sports Activities

"Celebrating National Day • Welcoming The 19th Communist Party of China National Congress" – Employees' Participating in the Group's Walking Competition

Employees participating in the Group's 2017 Badminton Tournament (Beijing Division)

Employees participating in reading activities

COMMUNITY PUBLIC SERVICE

While pursuing its own development, the Company also participates in public service and philanthropic activities, including supporting local economic development, organizing and participating in targeted poverty alleviation projects, making charitable donations, arranging volunteering, etc. The Company regards its contribution to society as its own duty and strives to give back to society.

Poverty Alleviation Program in Jianzhatan Township, Jianzha County, Qinghai Province

Jianzhatan Township in Jianzha County, Qinghai Province is in a remote and cold area at an average elevation of 3,300 meters. It is one of the most impoverished townships in the county. The Company actively responded to the national poverty alleviation initiative by implementing resource development work in Jianzha County. In 2017, the Company and the Development and Reform Bureau of Jianzha County reached a development agreement for 200.0 MW of wind power to support local economic development and poverty alleviation measures.

There are two boarding primary schools in Jianzhatan Township. Most of the students come from poor families and their living and learning conditions are challenging. In 2017, the staff representatives of the Company went to Jianzhatan Township to conduct field research and arranged a charitable donation of RMB98,000 to purchase full sets of quilts and bedding for 268 needy boarding students in the Jianzhatan Township school district. The charity brought warmth to the children in the harsh winter.

Volunteers from Jilin Branch Going to Changchun Children's Welfare Home

In September 2017, the Jilin Branch organized and launched the "Love for Society" volunteer activity. Volunteer representatives went to the Changchun Children's Welfare Home and sent warmth and blessings to the children.

Guangdong Branch Consoling Elderly Nursing Home Residents during Mid-Autumn Festival

During the Mid-Autumn Festival of 2017, the Party Branch of Raoping, Guangdong, launched an activity for the elderly nursing home in Suocheng Township, Raoping County, Chaozhou City. Staff representatives gave gifts and chatted with the residents about their daily lives and health. The arrival of the representatives brought warm and peace to the entire nursing home.

CORPORATE GOVERNANCE REPORT

The board (the "**Board**") of directors (the "**Directors**") of the Company hereby presents to the shareholders the corporate governance report for the period between 1 January 2017 and 31 December 2017 (the "**Reporting Period**").

CORPORATE GOVERNANCE PRACTICES

The Company has always placed an emphasis on corporate governance and promotion of innovative management of its corporate governance system. The Company is committed to maintaining and promoting stringent corporate governance, and considers it as an indispensable part in creating values for shareholders. The principle of the Company's corporate governance is to promote effective risk management and internal control measures and to increase the transparency and accountability of the Board to all shareholders. The Company has complied with the Corporate Governance Code (the "**Code**") in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**"). The Company periodically reviews its corporate governance practices to ensure continuous compliance with the Code. During the Reporting Period, the Company has strictly complied with the principles and code provisions and some of the recommended best practices as set out in the Code.

Set out below is a summary of how the Company strengthens its corporate governance, improves its operation quality and complies with the Code.

1. BOARD OF DIRECTORS

The Board exercises its powers and functions in accordance with the provisions as set out in the articles of association of the Company (the "**Articles of Association**"). The Articles of Association contain certain requirements regarding the composition and operation of the Board. The Board reports its work at the shareholders' meetings, implements the resolutions passed thereupon and is accountable to shareholders' meetings.

1. Composition of the Board

The Board comprises eleven Directors, including three Executive Directors, four Non-executive Directors and four Independent Non-executive Directors. The biographical details of the Directors as at the date of this report are set out on page 87 to page 92 of this annual report. There are no relationships (including financial, business, family or other material or relevant relationship) among the Board members. Each Director has sound knowledge, experience and expertise relevant to the business operation and development of the Company. All Directors are aware of their joint and several responsibilities to shareholders.

The Company has entered into service contracts with each of the Directors with a term ending on 1 July 2019 from the relevant date of appointment[1].

The information of the Directors during the Reporting Period is as follows[2]:

Name	Position in the Company	Date of Appointment
CAO Peixi [2]	Chairman of the Board, Non-executive Director	4 August 2010
LIN Gang [2]	Chairman of the Board, Executive Director	28 March 2017
ZHANG Tingke [2]	Vice Chairman of the Board, Non-executive Director	1 November 2011
CAO Shiguang [2]	President, Executive Director	28 March 2017
XIAO Jun [2]	Executive Director	21 June 2013
YANG Qing [3]	Executive Director	4 August 2010
HE Yan [2]	Executive Director	12 August 2014
WANG Kui	Non-executive Director	12 August 2014
LU Fei [2]	Non-executive Director	28 March 2017
SUN Deqiang [2]	Non-executive Director	28 March 2017
DAI Xinmin [2]	Non-executive Director	28 March 2017
QIN Haiyan	Independent Non-executive Director	6 August 2010
DAI Huizhu	Independent Non-executive Director	6 August 2010
ZHOU Shaopeng	Independent Non-executive Director	6 August 2010
WAN Kam To	Independent Non-executive Director	6 August 2010

Notes:

(1) The terms of Directors' Service Contract stipulate that "the term of office of Party B shall begin on the date when Party B is appointed by the Board as a supplemental director and end on the date of the next general meeting on which Party B is eligible for re-election. If Party B is re-elected, the contract shall continue to be valid".

(2) On 28 March 2017, Mr. CAO Peixi resigned as the Chairman of the Board and Non-executive Director of the Company due to work adjustment. Mr. ZHANG Tingke resigned as the Vice Chairman of the Board and Non-executive Director of the Company due to retirement, Mr. XIAO Jun resigned as the Executive Director of the Company due to work adjustment, and Mr. HE Yan resigned as the Executive Director of the Company due to work arrangement. On the same day, the Board of the Company appointed Mr. LU Fei, Mr. SUN Deqiang and Mr. DAI Xinmin as the Non-executive Directors of the Company, and Mr. LIN Gang was appointed as the Chairman of the Board while Mr. CAO Shiguang was appointed as the Executive Director and President of the Company. For details please refer to the Company's announcement dated 28 March 2017.

(3) On 23 March 2018, Ms. YANG Qing resigned as Executive Director of the Company due to work adjustment. On the same day, the Board of the Company appointed Mr. Wen Minggang as Executive Director of the Company. For details, please refer to the Company's announcement dated 23 March 2018.

During the Reporting Period, the Board had been in compliance with the requirements of the Listing Rules regarding the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise, and no less than one third of the Board was represented by Independent Non-executive Directors. The qualifications of the four Independent Non-executive Directors of the Company are in full compliance with the requirements under Rules 3.10(1) and (2) and Rule 3.10A of the Listing Rules. Moreover, the Company has received annual confirmations from each Independent Non-executive Director of his/her independence in accordance with Rule 3.13 of the Listing Rules. The Company therefore considered that all Independent Non-executive Directors are in compliance with the independence requirements as set out in the Listing Rules.

On the diversity of Board members, the Company fully understands the benefits of diversity of Board members to its development. It has adopted a Board diversity policy and has further enriched the composition of the Board members at the re-election of a new session of the Board. The current composition of the Board members reflects differentiation and diversification in various aspects such as expertise, industry experience, age, gender, qualification and background.

The Board has made conclusion on its performance during the Reporting Period, obtained advice from senior management and considered the advice contained in the report of the Supervisory Committee. The Board believes that it effectively performed its responsibilities and maintained the interests of the Company and its shareholders in the past year.

2. Board Meetings and General Meetings

The Articles of Association set forth detailed responsibilities and procedures of the Board (please refer to the Articles of Association for details). The Board will convene regular meetings to hear business results report of the Company and make prompt decisions. Major business decisions of the Company are subject to discussion and approval by the Board. The Board may convene ad hoc meetings. Each Director should be notified no less than 14 days prior to a regular Board meeting and a reasonable period of time for sufficient communication prior to ad hoc meeting to ensure each Director is duly informed of meeting agenda and will be able to express opinion. Each Independent Non-executive Director should express opinion within their responsibility.

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

During the Reporting Period, five Board meetings and one general meeting were held by the Company. Details of Directors' attendance of Board meetings and general meeting are as follows:

		Third Sessions of the Board (five meetings)		**General Meetings (one meeting)**	
Name	**Position in the Company**	**Number of Meetings Attended/ Held**	**Attendance Rate**	**Number of Meetings Attended/ Held**	**Attendance Rate**
LIN Gang [(1)]	Executive Director, Chairman of the Board	5/5	100%	1/1	100%
CAO Shiguang [(1)]	Executive Director, President	4/4	100%	1/1	100%
YANG Qing	Executive Director	5/5	100%	0/1	0%
WANG Kui	Non-executive Director	4/5	80% (Additional attendance by proxy:1)	1/1	100%
LU Fei [(1)]	Non-executive Director	4/4	100%	1/1	100%
SUN Deqiang [(1)]	Non-executive Director	3/4	75% (Additional attendance by proxy:1)	0/1	0%
DAI Xinmin [(1)]	Non-executive Director	4/4	100%	1/1	100%
QIN Haiyan	Independent Non-executive Director	5/5	100%	0/1	0%
DAI Huizhu	Independent Non-executive Director	5/5	100%	0/1	0%
ZHOU Shaopeng	Independent Non-executive Director	4/5	80% (Additional attendance by proxy:1)	1/1	100%
WAN Kam To	Independent Non-executive Director	5/5	100%	1/1	100%

Note:

(1) On 28 March 2017, Mr. CAO Peixi resigned as the Chairman of the Board and Non-executive Director of the Company due to work arrangement. Mr. ZHANG Tingke resigned as the Vice Chairman of the Board and Non-executive Director of the Company due to retirement, Mr. XIAO Jun resigned as the Executive Director of the Company due to work adjustment, and Mr. HE Yan resigned as the Executive Director of the Company due to work adjustment. On the same day, the Board of the Company appointed Mr. LU Fei, Mr. SUN Deqiang and Mr. DAI Xinmin as the Non-executive Directors of the Company, and Mr. LIN Gang was appointed as the Chairman of the Board while Mr. CAO Shiguang was appointed as the Executive Director and President of the Company. After the appointment and up to 31 December 2017, the Company convened four Board meetings. Please refer to the annoucement dated 28 March 2017 of the Company for relevant details.

The Company believes that all Directors have contributed sufficient time to perform their responsibilities.

3. Powers Exercised by the Board and the Management

The powers and duties of the Board and the management have been clearly defined in the Articles of Association. The Board is responsible for deciding on the Company's business strategies and investment plans and the establishment of the Company's internal management structure, formulating the Company's fundamental management system, deciding on and monitoring the implementation of the Company's risk management system, determining other material business and administrative matters of the Company and monitoring the performance of the management.

The management of the Company is responsible for implementing resolutions approved by the Board and administering the Company's daily operation and affairs.

4. Chairman and President

During the Reporting Period, Mr. CAO Peixi was the Chairman of the Board from 1 January 2017 to 28 March 2017 while Mr. LIN Gang was the Chairman of the Board from 28 March 2017 to 31 December 2017, and Mr. LIN Gang was the President from 1 January 2017 to 28 March 2017 while Mr. CAO Shiguang was the President from 28 March 2017 to 31 December 2017. The roles of the Chairman of the Board and President (i.e. Chief Executive Officer pursuant to the relevant requirements under the Listing Rules) of the Company are separated and held by different persons to ensure independence of responsibilities and balance of power and authority between them. The Rules of Procedures of Board Meetings approved by the Board clearly defined the division of duties between the Chairman and the President.

Mr. LIN Gang, Chairman of the Board, was primarily responsible for leading the Board in determining the overall development strategies of the Company, ensuring that the Board is functioning effectively in performing its duties, ensuring the formulation of good corporate governance system and practices and ensuring that the Board acts in the best interest of the Company and all of its shareholders. Mr. CAO Shiguang, the President, was primarily responsible for matters related to the Company's daily operation and management, including the implementation of Board resolutions, formulating basic management provisions and making daily operation decisions.

On 28 March 2017, Mr. CAO Peixi and Mr. LIN Gang resigned as the Chairman of the Board and the President respectively. On the same date, Mr. LIN Gang was appointed as the Chairman of the Board and Mr. CAO Shiguang was appointed as the President.

5. Remuneration of the Directors and Senior Management

The remuneration committee makes recommendations in respect of Directors' remuneration according to criteria such as work experience. Directors' remuneration is determined by the Board with reference to recommendations from the remuneration committee, Directors' experience, work performance, position and market condition and is subject to the approval at general meetings. The remuneration packages of senior management are determined by the Board with reference to recommendations from the remuneration committee.

6. Appointment and Re-election of Directors

Pursuant to the Articles of Association, Directors shall be elected at general meetings with a term of office of three years and may be re-elected. The Company has implemented a set of effective procedures for the appointment of new Directors. Nomination of new Directors shall first be considered by the nomination committee whose recommendations will then be put forward to the Board for consideration. All newly nominated Directors are subject to election and approval at general meetings. Any person appointed by the Board to fill a casual vacancy on or as an addition to the Board shall only hold office until the next annual general meeting of the Company, and shall then be eligible for re-election.

7. Continuing Professional Development of Directors

During the Reporting Period, all Directors were provided with necessary orientation training and adequate data in a timely manner to ensure their appropriate understanding of the operations and businesses of the Company and their responsibilities under relevant regulations, ordinances, rules and the Listing Rules.

The Company also keeps all Directors informed of any update of the Listing Rules and any other applicable regulations, provides relevant training to the Directors to ensure their compliance with and enhance their understanding of good corporate governance practices. In addition, the Company provides briefing and other trainings to improve and update the knowledge and skills of the Directors.

Below is the summary of the training received by the Directors for the period between 1 January 2017 and 31 December 2017 based on the records provided by the Directors:

Name	**Category of Continuing Professional Development**
LIN Gang	B
CAO Shiguang	B
YANG Qing	B
WANG Kui	A, B
LU Fei	A, B
SUN Deqiang	A, B
DAI Xinmin	A, B
QIN Haiyan	B
DAI Huizhu	A, B
ZHOU Shaopeng	A, B
WAN Kam To	A, B

Notes:

A: Attending briefing and/or seminar

B: Reading seminar materials and other updated information regarding the latest development of the Listing Rules and other applicable regulations

2. BOARD COMMITTEES

There are three Board committees in the Company, namely the audit committee, remuneration committee and nomination committee.

Audit Committee

During the Reporting Period, the audit committee consists of three Non-executive Directors, namely Mr. ZHOU Shaopeng (Independent Non-executive Director), Mr. WANG Kui (Non-executive Director) and Mr. WAN Kam To (Independent Non-executive Director). Mr. ZHOU Shaopeng currently serves as the chairman of the audit committee.

The primary responsibilities of the audit committee are to review and supervise the risk management, internal control and financial reporting process of the Company and to maintain an appropriate relationship with its external auditors, including, among other things:

- advising the Board in respect of appointment, re-appointment and removal of external auditors, reviewing and approving the compensation of external auditors, supervising the work of external auditors and formulating policies in terms of non-audit services to be provided by external auditors;

- reviewing the Company's annual and interim financial statements, monitoring its financial control, internal control and risk management systems, examining and reviewing its financial and accounting policies and supervising the implementation of such policies;

- examining and reviewing the procedures for the treatment of complaints received by the Company regarding its financial reporting process, risk management, internal control and other violation of laws and regulations; and

- examining and reviewing the Company's continuing connected transactions and ensuring that the terms of such transactions are consistent with those approved by the shareholders of the Company.

The audit committee will meet with the management of the Company from time to time in performing its obligations to review annual results, risk management and internal control systems of the Company and other responsibilities under the Code, so as to review the interim and annual results, interim and annual reports, and other financial, internal control, corporate governance and risk management matters of the Company. The audit committee also proposes recommendations to the Board. The audit committee will meet with external auditors in the absence of the management of the Company (if applicable) to discuss its independent review of the interim financial report and the annual audit of the consolidated financial statements.

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

(1) On 28 March 2017, the audit committee of the third session of the Board held its first meeting in 2017 to review and pass the following resolutions: (1) Resolution regarding the Company's 2016 Annual Results Announcement and 2016 Annual Report; (2) Resolution regarding the 2016 Annual Financial Report; (3) Resolution regarding the Company's 2016 Annual Profit Distribution; (4) Resolution regarding the Company's 2016 Annual Internal Control Report; (5) Resolution regarding the Company's 2016 Annual Internal Audit Report; (6) Resolution regarding the Audit Fee of the Company for 2016; (7) Resolution regarding the Company's 2016 Annual Connected Transactions Report; and (8) Resolution regarding the Audit Opinion from KPMG on the Company's 2016 Annual Financial Statements.

(2) On 2 May 2017, the audit committee of the third session of the Board held its second meeting in 2017 to review and pass the Resolution regarding the Appointment and Audit fee of the Auditor of the Company for 2017.

(3) On 22 August 2017, the audit committee of the third session of the Board held its third meeting in 2017 to review and pass the following resolutions: (1) Resolution regarding the Company's 2017 Interim Results Announcement and 2017 Interim Report; (2) Resolution regarding the Company's 2017 Interim Financial Report; (3) Resolution regarding the Review Opinion from KPMG on the Company's 2017 Interim Financial Report.

Mr. ZHOU Shaopeng did not attend the third meeting due to work commitments. Mr. WANG Kui could not attend the first and third meetings due to work commitments. Mr. WAN Kam To attended the above three meetings.

Remuneration Committee

During the Reporting Period, the remuneration committee consists of three Directors, namely Mr. QIN Haiyan (Independent Non-executive Director), Mr. LIN Gang (Executive Director, and resigned on 28 March 2017), Mr. CAO Shiguang (Executive Director, and appointed on 28 March 2017) and Ms. DAI Huizhu (Independent Non-executive Director). Mr. QIN Haiyan currently serves as the chairman of the remuneration committee.

The remuneration committee has its rules of procedure, which provide that its primary responsibilities are to formulate the remuneration policies and structures for all Executive Directors, to evaluate the performance of Executive Directors and senior management, to review Directors' service contracts, to determine the compensation of all Directors and senior management and to ensure that neither the Director nor any of his or her associate may determine his or her own compensation, etc.

The remuneration committee will make recommendations to the Board regarding appropriate policies and structures for the compensations of all Directors and senior management. The remuneration committee considers the management's incentive plan with reference to the corporate objective and mission set by the Board as well as the compensation of comparable companies, the time committed and responsibilities undertaken by the management regarding the Company's businesses, and the employment conditions of other companies so as to ensure that the compensation incentive is in line with the interests of the shareholders.

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

On 28 March 2017, the remuneration committee of the third session of the Board held its first meeting in 2017 to consider the remuneration of Directors, supervisors and senior management members of the Company. All members of the remuneration committee attended the meeting.

Nomination Committee

During the Reporting Period, the nomination committee consists of three Directors, namely, Mr. CAO Peixi (Non-executive Director resigned on 28 March 2017), Mr. LIN Gang (Executive Director, and appointed on 28 March 2017), Mr. ZHOU Shaopeng (Independent Non-executive Director) and Mr. QIN Haiyan (Independent Non-executive Director). Mr. LIN Gang was appointed as the chairman of the nomination committee on 28 March 2017.

The primary responsibilities of the nomination committee are to identify and recommend to the Board candidates suitable to serve on the Board, to review the evaluation procedure of the performance of the Board, and to formulate and recommend to the Board nomination procedures and standards.

The nomination committee will consider the track record and qualifications of candidates, the Articles of Association and Board diversity in selecting and recommending candidates of directorship.

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

On 28 March 2017, the nomination committee of the third session of the Board held its first meeting in 2017 to consider the resolution regarding the addition of the third session of the Board.

Both Mr. ZHOU Shaopeng and Mr. QIN Haiyan attended the above meeting.

Board Diversity Policy

The Company fully understands the benefits of diversity of Board members to its development. It has adopted a Board diversity policy and has further enriched the composition of the Board members at the re-election of a new session of the Board. The current composition of the Board members reflects differentiation and diversity in many aspects such as expertise, industry experience, age, gender, qualifications and background. In the future, the Company will continue to explore and perfect the composition of the Board based on its business characteristics, and will formulate policies in relation to diversity for implementation.

3. DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2017. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. In addition, appropriate insurance coverage for Directors' liability has been arranged against possible legal proceedings to be taken against the Directors.

4. CORPORATE GOVERNANCE FUNCTIONS

The members of the Board should be jointly responsible for performing corporate governance responsibilities. During the Reporting Period, the Board performed the following duties in accordance with its terms of reference:

- To develop and review the Company's policies and practices on corporate governance and make changes as it deems necessary, and to ensure their effectiveness;
- To review and monitor the training and continuing professional development of Directors and senior management;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To develop, review and monitor the code of conduct and the compliance manual (if any) applicable to Directors and employees; and
- To review the Company's compliance with the Code and to review the disclosures in the corporate governance report.

5. COMPLIANCE WITH THE CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules to govern securities transactions by all Directors and supervisors. Having made specific enquiry to all Directors and supervisors of the Company, all Directors and supervisors have confirmed that they strictly complied with the required standard set out in the Model Code during the Reporting Period.

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

6. RISK MANAGEMENT AND INTERNAL CONTROL

The Company places emphasis on its risk management and internal control. It has established a prudent risk management and internal control systems to protect shareholders' investments and the Company's assets.

The Company formulated several rules and regulations on risk management and internal control, including "Rules of Procedures of Board Meetings" (《董事會議事規則》), "Rules of Procedure of Meetings of the Audit Committee" (《審核委員會議事規則》), "Rules of Procedure of Meetings of the Remuneration Committee" (《薪酬委員會議事規則》), "Rules of Procedure of Meetings of the Nomination Committee" (《提名委員會議事規則》), "Measures on the Administration of Connected Transactions" (《關連交易管理辦法》), "Measures on the Administration of Information Disclosure" (《信息披露管理辦法》), "Measures on the Administration of Legal Matters" (《法律事務管理辦法》), "Comprehensive Risk Management Measures" (《全面風險管理辦法》), "Measures on the Administration of Fixed Assets" (《固定資產管理辦法》), "Financial and Accounting Reporting System" (《財務會計報告制度》), "Routine Accounting System" (《日常會計核算制度》), and "Capital Management System" (《資金管理制度》), which have been updated in accordance with the prevailing laws and regulations of the PRC and the Listing Rules from time to time. In addition, the Company has also engaged experts to provide compliance training to its employees to enable them to understand the importance of compliance and internal audit practices.

The Company also established various departments to ensure compliance with relevant laws and regulations, including specialized departments responsible for liaising with regulatory authorities to obtain necessary government approvals, permits, licenses and property certificates prior to the commencement of construction; commercial departments to organize bidding processes and procurement for wind power equipment and selection of contractors for project construction; safety departments to periodically monitor the safety of the project construction and operations of subsidiaries of the Company; and auditing departments which report their findings directly to the management based on their periodical review of the Company's financial management and the development, construction and operations of wind farms.

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

7. AUDITORS AND REMUNERATION

KPMG and KPMG Huazhen LLP were engaged as the international and domestic auditors of the Company respectively for the year ended 31 December 2017.

For the year ended 31 December 2017, the fee for audit services was RMB12.50 million. For the year ended 31 December 2017, the fees for non-audit services amounted to RMB3.50 million. The non-audit services involved the review of the Company's 2017 interim financial report.

The responsibilities of the Company's external auditor, KPMG, regarding its report on the Financial Statements are set out on page 99 to page 101 of this annual report.

8. INVESTOR RELATIONSHIP

The Company attaches great importance to the management of investor relations. It constantly strengthens and improves the investor relations management standards, discloses the information of the Company in a true, accurate, complete and timely manner in strict accordance with regulatory requirements, so as to increase the transparency and visibility of the Company, thereby improving the Company's image in the capital market.

In 2017, the Company has further strengthened its efforts in investor relations management by proactively developing new channels, communicating with investors by different means of communication in a timely manner, enhancing the daily communication with investors in particular. The Company has achieved a comprehensive and efficient exchanges, which helps in establishing a bridge for effective communication between the Company and the capital market.

- **Corporate presentations**

  In March and August 2017, the management of the Company carried out 2016 annual results roadshow and 2017 interim results roadshow in Hong Kong respectively, and held two analyst/fund manager meetings and one press conference.

- **Investment summits**

  In 2017, the Company attended two domestic and overseas major investment summits. Through one-to-one meetings and group meetings, the Company facilitated target-oriented and in-depth communications with investors and analysts from 30 institutions.

- **Reverse roadshow**

  In 2017, the Company successfully organized the first large-scale reverse roadshow since its listing. A total of 19 analysts and investors from Hong Kong, Shenzhen, Shanghai and other cities was invited to visit and survey our Tianfeng Mountain Wind Power Project in Yunnan, Dafengba Wind Power Project and centralised control center for Yunnan region, as well as attend the forums to exchange ideas. By holding this reverse roadshow, our investors comprehensively and directly learnt the development and result of our Company in Yunnan region. Such activities also help our investors to thoroughly understand our development principle of focusing on quality and efficiency enhancement and the strategic significance of pursuing structural adjustment and layout optimization, both of which was highly rated by participating investors.

- **Visits by and general enquiries from investors**

  In 2017, the Company arranged nearly one hundred general investor meetings through one-to-one meetings, group meetings and telephone conference, and facilitated in-depth and efficient communication with over 120 institutional investors and analysts.

The Company has established websites in both Chinese and English as the platform for disclosure of the Company's information. The Company publishes its announcements, financial information and other relevant information on the website at www.hnr.com.cn. Shareholders are welcome to make enquiries directly to the Company and the Company will respond to all enquiries in a timely and appropriate manner.

During the Reporting Period, the Company convened one annual general meeting.

According to Article 63 of the Articles of Association, the Directors shall convene an extraordinary general meeting within two months where shareholder(s) who individually or jointly holds 10% or more of the Company's issued and outstanding voting shares request(s) in writing for the convening of an extraordinary general meeting.

According to Article 66 of the Articles of Association, when the Company convenes a shareholders' general meeting, shareholder(s) holding 3% or more of the total voting shares of the Company are entitled to propose to the Company in writing ad hoc resolutions, which if within the functions and powers of the shareholders' general meeting, are required to be added to the agenda of the general meeting. The content of such resolutions mentioned shall (1) fall within the business scope of the Company and the functions and powers of the shareholders' general meeting without violating any laws or regulations; (2) contain definite subjects for discussion and specific matters to be resolved; and (3) be delivered or served on the Board in writing 10 days prior to the date of the shareholders' general meeting.

Shareholders may send written enquiries or proposals to the Company's principal place of business in Hong Kong at 36th Floor, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

9. ARTICLES OF ASSOCIATION

In order to reflect the new share capital structure as well as the registered capital of the Company and the amendment of relevant laws and regulations such as the "Company Law of the People's Republic of China" and "Guidelines for Articles of Association of Chinese Listed Companies", the amendments of the Articles of Association were approved at the 2016 annual general meeting held on 22 June 2017.

10. COMPANY SECRETARY

During the Reporting Period, Ms. SONG Yuhong served as the sole company secretary of the Company. During the Reporting Period, Ms. SONG had duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules, satisfying the requirement of 15 hours per year.

REPORT OF THE BOARD OF DIRECTORS

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

PRINCIPAL BUSINESS

The Company is principally engaged in wind power generation. Details of the subsidiaries, associates and a joint venture of the Company are set out in Notes 16, 17 and 18 to the Financial Statements.

SHARE ISSUE AND LISTING

The Company issued by way of initial public offering (the "**IPO**") an aggregate of 2,646,898,000 H shares (upon partial exercise of over-allotment option) with a nominal value of RMB1.00 each at a price of HK$2.50 per H share. Subsequent to that, the listing of shares of the Company on the main board of the Hong Kong Stock Exchange took place in June 2011. 264,688,800 state-owned shares with a nominal value of RMB1.00 each were converted into H shares under international offering on a one-for-one basis and transferred to the National Council for Social Security Fund of the PRC. The total number of shares of the Company after the IPO was 8,446,898,000 shares, including 5,535,311,200 domestic shares and 2,911,586,800 H shares.

On 21 October 2013, the Company completed the placing of an aggregate of 582,317,360 H shares, representing approximately 6.40% of the total number of issued shares (as enlarged by the allotment and issue of the placing shares) and approximately 16.70% of the total number of H shares in issue (as enlarged by the allotment and issue of the placing shares). After the placing, the total number of issued shares of the Company increased from 8,446,898,000 shares to 9,029,215,360 shares. The total number of issued H shares increased from 2,911,586,800 H shares to 3,493,904,160 H shares. As at 31 December 2013, China Huaneng Group, the controlling shareholder of the Company, directly and indirectly held 61.30% of the Company's total issued shares. For further details, please refer to the Company's announcements dated 15 October 2013 and 21 October 2013, respectively. All proceeds has been fully utilized as at 31 December 2017.

On 23 December 2014, the Company completed the placing of an aggregate of 698,780,832 H shares, representing approximately 7.18% of the total number of issued shares (as enlarged by the allotment and issue of the placing shares) and approximately 16.67% of the total number of H shares in issue (as enlarged by the allotment and issue of the placing shares). After the placing, the total number of issued shares of the Company increased from 9,029,215,360 shares to 9,727,996,192 shares. The total number of issued H shares increased from 3,493,904,160 H shares to 4,192,684,992 H shares. As at 31 December 2014, China Huaneng Group, the controlling shareholder of the Company, directly and indirectly held 56.90% of the Company's total issued shares. For further details, please refer to the Company's announcements dated 16 December 2014 and 23 December 2014. The net proceeds from the placing amounted to approximately HK$1,720,613,283 (after deduction of the commissions and estimated expense), which has been fully utilized as at 31 December 2017.

On 18 May 2017, the Company completed the placing of an aggregate of 838,536,000 H shares, representing approximately 7.94% of the total number of issued shares (as enlarged by the allotment and issue of the placing shares) and approximately 16.67% of the total number of H shares in issue (as enlarged by the allotment and issue of the placing shares). After the placing, the total number of issued shares of the Company increased from 9,727,996,192 shares to 10,566,532,192 shares. The total number of issued H shares increased from 4,192,684,992 H shares to 5,031,220,992 H shares. As at 31 December 2017, China Huaneng Group, the controlling shareholder of the Company, directly and indirectly held 52.39% of the Company's total issued shares. For further details, please refer to the Company's announcements dated 11 May 2017 and 18 May 2017, respectively. The net proceeds from the placing amounted to approximately HK$2,166,524,650 (after deduction of the commissions and estimated expense), which has been fully utilized as at 31 December 2017.

SHARE CAPITAL

As at 31 December 2017, the Company had 10,566,532,192 shares in issue with nominal value of RMB1.00 each. The total issued share capital of the Company was RMB10,566,532,192.

RESULTS

The audited results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of comprehensive income on page 102 to page 103. The financial position of the Group as at 31 December 2017 is set out in the consolidated statement of financial position on page 104 to page 105. The consolidated cash flow of Group for the year ended 31 December 2017 is set out in the consolidated cash flow statement on page 107 to page 109.

A discussion and analysis of the Group performance during the year, financial position as at the end of the year and the material factors underlying its results and future development of the Company's business are set out in the section headed "Management Discussion and Analysis" on page 20 to page 30.

RESERVES

Details of the movements in reserves of the Company during the year are set out in Note 29(a) to the Financial Statements. At as 31 December 2017, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB4,478,296,000 (2016: RMB1,272,401,000).

PROFIT DISTRIBUTION

The Board recommends the payment of a final dividend of RMB0.043 per ordinary share (tax inclusive) in cash. Subject to the approval in the annual general meeting, final dividends will be distributed on or before 21 August 2018.

In accordance with the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company when distributing dividends to them. Any H shares registered not under the name of an individual shareholder, including HKSCC Nominees Limited, other nominees, agents or trustees, or other organizations or groups, shall be deemed as shares held by non-resident enterprise shareholders. Therefore, on this basis, enterprise income tax shall be withheld from dividends payable to such shareholders. If holders of H shares intend to change its shareholder status, please enquire about the relevant procedures with your agents or trustees. The Company will strictly comply with the laws or the requirements of the relevant government authority and withhold and pay enterprise income tax on behalf of the relevant shareholders based on the register of members for H shares of the Company.

For the individual holders of the H shares who are Hong Kong or Macau residents or residents of the countries which had an agreed tax rate of 10% for dividend with China under relevant tax agreement, the Company should withhold and pay individual income tax on behalf of the relevant shareholders at a rate of 10%. Should the individual holders of the H shares are residents of the countries which had an agreed tax rate of less than 10% with China under relevant tax agreement, the Company shall withhold and pay individual income tax on behalf of the relevant shareholders at a rate of 10%. In that case, if the relevant individual holders of the H shares wish to reclaim the extra amount withheld due to the application of 10% tax rate, the Company can apply for the relevant agreed preferential tax treatment pursuant to the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No.124) (《國家稅務總局關於印發〈非居民享受稅收協議待遇管理辦法(試行)〉的通知》(國稅法[2009]124號)). The Company will assist with the tax refund after the approval of the competent tax authority. Should the individual holders of the H shares are residents of the countries which had an agreed tax rate of over 10% but less than 20% with China under the tax agreement, the Company shall withhold and pay the individual income tax at the agreed actual rate in accordance with relevant tax agreement. In the case that the individual holders of the H shares are residents of the countries which had an agreed tax rate of 20% with China under the tax agreement, or which has not entered into any tax agreement with China, or otherwise, the Company shall withhold and pay the individual income tax at a rate of 20%.

PROPERTY, PLANT AND EQUIPMENT

Please refer to Note 13 to the Financial Statements for details of properties, plants and equipments of the Group during the year.

BONDS

During the year, the Company successfully issued super short-term debentures with an amount of RMB4 billion to meet its operational needs. For other relevant details, please refer to Note 23 to the Financial Statements.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Company as of 31 December 2017 are set out in Note 23 to the Financial Statements.

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

Between 1 January 2017 and 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

PRE-EMPTIVE RIGHTS

According to the Articles of Association and PRC laws, there are no provisions for pre-emptive rights requiring the Company to offer new shares to its existing shareholders in proportion to their shareholdings.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth certain information concerning the Directors, supervisors and senior management of the Company during the Reporting Period.

Name	Position in the Company	Date of Appointment
CAO Peixi [(1)]	Chairman of the Board, Non-executive Director	4 August 2010
ZHANG Tingke [(1)]	Vice Chairman of the Board, Non-executive Director	1 November 2011
LIN Gang [(1)]	Chairman of the Board, Executive Director	28 March 2017
CAO Shiguang [(1)]	President, Executive Director	28 March 2017
XIAO Jun [(1)]	Vice President, Executive Director	21 June 2013
YANG Qing [(3)]	Vice President, Executive Director	4 August 2010
HE Yan [(1)]	Vice President, Executive Director	12 August 2014
WANG Kui	Non-executive Director	12 August 2014
LU Fei [(1)]	Non-executive Director	28 March 2017
SUN Deqiang [(1)]	Non-executive Director	28 March 2017
DAI Xinmin [(1)]	Non-executive Director	28 March 2017
QIN Haiyan	Independent Non-executive Director	6 August 2010
DAI Huizhu	Independent Non-executive Director	6 August 2010
ZHOU Shaopeng	Independent Non-executive Director	6 August 2010
WAN Kam To	Independent Non-executive Director	6 August 2010
HUANG Jian	Chairman of the Supervisory Committee	1 November 2011
WANG Huanliang	Supervisor	4 August 2010
SHI Yan [(2)]	Supervisor	15 March 2016
ZHONG Suzhi [(2)]	Supervisor	30 November 2017
YAN Shusen	Vice President	23 August 2011
HE Ji	Vice President	19 December 2012
DING Kun	Vice President	29 April 2011
SHI Yan	Vice President	12 August 2014
AO Hai	Vice President	12 August 2014
WEN Minggang[(3)]	Chief Accountant	10 November 2017
SONG Yuhong	Company Secretary	4 August 2010

Notes:

(1) On 28 March 2017, Mr. CAO Peixi resigned as the Chairman of the Board and Non-executive Director of the Company due to work arrangement, Mr. ZHANG Tingke resigned as the Vice Chairman of the Board and Non-executive Director of the Company due to retirement, Mr. XIAO Jun resigned as the Executive Director of the Company due to work adjustment, and Mr. HE Yan resigned as the Executive Director of the Company due to work adjustment. On the same day, the Board of the Company appointed Mr. LU Fei, Mr. SUN Deqiang and Mr. DAI Xinmin as the Non-executive Directors of the Company, and Mr. LIN Gang was appointed as the Chairman of the Board while Mr. CAO Shiguang was appointed as the Executive Director and President of the Company.

(2) On 30 November 2017, Mr. SHI Yan resigned as the employee representative supervisor of the Company due to work adjustment, and Ms. ZHONG Suzhi has been elected as the employee representative supervisor of the third session of the supervisory committee of the Company by the Company's employees.

(3) On 28 March 2017, Ms. YANG Qing resigned as the chief accountant of the Company due to work adjustment. On the same day, the Board of the Company appointed Mr. CAO Shiguang to assume the role of the chief accountant. On 10 November 2017, the Board of the Company appointed Mr. WEN Minggang as the chief accountant of the Company. On 23 March 2018, Ms. YANG Qing resigned as the Executive Director of the Company due to work adjustment. On the same day, the Board of the Company appointed Mr. WEN Minggang as the Executive Director of the Company.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of Directors, supervisors and senior management are set out on page 87 to page 96 of this annual report.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors and supervisors has entered into service contracts with the Company. None of the Directors or supervisors has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION OF DIRECTORS AND SUPERVISORS

Details of the remuneration of the Directors and supervisors of the Company are set out in Note 9 to the Financial Statements.

INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

During the financial year ended 31 December 2017, there was no transaction, arrangement or contract of significance in relation to the Company's business in which the Company or its subsidiaries was a party or in which a Director and supervisor or their connected entities had a material interest, either directly or indirectly, subsisting during the financial year ended 31 December 2017.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year of 2017, save as disclosed below, none of the Directors and their associates had any competing interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Company:

Name	Position in the Company	Other Interests
CAO Peixi[1]	Chairman of the Board, Non-executive Director	President of Huaneng Group, chairman and an executive director of Huaneng Power International, Inc. ("**HPI**")
ZHANG Tingke[1]	Vice Chairman of the Board, Non-executive Director	General Counsel of Huaneng Group, chairman of Huaneng Shandong Shidao Bay Nuclear Power Co., Ltd., chairman of Huaneng Shidaowan Nuclear Development Co., Ltd.
WANG Kui	Non-executive Director	Manager of Planning Department of Huaneng Group
LU Fei	Non-executive Director	Manager of Budgeting & Comprehensive Planning Department of Huaneng Group
SUN Deqiang	Non-executive Director	Manager of the Sales & Marketing Department of Huaneng Group
DAI Xinmin	Non-executive Director	Manager of Capital Operation & Equity Management Department of Huaneng Group

Note:

(1) On 28 March 2017, Mr. CAO Peixi resigned as the Chairman of the Board and Non-executive Director of the Company due to work adjustment, and Mr. ZHANG Tingke resigned as the Vice Chairman of the Board and Non-executive Director of the Company due to retirement. On the same day, the Board of the Company appointed Mr. LU Fei, Mr. SUN Deqiang and Mr. DAI Xinmin as the Non-executive Directors of the Company.

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

As at 31 December 2017, none of the Directors, supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong (the "**SFO**")) which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which have to be recorded under section 352 of the SFO in the register referred to therein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2017, to the best knowledge of the Directors, the following persons (other than the Directors, chief executive or supervisors of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed by the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Class of shares	Capacity/Nature of interests	Number of shares held (Shares)	Approximate percentage in the relevant class of shares (%)[2]	Approximate percentage in the total share capital (%)[3]
Controlling shareholder					
China Huaneng Group Co. Ltd.[1]	Domestic shares	Beneficial owner/Interest of controlled corporation	5,535,311,200 (Long position)	100%	52.39%
Other substantial shareholders					
Citigroup Inc.	H shares	Interest of controlled corporation/Custodian/Person having a security interest in share	384,465,831 (Long position)	7.64%	3.64%
			364,931,733 (Lending pool)	7.25%	3.45%
Value Partners Group Limited	H shares	Interest of controlled corporation	353,710,000 (Long position)	7.03%	3.45%
JPMorgan Chase & Co.	H shares	Beneficial owner/Investment manager/Custodian	353,598,192 (Long position)	7.02%	3.35%
			7,093,692 (Short position)	0.14%	0.07%
			311,578,950 (Lending pool)	6.19%	2.95%
Norges Bank	H shares		309,811,843 (Long position)	6.16%	2.93%
BlackRock, Inc.	H shares	Interest of controlled corporation	269,453,340 (Long position)	5.36%	2.55%
			17,128,000 (Short position)	0.34%	0.16%
National Council for Social Security Fund	H shares	Beneficial owner	256,688,800 (Long position)	5.10%	2.43%

Notes:

(1) China Huaneng Group Co. Ltd. is beneficially interested in 5,258,545,640 domestic shares, representing approximately 49.77% of the total share capital of the Company. Huaneng Capital Services Corporation Ltd. ("**Huaneng Capital**") is interested in 276,765,560 domestic shares, representing approximately 2.62% of the total share capital of the Company. Since Huaneng Capital is a wholly-owned subsidiary of China Huaneng Group Co. Ltd., China Huaneng Group Co. Ltd. is therefore taken to be interested in the domestic shares held by Huaneng Capital, with a total interest of 52.39%. Percentages may not add up to the total due to rounding.

(2) It is calculated on the basis that the Company has issued 5,535,311,200 domestic shares or 5,031,220,992 H shares as at 31 December 2017.

(3) It is calculated on the basis that the Company has issued 10,566,532,192 shares as at 31 December 2017.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 12 February 2018, the Company and Huaneng Renewables (Hong Kong) Limited ("**Huaneng Renewables HK**") entered into a capital increase agreement with Huaneng Capital, China Hua Neng Group Hong Kong Limited ("**Hua Neng HK**"), Huaneng Lancang River Hydropower Co., Ltd., HPI and Huaneng Tiancheng Financial Leasing Co., Ltd. ("**Huaneng Tiancheng**"). The Company and Huaneng Renewables HK subscribed for the portion of the newly increased capital of Huaneng Tiancheng by injecting RMB75,000,000 and equivalent of RMB60,000,000 by United State dollars respectively. The Company and Huaneng Renewables HK has completed this capital contribution on 14 March 2018 and 15 March 2018 respectively.

Save as disclosed above, the Group does not have significant event after 31 December 2017.

CONNECTED TRANSACTIONS

1. Non-exempt Continuing Connected Transactions of the Company for the year ended 31 December 2017

The Company has entered into certain non-exempt continuing connected transactions during 2017. The table below sets out the annual caps for 2017 and the actual transaction amounts of such connected transactions:

Connected Transaction	Connected Person	Annual Cap for 2017 *(RMB'000)*	Actual Transaction Amount for 2017 *(RMB'000)*
1. Provision of production services to the Company	Huaneng Group	75,000	44,919
2. Provision of insurance services to the Company	Huaneng Group	105,000	69,622
3. Provision of office leasing and related property services to the Company	Huaneng Group	62,000	47,682
4. Provision of production services to Huaneng Group	Huaneng Group	1,800	158
5. Purchase of product and equipment such as power cable and optical cable from Huaneng Group	Huaneng Group	262,000	36,861
6. Provision of deposit services to the Company	China Huaneng Finance Corporation Limited ("**Huaneng Finance**")	2,500,000	2,498,342[(1)]
7. Provision of financial leasing services to the Company	Huaneng Tiancheng	850,000 and lease interest of 50,000	232,478[(2)] and lease interest of 17,029
8. Purchase of power generation rights from Huaneng Group	Huaneng Group	40,000	249
9. Sale of electricity to Huaneng Group	Huaneng Group	15,000	5,326

Notes:

(1) The actual transaction amount disclosed represents the highest daily deposit balance.

(2) The actual transaction amount disclosed represents the balance as at 31 December 2017.

2. Non-exempt Continuing Connected Transactions of the Company for the years from 2017 to 2019

(1) On 12 August 2016, the Company entered into the Connected Transactions Framework Agreement related to a number of continuing connected transactions with Huaneng Group for a term of three years commencing on 1 January 2017. Pursuant to the Framework Agreement, (i) the Company will procure production services from Huaneng Group and its subsidiaries and associates (the annual caps for the three years ending 31 December 2017, 31 December 2018 and 31 December 2019 are RMB75.00 million, RMB78.50 million and RMB82.00 million, respectively); (ii) the Company will procure insurance services from Huaneng Group and its subsidiaries and associates (the annual caps for the three years ending 31 December 2017, 31 December 2018 and 31 December 2019 are RMB105.00 million, RMB110.00 million and RMB115.00 million, respectively); (iii) the Company will lease offices and procure related property services from Huaneng Group and its subsidiaries and associates (the annual caps for the three years ending 31 December 2017, 31 December 2018 and 31 December 2019 are RMB62.00 million, RMB72.00 million and RMB77.00 million, respectively); and (iv) the Company will offer production services to Huaneng Group and its subsidiaries and associates (the annual caps for the three years ending 31 December 2017, 31 December 2018 and 31 December 2019 are RMB1.80 million, RMB2.00 million and RMB2.20 million, respectively).

On 28 March 2017, the Company and Huaneng Group agreed to amend the Connected Transactions Framework Agreement, and entered into the amended Connected Transactions Framework Agreement. The Company and Huaneng Group agreed to add one more category of continuing connected transaction under the Connected Transactions Framework Agreement, i.e. purchase of product and equipment such as power cable and optical cable by the Group from Huaneng Group and its subsidiaries and associates. Pursuant to the amended Framework Agreement, the annual caps for the purchase of product and equipment such as power cable and optical cable by the Company from Huaneng Group and its subsidiaries and associates for the three years ending 31 December 2017, 31 December 2018 and 31 December 2019 are RMB45.00 million, RMB55.00 million and RMB65.00 million, respectively. On 22 August 2017, the Company proposed to revise them to RMB262.00 million, RMB272.00 million and RMB282.00 million respectively.

Pursuant to the Connected Transactions Framework Agreement, the pricing terms with respect to the purchase of production services by the Company from Huaneng Group and its subsidiaries and associates will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market rates, but in any event at terms and prices no less favourable than those offered to the Company by an independent third party for the same or similar type of services in the PRC.

The pricing terms with respect to the purchase of insurance by the Company from Huaneng Group and its subsidiaries and associates will be agreed following arm's length negotiations between the relevant parties with reference to the guidelines from time to time promulgated by the China Insurance Regulatory Commission, but in any event at terms and prices no less favourable than those offered to the Company by an independent third party for the same or similar type of insurance services in the PRC.

The pricing terms with respect to the leasing of office buildings and purchase of related property services by the Company from Huaneng Group and its subsidiaries and associates will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market rates, but in any event at terms and prices no less favourable than those offered to the Company by an independent third party for the same or similar leases of office buildings and related property services in the PRC.

The pricing terms with respect to the sale of production services by the Company to Huaneng Group and its subsidiaries and associates will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market rates, but in any event at terms and prices no less favourable than those offered to the Company by an independent third party for the same or similar type of services in the PRC.

The pricing terms with respect to the purchase of product and equipment such as power cable and optical cable by the Company from Huaneng Group and its subsidiaries and associates will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market rates, but in any event at terms and prices no less favourable than those offered to the Group by an independent third party for the same or similar type of products and equipment in the PRC.

As at the date the Company entered into the Connected Transactions Framework Agreement, being 12 August 2016, Huaneng Group held a 56.90% equity interest in the Company, including a 54.06% equity interest directly held by Huaneng Group and a 2.85% equity interest held through Huaneng Capital, a wholly-owned subsidiary of Huaneng Group. As such, Huaneng Group is a connected person of the Company and the transactions between the Company and Huaneng Group constitute continuing connected transactions pursuant to the Listing Rules. For more information on the continuing connected transactions, please refer to the Company's announcements dated 12 August 2016, 28 March 2017 and 22 August 2017.

The actual transaction amounts of the above five continuing connected transactions in 2017 are RMB44.919 million, RMB69.622 million, RMB47.682 million, RMB0.158 million and RMB36.861million respectively, which are within the annual caps disclosed in the announcements of the Company dated 12 August 2016, 28 March 2017 and 22 August 2017.

(2) On 12 August 2016, the Company entered into the Deposit and Loan Services Framework Agreement with Huaneng Finance for a term commencing on 1 January 2017 and expiring on 31 December 2019. Pursuant to the new Deposit and Loan Services Framework Agreement, the following transactions will be entered into: (i) placing deposits by the Company with Huaneng Finance; and (ii) provision of loan advancement by Huaneng Finance to the Company.

Pursuant to the Deposit and Loan Services Framework Agreement, the terms and pricing arrangements with respect to the deposit transactions are negotiated on arm's length, and will be fixed within the margin of official deposit interest rates published by the People's Bank of China from time to time. Huaneng Finance shall provide deposit interest on commercial terms that are based on arm's length negotiations and no less favourable than those offered by independent third parties for similar services to the Company in the PRC.

As at the date the Company entered into the Deposit and Loan Services Framework Agreement, being 12 August 2016, Huaneng Group held a 56.90% equity interest in the Company, including a 54.06% equity interest directly held by Huaneng Group and a 2.85% equity interest held through Huaneng Capital, a wholly-owned subsidiary of Huaneng Group. Huaneng Group currently holds a 52.00% equity interest in Huaneng Finance. As such, Huaneng Finance is an associate of Huaneng Group and a connected person of the Company, and the new Deposit and Loan Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

Under the Deposit and Loan Services Framework Agreement, the annual caps for the three years ending 31 December 2017, 31 December 2018 and 31 December 2019 are RMB2.5 billion respectively. For details of the transactions, please refer to the Company's announcement dated 12 August 2016 and the Company's circular dated 14 September 2016.

(3) On 12 August 2016, the Company entered into the Strategic Cooperation Agreement with Tiancheng Leasing Company. The Strategic Cooperation Agreement is effective for a term commencing from 1 January 2017 to 31 December 2019. Pursuant to the Strategic Cooperation Agreement, Tiancheng Leasing Company will provide financial leasing services to the Company and its subsidiaries by way of direct lease, sale-and-leaseback and entrusted lease.

The Directors and senior management of the Company will monitor closely and review regularly the financial leasing transactions contemplated under the Strategic Cooperation Agreement. The Company will adopt a series of risk management arrangements, and endeavour to maintain, in relation to the financial leasing transactions, the independence of the Company; the fairness of the amount of each financial lease; the fairness of the terms of the transactions; and the right of the Company to obtain financial leasing service from independent third parties other than Tiancheng Leasing Company. The lease interest will be determined by the parties on a just and fair basis, taking into account the market conditions and referring to the benchmark lending rates for term loans promulgated by the People's Bank of China from time to time, and will be no less favourable than those offered to the Company by domestic independent third parties for provision of similar service. Handling fee, if any, will be charged on terms no less favourable than those offered by independent third parties to the Company and its subsidiaries, by Tiancheng Leasing Company and payable by the Company and its subsidiaries when financial leasing agreement under the Strategic Cooperation Agreement is entered into and at a rate determined by reference to, among others, the rate charged by the other domestic major financial institutions in the PRC in relation to finance leasing of the same or similar types of assets, or if available, the applicable rates published by the People's Bank of China for this kind of services from time to time, and will be set out in the relevant written finance lease(s). The rate of the lease interest will be determined at the inception of each financial leasing agreement under the Strategic Cooperation Agreement. In the event that the People's Bank of China adjusts the annual RMB benchmark lending rate for term loan during the subsistence of the relevant financial leasing agreement, there will be corresponding adjustment(s) to the interest rate. The transaction amount shall be payable in arrears on a quarterly or yearly basis or such other intervals as the parties may agree.

Under the Strategic Cooperation Agreement and the Company's announcement dated 12 August 2016, each of the proposed annual caps of transaction amount (being the balance of daily lease principal) for 2017, 2018 and 2019 is RMB850 million respectively, and the annual cap of lease interest is RMB50 million respectively.

As at the date the Company entered into the Strategic Cooperation Agreement, being 12 August 2016, Huaneng Group held a 56.90% entity interest in the Company, including a 54.06% equity interest held directly by Huaneng Group and a 2.85% equity interest held through Huaneng Capital, a wholly-owned subsidiary of Huaneng Group. Tiancheng Leasing Company has six existing shareholders, all of which are units under Huaneng Group (with the Company holding 5.56%, Huaneng Renewables HK 4.44%, Huaneng Capital holding 39%, Hua Neng HK holding 21%, HPI holding 20% and Huaneng Lancang River Hydropower Co., Ltd. ("**Huaneng Lancang River**") holding 10%). As such, Tiancheng Leasing Company is a connected person of the Company and the transaction contemplated under the Strategic Cooperation Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

For details of the transactions, please refer to the Company's announcement dated 12 August 2016.

The actual transaction amount of the continuing connected transaction in 2017 is RMB232.478 million and lease interest is RMB17.029 million, which is within the annual cap disclosed in the Company's announcement dated 12 August 2016.

(4) On 22 August 2017, the Company entered into the 2017 Power Market Connected Transactions Framework Agreement with Huaneng Group, which was effective for a term commencing on 22 August 2017 and expiring on 31 December 2017. Pursuant to the 2017 Power Market Connected Transactions Framework Agreement, (i) the Company shall acquire power generation rights from Huaneng Group and its subsidiaries and associates with an annual cap of RMB40 million for the year ending 31 December 2017; (ii) the Company shall sell electricity to Huaneng Group and its subsidiaries and associates with an annual cap of RMB15 million for the year ending 31 December 2017.

Pursuant to the Power Market Connected Transactions Framework Agreement, the pricing terms with respect to the purchase of power generation rights by the Group from Huaneng Group and its subsidiaries and associates were determined by the relevant parties after arm's length negotiations, taking into account the benchmark on-grid tariff of thermal power formulated by local development and reform commissions and the prevailing market rates, but at terms and prices no less favourable than those offered to the Group by an independent third party for the same or similar type of power generation rights in the PRC. Pursuant to the Power Market Connected Transactions Framework Agreement, the pricing terms with respect to the sale of electricity by the Group to Huaneng Group and its subsidiaries and associates were determined following arm's length negotiations between the relevant parties with reference to the benchmark on-grid tariff of thermal power formulated by local development and reform commissions and the prevailing market rates, but at terms and prices no less favourable than those offered to the Group by an independent third party for the same or similar type of electricity in the PRC.

On the date the Company entered into the 2017 Power Market Connected Transactions Framework Agreement, being 22 August 2017, Huaneng Group held a 52.39% equity interest of the Company, including a 49.77% equity interest directly held by Huaneng Group and a 2.62% equity interest held through Huaneng Capital, a wholly-owned subsidiary of Huaneng Group.

In accordance with the Listing Rules, Huaneng Group (including its subsidiaries and associates) is a connected person of the Company, and the transactions between the Group and Huaneng Group (including its subsidiaries and associates) constitute connected transactions, which shall be subject to disclosure and/or independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

For particulars of the transaction, please refer to the announcement of the Company dated 22 August 2017.

The actual transaction amount of the above two continuing connected transaction in 2017 is RMB0.249 million and RMB5.326 million respectively, which are within the annual cap disclosed in the Company's announcement dated 22 August 2017.

3. Non-exempt Connected Transactions of the Company in 2017

On 20 March 2017, the Company, Huaneng Invesco WLR (Beijing) Investment Fund Management Co., Ltd. ("**HIWLR**") and Taikang Assets Management Co., Ltd. ("**Taikang Assets**") entered into the HIWLR-Taikang Renewables Development Fund Cooperation Framework Agreement to jointly establish HIWLR-Taikang Renewables Development Fund and raise RMB5 billion, among which the Company will subscribe for not more than RMB1 billion, and the remaining will be further agreed by the parties. On the same day, the Company, Tianjin Huaxu Renewables Technology Development Co., Ltd. ("**Tianjin Huaxu**"), Taikang Life Insurance Co., Ltd. ("**Taikang Life Insurance**") and Tianjin HIWLR Ruichi Enterprise Management Consulting Partnership (Limited Partnership) ("**Tianjin HIWLR Ruichi**") also entered into the Tianjin HIWLR-Taikang Equity Investment Fund Centre (Limited Partnership) Limited Partnership Agreement to raise the first tranche of HIWLR-Taikang Renewables Development Fund amounting to RMB2.006 billion, among which Tianjin Huaxu will subscribe for RMB5 million, the Company will subscribe for RMB400 million, Taikang Life Insurance will subscribe for RMB1.6 billion and Tianjin HIWLR Ruichi will subscribe for RMB1 million, and agree on the management of the first tranche of HIWLR-Taikang Renewables Development Fund.

On the date of the Company's HIWLR-Taikang Renewables Development Fund Cooperation Framework Agreement and Tianjin HIWLR-Taikang Equity Investment Fund Centre (Limited Partnership) Limited Partnership Agreement (being 20 March 2017), Huaneng Group holds an approximately 56.90% equity interest in the Company, including an approximately 54.06% direct equity interest held by Huaneng Group and an approximately 2.85% equity interest held through Huaneng Capital, a wholly-owned subsidiary of Huaneng Group. Huaneng Capital holds 50% equity interest in HIWLR, and Tianjin Huaxu is a wholly-owned subsidiary of HIWLR. As such, HIWLR and Tianjin Huaxu are connected persons of the Company and the transaction contemplated under the Cooperation Framework Agreement and Limited Partnership Agreement constitutes a connected transaction of the Company.

Please refer to the Company's announcement dated 20 March 2017 for details of aforesaid transaction.

The actual transaction amount of the non-exempt continuing connected transaction in 2017 is RMB60.818 million, which is within the annual cap disclosed in the Company's announcement dated 20 March 2017.

COMPLIANCE WITH NON-COMPETITION AGREEMENT

The Company entered into the Non-Competition Agreement with Huaneng Group on 6 August 2010, as amended by a supplemental agreement dated 23 November 2010, under which Huaneng Group agreed not to compete with us in our core businesses and granted the Company the option for new business opportunities, the option for acquisitions and the pre-emptive rights. Pursuant to the agreement, the Independent Non-executive Directors are responsible for reviewing and considering whether or not to take up a new business opportunity referred to by Huaneng Group or exercise pre-emptive rights, and such decision will be made by the Independent Non-executive Directors. Also, the Independent Non-executive Directors will perform a periodic review on the retained business (as defined in the Company's prospectus dated 30 May 2011) by Huaneng Group's unlisted subsidiaries and make recommendations to the Board as to whether to exercise the option to acquire any of the retained business by Huaneng Group's unlisted subsidiaries.

During the year, the Independent Non-executive Directors have reviewed the implementation of the Non-Competition Agreement and have confirmed that Huaneng Group had been in full compliance with the agreement and there was no breach by Huaneng Group.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, purchase from the Group's five largest suppliers as defined under the Listing Rules in aggregate accounted for no more than 55.57% of the Group's total purchase of goods and services for the year.

For the year ended 31 December 2017, sales to the Group's five largest customers in aggregate contributed 54.3% of the Group's total sales for the year, among which, sales to the largest customer contributed 13.6% of the Group's total sales for the year.

During the year, so far as the Directors are aware, none of the Directors, associates of the Directors or any shareholders of the Company (who to the knowledge of the Directors owns more than 5% equity interests of the Company's issued share capital) had any interest in the Company's five largest suppliers or five largest customers during the year.

REMUNERATION POLICIES

As at 31 December 2017, the Company had 2,415 full-time employees. Remuneration of employees of the Company will be determined based on the complexity involved with the positions and the responsibilities to be performed by the employees, as well as with reference to work performance. The remuneration of the Directors, supervisors and senior management of the Company includes the following components:

(1) Basic salary and allowance (excluding the allowance of independent Directors)

Basic salary will be determined based on evaluation and factor analysis of a particular position with reference to relevant salaries in the market. The Company and its subsidiaries contribute housing fund and other social insurance for its employees in accordance with relevant regulations. All these account for approximately 35% of the total remuneration.

(2) Bonus

Bonus will be determined based on the performance of the Directors, supervisors and senior management, which accounts for approximately 48% of the total remuneration.

(3) Pension contribution

All Directors, supervisors and senior management are entitled to the pension plan maintained by the Company, including basic pension insurance and enterprise annuity. Pension contribution accounts for approximately 10% of the total remuneration.

The Company will pay an annual service fee of RMB140 thousand (before tax) to each independent Director, and will reimburse reasonable expenses (including travel and office expenses) incurred by independent Directors in connection with their attendance of Board meetings, shareholders' meetings and performance of their responsibilities in accordance with the Company Law and Articles of Association. Save and except for the above, the Company provides no other benefit to the independent Directors.

During the Reporting Period, the Company's senior management positions included President, Vice-President, Chief Accountant and Secretary to the Board, and their remunerations ranged from approximately RMB120 thousand to RMB840 thousand (before tax).

RETIREMENT AND EMPLOYEES BENEFIT SCHEME

Details of the Company's retirement and employees benefit scheme are set out in Note 7(a) to the Financial Statements.

DIRECTORS' INTERESTS IN CONTRACT

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Company to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the Reporting Period.

MANAGEMENT CONTRACTS

No contract concerning management or administration of the whole or any substantial part of the business of the Group was entered into or subsisted during the Reporting Period.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group maintains good relationship with customers, suppliers and other business partners to achieve its long-term goals. Our management have kept good communication, promptly exchanged ideas and shared business update with them. In 2017, there was no material and significant dispute between our Group and its customers, suppliers and other business partners.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. In 2017, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The 2016 annual general meeting convened on 22 June 2017 approved the amendments to the Articles of Association as follows:

Article 19

Which originally reads as: "Upon the establishment of the Company and the approval of securities regulatory authority of the State Council, the Company has issued 3,229,215,360 Overseas-Listed Foreign Shares. Shareholders of state-owned shares of the Company have transferred to National Social Security Fund ("NSSF") the 264,688,800 state-owned shares in accordance with the regulations on reduction of the state-owned shares, upon issuance of Overseas-Listed Foreign Shares pursuant to an initial public offering.

Upon the issuance of abovementioned Overseas-Listed Foreign Shares by way of an initial public offering in June 2011, the total number of shares of the Company was 8,446,898,000, and the share capital structure of the Company was as follows: China Huaneng Group held 5,258,545,600 shares, representing 62.25% of total ordinary share capital; Huaneng Capital Services Corporation Ltd. held 276,765,600 shares, representing 3.28% of total ordinary share capital; NSSF held 264,688,800 shares, representing 3.13% of total common share capital; shareholders of H shares held 2,646,898,000 shares, representing 31.34% of total ordinary share capital.

Upon the issuance of 582,317,360 Overseas-Listed Foreign Shares by way of a non-public issue in October 2013, the total number of shares of the Company is 9,029,215,360, and the share capital structure of the Company is as follows: China Huaneng Group holds 5,258,545,600 shares, representing 58.24% of the total ordinary share capital; Huaneng Capital Services Corporation Ltd. holds 276,765,600 shares, representing 3.07% of the total ordinary share capital; NSSF holds 264,688,800 shares, representing 2.93% of the total ordinary share capital; shareholders of H shares hold 3,229,215,360 shares, representing 35.76% of the total ordinary share capital.

Upon the issuance of 698,780,832 Overseas-Listed Foreign Shares by way of a non-public issue in December 2014, the total number of shares of the Company is 9,727,996,192, and the share capital structure of the Company is as follows: China Huaneng Group holds 5,258,545,600 shares, representing 54.06% of the total ordinary share capital; Huaneng Capital Services Corporation Ltd. holds 276,765,600 shares, representing 2.85% of the total ordinary share capital; NSSF holds 264,688,800 shares, representing 2.72% of the total ordinary share capital; shareholders of H shares hold 3,927,996,192 shares, representing 40.38% of the total ordinary share capital."

Amended as follows:

"Upon the establishment of the Company and the approval of securities regulatory authority of the State Council, the Company has issued 3,229,215,360 Overseas-Listed Foreign Shares. Shareholders of state-owned shares of the Company have transferred to National Social Security Fund ("NSSF") the 264,688,800 state-owned shares in accordance with the regulations on reduction of the state-owned shares, upon issuance of Overseas-Listed Foreign Shares pursuant to an initial public offering.

Upon the issuance of abovementioned Overseas-Listed Foreign Shares by way of an initial public offering in June 2011, the total number of shares of the Company was 8,446,898,000, and the share capital structure of the Company was as follows: China Huaneng Group held 5,258,545,600 shares, representing 62.25% of total ordinary share capital; Huaneng Capital Services Corporation Ltd. held 276,765,600 shares, representing 3.28% of total ordinary share capital; NSSF held 264,688,800 shares, representing 3.13% of total common share capital; shareholders of H shares held 2,646,898,000 shares, representing 31.34% of total ordinary share capital.

Upon the issuance of 582,317,360 Overseas-Listed Foreign Shares by way of a non-public issue in October 2013, the total number of shares of the Company is 9,029,215,360, and the share capital structure of the Company is as follows: China Huaneng Group holds 5,258,545,600 shares, representing 58.24% of the total ordinary share capital; Huaneng Capital Services Corporation Ltd. holds 276,765,600 shares, representing 3.07% of the total ordinary share capital; NSSF holds 264,688,800 shares, representing 2.93% of the total ordinary share capital; shareholders of H shares hold 3,229,215,360 shares, representing 35.76% of the total ordinary share capital.

Upon the issuance of 698,780,832 Overseas-Listed Foreign Shares by way of a non-public issue in December 2014, the total number of shares of the Company is 9,727,996,192, and the share capital structure of the Company is as follows: China Huaneng Group holds 5,258,545,600 shares, representing 54.06% of the total ordinary share capital; Huaneng Capital Services Corporation Ltd. holds 276,765,600 shares, representing 2.85% of the total ordinary share capital; NSSF holds 264,688,800 shares, representing 2.72% of the total ordinary share capital; shareholders of H shares hold 3,927,996,192 shares, representing 40.38% of the total ordinary share capital.

Upon the issuance of 838,536,000 Overseas-Listed Foreign Shares by way of a non-public issue in May 2017, the total number of shares of the Company is 10,566,532,192, and the share capital structure of the Company is as follows: China Huaneng Group holds 5,258,545,600 shares, representing 49.77% of the total ordinary share capital; Huaneng Capital Services Corporation Ltd. holds 276,765,600 shares, representing 2.62% of the total ordinary share capital; shareholders of H shares hold 5,031,220,992 shares, representing 47.61% of the total ordinary share capital."

Article 22

Which originally reads as: "The registered capital of the Company shall be RMB9,727,996,192 when the Overseas-Listed Foreign Shares are issued."

Amended as follows: "The registered capital of the Company shall be RMB10,566,532,192 when the Overseas-Listed Foreign Shares are issued."

EQUITY-LINKED AGREEMENTS

As at 31 December 2017, the Group has not entered into any equity-linked agreement.

OTHER DISCLOSURES

An analysis of the Company's performance using key financial performance indicators, a discussion on the principal risks and uncertainties facing the Company and an indication of likely future development in the Company's business are set out in the section headed "Management Discussion and Analysis" in this annual report; discussions on the Company's environmental policies and performance and permitted indemnity provisions provided by the Company to its Directors are included in the sections headed "Social Responsibility Report" and "Corporate Governance Report" respectively in this annual report. These discussions form part of this Directors' Report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has always placed an emphasis on corporate governance and promotion of innovative management of its corporate governance system. The Company is committed to maintaining and promoting stringent corporate governance, and considers it as an indispensable part in creating values for shareholders. The principle of the Company's corporate governance is to promote effective risk management and internal control measures and to increase the transparency and accountability of the Board to all shareholders. The Company has complied with the Code in Appendix 14 of the Listing Rules. The Company periodically reviews its corporate governance practices to ensure continuous compliance with the Code. During the Reporting Period, the Company strictly complied with the principles and code provisions and some of the recommended best practices as set out in the Code.

PUBLIC FLOAT

Based on information publicly available to the Company and so far as the Directors are aware, not less than 25% of the issued share capital of the Company was held by the public as at the date of this annual report, which was in compliance with the requirements under the Listing Rules.

MATERIAL LITIGATION

As far as the Directors are aware, no material litigation or claims are pending or threatened against the Company.

AUDIT COMMITTEE

The 2017 annual results and the financial statements for the year ended 31 December 2017 of the Group prepared in accordance with the International Financial Reporting Standards ("IFRSs") have been reviewed by the audit committee of the Company.

AUDITORS

KPMG and KPMG Huazhen LLP were engaged as the international and domestic auditors of the Company respectively for the year ended 31 December 2017. KPMG has audited the accompanying financial statements, which were prepared in accordance with the IFRSs. The Company has retained KPMG and KPMG Huazhen LLP (Previously "KPMG Huazhen") since the date of its listing. A resolution for the reappointment of KPMG and KPMG Huazhen LLP as the international and domestic auditors of the Company for the year ending 31 December 2018 will be proposed at the forthcoming 2017 annual general meeting of the Company.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2017 annual general meeting of the Company is proposed to be held in June 2018. Details of the resolutions to be considered and approved and the date of the annual general meeting will be set out in the notice of 2017 annual general meeting to be issued by the Company in due course.

By order of the Board
Huaneng Renewables Corporation Limited
LIN Gang
Chairman of the Board

Beijing, the PRC, 23 March 2018

REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee of the Company currently consists of three members, and at least one member must be employee representative supervisor elected by employees. Except for the employee representative supervisor, other supervisors are elected by shareholders at the general meeting. All supervisors shall have a term of three years, which is renewable upon re-election and re-appointment. The major duties of the Supervisory Committee include, but are not limited to monitoring the financial activities of the Company; supervising the conduct of Directors and senior management officers in carrying out their duties and proposing to remove Director or senior management officer who has violated applicable laws, regulations, Articles of Association or shareholders resolutions; demanding Directors, President and other senior management officers to rectify any action that is prejudicial to the interest of the Company; reviewing and verifying financial reports, operation reports and profit distribution proposals prepared by the Board, and in case of doubt, appointing certified public accountants and practicing auditors to re-examine the financial information of the Company; bringing actions on behalf of the Company against Directors or senior management officers; and exercising other powers and performing other functions and duties conferred by the Articles of Association.

In 2017, all members of the Supervisory Committee of the Company strictly complied with relevant laws and regulations and the Articles of Association and earnestly performed their duties to protect the interest of the shareholders and the benefit of the Company. The relevant implementation procedures were in compliance with relevant laws and regulations and the Articles of Association. Set out below is a summary of the major tasks performed by the Supervisory Committee in the Reporting Period:

MEETINGS CONVENED BY THE SUPERVISORY COMMITTEE

In accordance with applicable laws and regulations, the Articles of Association and the practical needs of the Company's development, the Supervisory Committee convened two meetings and completed the following tasks in 2017:

1. At the third meeting of the third session of the Supervisory Committee held on 28 March 2017, the proposals on the work report of the Supervisory Committee for 2016, annual result announcement and annual report of the Company for 2016, annual final financial report for 2016, financial budget report for 2017 and profit distribution plan for 2016 were considered and approved.

2. At the fourth meeting of the third session of the Supervisory Committee held on 22 August 2017, the proposals on the interim results announcement and interim report of the Company for 2017 and the interim financial report of the Company for 2017 were considered and approved.

WORK OF THE SUPERVISORY COMMITTEE

In 2017, the Supervisory Committee mainly carried out the following tasks:

Monitoring Company's Operation

During the Reporting Period, members of the Supervisory Committee participated in discussions of major operating decisions, reviewed proposals submitted to the Board for consideration and examined and monitored the operation of the Company through attending Board meetings and general meetings of shareholders held by the Company. The Supervisory Committee is of the opinion that the business activities of the Company complied with relevant laws and regulations and the Articles of Association. Meanwhile, the Directors and senior management officers of the Company have diligently performed their duties and earnestly implemented the resolutions of the general meetings of the shareholders to safeguard the interests of the shareholders and the benefit of the Company. In the course of examining the operation of the Company and supervising the performance of duties of the Directors and senior management officers, the Supervisory Committee has not found any of their behaviors that contravened any applicable laws and regulations or the Articles of Association or any issues that has caused damage to the interests of the shareholders and the Company.

Examining the Company's Financial Condition

During the Reporting Period, the Supervisory Committee carefully examined and reviewed the relevant financial information and the auditors' reports of the Company. The Supervisory Committee is of the opinion that the preparation of the Company's financial statements complies with the IFRSs and is not aware of any irregularities. Having duly reviewed the 2017 annual financial report and relevant information to be submitted by the Board to the general meeting of shareholders, and as audited by the independent auditors with an unqualified opinion, the Supervisory Committee is of the opinion that such report reflects the financial condition and operating results of the Company on a consistent basis and in an accurate, true and fair manner.

Monitoring the Company's Information Disclosure

During the Reporting Period, the Supervisory Committee reviewed the information disclosure system and all relevant documents that the Company has publicly published and is of the opinion that the Company has disclosed the relevant information in a timely, true, accurate and complete manner in accordance with the requirements of the Hong Kong Stock Exchange and no false information was found.

HUANG Jian
Chairman of the Supervisory Committee

Beijing, the PRC, 23 March 2018

BIOGRAPHIES OF DIRECTORS, SUPERVISORS & SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

LIN GANG

LIN Gang, aged 53, is an Executive Director of the Company and Chairman of the Board. Mr. Lin joined the Company in February 2012 and was appointed as an Executive Director of the Company. He was re-elected as an Executive Director of the Company in June 2016. Mr. Lin has served successively as Deputy Chief of Engineering Division of Engineering Department of Huaneng Power International, Inc.("**HPI**"), Assistant to General Manager and Deputy General Manager of Huaneng Beijing Branch Company (Beijing Thermal Power Plant), Deputy Manager of Comprehensive Planning Department, Deputy Manager (in charge of work) of Marketing and Sales Department of HPI, President of Huaneng Northeast Branch Company (concurrently Director of Heilongjiang Office), Manager of Marketing and Sales Department of HPI, Assistant to President of HPI, Vice President of HPI, and President of Huaneng Renewables Corporation Limited. Mr. Lin graduated from North China Electric Power University, specializing in thermal power, and holds a master degree in science. He also graduated from Guanghua School of Management, Peking University with an EMBA degree. Mr. Lin is a professor-level senior engineer.

CAO SHIGUANG

CAO Shiguang, aged 49, is an Executive Director and the President of the Company. Mr. Cao joined the Company in January 2017 and was appointed as an Executive Director of the Company on 28 March 2017. He has successively served as a Deputy Chief of Comprehensive Division of Comprehensive Planning & Financing Department of State Power Corporation, Chief of Comprehensive Planning Division of Planning & Development Department and Manager of Planning & Development Department of China Huadian Corporation, Vice President of Green Coal Power Company, Deputy Manager and Manager of Budgeting & Comprehensive Planning Department of China Huaneng Group, Deputy Dean and Dean of Huaneng Technical Economics Research Institute. Mr. Cao graduated from Beijing Graduate Faculty of North China Electric Power University, majoring in power system and automation with a master degree in engineering. He also graduated from Harbin Institute of Technology with a doctor degree, majoring in power system and automation. Mr. Cao is a senior engineer.

WEN MINGGANG

WEN Minggang, aged 48, is an Executive Director and Chief Accountant of the Company. Mr. Wen joined the Company in October 2017 and was appointed as an Executive Director of the Company on 23 March 2018. He has served as a senior staff member of the Finance Department of Huaneng International Power Development Corporation, deputy chief of Comprehensive Division of Finance Department of China Huaneng Group, deputy manager of Finance Department of China Huaneng Group Hong Kong Limited, deputy manager of Finance Department of Hua Neng (Hong Kong) International Development Limited, deputy chief (in charge of work) of Accounting Division II of Finance Department, deputy chief (in charge of work) of Comprehensive Division, chief of Financial Division and chief of Accounting Division of China Huaneng Group, chief accountant of Huaneng Coal Business Sector Co., Ltd., deputy manager of Coal Business Department and Coal Chemistry Management Office of China Huaneng Group. Mr. Wen graduated from the Nankai University, majoring in accountancy with a master degree in economics. Mr. Wen is a senior accountant.

NON-EXECUTIVE DIRECTORS

WANG KUI

WANG Kui, aged 51, is a Non-executive Director of the Company and Chief of Planning and Development Department of Huaneng Group. He was appointed as a Non-executive Director of the Company on 12 August 2014. Mr. Wang has served successively as Deputy Chief of Planning Division of Comprehensive Planning Department, Deputy Chief (in charge of department) and Chief of Planning Division of Planning and Development Department of China Huaneng Group, Deputy Head of Preparation Team of the Founding of Xinjiang Energy Development Co., Ltd., Vice President of Huaneng Xinjiang Energy Development Co., Ltd., member of the Standing Committee of the CPC Committee and Vice Governor (assigned to aid Xinjiang) of Kizilsu Kirghiz Autonomous Prefecture, Vice President and President of Huaneng Shanxi Branch. He graduated from Beijing Institute of Economics with a bachelor's degree in quantitative economics. Mr. Wang subsequently received a MBA degree from Guanghua School of Management, Peking University. Mr. Wang is a senior engineer.

LU FEI

LU Fei, aged 53, is a Non-executive Director of the Company and the Manager of Budgeting & Comprehensive Planning Department of China Huaneng Group. He joined China Huaneng Group in August 1986. He has served as Deputy Manager of Huaneng Nantong Power Plant Fuel Transportation Company and Deputy Manager and Manager of its Planning Department and Manager of its Production Department. He was the Assistant to General Manager of Huaneng Nantong Branch Company (Plant) (concurrently Manager of Planning Department) and its Deputy General Manager. Mr. Lu has also served in Huaneng Power International, Inc. as Deputy Manager of Fuel Department, Deputy Manager (Vice President) of Fuel Department (Corporate) and Manager of Budgeting Department. He was with China Huaneng Group as its Manager of Operation Co-ordination Department, Manager of Sales & Marketing Department and Manager of Budgeting and Comprehensive Planning Department. Mr. Lu graduated from the Thermophysical Engineering Department of Zhejiang University, majoring in thermal power with a bachelor's degree in engineering. He subsequently obtained a MBA degree from the School of Economics & Management from Tsinghua University. Mr. Lu is a senior engineer.

SUN DEQIANG

SUN Deqiang, aged 55, is a Non-executive Director of the Company and Manager of the Sales & Marketing Department of China Huaneng Group. He joined China Huaneng Group in July 1983. He was with Shandong Baiyanghe Power Plant as Deputy General Manager, Deputy General Manager (concurrently Chief Engineer), Deputy General Manager (concurrently Chief Engineer of Shandong Baiyanghe Power Plant and General Manager of Baiyanghe Branch Company of Shandong Power Hongyuan Power Generation Maintenance Co., Ltd.). He was the General Manager of Huaneng Baiyanghe Power Plant and Huaneng Changxing Power Plant. He served in Huaneng Hainan Power Generation Co., Ltd. as Vice President (concurrently General Manager of Huaneng Haikou Power Plant) and President (concurrently General Manager of Huaneng Haikou Power Plant). He was President and Vice Chairman, and Chairman (concurrently General Manager of its Hainan Branch Company) of Huaneng Hainan Power Generation Co., Ltd.. He graduated from Shandong Engineering Institute, majoring thermal power, with a bachelor's degree in engineering. He is a professor-level senior engineer.

DAI XINMIN

DAI Xinmin, aged 56, is a Non-executive Director of the Company and Manager of Capital Operation & Equity Management Department of China Huaneng Group. Mr. Dai joined China Huaneng Group in October 1998. He has successively served as the Deputy Chief of Industry Division of Industry & Transportation Department, Chief of Industry Division of Property Rights Registration & Assets Statistics Department, and Deputy Director General of Property Rights Department of the State owned Assets Supervision and Administration Commission, Deputy Chief Accountant and Deputy Manager of Financial Department of China Huaneng Group, Chief Accountant of Financial Department of Huaneng Comprehensive Industry Corporation (concurrently Manager of Financial Department), Deputy Manager of Assets Operation and Management Department of China Huaneng Group, and Manager of Supervision and Audit Department of Huaneng Power International, Inc.. Mr. Dai graduated from the Industrial Economy Department of Shanghai College of Finance and Economics, majoring in industrial economy with a bachelor's degree in economics. He also obtained the EMBA degree majoring in executive business administration from Peking University. He is a senior economist.

INDEPENDENT NON-EXECUTIVE DIRECTORS

QIN HAIYAN

QIN Haiyan, aged 48, is an Independent Non-executive Director of the board of directors of the Company, the director of China General Certification Center (北京鑒衡認證中心), the secretary general of the Wind Power Committee of China Renewable Energy Society, the vice-chairman of the IEC System For Certification to Standards Relating to Equipment for Use in Renewable Energy Applications (IECRE), and standing director of China Renewable Energy Society. He is also the deputy head of the Climatic Resources Application Research Committee of China Meteorological Society, Vice-Chairman of the Renewable Energy Committee of China Association of Circular Economy, the member and deputy secretary of the Technical Committee of National Wind Power Machinery Standardization, vice-chairman of the World Wind Energy Association and member of Executive Committee of PV GAP. Mr. Qin was appointed as an Independent Non-executive Director of the Company in August 2010 and was re-appointed as an Independent Non-executive Director of the Company in June 2016. He graduated from Shanghai Jiao Tong University with a bachelor's degree in engineering. He also obtained an MBA degree from Renmin University of China.

DAI HUIZHU

DAI Huizhu, aged 79, is an Independent Non-executive Director of the board of directors of the Company, and the senior consultant, professor and Supervisor of Doctorate Students of Renewable Energy Department of China Electric Power Research Institute. Ms. Dai was appointed as an Independent Non-executive Director of the Company in August 2010 and was re-appointed as an Independent Non-executive Director of the Company in June 2016. Ms. Dai held various positions at Northeast Institute of Electric Power Engineering (東北電力學院), including assistant lecturer, lecturer, associate professor, professor, head of Research Section of Electrical Engineering Fundamentals and deputy head of Electric Power Research Institute. She also held various positions at China Electric Power Research Institute, including, among others, head of New Energy Power Generation Laboratory, head of Graduate Department and chief engineer of Rural Electrification Research Department. Ms. Dai has conducted in-depth studies in the renewable energy and directed many research projects. She was the person-in-charge and participated in the drafting of "Research Report on Electric Power System" as part of the Evaluation of Renewable Energies, a project sponsored by the PRC government, World Bank and Global Environment Facility. Ms. Dai has led many award-winning research projects in wind power area. Ms. Dai has also published a number of research papers within and outside China. Ms. Dai graduated from Tsinghua University majored in electrical engineering.

ZHOU SHAOPENG

ZHOU Shaopeng, aged 71, is an Independent Non-executive Director of the board of director of the Company, a professor at Chinese Academy of Governance (國家行政學院). Mr. Zhou was appointed as an Independent Non-executive Director of the Company in August 2010 and was re-appointed as an Independent Non-executive Director of the Company in June 2016. Mr. Zhou has served as an assistant researcher, associate researcher, researcher and Supervisor of Doctorate Students of Industrial Economics Institute of Chinese Academy of Social Sciences. Mr. Zhou was the author or coauthor of over 30 academic books and research reports. He has also published over 300 research papers and a book called "Zhou Shaopeng Economic Anthology". Mr. Zhou graduated from Beijing Mechanical Institute majored in Industrial Economics and graduated from Chinese Academy of Social Sciences with a master's degree and a doctor's degree in economics.

WAN KAM TO

WAN Kam To, aged 65, is an Independent Non-executive Director of the board of director of the Company. In addition, he serves as an independent non-executive director at China Resources Land Limited (Hong Kong Stock Exchange: 1109), Fairwood Holdings Limited (Hong Kong Stock Exchange: 0052), KFM Kingdom Holdings Limited (Hong Kong Stock Exchange: 3816), Shanghai Pharmaceuticals Holding Co., Ltd. (Hong Kong Stock Exchange: 2607, Shanghai Stock Exchange: 601607), Kerry Logistics Network Limited (Hong Kong Stock Exchange: 0636), Harbin Bank Co., Ltd. (Hong Kong Stock Exchange: 6138), Target Insurance (Holdings) Limited (Hong Kong Stock Exchange: 6161), A-Living Services Co., Ltd. (Hong Kong Stock Exchange: 3319) and China World Trade Center Company Limited (Shanghai Stock Exchange: 600007) and a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Wan was appointed as an Independent Non-executive Director of the Company in August 2010 and was re-appointed as an Independent Non-executive Director of the Company in June 2016. Mr. Wan had served as a partner of PricewaterhouseCoopers, an independent director of Mindray Medical International Limited (New York Stock Exchange: MR) and RDA Microelectronics, Inc. (NASDAQ: RDA) and an independent non-executive director of Real Gold Mining Limited (Hong Kong Stock Exchange: 0246), Greater China Professional Services Limited (Hong Kong Stock Exchange: 8193), Dalian Port (PDA) Company Limited (Hong Kong Stock Exchange: 2880, Shanghai Stock Exchange: 601880) and S. Culture International Holdings Limited (Hong Kong Stock Exchange: 1255). He graduated from Hong Kong Polytechnic University (previously known as Hong Kong Polytechnic) with a Higher Diploma in accountancy.

SUPERVISORS

HUANG JIAN

HUANG Jian, aged 55, is the Chairman of the Supervisory Committee of the Company, and a Director of HPI. Mr. Huang was appointed as a supervisor of the Company in November 2011 and was re-appointed as a supervisor of the Company in June 2016. Mr. Huang held various positions in HIPDC including the deputy chief of the Cost and Pricing Office of the Finance Department, chief of the Pricing General Office of the Finance Department, chief accountant of the Beijing Branch and deputy manager of the Finance Department. He also served as the deputy chief accountant, chief accountant, Vice President and secretary to the board of directors of HPI, and deputy chief economist and a general manager assistant and director of the Budgeting and Comprehensive Planning Department of Huaneng Group, a Non-executive Director of HPI and the Chairman of the Board of Huaneng Hainan Power Ltd. and a Director of Huaneng Capital Services Co., Ltd.. Mr. Huang graduated from the accounting department of the Institute of Fiscal Science of the Ministry of Finance, with a master's degree in economics. He is a senior accountant.

WANG HUANLIANG

WANG Huanliang, aged 59, is a supervisor of the Company and the deputy chief auditor of Huaneng Group. Mr. Wang was appointed as a supervisor of the Company in August 2010 and was re-appointed as a supervisor of the Company in June 2016. Mr. Wang held various positions at the Power Planning and Design Institute of the Ministry of Water Resources and Electrical Power, including, among others, accountant, section chief and deputy chief of the Finance Section, deputy chief and chief of the Operating Finance Section of the Finance Department. He also served as the deputy manager of the Finance Department of Huaneng Group, the Vice Chairman and President of Beihai Xinli Industrial Co., Ltd., head of Beihai Port Management Bureau, Vice President and chief accountant of Huaneng Energy & Communications Holding Co., Ltd. and head of the Audit Department of Huaneng Group. Mr. Wang graduated from the Correspondence School of Renmin University of China. He also graduated from the Chinese Academy of Social Sciences with a master's degree in currency and banking. He is a senior accountant.

ZHONG SUZHI

ZHONG Suzhi, aged 52, is the vice chief economist and the manager of the audit department of the Company. Ms. Zhong joined the Company in February 2003. She served successively as a chief officer, a deputy manager, the assistant to the manager of the Finance Department and a deputy manager of the supervision and audit department of China Huaneng International Economic & Trade Company. She also served as a deputy manager of the Finance Department of Huaneng Renewables Environmental Protection Industrial Holding Co., Ltd, a deputy manager (in charge of work) and manager of the Finance Department of Huaneng Renewables Industrial Holding Co., Ltd, and the manager of Finance Department of the Company. Ms. Zhong graduated from Beijing Finance & Trade College majoring in public finance. She obtained a bachelor's degree in economics. She is a senior accountant.

SENIOR MANAGEMENT

CAO Shiguang – Please refer to his biography under the subsection headed "Executive Directors".

WEN Minggang – Please refer to his biography under the subsection headed "Executive Directors".

YAN SHUSEN

YAN Shusen, aged 51, is a Vice President of the Company. Mr. Yan joined the Company in May 2011. Mr. Yan had served successively as deputy director of the Policy Research Office of Peking University, deputy head of the Development and Planning Department and concurrently the director of the Undertakings Development and Planning Office of Peking University, a confirmed chief rank investigation and research fellow and concurrently the vice chief of the Youth Cadre Services Division of Cadre Services Bureau I, chief of the Youth Cadre Services Division of Cadre Services Bureau I, chief of the Personnel Services Division of Cadre Services Bureau I and chief of the Personnel General Division of the Personnel Services Bureau under the Central Committee of Communist Party of China ("CCCPC") Organization Department, director of the Office and chief of Division I of the Personnel Services Bureau under the CCCPC Organization Department. Mr. Yan graduated from the politics and administrative management department of Peking University with a doctorate degree, and also held a juris doctor degree. He is an associate research fellow.

HE JI

HE Ji, aged 57, is a Vice President of the Company. Mr. He joined the Company in December 2012. Mr. He had served successively as deputy chief and chief of the Safety Supervision Division of Huaneng Group, chief of the Safety Supervision Division of Safety Supervision and Technology Environmental Protection Department of Huaneng Group, head of Discipline Inspection Commission, Chairman of Labor Union of Huaneng Hebei Corporation, Vice President of Huaneng Hebei Corporation. Mr. He obtained a bachelor's degree in power engineering from Tsinghua University. He is a senior engineer.

DING KUN

DING Kun, aged 46, is a Vice President of the Company. Mr. Ding joined the Company in October 1998. Mr. Ding had served successively as deputy general manager and chief engineer of Huaneng Dali Hydropower Co., Ltd., general manager of Jilin Tongyu Wind Power Branch of HIPDC, the person-in-charge of HNEIC Inner Mongolia Branch, the preparatory bureau of Wuchuan Wind Power Project and Wulate Middle Banner Wind Power Project, assistant to president and concurrently manager of Construction and Engineering Department of HNEIC, assistant to president and concurrently manager of Construction and Engineering Department of the Company. Mr. Ding obtained a bachelor's degree in power system automation from Beijing University of Agricultural Engineering and a master's degree in control engineering from Kunming University of Science and Technology. He is a senior engineer.

SHI YAN

SHI Yan, aged 50, is a Vice President and general counsel of the Company. Mr. Shi joined the Company in June 2014 and was appointed as a supervisor of the Company in March 2016. He had served successively as deputy chief of the legal division under the department of general management of Huaneng Group (in charge of work), deputy director of the legal affairs office and the chief of contract and dispute office in the enterprise management and legal affairs department. Mr. Shi graduated from Renmin University of China in commercial law. He also obtained a master degree in law from Peking University. He is a senior economist.

AO HAI

AO Hai, aged 45, is a Vice President of the Company. Mr. Ao joined the Company in October 2006. He had served successively as deputy manager, manager and production safety department manager of Electrical Branch Company of Fuxin Power Plant, engineering manager, assistant to general manager, deputy manager, deputy manager(in charge of work), general manager, manager of science and technology department, manager of safety production department, manager of construction department and assistant to president of Huaneng Fuxin Wind Power Co., Ltd. Mr. Ao obtained a bachelor degree from Harbin Institute of Technology in power system and its automation. He is an Engineer.

ZHANG JUN

ZHANG Jun, aged 50, is the secretary of the disciplinary committee of the Company. Mr. ZHANG Jun joined the Company in November 2017. He had served successively as the ad hoc sub captain of the 3rd Maintenance Squadron of the 12th Flight Academy of Air Force* (空軍第十二飛行學院), the ad hoc sub captain of the 2nd Squadron of the 4th Maintenence Group of the 6th Flight Academy of Air Force* (空軍第六飛行學院), acting director and political instructor of the 1st Squadron, director of the cadres unit of the Political Department of the 3rd Training Regiment of the Liberation Army Aviation Bureau under the General Staff Department * (總參陸航局), battalion-level secretary and vice regiment-level secretary in the Organization Division of the Political Department of Army Aviation Academy* (陸軍航空兵學院), deputy chief and chief of the Supervision Division II of the Supervision Department of China Huaneng Group, and secretary of the disciplinary committee and member of the CPC Committee of Huaneng Energy & Communications Holding Co., Ltd. Mr. ZHANG Jun graduated from the People's Liberation Army Forces Airforce Engineering College with a bachelor's degree in Instrument Electricity. He is a senior political engineer.

SONG YUHONG

SONG Yuhong, aged 50, is the Company secretary and assistant of the President of the Company. Ms. Song joined the Company in April 2002. She had served successively as deputy manager of New Energy Department, deputy manager of the Second Project Department, and manager of the Commerce Department of HNEIC. Ms. Song graduated from Beijing University of Technology with a bachelor's degree in computer science. She also graduated from North China Electric Power University with a master's degree in management. She is a senior engineer.

COMPANY SECRETARY

SONG Yuhong – Please refer to her biography under the sub-section headed "Senior Management".

* *For identification purpose only*

Independent auditor's report to the shareholders of Huaneng Renewables Corporation Limited
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Huaneng Renewables Corporation Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 102 to 197, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Assessing potential impairment of certain property, plant and equipment

Refer to Note 13 to the consolidated financial statements and the accounting policies in Note 2 (i) and (l).

The Key Audit Matter	How the matter was addressed in our audit
Certain of the Group's wind power plants located in areas with a decrease or slow-down in the growth rate of power consumption and curtailment in the purchase of wind power by grid companies recorded operating losses for the year ended 31 December 2017 and certain projects under construction in these areas have been delayed, both of which are considered by management to represent indicators of potential impairment of the related property, plant and equipment. Where indicators of potential impairment of property, plant and equipment were identified management performed impairment assessments of these assets as at 31 December 2017 using value-in-use calculations for each smallest identifiable group of assets that generate independent cash flows ("**cash-generating unit**") by preparing discounted cash flow forecasts for each cash-generating unit. Preparing discounted cash flow forecasts requires management to exercise significant judgement, particularly in relation to estimating future sales volumes, future on-grid tariffs, future capital expenditure, future operating costs and the discount rates applied in estimating the recoverable amounts of each cash-generating unit. We identified assessing potential impairment of certain property, plant and equipment as a key audit matter because the carrying value of property, plant and equipment is material to the consolidated financial statements and because of the significant management judgement and estimation required in assessing potential impairment which could be subject to error or potential management bias.	Our audit procedures to assess the potential impairment of certain property, plant and equipment included the following: • assessing management's identification of cash-generating units ("**CGUs**") and the allocation of assets to each CGU and assessing the methodology adopted by management in its preparation of the discounted cash flow forecasts with reference to our understanding of the Group's business and the requirements of the prevailing accounting standards; • evaluating management's discounted cash flow forecasts for each CGU by comparing the assumptions adopted by management with our understanding of the business and the industry in which the Group operates, in particular, for the assumptions relating to future sales volumes, future on-grid tariffs, future capital expenditure and future operating costs, where we compared the assumptions with the historical information of nearby power plants or feasibility study reports issued by third party professionals and considered the future development plans of the local grid connections; • challenging management's rationale for adopting cash flow projections over a period greater than five years; • engaging our internal valuation specialists to assist us in assessing whether the discount rates applied in the discounted cash flow forecasts were within the ranges adopted by other companies in the same industry; • comparing the actual results for the current year to management's estimates in their discounted cash flow forecasts for the previous year in order to assess the historical accuracy of the management's forecasting process; • performing sensitivity analyses of the discount rates applied and the assumptions for revenue adopted by management in the discounted cash flow forecasts to assess what changes thereto, either individually or collectively, would result in a different conclusion being reached and assessing whether there were any indicators of management bias in the selection of key assumptions.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ho Ying Man, Simon.

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

23 March 2018

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017
(Expressed in Renminbi ("RMB") unless otherwise stated)

	Note	2017 RMB'000	2016 RMB'000
Revenue	4	**10,554,355**	9,238,583
Other net income	5	**468,859**	321,698
Operating expenses			
Depreciation and amortisation	7(b)	**(3,798,454)**	(3,462,334)
Personnel costs	7(a)	**(514,005)**	(402,972)
Repairs and maintenance		**(191,260)**	(188,879)
Administration expenses		**(247,567)**	(223,301)
Other operating expenses		**(620,985)**	(374,770)
		(5,372,271)	(4,652,256)
Operating profit		**5,650,943**	4,908,025
Finance income		**57,283**	137,329
Finance expenses		**(2,295,563)**	(2,132,759)
Net finance expenses	6	**(2,238,280)**	(1,995,430)
Share of loss of associates and a joint venture		**(4,998)**	(3,066)
Profit before taxation	7	**3,407,665**	2,909,529
Income tax	8	**(346,343)**	(201,515)
Net profit		**3,061,322**	2,708,014

The notes on pages 110 to 197 form part of these financial statements.

	Note	2017 RMB'000	2016 RMB'000
Other comprehensive income for the year, net of tax	*11*		
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial asset: net movement in the fair value reserve		**(15,635)**	(34,008)
Exchange difference on translation of financial statements of a subsidiary outside mainland China		**(7,218)**	6,327
		(22,853)	(27,681)
Total comprehensive income for the year		**3,038,469**	2,680,333
Net profit attributable to:			
Equity shareholders of the Company		**3,011,736**	2,658,863
Non-controlling interests		**49,586**	49,151
Net profit		**3,061,322**	2,708,014
Total comprehensive income attributable to:			
Equity shareholders of the Company		**2,988,883**	2,631,182
Non-controlling interests		**49,586**	49,151
Total comprehensive income for the year		**3,038,469**	2,680,333
Basic and diluted earnings per share (RMB cents)	*12*	**29.38**	27.33

The notes on pages 110 to 197 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2017
(Expressed in RMB unless otherwise stated)

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	*13*	**71,406,134**	72,106,536
Lease prepayments	*14*	**357,171**	351,368
Intangible assets	*15*	**621,017**	653,588
Interest in associates	*17*	**178,956**	29,423
Interest in a joint venture	*18*	**74,940**	76,853
Other non-current assets	*19*	**2,466,692**	3,527,953
Deferred tax assets	*26(b)*	**1,906**	3,315
Total non-current assets		**75,106,816**	76,749,036
Current assets			
Inventories		**55,324**	32,715
Trade debtors and bills receivable	*20*	**7,214,032**	4,635,392
Prepayments and other current assets	*21*	**1,395,520**	1,415,172
Tax recoverable	*26(a)*	**22,052**	7,743
Restricted deposits		**52,162**	34,492
Cash at bank and on hand	*22(a)*	**2,502,663**	2,570,058
Total current assets		**11,241,753**	8,695,572
Current liabilities			
Borrowings	*23*	**20,352,761**	22,562,887
Obligations under finance leases	*24*	**352,441**	434,781
Other payables	*25*	**6,253,042**	7,440,069
Tax payable	*26(a)*	**127,821**	79,513
Total current liabilities		**27,086,065**	30,517,250
Net current liabilities		**(15,844,312)**	(21,821,678)
Total assets less current liabilities		**59,262,504**	54,927,358

The notes on pages 110 to 197 form part of these financial statements.

	Note	2017 RMB'000	2016 RMB'000
Non-current liabilities			
Borrowings	*23*	**29,451,325**	28,371,935
Obligations under finance leases	*24*	**1,230,898**	1,583,339
Deferred income	*27*	**198,069**	215,238
Other non-current liabilities	*28*	**2,922,039**	3,743,257
Deferred tax liabilities	*26(b)*	**18,271**	19,626
Total non-current liabilities		**33,820,602**	33,933,395
NET ASSETS		**25,441,902**	20,993,963
CAPITAL AND RESERVES	*29*		
Share capital		**10,566,532**	9,727,996
Reserves		**14,035,081**	10,409,154
Total equity attributable to equity shareholders of the Company		**24,601,613**	20,137,150
Non-controlling interests		**840,289**	856,813
TOTAL EQUITY		**25,441,902**	20,993,963

Approved and authorised for issue by the board of directors on 23 March 2018.

Name: Lin Gang
Position: *Chairman*

Name: Wen Minggang
Position: *Director*

The notes on pages 110 to 197 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017
(Expressed in RMB unless otherwise stated)

		Attributable to the equity shareholders of the Company								
	Note	Share capital *RMB'000* *(Note 29(c))*	Capital reserve *RMB'000* *(Note 29(d)(i))*	Statutory surplus reserve *RMB'000* *(Note 29(d)(ii))*	Exchange reserve *RMB'000* *(Note 29(d)(iii))*	Fair value reserve *RMB'000* *(Note 29(d)(iv))*	Retained earnings *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2016		9,727,996	2,601,478	159,687	7,543	10,445	5,290,659	17,797,808	826,650	18,624,458
Changes in equity for 2016:										
Net profit		–	–	–	–	–	2,658,863	2,658,863	49,151	2,708,014
Other comprehensive income		–	–	–	6,327	(34,008)	–	(27,681)	–	(27,681)
Total comprehensive income		–	–	–	6,327	(34,008)	2,658,863	2,631,182	49,151	2,680,333
Capital contributions by non-controlling interests		–	–	–	–	–	–	–	34,840	34,840
Transfer to reserve fund		–	–	72,751	–	–	(72,751)	–	–	–
Dividends of subsidiaries to non-controlling interests		–	–	–	–	–	–	–	(53,828)	(53,828)
Dividends to equity shareholders of the Company	*29 (b)*	–	–	–	–	–	(291,840)	(291,840)	–	(291,840)
Balance at 31 December 2016		9,727,996	2,601,478	232,438	13,870	(23,563)	7,584,931	20,137,150	856,813	20,993,963
Balance at 1 January 2017		**9,727,996**	**2,601,478**	**232,438**	**13,870**	**(23,563)**	**7,584,931**	**20,137,150**	**856,813**	**20,993,963**
Changes in equity for 2017:										
Net profit		**–**	**–**	**–**	**–**	**–**	**3,011,736**	**3,011,736**	**49,586**	**3,061,322**
Other comprehensive income		**–**	**–**	**–**	**(7,218)**	**(15,635)**	**–**	**(22,853)**	**–**	**(22,853)**
Total comprehensive income		**–**	**–**	**–**	**(7,218)**	**(15,635)**	**3,011,736**	**2,988,883**	**49,586**	**3,038,469**
Issuance of new shares, netting of issuance expenses	*29 (c)*	**838,536**	**1,070,272**	**–**	**–**	**–**	**–**	**1,908,808**	**–**	**1,908,808**
Transfer to reserve fund		**–**	**–**	**404,347**	**–**	**–**	**(404,347)**	**–**	**–**	**–**
Dividends of subsidiaries to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(66,110)**	**(66,110)**
Dividends to equity shareholders of the Company	*29 (b)*	**–**	**–**	**–**	**–**	**–**	**(433,228)**	**(433,228)**	**–**	**(433,228)**
Balance at 31 December 2017		**10,566,532**	**3,671,750**	**636,785**	**6,652**	**(39,198)**	**9,759,092**	**24,601,613**	**840,289**	**25,441,902**

The notes on pages 110 to 197 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2017
(Expressed in RMB unless otherwise stated)

	Note	2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Net profit		**3,061,322**	2,708,014
Adjustments for:			
Depreciation	*7(b)*	**3,750,694**	3,417,650
Amortisation	*7(b)*	**47,760**	44,684
Amortisation of deferred income		**(15,627)**	(15,538)
Provision for impairment loss on property, plant and equipment	*13*	**62,908**	–
Provision for impairment loss on other non-current assets	*19*	**141,321**	–
Interest expenses on financial liabilities	*6*	**2,175,411**	2,129,197
Foreign exchange differences, net	*6*	**118,380**	(77,388)
Interest income on financial assets	*6*	**(31,822)**	(39,198)
Dividend income	*6*	**(24,716)**	(19,435)
Share of loss of associates and a joint venture		**4,998**	3,066
Net (gain)/loss on disposal of property, plant and equipment	*5*	**(4,324)**	3,546
Income tax	*8*	**346,343**	201,515
Others		**2,951**	5,018
Changes in working capital:			
(Increase)/decrease in inventories		**(22,609)**	10,250
Increase in trade debtors and bills receivable		**(2,825,038)**	(1,934,500)
Decrease/(increase) in prepayments and other current assets		**12,278**	(25,027)
Increase in other payables		**1,192,769**	1,105,747
Cash generated from operations		**7,992,999**	7,517,601
PRC income tax paid	*26(a)*	**(319,345)**	(179,252)
PRC income tax refunded	*26(a)*	**7,055**	–
Net cash from operating activities		**7,680,709**	7,338,349

The notes on pages 110 to 197 form part of these financial statements.

	Note	**2017** **RMB'000**	2016 RMB'000
Cash flows from investing activities			
Payments for acquisition of property, plant and equipment, lease prepayments and intangible assets		**(5,117,434)**	(7,876,681)
Payment for investment in an associate		**(60,818)**	–
Payments for acquisition of unquoted equity investment		**–**	(16,350)
Dividends received		**24,716**	19,435
Interest received		**33,853**	35,722
Time deposits		**904,669**	129,450
Restricted deposits		**(17,670)**	(7,650)
Others		**41,806**	346,573
Net cash used in investing activities		**(4,190,878)**	(7,369,501)

The notes on pages 110 to 197 form part of these financial statements.

	Note	2017 RMB'000	2016 RMB'000
Cash flows from financing activities			
Net proceeds from issuance of shares	29(c)	**1,908,808**	–
Capital contributions from non-controlling interests		**–**	34,840
Proceeds from borrowings	22(b)	**38,788,524**	42,241,702
Repayment of borrowings	22(b)	**(39,945,065)**	(40,964,569)
Dividends of subsidiaries paid to non-controlling interests	22(b)	**(50,129)**	(23,674)
Dividends paid to equity shareholders of the Company	22(b)	**(433,228)**	(291,840)
Interest paid	22(b)	**(2,240,932)**	(2,204,535)
Payment of finance lease obligations	22(b)	**(561,179)**	(645,117)
Others		**6,243**	(4,942)
Net cash used in financing activities		**(2,526,958)**	(1,858,135)
Net increase/(decrease) in cash and cash equivalents		**962,873**	(1,889,287)
Cash and cash equivalents at 1 January		**1,665,389**	3,469,653
Effect of foreign exchange rate changes		**(125,599)**	85,023
Cash and cash equivalents at 31 December	22(a)	**2,502,663**	1,665,389

The notes on pages 110 to 197 form part of these financial statements.

1 PRINCIPAL ACTIVITIES AND ORGANISATION

Huaneng Renewables Corporation Limited (the "**Company**") was established in the People's Republic of China (the "**PRC**") on 5 August 2010 as a joint stock company with limited liability. The Company and its subsidiaries (the "**Group**") are mainly engaged in wind power and solar power generation and sale in the PRC.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 (c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Group and the Group's interest in associates and a joint venture.

As at and for the year ended 31 December 2017, a portion of the Group's funding requirements for capital expenditures were partially satisfied by short-term financing. Consequently, as at 31 December 2017, the Group has net current liabilities of approximately RMB15.8 billion. Taking into consideration of the expected operating cash flows of the Group and the undrawn available banking facilities, the Group are expected to refinance certain short-term borrowings and also consider alternative sources of financing, where applicable and when needed. Therefore, the directors of the Company are of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months and have prepared the consolidated financial statements on a going concern basis.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these have had a material effect on the accounting policies of the Group. However, additional disclosure has been included in note 22 (b) to satisfy the new disclosure requirements introduced by the amendments to IAS 7, Statement of cash flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Functional and presentation currency

The financial statements are presented in Renminbi ("**RMB**") which is the Group's presentation currency and the functional currency of the Company and its PRC subsidiaries. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Subsidiaries and non-controlling interests

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

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

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

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 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. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of finance position in accordance with notes 2 (o) or (p) depending on the nature of the liability.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Subsidiaries and non-controlling interests (continued)

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

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

(f) Associates and joint ventures

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Associates and joint ventures (continued)

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

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

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

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

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

(g) Other investments in debt and equity securities

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Other investments in debt and equity securities (continued)

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Business combinations under common control

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

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

(i) Property, plant and equipment

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

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

The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit unless such interest is capitalised.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment (continued)

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

– Buildings and structures	8 – 30 years
– Generators and related equipment	5 – 30 years
– Motor vehicles	8 – 9 years
– Furniture, fixtures and others	5 – 8 years

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

(j) Intangible assets

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

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

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

– Concession assets	25 years
– Software and others	3 – 5 years

Both the period and method of amortisation are reviewed annually.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

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

(iii) Operating lease charges

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets

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

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

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (continued)

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (continued)

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

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

(ii) Impairment of other assets

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

– property, plant and equipment;

– pre-paid interests in leasehold land classified as being held under an operating lease;

– intangible assets; and

– investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– *Calculation of recoverable amount*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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

(m) Inventories

Inventories include materials for repairs and maintenance and spare parts, and are stated at the lower of cost and net realisable value.

Inventories are initially recorded at cost and are charged to operating expenses when used, or capitalised to property, plant and equipment when installed, as appropriate, using weighted average cost basis. Cost of inventories includes costs of purchase and transportation costs. Provision for inventory obsolescence is determined by the excess of cost over net realisable value.

(n) Trade and other receivables

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Interest-bearing borrowings

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

(p) Trade and other payables

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

(q) Cash and cash equivalents

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

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

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

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

(s) Income tax

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax (continued)

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax (continued)

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

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

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

  – the same taxable entity; or

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

(t) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Financial guarantees issued (continued)

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

(ii) Other provisions and contingent liabilities

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

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

(u) Revenue recognition

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

(i) Sales of electricity

Electricity revenue is recognised when electricity is supplied to the provincial grid companies. Revenue excludes value added tax ("**VAT**") or other sales taxes and is after deduction of any trade discounts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue recognition (continued)

(ii) Service concession construction revenue

Revenue relating to construction services under a service concession arrangement is recognised based on the stage of completion of the work performed. Operation revenue that represents the sales of electricity is recognised in the period in accordance with note 2 (u)(i).

(iii) Rendering of services

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

(iv) Dividends

Dividend income from unlisted investments is recognised when the equity shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income

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

(vi) Government grants

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

(v) Translation of foreign currencies

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Translation of foreign currencies (continued)

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 measured.

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

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

(w) Borrowing costs

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

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

(x) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Non-current assets held for sale (continued)

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits and financial assets (other than investments in subsidiaries, associates and joint ventures). These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(y) 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 over the Group;

(ii) has significant influence over the Group; or

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Related parties (continued)

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

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

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

(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).

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

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those polices and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 2. The Group believes the following critical accounting policies involve the most significant judgments and estimates used in the preparation of the financial statements.

3 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

(a) Impairment losses of non-current assets

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, lease prepayments, intangible assets and investment in joint venture and associate, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flow generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

(b) Recoverability of receivables in relation to carbon credits

The Group reviews its receivables in relation to carbon credits on a periodic basis to assess impairment and to determine the amount of impairment loss if the receivables were considered to be impaired. These allowances reflect the difference between the carrying amount of the receivables and the present value of estimated future cash flows. Factors affecting this estimate mainly include the external environment in relation to carbon market, the credit status, financial conditions and reputation of the debtors, history of payments by the debtors (e.g. payment delinquency or default) and the enforceability of the underlying contracts. Any change in circumstances including the Group's business in relation to carbon credits development and the external environment would affect the carrying amounts of the receivables.

(c) Impairment losses for other bad and doubtful debts

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

(d) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and tax credit carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgment exercised by the directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(e) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(f) Income tax

The Group files income taxes with a number of tax authorities. Judgment is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determinations are uncertain during the ordinary course of business. Where the final tax outcomes of these matters are different from the amounts originally recorded, the differences may impact the current income tax and deferred income tax provisions in the periods in which the final tax outcomes became available.

4 REVENUE

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

	2017	2016
	RMB'000	*RMB'000*
Sales of electricity *(note (i))*	**10,548,123**	9,232,562
Others	**6,232**	6,021
	10,554,355	9,238,583

Note:

(i) Sales of electricity were mainly generated by the wind power plants of the Group. The Group has a single reportable operating segment. As the Group does not have material operations outside the PRC, no geographic segment information is presented.

5 OTHER NET INCOME

	2017	2016
	RMB'000	*RMB'000*
Government grants	**325,624**	253,610
Penalty income from suppliers and constructors *(note (i))*	**126,349**	48,471
Net gain/(loss) on disposal of property, plant and equipment	**4,324**	(3,546)
Others	**12,562**	23,163
	468,859	321,698

Note:

(i) Penalty income from suppliers and constructors mainly represented compensations from third party wind turbine suppliers or constructors for revenue losses incurred due to certain spare parts of wind turbines not running stably and certain warranty maintenance work not being conducted timely during the warranty period for certain wind power plants.

6 FINANCE INCOME AND EXPENSES

	2017	2016
	RMB'000	*RMB'000*
Interest income on financial assets	**31,822**	39,198
Foreign exchange gains	**745**	78,696
Dividend income	**24,716**	19,435
Finance income	**57,283**	137,329
Interest on bank loans and other borrowings and finance charges on obligations under finance leases	**2,300,900**	2,336,931
Less: interest expenses capitalised into property, plant and equipment *(note (i))*	**125,489**	207,734
	2,175,411	2,129,197
Foreign exchange losses	**119,125**	1,308
Bank charges and others	**1,027**	2,254
Finance expenses	**2,295,563**	2,132,759
Net finance expenses recognised in profit or loss	**(2,238,280)**	(1,995,430)

Note:

(i) The borrowing costs have been capitalised at rates of 3.47% to 4.35% for the year ended 31 December 2017 (2016: 3.26% to 4.81%).

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Personnel costs

	2017 *RMB'000*	2016 *RMB'000*
Salaries, wages and other benefits	**441,759**	346,438
Contributions to defined contribution retirement plan	**72,246**	56,534
	514,005	402,972

Pursuant to the relevant labour rules and regulations in the PRC, the Group participated in defined contribution retirement schemes (the "**Schemes**") organised by the relevant local government authorities for its employees. The Group is required to make contributions to the Schemes at 14% to 20% of the salaries of the employees. The local government authorities are responsible for the pension obligations to retired employees. In addition, the Group and its staff participate in a retirement plan managed by China Huaneng Group Co., Ltd. ("**Huaneng Group**") to supplement the above-mentioned Schemes and the Group makes contributions to the retirement plan at 5% of the salaries of the employees. The Group has no other material obligation to make payments in respect of pension benefits other than the annual contributions described above.

(b) Other items

	2017 *RMB'000*	2016 *RMB'000*
Amortisation		
– lease prepayments	**8,634**	6,102
– intangible assets	**39,126**	38,582
Depreciation		
– property, plant and equipment	**3,750,694**	3,417,650
Impairment losses recognised in other operating expenses		
– property, plant and equipment *(note 13 (v))*	**62,908**	–
– other non-current assets *(note 19 (v))*	**141,321**	–
Auditors' remuneration		
– audit services	**12,500**	14,900
– other services	**3,500**	3,500
Operating lease charges		
– hire of properties	**50,548**	39,076
Cost of inventories	**114,757**	111,465

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of comprehensive income represents:

	2017	2016
	RMB'000	*RMB'000*
Current tax		
Provision for the year		
– PRC Corporate Income Tax *(note (i) and note 26 (a))*	**348,357**	200,381
– Hong Kong Profits Tax *(note (ii))*	**–**	–
(Over)/under-provision for prior years *(note 26 (a))*	**(2,068)**	572
	346,289	200,953
Deferred tax		
Reversal of temporary differences *(note 26 (b))*	**54**	562
	346,343	201,515

Notes:

(i) The provision for income tax of the Group is calculated based on a statutory rate of 25% of the assessable profit of the Group, except for certain subsidiaries of the Group which are tax exempted or taxed at preferential rates, as determined in accordance with the relevant PRC Corporate Income Tax rules and regulations for the years ended 31 December 2017 and 2016.

(ii) Huaneng Renewables (Hong Kong) Limited ("**Huaneng Renewables HK**"), a subsidiary of the Group incorporated in Hong Kong in 2011, is subject to Hong Kong profits tax which is calculated at 16.5% of its estimated assessable profit for the year. The subsidiary had no assessable profit for the years ended 31 December 2017 and 2016.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

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

	2017	2016
	RMB'000	*RMB'000*
Profit before taxation	**3,407,665**	2,909,529
Applicable tax rate	**25%**	25%
Notional tax on profit before taxation	**851,916**	727,382
Tax effect of non-deductible expenses	**9,197**	2,224
Tax effect of non-taxable income	**(5,185)**	(3,748)
Tax effect of differential tax rate and tax concessions of certain subsidiaries of the Group *(note (i))*	**(585,157)**	(578,833)
Tax effect of temporary differences utilised while not recognised in prior years	**–**	(715)
Tax effect of temporary differences not recognised	**51,057**	–
Tax effect of unused tax losses not recognised	**113,720**	97,126
Tax effect of tax losses utilised while not recognised in prior years	**(53,056)**	(26,748)
Tax credits in relation to purchase of certain environmental protection equipment *(note (ii))*	**(35,828)**	(17,881)
(Over)/under-provision for prior years *(note 26 (a))*	**(2,068)**	572
Others	**1,747**	2,136
Income tax	**346,343**	201,515

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

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

Notes:

(i) Pursuant to Caishui [2008] No.46 Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment (關於執行公共基礎設施項目企業所得稅優惠目錄有關問題的通知), certain wind power projects and solar power projects of the Group, which are approved after 1 January 2008, are entitled to a tax holiday of a 3-year full exemption followed by a 3-year 50% exemption commencing from their respective years in which their first operating income is derived (the "**3+3 tax holiday**").

In addition, pursuant to Caishui [2012] No.10 Notice on the Implementation of Public Infrastructure Projects and Projects of Environmental Protection, Energy Saving and Water Conservation Entitled for Preferential Tax Treatment (關於公共基礎設施項目和環境保護節能節水項目企業所得稅優惠政策問題的通知), certain wind power projects of the Group, which are approved before 31 December 2007, are also entitled to the 3+3 tax holiday commencing from the year in which the first operating income is derived but could only enjoy those tax benefit subsequent to 1 January 2008.

Pursuant to Caishui [2011] No. 58 Notice on Issues Concerning Relevant Tax Policies to In-depth Implementation of the Western Development Strategy (關於深入實施西部大開發戰略有關稅收政策問題的通知) and Announcement [2012] No. 12 Public Announcement on Corporate Income Tax Issues Relating to In-depth Implementation of the Western Development Strategy (關於深入實施西部大開發戰略有關企業所得稅問題的公告), certain subsidiaries of the Group, being enterprises engaged in state encouraged industries established in the specified western regions, are taxed at a preferential income tax rate of 15% and can enjoy the preferential tax rate till 31 December 2020.

(ii) Pursuant to Caishui [2008] No. 48 Notice on Issues Concerning Implementation of Catalogue of Corporate Income Tax Incentives for Special Equipment for Environmental Protection, the Catalogue of Corporate Income Tax Incentives for Special Equipment for Energy and Water Conservation, and the Catalogue of Corporate Income Tax Incentives for Special Equipment for Work Safety (關於執行環境保護專用設備企業所得稅優惠目錄、節能節水專用設備企業所得稅優惠目錄和安全生產專用設備企業所得稅優惠目錄有關問題的通知), certain subsidiaries of the Group, being enterprises that have purchased special equipment for use in environmental protection, energy and water conservation and work safety purposes stipulated in above mentioned catalogues, 10% of the amount invested in the special equipment can be deducted from the income tax in the current year, and such unused tax credit could be carried forward to the following five years.

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

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

	Directors' and Supervisors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	2017 Total *RMB'000*
Directors					
Mr. Cao Peixi (resigned in March 2017) *(note (i))*	–	–	–	–	–
Mr. Zhang Tingke (resigned in March 2017)	–	–	–	–	–
Mr. Wang Kui	–	–	–	–	–
Mr. Lu Fei (appointed in March 2017)	–	–	–	–	–
Mr. Sun Deqiang (appointed in March 2017)	–	–	–	–	–
Mr. Dai Xinmin (appointed in March 2017)	–	–	–	–	–
Mr. Lin Gang *(note (i))*	–	356	512	95	963
Mr. Xiao Jun (resigned in March 2017)	–	57	218	15	290
Mr. Cao Shiguang (appointed in March 2017)	–	267	267	63	597
Ms. Yang Qing	–	312	435	88	835
Mr. He Yan (resigned in March 2017)	–	75	209	22	306
Independent non-executive directors					
Mr. Qin Haiyan	140	–	–	–	140
Ms. Dai Huizhu	140	–	–	–	140
Mr. Zhou Shaopeng	140	–	–	–	140
Mr. Wan Kam To	140	–	–	–	140
Supervisors					
Mr. Huang Jian	–	–	–	–	–
Mr. Wang Huanliang	–	–	–	–	–
Mr. Shi Yan (resigned in November 2017)	–	286	410	81	777
Ms. Zhong Suzhi (appointed in November 2017)	–	24	14	7	45
	560	**1,377**	**2,065**	**371**	**4,373**

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

	Directors' and Supervisors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	2016 Total *RMB'000*
Directors					
Mr. Cao Peixi (Chairman)	–	–	–	–	–
Mr. Zhang Tingke	–	–	–	–	–
Mr. Wang Kui	–	–	–	–	–
Mr. Lin Gang	–	339	471	95	905
Mr. Xiao Jun	–	339	471	95	905
Ms. Yang Qing	–	297	400	87	784
Mr. He Yan	–	297	400	87	784
Independent non-executive directors					
Mr. Qin Haiyan	140	–	–	–	140
Ms. Dai Huizhu	140	–	–	–	140
Mr. Zhou Shaopeng	140	–	–	–	140
Mr. Wan Kam To	140	–	–	–	140
Supervisors					
Mr. Huang Jian	–	–	–	–	–
Mr. Wang Huanliang	–	–	–	–	–
Mr. Yu Zewei (retired in March 2016)	–	74	100	21	195
Mr. Shi Yan (appointed in March 2016)	–	224	300	65	589
	560	1,570	2,142	450	4,722

Note:

(i) On 28 March 2017, Mr. Cao Peixi resigned as the Chairman of the Board and Non-executive Director of the Company. On the same day, Mr. Lin Gang was appointed as the Chairman of the Board.

10 INDIVIDUALS WITH HIGH EMOLUMENTS

Of the five individuals with the highest emoluments, two (2016: four) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other three (2016: one) individual are as follows:

	2017 *RMB'000*	2016 *RMB'000*
Salaries, allowances and benefits in kind	**936**	297
Bonuses	**1,306**	400
Retirement scheme contributions	**265**	87
	2,507	784

The emoluments of the three (2016: one) individual with the highest emoluments are within the following bands:

	2017	2016
HK$500,001 to HK$1,000,000	**3**	1

11 OTHER COMPREHENSIVE INCOME

	2017	2016
	RMB'000	*RMB'000*
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale equity securities:		
– Changes in fair value recognised during the year *(note 19 (iii))*	**(15,635)**	(34,008)
– Tax expense	**–**	–
Net movement in the fair value reserve	**(15,635)**	(34,008)
Exchange difference on translation of financial statements of a subsidiary outside mainland China		
– Before and net of tax amount	**(7,218)**	6,327
Other comprehensive income	**(22,853)**	(27,681)

12 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to the equity shareholders of the Company for the year ended 31 December 2017 of RMB3,011,736,000 (2016: RMB2,658,863,000) and the weighted average number of shares in issue during the year ended 31 December 2017 of 10,251,794,000 shares (2016: 9,727,996,000 shares).

The weighted average number of shares in issue is set out below:

	2017	2016
	Thousands shares	*Thousands shares*
Issued ordinary shares at 1 January	**9,727,996**	9,727,996
Effect of new shares issued	**523,798**	–
	10,251,794	9,727,996

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

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures *RMB'000*	Generators and related equipment *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixtures and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2016	6,011,392	58,810,908	224,058	99,803	14,239,297	79,385,458
Additions	176	9,330	6,368	10,879	6,882,609	6,909,362
Transfer from construction in progress	1,188,222	12,923,774	–	1,371	(14,113,367)	–
Disposals	(476)	(17,815)	(1,891)	–	–	(20,182)
Reclassification	(92,304)	92,354	537	(587)	–	–
Other	(2,910)	(16,797)	(87)	–	–	(19,794)
At 31 December 2016	7,104,100	71,801,754	228,985	111,466	7,008,539	86,254,844
At 1 January 2017	**7,104,100**	**71,801,754**	**228,985**	**111,466**	**7,008,539**	**86,254,844**
Additions	**8,097**	**11,333**	**4,123**	**15,813**	**3,148,290**	**3,187,656**
Transfer from construction in progress	**608,459**	**3,069,726**	**–**	**–**	**(3,678,185)**	**–**
Transfer to construction in progress *(note v)*	**(10,065)**	**(58,694)**	**–**	**–**	**68,759**	**–**
Disposals	**(16,911)**	**(193,116)**	**(13,986)**	**(426)**	**(15,186)**	**(239,625)**
Reclassification	**33,376**	**(34,432)**	**–**	**1,056**	**–**	**–**
Other	**29,314**	**(80,362)**	**–**	**(92)**	**–**	**(51,140)**
At 31 December 2017	**7,756,370**	**74,516,209**	**219,122**	**127,817**	**6,532,217**	**89,151,735**
Accumulated depreciation and impairment losses:						
At 1 January 2016	664,642	9,862,393	107,032	53,072	40,344	10,727,483
Depreciation charge for the year	247,571	3,140,670	22,575	13,036	–	3,423,852
Written back on disposal	(31)	(1,600)	(1,396)	–	–	(3,027)
Reclassification	(9,987)	10,102	45	(160)	–	–
At 31 December 2016	902,195	13,011,565	128,256	65,948	40,344	14,148,308
At 1 January 2017	**902,195**	**13,011,565**	**128,256**	**65,948**	**40,344**	**14,148,308**
Depreciation charge for the year	**271,076**	**3,449,907**	**23,553**	**11,289**	**–**	**3,755,825**
Impairment losses recognised *(note v)*	**5,375**	**57,533**	**–**	**–**	**–**	**62,908**
Written back on disposal	**(16,911)**	**(193,116)**	**(10,987)**	**(426)**	**–**	**(221,440)**
Reclassification	**(3,460)**	**2,845**	**–**	**615**	**–**	**–**
At 31 December 2017	**1,158,275**	**16,328,734**	**140,822**	**77,426**	**40,344**	**17,745,601**
Net book value:						
At 31 December 2016	6,201,905	58,790,189	100,729	45,518	6,968,195	72,106,536
At 31 December 2017	**6,598,095**	**58,187,475**	**78,300**	**50,391**	**6,491,873**	**71,406,134**

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

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

(ii) Property, plant and equipment held under finance leases

Certain properties and equipment of the Group with an aggregate net book value of RMB2,166,746,000 as at 31 December 2017 (31 December 2016: RMB2,651,525,000), are accounted for as finance leases (of which no finance leases pursuant to sales and leaseback agreements (31 December 2016: RMB384,674,000)), with lease periods of 60 to 120 months.

Certain properties and equipment held under finance leases with an aggregate net book value of RMB1,189,299,000 as at 31 December 2017 (2016: RMB1,233,778,000), are pledged by the future electricity revenue of relevant wind power projects of the Group.

(iii) As at 31 December 2017, the Group is in the process of applying for or changing registration of the ownership certificates for certain of its properties. The directors are of the opinion that the Group is entitled to lawfully occupy or use these properties.

(iv) As at 31 December 2017, certain property, plant and equipment with net book value of RMB381,254,000 (31 December 2016: RMB401,331,000) have been pledged as securities for the long-term loans and borrowings granted to a subsidiary of the Company.

(v) In August 2017, a subsidiary of the Group was required by the local government to dismantle its wind power plant due to the local nature reserve requirement. The Group reviewed the development and maintenance plans of its wind power projects and determined the buildings and structures and certain parts of the dismantled wind power plant can be retained for further construction or reserved for usage in other projects of the Group, which have been transferred to construction in progress based on the net carrying amounts. A provision was made for the rest properties and equipment of the dismantled wind power plant by making reference to the valuation report issued by an independent valuer based on their fair value less costs of disposal. As a result, an impairment loss of RMB62,908,000 on the properties and equipment were recognised in other operating expenses for the year ended 31 December 2017. The major dismantling activities of the wind power plant have been completed by the end of 2017.

14 LEASE PREPAYMENTS

	2017	2016
	RMB'000	*RMB'000*
Cost:		
At 1 January	**381,658**	338,707
Additions	**15,150**	42,951
At 31 December	**396,808**	381,658
Accumulated amortisation:		
At 1 January	**30,290**	21,650
Amortisation for the year	**9,347**	8,640
At 31 December	**39,637**	30,290
Net book value:	**357,171**	351,368

Lease prepayments mainly represent prepayments for acquiring rights to use land, which is all located in the PRC, for own use properties with lease period of 20 – 50 years.

As at 31 December 2017, the Group is in the process of applying for registration of the ownership certificates for certain of its land use right. The directors are of the opinion that the Group is entitled to lawfully occupy or use these land.

15 INTANGIBLE ASSETS

	Concession assets *RMB'000*	Software and others *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2016	803,801	28,972	832,773
Additions	–	11,202	11,202
Others	(623)	–	(623)
At 31 December 2016	803,178	40,174	843,352
At 1 January 2017	**803,178**	**40,174**	**843,352**
Additions	**386**	**6,841**	**7,227**
At 31 December 2017	**803,564**	**47,015**	**850,579**
Accumulated amortisation:			
At 1 January 2016	143,886	7,202	151,088
Charge for the year	32,098	6,578	38,676
At 31 December 2016	175,984	13,780	189,764
At 1 January 2017	**175,984**	**13,780**	**189,764**
Charge for the year	**32,074**	**7,724**	**39,798**
At 31 December 2017	**208,058**	**21,504**	**229,562**
Net book value:			
At 31 December 2016	627,194	26,394	653,588
At 31 December 2017	**595,506**	**25,511**	**621,017**

The Group entered into service concession agreements with local government (the "**Grantor**") in prior periods to construct and operate power plants for a concession period of 25 years. The Group is responsible for construction and maintenance of the power plants during the concession period. At the end of the concession period, the Group needs to dismantle the power plants or negotiate with the Grantor for a renewal of the service concession agreement. The Group has recognised intangible assets related to the service concession arrangements, representing the rights 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 power plants.

The Group recognises the intangible assets at the fair value of the concession construction service as all the contracts related to the power plants construction are entered into at fair market value through public tender in open market. The concession assets are amortised over the operating period of the service concession projects.

(Expressed in RMB unless otherwise stated)

16 INVESTMENTS IN SUBSIDIARIES

As at 31 December 2017, the subsidiaries of the Company, all of which are unlisted limited liability companies, were listed as follows:

	Name of the company	Place of establishment	Registered capital	Percentage of attributable equity interest held by the Company	Principal activities
1	Huaneng Shantou Nan'ao Wind Power Company Limited 華能汕頭南澳風力發電有限公司 *(note (ii))*	the PRC	RMB23,000,000	60%	Wind power generation
2	Huaneng Shantou Wind Power Company Limited 華能汕頭風力發電有限公司 *(note (ii))*	the PRC	RMB194,190,000	50%	Wind power generation
3	HNEEP-CLP Changdao Wind Power Co., Ltd 華能中電長島風力發電有限公司 *(note (ii))*	the PRC	RMB99,072,000	55%	Wind power generation
4	HNNE-CLP Weihai Wind Power Company Limited 華能中電威海風力發電有限公司 *(note (ii))*	the PRC	RMB253,240,000	55%	Wind power generation
5	Huaneng Rongcheng Wind Power Company Limited 華能榮成風力發電有限公司	the PRC	RMB60,000,000	100%	Wind power generation
6	Huaneng Shouguang Wind Power Company Limited 華能壽光風力發電有限公司	the PRC	RMB186,730,000	55%	Wind power generation
7	Huaneng Changyi Wind Power Company Limited 華能昌邑風力發電有限公司	the PRC	RMB235,300,000	100%	Wind power generation
8	Huaneng Weifang Binhai Wind Power Company Limited 華能濰坊濱海風力發電有限公司	the PRC	RMB129,000,000	100%	Wind power generation
9	Huaneng Lijin Wind Power Company Limited 華能利津風力發電有限公司	the PRC	RMB90,400,000	100%	Wind power generation
10	Huaneng Dongying Hekou Wind Power Company Limited 華能東營河口風力發電有限公司	the PRC	RMB530,972,880	100%	Wind power generation
11	Huaneng Laoting Wind Power Company Limited 華能樂亭風力發電有限公司 *(note (ii))*	the PRC	RMB185,280,000	55%	Wind power generation

(Expressed in RMB unless otherwise stated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	Name of the company	Place of establishment	Registered capital	Percentage of attributable equity interest held by the Company	Principal activities
12	Huaneng Chengde Wind Power Company Limited 華能承德風力發電有限公司	the PRC	RMB318,000,000	100%	Wind power and solar power generation
13	Huaneng Hong Kong Electric Dali Wind Power Company Limited 華能港燈大理風力發電有限公司 *(note (ii))*	the PRC	RMB150,690,000	55%	Wind power generation
14	Huaneng Eryuan Wind Power Company Limited 華能洱源風力發電有限公司	the PRC	RMB240,000,000	100%	Wind power and solar power generation and relevant services
15	Huaneng Fuxin Wind Power Company Limited 華能阜新風力發電有限責任公司	the PRC	RMB1,682,120,000	100%	Wind power and solar power generation
16	Huaneng Panjin Wind Power Company Limited 華能盤錦風力發電有限公司	the PRC	RMB172,336,120	53%	Wind power generation
17	Huaneng Jinzhou Wind Power Company Limited 華能錦州風力發電有限公司 *(note (iv))*	the PRC	RMB338,180,000	100%	Wind power generation
18	Huaneng Tongliao Wind Power Company Limited 華能通遼風力發電有限公司	the PRC	RMB1,374,554,000	100%	Wind power generation and relevant services
19	Huaneng Hulunbuir Wind Power Company Limited 華能呼倫貝爾風力發電有限公司 *(note (ii))*	the PRC	RMB100,000,000	51%	Wind power generation
20	Huaneng Baotou Wind Power Company Limited 華能包頭風力發電有限公司	the PRC	RMB479,440,700	100%	Wind power and solar power generation
21	Huaneng Huhhot Wind Power Company Limited 華能呼和浩特風力發電有限公司	the PRC	RMB484,441,300	100%	Wind power and solar power generation
22	Huaneng Yangjiang Wind Power Company Limited 華能陽江風力發電有限公司	the PRC	RMB260,548,600	100%	Wind power generation
23	Huaneng Jimo Wind Power Company Limited 華能即墨風力發電有限公司	the PRC	RMB80,520,000	100%	Wind power generation

(Expressed in RMB unless otherwise stated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	Name of the company	Place of establishment	Registered capital	Percentage of attributable equity interest held by the Company	Principal activities
24	Huaneng Tongyu Xinhua Wind Power Company Limited 華能通榆新華風力發電有限公司	the PRC	RMB388,630,000	100%	Wind power generation
25	Huaneng Xinjiang Santanghu Wind Power Company Limited 華能新疆三塘湖風力發電有限責任公司	the PRC	RMB298,070,500	100%	Wind power generation
26	Huaneng Weining Wind Power Company Limited 華能威寧風力發電有限公司	the PRC	RMB481,500,000	100%	Wind power generation
27	Huaneng Ningwu Wind Power Company Limited 華能寧武風力發電有限公司	the PRC	RMB171,200,000	100%	Wind power generation
28	Huaneng New Energy Shanghai Power Company Limited 華能新能源上海發電有限公司	the PRC	RMB120,500,000	100%	Wind power generation
29	Huaneng Tieling Wind Power Company Limited 華能鐵嶺風力發電有限公司	the PRC	RMB155,500,000	75%	Wind power generation
30	Huaneng Yuanping Wind Power Company Limited 華能原平風力發電有限公司	the PRC	RMB163,146,400	100%	Wind power generation
31	Huaneng Tianzhen Wind Power Company Limited 華能天鎮風力發電有限公司	the PRC	RMB191,535,400	100%	Wind power and solar power generation
32	Huaneng Pianguan Wind Power Company Limited 華能偏關風力發電有限公司	the PRC	RMB187,228,900	100%	Wind power and solar power generation
33	Huaneng Hezhang Wind Power Company Limited 華能赫章風力發電有限公司	the PRC	RMB292,500,000	100%	Wind power generation
34	Huaneng Tieling Daxing Wind Power Company Limited 華能鐵嶺大興風力發電有限公司 *(note (iv))*	the PRC	RMB492,180,240	75%	Wind power generation
35	Huaneng Baicheng Wind Power Company Limited 華能白城風力發電有限公司	the PRC	RMB143,890,000	100%	Wind power and solar power generation

(Expressed in RMB unless otherwise stated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	Name of the company	Place of establishment	Registered capital	Percentage of attributable equity interest held by the Company	Principal activities
36	Huaneng Yantai Wind Power Company Limited 華能煙台風力發電有限公司 *(note (iv))*	the PRC	RMB120,000,000	100%	Wind power generation
37	Huaneng Dali Wind Power Company Limited 華能大理風力發電有限公司	the PRC	RMB210,000,000	100%	Wind power generation
38	Huaneng Weifang Wind Power Company Limited 華能濰坊風力發電有限公司	the PRC	RMB225,740,300	100%	Wind power generation
39	Huaneng Gaizhou Wind Power Company Limited 華能蓋州風力發電有限公司	the PRC	RMB90,850,000	100%	Wind power generation
40	Huaneng Raoping Wind Power Company Limited 華能饒平風力發電有限公司	the PRC	RMB265,830,000	100%	Wind power generation
41	Huaneng Dingbian New Energy Power Company Limited 華能定邊新能源發電有限公司	the PRC	RMB635,330,000	100%	Wind power and solar power generation
42	Huaneng Chenbaerhuqi Wind Power Company Limited 華能陳巴爾虎旗風力發電有限公司	the PRC	RMB74,020,000	100%	Wind power generation
43	Huaneng Manzhouli Wind Power Company Limited 華能滿洲裡風力發電有限公司	the PRC	RMB91,480,000	100%	Wind power generation
44	Huaneng Zhanjiang Wind Power Company Limited 華能湛江風力發電有限公司	the PRC	RMB179,818,100	100%	Wind power generation
45	Huaneng Xinjiang Qinghe Wind Power Company Limited 華能新疆青河風力發電有限公司	the PRC	RMB185,260,000	100%	Wind power generation
46	Huaneng Nanhua Wind Power Company Limited 華能南華風力發電有限公司	the PRC	RMB139,500,800	100%	Wind power generation
47	Huaneng Zhaojue Wind Power Company Limited 華能昭覺風力發電有限公司	the PRC	RMB245,000,000	100%	Wind power generation

(Expressed in RMB unless otherwise stated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	Name of the company	Place of establishment	Registered capital	Percentage of attributable equity interest held by the Company	Principal activities
48	Huaneng Renewables (Hong Kong) Limited 華能新能源(香港)有限公司	Hong Kong	100,000 shares	100%	Investment management
49	Huaneng Tangshan Fengnan Wind Power Company Limited 華能唐山豐南風力發電有限公司	the PRC	RMB45,000,000	100%	Wind power generation
50	Huaneng Yunlong Wind Power Company Limited 華能雲龍風力發電有限公司	the PRC	RMB63,000,000	100%	Wind power generation
51	Huaneng Changning Wind Power Company Limited 華能昌寧風力發電有限公司	the PRC	RMB77,439,000	100%	Wind power generation
52	Huaneng Weishan Wind Power Company Limited 華能巍山風力發電有限公司	the PRC	RMB33,000,000	100%	Wind power generation
53	Huaneng Yishui Wind Power Company Limited 華能沂水風力發電有限公司	the PRC	RMB78,400,000	100%	Wind power generation
54	Huaneng Mingyang New Energy Investment Company Limited 華能明陽新能源投資有限公司	the PRC	RMB100,000,000	63%	Wind power generation
55	Huaneng Heqing Wind Power Company Limited 華能鶴慶風力發電有限公司	the PRC	RMB1,000,000	100%	Wind power generation
56	Huaneng Kunming Wind Power Company Limited 華能昆明風力發電有限公司	the PRC	RMB3,000,000	100%	Wind power generation
57	Huaneng Wutai Wind Power Company Limited 華能五台風力發電有限公司	the PRC	RMB75,100,000	100%	Wind power generation
58	Huaneng Huili Wind Power Company Limited 華能會理風力發電有限公司	the PRC	RMB170,000,000	100%	Wind power generation

(Expressed in RMB unless otherwise stated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	Name of the company	Place of establishment	Registered capital	Percentage of attributable equity interest held by the Company	Principal activities
59	Huaneng Butuo Wind Power Company Limited 華能布拖風力發電有限公司	the PRC	RMB180,000,000	100%	Wind power generation
60	Huaneng Shenchi Wind Power Company Limited 華能神池風力發電有限公司	the PRC	RMB232,420,100	100%	Wind power generation
61	Huaneng Huailai Wind Power Company Limited 華能懷來風力發電有限公司	the PRC	RMB110,000,000	100%	Wind power generation
62	Huaneng Fanshi Wind Power Company Limited 華能繁峙風力發電有限公司	the PRC	RMB140,628,600	100%	Wind power generation
63	Huaneng Gansu Jinchang New Energy Power Company Limited 華能甘肅金昌新能源發電有限公司	the PRC	RMB20,000,000	100%	Solar power generation
64	Jinchang Century Concord New Energy Company Limited 金昌協合新能源有限公司	the PRC	RMB50,000,000	100%	Solar power generation
65	Yongchang Century Concord Solar Power Company Limited 永昌協合太陽能發電有限公司	the PRC	RMB50,000,000	100%	Solar power generation
66	Huaneng Ningnan Wind Power Company Limited 華能寧南風力發電有限公司	the PRC	RMB150,000,000	100%	Wind power generation
67	Huaneng Qingtongxia New Energy Power Company Limited 華能青銅峽新能源發電有限公司	the PRC	RMB32,000,000	100%	Solar power generation
68	Huaneng Fuchuan Wind Power Company Limited 華能富川風力發電有限公司	the PRC	RMB193,250,000	100%	Wind power generation
69	Huaneng Gonghe Solar Power Company Limited 華能共和光伏發電有限公司	the PRC	RMB211,190,000	100%	Solar power generation
70	Huaneng Shanwei Wind Power Company Limited 華能汕尾風力發電有限公司	the PRC	RMB115,000,000	100%	Wind power generation

(Expressed in RMB unless otherwise stated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	Name of the company	Place of establishment	Registered capital	Percentage of attributable equity interest held by the Company	Principal activities
71	Huaneng Yunhe Wind Power Company Limited 華能雲和風力發電有限公司	the PRC	RMB47,000,000	100%	Wind power and solar Power generation
72	Huaneng New Energy Panxian Wind Power Company Limited 華能新能源盤縣風力發電有限公司	the PRC	RMB20,000,000	100%	Wind power generation
73	Huaneng Ge'ermu Photovoltaic Power Generation Company Limited 華能格爾木光伏發電有限公司	the PRC	RMB295,118,100	100%	Solar power generation
74	Huaneng Chifeng New Energy Company Limited 華能赤峰新能源有限公司	the PRC	RMB516,160,000	100%	Wind power generation
75	Huaneng New Energy Shilin Photovoltaic Power Company Limited 華能新能源石林光伏發電有限公司	the PRC	RMB10,000,000	100%	Solar power generation
76	Huaneng Xiangyun Wind Power Company Limited 華能祥雲風力發電有限公司	the PRC	RMB1,000,000	100%	Wind power generation
77	Huaneng Wulatehouqi New Energy Power Company Limited 華能烏拉特後旗新能源發電有限公司	the PRC	RMB85,360,000	100%	Wind power generation
78	Huaneng Zhenglanqi New Energy Power Company Limited 華能正藍旗新能源發電有限公司	the PRC	RMB55,000,000	100%	Wind power and solar power generation
79	Huaneng Siziwangqi New Energy Power Company Limited 華能四子王旗新能源發電有限公司	the PRC	RMB38,000,000	100%	Wind power and solar power generation
80	Huaneng Qinhuangdao Wind Power Company Limited 華能秦皇島風力發電有限公司	the PRC	RMB20,000,000	100%	Wind power generation

(Expressed in RMB unless otherwise stated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	Name of the company	Place of establishment	Registered capital	Percentage of attributable equity interest held by the Company	Principal activities
81	Huaneng Kumul Photovoltaic Power Generation Company Limited 華能哈密光伏發電有限公司	the PRC	RMB58,000,000	100%	Solar power generation
82	Huaneng Wulatezhongqi New Energy Power Company Limited 華能烏拉特中旗新能源發電有限公司	the PRC	RMB188,000,000	100%	Wind power and solar power generation
83	Huaneng Burqin Wind Power Company Limited 華能布爾津風力發電有限公司	the PRC	RMB10,000,000	100%	Wind power generation
84	Huaneng Qingyuan Wind Power Company Limited 華能慶元風力發電有限公司	the PRC	RMB71,000,000	100%	Wind power generation
85	Huaneng Pingyi Wind Power Company Limited 華能平邑風力發電有限公司	the PRC	RMB20,000,000	100%	Wind power and solar power generation
86	Huaneng Xiongfei (Beijing) New Energy Power Company Limited 華能雄飛(北京)新能源有限公司	the PRC	RMB100,000	51%	Solar power generation
87	Huaneng Zhalaiteqi Solar Power Company Limited 華能紮賚特旗太陽能光伏發電有限公司 *(note (iv))*	the PRC	RMB389,488,000	100%	Wind power and solar power generation
88	Huaneng Jinyun New Energy Power Company Limited 華能縉雲新能源發電有限公司	the PRC	RMB20,000,000	100%	Wind power generation
89	Huaneng Muli Wind Power Company Limited 華能木裡風力發電有限公司	the PRC	RMB20,000,000	100%	Wind power generation
90	Huaneng Jishangweichang Manchu Mongolian Autonomous County Wind Power Company Limited 華能吉上圍場滿族蒙古族自治縣風力發電有限公司	the PRC	RMB100,000	100%	Wind power generation

(Expressed in RMB unless otherwise stated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	Name of the company	Place of establishment	Registered capital	Percentage of attributable equity interest held by the Company	Principal activities
91	Huaneng Haixing Wind Power Company Limited 華能海興風力發電有限公司	the PRC	RMB20,000,000	100%	Wind power generation
92	Huaneng Huoshan New Energy Power Company Limited 華能霍山新能源發電有限公司	the PRC	RMB10,000,000	100%	Wind power generation
93	Huaneng Xifeng Wind Power Company Limited 華能息烽風力發電有限公司 *(note (iii))*	the PRC	RMB20,000,000	100%	Wind power generation
94	Huaneng Yijun New Energy Power Company Limited 華能宜君新能源發電有限公司 *(note (iii))*	the PRC	RMB100,000	100%	Wind power generation
95	Huaneng (Fujian Liancheng) New Energy Company Limited 華能(福建連城)新能源有限公司 *(note (iii))*	the PRC	RMB100,000	100%	Wind power generation
96	Huaneng Qinglong Wind Power Company Limited 華能青龍風力發電有限公司 *(note (iii))*	the PRC	RMB20,000,000	100%	Wind power generation
97	Huaneng Abagaqi New Energy Power Company Limited 華能阿巴嘎旗新能源發電有限公司 *(note (iii))*	the PRC	RMB100,000	100%	Wind power generation
98	Huaneng Butuo Photovoltaic Agriculture Power Company Limited 華能布拖光伏農業发电有限公司 *(note (iii))*	the PRC	RMB100,000	51%	Solar power generation
99	Huaneng New Energy Huilongxu Power Company Limited 華能新能源回龍圩發電有限公司 *(note (iii))*	the PRC	RMB100,000	100%	Wind power generation
100	Huaneng Wugang New Energy Power Company Limited 華能舞鋼新能源發電有限公司 *(note (iii))*	the PRC	RMB1,630,180	100%	Solar power generation
101	Huaneng New Energy Xiangxiang Wind Power Company Limited 華能新能源湘鄉風力發電有限公司 *(note (iii))*	the PRC	RMB20,000,000	100%	Wind power generation

(Expressed in RMB unless otherwise stated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	Name of the company	Place of establishment	Registered capital	Percentage of attributable equity interest held by the Company	Principal activities
102	Huaneng Wushanxian New Energy Company Limited 華能巫山縣新能源有限公司 *(note (iii))*	the PRC	RMB100,000	100%	Wind power generation
103	Huaneng Zhangbei Wind Power Company Limited 華能張北風力發電有限公司 *(note (iii))*	the PRC	RMB100,000	100%	Wind power generation
104	Huaneng Laiyuan Wind Power Company Limited 華能淶源風力發電有限公司 *(note (iii))*	the PRC	RMB100,000	100%	Wind power generation
105	Huaneng Wuchuanxian Photovoltaic Power Company Limited 華能武川縣光伏发电有限公司 *(note (iii))*	the PRC	RMB100,000	100%	Solar power generation
106	Huaneng Wulateqianqi Photovoltaic Power Company Limited 華能烏拉特前旗光伏发电有限公司 *(note (iii))*	the PRC	RMB100,000	100%	Solar power generation

Notes:

(i) The English translation of the names is for reference only, except for the subsidiary incorporated in Hong Kong. The official names of these entities are in Chinese.

(ii) The Company directly owns the most equity interests in these companies but the voting power attached to the equity interests does not allow the Company to have the power to govern the financial and operating activities of these companies according to the articles of association of these companies. The Company is the largest equity owner of these companies and no other equity owners individually or in aggregate had the power to control these companies according to the articles of association. Historically, the Company controlled the operation of these entities by appointing senior management, approving annual budget and determining the remuneration of employees etc. The Company had signed the concert party agreements with certain equity owners of these companies, whereby such equity owners have agreed to vote the same as the Company. Such equity owners have also confirmed that the voting in unison with the Company existed since the establishment of these entities. The PRC lawyer of the Company confirmed that the concert party agreements are valid under relevant PRC laws. Considering above mentioned factors, the directors are of the opinion that the Company controlled these entities during the years presented. Therefore the financial statements of these companies are consolidated by the Company during the years presented.

(iii) These companies were newly established in 2017.

(iv) In 2017, to simplify the structure of the Group, these subsidiaries merged with certain other subsidiaries of the Group, which were held directly by the Company previously.

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following table lists out the information relation to the subsidiaries of the Group which have material non-controlling interest ("**NCI**"). The summarised financial information presented below presents the amounts before any inter-company elimination.

	Huaneng Shantou Wind Power Company Limited		HNNE-CLP Weihai Wind Power Company Limited		Huaneng Panjin Wind Power Company Limited		Huaneng Laoting Wind Power Company Limited		Huaneng Hong Kong Electric Dali Wind Power Company Limited	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
NCI percentage	**50%**	50%	**45%**	45%	**47%**	47%	**45%**	45%	**45%**	45%
Current assets	**29,065**	23,924	**46,609**	25,240	**34,361**	26,482	**40,655**	22,405	**37,301**	18,882
Non-current assets	**333,724**	353,622	**434,327**	469,295	**345,492**	364,975	**322,692**	346,672	**260,255**	277,233
Current liabilities	**(64,716)**	(62,149)	**(134,876)**	(104,562)	**(76,293)**	(60,067)	**(45,526)**	(29,715)	**(60,841)**	(37,496)
Non-current liabilities	**(58,351)**	(86,189)	**(70,002)**	(102,059)	**(116,640)**	(149,560)	**(117,064)**	(141,045)	**(54,805)**	(77,165)
Net assets	**239,722**	229,208	**276,058**	287,914	**186,920**	181,830	**200,757**	198,317	**181,910**	181,454
Carrying amount of NCI	**119,861**	114,604	**124,226**	129,561	**88,318**	85,926	**90,341**	89,243	**81,860**	81,654
Revenue	**77,532**	69,533	**70,848**	71,089	**48,850**	47,701	**46,426**	48,004	**45,096**	40,691
Profit and total comprehensive income for the year	**30,694**	20,360	**18,277**	18,117	**13,549**	8,460	**7,841**	5,402	**13,710**	13,262
Profit allocated to NCI	**15,347**	10,180	**8,225**	8,153	**6,368**	3,976	**3,528**	2,431	**6,170**	5,968
Dividends paid to NCI	**11,072**	10,892	**678**	9,492	**7,200**	–	**5,042**	42	**12,158**	–
Cash flows from operating activities	**60,161**	50,434	**43,486**	44,218	**27,949**	40,127	**27,421**	23,275	**32,072**	40,330
Cash flows from investing activities	**(2,951)**	(4,284)	**(698)**	(5,083)	**(2,583)**	(766)	**(2,187)**	(2,497)	**(691)**	(6,037)
Cash flows from financing activities	**(53,419)**	(44,060)	**(31,792)**	(58,460)	**(28,388)**	(65,176)	**(16,364)**	(26,510)	**(20,013)**	(38,743)

17 INTEREST IN ASSOCIATES

	2017	2016
	RMB'000	*RMB'000*
Interest in associates	**178,956**	29,423

The following list contains only the particulars of associates, all of which are unlisted corporate entities whose quoted market price are not available:

			Proportion of ownership interest		
Name of associates	**Place of establishment**	**Particulars of registered/ subscribed capital**	**Group's effective interest**	**Held by the Company**	**Principal activities**
Shanghai Lingang Offshore Wind Power Company Limited ("**Shanghai Lingang**", 上海臨港海上風力發電有限公司)	the PRC	RMB351,810,000	46%	46%	Development of offshore wind power projects
Tianjin HIWLR-Taikang Equity Investment Fund Centre (Limited Partnership) ("**HIWLR-Taikang**", 天津華景泰康股權投資基金中心(有限合夥)) *(note (i))*	the PRC	note (i)	19.94%	19.94%	Investment of renewables projects
Jilin Zhanyu Wind Power Assets Management Co., Ltd. ("**Jilin Zhanyu**", 吉林省瞻榆風電資產經營管理有限公司) *(note (ii))*	the PRC	RMB713,800,000	12.86%	12.86%	Management of wind power equipment

Notes:

(i) HIWLR-Taikang is the partnership established by the Company, Taikang Life Insurance Co., Ltd., Tianjin Huaxu Renewables Technology Development Co., Ltd. and Tianjin HIWLR Ruichi Enterprise Management Consulting Partnership (Limited Partnership) in 2017. HIWLR-Taikang is the operating entity of the first tranche of HIWLR-Taikang Renewables Development Fund amounting to RMB2,006,000,000. The Company subscribed for RMB400,000,000 as one of the limited partners, representing approximately 19.94% of the amount. As at 31 December 2017, the Company contributed amount of RMB60,818,000 to HIWLR-Taikang.

(ii) The investment in Jilin Zhanyu was previously classified as available-for-sale financial assets measured at cost (see note 19 (ii)). In 2017, the Company exercised significant influence over Jilin Zhanyu after its commencement of operation through a director appointed to the entity, and accordingly recorded the investment as interest in associates using equity method.

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

17 INTEREST IN ASSOCIATES (CONTINUED)

Summarised financial information of the associates reconciled to the carrying amounts in the consolidated financial statements, are disclosed as below:

	Shanghai Lingang		HIWLR-Taikang	Jilin Zhanyu
	2017	2016	**2017**	**2017**
	RMB'000	*RMB'000*	***RMB'000***	***RMB'000***
Current assets	**370,549**	133,407	**319,999**	**53,848**
Non-current assets	**1,460,048**	971,262	**–**	**480,981**
Current liabilities	**(479,743)**	(734,723)	**(15,151)**	**(16,952)**
Non-current liabilities	**(1,077,490)**	(154,000)	**–**	**–**
Equity	**273,364**	215,946	**304,848**	**517,877**
Included in the above assets and liabilities:				
Cash and cash equivalents	**112,268**	55,718	**6,018**	**33,510**
Revenue	**–**	–	**–**	**13,957**
Loss for the year	**–**	(2,445)	**–**	**(23,993)**
Other comprehensive income	**–**	–	**–**	**–**
Total comprehensive income	**–**	(2,445)	**–**	**(23,993)**
Reconciled to the Group's interest in the associate				
Gross amounts of the net assets	**273,364**	215,946	**304,848**	**517,877**
Add: Capital injection committed by other partner/shareholders	**–**	–	**155**	**171,972**
Less: Capital injection from the controlling shareholder in advance	**209,400**	151,982	**–**	**–**
	63,964	63,964	**305,003**	**689,849**
The Group's effective interest	**46%**	46%	**19.94%**	**12.86%**
The Group's share of the net assets	**29,423**	29,423	**60,818**	**88,715**
Carrying amount in the consolidated financial statements	**29,423**	29,423	**60,818**	**88,715**

18 INTEREST IN A JOINT VENTURE

	2017	2016
	RMB'000	*RMB'000*
Interest in a joint venture	**74,940**	76,853

The investment in a joint venture represented the 50% equity interests in Beijing Hua Heng Hai Hui Oceanic Energy Co., Ltd. (北京華恒海惠海洋能有限責任公司) with a registered capital of RMB170,200,000. It was established in the PRC in 2011 and is mainly engaged in the development of oceanic energy.

According to the articles of association of the investee, the decisions about its relevant activities require the unanimous consent of the Company and the other equity owner. The parties sharing control have rights to the net assets of the arrangement.

Summarised financial information of the joint venture reconciled to the carrying amounts in the consolidated financial statements, is disclosed as below:

	2017	2016
	RMB'000	*RMB'000*
Current assets	**50,606**	62,541
Non-current assets	**133,960**	121,439
Current liabilities	**(4,686)**	(274)
Non-current liabilities	**(30,000)**	(30,000)
Equity	**149,880**	153,706
Included in the above assets and liabilities:		
Cash and cash equivalents	**20,669**	41,518
Revenue	**–**	–
Loss for the year	**(3,826)**	(3,882)
Other comprehensive income	**–**	–
Total comprehensive income	**(3,826)**	(3,882)
Reconciled to the Group's interest in the joint venture		
Gross amounts of the net assets	**149,880**	153,706
The Group's effective interest	**50%**	50%
The Group's share of the net assets	**74,940**	76,853
Carrying amount in the consolidated financial statements	**74,940**	76,853

19 OTHER NON-CURRENT ASSETS

	2017 RMB'000	2016 RMB'000
Deductible VAT *(note (i))*	**1,510,258**	2,334,896
Unquoted equity investments in non-listed companies, at cost *(note (ii))*	**449,617**	541,417
Available-for-sale equity securities, measured at fair value – Listed in Hong Kong *(note (iii))*	**285,221**	300,856
Deposits and advances to third parties *(note (iv))*	**53,632**	41,662
Long-term receivables for carbon credits *(note (v))*	**141,321**	141,321
Other long-term assets	**167,964**	167,801
	2,608,013	3,527,953
Less: allowance for long-term receivables for carbon credits *(note(v))*	**141,321**	–
	2,466,692	3,527,953

Notes:

(i) Deductible VAT mainly represents the input VAT relating to purchase of property, plant and equipment, which is deductible from output VAT. Those expected to be deducted within one year is presented in prepayments and other current assets (see note 21).

(ii) The following list contains the unquoted equity investments in non-listed entities as of 31 December 2017, all of which are corporate entities and established in the PRC:

	Name of the company	Particulars of registered capital RMB'000	Percentage of attributable equity interest	Principal activities
1	China Huaneng Finance Corporation Ltd. ("**Huaneng Finance**", 中國華能財務有限責任公司)	5,000,000	1%	Financial services
2	Neimeng Huhhot Hydro-Power Generation Co., Ltd. (內蒙古呼和浩特抽水蓄能發電有限責任公司)	1,500,000	6.49%	Hydro-power generation utilizing pumped storage technology
3	Huaneng Carbon Asset Management Co., Ltd. ("**Huaneng Carbon**", 華能碳資產經營有限公司)	250,000	10%	Management and investment of carbon assets
4	Huaneng Tiancheng Financial Leasing Co., Ltd. ("**Huaneng Tiancheng**", 華能天成融資租賃有限公司)	2,700,000	10%	Financial leasing and leasing related services

As at 31 December 2017 and 2016, the balance of investments in Huaneng Finance, Huaneng Carbon and Huaneng Tiancheng were RMB51,225,000, RMB25,000,000 and RMB276,000,000 respectively.

19 OTHER NON-CURRENT ASSETS (CONTINUED)

(iii) The available-for-sale equity securities were purchased in December 2015, measured at fair value. For the year ended 31 December 2017, the fair value is remeasured based on quoted market price with resultant loss amounting to RMB15,635,000 (2016: RMB34,008,000) being recognised in other comprehensive income.

(iv) The deposits and advances to third parties are unsecured and interest free.

(v) Due to the uncertainty of the development of the domestic and overseas carbon markets, the management considers that the recovery of long-term receivables in respect of Certified Emission Reduction ("**CERs**") recognised in prior years is significantly doubtful. As a result, allowance of RMB141,321,000 was recognised in other operating expenses for the year ended 31 December 2017.

20 TRADE DEBTORS AND BILLS RECEIVABLE

	2017	2016
	RMB'000	*RMB'000*
Amounts due from third parties	**7,214,032**	4,635,392
Less: allowance for doubtful debts	**–**	–
	7,214,032	4,635,392

The ageing analysis of trade debtors and bills receivable of the Group is as follows:

	2017	2016
	RMB'000	*RMB'000*
Current	**7,214,032**	4,635,392
Past due	**–**	–
	7,214,032	4,635,392
Less: allowance for doubtful debts	**–**	–
	7,214,032	4,635,392

20 TRADE DEBTORS AND BILLS RECEIVABLE (CONTINUED)

The Group's trade receivables are mainly wind power electricity sales receivables from local grid companies. Generally, the receivables are due within 15 days to 30 days from the date of billing, except for the tariff premium, representing 31% to 94% of total electricity sales, collected by certain power projects. The collection of such tariff premium is subject to the allocation of funds by relevant government authorities to local grid companies, which therefore takes a relatively long time for settlement.

Pursuant to CaiJian [2012] No.102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加補助資金管理暫行辦法) jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration in March 2012, a set of standardised procedures for the settlement of the tariff premium has come into force since 2012 and approvals on a project by project basis are required before the allocation of funds to local grid companies. As at 31 December 2017, most of the operating projects have been approved for the tariff premium and certain projects are in the process of applying for the approval. The directors of the Company are of the opinion that the approvals will be obtained in due course and the tariff premium receivables are fully recoverable considering that there are no bad debt experiences with the grid companies in the past and the tariff premium is funded by the PRC government.

Trade receivables that were neither past due nor impaired mainly represented the electricity sales receivable from local grid companies for whom there was no recent history of default.

All trade debtors and bills receivable are expected to be recovered within one year.

21 PREPAYMENTS AND OTHER CURRENT ASSETS

	2017	2016
	RMB'000	*RMB'000*
Government grant receivable	**49,076**	43,051
Amounts due from fellow subsidiaries	**27,662**	16,305
Interest receivable	**–**	2,031
Staff advance	**4,918**	5,493
Deposits *(note (i))*	**33,441**	40,704
Prepayments to		
– Fellow subsidiaries	**454**	15,077
– Third parties	**6,903**	4,042
Deductible VAT *(note 19 (i))*	**1,240,625**	1,247,701
Others	**33,259**	41,586
	1,396,338	1,415,990
Less: allowance for doubtful debts	**818**	818
	1,395,520	1,415,172

Note:

(i) Deposits mainly represented deposits placed with local authorities for developing wind power and construction. The deposits will be released to the Group during certain development stage or by the completion of the power plants construction.

22 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(a) Cash at bank and on hand comprise:

	2017	2016
	RMB'000	*RMB'000*
Cash on hand	**49**	425
Cash at bank and other financial institutions	**2,502,614**	2,569,633
	2,502,663	2,570,058
Representing:		
– Cash and cash equivalents	**2,502,663**	1,665,389
– Time deposits with original maturity over three months	**–**	904,669
	2,502,663	2,570,058

22 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

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

	Borrowings *RMB'000* *(note 23)*	Obligations under finance leases *RMB'000* *(note 24)*	Interest payable *RMB'000* *(note 25)*	Dividends payable *RMB'000* *(note 25)*	Total *RMB'000*
At 1 January 2017	50,934,822	2,018,120	162,890	64,940	53,180,772
Changes from financing cash flows:					
Proceeds from borrowings	38,788,524	–	–	–	38,788,524
Repayment of borrowings	(39,945,065)	–	–	–	(39,945,065)
Payment of finance lease obligations	–	(554,711)	(6,468)	–	(561,179)
Interest paid	–	–	(2,240,932)	–	(2,240,932)
Dividends of subsidiaries paid to non-controlling interests	–	–	–	(50,129)	(50,129)
Dividends paid to equity shareholders of the Company	–	–	–	(433,228)	(433,228)
Total changes from financing cash flows	(1,156,541)	(554,711)	(2,247,400)	(483,357)	(4,442,009)
Other changes:					
Interest expenses	12,517	68,658	2,093,953	–	2,175,128
Capitalised interest expenses *(note 6)*	–	16,040	109,449	–	125,489
Dividends of subsidiaries to non-controlling interests	–	–	–	66,110	66,110
Dividends to equity shareholders of the company	–	–	–	433,228	433,228
Input VAT under finance leases	–	35,232	–	–	35,232
Others	13,288	–	–	–	13,288
Total other changes	25,805	119,930	2,203,402	499,338	2,848,475
At 31 December 2017	49,804,086	1,583,339	118,892	80,921	51,587,238

23 BORROWINGS

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

	2017	2016
	RMB'000	*RMB'000*
Bank loans		
– Secured	**6,542,361**	7,004,018
– Unsecured	**24,650,117**	23,255,001
Loan from a fellow subsidiary (unsecured)	**500,000**	40,000
Other borrowings *(note 23 (e))*		
– Unsecured	**1,139,057**	2,996,415
	32,831,535	33,295,434
Less: Current portion of long-term borrowings		
– Bank loans	**3,380,210**	3,065,890
– Other borrowings	**–**	1,857,609
	29,451,325	28,371,935

As at 31 December 2017, no bank loan of the Group's was guaranteed by Huaneng Group (31 December 2016: RMB19,251,000).

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

	2017	2016
	RMB'000	*RMB'000*
Bank loans (unsecured)	**14,960,000**	13,400,000
Loan from a fellow subsidiary (unsecured)	**14,007**	246,756
Other borrowings *(note 23 (e))*		
– Unsecured	**1,998,544**	3,992,632
Current portion of long-term borrowings		
– Bank loans	**3,380,210**	3,065,890
– Other borrowings	**–**	1,857,609
	20,352,761	22,562,887

23 BORROWINGS (CONTINUED)

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

	2017	2016
Long-term (including current portion)		
Bank loans	**4.31% ~ 4.90%**	4.28% ~ 4.90%, 1% *(note (i))*
Loan from a fellow subsidiary	**4.41%**	4.41%
Other borrowings *(note 23 (e))*	**2.98%**	2.98%, 5.31%, 5.82%
Short-term (excluding current portion of long-term borrowings)		
Bank loans	**3.92% ~ 4.35%**	3.87% ~ 3.92%
Loan from a fellow subsidiary	**4.66%**	4.66%
Other borrowings *(note 23 (e))*	**4.50%, 4.70%**	2.92%, 3.01%

Note:

(i) A subsidiary of the Company, Huaneng Shantou Nan'ao Wind Power Company Limited ("**Nan'ao Wind Power**"), obtained a loan from Spanish government through China Construction Bank Guangdong Branch on 29 November 1999. According to the terms of the loan, Nan'ao Wind Power is obligated to use the loan proceeds to purchase goods and services only from entities in Spain. The total loan amount is US$8,586,809, of which US$4,317,319 was settled in 2008. The remaining loan of US$4,269,490 has an annual interest rate of 1% and is repayable semi-annually starting from 15 June 2010. The loan guaranteed by Huaneng Group was fully repaid ahead of schedule in June 2017.

(d) The long-term borrowings (including current portion) are repayable as follows:

	2017 *RMB'000*	2016 *RMB'000*
Within 1 year or on demand	**3,380,210**	4,923,499
After 1 year but within 2 years	**3,618,195**	3,181,185
After 2 years but within 5 years	**10,510,134**	10,552,030
After 5 years	**15,322,996**	14,638,720
	32,831,535	33,295,434

23 BORROWINGS (CONTINUED)

(e) Significant terms of other borrowings:

	2017	2016
	RMB'000	*RMB'000*
Long-term		
Corporate bonds *(note (i))*	**1,139,057**	1,997,394
Other bond	**–**	999,021
Short-term		
Short-term debentures	**–**	1,994,754
Super short-term debentures *(note (ii))*	**1,998,544**	1,997,878

Notes:

(i) On 11 July 2016, the Company issued a five-year unsecured green corporate bond of RMB1,140 million at par with a coupon rate of 2.95% per annum. The effective interest rate of the bond is 2.98% per annum.

(ii) On 3 August 2017, the Company issued an unsecured super short-term debenture of RMB1,000 million at par with a maturity period of 270 days with the issuing interest rate of 4.48% per annum. The effective interest rate is 4.70% per annum.

On 17 November 2017, the Company issued an unsecured super short-term debenture of RMB1,000 million at par with a maturity period of 180 days with the issuing interest rate of 4.29% per annum. The effective interest rate is 4.50% per annum.

24 OBLIGATIONS UNDER FINANCE LEASES

The Group had obligations under finance leases repayable as follows:

	2017 Present value of the minimum lease payments *RMB'000*	**2017** Total minimum lease payments *RMB'000*	2016 Present value of the minimum lease payments *RMB'000*	2016 Total minimum lease payments *RMB'000*
Within 1 year	**352,441**	**419,677**	434,781	519,479
After 1 year but within 2 years	**500,592**	**556,042**	352,441	424,734
After 2 years but within 5 years	**560,405**	**621,697**	953,068	1,058,023
After 5 years	**169,901**	**177,680**	277,830	297,396
	1,230,898	**1,355,419**	1,583,339	1,780,153
	1,583,339	**1,775,096**	2,018,120	2,299,632
Less: total future interest expense		**191,757**		281,512
Present value of finance lease obligations		**1,583,339**		2,018,120

As at 31 December 2017, the balance of obligations under finance lease with Huaneng Tiancheng was RMB232,478,000 (31 December 2016: RMB278,632,000).

At inception, the lease periods of the finance lease obligation is approximately 5 to 10 years. The principal obligations and interest expenses are to be paid at least annually within the lease period.

25 OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Payables for acquisition of property, plant and equipment and intangible assets	**3,094,733**	3,673,039
Retention payable *(note (i))*	**2,026,029**	2,367,567
Bills payable	**632,141**	941,443
Dividends payable	**80,921**	64,940
Amounts due to fellow subsidiaries *(note (ii))*	**51,308**	38,863
Payables for staff related costs	**47,794**	42,584
Payables for other taxes	**92,883**	45,483
Interest payable		
– Fellow subsidiaries	**6,399**	13,354
– Others	**112,493**	149,536
Other accruals and payables	**108,341**	103,260
	6,253,042	7,440,069

Notes:

(i) Retention payable represents the retention payables due to equipment suppliers and construction contractors which will be settled in accordance with contracted terms during or upon the expiry of the warranty period.

(ii) Amounts due to fellow subsidiaries are all unsecured and interest-free.

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

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2017 *RMB'000*	2016 *RMB'000*
Net tax payable at 1 January	**71,770**	50,069
Provision for the year *(note 8 (a))*	**348,357**	200,381
(Over)/under-provision for prior years *(note 8 (a))*	**(2,068)**	572
Income tax paid	**(319,345)**	(179,252)
Income tax refunded	**7,055**	–
Net tax payable at 31 December	**105,769**	71,770
Representing:		
Tax payable	**127,821**	79,513
Tax recoverable	**(22,052)**	(7,743)
	105,769	71,770

(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 years are as follows:

Deferred tax assets arising from:	**Trial operation income** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
At 1 January 2016	3,859	223	4,082
Charged to profit or loss	(767)	–	(767)
At 31 December 2016	3,092	223	3,315
At 1 January 2017	**3,092**	**223**	**3,315**
Charged to profit or loss	**(1,409)**	**–**	**(1,409)**
At 31 December 2017	**1,683**	**223**	**1,906**

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

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

Deferred tax liabilities arising from:	Depreciation of fixed assets and amortisation of concession assets *RMB'000*
At 1 January 2016	(19,831)
Credited to profit or loss	205
At 31 December 2016	(19,626)
At 1 January 2017	**(19,626)**
Credited to profit or loss	**1,355**
At 31 December 2017	**(18,271)**

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2 (s), as at 31 December 2017, the Group did not recognise deferred tax assets on accumulated tax losses of RMB2,015,915,000 (31 December 2016: RMB1,768,186,000), temporary differences related to impairment provision of property, plant and equipment and other non-current assets of RMB244,572,000 (31 December 2016: RMB40,344,000) and tax credits in relation to purchase of certain environmental protection equipment (note 8 (b(ii))) of RMB61,730,000 (31 December 2016: RMB63,556,000) as the directors considered it is not probable that sufficient future taxable profits will be available to allow the tax losses, temporary differences and tax credits to be utilised in relevant entities. The tax losses that will expire in the years ending 31 December 2018, 2019, 2020, 2021 and 2022 are RMB406,000,000, RMB427,524,000, RMB359,807,000, RMB367,704,000 and RMB454,880,000 respectively.

27 DEFERRED INCOME

	2017 *RMB'000*	2016 *RMB'000*
At 1 January	**215,238**	230,517
Additions	**–**	1,800
Credited to profit or loss	**(17,169)**	(17,079)
At 31 December	**198,069**	215,238

Deferred income of the Group mainly represents VAT refund granted by the government relating to the purchase of domestic equipment and subsidies relating to the construction of property, plant and equipment, which would be recognised in other income on a straight-line basis over the expected useful life of the relevant assets.

28 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities primarily including retention payables due to equipment suppliers and construction contractors which is not expected to be settled within one year.

29 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

	Share capital *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Retained earnings *RMB'000*	Total equity *RMB'000*
At 1 January 2016	9,727,996	2,629,406	159,687	917,603	13,434,692
Changes in equity for 2016:					
Total comprehensive income for the year	–	–	–	730,581	730,581
Transfer to reserve fund	–	–	72,751	(72,751)	–
Dividends to equity shareholders of the Company *(note 29 (b))*	–	–	–	(291,840)	(291,840)
At 31 December 2016	9,727,996	2,629,406	232,438	1,283,593	13,873,433
At 1 January 2017	**9,727,996**	**2,629,406**	**232,438**	**1,283,593**	**13,873,433**
Changes in equity for 2017:					
Total comprehensive income for the year	**–**	**–**	**–**	**4,074,134**	**4,074,134**
Issuance of new shares, netting of issuance expenses *(note 29 (c))*	**838,536**	**1,070,272**	**–**	**–**	**1,908,808**
Transfer to reserve fund	**–**	**–**	**404,347**	**(404,347)**	**–**
Dividends to equity shareholders of the Company *(note 29 (b))*	**–**	**–**	**–**	**(433,228)**	**(433,228)**
At 31 December 2017	**10,566,532**	**3,699,678**	**636,785**	**4,520,152**	**19,423,147**

(Expressed in RMB unless otherwise stated)

29 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

	2017 ***RMB***	2016 *RMB*
Final dividend proposed after the end of the reporting period of RMB0.043 per share (2016: RMB0.041)	**454,360,884**	398,847,844

The Board resolved on 23 March 2018 that RMB0.043 per share is to be distributed to the equity shareholders for 2017, subject to approval of the equity shareholders at the coming annual general meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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

	2017 ***RMB***	2016 *RMB*
Final dividend in respect of the financial year ended 31 December 2016, approved during the year, of RMB0.041 per share (year ended 31 December 2015: RMB0.03 per share)	**433,227,820**	291,839,886

As approved by the shareholders at 2016 Annual General Meeting held on 22 June 2017, the Company distributed a final dividend of RMB0.041 per share in an aggregate amount of approximately RMB433,227,820 for the year ended 31 December 2016, based on total issued 10,566,532,192 shares.

29 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

	The Group and the Company	
	2017	2016
	RMB'000	*RMB'000*
Issued and fully paid		
5,535,311,200 domestic state-owned ordinary shares of RMB1.00 each	**5,535,311**	5,535,311
5,031,220,992 H shares (2016: 4,192,684,992 H shares) of RMB1.00 each	**5,031,221**	4,192,685
	10,566,532	9,727,996

On 18 May 2017, the Company issued 838,536,000 H shares with a par value of RMB1.00, at a price of Hong Kong dollars 2.61 per H share. The proceeds of RMB838,536,000 representing the par value, were credited to the Company's share capital. The remaining proceeds of RMB1,070,272,000 (after net of issuance expenses) were credited to the capital reserve account.

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

(d) Nature and purpose of reserves

(i) Capital reserve

Capital reserve includes share premium and other capital reserve.

Share premium represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received.

Other capital reserve mainly represents the difference between the total amount of the nominal value of shares issued and the amount of the net assets and cash injected by the promoters upon the establishment of the Company.

29 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(ii) Statutory surplus reserve

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

(iii) Exchange reserve

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

(iv) Fair value reserve

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

(e) Capital management

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

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

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated by dividing total liabilities by total assets. The liability-to-asset ratio of the Group as at 31 December 2017 is 71% (2016: 75%).

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

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

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

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

The receivables from sales of electricity mainly represent receivables from the provincial power grid companies. The Group has no significant credit risk with any of these power grid companies as the Company and its subsidiaries maintain long-term and stable business relationships with these companies. The receivables from the provincial power grid companies accounted for 99.0% of the Group's total trade debtors as at 31 December 2017 (31 December 2016: 99.7%). For other trade receivables and other receivables, the Group performs an ongoing individual credit evaluation of its customers' and counterparties' financial conditions. The allowance for doubtful debts has been made in the financial statements.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group to credit risk.

(b) Liquidity risk

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

The Company is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. In order to repay the borrowings due within one year, the Group negotiates banking facilities and utilises operating cash inflows in its subsidiaries. The Group manages the proportion of its current liabilities with respect to the total liabilities to mitigate the liquidity risk. The directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during the year.

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

(b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of the reporting period date 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 and can be required to pay:

	Carrying amount	**Contractual cash flows**	**1 year or less**	**1-2 years**	**2-5 years**	**More than 5 years**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
31 December 2017						
Long-term borrowings *(note 23 (a))*	**29,451,325**	**36,627,461**	**1,280,944**	**4,980,957**	**13,765,330**	**16,600,230**
Short-term borrowings *(note 23 (b))*	**20,352,761**	**20,897,795**	**20,897,795**	**–**	**–**	**–**
Obligations under finance leases *(note 24)*	**1,583,339**	**1,775,096**	**419,677**	**556,042**	**621,697**	**177,680**
Other non-current liabilities *(note 28)*	**2,919,563**	**2,919,563**	**–**	**1,026,009**	**1,683,772**	**209,782**
Other payables *(note 25)*	**6,253,042**	**6,253,042**	**6,253,042**	**–**	**–**	**–**
	60,560,030	**68,472,957**	**28,851,458**	**6,563,008**	**16,070,799**	**16,987,692**

	Carrying amount	Contractual cash flows	1 year or less	1-2 years	2-5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2016						
Long-term borrowings *(note 23 (a))*	28,371,935	35,465,508	1,199,096	4,363,266	13,188,075	16,715,071
Short-term borrowings *(note 23 (b))*	22,562,887	23,135,421	23,135,421	–	–	–
Obligations under finance leases *(note 24)*	2,018,120	2,299,632	519,479	424,734	1,058,023	297,396
Other non-current liabilities *(note 28)*	3,740,673	3,740,673	–	1,048,158	2,456,646	235,869
Other payables *(note 25)*	7,440,069	7,440,069	7,440,069	–	–	–
	64,133,684	72,081,303	32,294,065	5,836,158	16,702,744	17,248,336

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

(c) Interest rate risk

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

The Group regularly reviews and monitors the mix of fixed and variable rate borrowings in order to manage its interest rate risks. During the years ended 31 December 2017 and 2016, however, management of the Group did not consider it necessary to use interest rate swaps to hedge their exposure to interest.

The following table details the profile of the Group's net borrowings (interest-bearing financial liabilities less interest-bearing financial assets) at the end of the reporting period. The detailed interest rates and maturity information of the Group's borrowings are disclosed in note 23.

	2017	2016
	RMB'000	*RMB'000*
Net fixed rate borrowings:		
Borrowings	**6,751,608**	10,255,054
Less: Bank deposits (including restricted deposits)	**34,077**	929,579
	6,717,531	9,325,475
Net floating rate borrowings:		
Borrowings	**43,052,478**	40,679,768
Obligations under finance lease	**1,583,339**	2,018,120
Less: Bank deposits (including restricted deposits)	**2,520,699**	1,674,546
	42,115,118	41,023,342
Total net borrowings:	**48,832,649**	50,348,817

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

(c) Interest rate risk (continued)

At 31 December 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates of net floating borrowings, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB357,772,000 (31 December 2016: RMB347,923,000).

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

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

(d) Currency risk

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

(i) Recognised assets and liabilities

Substantially all of the revenue-generating operations of the Group are transacted in RMB. The Company has certain proceeds from share issuance in Hong Kong dollar that have not converted into RMB which are expected to be utilised following the strategic arrangement of the Group.

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands and the Group may not be able to pay dividends in foreign currencies to its equity shareholders.

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

(d) Currency risk (continued)

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in RMB)					
	2017			2016		
	HKD	**USD**	**EUR**	HKD	USD	EUR
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	**6,530**	**–**	**1,744**	1,030,698	37,119	1,967
Other payables	**(2,294)**	**–**	**–**	(2,541)	–	–
Short-term borrowings	**–**	**–**	**–**	–	(1,481)	–
Long-term borrowings	**–**	**–**	**–**	–	(17,770)	–
Net exposure	**4,236**	**–**	**1,744**	1,028,157	17,868	1,967

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2017		2016	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained earnings**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings
		RMB'000		*RMB'000*
HKD	**5%**	**212**	5%	51,408
	(5)%	**(212)**	(5)%	(51,408)
USD	**5%**	**–**	5%	1,134
	(5)%	**–**	(5)%	(1,134)
EUR	**5%**	**87**	5%	98
	(5)%	**(87)**	(5)%	(98)

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

(d) Currency risk (continued)

(ii) Exposure to currency risk (continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in respective functional currencies, translated into RMB at the end of the reporting period for presentation purposes.

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, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender and the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2016.

(e) Fair values

(i) Financial assets and liabilities measured at fair value

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

As at 31 December 2017 and 2016, the financial instruments of the Group carried at fair value are investments in available-for-sale equity securities (see note 19 (iii)), which fall into Level 1 of the fair value hierarchy described above. During the year ended 31 December 2017 and 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

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

(e) Fair values (continued)

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost primarily including receivables, payables and borrowings are not materially different from their fair values as at 31 December 2017 and 2016, which are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The investments in unquoted equity securities (see note 19 (ii)) are measured at cost which fair value cannot be measured reliably as these investments in non-listed companies do not have quoted market price in an active market. The Group has no intention to dispose of these investments.

31 COMMITMENTS

(a) Capital commitments outstanding at the year end not provided for in the financial statements were as follows:

	2017	2016
	RMB'000	*RMB'000*
Contracted for	**5,352,453**	2,911,112
Authorised but not contracted for	**32,529,510**	24,931,505
	37,881,963	27,842,617

(b) At the year end, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**44,000**	13,336
After 1 year but within 5 years	**25,832**	26,104
After 5 years	**7,853**	–
	77,685	39,440

31 COMMITMENTS (CONTINUED)

(b) At the year end, the total future minimum lease payments under non-cancellable operating leases are payable as follows: (continued)

The Group leases certain buildings through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the rental agreements contain escalation provisions that may require higher future rental payments.

32 CONTINGENCY

(a) Financial guarantees issued

At 31 December 2017, the Company has issued certain guarantees to banks and other financial institutions in respect of bank loans and finance lease arrangement granted to the subsidiaries, amounting to RMB1,782,999,000 (31 December 2016: RMB2,246,400,000).

(b) Contingent liabilities in respect of taxes on sales of CERs

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

33 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

Apart from those disclosed elsewhere in the financial statements, the principal related party transactions which were carried out in the ordinary course of business are as follows:

	2017	2016
	RMB'000	*RMB'000*
Non-exempted continuing connected transactions		
Service provided to		
China Huaneng R&D Center	**–**	1,010
Fellow subsidiaries	**138**	153
Purchase of product and equipment from		
Fellow subsidiaries	**32,513**	–
Service provided by		
Fellow subsidiaries *(note (ii))*	**155,460**	152,160
Net deposit in/(withdrawal from)		
Huaneng Finance	**1,058,588**	(1,134,763)
Interest income		
Huaneng Finance	**22,130**	25,137
Finance lease obligation repaid to		
Huaneng Tiancheng	**46,154**	46,154
Interest expense		
Huaneng Tiancheng	**14,555**	16,431
Sales of electricity to		
A fellow subsidiary	**4,450**	3,330
Purchase of power generation rights from		
Fellow subsidiaries	**235**	1,165
Sales of power generation rights to		
A fellow subsidiary	**113**	–

33 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (continued)

	2017	2016
	RMB'000	*RMB'000*
Other connected transactions		
Repayments of loan guaranteed by		
Huaneng Group *(note 23 (a))*	**19,251**	156
Service provided by		
Fellow subsidiaries	**4,213**	11,039
Increase of investment in		
Huaneng Carbon	**–**	10,000
HIWLR-Taikang	**60,818**	–
Loans received from		
Fellow subsidiaries	**15,548,251**	11,186,756
Loans repaid to		
Fellow subsidiaries	**(15,321,000)**	(11,100,000)
Interest expense		
Fellow subsidiaries	**36,680**	45,530
Net working capital received from		
A fellow subsidiary	**–**	16
Net working capital repayment from		
Fellow subsidiaries	**(13)**	(115)
Transfer the upfront project cost		
A fellow subsidiary	**18,991**	–

33 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (continued)

Notes:

(i) The related party transactions listed above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on HKSE (the "**Listing Rules**"). The detailed disclosures required by Chapter 14A of the Listing Rules are provided in the "Reports of the Board of Directors" section of the annual report for the year ended 31 December 2017.

(ii) Service provided by fellow subsidiaries mainly comprised property insurance services provided by Alltrust Insurance Company of China Limited (永誠財產保險股份有限公司), technical services and management support services provided by Xi'an Thermal Power Research Institute Co., Ltd. (西安熱工研究院有限公司), property lease services provided by Xinsheng Property Management Co., Ltd. (新升物業管理公司) and technological research services provided by China Huaneng R&D Center (華能集團技術創新中心).

(b) Outstanding balances with related parties

The deposits placed with a fellow subsidiary, Huaneng Finance, amounted to RMB2,218,738,000 as at 31 December 2017 (2016: RMB1,160,150,000). Details of the other outstanding balances with related parties are set out in notes 17, 18,19, 21, 23, 24 and 25.

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

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

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

– Sales of electricity;

– Depositing and borrowing money;

– Purchase of materials and receiving construction work services; and

– Service concession arrangement.

33 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

For the years ended 31 December 2017 and 2016, almost all revenue from the sales of electricity is made to the provincial power grid companies which are government-related entities. As at 31 December 2017 and 2016, substantially almost all the trade debtors and bills receivable are due from these power grid companies.

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

Other collectively significant transactions with government-related entities also included a large portion of equipment and materials purchases, and property, plant and equipment construction services received.

(d) Commitments with related parties

Commitments with related parties outstanding at the year end not provided for in the financial statements were as follows:

	2017	2016
	RMB'000	*RMB'000*
Services to be provided by related parties	**76,631**	26,161
Product and equipment to be provided by related parties	**21,635**	–
Investment commitment to HIWLR-Taikang *(note 17 (i))*	**339,182**	–

33 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 9, and certain of the highest paid employees as disclosed in note 10, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Salaries and other emoluments	**3,628**	3,653
Bonus	**4,221**	4,147
Retirement scheme contributions	**855**	889
	8,704	8,689

34 PARENT AND ULTIMATE HOLDING COMPANY

The directors of the Company consider its parent and ultimate holding company to be Huaneng Group, which is a state-owned company established in the PRC.

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

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Annual Improvements to IFRSs 2014-2016 cycle	
– Amendments to IAS 28, *Investments in associates and joint ventures*	1 January 2018
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRIC 22, *Foreign currency transactions and advance consideration*	1 January 2018
IFRS 16, *Leases*	1 January 2019
IFRIC 23, *Uncertainty over income tax treatments*	1 January 2019

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

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

IFRS 9, Financial instruments

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

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

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

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("**FVTPL**") and (3) fair value through other comprehensive income ("**FVTOCI**") as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

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

IFRS 9, Financial instruments (continued)

(a) Classification and measurement (continued)

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

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

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

(b) Impairment

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

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

IFRS 15, Revenue from contracts with customers

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

During 2017 the Company substantially completed its assessment of the potential impact of the new standard, including performing a review of revenue streams and customer contracts in order to evaluate the effects that this standard may have on the consolidated statement of comprehensive income and consolidated statement of financial position. The Group's revenues are substantially generated from the sales of electricity.

Effective 1 January 2018, the Group adopted IFRS 15 utilizing the cumulative effect method, which results in the Group' retaining prior period figures as reported under the previous standards and recognising the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of retained earnings as at the date of initial adoption, and will provide additional disclosures comparing results to previous IFRS in its 2018 consolidated financial statements. The Group plans to apply the new revenue standard only to contracts not completed as of the date of initial application, referred to as open contracts. Since the number of open contracts as at 31 December 2017 is limited, and more than 99% of the Group's revenue comprised of contracts with customers from sales of electricity, where revenue will continue to be recognised upon transmission to the customers. Pursuant to the new standard, the Group expects that the adoption of IFRS 15 will not have material impact on the consolidated financial statements.

IFRS 16, Leases

As disclosed in note 2 (k), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

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

IFRS 16, Leases (continued)

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "**right-of-use**" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of comprehensive income over the period of the lease. As disclosed in note 31 (b), at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB77,685,000 for properties, approximate 43% of which is payable beyond 1 year after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment. The Group has decided not to early adopt IFRS 16 in its 2018 consolidated financial statements.

36 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2017 *RMB'000*	2016 *RMB'000*
Non-current assets		
Property, plant and equipment	**410,701**	407,117
Intangible assets	**10,694**	10,154
Investments in subsidiaries	**18,179,642**	16,143,063
Investment in associates	**184,984**	32,367
Investment in a joint venture	**85,100**	85,100
Other non-current assets	**13,572,186**	14,758,483
Total non-current assets	**32,443,307**	31,436,284
Current assets		
Prepayments and other current assets	**18,476,801**	17,059,336
Cash at bank and on hand	**1,211,596**	1,462,628
Total current assets	**19,688,397**	18,521,964
Current liabilities		
Borrowings	**18,477,289**	20,785,085
Obligations under finance leases	**–**	89,960
Other payables	**876,679**	889,697
Tax payable	**3,418**	3,418
Total current liabilities	**19,357,386**	21,768,160
Net current assets/(liabilities)	**331,011**	(3,246,196)
Total assets less current liabilities	**32,774,318**	28,190,088

36 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	2017 RMB'000	2016 RMB'000
Non-current liabilities			
Borrowings		**13,350,771**	14,316,015
Deferred income		**400**	450
Other non-current liabilities		**–**	190
Total non-current liabilities		**13,351,171**	14,316,655
NET ASSETS		**19,423,147**	13,873,433
CAPITAL AND RESERVES	*29*		
Share capital		**10,566,532**	9,727,996
Reserves		**8,856,615**	4,145,437
TOTAL EQUITY		**19,423,147**	13,873,433

Approved and authorised for issue by the board of directors on 23 March 2018.

Name: Lin Gang
Position: *Chairman*

Name: Wen Minggang
Position: *Director*

37 NON-ADJUSTING SUBSEQUENT EVENT

On 12 February 2018, the Company and Huaneng Renewables HK entered into a capital increase agreement with Huaneng Capital Services Company Limited, China Hua Neng Group Hong Kong Limited, Huaneng Lancang River Hydropower Co., Ltd., Huaneng Power International, Inc and Huaneng Tiancheng. The Company and Huaneng Renewables HK subscribed for the portion of the newly increased capital of Huaneng Tiancheng by injecting RMB75,000,000 and equivalent of RMB60,000,000 by United State dollars respectively. The Company and Huaneng Renewables HK has separately completed this capital contribution on 14 March 2018 and 15 March 2018.

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Mr. WEN Minggang

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Mr. CAO Shiguang (President)
Mr. WEN Minggang

NON-EXECUTIVE DIRECTORS

Mr. WANG Kui
Mr. LU Fei
Mr. SUN Deqiang
Mr. DAI Xinmin

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Ms. DAI Huizhu
Mr. ZHOU Shaopeng
Mr. WAN Kam To

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Mr. HUANG Jian
Mr. WANG Huanliang
Ms. ZHONG Suzhi

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Mr. WAN Kam To
Mr. WANG Kui

NOMINATION COMMITTEE

Mr. LIN Gang (Chairman)
Mr. ZHOU Shaopeng
Mr. QIN Haiyan

REMUNERATION COMMITTEE

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The PRC

Glossary of Technical Terms

"gross power generation"	total power generated by a power plant in a specific period of time, including its electricity consumption and electricity generated during the construction and testing period
"installed capacity"	the capacity of power generation units or wind turbines that have been completely assembled or erected in the case of wind power. For wind power, installed capacity includes the capacity of wind turbines in testing period
"kWh"	unit of energy, kilowatt-hour. The standard unit of energy typically used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
"MW"	unit of power, megawatt. 1 MW = 1,000 kW, MW is typically used to measure installed capacity of power plants
"MWh"	unit of energy, megawatt-hour. 1 MWh = 1,000 kWh
"renewable energy"	energy generated from sustainable energy sources that are regenerative or, for all practical purposes, cannot be depleted
"weighted average utilization hours"	the consolidated gross power generation less the electricity generated during the construction and testing period in a specified period divided by the weighted average consolidated operational capacity in the same period

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