



龍源電力集團股份有限公司
China Longyuan Power Group Corporation Limited*

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

Stock Code: 00916

2017 ANNUAL REPORT



* For Identification Purpose Only



龙源
电力

CONTENT

Chairman's Statement	2
President's Statement	4
Key Operating and Financial Data	8
Corporate Profile	14
Honours and Awards	22
Corporate Milestones in 2017	24
Management Discussion and Analysis	28
Directors' Report	79
Connected Transactions	98
Biographies of Directors, Supervisors and Senior Management	105
Environmental, Social, and Governance Report	123
Corporate Governance Report	163
Supervisory Board's Report	191
Independent Auditor's Report	195
Consolidated Statement of Profit or Loss and Other Comprehensive Income	203
Consolidated Statement of Financial Position	205
Consolidated Statement of Changes in Equity	207
Consolidated Statement of Cash Flows	209
Notes to the Financial Statements	212
Glossary of Terms	350
Corporate Information	355

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2017, Shenhua Group and Guodian Group were merged to form a new conglomerate, China Energy Investment Corporation, marking a historical moment and an important milestone in the reform and development history of energy industry in the PRC. In 2017, as an important component of the new energy sector of China Energy Investment Corporation, Longyuan Power, under the strong leadership of the Party committee of the Group and the Board and the guidance of “One, Five and Five” strategy (“一五五”戰略), adhered to the idea of “quality, efficient and sustainable development by virtue of advantages” in thorough implementation of “year for corporate governance in strict accordance with law” to intensify operation management and deepen reform and innovation. As a result of these efforts, the Company has made new progress in every respect.

As at the end of 2017, the consolidated installed capacity of Longyuan Power reached 20,520 MW, among which, the consolidated installed capacity of wind power reached 18,395 MW, making the Company the world's largest wind power operator. In 2017, wind power output reached 34.448 billion kWh, representing a year-on-year increase of 4.486 billion kWh. The Company recorded a profit before taxation of RMB5,465 million, representing a year-on-year increase of 6.1%. Net profit attributable to equity holders of the Company amounted to RMB3,846 million, representing an increase of 8.4% from 2016, the highest level in recent years. Longyuan Power obtained approvals for wind power projects with installed capacity of 1,788 MW in 2017, including new wind power projects



CHAIRMAN'S STATEMENT

with installed capacity of 1,026.5 MW. In 2017, the Company's 244.5 MW wind farm project in De Aar, South Africa was successfully put into production and started power generation, making it the first wind power project in Africa that is invested, built and operated by Chinese companies.

In 2018, Longyuan Power will follow the idea of socialist economy with Chinese characteristics in the new era as proposed by Xi Jinping to promote high quality development and adhere to quality first and priority to efficiency. We will firmly keep our responsibilities and mission in mind and develop clean energy to make greater contributions to the construction of a beautiful China and promotion of ecological civilization.

乔保平

Chairman of the Board

Qiao Baoping



PRESIDENT'S STATEMENT

Dear Shareholders,

From a long-term perspective of national energy security and sustainable development, the trend of energy development through transformation featured by vigorous development of new energy is irreversible and the China's determination in promoting the development of new energy is firm and long-term. The report of the 19th CPC National Congress clearly proposed to advance green development and build a clean, low-carbon, safe and efficient energy system. To promote the industrialised development of renewable energy sources, it is proposed in the "13th Five-year" Plan for Power Development of the PRC to achieve the national installed wind power capacity of over 210 million kW by 2020. In January 2017, the State Grid Corporation of China introduced 20 specific measures to promote the consumption of new energy and proposed fundamental solution of the issue of new energy consumption by 2020 to control the curtailment ratio of wind power and photovoltaic energy within 5%; in July, the National Energy Administration ("NEA") published the Guiding Opinions on Implementation of the 13th Five-Year Plan for the Development of Renewable Energy (關於可再生能源發展“十三五”規劃實施的指導意見) which set out that consumption shall be the premise for the layout of renewable energy power construction to give full play to the role of trans-regional ultra high voltage consumption; in November, the NDRC and the NEA issued the Implementation Plan for Solving Hydro, Wind and Solar Power Curtailment (解決棄水棄風棄光問題實施方案) to encourage the solution of the issue of consumption of renewable energy power through market-oriented transactions. This year, China's nationwide carbon trading market will be fully launched, which will facilitate the development of new energy enterprises.

In 2017, under the strong leadership of the Board, the Group earnestly put into action the guiding principles from the Annual Working Meeting. In adherence to the idea of "quality, beneficial and sustainable development by virtue of advantages (有質量、有效益、可持續的優勢發展)", the Group carried out the activity of "year for corporate governance in strict accordance with the law" in an in-depth way, strengthened the operation and management, deepened reform and innovation and advanced each piece of work in a steady manner, thus continuing to maintain sound operation and development.

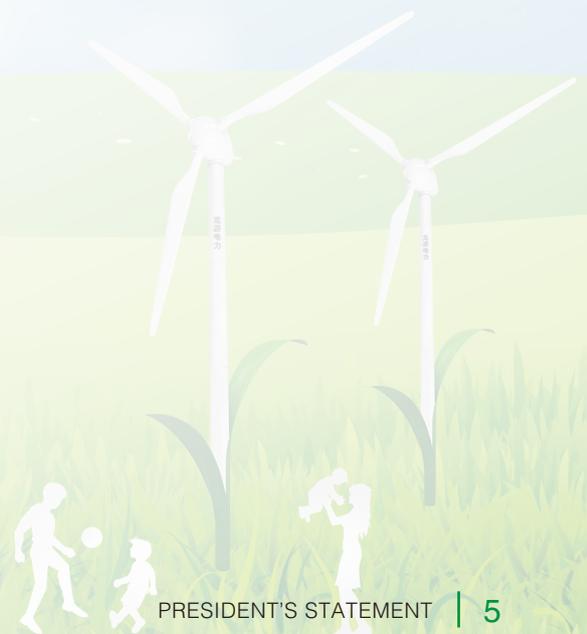
PRESIDENT'S STATEMENT

STEADY INCREASE IN OPERATING RESULTS

In 2017, by laying equal stress on both quality and efficiency and vigorously enhancing its profitability, the Group achieved consolidated operating revenue for the year amounting to RMB24,592 million, representing a year-on-year increase of 10.26%. Net profit attributable to equity holders of the Company amounted to RMB3,846 million, representing an increase of 8.37% from 2016. The earnings per share amounted to RMB45.89 cents. As at the end of 2017, the Group's total assets amounted to RMB145,635 million and net assets amounted to RMB53,299 million, with a net gearing ratio of 57.73%.

LEADING POSITION IN UTILISATION HOURS OF WIND POWER

In 2017, the Group continued to optimise and refine the benchmarking management and strengthen power generation assessment and incentive mechanism in full effort to cope with grid curtailment and proactively build fault-free wind farms, thoroughly boosted "lean maintenance" of equipment and carried out failure rate management of utilisation hours in an all-rounded way. An annual cumulative wind power of 34,448 million kWh was generated, representing a year-on-year increase of 14.97%, and the utilisation hours of wind power reached 2,035 hours, 87 hours higher than the industry average.



PRESIDENT'S STATEMENT

CREATING HIGH-QUALITY PROJECTS

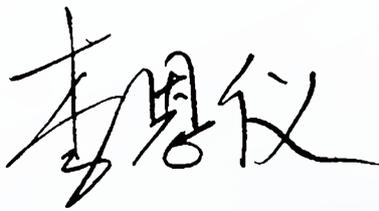
In 2017, the Group aimed at building top-notch wind farms featuring “safety, reliability, high-efficiency and intelligence”. Both the quality and efficiency of construction projects were boosted significantly. The newly installed wind power capacity of the Group for the year reached 1,026.5 MW. As at the end of 2017, the consolidated installed capacity of the Group reached 20,520 MW, of which the wind power installed capacity was 18,395 MW, ranking the first in the world.

REMARKABLE RESULTS OF INCREMENTAL DEVELOPMENT OF WIND POWER

In 2017, the Group intensified strategic guidance, optimised project development layout and deepened the preliminary work. Overseas projects were steadily propelled. Nearly 2,000 MW were listed in the national development plan for the second batch of wind power projects under the “13th Five-year Plan”, the best in the same period of the last three years; 32 projects were approved with the capacity of 1,788 MW. The incremental development of wind power achieved remarkable results.

PRESIDENT'S STATEMENT

We would like to express our sincere gratitude to shareholders for their strong support. Looking forward to the next year, we will persist in innovation driving and new development idea and solidly boost quality and efficiency enhancement to speed up the establishment of an international first-class new energy company with the focus on the following aspects: (i) we will earnestly study and implement the guiding principles from the 19th CPC National Congress and unswervingly proceed with strict rule over the Party to strengthen and improve Party building, solidly promote the construction of a fine Party culture and keeping a clean organisation and thoroughly promote strict corporate governance in accordance with law; (ii) insisting on comprehensive quality and efficiency enhancement, we will consolidate the foundation of safe production, strengthen “capturing every single kWh of electricity” in an all-round way and improve assets operation management to continuously enhance the operation of stock assets; (iii) adhering to high quality development, we will exploit high quality resources and construct high-quality fine projects in a steady manner to improve corporate core competitiveness; (iv) sticking to innovation-driven development, we will innovate the management systems and mechanisms, strengthen the construction of first-class teams, and implement the innovation driving strategy to expedite the construction of an international first-rate enterprise; and (v) persevering in guidance by cultural construction, we will strengthen corporate culture and branch construction, continue further development of people-benefiting projects and enrich group activities, striving to build a harmonious and happy Longyuan.



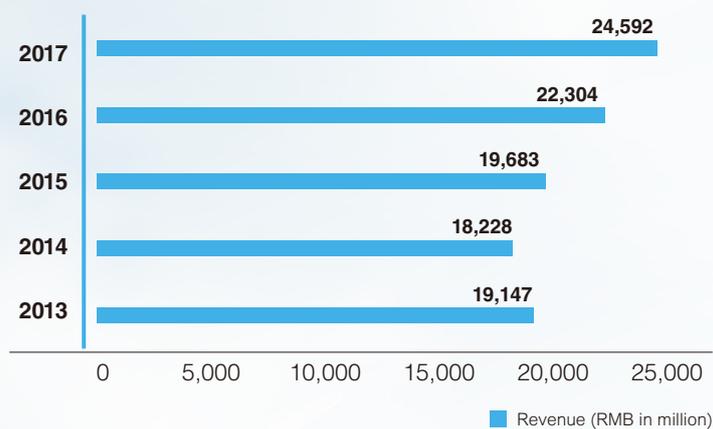
President

Li Enyi

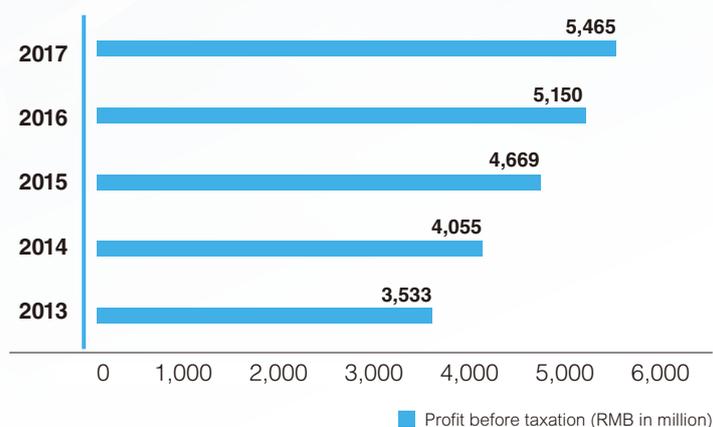


KEY OPERATING AND FINANCIAL DATA

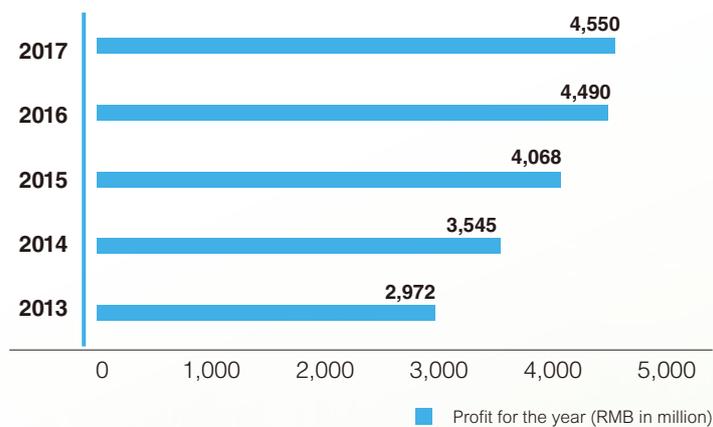
1. Revenue



2. Profit before taxation

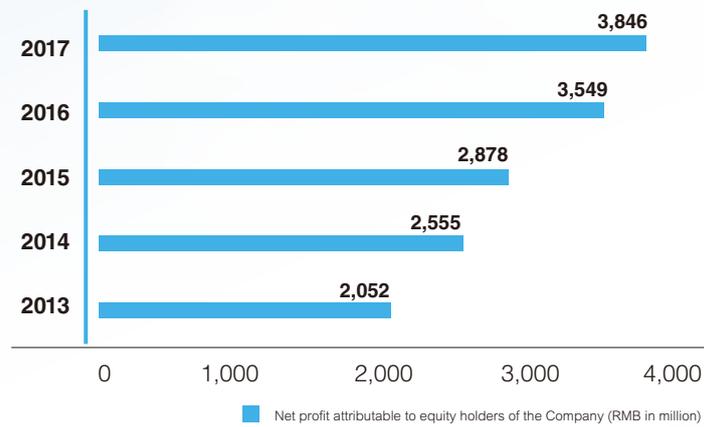


3. Profit for the year

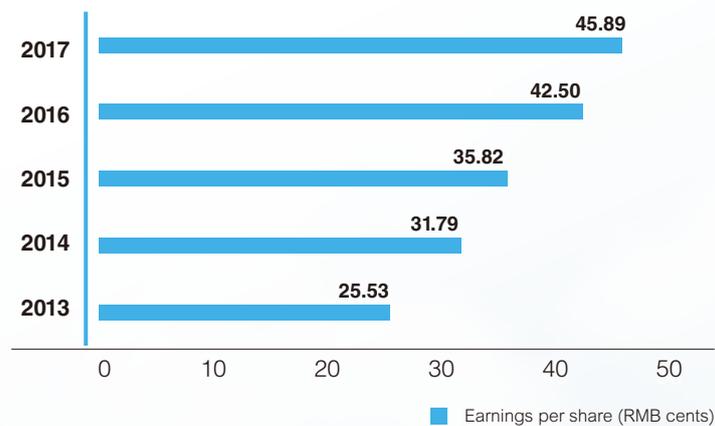


KEY OPERATING AND FINANCIAL DATA

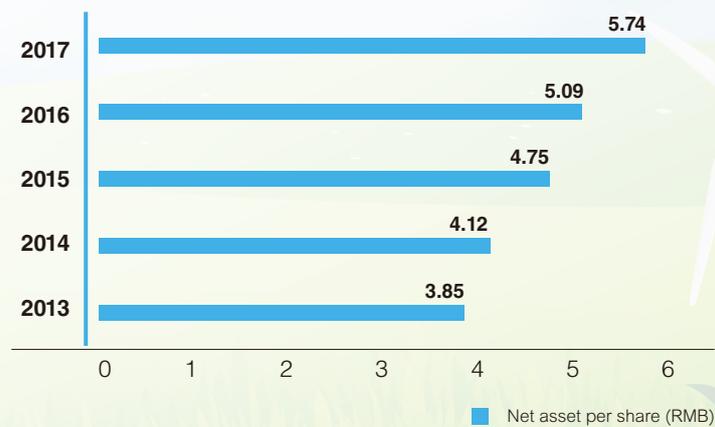
4. Net Profit attributable to equity holders of the Company



5. Earnings per share



6. Net asset per share

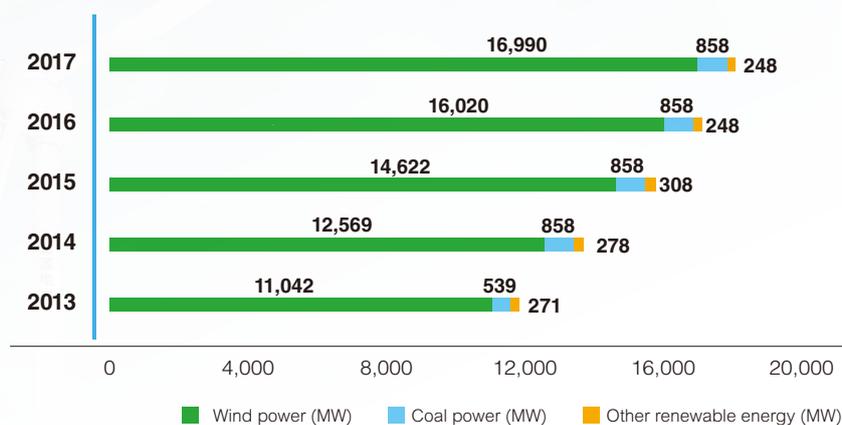


KEY OPERATING AND FINANCIAL DATA

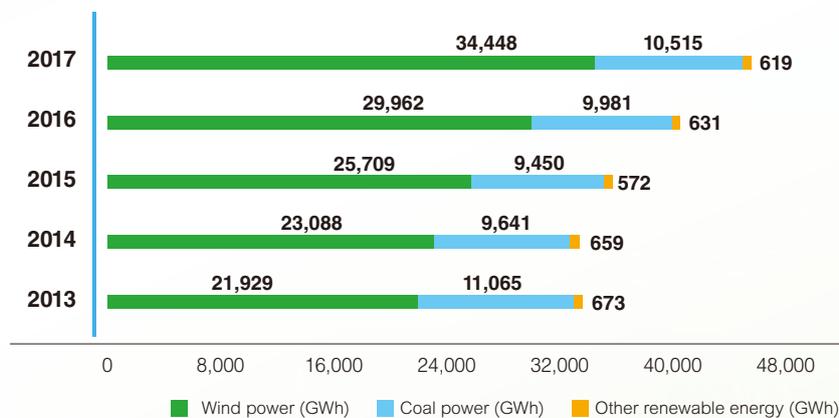
7. Consolidated installed capacity



8. Attributable installed capacity

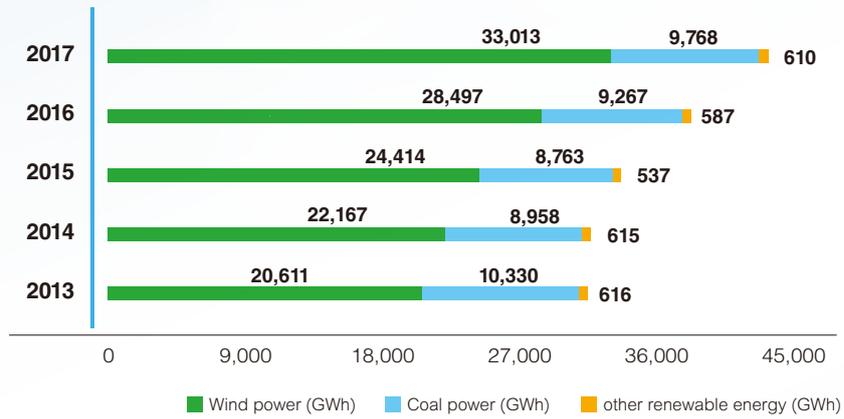


9. Electricity output

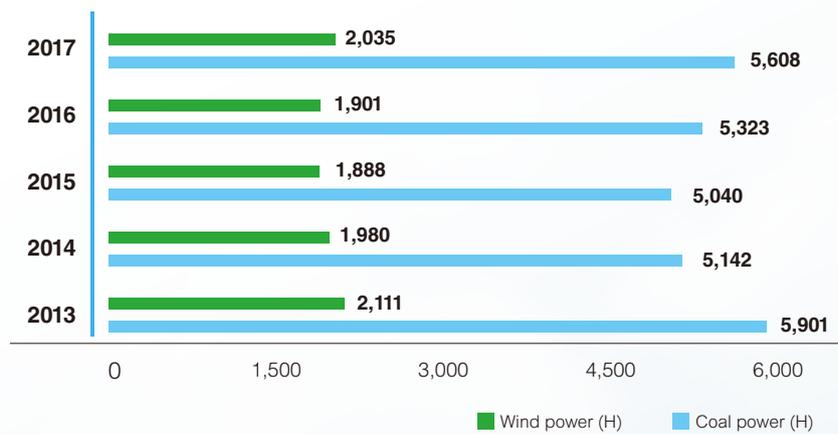


KEY OPERATING AND FINANCIAL DATA

10. Electricity sales



11. Utilisation hours



12. Tariffs



KEY OPERATING AND FINANCIAL DATA

	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Revenue	19,146,618	18,228,433	19,683,064	22,304,055	24,591,616
Profit before taxation	3,533,246	4,054,978	4,668,567	5,149,903	5,465,390
Income tax	(560,945)	(510,414)	(600,952)	(660,182)	(915,692)
Profit for the year	2,972,301	3,544,564	4,067,615	4,489,721	4,549,698
Attributable to:					
Equity holders of the Company	2,051,584	2,554,502	2,878,277	3,548,578	3,845,990
Non-controlling interests	920,717	990,062	1,189,338	941,143	703,708
Total comprehensive income for the year	2,860,690	3,525,017	3,834,864	4,460,041	4,783,980
Attributable to:					
Equity holders of the Company	2,014,640	2,525,552	2,537,669	3,481,342	4,069,314
Non-controlling interests	846,050	999,465	1,297,195	978,699	714,666
Basic and diluted earnings per share (RMB cents)	25.53	31.79	35.82	42.50	45.89

KEY OPERATING AND FINANCIAL DATA

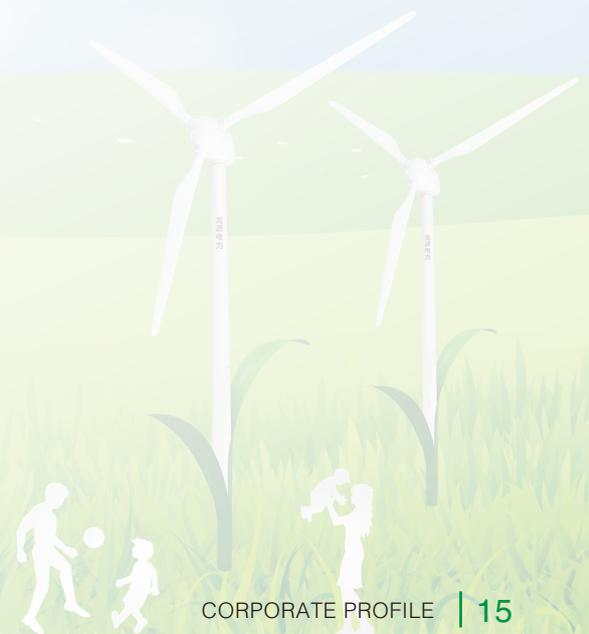
	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Total non-current assets	97,299,088	109,017,690	121,163,674	125,328,117	128,512,863
Total current assets	<u>13,807,098</u>	<u>14,795,095</u>	<u>12,703,603</u>	<u>13,332,576</u>	<u>17,122,177</u>
TOTAL ASSETS	<u>111,106,186</u>	<u>123,812,785</u>	<u>133,867,277</u>	<u>138,660,693</u>	<u>145,635,040</u>
Total current liabilities	36,775,184	46,328,043	56,000,117	55,807,408	47,159,418
Total non-current liabilities	<u>36,201,479</u>	<u>36,580,657</u>	<u>33,292,845</u>	<u>35,067,034</u>	<u>45,176,340</u>
TOTAL LIABILITIES	<u>72,976,663</u>	<u>82,908,700</u>	<u>89,292,962</u>	<u>90,874,442</u>	<u>92,335,758</u>
NET ASSETS	<u>38,129,523</u>	<u>40,904,085</u>	<u>44,574,315</u>	<u>47,786,251</u>	<u>53,299,282</u>
Total equity attributable to the equity holders of the Company	30,953,502	33,107,443	38,135,798	40,889,777	46,125,851
Non-controlling interests	<u>7,176,021</u>	<u>7,796,642</u>	<u>6,438,517</u>	<u>6,896,474</u>	<u>7,173,431</u>
TOTAL EQUITY	<u>38,129,523</u>	<u>40,904,085</u>	<u>44,574,315</u>	<u>47,786,251</u>	<u>53,299,282</u>
NET ASSETS PER SHARE (RMB)	<u>3.66</u>	<u>4.12</u>	<u>4.75</u>	<u>5.09</u>	<u>5.74</u>

CORPORATE PROFILE

Founded in 1993, Longyuan Power was originally affiliated to the NEA of the PRC and successively served as an affiliated corporation of former Ministry of Power Industry, former State Power Corporation and China Guodian Corporation. It is currently affiliated to China Energy Investment Corporation and a pioneer specialised in wind power development in the PRC. The Company listed on the Main Board in Hong Kong in 2009. Currently, Longyuan Power has developed into a large-scale power generation conglomerate focusing on new energy. It possesses over 300 wind farms as well as PV, biomass, tidal, geothermal and coal power generation projects distributed in 32 provinces and municipalities of the PRC and other countries including Canada, South Africa, etc.

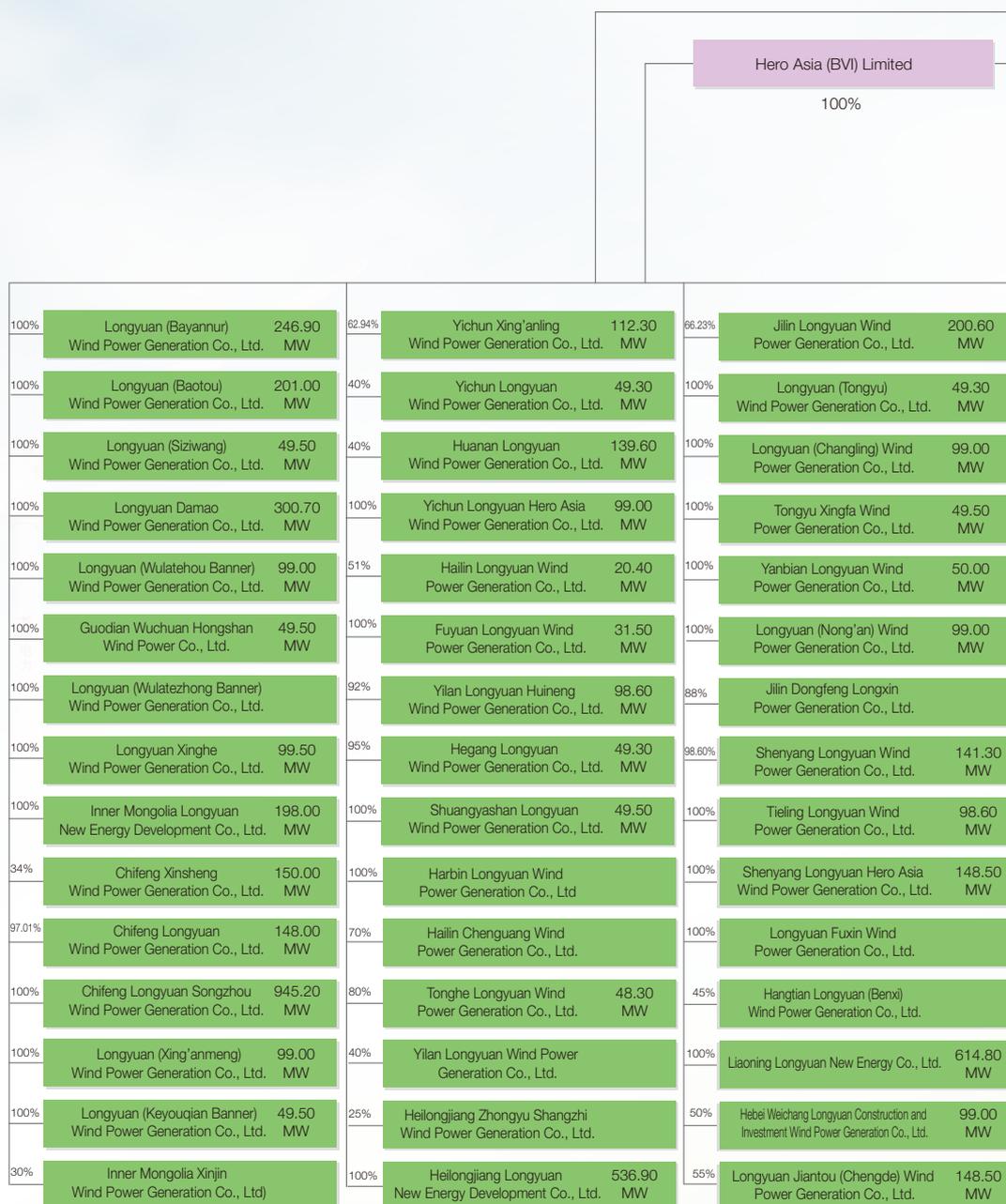
CORPORATE PROFILE

As at the end of 2017, the total consolidated installed capacity of the Company was 20,520 MW, of which the consolidated installed capacity of wind power was 18,395 MW, maintaining the position of the Company as the biggest wind power operator in the world. Due to the sound operation performance, the Company was successively awarded “National Civilized Unit (全國文明單位)”, “The Listed Company with the Best Brand Value (最具品牌價值上市公司獎)”, “The Most Influential Listed Company (最具影響力上市公司)”, “The Best Listed Company Award in Corporate Governance (最佳公司治理上市公司)”, and “The Listed Company with the Most Investment Value during the “13th Five-Year” Period (“十三五”最具投資價值上市公司)”. The Company was granted “Global Top 500 New Energy Companies” for five consecutive years, the “National Labour Day Award (全國五一勞動獎狀)”, and the highest honour awarded by All-China Federation of Trade Unions (中華全國總工會) to enterprises and public institutions.



CORPORATE PROFILE

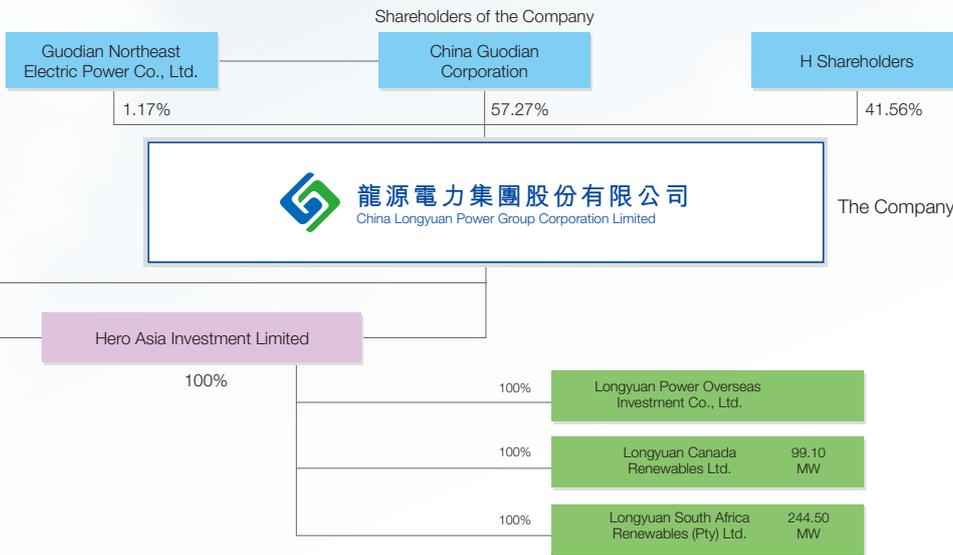
CORPORATE STRUCTURE



Major Subsidiaries:

- Wind Power business
- Coal Power business
- Other new energy business
- Other enterprises

CORPORATE PROFILE



Hebei Longyuan Wind Power Generation Co., Ltd. 398.10 MW 100%	Longyuan Tuoli Wind Power Generation Co., Ltd. 49.50 MW 100%	Zhejiang Zhoushan Cengang Wind Power Generation Co., Ltd. 45.00 MW 89.69%
Longyuan (Zhangjiakou) Wind Power Generation Co., Ltd. 325.50 MW 100%	Longyuan Turpan New Energy Co., Ltd. 90%	Longyuan Zhoushan Wind Power Generation Co., Ltd. 25.50 MW 100%
Longyuan (Zhangbei) Wind Power Generation Co., Ltd. 99.00 MW 100%	Longyuan Burqin Wind Power Generation Co., Ltd. 49.50 MW 100%	Longyuan Pan'an Wind Power Generation Co., Ltd. 36.00 MW 100%
Longyuan (Shangyi) Wind Power Generation Co., Ltd. 100.00 MW 100%	Fujian Wind Power Co., Ltd. 90%	Longyuan Xianju Wind Power Generation Co., Ltd. 28.80 MW 100%
Gansu Jieryuan Wind Power Generation Co., Ltd. 340.30 MW 77.11%	Longyuan Hero Asia (Fuqing) Wind Power Generation Co., Ltd. 56.00 MW 97.50%	Zhejiang Cangnan Wind Power Generation Co., Ltd. 21.80 MW 90%
Gansu Xin'an Wind Power Generation Co., Ltd. 99.00 MW 54.54%	Longyuan Pingtan Wind Power Generation Co., Ltd. 100.00 MW 89.50%	Zhejiang Linhai Wind Power Generation Co., Ltd. 21.30 MW 90%
Longyuan (Jiuquan) Wind Power Generation Co., Ltd. 550.50 MW 100%	Fujian Pingtan Changjiang'ao Wind Power Generation Co., Ltd. 6.00 MW 60%	Jiangsu Longyuan Wind Power Generation Co., Ltd. 150.00 MW 57.985%
Gansu Longyuan Wind Power Generation Co., Ltd. 300.00 MW 100%	Fujian Putian Nanri Wind Power Generation Co., Ltd. 16.15 MW 41.56%	Longyuan Qidong Wind Power Generation Co., Ltd. 100.50 MW 69.373%
Xinjiang Tianfeng Power Generation Joint Stock Company 249.30 MW 59.52%	Fujian Dongshan Aozhaishan Wind Power Generation Co., Ltd. 85.50 MW 91.15%	Longyuan (Rudong) Wind Power Generation Co., Ltd. 250.50 MW 82.985%
Xinjiang Longyuan Wind Power Generation Co., Ltd. 247.50 MW 100%	Longyuan (Putian) Wind Power Generation Co., Ltd. 191.45 MW 100%	Longyuan Dafeng Wind Power Generation Co., Ltd. 350.50 MW 100%
Longyuan Baikuun Wind Power Generation Co., Ltd. 398.00 MW 100%	Fujian Longyuan Zhongmen Wind Power Generation Co., Ltd. 48.00 MW 100%	Longyuan Xuyi Wind Power Generation Co., Ltd. 298.30 MW 100%
Longyuan Hami New Energy Co., Ltd. 201.00 MW 100%	Fujian Longyuan Wind Power Generation Co., Ltd. 146.00 MW 100%	Longyuan East Sea Wind Power Generation Co., Ltd. 98.70 MW 100%
Longyuan Alashankou Wind Power Generation Co., Ltd. 198.00 MW 100%	Fujian Longyuan Offshore Wind Power Generation Co., Ltd. 68.00 MW 78.10%	Jiangsu Off-shore Longyuan Wind Power Generation Co., Ltd. 280.30 MW 78.10%
Bu'erjin Tianrun Wind Power Generation Co., Ltd. 49.50 MW 60%	Zhejiang Longyuan Wind Power Generation Co., Ltd. 9.50 MW 100%	Longyuan Yancheng Dafeng Off-shore Wind Power Generation Co., Ltd. 200.00 MW 100%
Guodian Xinjiang Alashankou Wind Power Development Co., Ltd. 99.00 MW 70%	Zhejiang Wenling Donghaitang Wind Power Generation Co., Ltd. 40.00 MW 76.29%	Longyuan Yellow Sea Rudong Off-shore Wind Power Generation Co., Ltd. 200.00 MW 70%

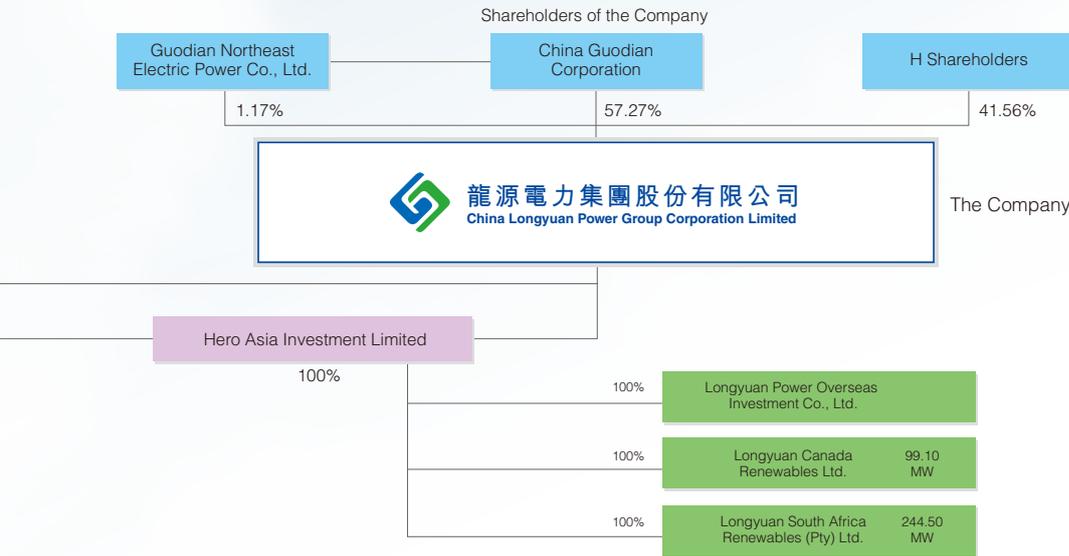
CORPORATE PROFILE



Major Subsidiaries:

- Wind Power business
- Coal Power business
- Other new energy business
- Other enterprises

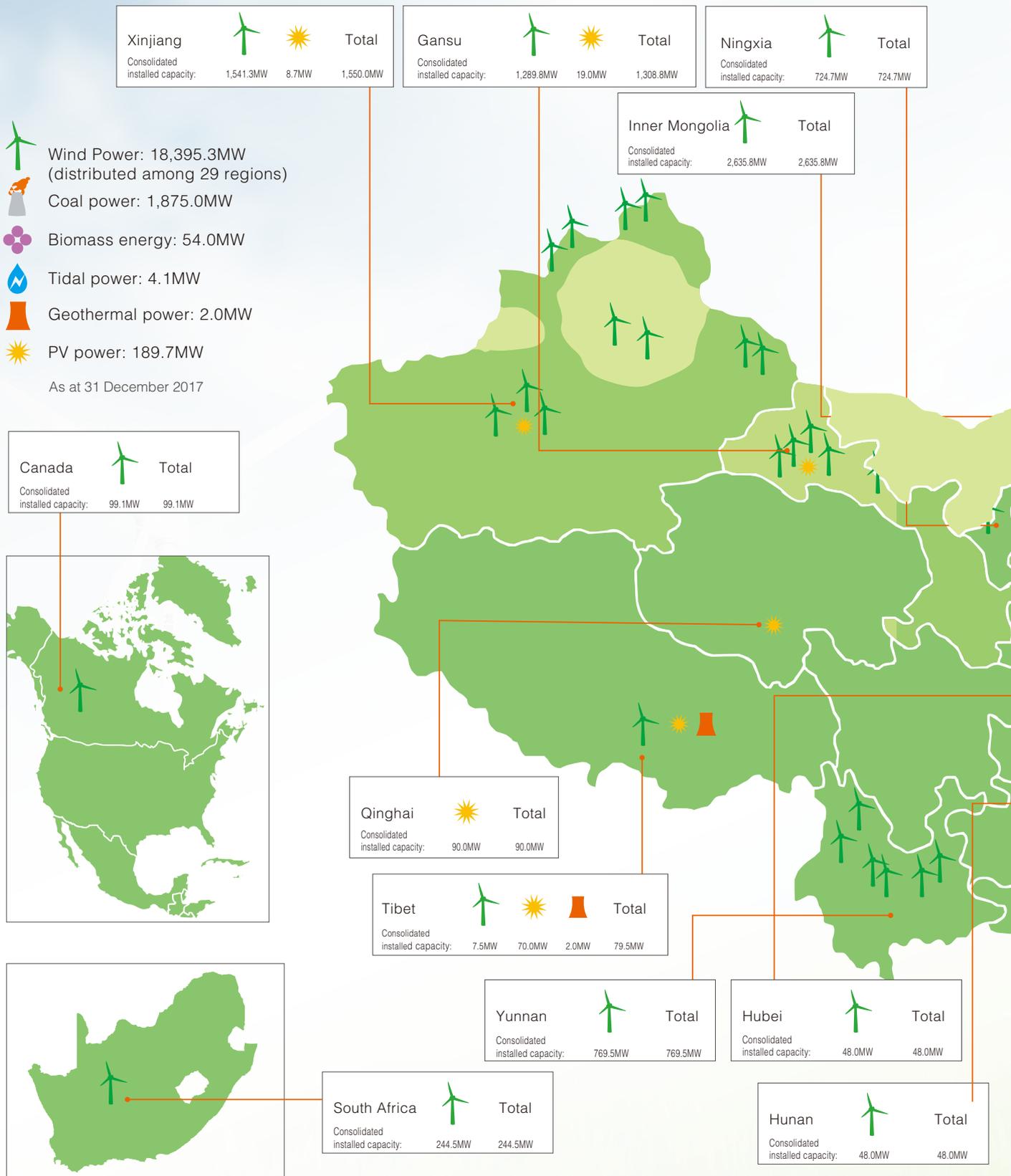
CORPORATE PROFILE



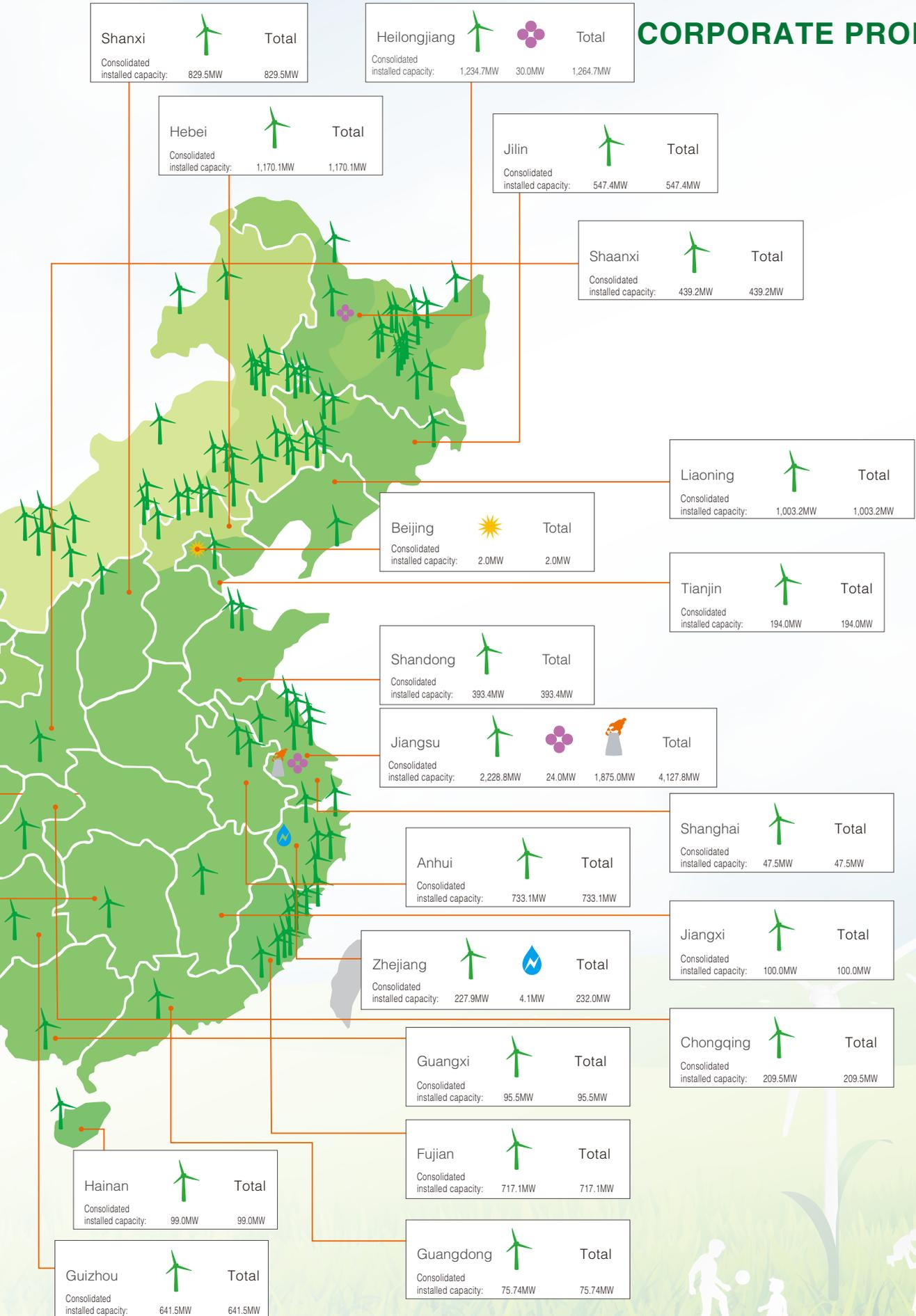
Longyuan Jingbian Wind Power Generation Co., Ltd. 99.00 MW 100%	Chaozhou Haishan Island Wind Power Development Co., Ltd. 50.00 MW 30.60%	Longyuan Turpan New Energy Co., Ltd. 8.72 MW 90%
Longyuan Dingbian Wind Power Generation Co., Ltd. 50.00 MW 100%	Hubei New Energy Longyuan Co., Ltd. 100%	Longyuan (Beijing) New Energy Co., Ltd. 2.00 MW 100%
Longyuan Hengshan New Energy Co., Ltd. 46.00 MW 100%	Longyuan Baokang Wind Power Generation Co., Ltd. 48.00 MW 100%	Donghai Longyuan Biomass Power Plant 24.00 MW 95%
Guodian Longyuan Wuqi New Energy Co., Ltd. 100.10 MW 51%	Guodian Longyuan Jiangyong Wind Power Generation Co., Ltd. 48.00 MW 50%	Guodian Youyi Biomass Power Co., Ltd. 30.00 MW 100%
Jiangxi Longyuan Wind Power Generation Co., Ltd. 100%	Guodian Longyuan Anhua Wind Power Generation Co., Ltd. 50%	Zhongneng Power-Tech Development Co., Ltd. 100%
Longyuan Yichun Wind Power Generation Co., Ltd. 40.00 MW 100%	Hunan Longyuan Wind Power Generation Co., Ltd. 100%	China Fulin Wind Power Engineering Co., Ltd. 100%
Longyuan Le'an Wind Power Generation Co., Ltd. 60.00 MW 100%	Guodian Chongqing Wind Power Development Co., Ltd. 209.50 MW 51%	Longyuan (Beijing) Wind Power Projects Design & Consultation Co., Ltd. 100%
Longyuan Tibet Naqu New Energy Co., Ltd. 7.50 MW 100%	Nantong Tianshenggang Power Generating Co., Ltd. 660.00 MW 31.94%	Longyuan (Beijing) Wind Power Projects Technology Co., Ltd. 100%
Guangxi Longyuan Wind Power Generation Co., Ltd. 95.50 MW 100%	Jiangyin Sulong Heat and Power Generating Co., Ltd. 1,215.00 MW 27%	Longyuan (Beijing) Carbon Assets Management Technology Co., Ltd. 100%
Longyuan Yulin Wind Power Generation Co., Ltd. 100%	Longyuan Da Chai Dan New Energy Development Co., Ltd. 100%	Longyuan (Beijing) Solar Energy Technology Co., Ltd. 100%
Longyuan Liuzhou Wind Power Generation Co., Ltd. 100%	Longyuan Tibet New Energy Co., Ltd. 42.00 MW 100%	China Longyuan Power Group Energy Sales Co., Ltd. 100%
Longyuan Binyang Wind Power Generation Co., Ltd. 100%	Longyuan Tibet Shigatse New Energy Co., Ltd. 30.00 MW 100%	Xinjiang Wind Power Engineering Consultant Co., Ltd. 100%
Longyuan Qinzhou Wind Power Generation Co., Ltd. 100%	Longyuan Ge'ermu New Energy Development Co., Ltd. 90.00 MW 100%	Suzhou Longyuan Bailu Wind Power Technique Vocational Training Centre Co., Ltd. 60%
Longyuan Power Group (Shanghai) Wind Power Co., Ltd. 47.50 MW 100%	Longyuan Zhangye New Energy Co., Ltd. 19.00 MW 100%	Longyuan (Yichun) Wind Power Engineering Services Co., Ltd. 100%
Guangdong Guodian Longyuan Wind Power Generation Co., Ltd. 25.74 MW 51%	Wenling Jiangxia Pilot Tidal Power Station of China Longyuan Power Group Corporation Limited 4.10 MW 100%	Longyuan Power Group (Shanghai) Investment Limited 100%

CORPORATE PROFILE

GEOGRAPHICAL BREAKDOWN OF OUR PROJECTS



CORPORATE PROFILE



HONOURS AND AWARDS

27 AUGUST

The results of the 2017 Appraisal of the Most Beautiful Labour Union of Power Generation Enterprises of the PRC (全國發電企業最美工會評選) came out and the Labour Union of Longyuan Power won the grand award of “2017 Most Beautiful Labour Union of Power Generation Enterprises of the PRC (2017全國發電企業最美工會)”.



28 SEPTEMBER



The SASAC held the second “Model of Central Enterprises (央企楷模)” award ceremony in Beijing and Zhang Xi, president of Longyuan Tibet New Energy Co., Ltd., won this award and received commendation.

NOVEMBER

Longyuan Power won the fifth “National Civilized Unit (全國文明單位)” title, the highest honour in respect of national spiritual civilization. Led by the socialist culture with Chinese characteristics, Longyuan Power, based on the socialist core value system, coordinated the development of spiritual civilization and corporate production and operation with a view to enhancement of civilization quality of officers and staff as well as its level of civilization.



HONOURS AND AWARDS

30 NOVEMBER



The Seventh Session of China Securities Golden Bauhinia Award (第七屆中國證券“金紫荊”獎) was unveiled in Hong Kong. Longyuan Power was once again granted “The Listed Company with the Best Brand Value (最具品牌價值上市公司獎)”.

9 DECEMBER

The list of the “2017 (Second) Appraisal of Management Innovation Achievements and Outstanding Papers of State-owned Enterprises (2017(第2屆)國企管理創新成果和優論文)”, which is authoritative with extensive influence in the field of management of state-owned enterprises, cosponsored by the Chinese Institute of Business Administration and Chinese Academy of Fiscal Sciences, was released. Longyuan Power Carbon Assets won the first prize of “National State-owned Enterprise Management Innovation Achievement (全國國企管理創新成果)”.



12 DECEMBER

At the “Belt and Road” International Energy Summit and the Seventh Global Top 500 New Energy Companies Summit held at the People’s Daily, the appraisal results of “2017 Global Top 500 New Energy Companies (2017全球新能源企業500強)” were unveiled and Longyuan Power was included in the list for the fifth consecutive year.

CORPORATE MILESTONES IN 2017

From 13 to 15 February, Longyuan Power held the first session of the third Staff Representatives Assembly & 2017 Working Conference in Beijing to deeply follow the spirit of the Group's working conferences, comprehensively summarize the work in 2016, make analyses of the current situation, determine the work plans, targets and focus for 2017, and call on all of the officers and employees to insist on the idea of "quality, beneficial and sustainable development by virtue of advantages (有質量、有效益、可持續的優勢發展)" under the leadership of the "One, Five and Five" strategy in implementation of the "Long-lasting Longyuan" strategy in an innovative way.

On 17 March, Longyuan Power convened the 2017 working conference on rule by law to thoroughly implement the spirits of the 18th CPC National Congress and the previous plenary sessions of the 18th central committee as well as the requirements of the SASAC and the Group on construction of an enterprise ruled by law and deploy the key tasks of rule by law in 2017. It is the first special session on rule by law covering the entire system held ever since the establishment of Longyuan Power and also an important initiative of Longyuan Power for implementation of the "Guodian Ruled by Law" strategic deployment of the Group in an all-round way and vigorous promotion of the "the year for corporate governance in strict accordance with the law" (依法從嚴治企管理年).

On 24 April, Yan Xiaofeng, a member of the Party committee and secretary general of the SASAC led a team to Longyuan South Africa for investigation and expressed positive affirmation and high evaluation for Longyuan Power's efforts made for the "Belt and Road" great decision and deployment of the Party Central Committee and the State Council.

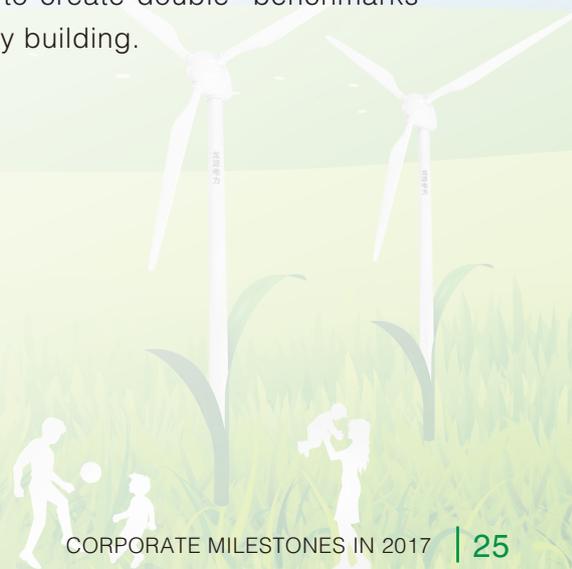
On 11 May, Wang Zhixuan, vice president of China Electricity Council, went to Jiangsu Offshore Longyuan for investigation to understand the new energy power development situation and explore large scale grid connection and consumption of new energy power. Wang Zhixuan fully affirmed Longyuan Power's achievements in respect of domestic offshore wind power development and expressed appreciation for Jiangsu Offshore Longyuan's efforts in forging ahead with determination and pursuit of innovation. He hoped that Jiangsu Offshore Longyuan would continue to exert its strengths to play a leading role in and make contributions to development of the entire offshore wind power industry and preparation of standards therefor.

CORPORATE MILESTONES IN 2017

On 13 June, the working conference on promoting the implementation of the Standards on Provision of Labour Protection Articles in the Wind Power Industry was convened in Nantong, Jiangsu. Longyuan Power, as the specific editor, provided templates and accumulated experience for implementation of standards throughout the industry and popularization of industrial standards and was thus unanimously praised by the attendees. Zhang Bo, chairman of China Energy, Chemistry and Geology Trade Union, and Su Hainan, deputy director and secretary general of National Technical Committee for Labour Management and Protection Standardization, attended the conference. Over 30 representatives from 9 central enterprise groups including Guodian, Huaneng, Datang, Huadian, Shenhua, etc. attended the conference.

On 27 June, the first separable 220kV offshore transformer station was successfully lifted and installed at the site of Longyuan Jiangsu Dafeng 200 MW Offshore Wind Power Project. Longyuan Power creatively adopted the construction scheme of “modular design and separable installation” and designed the project’s offshore transformer station into 5 separate independent modules according to functions. The modules were transported to the designed installation position of transformer station for separable installation. It took only 4 days to complete the lifting and installation of the first separable offshore transformer station in the world.

On 21 August, Liu Qiang, deputy director and a member of the Party committee of the SASAC, led a team to Longyuan South Africa for investigation on the work of Party building and expressed positive affirmation and high evaluation to Longyuan Power and Longyuan South Africa for resolute implementation of the major decisions and deployment of the Party Central Committee and the State Council in relation to the “Belt and Road” initiative and proactive construction of high-quality overseas projects. He hoped that Longyuan South Africa would continue to exert efforts to build a good pattern for mutual promotion and mutual enhancement of Party building and business to create double “benchmarks” and double “demonstrations” in terms of business and Party building.



CORPORATE MILESTONES IN 2017

On 27 August, the results of the 2017 Appraisal of the Most Beautiful Labour Union of Power Generation Enterprises of the PRC (全國發電企業最美工會評選) came out and the Labour Union of Longyuan Power won the grand award of “2017 Most Beautiful Labour Union of Power Generation Enterprises of the PRC (2017全國發電企業最美工會)”. At the conference, the Labour Union of Longyuan Power delivered a typical speech and conducted experience exchange to show the elegant demeanour of Longyuan Power to all the power generation enterprises of the PRC.

On 23 October, the construction of the first “embedded” rock-socketed single pile foundation was successfully completed for the phase I project of Putian Nanri Island Offshore Wind Farm of Fujian Longyuan Wind Power Generation Co., Ltd., making the zero breakthrough of “embedded” rock-socketed single pile foundation in the field of offshore wind power in the world.

On 8 November (Bucharest local time), the first China – Central and Eastern Europe Energy Fair and Conference was held in Bucharest, Capital of Rumania. Li Enyi, assistant to general manager of Guodian Group and President and deputy secretary of Party committee of Longyuan Power, attended the fair on behalf of Guodian Group. At the fair, Li Enyi met with Ms. Corina Popescu, former director general of the Ministry of Energy and current general manager of National Power Grid Company of Romania, and both introduced the business development of their respective companies and discussed the possibility of cooperation.

On 17 November, the 244.5 MW wind power project developed by Longyuan Power in De Aar, South Africa was successfully put into production and started power generation. It is first wind power project in Africa that is invested, built and operated by Chinese companies.

In November, Longyuan Power won the fifth “National Civilized Unit (全國文明單位)” title, the highest honour in respect of national spiritual civilization. Led by the socialist culture with Chinese characteristics, Longyuan Power, based on the socialist core value system, coordinated the development of spiritual civilization and corporate production and operation with a view to enhancement of civilization quality of officers and staff as well as its level of civilization.

CORPORATE MILESTONES IN 2017

On 28 November, the meeting of restructuring and establishment of China Energy Investment Corporation Limited was held in Beijing, making the official establishment of China Energy Investment Corporation. It is the first critical step for going all out to build a first-rate comprehensive energy group with global competitiveness in the world.

On 30 November, the Seventh Session of China Securities Golden Bauhinia Award (第七屆中國證券“金紫荊”獎) was unveiled in Hong Kong. Longyuan Power stood out once again out of over one thousand listed companies in Hong Kong and was granted “The Listed Company with the Best Brand Value (最具品牌價值上市公司獎)”.

On 12 December, the “Belt and Road” International Energy Summit Forum and the Seventh Global Top 500 New Energy Companies Summit was held at the People’s Daily. The appraisal results of “2017 Global Top 500 New Energy Companies (2017全球新能源企業500強)” were unveiled at the summit and Longyuan Power was included in the list for the fifth consecutive year.

On 31 December, Longyuan Jiangsu Dafeng Project, the first offshore wind power project of Longyuan Power, was put into production. As at the end of 2017, the total installed capacity of offshore wind power segment of Longyuan Power exceeded 1 GW.



MANAGEMENT DISCUSSION AND ANALYSIS

I. INDUSTRY REVIEW

1. Operational Environment

In 2017, China's economy maintained sound growth momentum since the 18th CPC National Congress, progressing amid overall stability and gaining encouraging achievements. China's electricity supply and demand were roughly balanced on the whole. The power consumption across the country was 6,307.7 billion kWh, representing a year-on-year increase of 6.6%, 1.6 percentage points higher than that of 2016; and the total power generation across the country was 6,417.9 billion kWh, representing a year-on-year increase of 6.5%, 1.6 percentage points higher than that of 2016. In particular, grid-connected wind power generation amounted to 305.7 billion kWh, representing a year-on-year increase of 26.3%, and up by 0.7 percentage point over last year in terms of the percentage in nationwide power generation; hydropower generation amounted to 1,194.5 billion kWh, representing a year-on-year increase of 1.7%, and accounting for 18.6% of nationwide power generation, down by 0.9 percentage point over last year; coal power generation amounted to 4,551.3 billion kWh, representing a year-on-year increase of 5.2%, and accounting for 70.9% of nationwide power generation, down by 0.9 percentage point over last year; nuclear power and grid-connected solar power generation amounted to 248.3 billion kWh and 118.2 billion kWh respectively, representing a year-on-year increase of 16.5% and 75.4% respectively, and up by 0.3 percentage point and 0.7 percentage point over last year in terms of the percentage in nationwide power generation; As at the end of 2017, the total power generation installed capacity across the country was 1,777 GW, representing a year-on-year increase of 7.6%, of which grid-connected capacity of wind power amounted to 164 GW, accounting for 9.2% of the total installed capacity. The average utilisation hours of power generation facilities across the country in 2017 were 3,786 hours, representing a decrease of 11 hours year-on-year, of which wind power utilisation hours were 1,948 hours, up by 203 hours year-on-year. The average utilisation hours of coal power facilities were 4,209 hours, up by 23 hours year-on-year.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Policy factors

In 2017, the 19th CPC National Congress was held, at which the development philosophy of speeding up reform of the system for developing an ecological civilization and building a beautiful China to pursue harmonious coexistence between man and nature was put forward. Premier Li Keqiang also pointed out in the 2017 government work report that quick action should be taken to improve mechanisms and technologies so as to prioritise the grid connection of electric power generated from clean energy sources and effectively alleviate wind and solar power curtailment. This is the first time that grid curtailment was written into a government work report, indicating that the renewable energy curtailment has attracted the attention of the central government. Nur Bekri, head of the NEA, said that the wind power curtailment rate shall be controlled within 5% in the “Three North” areas and reduced to nearly zero in other areas by 2020.

In January 2017, the State Grid Corporation of China (“SGCC”) held a press conference, at which it clearly indicated that efforts would be made to effectively alleviate wind and solar power curtailment during 2017 to 2018, and address renewable energy consumption obstacles and keep the curtailment rate of wind and solar power within 5% by 2020. It also introduced 20 specific measures to promote the consumption of new energy, covering the construction of power grids and peak-shaving capacity, unified planning and research, key technology research, etc. This reaffirmed the SGCC's intention to address wind and solar power curtailment through multiple measures and set out, for the first time, the goal of keeping the curtailment rate of wind and solar power within 5% by 2020. Taking step-by-step measures to address wind and solar power curtailment is conducive to improving the cash flows of new energy enterprises and prompting the introduction of quota system and other policies, thereby promoting the long-term development of wind and photovoltaic power and other new energy sectors.

MANAGEMENT DISCUSSION AND ANALYSIS

In February 2017, the NDRC, the Ministry of Finance and the NEA jointly issued the Notice on Trial Implementation of Renewable Energy Green Power Certificate Issuance and Voluntary Subscription Trading System (關於試行可再生能源綠色電力證書核發及自願認購交易制度的通知), which aims to establish a voluntary subscription system for renewable energy green power certificates by setting out the rules for issuance and subscription of green certificates and improving the subsidy mechanism for wind power generation. The introduction of green certificates was also intended to guide the green consumption across the country and boost the effective utilisation of clean energy.

In February 2017, the NEA issued the Notice on Guiding Opinions on Energy Work in 2017 (2017年能源工作指導意見的通知), proposing to steadily promote the construction of wind power projects and setting out its plan to commence construction of wind power projects with an aggregate capacity of 25,000 MW and add installed capacity of 20,000 MW in the year. Pursuant to the notice, efforts would be made to promote the preliminary work of wind power projects with an aggregate capacity of 25,000 MW in certain areas; the layout of wind power construction and development would be optimised by allocating the majority of the newly-added capacity to the central-eastern and southern regions; new power-grid connections in regions with severe wind power curtailment would be subject to strict control; and the development and exploitation of offshore wind power would be quickened.

In March 2017, the NDRC and the NEA issued the Notice on Orderly Liberalization of the Planning for Power Generation and Utilisation (關於有序放開發用電計劃的通知), setting out that power generation from clean energy sources, such as existing large hydropower, wind power and solar energy projects covered by the national plan, would be protected through planning prioritised power generation.

In April 2017, the SGCC issued the Notice on Arrangement for Promoting Consumption of New Energy in 2017 (2017年促進新能源消納工作安排的通知), proposing to set up a yellow warning system for new energy investment, further reduce the constraints of the annual power generation plans of coal-fired power generation facilities in the regions with severe wind and solar power curtailment such as Jilin, Heilongjiang, Xinjiang and Gansu and reserve sufficient room for new energy power generation.

MANAGEMENT DISCUSSION AND ANALYSIS

In April 2017, the NDRC, the Ministry of Finance and the NEA jointly issued the Notice on Liquidation of Additional Subsidies for Electricity Tariff of Renewable Energy (關於開展可再生能源電價附加補助資金清算工作的通知), pursuant to which the new energy subsidies listed in the batches one to six of the subsidy funds for electricity tariff of renewable energy should be reviewed and liquidated. The implementation of the policy will further facilitate the recovery of subsidies for wind power enterprises.

In May 2017, the NDRC and the State Oceanic Administration issued the 13th Five-Year Plan for National Marine Economic Development (全國海洋經濟發展“十三五”規劃), proposing to strengthen the research and development of high-power offshore wind power equipment of 5 MW, 6 MW and above, rationalise the distribution of offshore wind power projects, encourage the construction of deep-sea offshore wind farms, adjust the policy for the grid connection of wind power, and improve the technical standard system and the standards for use of oceans for offshore wind power sector.

In May 2017, the Comprehensive Department of the NEA issued the Notice on Implementation of Demonstration for Grid Parity of Wind Power Generation (關於開展風電平價上網示範工作的通知), proposing to carry out demonstration activities for grid parity of wind power generation across the country, thus guiding and promoting the sustainable and healthy development of renewable energy industry and enhancing the market competitiveness of wind power.

In June 2017, for the purpose of improving the utilisation efficiency of distributed wind resources and optimising the layout of wind power development, the NEA officially issued the Notice on Requirements in relation to Acceleration of Construction of Distributed Wind Power Connection Projects (關於加快推進分散式接入風電項目建設有關要求的通知), requiring greater efforts to ensure the construction of distributed wind power connection projects during the “13th Five-Year Plan” period. Pursuant to the notice, distributed wind power connection projects would not be restricted by the annual guided scale, the competent energy authorities at provincial level are encouraged to study and formulate measures for simplifying the approval procedures for the distributed wind power projects approved and covered by their plans, and the regions subject to red warnings should focus on solving the problem of consumption of power generated by existing wind power projects and suspend the construction of new distributed wind power projects. The issue and implementation of the above policies will facilitate the healthy and rapid development of the wind power and renewable energy sectors.

MANAGEMENT DISCUSSION AND ANALYSIS

In July 2017, the NEA released the Guiding Opinions on Implementation of the 13th Five-Year Plan for the Development of Renewable Energy (關於可再生能源發展“十三五”規劃實施的指導意見), which mainly covers strengthening target achievements and monitoring and assessment of renewable energy; enhancing the guiding role of planning for development of renewable energy; creating better conditions for grid access and market consumption; promoting technological progress and cost reduction through innovating development mode; optimising the mechanism for managing the construction scale of wind power and photovoltaic power projects; strengthening and standardising the management of biomass power generation; taking multiple measures to expand funding sources for subsidies; and increasing policy support.

In August 2017, the State Power Scheduling and Control Center (國家電力調度控制中心) and Beijing Power Exchange Center (北京電力交易中心) jointly issued the Pilot Rules on Cross-Provincial Spot Trading of Surplus Renewable Energy Power (Trial Implementation) (跨區域省間富餘可再生能源電力現貨試點規則(試行)). Spot trading aims to give full play to the decisive role of the market in allocating resources, utilise the surplus power transmission capacity of trans-provincial transmission lines to the maximum extent and effectively promote the trans-provincial transmission of surplus renewable energy, thereby creating a new channel for wind power consumption and further alleviating the wind power curtailment caused by insufficient demand.

In August 2017, the NDRC issued the Consultation on Management Measures for Planning Prioritised Power Generation and Purchase (關於徵求優先發電優先購電計劃有關管理辦法意見的函), indicating that the management measures for planning prioritised power generation and purchase have been included in the key regulatory documents for 2017 and renewable energy sources such as wind energy are included in the category A of prioritised power generation.

MANAGEMENT DISCUSSION AND ANALYSIS

In August 2017, the NEA issued the Notice on Reducing the Tax Burden of Enterprises Engaging in Renewable Energy Business (關於減輕可再生能源領域涉企稅費負擔的通知), setting out the tax relief policy for renewable energy enterprises.

In September 2017, the NDRC released the Notice regarding Better Protection of Coal, Electricity, Oil and Gas (關於做好煤電油氣保障工作的通知), stating that it is necessary to effectively promote power generation from clean energy sources via prioritised access to grid-connection and power grid enterprises should optimise the operation mode of thermal power generating units while ensuring safety so as to make space for clean energy to get grid-connected.

In November 2017, NDRC and the NEA jointly issued the Implementation Plan for Solving Hydro, Wind and Solar Power Curtailment (解決棄水棄風棄光問題實施方案), requiring that hydro, wind and solar power curtailment in the regions where power generation from renewable energy sources was severely restricted be significantly alleviated in 2017, with wind power curtailment rate reducing to about 30% in Gansu and Xinjiang and about 20% in Jilin, Heilongjiang and Inner Mongolia. The annual utilisation hours of wind power and photovoltaic power farms in other regions should reach the minimum guaranteed purchased utilisation hours of wind power and photovoltaic power farms on an annual basis set by the NEA in 2016 or keep wind power curtailment rate lower than 10% and solar power curtailment rate lower than 5%.

MANAGEMENT DISCUSSION AND ANALYSIS

As the development philosophy of harmonious coexistence between man and nature was highlighted and put forward at the 19th CPC National Congress in 2017, developing renewable energy has become a strategic choice for coping with global climate change, protecting ecological environment and creating a favourable production and living environment for people. This is closely in line with the Company's commitment to developing wind power and other renewable energy sources. In order to fulfil its commitments to the international community and the binding targets of emission reduction, China released a series of policies and regulatory measures this year to support and encourage the consumption of power generated from renewable energy sources, with a view to addressing wind, hydro and solar power curtailment. Wind power, photovoltaic power and other renewable energy will become the mainstream alternative energy in the "13th Five-Year Plan" period. Meanwhile, with the rapid technological upgrading of wind turbine generators, the performance of power generation has been increasing year by year, and the increasingly wide application of large-sized blades, higher turbine towers, new material technologies and digital control has brought new profit drivers to the sustainable development of wind power sector. Hence, the wind power sector in China is still in a period full of opportunities for development.

II. BUSINESS REVIEW

1. Intensified innovative management and enhanced overall strengths through resolutely improving quality and efficiency

In 2017, the Group adhered to problem-solving orientation and adopted a benchmarking approach to deepen refined management. The Group continued to maintain industry-leading position in terms of wind power generation and utilisation hours. Further efforts were made in promoting the standardisation of production so as to ensure production safety and stable operation. While implementing the management approach of "Three Measures and One Scheme (三措一案)" to oversee on-site maintenance and repair, the Group strove to devise an industry-specific support system for technical supervision and fault diagnosis, aimed at enhancing the reliability of equipment and putting an end to personal injury incidents. Furthermore, the Group continued to deepen "lean maintenance" of equipment and promoted the group-wide construction of fault-free wind farms. Individualized and preventive "lean maintenance" plans were designed for all wind turbine generators and electrical equipment, the

MANAGEMENT DISCUSSION AND ANALYSIS

management and control modes of “Advanced Maintenance Cost Evaluation Standards” were adopted for different models of generators, with a view to establishing a first-class management and control system for production and operation. In addition, an innovative assessment and incentive mechanism was adopted to achieve informatization management. Through statistical analysis and accurate reporting of key performance indicators of production and management at all levels, the Group was able to conduct monthly performance appraisal on all employees from the headquarters to lowest-level teams as the responsibilities of each post and each employee were well-defined. During the process, dynamic incentives and effectiveness were underscored. The Group also strengthened control over economic operation and promoted the construction of smart wind farms. The operation and maintenance modes of wind power enterprises were optimised by applying information technology to traditional wind farms to further enhance on-site management and continue to improve the safe and economic operation and profitability of existing wind farms.

In 2017, the Group further strengthened the management of grid curtailment through real-time monitoring of output and workload, enhancing on-duty system for power curtailment and marketing during major holidays, strict implementation of “grid curtailment limit and rate” dual controls and adopting a reporting and assessment system for monthly grid curtailment benchmarking. Meanwhile, despite the ever-expanding scale of wind power trading, the Group adhered to industry self-regulation and rejected ineffective market transactions to maximise the benefits of the Group.

In 2017, the Group generated a cumulative gross electricity output of 45,583 GWh, of which electricity generated from our wind power segment amounted to 34,448 GWh, representing a year-on-year increase of 14.97%, mainly attributable to the increase in installed capacity and the decrease in grid curtailment rate. In 2017, the average utilisation hours of the wind power business was 2,035 hours, up by 134 hours as compared with that of 2016, which was primarily attributable to the decrease in grid curtailment rate.

MANAGEMENT DISCUSSION AND ANALYSIS

Geographical breakdown of the consolidated power generation of the Group's wind farms for 2016 and 2017:

Region	2017 (MWh)	2016 (MWh)	Percentage of change
Heilongjiang	2,470,344	2,179,811	13.33%
Jilin	857,589	612,740	39.96%
Liaoning	2,181,498	1,975,699	10.42%
Inner Mongolia	4,909,500	4,504,521	8.99%
Jiangsu (onshore)	2,356,064	2,350,056	0.26%
Jiangsu (offshore)	1,089,998	1,058,757	2.95%
Zhejiang	409,719	416,858	-1.71%
Fujian	1,898,992	1,470,887	29.11%
Hainan	147,438	121,461	21.39%
Gansu	2,095,533	1,414,743	48.12%
Xinjiang	2,827,684	2,184,817	29.42%
Hebei	2,606,858	2,422,333	7.62%
Yunnan	1,808,015	1,558,875	15.98%
Anhui	1,550,076	1,534,874	0.99%
Shandong	723,540	691,070	4.70%
Tianjin	251,443	250,354	0.43%
Shanxi	1,403,353	1,272,022	10.32%
Ningxia	1,291,969	1,085,088	19.07%
Guizhou	1,263,221	1,172,941	7.70%
Shaanxi	712,616	587,358	21.33%
Tibet	13,010	15,040	-13.50%
Chongqing	349,950	301,304	16.15%
Shanghai	132,176	124,221	6.40%
Guangdong	124,343	40,514	206.91%
Hunan	163,022	151,029	7.94%
Guangxi	258,569	187,248	38.09%
Jiangxi	72,863	–	–
Hubei	52,909	–	–
Canada	282,092	277,590	1.62%
South Africa	144,093	–	–
Total	34,448,476	29,962,211	14.97%

MANAGEMENT DISCUSSION AND ANALYSIS

Geographical breakdown of the average utilisation hours/load factor of wind power of the Group's wind farms for 2016 and 2017:

Region	Average utilisation hours of wind power for 2017 (hours)	Average load factor of wind power for 2017	Average utilisation hours of wind power for 2016 (hours)	Average load factor of wind power for 2016	Percentage of change of the average utilisation hours of wind power
Heilongjiang	2,001	23%	1,765	20%	13.37%
Jilin	1,730	20%	1,368	16%	26.46%
Liaoning	2,175	25%	1,969	22%	10.46%
Inner Mongolia	1,898	22%	1,742	20%	8.96%
Jiangsu (onshore)	1,957	22%	2,141	24%	-8.59%
Jiangsu (offshore)	2,269	26%	2,204	25%	2.95%
Zhejiang	1,798	21%	1,829	21%	-1.69%
Fujian	3,029	35%	2,817	32%	7.53%
Hainan	1,489	17%	1,227	14%	21.35%
Gansu	1,625	19%	1,097	13%	48.13%
Xinjiang	1,835	21%	1,570	18%	16.88%
Hebei	2,228	25%	2,070	24%	7.63%
Yunnan	2,448	28%	2,516	29%	-2.70%
Anhui	2,205	25%	2,257	26%	-2.30%
Shandong	2,100	24%	2,040	23%	2.94%
Tianjin	1,873	21%	1,897	22%	-1.27%
Shanxi	1,860	21%	1,968	22%	-5.49%
Ningxia	1,783	20%	2,038	23%	-12.51%
Guizhou	1,969	22%	2,066	24%	-4.70%
Shaanxi	2,100	24%	2,324	27%	-9.64%
Tibet	1,735	20%	2,005	23%	-13.47%
Chongqing	2,341	27%	2,015	23%	16.18%
Shanghai	2,783	32%	2,615	30%	6.42%
Guangdong	2,219	25%	1,574	18%	40.98%
Hunan	3,396	39%	2,754	31%	23.31%
Guangxi	2,708	31%	3,146	36%	-13.92%
Jiangxi	2,343	27%	-	-	-
Hubei	2,261	26%	-	-	-
Canada	2,847	32%	2,801	32%	1.64%
South Africa	-	-	-	-	-
Total	2,035	23%	1,901	22%	7.05%

MANAGEMENT DISCUSSION AND ANALYSIS

Geographical breakdown of the average utilisation rate of wind power of the Group's wind farms for 2016 and 2017:

Region	2017 (%)	2016 (%)	Percentage of change
Heilongjiang	99.03	99.33	-0.30%
Jilin	98.98	98.50	0.48%
Liaoning	98.97	99.31	-0.34%
Inner Mongolia	98.92	98.61	0.31%
Jiangsu (onshore)	99.25	99.16	0.09%
Jiangsu (offshore)	96.44	96.22	0.22%
Zhejiang	98.94	98.92	0.02%
Fujian	98.95	98.53	0.42%
Hainan	98.67	98.95	-0.28%
Gansu	99.23	99.45	-0.22%
Xinjiang	99.12	99.30	-0.18%
Hebei	98.89	98.75	0.14%
Yunnan	98.95	99.47	-0.52%
Anhui	98.95	99.18	-0.23%
Shandong	99.02	99.35	-0.33%
Tianjin	98.99	99.39	-0.40%
Shanxi	98.95	99.38	-0.43%
Ningxia	98.90	99.19	-0.29%
Guizhou	99.05	99.29	-0.24%
Shaanxi	98.95	99.46	-0.51%
Tibet	98.89	99.95	-1.06%
Chongqing	99.10	99.10	0%
Shanghai	98.68	99.55	-0.87%
Guangdong	99.17	98.96	0.21%
Hunan	98.50	98.50	0%
Guangxi	99.33	99.79	-0.46%
Jiangxi	99.31	–	–
Hubei	99.06	–	–
Canada	97.28	96.00	1.28%
South Africa	99.06	–	–
Total	98.98	98.90	0.08%

MANAGEMENT DISCUSSION AND ANALYSIS

In 2017, the consolidated gross power generation from coal power segment of the Group was 10,515 GWh, representing an increase of 5.35% as compared with 9,981 GWh in 2016. This was mainly due to (1) Tianshenggang Company (天生港公司) was granted incentives of 179 GWh power generation in place of Xinxing Heat and Power (新興熱電); and (2) the year-on-year increase of 2.70 million GJ in the heat supply of two coal-fired power generation enterprises due to their efforts in exploring heat market and securing additional power generation based on the principle of dispatch of electricity to be correlated with steam generation. The average utilisation hours of the Group's coal power segment in 2017 was 5,608 hours, representing an increase of 285 hours as compared with 5,323 hours in 2016.

2. Emphasized quality effectiveness and optimized development layout, thus maintaining sustained high quality development

In 2017, the Group continued to further optimise the layout of wind power development according to market conditions and national planning objectives and the development concept of “nationwide presence and provincial dispersion”, focusing mainly on the central-eastern and southern regions and keeping a close eye on wind-power development in the “Three North” areas to ensure adequate resource reserves.

In 2017, the Group's 36 projects with an aggregate capacity of 1,935 MW were included in the developing plan for the second batch of wind power projects under the 13th Five-Year Plan released by the provincial agencies of the NEA, which represented the Group's best level of incremental assets in the recent three years. During the year, 32 wind power projects with an aggregate capacity of 1,788 MW were approved, over 97% of which were located in the regions not subject to grid curtailment, further expanding the Group's regional coverage. The development of the project in Henan Province indicates that the Group has expanded its presence to all provinces, municipalities and autonomous regions in China other than Hong Kong, Macao and Taiwan. As at the end of 2017, the Group had wind power projects of 7.3 GW approved but not yet put into operation, which would be sufficient to meet the sustainable development requirement of the Group during the “13th Five-Year Plan” period.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2017, in response to the complicated external conditions and environment, the Group maintained its crisis awareness and innovative spirit, pursuing technological progress, adhering to problem-solving orientation and coping with problems and challenges with new ideas and approaches. In this regard, key efforts made by the Group included: Enhancing high-quality resource reserves: the Group continued to further optimise wind-power development layout according to the development concept of “nationwide deployment and provincial dispersion”, focusing mainly on the central-eastern and southern regions and keeping a close eye on wind-power development in the “Three North” areas to ensure adequate resource reserves. Innovating management mechanism: the Group kept abreast of on changes in wind-power development policy and market and cutting-edge technological innovations, dynamically optimised top-level design and overall planning of the preliminary work, and built a professional “wind power development technology management system”. Emphasizing the quality of preliminary work: the Group adhered to the principle of “quality first, benefit first”, fully tapped the potentials of project resources and determined the conditions for commencement of construction through strengthening quality management of wind resources data, analysing the most suitable turbine models, power grid transmission and the impact of grid curtailment to improve the quality of preliminary work in every respect, thereby preventing investment risks and ensuring project profitability.

In 2017, the Group gradually shifted from pursuing business scale to pursuing quality and efficiency. Based on business circumstances, the Company adjusted its development plan and optimised the project development sequence by prioritising the investment and development of projects that had good conditions for power transmission and consumption and higher tariffs, so as to ensure the simultaneous growth of business scale and benefits.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Valued the ecological environment and rolled out competitive projects, thereby constructing new and upgraded top-notch wind farms

In 2017, the Group stuck to the “One, Five and Five” strategy and upheld the general business guidelines of “making progress and optimisation in a steady way”, steadily pushing ahead with the construction of wind power projects. In the year, the Group put into operation 10 wind power projects with an aggregate capacity of 1,026.5 MW, of which 552 MW was attributable to offshore wind power projects. Among the projects put into operation, the two-phase wind farm project of 244.5 MW in South Africa was grid-connected and commenced operation, becoming the first overseas project that was independently invested, built and operated by the Group. The 48 MW Huanglianshan Wind Power Project in Baokang, Hubei Province was put into operation, marking the zero breakthrough of wind power installed capacity for the Company in Hubei Province. In addition, the Jiangsu Dafeng Offshore Wind Power Project succeeded in building the first separable transformer station in the world, solving the difficulty of transport in the intertidal zone during the construction of offshore transformer stations, and applied the large cross-section connector-free cable production techniques adopting the world’s first 33-km long 220 kV sea cable with a cross-section of 1,600 mm², thereby effectively reducing operation risks of the project and driving the development of domestic high-voltage sea cable industry.

Project construction was carried out under stable safety environment without any construction or equipment-related safety accident. Project construction quality management was further optimised and the problems identified were timely coordinated and addressed through scientifically optimised design, strengthened supervision and emphasizing construction quality, thereby effectively reducing potential quality problems and ensuring project quality. The project cost management measures were further revised to strictly control each cost component, effectively controlling project cost.

MANAGEMENT DISCUSSION AND ANALYSIS

In response to overcapacity and slowing economic growth in China, the Group upheld the concept of “making profits in virtue of quality assurance” and further cemented its competitive edges in the wind power market by constructing “top-notch” wind farms featuring health, high-efficiency, intelligence and safety. Facing the increasingly prominent environmental problems and the growing emphasis laid by competent authorities in China, the Group strictly complied with construction work procedures in the course of construction, and procured the fulfillment of the procedures related to forest and land requisition, ensuring the legal and regulatory compliance of project construction. Meanwhile, the Group procured the fulfillment of the procedures of environmental inspection for acceptance for all completed projects in China and made the Qixin Weichang project in Hebei an ecological demonstration project to drive the ecological construction of wind farms in China. By adopting a series of strategic measures for sustainable development, the Group fulfilled its social responsibility of building a resource-saving and environment-friendly enterprise, practiced its business philosophy of protecting environment and benefiting future generations, and gradually rolled out green development projects to be well-positioned for future development.

As at 31 December 2017, the consolidated installed capacity of the Group was 20,520 MW, among which, the consolidated installed capacity of the wind power, coal power and other renewable energy segments were 18,395 MW, 1,875 MW and 250 MW, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Geographical breakdown of the consolidated installed capacity of the Group's wind farms as at 31 December 2016 and 2017:

Region	31 December 2017 (MW)	31 December 2016 (MW)	Percentage of change
Heilongjiang	1,234.7	1,234.7	0.00%
Jilin	547.4	547.4	0.00%
Liaoning	1,003.2	1,003.2	0.00%
Inner Mongolia	2,635.8	2,635.8	0.00%
Jiangsu (onshore)	1,248.5	1,248.5	0.00%
Jiangsu (offshore)	980.3	480.3	104.10%
Zhejiang	227.9	227.9	0.00%
Fujian	717.1	665.1	7.82%
Hainan	99.0	99.0	0.00%
Gansu	1,289.8	1,289.8	0.00%
Xinjiang	1,541.3	1,541.3	0.00%
Hebei	1,170.1	1,170.1	0.00%
Yunnan	769.5	769.5	0.00%
Anhui	733.1	733.1	0.00%
Shandong	393.4	393.4	0.00%
Tianjin	194.0	132.0	46.97%
Shanxi	829.5	829.5	0.00%
Ningxia	724.7	724.7	0.00%
Guizhou	641.5	641.5	0.00%
Shaanxi	439.2	439.2	0.00%
Tibet	7.5	7.5	0.00%
Chongqing	209.5	149.5	40.13%
Shanghai	47.5	47.5	0.00%
Guangdong	75.74	75.74	0.00%
Hunan	48.0	48.0	0.00%
Guangxi	95.5	95.5	0.00%
Jiangxi	100.0	40.0	150.00%
Hubei	48.0	—	—
Canada	99.1	99.1	0.00%
South Africa	244.5	—	—
Total	18,395.3	17,368.8	5.91%

MANAGEMENT DISCUSSION AND ANALYSIS

4. Blazed new trails in respect of marketing strategies and took scientific measures for quantity assurance and price control, resulting in stable improvement of economic benefits

The average on-grid tariffs for overall power generation segments of the Group for 2017 amounted to RMB530 per MWh (value-added tax (“VAT”) inclusive), the same as the average on-grid tariffs of RMB530 per MWh (VAT inclusive) in 2016. The average on-grid tariffs for wind power amounted to RMB566 per MWh (VAT inclusive), representing a decrease of RMB4 per MWh as compared with RMB570 per MWh (VAT inclusive) in 2016, which was due to the year-on-year increase in the sales volume of wind power in the regions with lower tariffs brought by the improvement of grid curtailment. The average on-grid tariffs for coal power amounted to RMB384 per MWh (VAT inclusive), representing an increase of RMB4 per MWh as compared with the average on-grid tariffs for coal power of RMB380 per MWh (VAT inclusive) in 2016, which was mainly because the benchmark on-grid tariffs of coal power enterprises in Jiangsu Province was increased in July 2017.

In 2017, with the goal of “maximizing overall benefits”, the Group conducted an in-depth analysis of market trading rules, selectively participated in high-quality transactions in accordance with the policies, historical transactions and actual power generation of each province or region while ensuring synergy between sales volume and prices, thereby increasing power sales and revenue. In the meantime, the Group highly emphasized the collection of tariffs by focusing on historical issues and continuing to follow up the payments of items included in the subsidy catalogue, ensuring tariff collection was carried out in a steady way. The Group has applied as planned and obtained approval for its 33 projects (with a total capacity of 2,160 MW) to be included in the seventh batch of the Catalogue of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加資金補助目錄) and is now waiting for the announcement of competent authorities, laying a solid foundation for full collection of subsidized power tariffs.

MANAGEMENT DISCUSSION AND ANALYSIS

5. Strengthened capital management and cemented the advantageous capital cost with various measures

In 2017, in response to the severe currency markets at home and abroad, the Group continued its intensified management and control of financings to raise the cash sweep ratio, and laid down an overall operation plan to optimise regional capital allocation and effectively control capital cost. It continued to strengthen capital plan management to achieve accurate fund allocations, reduce fund precipitation and repay loans in advance. By leveraging the capital management plan and coordination mechanism directly administered by the headquarters, it strengthened capital plan management and continued to improve capital utilisation efficiency to maximise the time value of funds, thus significantly reducing financial expenses. In terms of financing, it kept a close watch on domestic and foreign capital markets to further expand financing channels and varieties, successfully obtained approval for issuance of green corporate bonds (綠色公司債券), green enterprise bonds (綠色企業債券) and spared no effort to ensure the safety of its funds. By 2017, the Company had successfully issued eight tranches of ultra short-term debentures, one tranche of green corporate bonds, one tranche of green enterprise bonds and one tranche of perpetual medium-term notes, enabling the Group to maintain an advantage among its peers in terms of capital cost throughout the year. The Group made the best of the financing advantages of bond markets and won the “outstanding issuer” and “innovative business” awards in Chinese bond market, establishing a good corporate image.

MANAGEMENT DISCUSSION AND ANALYSIS

6. Carried on with the innovation-driven growth, emphasized the application of relevant achievements, which had brought forth new breakthroughs in a range of wind power technologies

In 2017, the Group further increased efforts in scientific and technological innovation and reinforced scientific and technological function. The Group's scientific and technological efforts and research and development are aimed at facilitating business development and production safety with a primary focus on developing complete set of technologies for supporting development of offshore wind power farms in batholite-seabed waters such as Fujian. Six scientific research projects of the Group were included in the 2018 Guide for Science and Technology Projects of the former Guodian Group; two prospective research projects were included in the Seed Fund Projects of the former Guodian Group; eight industry technical standards for operation and maintenance of wind power projects drafted by the Group have successfully passed expert review; and six wind-power industry standards have been given the green light by the NEA. The total number of intellectual property rights obtained in 2017 nearly doubled over the previous year, with 10 new invention patents added. Furthermore, the Group received a total of 20 science and technology awards at provincial, industry and group levels.

In 2017, the Group adopted the construction scheme of modular design and separable installation and successfully installed the first offshore separable transformer station in the world, representing a significant breakthrough in respect of critical technology for development of offshore wind power and offering a new technical option for the construction of offshore transformer stations. The Group carried out and succeeded in the engineering practice of 220 kV single core high-voltage sea cable in batholite seabed waters for the first time. The success of the project solved the technical bottleneck of transmission engineering, filled the domestic gap of such projects, indicating that the Group has acquired the complete sets of technologies for exploration, design, construction, operation and maintenance of high-voltage output cable in batholite-seabed waters, thus laying a solid technological foundation for the large scale development of offshore wind farms. The construction of the world's first "embedded" rock-socketed single pile foundation was successfully

MANAGEMENT DISCUSSION AND ANALYSIS

completed, and the vertical accuracy of the pile was far better than design requirement, marking a major breakthrough in rock-socketed single pile construction technology. “Longyuan Zhenhua No. 3 (龍源振華叁號)”, with a lifting capacity of 2,000 tons, is the world’s largest platform for offshore wind power construction and was officially launched. With the largest lifting capacity in the world, the platform is capable of satisfying the installation and construction requirements of high-power offshore wind power generating units.

7. Reinforced risk management and control and expanded the overseas markets

In 2017, the Group, based on the former Guodian Group’s general strategy for overseas business development during the “13th Five-Year Plan” period, focused on the countries along the “Belt and Road” and key regions with political and economic stability, sound laws, development potentials and offering certain investment return rate, screened, analysed and assessed potential wind power investment opportunities in countries and regions such as Central and Eastern Europe, Australia and North America. Extra effort was made to develop wind power greenfield projects in such countries as Poland, Serbia, Kazakhstan, Canada and the United States.

In 2017, the Group’s Dufferin Wind Farm in Canada recorded total power generation of 282,090 MWh. Longyuan Canada proactively fulfilled its social responsibility and established close relationship with the community and the government where the project is located. The project’s power curve verification and noise monitoring have been successfully completed, with all indicators meeting the requirements. In respect of animal and plant monitoring, the third year’s on-site monitoring has been successfully completed. As at 31 December 2017, the project maintained safe production for consecutive 1,126 days.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's 244.5 MW project in De Aar, South Africa was completed on schedule and put into operation in November 2017. This project is the first wind power project in Africa that is invested, built and operated by Chinese companies, marking the first joint "Going-out" move of wind power project development and self-made wind power equipment and effectively promoting the "Belt and Road" construction. During the construction of the project, the Group, to the extent possible, engaged local contractors and purchased general equipment from local suppliers, so as to relieving local employment pressure. Meanwhile, the Group has formulated strict environmental protection strategy to promote clean and low-carbon development of local economy and actively fulfilled its social responsibility.

III. RESULTS OF OPERATIONS AND ANALYSIS THEREOF

1. Profit or loss and other comprehensive income

In 2017, the net profit of the Group amounted to RMB4,550 million, representing an increase of 1.3% as compared to RMB4,490 million in 2016. Net profit attributable to equity holders of the Company amounted to RMB3,846 million, representing an increase of 8.4% as compared to RMB3,549 million in 2016. Earnings per share amounted to RMB45.89 cents, representing an increase of RMB3.39 cents as compared to RMB42.50 cents in 2016.

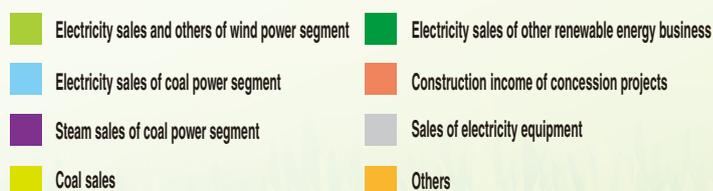
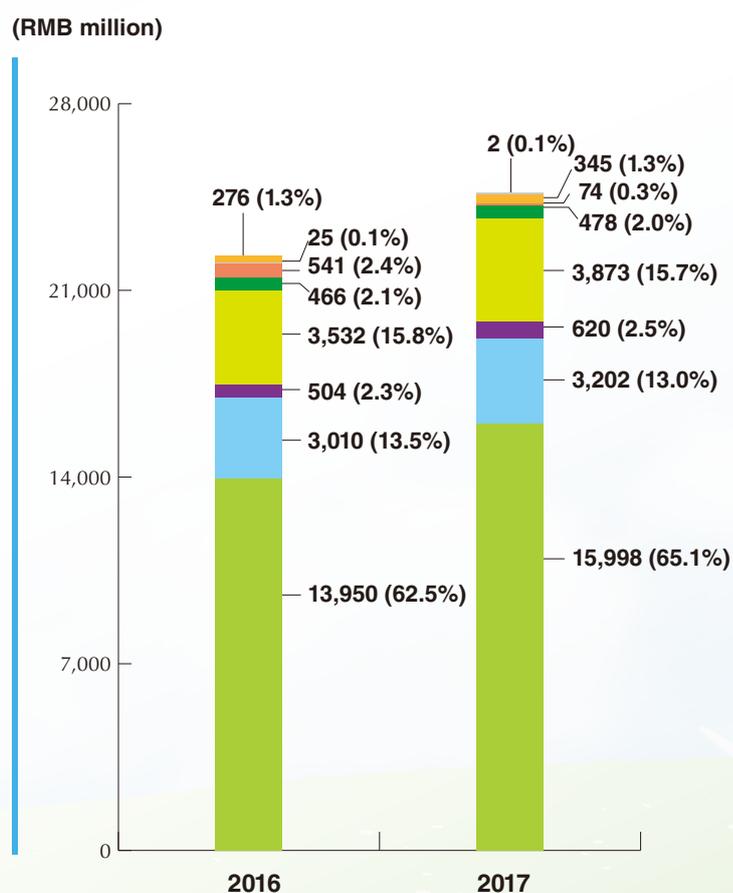
Operating revenue

Operating revenue of the Group amounted to RMB24,592 million in 2017, representing an increase of 10.3% as compared to RMB22,304 million in 2016, mainly due to: (1) electricity sales and other revenue of wind power segment increased by RMB2,048 million in 2017 as compared to 2016, mainly due to the increase in electricity sales of wind power segment as a result of new projects being put into operation and the increase in average utilisation hours as a result of the improvement in grid curtailment in the "Three North" areas; (2) service concession construction revenue of wind power segment decreased by RMB467 million in 2017 as compared to 2016, mainly due to the decrease in the construction volume of service concession projects under construction as most of such projects scheduled to complete in the year; (3) revenue from coal sales of coal power segment increased by RMB341 million in 2017 as compared to 2016, mainly due to the fact that the increase in coal prices outstripped the decrease in coal sales volume; and (4) revenue from electricity sales of coal

MANAGEMENT DISCUSSION AND ANALYSIS

power segment increased by RMB192 million in 2017 as compared to 2016, mainly due to the increase in electricity sales volume of coal power segment of 501 million kWh as compared to 2016. In addition, the average selling price of coal power increased by 1.1% as compared to 2016, as the PRC made upward adjustments to the benchmark tariff of electricity generated by desulphurization coal-fired power generating units of coal power in July 2017.

Operating revenue of each segment and their respective proportions are set out in the diagram below:

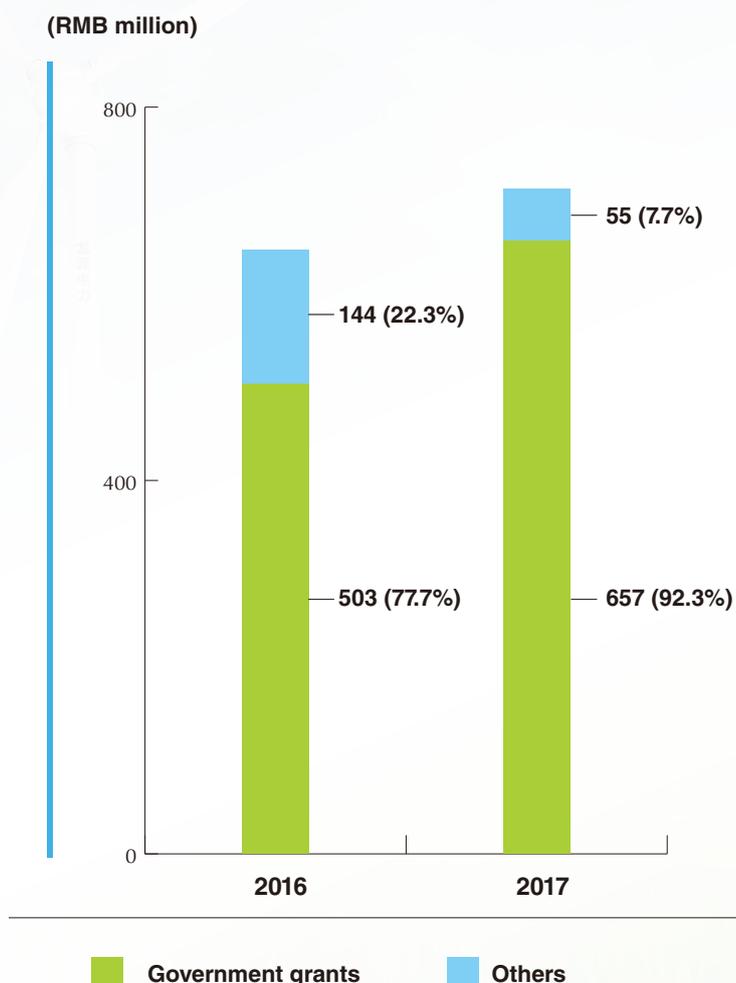


MANAGEMENT DISCUSSION AND ANALYSIS

Other net income

Other net income of the Group amounted to RMB712 million in 2017, representing an increase of 10.0% as compared with RMB647 million in 2016, mainly due to (1) the increase of RMB130 million in VAT refund (part of government grants) as a result of the increase of 15.0% in revenue of electricity sales of wind power segment as compared with 2016; (2) the recognized gain of RMB115 million from penalty income from wind turbine suppliers in 2016 as compared to that of none in 2017; and (3) the increase of RMB25 million in other government grants received in 2017.

The breakdown of other net income items and their respective proportions are set out in the diagram below:



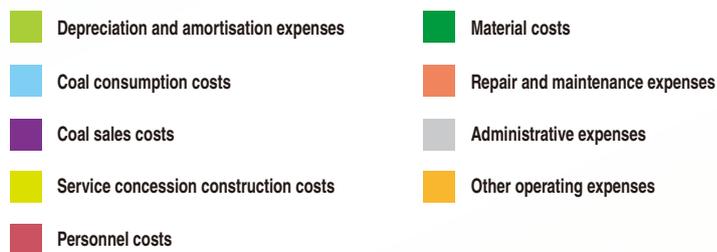
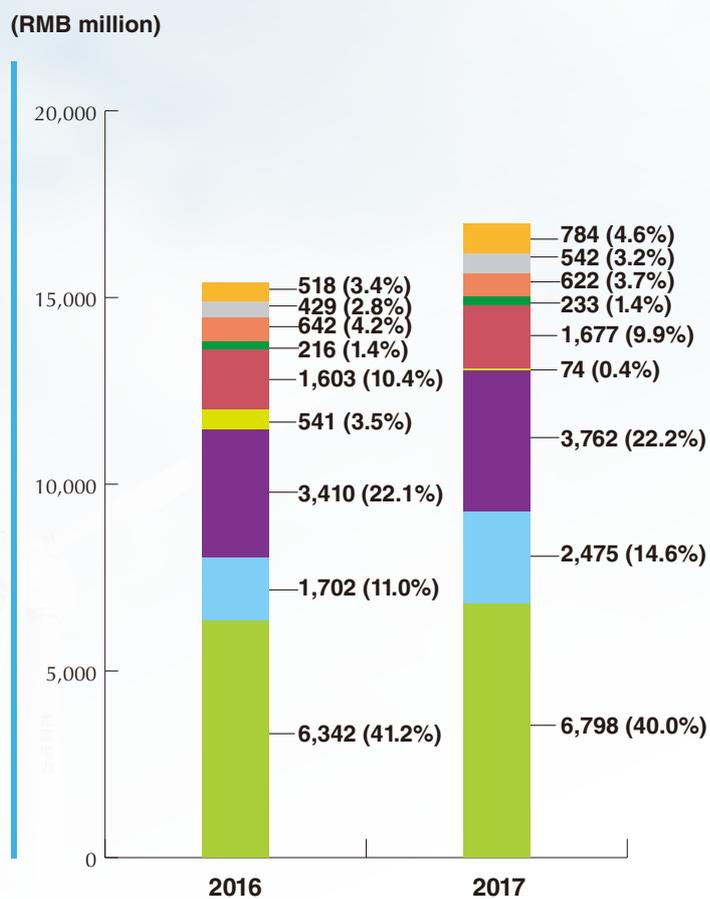
MANAGEMENT DISCUSSION AND ANALYSIS

Operating expenses

Operating expenses of the Group amounted to RMB16,967 million in 2017, representing an increase of 10.2% as compared to RMB15,403 million in 2016, primarily due to (1) the increases in the depreciation and amortisation expenses, the decrease in the construction cost of the service concession projects and provision for asset impairment of RMB48 million in the wind power segment; (2) the increases in the coal consumption costs and the cost of coal sales and provision for asset impairment of RMB58 million in the coal power segment; (3) the reversal of provision for asset impairment of RMB94 million according to the transfer price of certain assets in the biomass business included in other segments in the first half of 2016 while there was no such reverse in 2017; and (4) the increases in personnel costs and administrative expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating expenses items and their respective proportions are set out in the diagram below

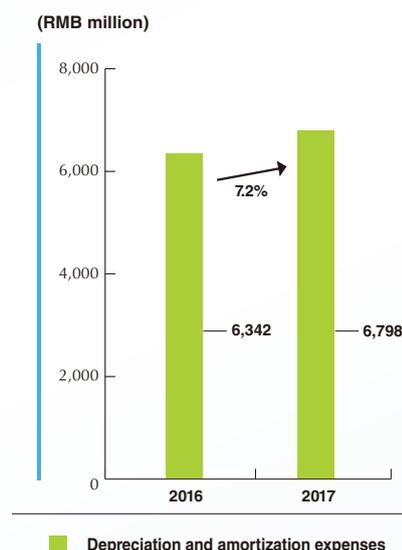


MANAGEMENT DISCUSSION AND ANALYSIS

Depreciation and amortisation expenses

Depreciation and amortisation expenses of the Group amounted to RMB6,798 million in 2017, representing an increase of 7.2% as compared to RMB6,342 million in 2016, primarily due to the increase in depreciation and amortisation expenses of wind power segment over 2016 as a result of expansion in the installed capacity of wind power projects.

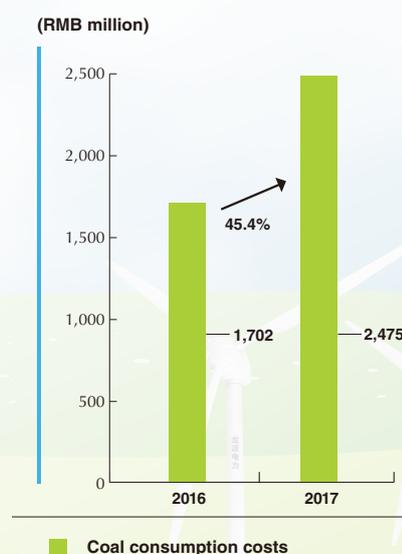
Depreciation and amortisation expenses are set out in the diagram below:



Coal consumption costs

Coal consumption costs of the Group amounted to RMB2,475 million in 2017, representing an increase of 45.4% as compared to RMB1,702 million in 2016, which was mainly due to (1) an increase of approximately 35.2% in the average unit price of standard coal for power and steam generation as affected by the increase in the coal price in 2017; and (2) an increase of approximately 7.6% in the coal consumption as a result of the increase in power and steam generation.

Coal consumption costs are set out in the diagram below:

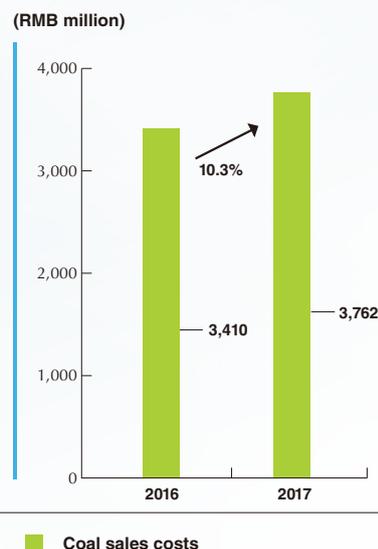


MANAGEMENT DISCUSSION AND ANALYSIS

Coal sales costs

Coal sales costs of the Group in 2017 amounted to RMB3,762 million, representing an increase of 10.3% as compared to RMB3,410 million in 2016. The main reason is that in 2017, the Group's sales volume of coal decreased by approximately 16.9%, but average procurement price of coal increased by approximately 32.9% as compared to 2016.

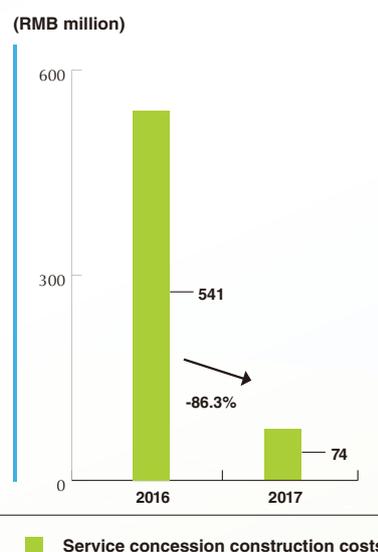
Coal sales costs are set out in the diagram below:



Service concession construction costs

The Group's service concession construction costs in 2017 amounted to RMB74 million, representing a decrease of 86.3% as compared to RMB541 million in 2016, primarily due to a decrease in the construction volume of service concession projects under construction in 2017 as compared to 2016.

Service concession construction costs are set out in the diagram below:

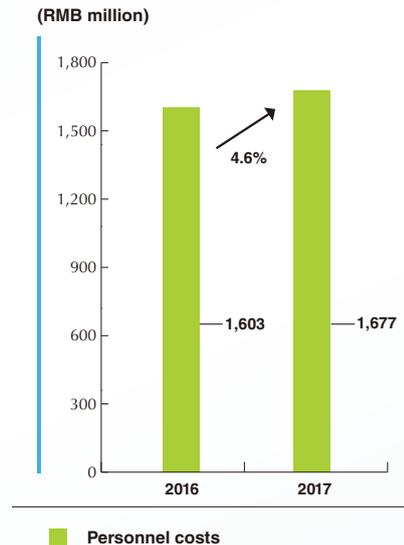


MANAGEMENT DISCUSSION AND ANALYSIS

Personnel costs

Personnel costs of the Group amounted to RMB1,677 million in 2017, representing an increase of 4.6% as compared to RMB1,603 million in 2016, which was mainly due to (1) an increase in headcounts as a result of the Group's expansion; and (2) the fact that a portion of the personnel costs were expensed instead of being capitalised as more projects commenced operation.

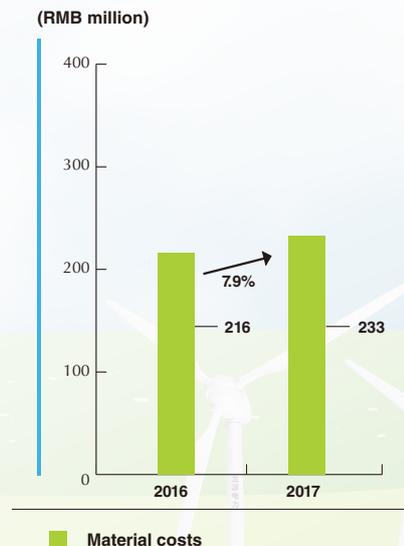
The personnel costs are set out in the diagram below:



Material costs

Material costs of the Group amounted to RMB233 million in 2017, representing an increase of 7.9% as compared to RMB216 million in 2016, which was primarily due to (1) the increase in the materials consumed for desulphurization and denitration as the coal power generation increased by 5.4%; and (2) the slight increase in fuel oil costs due to the increase in shipping revenue in 2017.

The material costs are set out in the diagram below:



MANAGEMENT DISCUSSION AND ANALYSIS

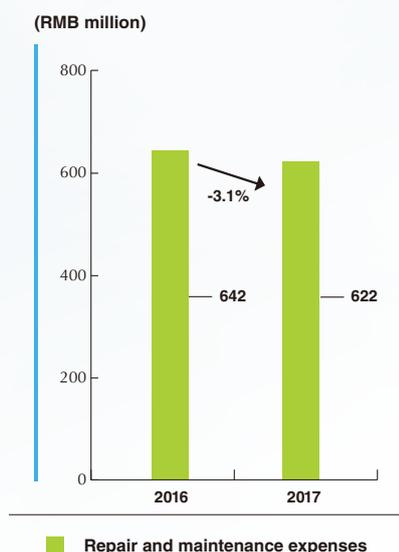
Repair and maintenance expenses

The repair and maintenance expenses of the Group amounted to RMB622 million in 2017, representing a decrease of 3.1% as compared to RMB642 million in 2016, which was mainly due to (1) a significant decrease in repair expenses of the coal power segment as compared to 2016 because of the on-site safety and civilized production campaign carried out at coal power plants in 2016 while there was no such repair campaign in 2017; and (2) the increase in the repair expenses of the wind power segment with the growth of the wind power installed capacity.

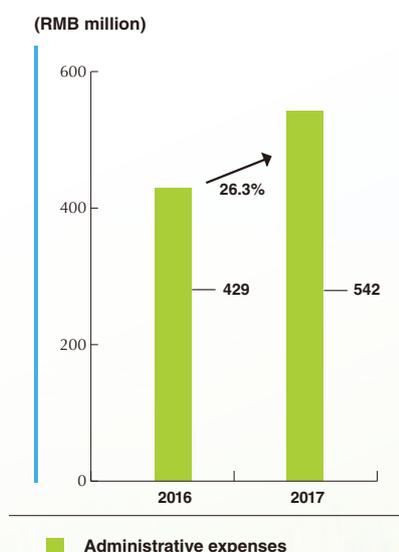
Administrative expenses

Administrative expenses of the Group amounted to RMB542 million in 2017, representing an increase of 26.3% as compared to RMB429 million in 2016, which was primarily due to (1) the increase of RMB68 million in administrative expenses such as the lease fees, travelling expenses, project consultation fees and office allowance as a result of the business growth of the Group; and (2) the increase of RMB14 million in other tax expenses due to the payment of farmland occupation tax for the previous years in 2017.

Repair and maintenance expenses are set out in the diagram below:



Administrative expenses are set out in the diagram below:

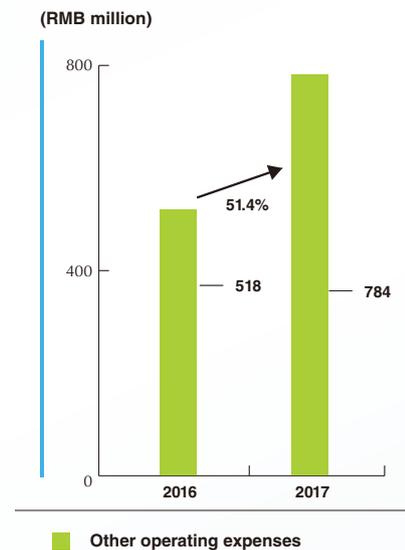


MANAGEMENT DISCUSSION AND ANALYSIS

Other operating expenses

Other operating expenses of the Group amounted to RMB784 million in 2017, representing an increase of 51.4% as compared to RMB518 million in 2016, which was mainly due to (1) the provision for impairment losses of assets of RMB105 million in the wind power, coal power segments as well as other segments in 2017 and the reversal of provision for impairment losses of RMB94 million in the biomass business included in other segments in 2016. However no reversal of provision for impairment losses was recorded in the segment in 2017; (2) an increase of RMB30 million in taxes as a result of increased revenue from power generation business; and (3) an increase in late payment penalties of RMB30 million in the wind power segment as compared to 2016 due to tax inspection in 2017.

Other operating expenses are set out in the diagram below:

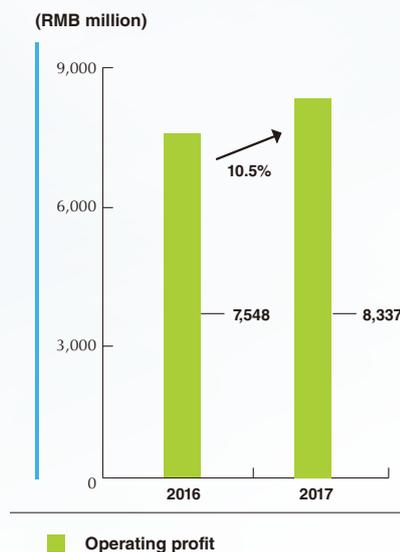


MANAGEMENT DISCUSSION AND ANALYSIS

Operating profit

Operating profit of the Group amounted to RMB8,337 million in 2017, representing an increase of 10.5% as compared to RMB7,548 million in 2016, which was mainly due to (1) an increase of RMB1,306 million in operating profit from sales of electricity of wind power segment as a result of the installed capacity expansion and average utilisation hours increase of the wind power segment; (2) a decrease of RMB446 million in the operating profit of coal power segment as compared to 2016 as a result of higher coal price; and (3) the reversal of provision for impairment of RMB94 million in the biomass business included in other segments in 2016 and no such reversal of provision for impairment was recorded in the segment in 2017.

Operating profit is set out in the diagram below:

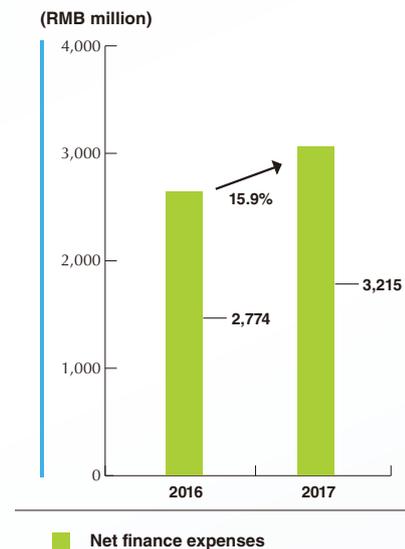


MANAGEMENT DISCUSSION AND ANALYSIS

Net finance expenses

Net finance expenses of the Group amounted to RMB3,215 million in 2017, representing an increase of 15.9% as compared to RMB2,774 million in 2016. Excluding an increase of RMB283 million in the losses on changes in fair value of the cross-currency exchange contracts and interest rate swap contracts as compared to 2016 and an increase of RMB42 million in net realized and unrealized gains recognized in 2017 from trading securities held as compared to 2016, net finance expenses of the Group increased by RMB200 million as compared to 2016. The main reasons are as follows: (1) the interest expenses increased by RMB294 million in 2017 as compared to the corresponding period in 2016 as a result of the year-on-year increase in average balance of borrowings; (2) interest income generated from financial assets decreased by RMB87 million, which was mainly due to the decrease in interest income due from associates and joint ventures as a result of the repayment of interest-bearing borrowings of RMB2,022 million by associates and joint ventures to the Group in 2016; and (3) the Group's net foreign exchange gain (the foreign exchange gain net of foreign exchange loss) in 2017 increased by RMB191 million as compared to 2016.

Net finance expenses are set out in the diagram below:



MANAGEMENT DISCUSSION AND ANALYSIS

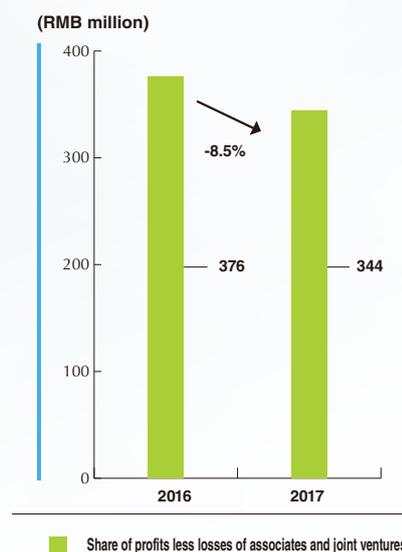
Share of profits less losses of associates and joint ventures

The Group's share of profits less losses of associates and joint ventures amounted to RMB344 million in 2017, representing a decrease of 8.5% as compared to RMB376 million in 2016, which was mainly due to the substantial decrease in the share of net profits of Jiangsu Nantong Power Generation Co., Ltd. (江蘇南通發電有限公司), a joint venture, in 2017 as affected by the increased coal prices.

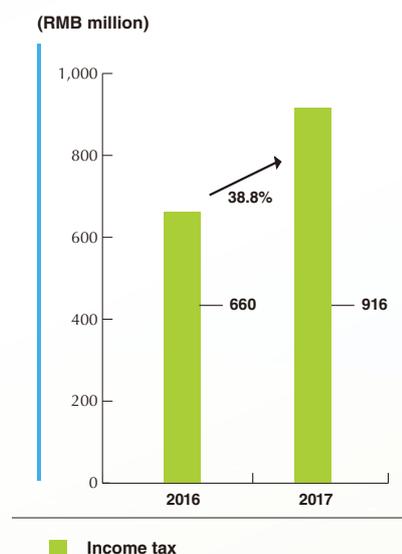
Income tax

Income tax of the Group amounted to RMB916 million in 2017, representing an increase of 38.8% as compared to RMB660 million in 2016, which was mainly due to (1) a year-on-year increase in profit before tax in 2017; (2) higher tax rate in 2017 as compared to that in 2016 as a result of the end of tax holiday for certain wind power projects; and (3) the supplementary payment of income taxes of RMB58 million for previous years as a result of tax check conducted during the year.

Share of profits less losses of associates and joint ventures is set out in the diagram below:



Income tax is set out in the diagram below:

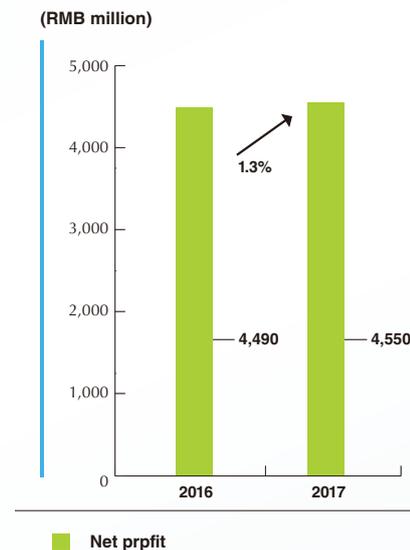


MANAGEMENT DISCUSSION AND ANALYSIS

Net profit

In 2017, the net profit of the Group amounted to RMB4,550 million, representing an increase of 1.3% as compared to RMB4,490 million in 2016, mainly attributable to: (1) the increase of RMB1,306 million in operating profit of wind power segment as compared to that in 2016; (2) the decrease of RMB446 million in operating profit of coal power segment as compared to that in 2016; (3) the reversal of impairment losses of assets of RMB94 million in respect of the biomass business included in other segments in 2016 while there was no such reversal this year; (4) the increase of RMB441 million in finance expenses in 2017 as compared to that of 2016; (5) the decrease of RMB32 million in the share of profits less losses of associates and joint ventures in 2017 as compared to that of 2016; (6) the increase of RMB256 million in income tax expenses as compared to that of 2016 and (7) the year-on-year increase of RMB6 million in the 2017 net profit of the photovoltaic business included in other segments as compared to that of 2016.

Net profit is set out in the diagram below:



MANAGEMENT DISCUSSION AND ANALYSIS

Net profit attributable to equity holders of the Company

In 2017, net profit attributable to equity holders of the Company amounted to RMB3,846 million, representing an increase of 8.4% as compared to RMB3,549 million in 2016, mainly attributable to the increase in net profit from wind power segment, most equity interests of which were held by equity holders of the Company.

Net profit attributable to equity holders of the Company is set out in the diagram below:



MANAGEMENT DISCUSSION AND ANALYSIS

2. Segment results of operations

Wind power segment

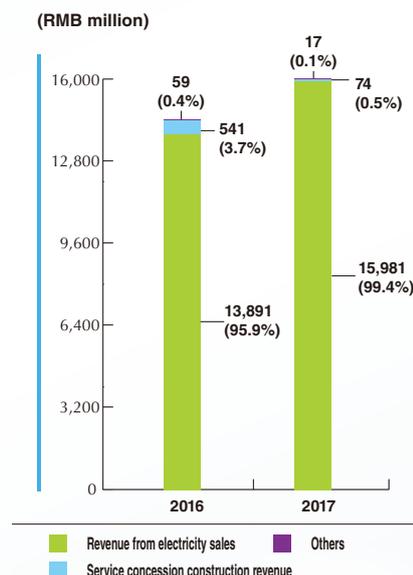
Operating revenue

In 2017, the operating revenue of the wind power segment of the Group amounted to RMB16,072 million, representing an increase of 10.9% from RMB14,491 million in 2016, primarily due to the increase in electricity sales revenue derived from growing electricity sales of wind power segment led by the increase of installed capacity and average utilisation hours of wind power business.

Operating profit

In 2017, the operating profit of the wind power segment of the Group amounted to RMB7,915 million, representing an increase of 19.8% as compared to RMB6,609 million in 2016. In 2017, the growth of revenue from electricity sales outpaced that of the costs as a result of the increase in average utilisation hours of power equipment.

Operating revenue of the wind power segment and proportions are set out in the diagram below:



Operating profit of the wind power segment is set out in the diagram below:



MANAGEMENT DISCUSSION AND ANALYSIS

Coal power segment

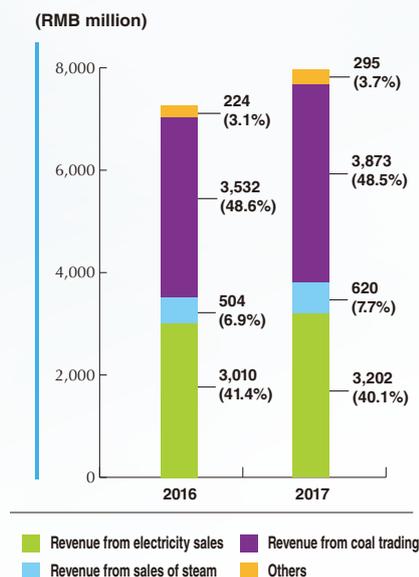
Operating revenue

In 2017, the operating revenue of the coal power segment of the Group amounted to RMB7,990 million, representing an increase of 9.9% as compared to RMB7,270 million in 2016, primarily attributable to: (1) the increase in revenue from electricity sales due to an increase of 501 million kWh or 5.4% in electricity sales volume of coal power segment and an increase of 1.1% in the selling price in 2017 as compared to 2016; and (2) the increase in the revenue from coal trading as a result of much faster growth rate in the selling price of coal than the decrease rate of the sales volume in spite of the year-on-year decrease in coal trading volume in 2017 as compared to 2016.

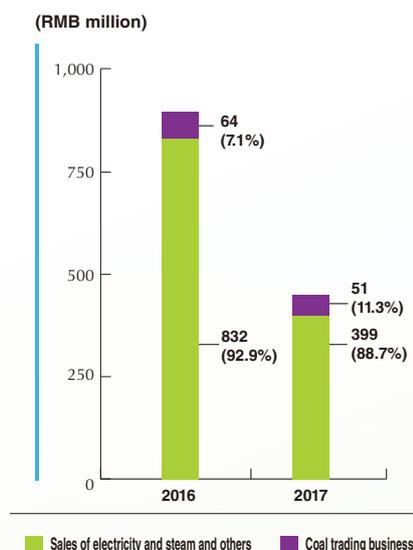
Operating profit

In 2017, operating profit of the coal power segment of the Group amounted to RMB450 million, representing a decrease of 49.8% as compared to RMB896 million in 2016, which was mainly attributable to the decrease in the gross profit margin of sales of electricity and steam as compared to 2016 due to higher price for coal purchasing.

Operating revenue of the coal power segment and proportions are set out in the diagram below:



Operating profit of the coal power segment and proportions are set out in the diagram below:



MANAGEMENT DISCUSSION AND ANALYSIS

Other segments

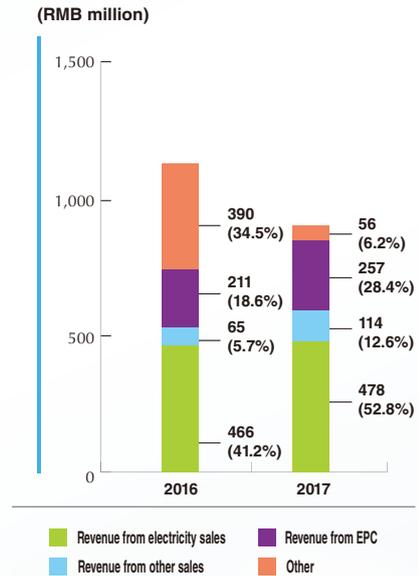
Operating revenue

In 2017, the operating revenue of other segments of the Group amounted to RMB905 million, representing a decrease of 20.1% as compared to RMB1,132 million in 2016, which was mainly due to the combination effect of the decrease in the order amount for design consultancy services and the increase in revenue from solar power generation as a result of the increased output.

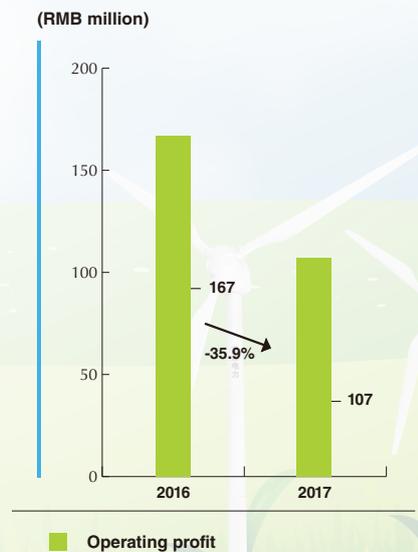
Operating profit

In 2017, the operating profit of other segments of the Group amounted to RMB107 million, representing a decrease of 35.9% as compared to RMB167 million in 2016, which was primarily due to the reversal of provision for impairment of assets of RMB94 million in the biomass business included in other segments in 2016 and no such reversal of provision for impairment in the segment in 2017.

Operating revenue of other segments and proportions are set out in the diagram below:



Operating profit of other segments is set out in the diagram below:



MANAGEMENT DISCUSSION AND ANALYSIS

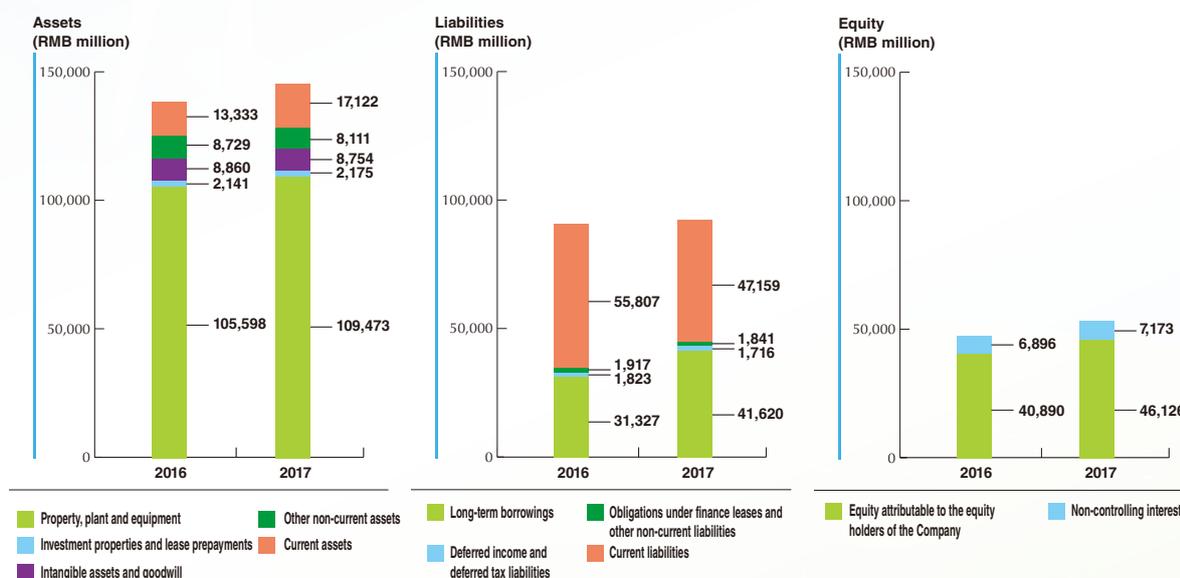
3. Assets, liabilities and equity

As at 31 December 2017, total assets of the Group amounted to RMB145,635 million, representing an increase of RMB6,974 million as compared with total assets of RMB138,661 million as at 31 December 2016. This was primarily due to: (1) an increase of RMB3,789 million in current assets including receivables and cash at bank and on hand; and (2) an increase of RMB3,185 million in non-current assets including property, plant and equipment.

As at 31 December 2017, total liabilities of the Group amounted to RMB92,336 million, representing an increase of RMB1,462 million as compared to total liabilities of RMB90,874 million as at 31 December 2016. This was primarily due to an increase of RMB10,293 million in long-term borrowings and a decrease of RMB8,648 million in current liabilities including short-term borrowings.

As at 31 December 2017, equity attributable to equity holders of the Company amounted to RMB46,126 million, representing an increase of RMB5,236 million as compared with RMB40,890 million as at 31 December 2016 which was mainly incomes from normal earnings in the year.

Details of assets, liabilities and equity are set out in the diagrams below:



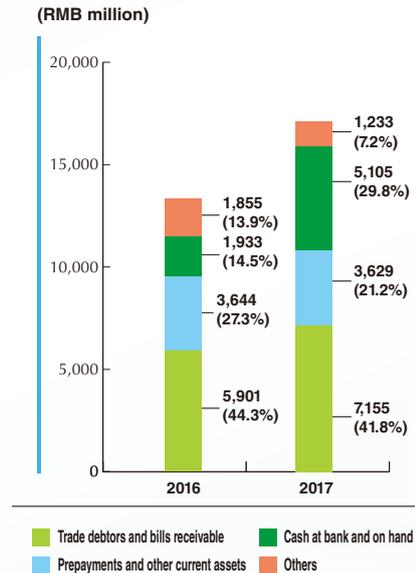
MANAGEMENT DISCUSSION AND ANALYSIS

Capital liquidity

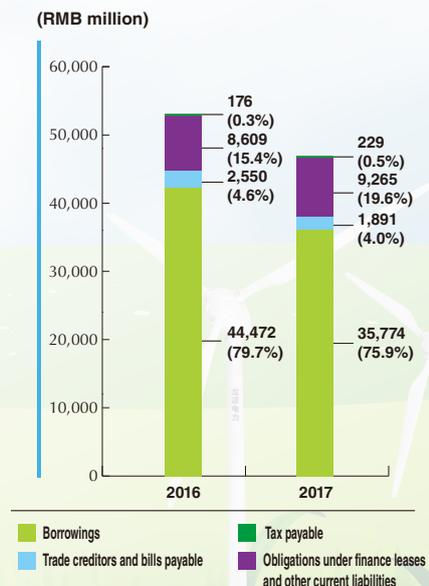
As at 31 December 2017, current assets of the Group amounted to RMB17,122 million, representing an increase of RMB3,789 million as compared with RMB13,333 million as at 31 December 2016, which was mainly attributable to the increase in current assets including receivables and cash at bank and on hand.

As at 31 December 2017, current liabilities of the Group amounted to RMB47,159 million, representing a decrease of RMB8,648 million as compared with RMB55,807 million as at 31 December 2016, which was mainly due to repayment of ultra-short-term financial bonds and the bonds of USD500 million issued by Hero Asia Investment Limited in the year.

Current assets by item and proportions are set out in the diagram below:



Current liabilities by item and proportions are set out in the diagram below:



MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2017, net current liabilities of the Group amounted to RMB30,037 million, representing a decrease of RMB12,437 million as compared with RMB42,474 million as at 31 December 2016. The liquidity ratio was 0.36 as at 31 December 2017, representing an increase of 0.12 as compared with the liquidity ratio of 0.24 as at 31 December 2016, which was mainly attributable to the increase in current assets including receivables and cash at bank and on hand and the decrease in current liabilities including short-term borrowings in the year.

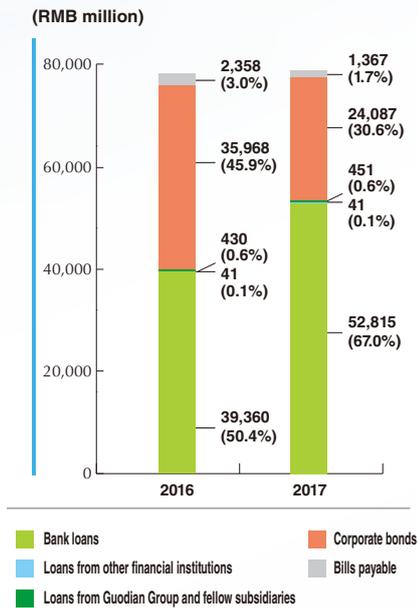
Restricted deposits amounted to RMB33 million, mainly including deposits for issuance of the letter of credit.

Borrowings and bills payable

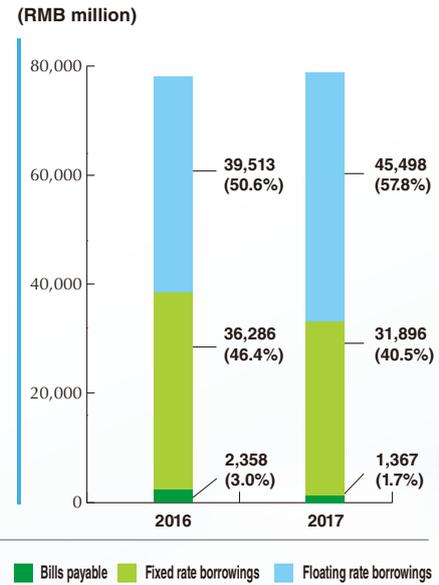
As at 31 December 2017, the Group's balance of the borrowings and bills payable amounted to RMB78,761 million, representing an increase of RMB604 million as compared with the balance of the borrowings and bills payable of RMB78,157 million as at 31 December 2016. As at 31 December 2017, the Group's outstanding borrowings and bills included short-term borrowings and bills payable of RMB37,141 million (including long-term borrowings due within one year of RMB2,410 million and bills payable of RMB1,367 million) and long-term borrowings amounting to RMB41,620 million (including debentures payable of RMB19,042 million). The abovementioned borrowings included borrowings denominated in Renminbi of RMB71,952 million, borrowings denominated in U.S. dollars of RMB3,350 million and borrowings denominated in other foreign currencies of RMB2,092 million. As at 31 December 2017, the long-term liabilities with fixed interest rates of the Group included long-term borrowings with fixed interest rates of RMB3,638 million and corporate bonds with fixed interest rates of RMB19,042 million. As at 31 December 2017, the balance of bills payable issued by the Group amounted to RMB1,367 million.

MANAGEMENT DISCUSSION AND ANALYSIS

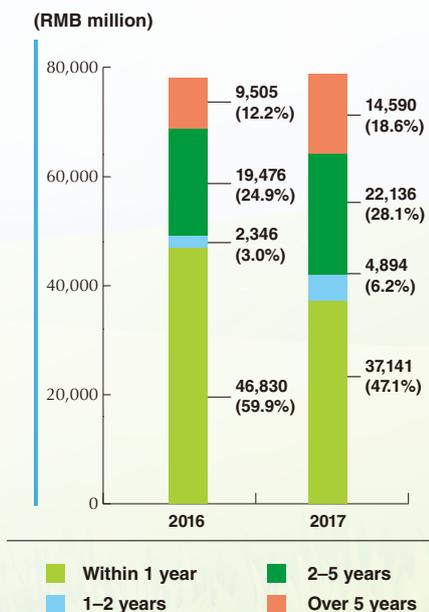
Borrowings and bills payable by category and proportions are set out in the diagram below:



The types of interest rate structure of borrowings and bills payable and their respective proportions are set out in the diagram below:



Borrowings and bills payable by term and proportions are set out in the diagram below:

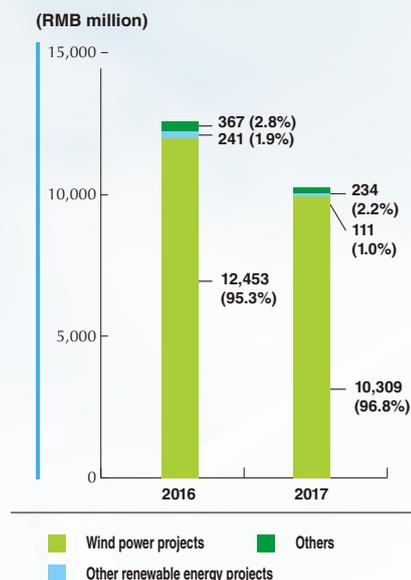


4. Capital expenditures

The capital expenditures of the Group amounted to RMB10,654 million in 2017, representing a decrease of 18.4% as compared with RMB13,061 million in 2016, among which, the expenditures for the construction of wind power projects amounted to RMB10,309 million, and the expenditures for the construction of other renewable energy projects amounted to RMB111 million. The sources of funds mainly included self-owned funds and external borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital expenditures classified by use and proportions are set out in the diagram below:



5. Net gearing ratio

As at 31 December 2017, the net gearing ratio of the Group, which is calculated by dividing net debt (total borrowings less cash and cash equivalents) by the sum of net debt and total equity, was 57.73%, representing a decrease of 3.16 percentage points from 60.89% as at 31 December 2016. This was primarily due to the decrease of net debt and the increase in total equity in 2017 as a result of the increase in retained earnings this year.

6. Major investments

The Group made no major investment in 2017.

7. Material acquisitions and disposals

The Group did not have any material acquisitions and disposals in 2017.

8. Pledged assets

As at 31 December 2017, the Group had no pledged equipment to secure bank loans.

9. Contingent liabilities/ Guarantees

As at 31 December 2017, the Group provided a guarantee of RMB58 million for bank loans of an associate, and issued a counter-guarantee of no more than RMB9 million to the controlling Shareholder of an associate. As at 31 December 2017, the bank loan balance for which the Group provided the counter-guarantee amounted to RMB4 million.

MANAGEMENT DISCUSSION AND ANALYSIS

10. Cash flow analysis

As at 31 December 2017, cash and cash equivalent held by the Group amounted to RMB5,072 million, representing an increase of RMB3,171 million as compared with RMB1,901 million as at 31 December 2016, which was mainly attributable to the year-on-year increase in the borrowings for the year as compared to last year and the increase in revenue in the year. The principal sources of funds of the Group mainly include self-owned funds and external borrowings. The Group mainly used the funds for capital turnovers and the construction of projects.

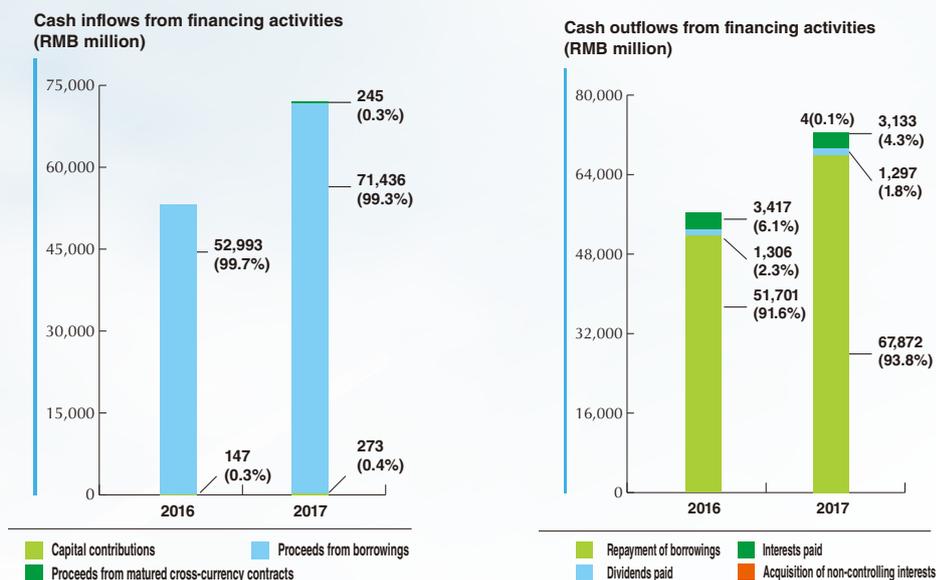
The net cash inflow of the Group's operating activities amounted to RMB12,131 million in 2017, representing a decrease of RMB1,402 million as compared with that of RMB13,533 million in 2016, mainly due to (1) the increase in receivables in the year; and (2) the increase in the purchase of coal arising from the rise in coal price.

The net cash outflow from investing activities of the Group for 2017 was RMB8,614 million. The cash outflow for investment activities were mainly used for the construction of wind power projects.

The net cash outflow from financing activities of the Group for 2017 was RMB352 million. The cash inflow from financing activities was mainly generated from the issue of corporate bonds and bank loans. The cash outflow for financing activities was primarily used for the repayment of borrowings and payments of interest of borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

Cash inflows from financing activities and cash outflows from financing activities are set out in the diagrams below:



IV. RISK FACTORS AND RISK MANAGEMENT

1. Policy risk

Firstly, the transaction volume of renewable energy continued to expand, which resulted in the lower price of renewable energy power than the previous prices. Secondly, there was increased uncertainty in the speed of subsidy collection. Although subsidies for renewable energy shall be appropriated uniformly by the Ministry of Finance in batches, projects on the subsidy catalog would continue to face problems including rising arrearages and electricity tariffs being settled in a sluggish manner as subsidy applications of the Ministry of Finance had not been received by the grid companies in each province. In addition, since the implementation of green certificate transactions, the subsidies had been preferred to be granted in a market-based manner rather than at the fixed sum mandated by the government. Nonetheless, there was still uncertainty in the prices as a result of the insufficient particulars for relevant policies, implementing rules and regulatory measures and the significant correlation between the green certificate prices and the electricity tariffs. At present, it is obvious that the accumulated national subsidy gap cannot be filled solely by voluntary subscription for green certificate electricity. The Group will continue to keep abreast of relevant government policies and put forward our own aspirations in various ways so as to safeguard our own interests in respect of new energy.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Climatic risk

The major climatic risk confronted by the wind power industry is the annual fluctuation of wind resources, which is represented by the higher power generation in years of high wind speed and the lower power generation in years of low wind speed than that in normal years. On the vast territory of the PRC which covers a wide span of areas, there is a great variation in climate conditions in different regions. To be specific, the regions have different climate characteristics of the years of high and low wind speeds in the same period. In 2017, as the annual average wind speed in most provinces (including autonomous regions and municipalities) was around the average for previous years, the power generation remained at normal standards. In response to different climate conditions in different regions, the Company carried out the nationwide dispersed layout to reduce investment risks. As at the end of 2017, following the progress of projects in Sichuan and Henan, the Company had substantial projects in 32 provinces (districts and cities), covering all regions except for Hong Kong, Macau and Taiwan and formulating an increasingly optimized and rational project layout. In the future, we will further balance the project development ratio in the regions subject to the impact of different monsoons.

3. Risks relating to power grids

In 2017, the nationwide grid curtailment tended to be promising on the whole. Due to the unreasonable grid connection structure and sluggish growth of power load in certain districts, the situation of grid curtailment remained not optimistic. The Group will continue to study the future characteristics and absorption of wind power, accurately judge the changing trends of policies and make full use of national policies to cope with the grid curtailment. In addition, it will enhance proactive communication with the government and grid companies, and take the initiative to capture market share of power generation.

MANAGEMENT DISCUSSION AND ANALYSIS

4. Interest rate risk

The Group is principally engaged in domestic investment in wind farms, which requires enormous capital expenditure and a large amount of loan fund. Therefore, any changes in interest rate will have certain impacts on the Group's cost of funds. With sound performance and credibility, a stable debt structure and diversified financing channels, the financing interest rate incurred always remains lower than the average level among the peers. Meanwhile, the Group will, through active participation in direct financing markets within and outside the PRC, innovate financing products in order to effectively avert interest rate risks. In addition, the Group will pay close attention to changes of policy in the domestic and international financial markets, timely adopt a targeted financing model during fluctuation of interest rate so as to partially offset the impacts on financial costs brought by changes in interest rates.

5. Risk in currency exchange rate

The business of the Group is mainly situated in mainland China where most of its revenue as well as expenses are denominated in Renminbi. Meanwhile, a certain portion of the Group's investments are carried out abroad and a certain amount of its loans are denominated in foreign currencies. Therefore, fluctuations in the Renminbi exchange rate will result in foreign exchange losses or gains of the Group in those transactions denominated in foreign currencies. The Group attaches great importance to monitoring and analysis of the risk in the foreign exchange rate, keeps close contact with domestic and international financial institutions in terms of businesses relating to exchange rate and designs appropriate means to use foreign currencies and other approaches to improve risk management of the currency exchange rate.

6. Risk in fuel prices

As the relevant state ministries and commissions have formulated policies and measures such as accelerating the release of advanced coal production capacity, implementing direct purchasing and direct selling, entering into medium and long-term contracts and stabilizing and curbing commodity prices in response to the special situation in the coal market since 2017, the coal price in 2018 is expected to be lower than that in 2017. The two coal power plants will enhance analysis and judgment of the coal market in a continuous manner, keep abreast of the trends of coal and transportation as well as the changes in prices in a timely manner, work out and implement coal purchasing strategies maintain reasonable coal inventory, and constantly improve the capability to comprehend the operating law of the coal market and to control fuel costs and ensure supplies, thus minimizing the risk in fuel prices.

MANAGEMENT DISCUSSION AND ANALYSIS

V. OUTLOOK IN 2018

1. Outlook for Domestic and Overseas Environment for Operation

Domestically, the NDRC published the 13th Five-Year Plan for the Development of Wind Power Sector at the end of 2016, which specifies that by the end of 2020, the cumulative grid-connected installed capacity of wind power across the country will exceed 210 GW, in which the grid-connected installed capacity of offshore wind power projects will reach at least 5,000 MW; and the annual power generation of wind power should reach 420 billion kWh, representing approximately 6% of the total power generation in the PRC. Targeted at the goal, each province has formulated its own 13th Five-year Plan for the Development of Wind Power Sector in succession and the relevant supporting policies. The wind power sector is embracing a new window of opportunities for prosperous development.

In order to achieve the development goals of the 13th Five-year Plan, favorable policies were promulgated by the central government and each province successively in 2017, which reconfirmed the priority of renewable energy power generation. Competent state energy authorities carried out trial demonstration projects for grid parity of wind power generation, encouraged heating supply with renewable energy, guided the local consumption of distributed power resources and renewable energy, reduced taxes and charges to renewable energy enterprises and relentlessly experimented on other methods so as to solve the problems concerning wind power and photovoltaic energy curtailment. Grid companies proposed annual power generation plan on further reduction of power generation by coal-fired generating units so as to reserve sufficient room for new energy power generation. The year 2018 will witness the fruits and changes borne and brought about by such an array of measures and mark itself a year in expectation of the wind power market.

MANAGEMENT DISCUSSION AND ANALYSIS

The acknowledged declined electricity tariff and the undoubted shrunken profit margin resulting from the future grid parity of wind power generation will certainly drive the wind power developers to change their ways of thinking and proactively pave new ways to temporize with the development needs, which will certainly make for the reorganisation and modification of the wind power market, rational investment and weeding out speculators and in turn safeguard the healthy and sustained development of wind power market. Meanwhile, such practices will also relieve the Company of pressure from blind competition and reduce ineffective investments. The existing power curtailment problems resulted in fiercer scramble for resources in the central and eastern regions in 2018. Since the 19th CPC National Congress, governments at all levels will set up stricter standards for environmental protection and water conservation to maintain a green natural environment. Having made advanced arrangements for 2017, the Company conducted comprehensive self-inspection and correction in a timely manner over environment evaluation, water conservation, forest requisition and other relevant issues for projects in commission, set up higher requirements for projects in the preliminary preparation progress and exert stringent standards on the research of relevant subjects with the view to fulfilling various tasks in a both extensive and intensive manner in line with the environment protection demands of the new era.

The advancing science and technology enhanced the competitiveness of new energy and extended the development scope of new energy in recent years. Ready for the forthcoming prosperity of domestic offshore wind power development in 2018, the Company will take initiative to increase its reserves for prime offshore wind power resources and accelerate the proceeding of preliminary work so as to maintain its leading position in respect of the offshore wind power section.

In 2018, the supply and demand of global energy will ease off on the whole, a new stage for fighting against the climate changes will kick off and a new round of energy technology reform is speeding up, all portending the progressive formation of a new global energy management mechanism. Following the intensifying renewable energy competition worldwide, preferential policies such as the fixed electricity tariff and green certificate have been phased out by the market-based electricity tariff, enterprise direct purchasing and governmental electricity tariff bidding mechanism in a growing number of countries, resulting in an increasingly fiery market competition environment. Domestically, both electricity-oriented enterprises and those prioritizing non-electricity businesses

MANAGEMENT DISCUSSION AND ANALYSIS

have taken a share in the new energy market one after another and thus stirred up the competition in this regard, which has imposed higher standards on the Company for its overseas business development.

In 2017, the explicit inclusion of the “Belt and Road” initiative construction into the Party Constitution at the 19th CPC National Congress brought along powerful driving force for the expansion of the overseas market. The technology progress and reduced development cost in respect of the renewable energy carried forward the ongoing development of the global new energy at a rapid pace. A number of countries short of fossil fuels have developed new energy into a competitive market force with no subsidies and gradually made it a major driver for newly installed capacity. With the continuous development of the supply-side reform concerning energy in developed countries, it has become an overwhelming phenomenon to weed out nuclear power and coal-fired power in the power generation sector. 195 countries in the world reached an agreement on the Paris Agreement on Climate Change and had established a consensus on green growth, which will usher in new room for the development of new energy. The lasting peaceful global development and the continuous development momentum of renewable energy will contribute to the irreversible energy transformation.

2. Operation Targets of the Company in 2018

In 2018, the business guidelines of the Company are as follows: we will learn, spread and follow through the gist of the 19th CPC National Congress, hold fast to the leadership of Chinese Communist Party, strengthen Party construction and firmly uphold the general business guidelines of “making progress in a steady way” under the guidance of thoughts of socialism with Chinese characteristics led by President Xi Jinping in the new era. In the light of the new development concepts, it will comprehensively implement work arrangements of China Energy Investment Corporation Limited (國家能源投資集團有限責任公司), vigorously carry out the “year for further corporate governance in line with the Party construction goals” and sturdily push ahead work concerning quality and efficiency enhancement so as to achieve high-quality development and promote the construction of an internationally top-notch new energy company.

MANAGEMENT DISCUSSION AND ANALYSIS

To be specific, in 2018, the Company will endeavor to achieve the following objectives:

1. In line with the Party construction goals, we will comprehensively intensify the Party construction, steadily carry forward the construction of Party conduct and integrity, further advance the stringent corporate governance in accordance with the laws and steadfastly implement the comprehensive and stringent governance of the Party.
2. We will carry on the comprehensive quality and efficiency enhancement, consolidate the base for production safety and comprehensively exert more effort in “Capturing Every Single kWh of Electricity (度電必爭)”. We will reinforce assets operation and management to level up our stock assets management standards on a continued basis.
3. In adherence to the concept of high-quality development, we will steadily develop high-quality resources to roll out high-quality and competitive projects and concentrate our efforts to improve the core competitiveness of the Company.
4. Focusing on the innovation-driven development, we will innovate the management system and mechanism and strengthen the construction of first-rated teams while implementing the innovation-driven strategy so as to accelerate the progress of the construction of an internationally first-rated company.
5. Persisting in the guidance of cultural construction, we will intensify the construction of corporate culture. Meanwhile we will vigorously implement people-benefiting projects, enrich group activities and proactively launch targeted poverty alleviation so as to build a harmonious and happy Longyuan at full stretch.

DIRECTORS' REPORT

The Board of the Company hereby presents to Shareholders the annual report and the audited financial statements for the year ended 31 December 2017 (the “Financial Statements”).

BOARD MEETINGS

During the reporting period, six Board meetings were held and a total of 31 resolutions of the Board were approved:

- 1) The 2017 first meeting of the third session of the Board was held on 14 March 2017, at which eighteen resolutions were considered and approved.
- 2) The 2017 second meeting of the third session of the Board was held on 27 April 2017, at which one resolution was considered and approved.
- 3) The 2017 third meeting of the third session of the Board was held on 26 May 2017, at which three resolutions were considered and approved.
- 4) The 2017 fourth meeting of the third session of the Board was held on 22 August 2017, at which four resolutions were considered and approved.
- 5) The 2017 fifth meeting of the third session of the Board was held on 26 October 2017, at which three resolutions were considered and approved.
- 6) The 2017 sixth meeting of the third session of the Board was held on 9 November 2017, at which two resolutions were considered and approved.



DIRECTORS' REPORT

Directors' attendance at the Board meetings is as follows:

Name	Position in the Company	Number of Meetings Attended/Held	Attendance Rate
Qiao Baoping (<i>Note 1</i>)	Chairman of the Board and Non-executive Director	6/6	100%
Wang Baole (<i>Note 2</i>)	Non-executive Director	6/6	100%
Luan Baoxing (<i>Note 3</i>)	Non-executive Director	6/6	100%
Yang Xiangbin (<i>Note 4</i>)	Non-executive Director	6/6	100%
Li Enyi	Executive Director and the President	6/6	100%
Huang Qun	Executive Director	6/6	100%
Zhang Songyi	Independent non-executive Director	6/6	100%
Meng Yan	Independent non-executive Director	6/6	100%
Han Dechang	Independent non-executive Director	6/6	100%

Notes:

1. During the year ended 31 December 2017, the Company held a total of six Board meetings, and at one of these meetings, Mr. Qiao Baoping was a connected Director and therefore abstained from voting on relevant resolutions in such meeting.
2. During the year ended 31 December 2017, the Company held a total of six Board meetings, and at one of these meetings, Mr. Wang Baole was a connected Director and therefore abstained from voting on relevant resolutions in such meeting.
3. During the year ended 31 December 2017, the Company held a total of six Board meetings, and at one of these meetings, Mr. Luan Baoxing was a connected Director and therefore abstained from voting on relevant resolutions in such meeting.
4. During the year ended 31 December 2017, the Company held a total of six Board meetings, and at one of these meetings, Mr. Yang Xiangbin was a connected Director and therefore abstained from voting on relevant resolutions in such meeting.

Save as disclosed above, during the year of 2017, non-executive Directors (including independent non-executive Directors) held one meeting of non-executive Directors. The terms of office of the aforesaid Directors shall expire at the expiry of the term of the third session of the Board.

DIRECTORS' REPORT

SHARE CAPITAL

As at 31 December 2017, the total share capital of the Company was RMB8,036,389,000, divided into 8,036,389,000 shares of RMB1.00 each. Details of movements in the share capital of the Company during the year are set out in Note 35(c) to the Financial Statements.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

PRE-EMPTIVE RIGHTS

Pursuant to the Articles of Association and the laws of the PRC, the Company is not subject to any pre-emptive rights requiring it to propose new issues to its existing Shareholders in proportion to their shareholdings.

PRINCIPAL BUSINESS

The Group is principally engaged in the design, development, construction, management and operation of wind farms in areas with abundant wind resources in the PRC and the sales of electricity to the local grid companies. Details of major subsidiaries and associates of the Company are set out in Note 18 and 19 to the Financial Statements respectively.

BUSINESS REVIEW

In 2017, the Group earnestly followed and implemented relevant laws and regulations, including the Electric Power Law of the PRC (中華人民共和國電力法) and the Renewable Energy Law of the PRC (中華人民共和國可再生能源法), as well as the Several Opinions on Further Deepening Power System Reform (關於進一步深化電力體制改革若干意見), the Notice on Clean Heating Supply of Wind Power (關於開展風電清潔供暖工作的通知) and the Notice on Improving the Benchmark On-grid Tariff Policy for Onshore Wind Power and Photovoltaic Power Generation (關於完善陸上風電、光伏發電上網標杆電價政策的通知) published by the CPC Central Committee and the State Council, the Comprehensive Division of the NEA and the NDRC, respectively. The Group strictly abided by relevant laws and regulations and was not subject to any punishment in 2017.

DIRECTORS' REPORT

For the analysis of business using key financial indicators, major risks facing the Company, particulars of important events affecting the Company and its future business development, please refer to the section headed Management Discussion and Analysis. For the discussion on the Company's environmental policies and their performance, please refer to the section headed Environmental, Social, and Governance Report. For the relations between the Company and its employees, customers and suppliers, please refer to the sections headed Environmental, Social, and Governance Report and Corporate Governance Report.

PERFORMANCE

The audited results of the Company and its subsidiaries for the year ended 31 December 2017 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on pages 203 to 204. The financial position of the Company and its subsidiaries as at 31 December 2017 is set out in the Consolidated Statement of Financial Position on pages 205 to 206. The cash flows of the Company and its subsidiaries for the year ended 31 December 2017 is set out in the Consolidated Statement of Cash Flows on pages 209 to 211.

A discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are set out in the Management Discussion and Analysis on pages 28 to 78 of this annual report.

PROFIT DISTRIBUTION

The Board recommends to distribute a final dividend of RMB0.0918 per share (tax inclusive) in cash to the Shareholders for the year ended 31 December 2017. The abovementioned dividend will be subject to Shareholders' approval at the Annual General Meeting of the Company to be held on Friday, 25 May 2018, and is expected to be paid on Tuesday, 31 July 2018. Details of the dividend payment will be announced after holding of the Annual General Meeting.

Pursuant to the Enterprise Income Tax Law of the PRC and its implementation rules, which came into force on 1 January 2008 and other relevant rules, where the Company distributes the proposed 2017 final dividend to non-resident enterprise Shareholders whose names appear on the register of members for H shares of the Company, it is required to withhold and pay enterprise income tax at the rate of 10%. Any H shares registered in the name of non-individual registered Shareholders, including HKSCC Nominees Limited (香港中央結算(代理人)有限公司), other nominees or trustees, or other organisations or groups, will be treated as shares being held by non-resident enterprise Shareholders, and consequently

DIRECTORS' REPORT

will be subject to the withholding of the enterprise income tax. According to regulations by the State Administration of Taxation (Guo Shui Han [2011] No.348) and relevant laws and regulations, if the individual H-share Shareholders are residents of Hong Kong or Macau or those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these Shareholders. If the individual H-share Shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will make applications on their behalf to seek entitlement of the relevant agreed preferential treatments pursuant to the relevant tax treaty. If the individual H-share Shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the actual tax rate stipulated in the relevant tax treaty. If the individual H-share Shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 20%, or those countries which have not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these Shareholders.

For investors of Southbound Trading, the Company has entered into the Agreement on Distribution of Cash Dividends of H Shares for Southbound Trading (港股通H股股票現金紅利派發協議) with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, pursuant to which, the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the holders of H Shares for Southbound Trading, will receive all cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H Shares of Southbound Trading through its depository and clearing system.

The cash dividends for the investors of H Shares of Southbound Trading will be paid in Renminbi whilst that paid to holders of Domestic Shares and holders of H shares will be in Renminbi and in Hong Kong dollar respectively. Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) (Caishui [2014] No.81), for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

DIRECTORS' REPORT

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in properties, plants and equipment of the Company and its subsidiaries during the year are set out in Note 14 to the Financial Statements.

RESERVES

Details of the movements in reserves of the Company during the year are set out in Note 35(a) to the Financial Statements, among which, details of reserves distributable to the Shareholders are set out in Note 35(e) to the Financial Statements.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Company and its subsidiaries as at 31 December 2017 are set out in Note 27 to the Financial Statements.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth some information concerning the Directors, supervisors and senior management of the Company for the year ended 31 December 2017.

Name	Position in the Company	Date of appointment/re-election
Qiao Baoping	Chairman of the Board and Non-executive Director	Re-elected on 9 July 2015
Wang Baole	Non-executive Director	Re-elected on 9 July 2015
Luan Baoxing	Non-executive Director	Appointed on 12 August 2016
Yang Xiangbin	Non-executive Director	Appointed on 12 August 2016
Li Enyi	Executive Director and President	Re-elected on 9 July 2015
Huang Qun	Executive Director and Vice President	Re-elected on 9 July 2015
Zhang Songyi	Independent Non-executive Director	Re-elected on 9 July 2015
Meng Yan	Independent Non-executive Director	Re-elected on 9 July 2015
Han Dechang	Independent Non-executive Director	Re-elected on 9 July 2015
Xie Changjun	Chairman of the Supervisory Board	Re-elected on 9 July 2015
Yu Yongping	Supervisor	Re-elected on 9 July 2015
He Shen	Employee Representative Supervisor	Re-elected on 9 July 2015
Jia Nansong	Vice President, Board Secretary, joint Company Secretary	Re-elected on 9 July 2015
Zhang Baoquan	Vice President	Re-elected on 9 July 2015
Zhang Binqun	Vice President	Re-elected on 9 July 2015
Chang Shihong	Chief Accountant	Re-elected on 9 July 2015
Jin Ji	Vice President	Appointed on 21 September 2015

DIRECTORS' REPORT

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of Directors, supervisors and senior management are set out on pages 105 to 122 of this annual report.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with each of the Directors. The principal particulars of such service contracts include: (1) from the date of appointment to the date of expiry of the term of the current session of the Board/Supervisory Board; and (2) subject to termination in accordance with their respective terms.

Each of the supervisors has entered into a contract in respect of compliance of relevant laws and regulations, observation of the Articles of Association and provision on arbitration with the Company.

Save as disclosed above, 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.



DIRECTORS' REPORT

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the remuneration of the Company's Directors, supervisors and senior management are set out in Notes 9 and 10 to the Financial Statements.

DIRECTOR INSURANCES

The Company has bought effective insurances for the Directors.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

At the end of the year or at any time during the year, there was no transaction, arrangement or contract of significance relating to the Group's business and still valid during the year or at the end of the year, in which the Company or its subsidiaries were a party, directly or indirectly involved in its formulation process, and in which a Director, supervisor or an entity connected with a Director or supervisor had a material interest subsisted.

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 Group:

Name of Director	Position in the Company	Other interests
Qiao Baoping	Chairman of the Board and Non-executive Director	Chairman of China Energy Investment Corporation
Wang Baole	Non-executive Director	Assistant to General Manager of Guodian Group (retired)
Li Enyi <i>(Note 1)</i>	Executive Director and the President	Assistant to General Manager of former Guodian Group
Luan Baoxing	Non-executive Director	Head of Finance Administration Department of former Guodian Group
Yang Xiangbin	Non-executive Director	Head of Capital Operation and Assets Management Department of former Guodian Group

Note 1: For Mr. Li Enyi, as the assistant to General Manager of former Guodian Group, only his qualifications are presented, which is in line with the human resources policy of the Company. Mr. Li Enyi is not directly engaged in the affairs of former Guodian Group, and has never received any remuneration from former Guodian Group.

DIRECTORS' REPORT

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

As at 31 December 2017, none of the Directors, supervisors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be registered in the register indicated in the section, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2017, so far as known to the Directors, the following persons (other than the Directors, chief executives 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 to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Class of Share	Capacity	Number of Shares/ Underlying Shares Held (Share)	Percentage in	Percentage in
				the Relevant Class of Share Capital (Note 1) (%)	the Total Share Capital (Note 1) (%)
China Energy Investment Corporation Limited	Domestic shares	Beneficial owner and interest of corporation controlled by substantial Shareholders	4,696,360,000 (Note 2) (Long position)	100	58.44
BlackRock, Inc.	H shares	Interest of corporation controlled by substantial Shareholders	331,285,982 (Note 3) (Long position)	9.92	4.12
BlackRock, Inc.	H shares	Interest of corporation controlled by substantial Shareholders	24,529,000 (Note 4) (Short position)	0.73	0.31
JPMorgan Chase & Co.	H shares	Beneficial owner, investment manager and custodian	300,364,476 (Note 5) (Long position)	8.99	3.74

DIRECTORS' REPORT

Name of Shareholder	Class of Share	Capacity	Number of Shares/ Underlying Shares Held (Share)	Percentage in the Relevant Class of Share Capital (Note 1) (%)	Percentage in the Total Share Capital (Note 1) (%)
JPMorgan Chase & Co.	H shares	Beneficial owner	8,808,674 (Note 6) (Short position)	0.26	0.11
JPMorgan Chase & Co.	H shares	Custodian	248,477,167 (Note 7) (Shares in a lending pool)	7.44	3.09
Wellington Management Group LLP	H shares	Investment manager	267,437,016 (Note 8) (Long position)	8.01	3.33
National Council for Social Security Fund (全國社會保障 基金理事會)	H shares	Beneficial owner	233,758,000 (Long position)	7.00	2.91
T.Rowe Price Associates, Inc. and its Affiliates	H shares	Beneficial owner	168,258,000 (Long position)	5.04	2.09
The Bank of New York Mellon Corporation	H shares	Interests of corporation controlled by substantial shareholders	167,438,605 (Note 9) (Long position)	5.01	2.08
The Bank of New York Mellon Corporation	H shares	Custodian	162,173,005 (Note 10) (Shares in a lending pool)	4.86	2.02

Notes:

- The percentage is based on the issued number of relevant class of shares/total issued shares of the Company as at 31 December 2017.
- Among these 4,696,360,000 domestic shares, 4,602,432,800 domestic shares were directly held by China Energy while the remaining 93,927,200 shares were held by Guodian Northeast Electric Power Co., Ltd.* (國電東北電力有限公司), a subsidiary of China Energy. Accordingly, China Energy was deemed as the owner of the equity interests held by Guodian Northeast Electric Power Co., Ltd.* (國電東北電力有限公司).

* For identification purpose only

DIRECTORS' REPORT

3. Among these 331,285,982 H shares, 1,048,100 H shares were held by BlackRock Investment Management, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc., 1,400,000 H shares were held by BlackRock Financial Management, Inc., an indirect wholly-owned subsidiary of BlackRock, Inc., 39,297,693 H shares were held by BlackRock Institutional Trust Company, National Association, an indirect wholly-owned subsidiary of BlackRock, Inc., 65,664,000 H shares were held by BlackRock Fund Advisors, an indirect wholly-owned subsidiary of BlackRock, Inc., 12,910,000 H shares were held by BlackRock Advisors, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc., 4,788,715 H shares were held by BlackRock Japan Co., Ltd., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 404,000 H shares were held by BlackRock Asset Management Canada Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 5,332,000 H shares were held by BlackRock Investment Management (Australia) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 18,293,943 H shares were held by BlackRock Asset Management North Asia Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 465,000 H shares were held by BlackRock (Netherlands) B.V., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 3,541,167 H shares were held by BlackRock Advisors (UK) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 1,391,200 H shares were held by BlackRock International Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 28,137,000 H shares were held by BlackRock Asset Management Ireland Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 109,559,000 H shares were held by BLACKROCK (Luxembourg) S.A., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 21,429,172 H shares were held by BlackRock Investment Management (UK) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 8,782,372 H shares were held by BlackRock Fund Managers Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 8,157,620 H shares were held by BlackRock Life Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 671,000 H shares were held by BlackRock (Singapore) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 14,000 H shares were held by BlackRock Asset Management (Schweiz) AG, an indirect non-wholly-owned subsidiary of BlackRock, Inc., thus BlackRock, Inc. was deemed as the owner of the H share equity interests held by its aforesaid subsidiaries.

4. Among these 24,529,000 H shares, 13,821,000 H shares were held by BlackRock Institutional Trust Company, National Association, an indirect wholly-owned subsidiary of BlackRock, Inc., 3,650,000 H shares were held by BlackRock Advisors, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc., 576,000 H shares were held by BlackRock Asset Management Ireland Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 6,482,000 H shares were held by BLACKROCK (Luxembourg) S.A., an indirect non-wholly-owned subsidiary of BlackRock, Inc., thus BlackRock, Inc. was deemed as the owner of the H share short positions held by its aforesaid subsidiaries.



DIRECTORS' REPORT

5. Among these 300,364,476 H shares, 136,000 H shares were held by J.P. Morgan Investment Management Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 11,338,600 H shares were held by J.P. Morgan GT Corporation, a wholly-owned subsidiary of JPMorgan Chase & Co., 11,145,157 H shares were held by J.P. Morgan Whitefriars LLC, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 29,267,552 H shares were held by J.P. Morgan Securities plc, an indirect non-wholly-owned subsidiary of JPMorgan Chase & Co. and 248,477,167 H shares were held by JPMorgan Chase Bank, N.A., a wholly-owned subsidiary of JPMorgan Chase & Co. Accordingly, JPMorgan Chase & Co. was deemed as the owner of the H share equity interests held by its aforesaid subsidiaries.
6. Among these 8,808,674 H shares, 5,065,714 H shares were held by J.P. Morgan Whitefriars LLC, an indirect wholly-owned subsidiary of JPMorgan Chase & Co. and 3,742,960 H shares were held by J.P. Morgan Securities plc, an indirect non-wholly-owned subsidiary of JPMorgan Chase & Co. Accordingly, JPMorgan Chase & Co. was deemed as the owner of the H share short positions held by its aforesaid subsidiaries.
7. These 248,477,167 H shares were held by JPMorgan Chase Bank, N.A., a wholly-owned subsidiary of JPMorgan Chase & Co. Accordingly, JPMorgan Chase & Co. was deemed as the owner of the H shares in a lending pool held by its aforesaid subsidiary.
8. Among these 267,437,016 H shares, 191,003,714 H shares were held by Wellington Management Company LLP, an indirect non-wholly-owned subsidiary of Wellington Management Group LLP, 39,036,002 H shares were held by Wellington Management Hong Kong Ltd, an indirect non-wholly-owned subsidiary of Wellington Management Group LLP, 37,397,300 H shares were held by Wellington Management International Ltd, an indirect non-wholly-owned subsidiary of Wellington Management Group LLP, thus Wellington Management Group LLP was deemed as the owner of the H shares equity interests held by its aforesaid subsidiaries.
9. These 167,438,605 H shares were held by The Bank of New York Mellon, a wholly-owned subsidiary of The Bank of New York Mellon Corporation, thus The Bank of New York Mellon Corporation was deemed as the owner of the H shares equity interests held by its aforesaid subsidiary.
10. These 162,173,005 H shares were held by The Bank of New York Mellon, a wholly-owned subsidiary of The Bank of New York Mellon Corporation, thus The Bank of New York Mellon Corporation was deemed as the owner of the H shares in a lending pool held by its aforesaid subsidiary.

DIRECTORS' REPORT

ISSUE OF DEBENTURES

The debentures issued by the Company in 2017 are set out as below:

Issue date	Type of debentures	Financing amount <i>(RMB million)</i>	Reasons for the issue
16 May 2017	Green corporate bonds	2,000	Project investment and construction and repayment of bank borrowings for the projects
28 July 2017	Green enterprise bonds	3,000	Project investment and construction, replenishment of working capital
17 February 2017	Ultra short-term debentures	3,000	Replacement of due loans, replenishment of working capital
3 March 2017	Ultra short-term debentures	5,000	Replacement of due loans, replenishment of working capital
28 March 2017	Ultra short-term debentures	2,000	Replacement of due loans, replenishment of working capital
27 July 2017	Ultra short-term debentures	500	Replacement of due loans, replenishment of working capital
8 September 2017	Ultra short-term debentures	1,000	Replacement of due loans, replenishment of working capital
21 September 2017	Ultra short-term debentures	500	Replacement of due loans, replenishment of working capital

DIRECTORS' REPORT

MANAGEMENT CONTRACTS

The Company did not enter into any contract in respect of the management or administration of the entire or any significant part of the business of the Company nor did any such contract subsist at any time during 2017.

SUBSEQUENT EVENTS

Since the last day of the reporting period, there have been no significant changes or subsequent events which need to be adjusted or disclosed in the financial statements.

CONNECTED TRANSACTIONS

Details of substantial connected transactions occurred during the reporting period of the Company are set out in the Connected Transactions section of this annual report.

DONATIONS

In 2017, the total amount of donations made by the Company and its subsidiaries was RMB3,000,000, including the donation of RMB3,000,000 by the Company to the fixed-point poverty alleviation projects of Youyu County, Shanxi.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, the purchase from the Group's five largest fuel suppliers in aggregate contributed 81.1% of the Group's total purchase of fuel for the year, among which, the total purchase from the largest fuel supplier contributed 36.1% of the Group's total purchase of fuel for the year.

For the year ended 31 December 2017, the sales to the Group's five largest customers in aggregate contributed 45.4% of the Group's total sales for the year, among which, the sales to the largest customer contributed 20.5% 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 nor Shareholders of the Company (who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any interest in the Company's five largest suppliers or five largest customers during the year.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Company and the Group in 2017 are set out in Note 35(e) to the Financial Statements.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group provides competitive remuneration portfolio to attract and motivate employees. The Group reviews the employees' remuneration portfolio on a regular basis and makes necessary adjustment to be in line with the market standard. Moreover, the Group provides training and development opportunities to its employees to enable them to deliver their best performance and achieve corporate goals. In 2017, the Group also understands that it is of great importance to maintain good relations with suppliers and customers for the realization of the short-term and long-term goals. For the purpose of maintaining the competitiveness of brands and the leading position, the Group is committed to providing premium products and services to customers. For the year 2017, the Group had no material and significant dispute with suppliers and customers.

At the end of 2017, the Group had 7,519 employees, representing an increase of 300 employees as compared to 2016. In particular, there were 6,292 male employees, accounting for 83.7% of the total number of employees while there were 1,227 female employees, accounting for 16.3%. Personnel costs incurred by the Group for the year 2017 amounted to RMB167.66 million in total. Through integrating human resources strategy with job classification, the Group has established a performance and competence based remuneration system, and will link the annual business objectives with the performance of different staff through a performance evaluation system, ensuring competitiveness in recruiting, retaining and motivating talents, as well as the pursuit of the Group's human resources strategy. In addition, the Group has established a pension system to provide the qualified and voluntary employees with the supplementary pension plan with certain guarantee on retirement income.



DIRECTORS' REPORT

ENVIRONMENT-RELATED PERFORMANCE AND POLICIES

The Group has actively taken actions in response to the environmental policies and strictly complied with national and local environmental laws, regulations and policies. In adhering to the environmental concept of “green operation for sustainable development”, we continued to promote clean production, develop green products through eco-design, reduce the impact on the environment throughout the full life cycle of the products, and apply the overall prevention environmental strategies to the whole production process, so as to continuously reduce resources and energy consumption and pollutant emissions.

The Group, in adhering to the business philosophy of “improving efficiency through cost reduction”, promoted both management-related energy conservation and project-related energy conservation, explored energy-saving potential, improved energy efficiency and reduced energy consumption. The Company has established its operating guidelines to plan energy consumption, promote energy conservation and improve its productivity and efficiency through energy conservation. The Company promoted energy preservation through advanced technologies and improved management methods, and continuously reduced its own energy consumption and carbon dioxide emissions, thus achieving the coordinated development of its economic development and resource conservation.

The Company adheres to high standards of performance in the relevant requirements related to environmental protection and is committed to providing quality energy saving and emission reduction services to the industry and the community. The Company improves the environmental management systems, further develops environmental protection system and implements emission reduction measures according to the Company's actual business condition. The Company strives to develop environmental protection industry, with an aim to reduce the emission during its operation, conserve the use of resources and promote environmental protection among the place of its operations. The Company has complied with the environmental laws and regulations such as the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) and has always fulfilled its environmental responsibility in accordance with the standards of local environmental regulations and industrial rules and practices so as to achieve higher environmental performance. During the reporting period, the Company did not have any events of non-compliance with environmental laws and regulations. For details, please refer to the Environmental, Social, and Governance Report as set out on pages 123 to 162 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

In 2017, the Group followed strictly the Company Law of the PRC (中華人民共和國公司法), the Contract Law of the PRC (中華人民共和國合同法), the Securities Law of the PRC (中華人民共和國證券法), the Electricity Law of the PRC (中華人民共和國電力法), the Environmental Protection Law of the PRC (中華人民共和國環境保護法), the Labour Law of the PRC (中華人民共和國勞動法) and other relevant laws, regulations and environmental policies in China, and added or modified 44 rules under the existing governance framework. It also established appropriate mechanisms for regulatory-compliant operation so as to prevent and avoid material legal risks to the maximum extent and to ensure the regulatory compliance of the operation and development of the Company.

REMUNERATION OF THE FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the five highest paid individuals (excluding Directors and supervisors) of the Company in 2017 are set out in Note 10 to the Financial Statements.

MATERIAL CONTRACTS

Save as disclosed in the section headed Connected Transactions on pages 98 to 104 of this annual report, none of the Company or any of its subsidiaries entered into any contracts of significance with the controlling Shareholder or any of its subsidiaries other than the Group, nor was there any contracts of significance between the Group and the controlling Shareholder or any of its subsidiaries other than the Group in relation to provision of services in 2017.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At the end of 2017, none of the Directors or supervisors or any of their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right.

DIRECTORS' REPORT

ARRANGEMENTS FOR SHARE PRE-EMPTIVE RIGHT AND SHARE OPTION

In 2017, no arrangement for share pre-emptive right and share option was made by the Company.

EQUITY-LINKED AGREEMENTS

In 2017, no equity-linked agreement was entered into by or subsisted in the Company, and there was no provision to enter into any agreement which will or may result in the Company issuing new shares.

PERMITTED INDEMNITY PROVISION

In 2017, no permitted indemnity provision (whether made by the Company or otherwise) was made or in force for the benefit of the directors of the Company or any directors of the subsidiaries of the Company (if made by the Company). The Company has liability insurance coverage for certain relevant lawsuits for the Directors, supervisors and senior management.

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of our 2017 audited consolidated financial statements are consistent with the accounting policies for the preparation of our audited consolidated financial statements in 2016.

RETIREMENT AND EMPLOYEES BENEFIT SCHEME

Details of the Group's retirement and employees benefit scheme are set out in Note 32 to the Financial Statements.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As a company listed on the Hong Kong Stock Exchange, the Company has committed itself to maintaining a higher standard of corporate governance practices and complying with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules. Please refer to the Corporate Governance Report as set out on pages 163 to 190 of this annual report for details.

DIRECTORS' REPORT

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 latest practicable date prior to the issue of this annual report, which was in compliance with the requirements under the Listing Rules.

MATERIAL LITIGATION

As at 31 December 2017, the Group was not involved in any material litigation or arbitration. There was no litigation or claim of material importance known to the Directors to be pending or threatened against the Group.

AUDIT COMMITTEE

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

AUDITORS

Ernst & Young and Ruihua Certified Public Accountants (special general partner) (瑞華會計師事務所(特殊普通合夥)) were appointed as the Company's auditors for the financial statements prepared in accordance with the International Financial Reporting Standards and China Accounting Standards for Business Enterprises, respectively, for the year ended 31 December 2017. The accompanying Financial Statements of the Company prepared in accordance with the International Financial Reporting Standards have been audited by Ernst & Young. The Company has appointed Ernst & Young as its auditor since 20 June 2017 and appointed Ruihua Certified Public Accountants (special general partner) as its auditor since the date of preparation of its listing.

By order of the Board
China Longyuan Power Group Corporation Limited*
Chairman of the Board
Qiao Baoping

Beijing, 12 March 2018

* For identification purpose only



CONNECTED TRANSACTIONS

Particulars of the major related party transactions of the Group for the year ended 31 December 2017 are set out in Note 39 to the Financial Statements.

Certain transactions in the aforementioned related party transactions also constitute connected transactions as prescribed in Chapter 14A under the Listing Rules and are subject to reporting, annual review and announcement in accordance with the requirements of Chapter 14A under the Listing Rules. The aforementioned related party transactions have complied with the requirements of Chapter 14A under the Listing Rules. Particulars of which are as follow :

The following disclosed connected transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules of the Hong Kong Stock Exchange, and conform to the relevant disclosure requirements. In relation to the connected transactions mentioned below, the Directors are of the opinions that the Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules. Please refer to the announcements disclosed on the website of the Hong Kong Stock Exchange and the website of the Company.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

In respect of the type 1 to type 2 non-exempt continuing connected transactions as set out below, at the time of the listing of the Company's H shares, the Hong Kong Stock Exchange approved the annual caps of those continuing connected transactions and granted a waiver to the Company from complying with the announcement and independent Shareholders' approval requirements. For type 1 and type 2 non-exempt continuing connected transactions as set out below, the annual caps for each year from 2015 to 2017 have been approved at the first extraordinary general meeting of 2014 held on 23 December 2014.

CONNECTED TRANSACTIONS

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

Connected Transactions	Connected Person	Annual Cap for 2017 (RMB'000)	Actual Transaction Amount for 2017 (RMB'000)	
1.	Provision of products and services by the Group	Guodian Group	2,687,700	49,525
2.	Provision of products and services to the Group	Guodian Group	5,210,270	1,563,979
3.	Provision of financial services to the Group	Guodian Finance	Deposit Services: 2,700,000	Maximum outstanding balance: 2,675,766

1. Provision of products and services by the Group

- 1.1 The Company entered into the New Guodian Master Agreement with Guodian Group on 4 November 2014. Pursuant to the agreement, the Group shall provide Guodian Group with products and services, mainly including wind power design and consulting services, wind power technical services, flanges, spare parts, wind power vocational training, photovoltaic design and consulting services and coal.

Material terms and conditions of the agreement are set out as follows:

- The provision of products and services by the Group to Guodian Group mainly includes wind power design and consulting services, wind power technical services, flanges, spare parts, wind power vocational training, photovoltaic design and consulting services and coal;

CONNECTED TRANSACTIONS

- The provision of products and services by Guodian Group to the Group mainly includes wind power generating units, turbine tower, spare parts, photovoltaic module and installation and construction services, technological renovation of thermal power equipment, coal, and new energy technology research and development services;
- The terms of products and services offered by the Group to Guodian Group are no better than those obtained by an independent third party, or the terms of products and services offered by Guodian Group to the Group are no less favourable than those offered by an independent third party;
- The settlement terms shall be determined separately and in line with market practice applicable to each specific transaction. The detailed settlement terms will be set out in the separate agreements; and
- Relevant subsidiaries of both parties will enter into separate agreements which shall set out the specific scope of provision of products and/or services and terms and conditions of providing such products and/or services according to the principles laid down by the New Guodian Master Agreement.

The New Guodian Master Agreement has a term of three years commencing on 1 January 2015 and expiring on 31 December 2017, and is renewable subject to the agreement of the parties and the compliance with the Listing Rules.

Guodian Group is a controlling Shareholder of the Company and is, together with its subsidiaries, a connected person of the Company under the Listing Rules.

During the reporting period, the annual cap of this continuing connected transaction for 2017 was RMB2,687,700,000 and the actual transaction amount was RMB49,525,000.

CONNECTED TRANSACTIONS

2. Provision of products and services to the Group

2.1 The Company had entered into the New Guodian Master Agreement with Guodian Group on 4 November 2014. Pursuant to the agreement, Guodian Group shall provide the Group with products and services mainly including wind power generating units, turbine tower, spare parts, photovoltaic module and installation and construction services, technological renovation of thermal power equipment, coal, and new energy technology research and development services. For details of the major terms and conditions of the agreement, please refer to the relevant disclosure of the non-exempt continuing connected transaction set out in section 1.1 above.

Guodian Group is a controlling Shareholder of the Company and is, together with its subsidiaries, a connected person of the Company under the Listing Rules.

During the reporting period, the annual cap of this continuing connected transaction for year 2017 was RMB5,210,270,000 and the actual transaction amount was RMB1,563,979,000.

3. Provision of financial services to the Group

3.1 The Company entered into the New Financial Services Agreement with Guodian Finance on 26 October 2015, pursuant to which, the services provided by Guodian Finance to the Group include credit facilities, intra-group transfer and settlement services, assistance in the receipt and payment of transaction proceeds, bill acceptance and discount services, deposit services, finance lease, investment and financing advice and consultation services, financial consultation and training services and other services.

The principal terms and conditions of the agreement are set out as follows:

- Guodian Finance shall ensure the stable operation of fund management system to safeguard the fund, and to monitor the credit risk of assets and liabilities so as to satisfy the payments needs of the Group;

CONNECTED TRANSACTIONS

- In respect of the provision of the loan services under the New Financial Services Agreement, Guodian Finance will grant integrated credit facilities of RMB3 billion to the Group. The credit facilities shall be free of any security and utilised as fixed assets loans, project financing loans, working capital loans, letter of guarantee and accounts receivable factoring, etc.;
- In respect of the provision of the deposit services under the New Financial Services Agreement, the amount of the daily deposit balance (including any interest accrued thereon) for the Group's deposits with Guodian Finance shall be no more than RMB2.7 billion for each of the three years ending 31 December 2016, 31 December 2017 and 31 December 2018;
- The term of the New Financial Services Agreement shall be three years, beginning from 1 January 2016 to 31 December 2018; and
- Guodian Finance provides the aforementioned financial services to the Group based on the following pricing principles: (1) the interest rate for deposits of the same type for the same term as published by the PBOC from time to time; and (2) the interest rate for deposits of the same type for the same term offered to the Group by other major independent commercial banks.

Guodian Group is the controlling Shareholder of the Company and is, together with its subsidiaries, a connected person of the Company under the Listing Rules. Guodian Finance is a subsidiary of Guodian Group, and is therefore a connected person of the Company.

During the reporting period, the annual cap of the maximum daily deposit balance for deposit services under this continuing connected transaction for year 2017 was RMB2,700,000,000 (including any interest accrued thereon) and the actual maximum amount of daily deposit balance was RMB2,675,766,000.

CONNECTED TRANSACTIONS

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors of the Company have reviewed each of the abovementioned continuing connected transactions and confirmed that such transactions have been conducted:

1. in the usual course of business of the Group;
2. on normal commercial terms or, if there are no sufficient comparable transactions to determine whether the transaction terms are on normal commercial terms, those transaction terms should be, from the perspective of the Group, no less favourable than the terms obtained from or provided by independent third parties; and
3. in accordance with relevant terms of the transaction agreements, and the transaction terms are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

CONFIRMATION OF AUDITORS

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

Based on its work, the Company's auditor provided the Board with a letter confirming that, with respect to the aforesaid continuing connected transactions:

- (1) nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board.

CONNECTED TRANSACTIONS

- (2) for the continuing connected transactions entered into by the Group, nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.
- (3) nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements regarding such transactions.
- (4) with respect to the aggregate amount of each of the continuing connected transactions disclosed above, nothing has come to the auditor's attention that causes the auditor to believe that such continuing connected transactions have exceeded the annual caps set by the Company.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS



Mr. Qiao Baoping, aged 62, is a non-executive Director and the chairman of the Company. He graduated from Nankai University with a bachelor's degree in Economics and is a senior economist. Mr. Qiao Baoping served as the chairman of the supervisory board of the Company from August 2011 to July 2013, as a non-executive Director and the chairman of the second session of the Board of the Company from July 2013 to July 2015, and as a non-executive Director and the chairman of the third session of the Board of the Company since July 2015. Mr. Qiao Baoping had served as the deputy secretary general of All-China Students' Federation. He had worked at an institution directly under the Central Commission of China Communist Youth League as executive deputy secretary of the Party Committee and secretary of the Commission for Disciplinary Inspection at the Central Commission of China Communist Youth League, he had served successively as the deputy head of the United Work Front Department, member of the Standing Committee and head of the Juvenile Rights and Interests Department, member of the Standing Committee and head of the Organisation Department. Further, he had served as head of Mass Work Department of the Working Committee of Central Government-owned Enterprises, secretary of the Central Government-owned Enterprises Working Committee of China Communist Youth League, head of the Mass Work Department (Mass Work Department of the Party Committee) and head of the United Work Front Department at the SASAC, as well as member of the Party Group and chief of the Discipline Inspection Group at China Power Investment Corporation. Mr. Qiao acted as the chairman and secretary of the Party Group of China Guodian Corporation, the chairman of GD Power Development Co., Ltd. ("GDPD") (國電電力發展股份有限公司) (SSE: 600795). Mr. Qiao currently acts as the chairman and secretary of the Party Group of China Energy Investment Corporation Limited.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Mr. Wang Baole, aged 61, is a non-executive Director of the Company. He graduated from Xiamen University with a bachelor's degree in Economics and has completed post-graduate studies on Statistics (Investment Decision-making Analysis). He is a senior statistician. Mr. Wang Baole acted as a non-executive Director of the first session of the Board of the Company from July 2009 to July 2012, a non-executive Director of the second session of the Board of the Company from July 2012 to July 2015 and a non-executive Director of the third session of the Board of the Company since July 2015. Mr. Wang Baole has served successively as deputy head of Statistics Division of Planning Department of the Ministry of Water Resources and Electric Power, deputy head and head of Statistics Division of General Planning Department of the Ministry of Energy Resources, head of Statistics & Analysis Division and deputy general director of Planning Department of the Ministry of Electric Power, deputy head of Planning & Investment Department and deputy head of Strategic Study & Planning Department of State Power Corporation, assistant to president and the head of the Planning and Development Department of Guodian Group.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Mr. Luan Baoxing, aged 51, is a non-executive Director of the Company. He holds an MBA degree from Harbin Institute of Technology and is a senior accountant and a certified public accountant. Mr. Luan Baoxing acted as a non-executive Director of the first session of the Board of the Company from July 2009 to July 2012, a non-executive Director of the second session of the Board of the Company from July 2012 to May 2014 and a non-executive Director of the third session of the Board of the Company since August 2016. Mr. Luan Baoxing served as deputy head of Property and Fund Division, head of Accounting Cost Division of Finance Department of Heilongjiang Power Company (“黑龍江省電力公司”), deputy head and head of Accounting Cost Division of Finance Department and deputy head of Finance Department of China Northeast Power Group Company (“東北電力集團公司”), deputy chief accountant and head of Finance Department of Chongqing Power Company (“重慶電力公司”), deputy head of Finance and Ownership Department and deputy head and head of Capital Operation and Ownership Management Department of Guodian Group, general manager of China Guodian Capital Holdings Ltd., and chairman and general manager of Guodian Finance. Mr. Luan is currently the head of the former Financial Management Department of Guodian Group as well as a supervisor of Guodian Technology & Environment Group Corporation Limited (HKSE: 1296).

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Mr. Yang Xiangbin, aged 52, a non-executive Director of the Company, holds an MBA degree from the Open University of Hong Kong and is a senior accountant and a certified public accountant. Mr. Yang Xiangbin acted as a non-executive Director of the third session of the Board of the Company since August 2016. Mr. Yang Xiangbin served as head of the Budget Office of the Finance Department of Heilongjiang Power Company Limited; deputy head and head of the Budget Office of the Finance and Ownership Department, deputy head of the Finance and Ownership Department and deputy head of the Financial Management Department of Guodian Group; director and deputy general manager of Inner Mongolia Pingzhuang Coal (Group) Co., Ltd. (“內蒙古平莊煤業(集團)有限責任公司”), and vice chairman of Inner Mongolia Pingzhuang Energy CO., LTD (內蒙古平莊能源股份有限公司) (SZSE: 000780). Mr. Yang currently serves as the head of the Capital and Asset Management Department of former Guodian Group as well as a supervisor of Guodian Technology & Environment Group Corporation Limited (HKSE: 1296).

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS



Mr. Li Enyi, aged 54, is an executive Director and president of the Company and concurrently serves as the general manager assistant of former Guodian Group. He obtained a master's degree in North China Electric Power University. He is a senior engineer. Mr. Li Enyi joined the Group in 2013 and acted as an executive Director of the second session of the Board of the Company from July 2013 to July 2015 and an executive Director of the third session of the Board and a president of the Company since July 2015. Mr. Li Enyi has served successively as the deputy head of Weifang Power Plant, Shandong (山東濰坊發電廠), the head of Heze Power Plant, Shandong (山東荷澤發電廠), the president of Luneng Development and Property Co., Ltd., Shandong (山東魯能拓展置業有限公司), the president of Luneng Minerals Development Company Limited, Shandong (山東魯能物礦開發有限公司), the vice president and president of Northern China branch of Guodian Group (中國國電集團公司華北分公司) as well as the executive director and president of Guodian North China Power Co., Ltd. (國電華北電力有限公司).

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Mr. Huang Qun, aged 56, is an executive Director and vice president of the Company. He graduated from Tongji University with a bachelor's degree in Engineering. He is a senior engineer. Mr. Huang Qun joined the Group in 1993 and acted as an executive Director of the first session of the Board and a vice president of the Company from May 2012 to July 2012, an executive Director of the second session of the Board and a vice president of the Company from July 2012 to July 2015 and an executive Director of the third session of the Board and a vice president of the Company since July 2015. Mr. Huang Qun worked as an engineer at Power Department of the Ministry of Energy Resources and Policy Research Office of the Ministry of Water Resources and Electric Power. He had successively served at China Longyuan Electric Power Group Corporation (龍源電力集團公司) (the predecessor of the Company) as deputy head and head of Manager Department, head of the First Division of the Operation Department, chief economist and head of Operation Department, as well as assistant to president, and vice president.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

INDEPENDENT NON – EXECUTIVE DIRECTORS



Mr. Zhang Songyi, aged 62, is an independent non-executive Director of the Company. He holds a Juris Doctor degree from Yale University. Mr. Zhang Songyi acted as an independent non-executive Director of the first session of the Board of the Company from July 2009 to July 2012, an independent non-executive Director of the second session of the Board of the Company from July 2012 to July 2015 and an independent non-executive Director of the third session of the Board of the Company since July 2015. Mr. Zhang Songyi practiced law at Milbank, Tweed, Hadley & McCloy LLP from 1985 to 1993. He was the vice president, executive director, managing director, and head of joint department of Morgan Stanley Asia Limited. Mr. Zhang is currently an independent non-executive director of China Renewable Energy Investment Limited (中國再生能源投資有限公司) (HKSE: 0987), a director of Sina Corporation (NASDAQ: SINA), a director of Athenex, Inc. (NASDAQ: ATNX), a non-executive director of Ever Smart International Holdings Limited (永駿國際控股有限公司) (HKSE: 8187) and the chairman of Mandra Capital.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Mr. Meng Yan, aged 62, is an independent non-executive Director of the Company. He holds a doctorate degree in Economics (Accounting) from the Research Institute for Fiscal Science of the Ministry of Finance and the qualification of PRC Certified Public Accountant. Mr. Meng Yan acted as an independent non-executive Director of the first session of the Board of the Company from July 2009 to July 2012 as well as an independent non-executive Director of the second session of the Board of the Company from July 2012 to July 2015, respectively, and has been an independent non-executive Director of the third session of the Board of the Company since July 2015. Mr. Meng received the special government allowance from the State Council in 1997. Mr. Meng used to act as the dean of the School of Accountancy of Central University of Finance and Economics, an expert consultant for accounting standards, an expert consultant for management accounting and an expert for enterprise performance evaluation at the Ministry of Finance, and an independent director of each of Wanhua Chemical Group Co., Ltd. (萬華化學集團股份有限公司) (SSE: 600309) and COFCO Property (Group) Co., Ltd. (中糧地產(集團)股份有限公司) (SZSE: 000031). Currently, Mr. Meng Yan serves as a professor and a tutor of doctorate candidates in the School of Accountancy of Central University of Finance and Economics, an independent non-executive director of Jolimark Holdings Limited (映美控股有限公司) (HKSE: 2028), an independent director of Beijing Bashi Media Co., Ltd. (北京巴士傳媒股份有限公司) (SSE: 600386) and independent director of Beijing Capital Co., Ltd. (北京首創股份有限公司) (SZSE: 600008).

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Mr. Han Dechang, aged 62, is an independent non-executive Director of the Company. He is a tutor of doctoral candidates and has a doctorate degree in Economics. Mr. Han Dechang acted as an independent non-executive Director of the second session of the Board of the Company from May 2014 to July 2015 and an independent non-executive Director of the third session of the Board of the Company since July 2015. Mr. Han Dechang was admitted to the politics and economics department under the Faculty of Economics of Nankai University in 1979 and became a teacher of the Faculty after his graduation with a bachelor's degree in 1983. During that time, he obtained his master and doctorate degrees in economics. Mr. Han Dechang served as a lecturer in 1988 and then was promoted as an associated professor in 1992. In 1997, he was promoted as a professor and re-designated from the Faculty of Economics to Business School taking the position of dean of the department of marketing in the same year due to restructuring of discipline. Mr. Han Dechang currently serves as a member of the academic degree committee and titles assessment and employment committee of Nankai University. Mr. Han Dechang also works as the vice chairman of the Tianjing Marketing Association, an executive director of the China Marketing Association and the vice chairman of the Chinese Universities Pricing and Teaching Association.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS



Mr. Xie Changjun, aged 60, is the chairman of the supervisory board of the Company. He graduated from Northeast Dianli University with a bachelor's degree in Engineering. He is a professor-grade senior engineer. He acted as a supervisor and the chairman of the second session of the supervisory board of the Company from July 2013 to July 2015 and as a supervisor and has been a supervisor and the chairman of the third session of the supervisory board of the Company since July 2015. Mr. Xie served for the Group from 1993 to 2013. He has served successively as engineer of Science & Technology Department of the Ministry of Water Resources and Electric Power, deputy head of Planning Division of Science & Technology Department of China Electricity Council, assistant to president and vice president of Zhongneng Power-Tech Development Company Limited (中能電力科技開發有限公司), vice president and president of China Longyuan Electric Power Group Corporation, president and executive Director of China Longyuan Power Group Corporation Limited*, assistant to president of Guodian Group, and vice president of Guodian Group.

* For identification purpose only

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Mr. Yu Yongping, aged 57, is a supervisor of the Company. He graduated from Liaoning Institute of Finance and Economics with a bachelor's degree in Economics and has completed post-graduate studies on Civil Economics. He is a senior accountant. Mr. Yu acted as a supervisor of the first session of the supervisory board of the Company from July 2009 to July 2012, a supervisor of the second session of the supervisory board of the Company from July 2012 to August 2015 as well as a supervisor of the third session of the supervisory board of the Company since July 2015. Mr. Yu had served as accountant of Finance Division of Machinery Manufacturing Construction Bureau of the Ministry of Water Resources and Electric Power. He had also served in the Emigration and Development Bureau of the State Council Three Gorges Project Construction Committee as deputy head and head of Finance Division of Financial Planning Department, deputy head of Planning Department, deputy head of Resettlement Department, and assistant ombudsman of General Office. He held positions as the head of Market Development Division of Marketing Department of Guodian Group, vice president of Guodian Finance, vice president and chief accountant of Guodian Northeast Electric Power Co., Ltd. (國電東北電力股份有限公司), deputy head of Finance and Property Department and head of Audit Department of Guodian Group. Mr. Yu is currently the chief auditor of former Guodian Group.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Mr. He Shen, aged 43, is an employee representative supervisor of the Company. He graduated from Shenyang University of Technology with a bachelor's degree in engineer, and he also graduated from an on-the-job postgraduate course in North China Electric Power University and obtained a doctor's degree in Management. Mr. He is a senior economist and acted as the employee representative supervisor of the first session of the supervisory board of the Company from June 2011 to July 2012, the employee representative supervisor of the second session of the supervisory board of the Company from July 2012 to July 2015 as well as the employee representative supervisor of the third session of the supervisory board of the Company since July 2015. Mr. He had successively served as project engineer and project manager of Project Engineering Department of China National Electric Equipment Corporation (中國電工設備總公司), secretary of President's Office and project manager of China Longyuan Electric Power Group Corporation, secondary employee at division 1 of personnel and director management department of State Power Corporation, deputy chief (in charge) of leading personnel management office of human resource department of Guodian Group, deputy director (in charge) and director of human resource department of GD Power Development Co., Ltd. and the chief of the Discipline Inspection Group and the chairman of labour union of China Longyuan Power Group Corporation Limited*. Mr. He is currently the secretary of Discipline Inspection Commission of the Company.

* For identification purpose only

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT



Mr. Li Enyi is an executive Director and president of the Company. Biographical details of Mr. Li Enyi as at the date hereof are set out on page 109 of this annual report.



Mr. Huang Qun is an executive Director and vice president of the Company. Biographical details of Mr. Huang Qun as at the date hereof are set out on page 110 of this annual report.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Mr. Jia Nansong, aged 55, is a vice president, the board secretary and one of the joint company secretaries of the Company. He graduated from North China Electric Power University majoring in Engineering and served as a senior engineer. He joined the Group in 1994. Mr. Jia held positions in the Electric Power Planning and Design Institute and the Information Centre of the Ministry of Electric Power. He also successively served as the deputy manager of Technical Development Department, the manager of the Market Exploitation and Technical Development Department, the manager of the Project Development Department and the manager of the Technical Development Department of China Longyuan Electric Power Group Corporation as well as the standing vice president of Longyuan West Heat. He was also the manager of the Human Resource Department and the Auditing Supervision Department, the deputy chief economist and the assistant to president as well as the director of the Office of President of China Longyuan Electric Power Group Corporation, and the board secretary and one of the joint company secretaries of China Longyuan Power Group Corporation Limited*.

* For identification purpose only

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Mr. Zhang Baoquan, aged 57, is a vice president of the Company. Mr. Zhang graduated successively from Tsinghua University and the Hydropower Department of China Electric Power Research Institute (水利電力部電力科學研究院) with a master's degree in Engineering. Mr. Zhang is a professor-grade senior engineer. Mr. Zhang joined the Group in 1993. He had served in China Electric Power Research Institute and China Electricity Council. He had successively worked as the deputy manager of the Engineering Project Department of Zhongneng Power-Tech, the president of Zhongneng Power Technology Trading Company (中能電技術貿易公司), assistant to president and president of Zhongneng Power-Tech, president of Beijing Zhongneng Lianchuang Wind Power Technology Company Limited (北京中能聯創風電技術有限公司), assistant to president and chief economist of China Longyuan Electric Power Group Corporation, as well as the standing deputy director and director of Renewable Energy Research and Development Centre.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Mr. Zhang Binqun, aged 54, is a vice president of the Company. He graduated from Harbin Institute of Technology and Yanshan University with a master's degree in Public Administration. He is a senior engineer. Mr. Zhang joined the Group in 2014. He has served successively as project manager of the import department of China Great Wall Industry Corporation (中國長城工業公司), project manager of CITIC International Cooperation Co., Ltd. (中信國際合作公司), general manager assistant and deputy general manager of Guodian Longyuan Power Technology & Engineering Co., Ltd. (國電龍源電力技術工程公司), manager of planning department and manager of operation and development department of Guodian Technology & Environment Group Company, general manager of Guodian Ningxia Solar Co., Ltd. (國電寧夏太陽能有限公司) and deputy general manager of Guodian Technology & Environment Group Corporation Limited, and concurrently served as the general manager of Guodian United Power Technology Co., Ltd. (國電聯合動力有限公司) in the period.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Mr. Chang Shihong, aged 43, is the chief accountant of the Company. Mr. Chang graduated from Dongbei University of Finance & Economics with a master's degree in Accounting. He is a senior accountant. Mr. Chang joined the Group in 2009. Mr. Chang had successively worked as a member of the Party Committee and the chief accountant of Guodian Datong No. 2 Power Plant, deputy head (in charge) of Finance Division of Finance and Asset Management Department of Guodian Group, deputy head (in charge) of Accounting Division of Finance Management Department of Guodian Group, director of Finance and Property Right Management Department of China Longyuan Electric Power Group Corporation, and director of Finance and Property Right Management Department and deputy chief accountant of China Longyuan Power Group Corporation Limited*.



Mr. Jin Ji, aged 48, is the vice president and chairman of labour union of the Company. Mr. Jin graduated from the Graduate School of Party School of the Central Committee of C.P.C majoring in Economic Management, and is a senior economist. Mr. Jin joined the Group in 1994. He used to work in Tianshenggang Power Plant and Tianshenggang Power Generating Co., Ltd. (天生港發電有限公司), and he had successively served as the vice general manager, general manager and secretary of the Party committee of Jiangsu Longyuan Wind Power Generation Co., Ltd.

* For identification purpose only

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES



Mr. Jia Nansong, is the board secretary of the Company and one of the joint company secretaries. He has profound knowledge and understanding of the PRC power industry and abundant operational and management experience. Biographical details of Mr. Jia Nansong as at the date hereof are set out on page 118 of this annual report.



Ms. Chan Sau Ling, was appointed as one of the joint company secretaries on 26 October 2017. She is a director of the Corporate Services Division of Tricor Services Limited (卓佳專業商務有限公司) (“Tricor”). Ms. Chan is a chartered secretary and an associate of both the Institute of Chartered Secretaries and Administrators in the United Kingdom and the Hong Kong Institute of Chartered Secretaries. Ms. Chan has extensive experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. *(Note: The Company has engaged Tricor as external service provider and appointed Ms. Chan Sau Ling as the Company’s joint company secretary.)*

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

By integrating the concept of environmental, social and corporate governance responsibility into our corporate strategy and operating practices and implementing the national policies on energy-saving and emission-reduction on a continuous basis, the Group has practically fulfilled its social responsibility as an international first-class green energy enterprise. With the management philosophy “people as the center, safety as the priority, regulations as the routine, execution as the essential and innovation as the resource”, we adhere to the environmental protection policy of “environment protection, pollution prevention, ruling by law and green power sustainably generating”. In the process of creation of renewable energy, we exert great efforts in establishing a clean development mechanism and shall continue to strengthen environmental protection and fulfil environmental responsibilities, striving to shape the Company’s image with green and low-carbon characters. We offer clean power to contribute a beautiful environment hence to build the eco-civilization, create shared value for the society and achieve sustainable development jointly with the society.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

CONTENTS

- I. Report Introduction
 - 1.1 Report Scope
 - 1.2 Assurance on Reliability of the Report

- II. International First-class Green Energy Company
 - 2.1 Wind Power – Green and Clean Energy
 - 2.2 Energy Conservation and Emission Reduction
 - 2.3 Harmonious Environment
 - 2.4 Low-Carbon Action

- III. People as the Center
 - 3.1 Introduction
 - 3.2 Employment norms
 - 3.3 Staff of the Group
 - 3.4 Staff Motivation
 - 3.5 Staff Development
 - 3.6 Staff Training
 - 3.7 Staff Remuneration

- IV. Safety as the Priority
 - 4.1 Systematic and Standardized Management
 - 4.2 Health and Safety Management

- V. Regulations as the Routine
 - 5.1 Supply Chain Management
 - 5.2 Compliance Management

- VI. Harmonious Communities
 - 6.1 Serving the Local Economy
 - 6.2 Participating in Public Welfare and Charitable Undertakings
 - 6.3 Launching of Recreational and Sports Activities

- VII. Report Disclosure Index

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

I. REPORT INTRODUCTION

This Environmental, Social and Governance (ESG) report emphasizes on the disclosure of information in relation to environment and social responsibility of the Company, and ensures compliance with the requirements under the ESG Reporting Guidelines(環境社會及管治報告指引) of The Stock Exchange of Hong Kong Limited. We raveled out different ESG topics during the preparation of this ESG report, and would gradually conduct specific analysis and improvements so as to meet the expectations of each related party. The report will be published in Chinese and English that covers the period from 1 January to 31 December 2017.

This report is a document incorporated into the annual report of Longyuan Power which is available for inspection at www.clypg.com.cn. Particulars concerning corporate governance are set forth in the annual report for 2017 financial year from page 163 to page 190.

1.1 Scope of the Report

Unless otherwise specified, all cases and data in the report are originated from China Longyuan Power Group Corporation Limited and its subsidiaries (collectively referred to as the “Group”) as well as their associates.

1.2 Assurance on Reliability of the Report

The Company assures that this report does not contain any false or misleading information. In case of any opinions or suggestions on the report, you are welcome to email or call us so as to help us make continuous improvements.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

II. INTERNATIONAL FIRST-CLASS GREEN ENERGY COMPANY

Given top priority to development, the Group makes overall plans for and coordinates resources and environmental protection development, and regulates and controls the relationship between development speed and engineering quality as well as scale expansion and economic benefits with the help of compliance control. Over the years, we have set up a new energy enterprise image featured by integrity, improvement and harmony and exerted unremitting efforts to build an international first-class green energy power generating enterprise.

As a leader in the new energy field of the PRC, the Group has always attached great importance to shouldering corporate social responsibility and deemed it as an important component for its fulfilment of the mission of “developing green energy and building a harmonious environment” and realisation of the strategic goal of “building an international first-class new energy listed company”. Furthermore, we have also proactively explored the concept of corporate social responsibility and the practice thereof, and are committed to the mutual promotion of enterprise’s discharge of responsibility and operation. Aiming at sustainable development and maximizing comprehensive value, we adopted the way of all staff participation and all-rounded integration, and implemented the concept of corporate social responsibility in terms of enterprise decisions, systems and procedures, business operation, daily administration and enterprise culture through the transparent and ethical enterprise behaviors. We continuously promoted the fulfilment of corporate social responsibility and enhanced the comprehensive value creativity, operation transparency and brand influence in an all-rounded way, thus establishing a new energy enterprise image featured with integrity, improvement and harmony.

2.1 Wind Power – Green and Clean Energy

With wind power generation as the principal business, the Group is an integrated power generating group mainly engaged in new energy. The new energy power generation business of the Group is an environment-friendly business that protects the environment without consumption of resources including fossil fuels and water or discharge of waste or greenhouse gases, pollutants or hazardous wastes. It has no material adverse impact on the environment and natural resources.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

2.2 Energy Conservation and Emission Reduction

We strictly comply with the national uniform environmental protection laws, regulations and policies and proactively undertakes the environmental protection responsibilities of energy conservation and emission reduction. In 2017, there was no violation of national environmental laws, regulations and policies. While developing new projects according to the development and changes in market conditions, the Group also paid attention to energy conservation and emission reduction, striving to maximize green benefits. In 2017, both coal power plants strictly complied with the national standards on emission of air pollutants, realised up-to-standard emission and recorded significant reduction in the emission volume of pollutants as compared to 2016.

The emission reduction of new energy of the Group and emission of two coal power plants under the Group are as follows:

2017	Power generation <i>MWh</i>	Consumption or decrease in consumption				
		Standard coal <i>Tonne</i>	CO ₂ <i>Tonne</i>	SO ₂ <i>Tonne</i>	Oxynitride <i>Tonne</i>	Dust <i>Tonne</i>
Wind power and other renewable energy sources	35,067,416	-12,320,567	-34,275,144	-2,162	-5,756	-187
Coal power	10,515,483	3,694,504	10,277,908	648	1,726	56
Total	45,582,899	-8,626,063	-23,997,236	-1,514	-4,030	-131

2016	Power generation <i>MWh</i>	Consumption or decrease in consumption				
		Standard coal <i>Tonne</i>	CO ₂ <i>Tonne</i>	SO ₂ <i>Tonne</i>	Oxynitride <i>Tonne</i>	Dust <i>Tonne</i>
Wind power and other renewable energy sources	30,592,703	-10,524,890	-30,679,881	-2,035	-5,813	-278
Coal power	9,980,938	3,433,769	10,009,380	664	1,896	91
Total	40,573,641	-7,091,121	-20,670,501	-1,371	-3,917	-187

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

We continued to proactively carry out effective operation of environmental protection facilities, strengthened management, control of the quality of coal into the furnace, optimised operation of units, and other measures. As a result, the coal-fired enterprises recorded the reduction of 2.54%, 7.35%, 13.61% and 41.36% in the discharge of SO₂, CO₂, oxynitride and dust respectively for each KWH of power generation in 2017 as compared to 2016.

In 2017, the comprehensive utilisation ratio of ash in the coal power plants of the Group was 100% and the ash was used for road construction and cement concrete manufacturing, etc.

As a power generation conglomerate, energy consumption of the Group mainly includes the service power utilisation in the process of power generation apart from the coal consumption of the coal-fired power plants and a modicum of fuel consumption of the renewable energy enterprises, and water consumption mainly consists of the water needed in the cooling process and the water steam used to drive the turbine during the process coal-fired power generation. We have strictly observed the state laws and regulations and exerted stringent control over the consumption of service power and water resources. We have been saving energy and reducing consumption through intensified management and optimized operation. As at 31 December 2017, the comprehensive service power ratio for wind power generation of the Group was 3.17%, representing a decrease of 0.12 percentage point as compared to 2016; the comprehensive service power ratio for the entire Group was 4.09%, representing a decrease of 0.14 percentage point as compared to 2016; and water consumption of the two coal-fired power plants was 173kg/MWh, representing a decrease of 16.36% as compared to 2016.

2.3 Harmonious Environment

The Group deeply implemented the concept of environmental protection, clarified the environmental management system and intensified environmental control. The management of environmental protection was consolidated for engineering construction and operation by various measures. More efforts were exerted on the control of pollutants generated in production and the comprehensive utilisation of solid emissions.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

Noise control. In the construction of wind farms, the Group strengthened its equipment maintenance to lubricate machinery, reduce the noise of excavators, concrete mixers and bulldozers, and minimize the noise caused by the maintenance of construction equipment. After the completion of wind farms, attention was paid to the reduction of mechanical noise in units caused by wind turbines in operation. Our noise control in these two aspects meet the Class I standards on noise in daytime and at night under the Environmental Quality Standard for Noise (《聲環境質量標準》) (GB3096-2008), causing no influence on surrounding residents.

Increase in green areas. In addition to effective control of noise, sulfur dioxide emission, etc., the Group built a clean development mechanism and proceeded with greening operation to maximize the green area in the head office, subsidiaries and their surrounding areas, striving to offer green power to the society and protect and beautify the environment in a proactive manner.

2.3.1 Xinjiang subsidiary organised the Youth Volunteer Service and Aid Team to carry out voluntary tree planting campaign in the autumn in Yamalike Mountain, Urumqi.



ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

2.3.2 Yunnan subsidiary conducted the female employee tree planting campaign with the view to greening the happy farm of its wind power plant.



2.3.3 Fujian subsidiary launched the tree planting and protection activity in cooperating with the local government, thus refreshing the Longyuan brand.



ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

2.3.4 Zhejiang subsidiary rolled out the “Greening the World (讓世界充滿綠)” themed tree planting activity and its Jiangxia Tidal Power Station (江廈潮汐電站) organised the mud flat cleaning activity to maintain a neat environment along the shoreline.



Protection of creatures. During the development and construction of wind farms, the Group emphasized the control over the influence of wind turbine on the migration of birds and ensured sufficient space between wind turbines to allow safe passage of birds. In addition, warning colors were used to minimize the probability of hit of birds against blades at night. Furthermore, we protected the normal growth of other wild animals. In the construction and operation of offshore wind farms, we attached great importance to the protection of marine and fishery resources and promoted the breeding and growth of fish resources by way of freeing fries regularly. Meanwhile, we kept a close eye on the changes in biological resources in the reservoir areas in which tidal power plants are located to ensure normal growth of relevant creatures.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

2.4 Low-Carbon Action

The Group has been actively promoting low carbon living and its philosophy by nurturing and propelling voluntary reduction in domestic society, giving support to enterprises which are willing to cut back on carbon emission voluntarily or refraining from personal emission of carbon, so as to expedite the development of low-carbon living. Meanwhile, the Group promoted a low-carbon work and life style at corporate level, guiding the staff to take real action to save resources and protect the environment and taking initiative to lead the social conducts. 35 entities of the Group have set up volunteer organisations of young employees to launch 130 service activities on regular basis, to implement the low-carbon concept by activities including green travel fitness and walking and saving paper.

III. PEOPLE AS THE CENTER

3.1 Introduction

Human resources are at the core of all resources for an enterprise. Excellent talents are precious wealth of the Group and the fundamental power for our continued high-speed development. The Group gives priority to professional ethics and occupational skills when hiring employees. The sense of enterprise culture identity and dedication are basic conditions.

3.2 Employment norms

The Group strictly abides by the Labour Contract Law (勞動合同法) in its labour and employment policies and has formulated the Administrative Measures for Employment (勞動用工管理辦法) based on the Labour Contract Law. The Group adopts campus recruitment for fresh graduates and social open recruitment and carries out checks verifications over the applicants in the recruiting process in close compliance with the Administrative Measures for Employment of College Graduates (高校畢業生引進工作管理辦法) issued by the former China Guodian Corporation and the Administrative Measures for Employment. The Group has never had any child labour exploitation and forced labour ever since its incorporation.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

3.3 Staff of the Group

As at 31 December 2017, the Group had a total of 7,519 staff, of which 6,292, or 83.7%, were male, while 1,227, or 16.3%, were female. The staff structure is as follows:

Table 1: Analysis of the Group's staff by business segments

No.	Business segments	2017		2016	
		Number of staff	Percentage	Number of staff	Percentage
1	Overall management	157	2.09%	154	2.13%
2	Wind power business	4,667	62.07%	4,358	60.37%
3	Coal power business	2,046	27.21%	2,038	28.23%
4	Technical and related services business	336	4.47%	359	4.98%
5	Other renewable energy	313	4.16%	310	4.29%
	Total	<u>7,519</u>	<u>100%</u>	<u>7,219</u>	<u>100%</u>

Table 2: Analysis of the Group's staff by academic qualifications

No.	Academic qualifications	2017		2016	
		Number of staff	Percentage	Number of staff	Percentage
1	Postgraduate or above	426	5.67%	451	6.25%
2	Undergraduate	3,922	52.16%	3,582	49.62%
3	College diploma	1,745	23.21%	1,713	23.73%
4	Technical secondary school and below	1,426	18.96%	1,473	20.40%
	Total	<u>7,519</u>	<u>100%</u>	<u>7,219</u>	<u>100%</u>

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

Table 3: Analysis of the Group's staff by age

No.	Age	2017		2016	
		Number of staff	Percentage	Number of staff	Percentage
1	56 years old and above	256	3.40%	567	7.85%
2	46–55 years old	1,239	16.48%	1,027	14.23%
3	36–45 years old	1,402	18.65%	1,206	16.71%
4	35 years old and below	4,622	61.47%	4,419	61.21%
Total		7,519	100%	7,219	100%

Table 4: Analysis of the Company's staff by academic qualifications

No.	Academic qualifications	2017		2016	
		Number of staff	Percentage	Number of staff	Percentage
1	Postgraduate or above	88	56.05%	86	55.84%
2	Undergraduate	62	39.49%	58	37.66%
3	College diploma	6	3.82%	7	4.55%
4	Technical secondary school and below	1	0.64%	3	1.95%
Total		157	100%	154	100%

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

Table 5: Analysis of the Company's staff by age

No.	Age	2017		2016	
		Number of staff	Percentage	Number of staff	Percentage
1	56 years old and above	7	4.46%	9	5.84%
2	46–55 years old	34	21.66%	37	24.03%
3	36–45 years old	53	33.76%	52	33.77%
4	35 years old and below	63	40.13%	56	36.36%
Total		157	100%	154	100%

3.4 Staff Motivation

In order to cater to its development needs, the Group, on the basis of its existing position-based accountability system, has further perfected an effective mechanism for staff performance appraisal and management. Standardisation of the establishment for the organisation of the enterprise and the allocation of personnel to positions were promoted by adhering to the headcount standard in evaluating headcount. By maintaining a clear division of the Group's objectives for the year, identification of the performance targets of different positions, formulation of performance assessment standards, appraisal of staff performance in an objective and accurate manner, stimulation of the potential and enthusiasm of the employees, the Group has made clear its approach of stressing on both motivations and regulations. The Group increased the linkage between income and performance indicators, implemented dynamic process assessment and feasibly improved staff's subjective initiatives. Meanwhile, the remuneration distribution was implemented proactively to lay emphasis on supporting front-line staff and staff from difficult and remote regions by enhancing the wind power enterprise's standards of subsidies for poor regions, which could keep stability of the Group. The critical illness insurance set up by the Group for its staff is an important component of the medical insurance system of the PRC and an important measure for the Group to implement the scientific outlook on development and thoroughly execute the "people-benefit project". To reduce the cost of medical services of staff suffering from outbreak of critical illness and eliminate their worries, we have referred to the Guidelines on Establishment of "Sunshine Huimin Welfare Plan (陽光惠民福利保障計劃)" of

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

Guodian Group, and set up the “Sunshine Huimin Welfare Plan” (i.e. Employee Critical Disease Insurance), which provided protection with insurance covering 40 kinds of critical diseases, complete disability due to illness, traffic accidental injuries and so forth. Meanwhile, the Group also organised its enterprises to take out insurance policies. In 2017, 18 cases of insurance claims were settled for the Company and quenched the thirst of our employees and their family members, thus safeguarding the health of employees of the Company. In 2017, 128 Excellent Employees were selected and rated, 25 star enterprises were rewarded and 29 enterprises were granted the general manager’s incentive fund.

As at the end of 2017, the Group recorded 178 cases of staff turnover and the turnover rate (staff turnover rate = number of outgoing staff / (headcount as at the beginning of the Reporting Period + the number of new recruits for the year)) was 2.3%. Particulars of the staff turnover proportion are set out below:

Table 6: Information of the Group’s staff turnover

No.	Company name	Staff turnover	Age			
			35 years old and below	36–45 years old	46–55 years old	56 years old and above
	China Longyuan Power Group Corporation Limited (collectively)	178	141	20	15	2
1	The headquarters of China Longyuan Power Group Corporation Limited	10	5	4	1	
2	Jiangyin Sulong Heat and Power Generating Co., Ltd. (江陰蘇龍熱電有限公司)	6	4	2		
3	Nantong Tianshenggang Power Generation Co., Ltd. (南通天生港發電有限公司)	11	6	2	3	
4	Inner Mongolia Longyuan Mengdong Wind Power Generation Co., Ltd. (內蒙古龍源蒙東風力發電有限公司)	3	3			

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

No.	Company name	Staff turnover	Age		
			35 years old and below	36–45 years old	46–55 years old
5	Heilongjiang Longyuan New Energy Development Co., Ltd. (黑龍江龍源新能源發展有限公司)	5	3	1	1
6	Guodian Youyi Biomass Power Co., Ltd. (國電友誼生物質發電有限公司)	1			1
7	Gansu Longyuan Wind Power Generation Co., Ltd. (甘肅龍源風力發電有限公司)	14	14		
8	Liaoning Longyuan New Energy Development Co., Ltd. (遼寧龍源新能源發展有限公司)	25	23	1	1
9	Hebei Longyuan Wind Power Generation Co., Ltd. (河北龍源風力發電有限公司)	1	1		
10	Inner Mongolia Longyuan New Energy Development Co., Ltd. (內蒙古龍源新能源發展有限公司)	7	5	1	1
11	Xinjiang Longyuan Wind Power Generation Co., Ltd. (新疆龍源風力發電有限公司)	12	12		
12	Jiangsu Longyuan Wind Power Generation Co., Ltd. (江蘇龍源風力發電有限公司)	2	2		
13	Donghai Longyuan Biomass Power Plant (東海龍源生物質發電有限公司)				
14	Fujian Longyuan Wind Power Generation Co., Ltd. (福建龍源風力發電有限責任公司)	3	3		

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

No.	Company name	Staff turnover	Age			
			35 years old and below	36–45 years old	46–55 years old	56 years old and above
15	Anhui Longyuan Wind Power Generation Co., Ltd. (安徽龍源風力發電有限公司)	10	9		1	
16	Jilin Longyuan Wind Power Generation Co., Ltd. (吉林龍源風力發電有限公司)	1			1	
17	Shanxi Longyuan Wind Power Generation Co., Ltd. (山西龍源風力發電有限公司)	1	1			
18	Yunnan Longyuan Wind Power Generation Co., Ltd. (雲南龍源風力發電有限公司)	4	4			
19	Jiangsu Offshore Longyuan Wind Power Generation Co., Ltd. (江蘇海上龍源風力發電有限公司)	2			1	1
20	Longyuan Ningxia Wind Power Generation Co., Ltd. (龍源寧夏風力發電有限公司)	2	2			
21	Longyuan Guizhou Wind Power Generation Co., Ltd. (龍源貴州風力發電有限公司)	7	7			
22	Zhejiang Longyuan Wind Power Generation Co., Ltd. (浙江龍源風力發電有限公司)	5	4	1		
23	Wenling Jiangxia Pilot Tidal Power Station (溫嶺江廈潮汐試驗電站)					
24	Tianjing Longyuan Wind Power Generation Co., Ltd. (天津龍源風力發電有限公司)	1	1			
25	Hainan Longyuan Wind Power Generation Co., Ltd. (海南龍源風力發電有限公司)	2	1		1	

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

No.	Company name	Staff turnover	Age		
			35 years old and below	36–45 years old	46–55 years old
26	Shandong Longyuan Wind Power Generation Co., Ltd. (山東龍源風力發電有限公司)	2	2		
27	Longyuan Shaanxi Wind Power Generation Co., Ltd. (龍源陝西風力發電有限公司)	4	2	2	
28	Longyuan Power Group (Shanghai) Wind Power Co., Ltd. (龍源電力集團(上海)風力發電有限公司)	2	1	1	
29	Guangxi Longyuan Wind Power Generation Co., Ltd. (廣西龍源風力發電有限公司)	3	3		
30	Guangdong Guodian Longyuan Wind Power Generation Co., Ltd. (廣東國電龍源風力發電有限公司)	2	2		
31	Hubei Longyuan New Energy Wind Power Generation Co., Ltd. (湖北龍源新能源有限公司)				
32	Jiangxi Longyuan Wind Power Generation Co., Ltd. (江西龍源風力發電有限公司)				
33	Longyuan Golmud New Energy Development Co., Ltd. (龍源格爾木新能源開發有限公司)	5	5		
34	Longyuan Tibet New Energy Co., Ltd. (龍源西藏新能源有限公司)	6	4	2	
35	Longyuan Canada Renewables Ltd. (龍源加拿大可再生能源有限公司)	3	2	1	

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

No.	Company name	Staff turnover	Age		
			35 years old and below	36–45 years old	46–55 years old
36	Longyuan South Africa Renewables (Pty) Ltd. (龍源南非可再生能源有限公司)	4	1	1	2
37	Hero Asia Investment Limited (雄亞投資有限公司)				
38	Zhongneng Power-Tech Development Co., Ltd. (中能電力科技開發有限公司)	2	2		
39	Longyuan (Beijing) Wind Power Projects Technology Co., Ltd. (龍源(北京)風電工程技術有限公司)	3	2	1	
40	Longyuan (Beijing) Wind Power Projects Design & Consultation Co., Ltd. (龍源(北京)風電工程設計諮詢有限公司)	3	3		
41	Longyuan (Beijing) Carbon Assets Management Technology Co., Ltd. (龍源(北京)碳資產管理技術有限公司)	4	2		2
42	Xinjiang Wind Power Engineering Consultant Co., Ltd (新疆風電工程設計諮詢有限責任公司)				
43	Suzhou Longyuan Bailu Wind Power Technique Vocational Training Centre Co., Ltd. (蘇州龍源白鷺風電職業技術培訓中心有限公司)				
44	Hunan Longyuan Wind Power Generation Co., Ltd. (湖南龍源風力發電有限公司)				

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

3.5 Staff Development

The Group paid special attention to personnel training and development, put more efforts to train young cadres through constant innovation of selection and appointment mechanism, continuously optimized leadership structure of enterprises and kept innovation capabilities of the Company. The Group implemented “dual-track” management mechanism for administrative positions and technical operation positions, which has broadened the career prospects of the staff. In order to meet the requirements of talent transformation and due to the business development needs of production post or management post, a staff post transformation and development channel has been established. Before job transfer to management posts, production personnel must pass the exams in terms of analysis and decision capability, communication and coordination capability, emergency response capability, etc.; should management personnel be transferred to production posts, they must pass professional technical exams to obtain the certificate for production posts. Meanwhile, a leadership development channel has also been built, and training measures such as enriching curriculum system, innovating teaching methods, etc. were taken to serve the construction of corporate leadership to improve managers’ corporate culture and judgment on work value, communication and management skills and other leadership skills.

In 2017, the Group further intensified the construction of talents teams in technique sequences of wind power enterprises covering 287 persons at all levels or 5.35% of the entire production crew, including 19 chief operation inspectors at provincial-level companies, 51 head operation inspectors, 65 deputy head operation inspectors and 152 senior operation inspectors and operation inspectors. The Group carried out qualification appraisal and certification for technical specialties and issued relevant certificates for 629 persons; and conducted accreditation of junior, intermediate and senior technicians for 7 sessions with 279 persons accredited in aggregate. A large number of skillful front-line employees with high performance stood out. The establishment of talents teams in technique sequences opened up a career path for development of professional skills for production personnel, relieved the problem of limited room for development of front-line staff, provided system guarantee and remuneration incentive for attracting, cultivating and stabilizing key production personnel and provided new powerful support for further eliminating faults and defects of wind turbine generators and improving the availability and health level of equipment.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

The Group adheres to the employment standard of “stress on integrity and ability, integrity first” and lays emphasis on actual performance and benefits. It endeavours to improve and perfect the scientific talent selection and employment mechanism and reinforce communication and practice of cadres to “provide opportunities to those who want to work and stages to those who have the capacity to work”. This year, over 100 cadres with 38 enterprises were promoted, reassigned or otherwise appointed upon consideration and approval at the Party Group (Party Committee) meeting through careful scrutiny and observation, thereby further optimizing and replenishing the cadre team. At the same time, the Company profoundly realised the importance and urgency of enhancing and improving the cultivation and selection of outstanding young cadres, and attached great importance to, performed careful deployment for, and stepped up efforts for the selection of outstanding young cadres, striving to build a reserve young cadre team with extensive sources, sufficient quantity, reasonable structure and good quality.

3.6 Staff Training

In 2017, the Group has established a tailored staff training program to meet the development needs of the Group, and continued to regulate and strengthen its systematic training works. The Group has established training centers and training bases, built a team of internal trainers, and revised, edited and improved internal training materials which have been published for the Group’s internal trainings. The Group has formulated annual training programs and organised training projects for the duty requirements of the management, technical and skilled personnel. The Group attached importance to trainings of senior management and key professional technicians, implemented customised trainings through specific survey in accordance with talents’ needs and paid special attention to improve operational capabilities of staff. Through continuous development of various training courses, the Group has continuously improved the quality of staff, especially front-line operation and maintenance staff, reinforced the modern management concept among its management and enhanced the overall management efficiency.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

The Group advanced the construction of “Big training” system with all its strength according to the “Thirteenth Five-year” Plan for Education and Training (教育培訓“十三五”規劃) and Measures for Management of Safety Production Training (安全生產培訓管理辦法) formulated by the Group. I. It built a “3+1” training organisation system composed of “three levels and one center”, of which, the “three levels” meant the company level, regional office level and wind power plant (work group) level, respectively and “one center” referred to the training center. The “3+1” organisation system clarified the training responsibilities and main measures at all levels. II. Double career development channels were set up. The production personnel development channel is divided into administrative sequence and skill sequence. The Group insists on “separation of appraisal and employment” to promote study with exam, advance application with study and boost development with application. The Company has accredited and appointed 287 chief wind power operation inspectors by far. III. A training assessment and incentive mechanism has been built. The Group has prepared detailed measures for quantitative rating, assessment and award allocation covering regional offices, wind power plants, work groups, the training center and the internal trainers, pursuant to which advanced employees will be elected and awarded on an annual basis. During the year, the Company organised two spot tests for staff of the production system, involving 612 employees.

The Group provides that all staff of the production system are required to obtain a certificate before going to work. The post qualification system was continuously improved in accordance with the concept of “separation of appraisal and employment, accreditation before employment, all staff training, and life-long education” and based on the operation and maintenance model for wind power. Firstly, the personnel for operation and maintenance of wind power are required to obtain the certificate for high-place special operations and the certificate for special electrician operations. 89% of the relevant staff are certificate holders so far. Secondly, exams are organised for new staff to obtain work permits. Work permit trainings and exams for 446 new staff were completed, which resulted in the 100% work permit coverage of new staff. In addition, a production post qualification system covering all staff has been shaped, which provides that all production staff shall take the post qualification exam and obtain the relevant certificate. It has become a prerequisite to possess a post qualification certificate for an employee to fill up the corresponding position and get promoted for a higher position. Two sessions of relevant work were conducted and a total of 227 factory directors and specialised principals passed relevant post qualification exams in 2017.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

In 2017, the Group organised 442 specialised training courses for 6,036 employees or 80.28% of its staff, whose training days totaled 55,787.

Table 7: Training of the Group's staff

Item	Number of staff as at the end of the period	Number of staff trained	Training percentage (%)	Accumulative number of days for attending training	Training expenses (RMB'000)	Number of training person-times	Training method			Number of staff attending skill appraisal	
							Organisation of training	Online training	Overseas training		
1. Managerial and skilled staff	2,057	1,494	72.63	15,653	307	3,598	554	45	3	2,996	--
Managerial staff of department head level and above	281	281	100	3,545	60	491	391	11	3	86	-
General managerial staff	1,339	896	66.92	11,016	206	2,319	122	19		2,178	-
Skilled staff	437	317	72.54	1,093	41	788	41	15		732	-
2. Production staff	5,362	4,542	84.71	40,134	948	10,880		19		10,861	1,157
Including: Production operating staff	2,996	2,696	89.99	13,890	511	4,739		17		4,722	231
Production inspecting and repairing staff	2,166	1,741	80.38	17,958	375	5,818		2		5,816	926
Production supporting staff	200	105	52.50	8,286	62	323				323	
3. Other staff	100		-								
Total	7,519	6,036	80.28	55,787	1,255	14,478	554	64	3	13,857	1,157

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

3.7 Staff Remuneration

The staff remuneration of the Group comprises of post performance salary, special bonus and various subsidies. The Group improved the treatment of job at various levels through adoption of the selection mechanism composed of competition for a post, gradual delay in retirement and dynamic adjustment to stimulate the vitality of staff team; on the basis of performance assessment including periodic examination, production indexes, etc. and with the focus on special awards, the Group gives priority to front-line staff and key technical personnel; meanwhile, the Group proactively fosters excellent talents in technique sequences and releases special technical subsidy on a monthly basis.

IV. SAFETY AS THE PRIORITY

4.1 Systematic and Standardised Management

Adhering to the policy of “safety foremost, prevention first, and comprehensive governance”, the Group improves the system and mechanism and has formed a four-tier safety supervision system composed of “headquarter, regional companies, wind farms and work teams” covering production, engineering, traffic, firefighting, etc.; the Group has prepared the Work Regulations on Safety Supervision of Longyuan Power to regulate the work standards of security supervision institutions at various levels, clarify the duties of all levels and assign the safety responsibilities. A number of safety rules have been compiled into a brochure for distribution to guarantee execution of disciplines by safety supervision personnel. A Work Manual for Safety Supervision Personnel has been prepared to instruct safety supervision departments to proceed with work with focus in a planned way and improve the safety supervision working mechanism. In addition, the Group amended the Template of Agreement on Safety of Outsourced Production Projects of Wind Power Enterprises to clearly set out the safety responsibilities and obligations of the parties in the agreement on safety of outsourced projects.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

For the purpose of providing a safe working environment and protecting employees from occupational hazard, the Group stringently complied with various safety supervision systems and provisions of the State, industry and Guodian Group. Through analysis on safety management and control of wind power generation, the Group identified all the aspects of wind power prone to risks and supplement the same in the working systems and provisions at all levels. The advancement of personal risk prevention comprehensively enhanced staff's capacity for proactive identification and prevention of risks.

4.2 Health and Safety Management

The Group has fostered the concept of “Comprehensive Safety” and firmly regards safety as its primary responsibility. It has consolidated the base for safe production, sought for vulnerable sections in safety production thoroughly and deepened rectification of potential safety hazards so as to continuously strengthen the management of safety production. In 2017, 0 staff of the Group died in accidents, representing 0% of the total number of staff and resulting in loss of 0 working days.

In an effort to ensure safety and health of employees in the process of production, reduce the occurrence of occupational diseases and achieve effective management of occupational health, the Group arranges pre-employment physical examinations, including normal physical examination and occupational disease examination, and subsequent unified annual physical examination for staff. Furthermore, the Group regularly distributes labour protection appliances to ensure protection measures for employees before they start to work. A safety supervision department has been established in each project company to strengthen on-site supervision, guidance and regulation of operations. In addition, the Group holds safety knowledge contests involving all employees, and provides training in rotation for safety officers with a view to enhance safety awareness and safety technical levels of staff.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

V. REGULATIONS AS THE ROUTINE

5.1 Supply Chain Management

Pursuant to the requirements under the Bidding Law of the PRC, tender is compulsory for any domestic projects which are completely or partly invested by state-owned funds. For the domestic projects subject to tender according to the law, the Group, as a state-owned company, shall determine the suppliers by way of public tender. For projects of which no tender is required by laws, the suppliers shall be determined in a competitive manner on the “Procurement Platform for Electronic Price Enquiry and Comparison” according to the procurement management system established by the Company. For overseas projects, invitation tender, price enquiry and other methods shall be adopted in accordance with the practices in the country where the projects are located and the actual situation of the projects. In addition, the Company exerted the scale effects of centralized purchase and organised bid for long-term agreement and framework for spare parts, large parts repair, etc. to reduce purchase costs and guarantee supplier quality while ensuring purchase efficiency.

Currently, in the procurement of major equipment, the Group requires suppliers to have an environmental management system, and is not aware that any key suppliers had any significant actual and potential negative impact on environment protection, human rights and labour practices or non-compliance.

The Group selects its suppliers in a completely competitive manner without a fixed list of suppliers. As such, there is no statistical data of suppliers by region. The Group gives an annual comprehensive evaluation for suppliers and set up a warning and no-access mechanism for dishonest suppliers. Besides, the Group implements a manufacturing supervision and management system for main units, turbine towers and key electrical equipment to guarantee product quality.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

5.2 Compliance Management

In strict compliance with the national laws and regulations and its internal policies, the Company requires its employees to abstain from misconducts such as offering or accepting bribery and corruption in any circumstance. Employees are required to strictly comply with honesty and self-discipline standards. Any suspected criminal offence will be promptly whistle-blown and reported to relevant authorities.

With a view to comprehensively and effectively carry forward the Party's integrity campaign, the Group developed and improved its internal supervision system and rules to achieve strengthened internal supervision, risk control and anti-corruption management. The Group has a Supervision Department (Disciplinary Inspection Office) in place to take full responsibility for internal supervision, prevention of corruption, acceptance of whistle-blowing, investigation and handling of rule-breaking or law-breaking cases and enhancing internal control system and rules. The Company has supervised the production and operation activities and the internal investments in infrastructure projects and major technological transformations, mitigating operation risks. During the reporting period, all rules and systems played a sound control and prevention role in terms of risk control and anti-corruption management and no material defect was identified. As at 31 December 2017, there was no record of corruption related litigation with the Company.

VI. HARMONIOUS COMMUNITIES

Adhering to the guideline of “corporate development concurrent with repaying the society”, the Group proactively discharged its obligations in respect of serving the local economy, participating in public welfare and charitable undertakings, engaging in volunteer service activities, etc. It also fulfilled its responsibility as a corporate citizen and participated in public welfare businesses, striving to make more contributions to social harmony and development.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

6.1 Serving the Local Economy

We do everything for people's livelihood and conduct small good deeds frequently to achieve a win-win situation through cooperation. The Group implements localized operation. In the process of project development, construction and operation, the Group has established a mechanism for regular communication and exchange with local representatives and endeavours to consolidate the close connection with relevant local governments to maintain effective communication channels with local competent departments. In addition, The Group proactively adopts reasonable suggestions from local governments, enterprises and residents, improves local infrastructures, and shares corporate welfare facilities with community members. All these measures have promoted local new energy construction and sound development of the local economy.

6.2 Participating in Public Welfare and Charitable Undertakings

Proactively participating in public welfare and charitable undertakings, the Group advances the "Longyuan's Green Care Action" plan with efforts. It earned trust and respect with its integrity, offerings, kindheartedness and harmony and strived to have a harmonious development between corporate and social development, creating a positive image of a responsible corporation. In 2017, the Group repaid the society in various channels such as proactive launch of disaster relief, subsidies for education and to the handicapped, and assistance to the poor.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

6.2.1 Xinjiang Longyuan of the Group showed solicitude and love for the poor Uighur old people by offering them with rice, flour and edible vegetable oil.



6.2.2 The volunteer service team of Mengdong Longyuan of the Group provided hand cream to the “loveliest” sanitation workers as a gratitude to them for their hard work like what Longyuan did for the clean environment of city. The Youth League committee carried out the activity themed “Spring Warmth in Mengdong, Love for Special Education School” to show our indiscriminate love for the special children with the “most beautiful smile”.



ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

6.2.3 With the increase in the types of household appliances, the staff of the Grassland Wind Farm of Heilongjiang Longyuan of the Group realized the increase in risk with electricity as there were many left-behind old and children in villages and thus organised regular publicities on safety utilisation of electric power to villages in surrounding villages.



6.2.4 Jiangsu Longyuan of the Group cooperated with Xuyi Government in carrying out targeted poverty alleviation in Xinpu Village, Jiupu Town where the company is located to help villagers in a concrete manner by directly giving condolence money to them.



ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

6.2.5 Hebei Longyuan of the Group launched a series of young volunteer activities including “Boundless Love, Affectionate Blood Donation” voluntary blood donation activity, “Love for Elderly Person without Family, Transmission of the Love of Young People”, etc.



6.2.6 Volunteers of Liaoning Longyuan of the Group gave warmth to the children suffering from leukemia. These cute children aged under 10 doggedly fought against death. Volunteers sent them with condolence money and goods to encourage them to beat the disease, which also toughened their mind.



ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

6.2.7 In case of failure of electric meter, villagers cannot use electricity despite of accessibility to power supply due to the lack of a qualified electrician. In order to solve the problem with nearby villages, the wind farm of Shanxi Longyuan of the Group left a phone number to villagers. In case of need, villagers can dial the number and a staff from the wind farm will drive a pick-up with tools to the home of the villager in need for gratuitous repair of electric meter.



ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

6.2.8 Guizhou Longyuan of the Group carried out the activity themed “Love for Wumeng Mountainous Areas, Care for Poor Students” to provide school supplies to poor students of Jiancao Primary School of Haila Township and donate clothing to people affected by disaster. At the gatherings on festivals of minorities, Guizhou Longyuan publicized knowledge on safe utilisation of electricity and was thus recognized and praised.



6.2.9 Jiangsu Offshore Longyuan of the Group conducted volunteer service activity to disseminate the new development idea of the 19th CPC National Congress and explain the knowledge of green energy and precautions for flu to citizens.

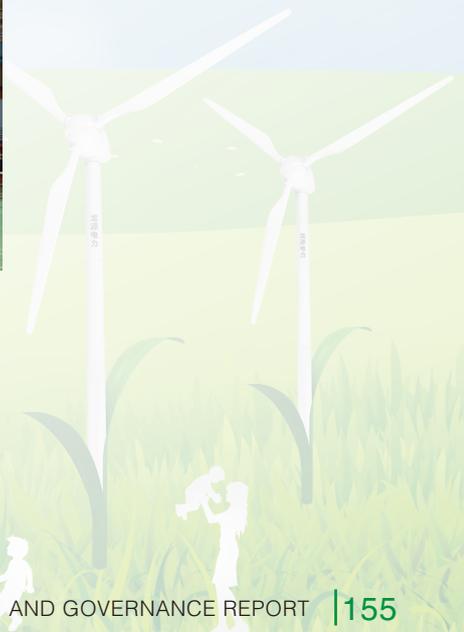


ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

6.3 Launching of Recreational and Sports Activities

The Group proactively implemented the outline of “Health China 2030 (健康中國 2030)” Plan to promote national fitness and further carried out the Green Care Action to build the first-rate corporate culture of “Centurial Longyuan (百年龍源)”. In the long term, the Group has been committed to enriching staff’s spare-time cultural life, and creating a happy work environment and harmonious and positive atmosphere, setting up an internal communication platform and stimulating staff’s sense of group honour by way of proactively arousing staff’s spirit for unity and progress, strengthening physical exercise and forming a good attitude.

6.3.1 In August 2017, the Group held the “Fifth Staff Table Tennis and Badminton Competition of Longyuan Power” composed of team events and individual events in Hohhot, Inner Mongolia. The extensive staff proactively participated in the competition including 256 competitors from 34 companies. The table tennis and badminton competition is held every 2 years and is deeply favoured by the staff. The cultural and sports activities held widely for all the staff constitute an important part in comprehensive enhancement of staff’s ideological quality, cultural quality and physical quality and are also projects in the interests of staff for building a happy and harmonious Longyuan, and play a positive role in promoting construction of “Long-lasting Longyuan”.



ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

6.3.2 Hebei Longyuan of the Group held a billiards match to solidify the relationship among staff with the small balls; on the “International Women's Day”, an interesting sports meeting was organised for all the female staff of the company, allowing the female employees who were quiet in office to enjoy the happiness of festival amidst happy laughter and cheerful voices.



6.3.3 Ningxia Longyuan of the Group ran a poetry reciting contest themed “Surging Youth, Fly Dreams” to take poetry education as the carrier for cultural cultivation of young staff, lead cultural confidence and unite the efforts of youth for corporate development.



ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

6.3.4 Fujian Longyuan of the Group engaged in deep interaction with local enterprises through a wonderful friendly basketball match, which, upholding the spirit of “competition comes after friendship”, enhanced the understanding and friendship among enterprises and laid a foundation for wider exchange and closer cooperation with local enterprises in the future.



6.3.5 Jiangsu Offshore Longyuan of the Group built a reading place for staff. The reading corner is shaded by plants and filled with flower fragrance throughout the year, providing a tranquil and warm “Peach Garden” for staff. Jiangsu Offshore Longyuan and Suzhou Bailu Training Center jointly held an interesting sports meeting.



ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

VII. REPORT DISCLOSURE INDEX

Subject Areas and Aspects	Disclosure	KPIs	Page	
A. Environmental				
A1 Emissions	Information on:	A.1	The types of emissions and respective emissions data.	126-128
	(a) the policies; and	A.1.2	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	127
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	A.1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	127
		A.1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, Intensity (e.g. per unit of production volume, per facility).	127
		A.1.5	Description of measures to mitigate emissions and results achieved.	126-128
		A.1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	128-132
A2 Use of Resources	Policies on the efficient use of resources, including energy, water and other raw materials. (Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.)	A.2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	128
		A.2.2	Water consumption in total and intensity (e.g. per unit of production volume per facility).	126 · 128
		A.2.3	Description of energy use efficiency initiatives and results achieved.	128
		A.2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	128
		A.2.5	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced.	Not applicable to the Group

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

Subject Areas and Aspects	Disclosure	KPIs	Page
A3 <i>The Environment and Natural Resources</i>	Policies on minimising the issuer's significant impact on the environment and natural resources	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. 126-132

B. Social

Employment and Labour Practices

B1 <i>Employment</i>	Information on:	B1.1	Total workforce by gender, employment type, age group and geographical region. 132-135
	(a) the policies; and	B1.2	Employee turnover rate by gender, age group and geographical region. 136-140
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to remuneration and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare		

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

Subject Areas and Aspects	Disclosure	KPIs	Page
B2 <i>Health and Safety</i>	Information on:	B2.1	Number and rate of work-related fatalities. 146
	(a) the policies; and	B2.2	Lost days due to work injury. 146
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe environment and protecting employees from occupational hazards	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored. 145-146
B3 <i>Development and Training</i>	Policies on improving employees' knowledge and skills for discharging duties at work.	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management). 142-144
	Description of training activities	B3.2	The average training hours completed per employee by gender and employee category. 144
	<i>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</i>		

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

Subject Areas and Aspects	Disclosure	KPIs	Page
B4 <i>Labour Standards</i>	Information on:	B4.1	Description of measures to review employment practices to avoid child and forced labour. 132
	(a) the policies; and	B4.2	Description of steps taken to eliminate such practices when discovered. 132 · 148
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour		
Operating Practices			
B5 <i>Supply Chain Management</i>	Policies on managing environmental and social risks of the supply chain	B5.1	Number of suppliers by geographical region. 147
		B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. 147
B6 <i>Product Responsibility</i>	Information on:	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons. Not applicable to the Group
	(a) the policies; and		
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	B6.2	Number of products and service related complaints received and how they are dealt with. –
		B6.3	Description of practices relating to observing and protecting intellectual property rights. –
		B6.4	Description of quality assurance process and recall procedures. –
		B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored. –

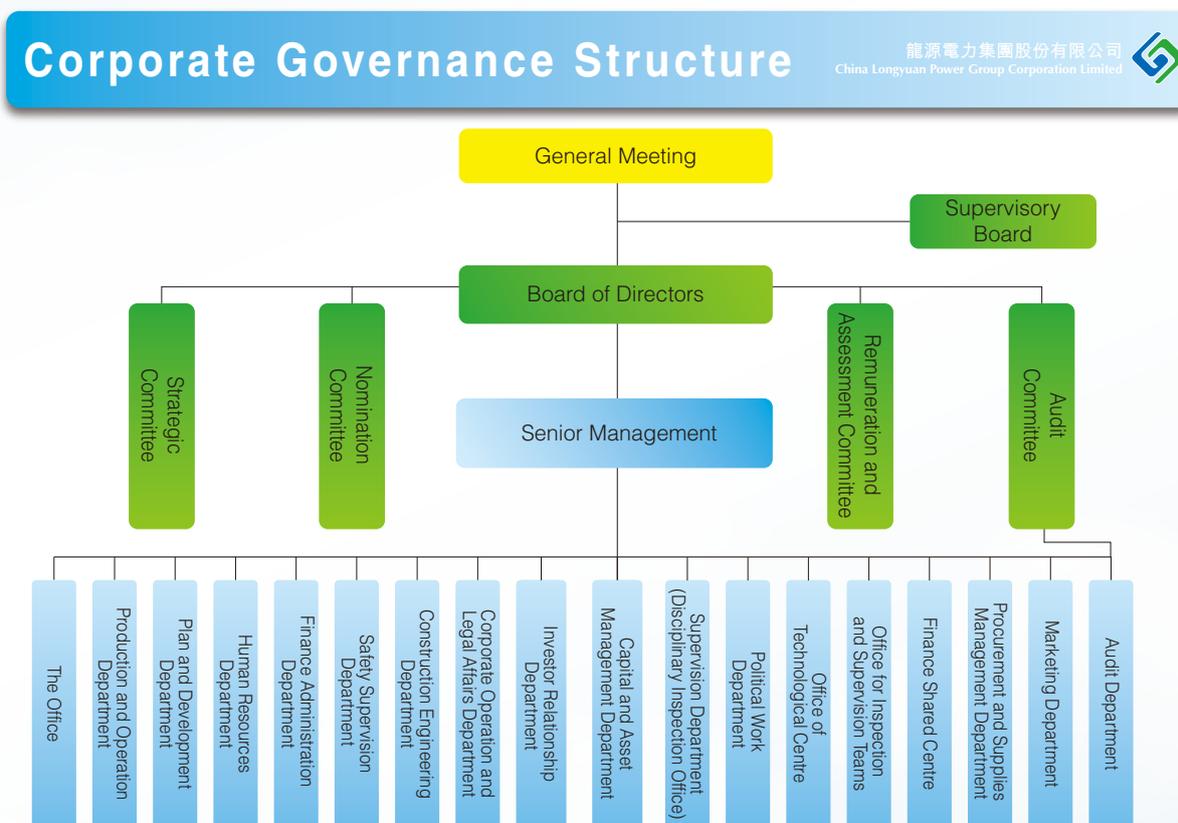
ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

Subject Areas and Aspects	Disclosure	KPIs	Page	
<i>B7 Anti-corruption</i>	Information on:	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	148
	(a) the policies; and			
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	148
Community				
<i>B8 Community Investment</i>	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	B8.1	Focus areas of contribution (e.g. education, carbon environmental concerns, labour needs, health, culture, sport).	128-132 · 148-157
		B8.2	Resources contributed (e.g. money or time) to the focus area.	148-157

CORPORATE GOVERNANCE REPORT

The Board of the Company hereby presents to the Shareholders the corporate governance report for the year ended 31 December 2017.

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



CORPORATE GOVERNANCE PRACTICES

The Board is responsible for performing the corporate governance duties of the Company, which are specifically as follows: (1) formulating and reviewing the Company's policies and practices on corporate governance; (2) reviewing and monitoring the training and continuous professional development of directors and senior management; (3) reviewing and monitoring the Company's policies and practices on compliance with the legal and regulatory requirements; (4) formulating, reviewing and monitoring the code of conduct of employees and directors; and (5) reviewing the Company's compliance with the Corporate Governance Code and the disclosure in the Corporate Governance Report contained in annual report.

CORPORATE GOVERNANCE REPORT

As a company listed on the Hong Kong Stock Exchange, the Company is committed to maintaining a higher standard of corporate governance practices. For the year ended 31 December 2017, save as the deviation from the code provision E.1.2 disclosed in paragraph 5 below, the Company has complied with all the code provisions and, where appropriate, adopted certain recommended best practices as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

Corporate governance practices adopted by the Company are summarised below:

1. The Board

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

1.1 Composition of the Board

As at 31 December 2017, the Board consisted of nine Directors, including two executive Directors, four non-executive Directors and three independent non-executive Directors.

The biographical details of the Directors as at the date of this report are set out on pages 105 to 122 of this annual report. There are no relationships (including financial, business, family or other material or relevant relationship) among members of the Board. The structure of the Board is well balanced with each Director having sound knowledge, experience and expertise relevant to the business operation and development of the Group. All Directors are aware of their joint and several responsibilities to the Shareholders.

CORPORATE GOVERNANCE REPORT

Since the listing of the Company, the Board has been in compliance with the requirement of Rule 3.10(1) of the Listing Rules requiring the appointment of at least three independent non-executive Directors. It has also complied with the subsequent new requirement of Rule 3.10A of the Listing Rules which requires that independent non-executive Directors shall represent at least one third of the Board. The Company is also in compliance with the requirement under Rule 3.10(2) of the Listing Rules about the qualifications requirement of at least one of the independent non-executive Directors. In addition, the Company has received annual confirmations from independent non-executive Directors as to their respective independence in accordance with Rule 3.13 of the Listing Rules. The Company therefore considers all independent non-executive Directors to be independent pursuant to the requirements as set out in the Listing Rules.

The Company firmly believes that the increasing diversity at the board level is one of the essential elements in supporting the attainment of its strategic objectives and its sustainable development, therefore, the Company formulated the Board Diversity Policy in October 2013. While determining the composition of the Board, the Company shall consider the diversity of the Board from various perspectives, including but not limited to gender, age, cultural and educational background, professional experiences, skills, knowledge and service tenure, and finally make decisions based on the value of candidates and contributions they can brought to the Board. All nominees proposed by the Board shall comply with the principle of appointment based on merits and fully take into account objective conditions and benefits of diversity of the Board while considering candidates. The nomination committee will report the composition of the Board at a diversity level in the annual report each year, supervise the implementation of the board diversity policy and review the policy when appropriate to ensure its effectiveness. The nomination committee will discuss any amendments to the Board Diversity Policy when necessary and propose such amendments to the Board for the approval of the Board.

CORPORATE GOVERNANCE REPORT

The current composition of the Board is set out as follows:

Name	Position in the Company	Date of Being Appointed/ Re-elected
Qiao Baoping	Chairman of the Board and Non-executive Director	9 July 2015
Wang Baole	Non-executive Director	9 July 2015
Luan Baoxing	Non-executive Director	12 August 2016
Yang Xiangbin	Non-executive Director	12 August 2016
Li Enyi	Executive Director and President	9 July 2015
Huang Qun	Executive Director and Vice President	9 July 2015
Zhang Songyi	Independent Non-executive Director	9 July 2015
Meng Yan	Independent Non-executive Director	9 July 2015
Han Dechang	Independent Non-executive Director	9 July 2015

1.2 Board Meetings

Pursuant to the Articles of Association, the Board is required to hold at least four meetings each year, to be convened by the Chairman of the Board. A notice of at least 14 days shall be given for a regular Board meeting. The notice shall state relevant information such as the time, venue, agenda and the subject matters to be discussed, etc.

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 is responsible for preparing and keeping the minutes of Board meetings and ensuring that such minutes are available for inspection by any Director.

The details regarding Board meetings convened in the reporting period and the attendance of Directors at such meetings are set out in the Directors' Report in this annual report.

CORPORATE GOVERNANCE REPORT

1.3 Powers Exercised by the Board and the Management

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

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

Led by the President (who is also an executive Director), the management of the Company is responsible for implementing the resolutions approved by the Board and administering the Company's day-to-day operation and management.

1.4 Chairman and President

The roles of the Chairman of the Board and President (i.e. the chief executive pursuant to the relevant Listing Rules) of the Company are separate and held by different persons to ensure their respective independence of responsibilities, accountability and the balance of power and authority between them. Mr. Qiao Baoping acts as the Chairman of the Board and Mr. Li Enyi acts as the President. The Board considered and approved the Rules and Procedures of the Board Meeting and the Terms of Reference of the Senior Management of the Company, which clearly defined the division of duties between the Chairman and the President.



CORPORATE GOVERNANCE REPORT

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

1.5 Appointment and Re-election of Directors

Pursuant to the Articles of Association, the Directors shall be elected at the Shareholders' meetings with a term of office of three years, renewable upon re-election. The Company has implemented a set of effective procedures for appointment of new Directors. Nomination of new Directors shall be first 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.

The Company has entered into service contracts with each of the Directors (including non-executive Directors). Such service contracts are for a term commencing from the date of appointment to the expiry of the current session of the Board.

1.6 Directors' Remuneration

The remuneration and assessment committee makes recommendations in respect of Directors' remuneration according to criteria such as educational background and work experience. Directors' remuneration is determined by the Board, subject to approval at general meeting, with reference to Directors' experience, work performance, positions and market conditions.

CORPORATE GOVERNANCE REPORT

2. Board Committees

There are four Board committees, namely the audit committee (its yearly work report should include its performance of duties on reviewing the risk management and internal audit systems and confirm the effectiveness of the internal audit function of the Company unless such matters are to be handled by separately established risk committee or the Board itself), remuneration and assessment committee, nomination committee and strategic committee.

2.1 Audit Committee

The audit committee of the Board consists of three Directors: Mr. Luan Baoxing (non-executive Director), Mr. Zhang Songyi (independent non-executive Director) and Mr. Meng Yan (independent non-executive Director). Mr. Meng Yan is the chairman of the audit committee.

The audit of risk management system of the Company is included in the Terms of Reference of the audit committee.

The primary responsibilities of the audit committee are to review the annual internal audit plan, material risks and the ability of the Company to cope with risks; oversee the appointment, re-appointment and removal of external auditors, and make recommendations to the Board to approve the remuneration and terms of appointment of external auditors; review and oversee the independence and objectivity of external auditors and effectiveness of audit process; formulate and implement policies in relation to non-audit services provided by external auditors; oversee the quality of internal audit and disclosure of financial information of the Company; review interim and annual financial statements before submission to the Board; review and oversee the financial reporting system, risk management and internal control procedures of the Company and the effectiveness of the procedures in complying with relevant regulations under the Listing Rules;

CORPORATE GOVERNANCE REPORT

review material faults or defects (if any) and the impact that has and may incur thereby; evaluate the effectiveness of the internal control and risk management system; ensure coordination between the internal and external auditors and ensure that the internal audit function is operating with adequate resources in the Company and the relevant staff have sufficient capabilities and experience and are provided with regular training programs or similar arrangement. In 2017, the audit committee and the Board of the Company had no disagreements with the selection, appointment, resignation or dismissal of the external auditors.

During the reporting period, the audit committee held five meetings, details of which are as follows:

- On 14 March 2017, the 2017 first meeting of the audit committee of the third session of the Board was held, at which (1) the report made by the external auditor in respect of the audit of the Company's 2016 annual financial statements was heard; (2) the Company's 2016 annual report and results announcement were considered and approved; (3) the Company's 2016 annual audited financial statements were considered and approved; and (4) proposal regarding fees payable to the auditor for the audit work was considered and approved.
- On 27 April 2017, the 2017 second meeting of the audit committee of the third session of the Board was held, at which (1) the proposal in respect of the Company's 2017 first quarterly results announcement was heard; and (2) the Company's 2017 first quarterly results announcement was considered and approved.

CORPORATE GOVERNANCE REPORT

- On 26 May 2017, the 2017 third meeting of the audit committee of the third session of the Board was held, at which (1) proposal regarding the change of the Company's auditor was heard; and (2) proposal regarding the change of the Company's auditor was considered and approved.
- On 22 August 2017, the 2017 fourth meeting of the audit committee of the third session of the Board was held, at which (1) the report made by the external auditor in respect of the audit of the Company's 2017 interim financial statements was heard; (2) the Company's 2017 interim results announcement and interim report were considered and approved; (3) the Company's 2017 interim financial statements were considered and approved; (4) proposal regarding the fees payable to the external auditor for 2017 interim review was considered and approved; and (5) proposal regarding the appointment of the Company's domestic auditor in 2017 was considered and approved.
- On 26 October 2017, the 2017 fifth meeting of the audit committee of the third session of the Board was held, at which (1) the proposal relating to the Company's 2017 third quarterly results announcement was heard; and (2) the results announcement of the Company for the third quarter of 2017 was considered and approved.

All members of the audit committee, being Mr. Meng Yan, Mr. Luan Baoxing and Mr. Zhang Songyi, attended the above meetings, with the attendance rate of 100%.

2.2 Remuneration and Assessment Committee

The remuneration and assessment committee consists of three Directors: Mr. Wang Baole (non-executive Director), Mr. Zhang Songyi (independent non-executive Director) and Mr. Han Dechang (independent non-executive Director). Mr. Zhang Songyi is the chairman of the remuneration and assessment committee.

The Company has adopted the model of making recommendations by the remuneration and assessment committee to the Board in deciding the remuneration packages of executive Directors and senior management.



CORPORATE GOVERNANCE REPORT

The primary responsibilities of the remuneration and assessment committee are to make recommendations to the Board with respect to the establishment of policies, schemes or proposals for Directors' and senior management's overall remuneration; review, approve and oversee the overall remuneration proposals for Directors and senior management; formulate the evaluation standards on Directors and senior management and assess the said standards; and ensure that neither the Director nor any of his or her associates may determine his or her own remuneration, etc.

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

- On 14 March 2017, the 2017 first meeting of the remuneration and assessment committee of the third session of the Board was held, at which (1) the remuneration proposals for Directors, supervisors and senior management of the Company for 2017 was heard; (2) proposal regarding the remuneration of Directors, supervisors and senior management for 2017 was considered and approved; (3) the Company's withdrawal plan of the Board's fund for 2016 was heard; and (4) the withdrawal plan of the Board's fund for 2016 was considered and approved.

All members of the remuneration and assessment committee, being Mr. Wang Baole, Mr. Zhang Songyi and Mr. Han Dechang attended the said meeting, with the attendance rate of 100%.

2.3 Nomination Committee

The nomination committee consists of three Directors: Mr. Qiao Baoping (non-executive Director), Mr. Meng Yan (independent non-executive Director) and Mr. Han Dechang (independent non-executive Director). Mr. Qiao Baoping is the chairman of the nomination committee.

CORPORATE GOVERNANCE REPORT

The primary responsibilities of the nomination committee are to review the structure, size and composition of the Board, formulate the procedures and standards for nominating candidates for Directors and senior management, conduct preliminary review of the qualifications and other credentials of the candidates for Directors and senior management and comment and review the independence of independent non-executive Directors.

In accordance with the Board Diversity Policy issued by the Company in October 2013, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board nominations will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The nomination committee shall supervise the implementation of the Board Diversity Policy and review the policy when appropriate to ensure its effectiveness. Meanwhile, the nomination committee will discuss any amendments to the Board Diversity Policy when necessary and propose such amendments to the Board for the approval of the Board. The nomination committee considered that during the reporting period, the composition of the members of the Board was in accordance with the requirements of the Board Diversity Policy.



CORPORATE GOVERNANCE REPORT

During the reporting period, the nomination committee held one meeting, details of which are as follows:

- On 14 March 2017, the 2017 first meeting of the nomination committee of the third session of the Board was held, at which the composition, diversity policy and independence of the Board were reviewed.

All members of the nomination committee, being Mr. Qiao Baoping, Mr. Han Dechang and Mr. Meng Yan attended the said meeting, with the attendance rate of 100%.

2.4 Strategic Committee

The strategic committee consists of four Directors: Mr. Wang Baole (non-executive Director), Mr. Li Enyi (executive Director), Mr. Yang Xiangbin (non-executive Director) and Mr. Huang Qun (executive Director). Mr. Li Enyi is the chairman of the strategic committee.

The primary responsibilities of the strategic committee are to formulate the Company's overall development plans and investment decision-making procedures; review the Company's long-term development strategies; review the Company's strategic planning and implementation reports; and review significant capital expenditure, investment and financing projects that require approval of the Board.

CORPORATE GOVERNANCE REPORT

During the reporting period, the strategic committee held one meeting, details of which are as follows:

- On 14 March 2017, the 2017 first meeting of the strategic committee of the third session of the Board was held, at which (1) the report on the comprehensive scheme, target and arrangement of the Company for 2017 was heard; (2) proposal regarding the comprehensive scheme, target and arrangement of the Company for 2017 was considered and approved; (3) the report on the safety production scheme and arrangement of the Company for 2017 was heard; and (4) proposal regarding the safety production scheme and arrangement of the Company for 2017 was considered and approved.

All members of the strategic committee, being Mr. Wang Baole, Mr. Li Enyi, Mr. Yang Xiangbin and Mr. Huang Qun attended the said meeting, with the attendance rate of 100%.

3. Directors' Responsibility for the Financial Statements

The Board acknowledges its responsibility for preparing the financial statements of the Group for the year ended 31 December 2017.

The Board is responsible for presenting a clear and specific assessment of annual and interim reports, inside information and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment and approval, as appropriate, of the financial information and position of the Group.

There are no material uncertainties relating to events or conditions that may have a severe impact on the Company's ability to continue as a going concern.

In addition, the Company has arranged appropriate insurance cover in respect of possible legal actions and liabilities against the Directors.



CORPORATE GOVERNANCE REPORT

4. 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 as the code of conduct governing dealings by its directors and supervisors in the securities of the Company. Having made specific enquiry of the directors and supervisors of the Company, all directors and supervisors have confirmed that they have strictly complied with the required standard set out in the Model Code during the reporting period. The Company has also set up guidelines in respect of the dealings by its relevant employees (as defined in the Listing Rules) in the Company’s securities, which are no less exacting terms than the Model Code. The Company is not aware of any breach of the guidelines by its relevant employees.

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

5. Compliance with the Corporate Governance Code

As a company listed on the Hong Kong Stock Exchange, the Company is committed to maintaining a high standard of corporate governance practices. For the year ended 31 December 2017, save as disclosed below, the Company complied with all the code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

In respect of code provision E.1.2 of the Corporate Governance Code, Mr. Qiao Baoping, the Chairman of the Company, was unable to attend the 2016 annual general meeting of the Company held on 20 June 2017 due to work reasons.

CORPORATE GOVERNANCE REPORT

6. Training of Directors and Company Secretaries

All Directors participated in continuous professional development training in 2017 to develop and refresh their knowledge and skills in order to ensure that their contribution to the Board remains informed and relevant. Details of all Directors' training are set out as below:

Name	Position	Time of Training Received in 2017 (hours)	Areas covered in the Training
Qiao Baoping	Chairman of the Board and non-executive Director	376	Corporate governance and relevant regulations, macro-policies, corporate management, energy research, enterprise restructuring and reform, etc.
Wang Baole	Non-executive Director	265	Corporate governance and relevant regulations, energy research, strategic planning, market analysis, etc.
Luan Baoxing	Non-executive Director	332	Corporate governance and relevant regulations, accounting policies, financial research, financial management, etc.
Yang Xiangbin	Non-executive Director	315	Corporate governance and relevant regulations, capital operating, assets reorganisation, ownership management, and financial strategy, etc.

CORPORATE GOVERNANCE REPORT

Name	Position	Time of Training Received in 2017 (hours)	Areas covered in the Training
Li Enyi	Executive Director and the President	306	Corporate governance and relevant regulations, corporate management, strategic management, human resources, energy industry, etc.
Huang Qun	Executive Director	302	Corporate governance and relevant regulations, strategic planning, corporate cultural construction, technology research and development, etc.
Zhang Songyi	Independent non-executive Director	367	Corporate governance and relevant regulations, financial management, capital operation, legal research, energy business, etc.
Meng Yan	Independent non-executive Director	392	Corporate governance and relevant regulations, financial management, finance study, audit and internal control, etc.
Han Dechang	Independent non-executive Director	388	Corporate governance and relevant regulations, marketing, corporate management, strategic planning, etc.

In 2017, Mr. Jia Nansong and Ms. Chan Sau Ling, both being the joint company secretary of the Company, attended no less than 15 hours of relevant professional training respectively, in compliance with the requirements in Rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

7. Risk Management and Internal Controls

The Company highly recognises the importance of risk management and internal control. A sound and effective internal control system has been established to protect Shareholders' investments and the Company's assets.

In respect of rules and regulations, the Company has set up systems on internal control, including the Terms of Reference of the Board of Directors (《董事會議事規則》), the Terms of Reference of the Audit Committee (《審計委員會議事規則》), the Rules of Procedure of the Remuneration and Assessment Committee (《薪酬與考核委員會議事規則》), the Terms of Reference of the Nomination Committee (《提名委員會議事規則》), the Terms of Reference of the Strategic Committee (《戰略委員會議事規則》), the Provisions on Information Disclosure Management (《信息披露事務管理規定》), the Rules on the Management of Connected Transactions (《關連交易管理辦法》), "Tentative Risk Management Framework (《風險管理框架(試行)》)", the Template for Regular Declaration Requirement by Directors and Senior Management (《董事與高管定期聲明規定模板》), the Terms of Reference of the Senior Management of the Company (《公司高管職責說明書》), the Interim Measures on Anti-Corruption, Complaints and Reports (《反舞弊及接收投訴、舉報的暫行辦法》) and the Management System of Internal Audit (《內部審計管理制度》), etc.

In terms of organisational structure, the Company establishes sound governance and organisational structure. The Board, management and internal audit department fulfill their own duties and have clear division of work in risk management and internal supervision. The Board acts as the highest decision-making body with respect to overall risk management. The Board is responsible for assessing and determining the risk appetite for its operating strategy and supervising the management's design and implementation of the risk management and internal monitoring system to ensure the system is effective. The management of the Company is in charge of the daily work of the overall risk management of the Company, organising the formulation, ongoing amendments and improvement of the risk management measures and other relevant management systems of the Company, establishment and improvement of the risk



CORPORATE GOVERNANCE REPORT

classification framework of the Company, and preparation of risk management operation guidelines, annual work plan on risk management and risk assessment standards of the Company. They should carry out risk assessment, determine risk management strategies, and prepare annual work report on overall risk management. Moreover, they take charge of publication and maintenance of basic information on risk management in the risk management information system of the Company and completion of other issues in relation to the overall risk management of the Company. The Company establishes Finance Administration Department, Audit Department, Supervision Department, Office for Inspection and Supervision Teams to take charge of monitoring finance, operation and regulatory compliance, including but not limited to financial operation and supervision, risk management, internal audit and anti-cheating.

In respect of specific execution, the Company effectively ensures the implementation of risk management measures in all business sections by establishing a complete set of risk control implementation mechanisms including risk indicator monitoring mechanism, risk information report system, risk management culture system and incentive system.

The Company has established a top-down risk indicator early warning mechanism at different levels. The risk indicators cover five risk categories, i.e. company strategy, market, finance, operation and law. As at the end of 2017, a total of 94 risk indicators have been optimised, each of which is set with an early warning interval. The Company calculates all the indicators on a monthly basis, and analyses and gives prompt early warning for the indicators within the early warning interval and issues a risk report on a regular basis. The Company makes use of the abovementioned systematic and normalized procedures to identify, assess and manage risks, so as to identify major risks through overall strategic level, business risks through competitive strategic level and operational risks through business strategic level, and makes scientific and reasonable decisions according to duly acquired risk information.

CORPORATE GOVERNANCE REPORT

The Company has a sound risk information report system. The Company conducts annual risk investigation, results of which will be reported to the audit committee directly and then to the Board by the audit committee on a regular basis. Furthermore, each department of the Company is able to submit relevant risk information to the Board smoothly. Being the most senior point of contact to each department, the President of the Company has the ability to effectively report to the Board in relation to the operational conditions of each department, and to coordinate and mobilise the demands of each department to enhance reasonable decision making within the Company. Accordingly, any possible significant risk factor (if subject to disclosure to the market) discovered by the staff can be reported to the management of the Company in a timely, accurate and effective manner and the decisions from the management of the Company can be implemented accurately and timely, and be exercised with supervision.

During April to September 2017, the Group conducted a group wide review, covering all important monitoring sections of the Company and subsidiaries, which mainly included financial supervision, operation monitoring and compliance monitoring, and confirmed the effectiveness of the risk management and internal control systems of the Group during the year. In October this year, the Company assessed the operation of the overall risk system. It was not aware of any material deficiencies or any material defaults with respect to internal controls. The Board believes that the current monitoring control systems of the Company are effective and considers that the resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting functions are adequate. Through the review, the Company analysed the fundamental causes for weaknesses of internal control and improved the internal control process, thereby helping optimise the corporate governance, risk management and control process of the Company, improve the management of the Company, advance the continuous and healthy development of the Company and realise the Company's strategic goals.

CORPORATE GOVERNANCE REPORT

8. Internal Audit Function

The relevant internal functional department institutes an annual auditing plan based on the risk investigation results which is determined through discussion with the Audit Committee and coordinates work arrangement with external auditors. Staying relatively independent in performing duties, relevant personnel are allowed to access all the business and asset records and contact with relevant personnel of the Company's subsidiaries without restrictions. In addition, the relevant internal functional department is responsible for putting forward suggestions on the rectification of problems spotted in audit and following up with the implementation thereof on a regular basis to ensure execution of relevant improvement plans of the Company.

The Company's audit department is responsible for the group wide audit, which mainly includes overseeing affiliated entities' implementation of relevant laws, regulations and rules of the PRC, and the rules, regulations and material decisions of companies at higher level and the Company in the course of operation; formulating rules for internal audit and preparing the annual internal audit plan; conducting internal audit on the financial budgets and final accounts, financial revenues and expenditures, internal control system and relevant economic activities of affiliated entities; auditing the economic responsibilities of persons-in-charge of affiliated entities during his or her tenure and at the time of his or her resignation; and conducting follow-up or special audit throughout the whole process of the material infrastructure projects and technical transformation projects of the Company. The audit department conducts risk investigation annually, institutes an annual audit plan based on the risk investigation results, which is determined through discussion with the Audit Committee and coordinates work arrangement with external auditors. Staying relatively independent in performing duties, relevant personnel are allowed to access all the business and asset records and contact with relevant personnel of the Company's subsidiaries without restrictions. In addition, the audit department is responsible for putting forward suggestions on the rectification of problems spotted in audit and following up with the implementation thereof on a regular basis to ensure the implementation of relevant rectification opinions of the Company. The audit department, acting as the third line of defence for corporate governance, plays an important role in ensuring the improvement and effectiveness of the risk management and internal control systems. In 2018, the internal audit department will focus on the Company's strategy to identify in-depth risks and plug management loopholes, and promote process control and mechanism optimization to further enhance the effectiveness of internal audit.

CORPORATE GOVERNANCE REPORT

The Company will formulate subsequent training scheme and apply for budget and provide accounting and internal audit staff with training regularly according to the internal and external changes so as to improve staff's professional skills and corporate management, fully exploiting the function of supervision.

The Board bears the ultimate responsibility for the Company's risk management, internal control and compliance management and is responsible for reviewing the effectiveness of such systems. Considering that the above-mentioned risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, the Board can only provide reasonable and not absolute assurance that the abovementioned systems and internal control can prevent any material misstatement or loss.

9. Inside Information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

- is aware of its obligations under the Securities and Futures Ordinance and the Listing Rules and the overriding principle that inside information should be announced immediately after such information comes to our attention and/or it is the subject of a decision unless it falls within the Safe Harbours set out in the Securities and Futures Ordinance;
- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" and "Recent Economic Developments and the Disclosure Obligations of Listed Issuers" issued by the Securities and Futures Commission in June 2012 and the Hong Kong Stock Exchange in 2008 respectively; and
- has established and implemented procedures for responding to external enquiries about the Group's affairs. Senior management of the Company is identified and authorized to act as the Company's spokesperson and responds to enquiries in allocated areas of issues.

CORPORATE GOVERNANCE REPORT

10. Auditors and Their Remuneration

Ernst & Young and Ruihua Certified Public Accountants (special general partner) were appointed as auditors for the Company's financial statements prepared in accordance with the International Financial Reporting Standards and China Accounting Standards for Business Enterprises for the year ended 31 December 2017, respectively.

For the year ended 31 December 2017, the fees payable to Ernst & Young and Ruihua Certified Public Accountants (special general partner) for audit services were RMB8,380,000 and RMB8,300,000 respectively, and the fees for interim review were RMB6,300,000. The statements of the reporting responsibility of Ernst & Young, the Group's external auditor, in respect of the financial statements are set out on pages 195 to 349 of this annual report.

11. Shareholders' Meetings

During the reporting period, the Company held two general meetings in total.

On 20 June 2017, the Company held the annual general meeting for 2016. Mr. Wang Baole (non-executive Director), Mr. Li Enyi (executive Director), and Mr. Meng Yan (independent non-executive Director) and Mr. Han (independent non-executive Director) Dechang were present at such annual general meeting. Mr. Qiao Baoping, Mr. Luan Baoxing and Mr. Yang Xiangbin, the non-executive Directors; Mr. Huang Qun, the executive Director; and Mr. Zhang Songyi, the independent non-executive Director, were absent from the abovementioned annual general meeting due to work reasons.

On 15 December 2017, the Company held the first extraordinary general meeting for 2017. Mr. Li Enyi and Mr. Huang Qun (executive Directors), and Mr. Meng Yan (independent non-executive Director) and Mr. Han Dechang (independent non-executive Director) were present at the extraordinary general meeting. Mr. Qiao Baoping, Mr. Wang Baole, Mr. Luan Baoxing and Mr. Yang Xiangbin (non-executive Directors), and Mr. Zhang Songyi (independent non-executive Director) were absent from the abovementioned general meeting due to work reasons.

CORPORATE GOVERNANCE REPORT

The Company will arrange the Board and relevant committee members to attend and answer questions from Shareholders at the Company's annual general meeting for 2017.

A circular to Shareholders, containing resolutions to be put forward at the annual general meeting for 2017 and relevant information, has been dispatched to the Shareholders together with this annual report.

12. Communication Policy with Shareholders

The Company highly values Shareholders' opinions and advice, and proactively organises various investor relations activities to maintain connections with Shareholders and respond to the reasonable requests of Shareholders in a timely manner.

12.1 Shareholders' Rights

The Board is committed to maintaining an on-going dialogue with Shareholders and makes timely disclosure to Shareholders and investors as to the significant development of the Company. The general meetings of the Company provide a forum for communication between Shareholders and the Board. A forty-five (45) days' prior written notice for convening a general meeting shall be served to notify Shareholders, whose names appear in the register of Shareholders, of the matters proposed to be considered and the date and venue of the meeting. Shareholders who intend to attend the general meeting shall serve their written replies to the Company twenty (20) days prior to the date of the meeting.

Two or more than two Shareholders who severally or jointly hold more than 10% (including 10%) of the issued and voting shares of the Company may request the Board, in writing, to convene an extraordinary general meeting or a Shareholders' class meeting, with the matters to be considered at the meeting stated in the request. The Board shall as soon as possible after receipt of the request proceed to convene an extraordinary general meeting or a Shareholders' class meeting within two months. The calculation of the abovementioned shareholdings shall be based on the information as at the date of deposit of the request.



CORPORATE GOVERNANCE REPORT

If the Board fails to issue a notice to convene such a meeting within 30 days from the date of receipt of the above written request, Shareholders severally or jointly holding more than 10% (including 10%) of the issued and voting shares of the Company are entitled to request the Supervisory Board to convene an extraordinary general meeting or a Shareholders' class meeting and such request should be made in written form. The Supervisory Board may itself convene such a meeting within four months of the receipt of the requisition by the Board. In the case of the failure of the Supervisory Board to convene and preside over such a meeting, Shareholders severally or jointly holding more than 10% (including 10%) of the Company's shares for more than 90 consecutive days shall be entitled to convene the meeting. The procedures of convening such a meeting should follow, as far as possible, those of a general meeting convened by the Board.

In the event the Company convenes an annual general meeting, Shareholders holding an aggregate of 3% (including 3%) or more of the Company's shares with voting rights are entitled to propose ad hoc motions in writing to the Company. The Company should include those motions which fall within the scope of duties and functions of general meetings into the agenda of the meeting. The ad hoc motions proposed by Shareholders shall be subject to the following requirements: (i) the contents shall not contravene any requirements of the laws and regulations and shall fall within the scope of the Company's operations and duties and functions of general meetings; (ii) they shall relate to definite topics and specific matters to resolve; and (iii) they shall be made in writing and submitted/delivered to the Board at least ten days prior to the holding of the general meeting.

CORPORATE GOVERNANCE REPORT

12.2 Shareholders' Enquiries and Communication

The Company publishes its announcements, financial information and other relevant information on its website at www.clypg.com.cn, as a channel to enhance effective communication. Shareholders are welcomed to make enquiries to the Company by sending the enquiries to the principal place of business of the Company in Hong Kong, or via phone, fax or email. The Company will respond to all enquiries in a timely and appropriate manner.

Information about the principal place of business in Hong Kong of the Company and investors' means of enquiries and communication is set out on pages 355 to 356 of this annual report.

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

13. Investor Relations

13.1 Investor Relations Activities

Results Roadshows

In 2017, the Company published 2016 annual results and 2017 interim results in March and August, respectively, and organised results roadshows. During the period of annual results conference, 12 financial media, and 260 analysts and investors attended the meeting. During the period of annual report roadshow, the management of the Company communicated with 68 new and existing Shareholders in a face-to-face manner through 18 investor meetings. A total of 12 media and 160 analysts and investors attended the interim results conference. 12 investor meetings were organised for the interim report roadshow and in-depth communications were conducted with 38 representatives from investment institutions.



CORPORATE GOVERNANCE REPORT

Since the announcement of the first quarterly results and the third quarterly results for 2017, the Company has organised and convened teleconferences with global investors. 90 and 80 large institutional investors and investment bank analysts from Hong Kong, Singapore, Europe, the US and so forth attended the two quarterly report teleconferences.

Investors' Routine Calls and Visits

In 2017, the Company arranged 56 routine investor meetings by way of one-to-one/group/teleconference meetings and fully and effectively communicated and exchanged opinions with 186 institutional investors and analysts.

Investment Summits

In 2017, the Company participated in the summit held by 7 well-known investment banks, and held face-to-face conversations with 125 investors through one-to-one and group meetings.

13.2 Information Disclosure

The Company formulated the Provisions on Information Disclosure Management (《信息披露事務管理規定》) to ensure a timely and fairly disclosure of comprehensive and accurate information to investors. We extensively utilised the website of the Company to release information and ensured that all Shareholders can receive important information of the Company in a timely and fair manner. The financial reports, energy generation and other news and exchange announcements of the Company are available on the website of the Company for easy inquires. In 2017, the Company published 93 pieces of information on the Stock Exchange.

The Articles of Association of the Company was amended to incorporate the Party construction work of the affiliated enterprises on 15 December 2017.

CORPORATE GOVERNANCE REPORT

14. Contact Person of Joint Company Secretary

Ms. Chan Sau Ling from Tricor Services Limited, being an external service provider, is acting as the joint company secretary of the Company. Mr. Jia Nansong, the Board secretary of the Company, is her primary contact person. Ms. Soon Yuk Tai, the former joint company secretary of the Company has resigned on 26 October 2017. On the same day, Ms. Chan Sau Ling has been appointed as the joint company secretary of the Company. For details of the aforesaid changes, please refer to the announcement of the Company published on 26 October 2017.

15. The Articles of Association

The Articles of Association of the Company has been published on the Company's website for public inspection. During the reporting period, amendments to the Articles of Association of the Company were considered and approved at the 2017 first extraordinary general meeting held on 15 December 2017.

16. Roles and Responsibilities

Good governance emanates from an effective and accountable Board. The Board directly and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Company's operational and financial performance, reviews the Company's compensation policies and succession planning, and ensures that effective governance and corporate social responsibility policies and sound internal control and risk management systems are in place.

The Chairman of the Board and the President of the Company are held by different persons. The Board and the management fulfil their duties in strict compliance with the requirements under the Articles of Association, Terms of Reference for the Board of Directors of China Longyuan Power Group Corporation Limited (龍源電力集團股份有限公司董事會議事規則) and Work Rules for President of China Longyuan Power Group Corporation Limited (龍源電力集團股份有限公司總經理工作細則).

CORPORATE GOVERNANCE REPORT

17. Authorization of the Board

The Board reserves the right of decision making on all major matters of the Company, including approving and supervising all matters relating to policies, overall strategy, internal control and risk management system, significant transactions (especially transactions involving conflicts of interest), financial information, nomination of director candidates and other important financial, production and operational matters. The Directors can seek independent and professional opinions when performing their duties, with the expenses being borne by the Company. Meanwhile, the Directors are encouraged to make independent consultation from the Company's senior management.

The senior management is authorized to take charge of the Company's day-to-day management, administration and operation, and the Board will regularly review the performance of the senior management and execution of relevant resolutions. The management shall obtain approval of the Board before entering into any major transactions.

18. Confirmation on the Independence of Independent Non-executive Directors

Each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company believes that each of the independent non-executive Directors is independent of the Company.

SUPERVISORY BOARD'S REPORT

On 9 July 2015, the Supervisory Board was established upon the approval of the extraordinary general meeting of the Company. The current session of the Supervisory Board consists of three supervisors.

In 2017, the Supervisory Board acted in strict compliance with relevant laws, regulations, rules, regulatory documents (such as the Company Law of the PRC), and the Articles of Association, the Terms of Reference of the Supervisory Board of China Longyuan Power Group Corporation Limited (龍源電力集團股份有限公司監事會議事規則) and Listing Rules of the Hong Kong Stock Exchange, and for the purposes of the Company's long-run interests and Shareholders' interests, it earnestly performed its duties of supervision as to the acts of Directors and senior management of the Company during the exercise of their respective duties of the Company. Major work of the Supervisory Board in the reporting period is reported as follows:

I. MEETINGS CONVENED BY THE SUPERVISORY BOARD

The 2017 first meeting of the third session of the Supervisory Board was held on 14 March 2017, at which (1) the Resolution Regarding the 2016 Annual Report and Results Announcement of China Longyuan Power Group Corporation Limited; and (2) the Resolution Regarding the Work Report of the Supervisory Board of China Longyuan Power Group Corporation Limited for the year 2016 were considered and approved.

The 2017 second meeting of the third session of the Supervisory Board was held on 22 August 2017, at which the Resolution Regarding the 2017 Interim Results Announcement and Interim Report of China Longyuan Power Group Corporation Limited was considered and approved.



SUPERVISORY BOARD'S REPORT

II. WORK OF THE SUPERVISORY BOARD

The Supervisory Board mainly carried out the following work:

1. Inspection of the Legal Compliance of the Company's Operation

During the reporting period, members of the Supervisory Board considered the proposals which were submitted to the Board for consideration. Through attending such meetings as non-voting participants, the Supervisory Board was able to supervise the major decision-making processes and the performance of duties by the Board members and the senior management members of the Company. The Supervisory Board is of the opinion that the material decision-making process of the Company has been in compliance with laws and regulations, that all Directors and senior management members of the Company have faithfully performed their duties with due diligence, earnestly implemented the resolutions of the general meetings, stuck to lawful operation and prudent decision-making and no violation of laws, regulations, and the Articles of Association and prejudice to the interests of the Shareholders have been found during the execution of their respective duties.

2. Inspection of the Company's Financial Condition

During the reporting period, the Supervisory Board reviewed the relevant financial information and the auditors' reports of the Company and its subsidiaries. The Supervisory Board is of the opinion that the accounts and audit work of the Company and its subsidiaries are in compliance with the Accounting Law of the People's Republic of China, the accounting system issued by the Ministry of Finance of the People's Republic of China and the Hong Kong Financial Reporting Standards, for which no concerns has been found. Having duly reviewed the 2016 annual financial report and relevant information to be submitted by the Board to the general meeting, and as audited by the independent auditors with an unqualified opinion, the Supervisory Board 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.

SUPERVISORY BOARD'S REPORT

3. Inspection of the Company's Connected Transactions

During the reporting period, the Supervisory Board reviewed all information related to the Company's connected transactions with the controlling Shareholder of the Company. The Supervisory Board is of the opinion that such connected transactions were conducted in a fair and just way, at reasonable price, without prejudice to the interests of the Company and other Shareholders. The Directors, President and other senior management members of the Company have exercised the rights granted by the Shareholders and discharged their obligations in good faith and with due diligence. So far, the Supervisory Board is not aware of any abuse of authority which impairs the interests of the Shareholders and the legitimate rights of the employees of the Company.

4. Inspection of the Company's Information Disclosure

During the reporting period, the Supervisory Board reviewed all the relevant documents the Company publicly published. The Supervisory Board is of the opinion that the Company has disclosed the relevant information in a legitimate, timely and complete manner in accordance with the requirements of the Hong Kong Stock Exchange and no false information was found.



SUPERVISORY BOARD'S REPORT

III. OPINIONS OF THE SUPERVISORY BOARD ON THE COMPANY'S WORK

The Supervisory Board opines that during the reporting period, the Group, guided by the "One, Five and Five" strategy ("一五五"戰略), adhered to the business philosophy of "quality, efficient and sustainable development by virtue of advantages", proactively adapted to new operation environment and development trends, carried out the activity of "year for corporate governance in strict accordance with law" in a deep-going way, thus gaining new achievements in every respect. The Supervisory Board is satisfied with the achievements of the Company made in the reporting period and is confident in the development prospects of the Company.

Chairman of the Supervisory Board
Xie Changjun

Beijing, 12 March 2018

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
22/F, Citic Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel電話：+852 2846 9888
Fax傳真：+852 2868 4432
ey.com

To the Shareholders of China Longyuan Power Group Corporation Limited

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

OPINION

We have audited the consolidated financial statements of China Longyuan Power Group Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 203 to 349, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<i>Assessing potential impairment of certain property, plant and equipment</i>	
<p>As at 31 December 2017, the Group had property, plant and equipment (“PPE”) of RMB109,473 million, which accounted for a significant portion of the Group’s total assets. Management determined that impairment indicators for certain PPE existed. For those PPE with impairment indicators identified, management performed impairment testing by determining the recoverable amounts of the cash-generating units (“CGUs”) to which the PPE belong.</p> <p>The estimation of the recoverable amounts of the CGUs involved estimation of the discounted future cash flows which required significant management judgement and estimates such as future sales volumes, future on-grid tariffs, future operating costs and discount rates.</p> <p>Related disclosures are included in notes 2(n), 3(b) and 14 to the consolidated financial statements.</p>	<p>We evaluated management’s assumptions in determining the recoverable amounts of the CGUs to which the PPE belong. We assessed the key assumptions such as future sales volumes, future on-grid tariffs, future operating costs by comparing them with the recent historical results of the related CGUs , the budget and feasibility report, and evidence obtained subsequent to the end of the reporting period. In addition, we evaluated the sensitivity analysis performed by management. We also involved our internal valuation specialists to assist us in evaluating the methodology and discount rates used in the calculation of the recoverable amounts, and evaluated the adequacy on disclosures in the consolidated financial statements.</p>

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Assessing the recoverability of loans and advances to related parties and third parties</i></p> <p>As at 31 December 2017, the Group had total loans and advances to related parties and third parties of RMB992 million of which RMB929 million were included in the prepayments and other current assets and RMB63 million were included in the other assets of the Group. Recoverability of the loans and advances to related parties and third parties was assessed by considering the individual debtors and the groups of debtors with similar credit risk characteristics.</p> <p>We focused on this area because significant judgement is required in determining whether these receivables are recoverable. Specific factors management considers include the ageing of the balances, the credit-worthiness of the debtors and the historical write-off experience.</p> <p>Related disclosures are included in notes 2(n), 3(a), 20 and 23 to the consolidated financial statements.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • assessing the categorisation of loans and advances to related parties and third parties in the ageing report by reconciling the total amounts in the ageing report to the balances of loans and advances to related parties and third parties in the general ledger and by checking a sample of individual items with relevant underlying documentation; • obtaining an understanding of the basis of management's judgements about the recoverability of individual material balances and evaluating these judgements with reference to the debtors' financial condition, the ageing of overdue balances, historical settlement experience and recent correspondence for long-aged or overdue items; and • checking the bank statements and other relevant underlying documentation for the cash receipts from debtors subsequent to the end of the reporting period.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises 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 of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT

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. Our 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 HKSA's 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 HKSA's, 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.

INDEPENDENT AUDITOR'S REPORT

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

- 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

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

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 Bennett S.H. Wai.

Ernst & Young

Certified Public Accountants

Hong Kong

12 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

	Note	2017 RMB'000	2016 RMB'000
Revenue	4	24,591,616	22,304,055
Other net income	5	712,328	646,562
Operating expenses			
Depreciation and amortisation		(6,798,303)	(6,342,234)
Coal consumption		(2,475,402)	(1,702,125)
Coal sales costs		(3,762,103)	(3,409,614)
Service concession construction costs		(74,227)	(541,208)
Personnel costs		(1,676,599)	(1,602,679)
Material costs		(233,075)	(216,318)
Repairs and maintenance		(621,689)	(641,905)
Administration expenses		(541,791)	(429,290)
Other operating expenses		(783,828)	(517,725)
		(16,967,017)	(15,403,098)
Operating profit		8,336,927	7,547,519
Finance income		208,011	211,449
Finance expenses		(3,423,410)	(2,985,228)
Net finance expenses	6	(3,215,399)	(2,773,779)
Share of profits less losses of associates and joint ventures		343,862	376,163
Profit before taxation	7	5,465,390	5,149,903
Income tax	8	(915,692)	(660,182)
Profit for the year		4,549,698	4,489,721

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

	Note	2017 RMB'000	2016 RMB'000
Other comprehensive income:			
Items to be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of associates		3,025	–
Available-for-sale financial assets:			
net movement in the fair value reserve		(6,798)	18,403
Exchange difference on translation of foreign operations		111,200	(40,562)
Exchange difference on net investment in overseas subsidiaries		126,855	(7,521)
Other comprehensive income for the year, net of tax	11	234,282	(29,680)
Total comprehensive income for the year		4,783,980	4,460,041
Profit attributable to:			
Equity holders of the Company			
–Shareholders		3,688,053	3,415,378
–Perpetual medium-term note holders	42	157,937	133,200
Non-controlling interests		703,708	941,143
Profit for the year		4,549,698	4,489,721
Total comprehensive income attributable to:			
Equity holders of the Company			
– Shareholders		3,911,377	3,348,142
– Perpetual medium-term note holders	42	157,937	133,200
Non-controlling interests		714,666	978,699
Total comprehensive income for the year		4,783,980	4,460,041
Basic and diluted earnings per share			
(RMB cents)	12	45.89	42.50

The notes on pages 212 to 349 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017 (Expressed in Renminbi unless otherwise stated)

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	14	109,473,406	105,598,261
Investment properties		10,319	4,244
Lease prepayments	15	2,164,613	2,136,798
Intangible assets	16	8,692,170	8,798,494
Goodwill	17	61,490	61,490
Investments in associates and joint ventures	19	4,471,899	4,482,852
Other assets	20	3,468,257	4,095,386
Deferred tax assets	31(b)	170,709	150,592
Total non-current assets		128,512,863	125,328,117
Current assets			
Inventories	21	953,366	1,039,850
Trade debtors and bills receivable	22	7,154,516	5,901,031
Prepayments and other current assets	23	3,629,367	3,644,222
Tax recoverable	31(a)	102,065	179,310
Other financial assets	24	177,813	634,887
Restricted deposits	25	33,471	28,054
Cash at banks and on hand	26	5,071,579	1,905,222
Total current assets		17,122,177	13,332,576
Current liabilities			
Borrowings	27(b)	35,774,163	44,472,149
Trade creditors and bills payable	28	1,890,907	2,549,737
Other current liabilities	29	9,219,817	8,570,547
Obligations under finance leases	30	46,000	39,000
Tax payable	31(a)	228,531	175,975
Total current liabilities		47,159,418	55,807,408
Net current liabilities		(30,037,241)	(42,474,832)
Total assets less current liabilities		98,475,622	82,853,285

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017 (Expressed in Renminbi unless otherwise stated)

	Note	2017 RMB'000	2016 RMB'000
Non-current liabilities			
Borrowings	27(a)	41,620,177	31,326,998
Obligations under finance leases	30	414,945	461,000
Deferred income	33	1,553,605	1,684,507
Deferred tax liabilities	31(b)	161,694	138,085
Other non-current liabilities	34	1,425,919	1,456,444
Total non-current liabilities		45,176,340	35,067,034
NET ASSETS		53,299,282	47,786,251
CAPITAL AND RESERVES			
Share capital	35(c)	8,036,389	8,036,389
Perpetual medium-term notes	42	4,991,000	2,991,000
Reserves	35(d)	33,098,462	29,862,388
Total equity attributable to equity holders of the Company		46,125,851	40,889,777
Non-controlling interests		7,173,431	6,896,474
TOTAL EQUITY		53,299,282	47,786,251

Approved and authorised for issue by the Board on 12 March 2018.

Qiao Baoping
Chairman

Li Enyi
Executive Director

The notes on pages 212 to 349 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in Renminbi unless otherwise stated)

Note	Attributable to the equity holders of the Company									
	Share capital	Perpetual medium-term notes	Capital reserve	Statutory surplus reserve	Exchange reserve	Fair value reserve	Retained earnings	Subtotal	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note 42)	(Note 35)	(Note 35)	(Note 35)	(Note 35)	(Note 35)			
		(d)(i)	(d)(ii)	(d)(iii)	(d)(iv)					
At 1 January 2016	8,036,389	2,991,000	14,708,107	778,062	(433,883)	6,745	12,049,378	38,135,798	6,438,517	44,574,315
Changes in equity:										
Profit for the year	-	133,200	-	-	-	-	3,415,378	3,548,578	941,143	4,489,721
Other comprehensive income	-	-	-	-	(73,273)	6,037	-	(67,236)	37,556	(29,680)
Total comprehensive income	-	133,200	-	-	(73,273)	6,037	3,415,378	3,481,342	978,699	4,460,041
Capital contributions by non-controlling interests	-	-	-	-	-	-	-	-	146,514	146,514
Appropriation	-	-	-	206,732	-	-	(206,732)	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	63,867	63,867
Dividends by subsidiaries to non-controlling equity owners	-	-	-	-	-	-	-	-	(706,237)	(706,237)
Dividends to shareholders of the Company	-	-	-	-	-	-	(576,209)	(576,209)	-	(576,209)
Distribution for perpetual medium-term notes	42	(133,200)	-	-	-	-	-	(133,200)	-	(133,200)
Effect on business combination under common control	-	-	(17,954)	-	-	-	-	(17,954)	-	(17,954)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(24,886)	(24,886)
At 31 December 2016	<u>8,036,389</u>	<u>2,991,000</u>	<u>14,690,153</u>	<u>984,794</u>	<u>(507,156)</u>	<u>12,782</u>	<u>14,681,815</u>	<u>40,889,777</u>	<u>6,896,474</u>	<u>47,786,251</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in Renminbi unless otherwise stated)

Note	Attributable to the equity holders of the Company									
	Share capital	Perpetual	Capital reserve	Statutory	Exchange reserve	Fair value reserve	Retained earnings	Subtotal	Non-controlling interests	Total equity
		medium-term notes		surplus reserve						
		(Note 42)		(Note 35)						
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
		(d)(i)	(d)(ii)	(d)(iii)	(d)(iv)					
At 1 January 2017	8,036,389	2,991,000	14,690,153	984,794	(507,156)	12,782	14,681,815	40,889,777	6,896,474	47,786,251
Changes in equity:										
Profit for the year	-	157,937	-	-	-	-	3,688,053	3,845,990	703,708	4,549,698
Other comprehensive income	-	-	-	-	227,100	(3,776)	-	223,324	10,958	234,282
Total comprehensive income	-	157,937	-	-	227,100	(3,776)	3,688,053	4,069,314	714,666	4,783,980
Capital contributions by non-controlling interests	-	-	7,921	-	-	-	-	7,921	264,715	272,636
Acquisition of non-controlling interests	-	-	(131)	-	-	-	-	(131)	(4,269)	(4,400)
Appropriation	-	-	-	282,381	-	-	(282,381)	-	-	-
Dividends by subsidiaries to non-controlling equity owners	-	-	-	-	-	-	-	-	(698,155)	(698,155)
Dividends to shareholders of the Company	35(b)	-	-	-	-	-	(683,093)	(683,093)	-	(683,093)
Issuance of perpetual medium-term note	42	-	2,000,000	-	-	-	-	2,000,000	-	2,000,000
Distribution for perpetual medium-term notes	42	-	(157,937)	-	-	-	-	(157,937)	-	(157,937)
At 31 December 2017	8,036,389	4,991,000	14,697,943	1,267,175	(280,056)	9,006	17,404,394	46,125,851	7,173,431	53,299,282

The notes on pages 212 to 349 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in Renminbi unless otherwise stated)

	Note	2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Profit before taxation		5,465,390	5,149,903
Adjustments for:			
Depreciation		6,327,127	5,805,643
Amortisation		471,176	536,591
Provision/(reversal) of impairment losses on property, plant and equipment and lease prepayments	7	98,818	(92,092)
(Profit)/loss on disposal of property, plant and equipment and lease prepayments	5	(6,595)	1,314
Interest expenses on financial liabilities		3,013,147	2,714,810
Interest expenses on finance leases	6	19,362	23,207
Net foreign exchange (gains)/losses		(30,441)	161,148
Net unrealised losses on derivative financial instruments	6	217,141	(66,429)
Interest income on financial assets	6	(49,496)	(136,440)
Dividend income	6	(49,860)	(38,391)
Share of profits less losses of associates and joint ventures		(343,862)	(376,163)
Deferred income		(156,055)	(132,438)
Changes in working capital:			
Decrease in inventories		86,517	46,622
(Increase)/decrease in trading securities		(14,243)	17,771
Increase in trade debtors and bills receivable		(1,251,044)	(1,628,685)
(Increase)/decrease in prepayments, restricted deposits and other current assets		(234,099)	942,974
(Decrease)/increase in trade creditors and bills payable and other current liabilities		(652,022)	1,236,703
Cash generated from operations		12,910,961	14,166,048
Income tax paid		(780,131)	(633,516)
Net cash generated from operating activities		12,130,830	13,532,532

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in Renminbi unless otherwise stated)

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	(9,104,468)	(13,990,457)
Payments for loans and advances	(1,925,274)	(3,911)
Payments for acquisition of investments in associates and joint ventures, and unquoted equity investments	—	(6,000)
Payment/prepayment for acquisition of subsidiaries, net of cash acquired	(87,380)	(62,034)
Government grants received	25,153	25,170
Proceeds from disposal of property, plant, equipment, and lease prepayments	7,622	49,723
Proceeds from cancellation/disposal of subsidiaries, net of cash disposed of	2,191	169,861
Proceeds from repayment of loans and advances	1,969,589	2,017,000
Dividends received	434,171	95,849
Interest received	20,632	141,676
Redeem of short-term investments	40,000	358,000
Time deposits over three months	3,936	(3,936)
Net cash used in investing activities	(8,613,828)	(11,209,059)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in Renminbi unless otherwise stated)

	Note	2017 RMB'000	2016 RMB'000
Cash flows from financing activities			
Capital contributions		272,636	146,514
Proceeds from borrowings		69,435,849	52,463,275
Repayment of borrowings		(67,872,218)	(51,671,195)
Proceeds from finance leases		–	530,000
Dividends paid by subsidiaries to non-controlling equity owners		(613,434)	(730,236)
Proceeds from issuance of perpetual medium-term note		2,000,000	–
Dividends paid to shareholders of the Company		(683,093)	(576,209)
Interest paid for borrowings		(2,937,770)	(3,149,221)
Acquisition of non-controlling interests		(4,400)	–
Proceeds from matured cross-currency contracts		245,266	–
Payment for cross-currency exchange contracts		–	(110,725)
Payment for interest rate swap contracts		–	(218)
Interest paid for perpetual medium-term note		(133,200)	(133,200)
Finance lease payments		(62,045)	(53,207)
Net cash used in financing activities		(352,409)	(3,284,422)
Net increase/(decrease) in cash and cash equivalents		3,164,593	(960,949)
Cash and cash equivalents at the beginning of year		1,901,286	2,887,285
Effect of foreign exchange rate changes		5,700	(25,050)
Cash and cash equivalents at the end of year	26	5,071,579	1,901,286

The notes on pages 212 to 349 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

1 PRINCIPAL ACTIVITIES

China Longyuan Power Group Corporation Limited (the “Company”) and its subsidiaries (the “Group”) are principally engaged in wind and coal power generation and sale, coal trading and other related business in the People’s Republic of China (the “PRC”).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements set out in this report have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable International Financial Reporting Standards, International Accounting Standards (“IAS”) and interpretations promulgated by the International Accounting Standards Board (the “IASB”), and the disclosure requirements of the Hong Kong Companies Ordinance.

(b) Basis of preparation of the financial statements

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2017.

Going concern

The consolidated financial statements have been prepared assuming that the Group will continue as a going concern notwithstanding the net current liabilities of the Group at 31 December 2017 amounting to RMB30,037,241,000. The directors are of the opinion that, based on a review of the forecasted cash flows, the Group will have sufficient liquid funds to finance its operation and capital expenditure (see note 36(c)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

(c) Functional and presentation currency

The financial statements are presented in Renminbi (“RMB”), rounded to the nearest thousand, which is the Group’s presentation currency and the functional currency of the Company and its PRC subsidiaries.

(d) Changes in accounting policies and disclosure

The Group has adopted the following revised IFRSs for the first time for the current year’s financial statements.

Amendments to IAS 7	Statement of Cash Flows: Disclosure initiative
Amendments to IAS 12	Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12 included in Annual Improvements to IFRSs 2014-2016 Cycle	Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12

None of the above amendments to IFRSs has had a significant financial effect on these financial statements. Disclosure has been made in note 41 to the financial statements upon the adoption of amendments to IAS 7, which require an entity 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Subsidiaries (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

(f) Associates and joint ventures

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Associates and joint ventures (Continued)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Associates and joint ventures (Continued)

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(i)).

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

(g) Goodwill

Goodwill represents the excess of:

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Goodwill (Continued)

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

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

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

(h) Business combination for entities under common control

Business combinations arising from transfer of interests in entities that are under the control of the shareholders that control the Group are accounted for as if the acquisition had occurred at the beginning of the year 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 shareholders' consolidated financial statements.

Upon transfer of interest in an entity to another entity that is under the control of the shareholders that control 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Other investments in debt and equity securities

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

Investments in debt and equity securities are initially stated at cost, which is generally their transaction price. 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 each balance sheet date, 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(x)(v) and (vi).
- Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the statement of financial position at amortised cost less impairment losses (see note 2(n)).
- Investments in equity securities that do not have a quoted market price in an active market for an identical instrument and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(n)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Other investments in debt and equity securities (Continued)

- Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date, the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(x)(v) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 2(x)(vi). When these investments are derecognised or impaired (see note 2(n)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(j) Investment properties

Investment properties are land and buildings which are owned or held under a leasehold interest (see note 2(m)) to earn rental income and/or for capital appreciation.

Investment properties are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(n)). Depreciation is calculated to write off the cost less residual value if applicable, using the straight-line method over the estimated useful lives ranging from 30 to 50 years. Rental income from investment properties is accounted for as described in note 2(x)(iv).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Property, plant and equipment

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

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(z)).

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

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

– Land, buildings and structures	10–40 years
– Wind turbines	15–20 years
– Other machinery and equipment	4–30 years
– Motor vehicles	5–15 years
– Furniture, fixtures and others	4–18 years

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) 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, intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses (see note 2(n)).

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(n)). 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	22–25 years
– Software and others	5 years

Both the period and method of amortisation are reviewed annually.

(m) Leases

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Leases (Continued)

(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, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(j)); and
- land held for own use under an operating lease, where the fair value cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Leased (Continued)

(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 of the assets over the term of the relevant lease or, where it is likely that the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(k). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(n). 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Impairment of assets

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

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

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

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

- For investments in subsidiaries, associates and joint ventures (including those recognised using the equity method (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(n)(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(n)(ii).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Impairment of assets (Continued)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Impairment of assets (Continued)

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

- For available-for-sale securities, the cumulative loss that has been recognised directly 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 directly in other comprehensive income.

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

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Impairment of assets (Continued)

(ii) Impairment of other assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

- Calculation of the 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

- Reversals of impairment losses

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

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

(o) Inventories

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Inventories (Continued)

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

(p) 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(n)), 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.

(q) 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.

(r) Perpetual securities

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) 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(w)(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.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks 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 a maturity of within three months at acquisition.

(u) Employee benefits

(i) 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.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Income tax

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

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

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 in 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Income tax (Continued)

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 reporting period. Deferred tax assets and liabilities are not discounted.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) 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.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) 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 (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. 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.

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(w)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(ii) Contingent liabilities assumed in business combinations

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

(iii) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Revenue recognition

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

(i) Sale of electricity, steam and goods

Electricity revenue is recognised when electricity is supplied to the provincial grid companies. Revenue of steam is recognised when steam is supplied to customers. Revenue of goods is recognised when the title of the goods has been passed to customers, which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax (“VAT”) or other sales taxes and is after deduction of any trade discounts.

(ii) Service concession construction revenue

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

(iii) Rendering of services

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Revenue recognition (Continued)

(iv) Rental income from operating leases

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

(v) Dividends

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

(vi) Interest income

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

(vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue 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 deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the assets by way of reduced depreciation expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) 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 balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

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

The results of those entities, the functional currency of which is other than RMB, are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Items on statement of financial position are translated into RMB at the foreign exchange rates ruling 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. When the exchange differences related to a foreign operation that is consolidated but not wholly owned, accumulated exchange differences arising from translation and attributable to non-controlling interests are allocated to, and recognised as part of, non-controlling interests in the consolidated statement of financial position.

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.

Exchange differences arising on net investment in a foreign operation are recognised in profit or loss in the separate financial statements. In the consolidated financial statements, such exchange differences are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) 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.

(aa) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

If the fair value of derivative financial instruments at initial recognition differs from the transaction price,

- (i) if that fair value is evidenced by a quoted price in an active market or based on a valuation technique that uses only data from observable markets, the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Derivative financial instruments (Continued)

- (ii) in all other cases, the derivative financial instruments are adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

(ab) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ab) Related parties (Continued)

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

- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party.
- (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 note (a).
- (vii) A person identified in note (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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ac) Segment reporting

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

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

(ad) Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

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 judgements about matters that are not readily apparent from other sources. On an ongoing 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 judgements and other uncertainties affecting application of those policies 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 that the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Impairment losses for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The assessment includes a specific element based on individual debtors and a collective element based on groups of debtors with similar credit risk characteristics. The Group bases the estimates on the ageing of the receivable balance, debtors' credit-worthiness, historical write-off experience and relevant current factors relating to the collectively assessed debtors. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

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

(b) Impairment losses of non-current assets

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, investment properties, lease prepayments, intangible assets, goodwill and investments in associates and joint ventures, the 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 the selling price because quoted market prices for these assets may not be readily available. In determining the value in use for each smallest identifiable group of assets that generate independent cash flows ("CGU"), expected cash flows generated by each CGU are discounted to their present value, which requires significant judgement relating to items such as future sales volumes, future on-grid tariffs, future capital expenditure, future operating costs and the discount rates applied. The Group uses all readily available information in determining an amount that is reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as future sales volumes, future on-grid tariffs, future capital expenditure, future operating costs and the discount rates applied.

(c) 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 judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

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

(d) Depreciation

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

(e) Income tax

The Group is subject to income taxes in numerous tax authorities. Judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current income tax and deferred income tax provisions in the periods in which the differences arise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

4 REVENUE

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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Sales of electricity	19,661,630	17,367,133
Sales of steam	619,844	503,825
Service concession construction revenue (note 45)	74,227	541,208
Sales of electricity equipment	2,469	25,218
Sales of coal	3,872,999	3,532,313
Others	360,447	334,358
	24,591,616	22,304,055

5 OTHER NET INCOME

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Government grants	657,046	502,812
Rental income from investment properties	5,757	5,697
Net profit/(loss) on disposal of plant, property and equipment and lease prepayments	6,595	(1,314)
Penalty income from wind turbine suppliers (note (i))	61	114,811
Others	42,869	24,556
	712,328	646,562

Note:

- (i) Penalty income from wind turbine suppliers mainly represented compensations from a third party wind turbine supplier, Sinovel Wind Group Co., Ltd., for revenue losses incurred due to certain parts of the wind turbines not running stably in operation and losses of electricity generation caused by disorder outage of the turbines.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

6 FINANCE INCOME AND EXPENSES

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Interest income on financial assets	49,496	136,440
Foreign exchange gains	89,587	36,618
Dividend income from other investments	49,860	38,391
Net realised and unrealised gains on trading securities	19,068	–
Finance income	<u>208,011</u>	<u>211,449</u>
Less:		
Interest on bank and other borrowings wholly repayable within five years	3,047,711	2,290,664
Interest on bank and other borrowings repayable more than five years	264,766	745,349
Finance charges on obligations under finance leases	19,362	23,207
Less: interest expenses capitalised into property, plant and equipment and intangible assets	<u>(299,330)</u>	<u>(321,203)</u>
	<u>3,032,509</u>	<u>2,738,017</u>
Foreign exchange losses	<u>59,146</u>	<u>197,766</u>
Net realised and unrealised losses on trading securities	<u>–</u>	<u>22,560</u>
Net unrealised losses on derivative financial instruments (<i>note 24(i), 29(iii)</i>)	<u>217,141</u>	<u>(66,429)</u>
Bank charges and others	<u>114,614</u>	<u>93,314</u>
Finance expenses	<u>3,423,410</u>	<u>2,985,228</u>
Net finance expenses recognised in profit or loss	<u><u>(3,215,399)</u></u>	<u><u>(2,773,779)</u></u>

The borrowing costs have been capitalised at rates of 3.92% to 4.89% per annum for the year ended 31 December 2017 (2016: 2.85% to 6.55%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Personnel costs

	2017 RMB'000	2016 <i>RMB'000</i>
Salaries, wages and other benefits	1,475,867	1,408,270
Contributions to defined contribution retirement plans	200,732	194,409
	1,676,599	1,602,679

(b) Other items

	2017 RMB'000	2016 <i>RMB'000</i>
Amortisation		
– lease prepayments	86,295	78,373
– intangible assets	384,881	458,218
Depreciation		
– investment properties	731	317
– property, plant and equipment	6,326,396	5,805,326
Provision/(reversal) of impairment losses		
– property, plant and equipment	98,818	(87,931)
– lease prepayments	–	(4,161)
– trade and other receivables	5,803	(11,534)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

7 PROFIT BEFORE TAXATION (Continued)

(b) Other items (Continued)

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Auditors' remuneration		
– annual audit service	16,680	20,100
– interim review service	6,300	6,500
Operating lease charges		
– hire of plant and equipment	13,829	1,932
– hire of properties	39,250	27,219
Cost of inventories	6,470,580	5,497,533

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

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Current tax		
Provision for the year	831,062	630,848
Underprovision in respect of prior years	78,870	13,303
	909,932	644,151
Deferred tax		
Origination and reversal of temporary differences (<i>note 31(b)</i>)	5,760	16,031
	915,692	660,182

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

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

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents: (Continued)

Notes:

- (i) The provision for income tax of the PRC subsidiaries of the Group is calculated based on the statutory rate of 25% of the assessable profits of the Group as determined in accordance with the relevant PRC income tax rules and regulations for the years ended 31 December 2016 and 2017, except for certain subsidiaries of the Group, which are taxed at preferential rates of 0% to 15% according to relevant tax authorities' approvals.

Pursuant to CaiShui [2008] No. 46 Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment, certain subsidiaries of the Group, which are set up after 1 January 2008 and are engaged in public infrastructure projects, are each entitled to a tax holiday of a 3-year full exemption followed by a 3-year 50% exemption commencing from their respective first operating income generating year.

- (ii) Hero Asia Investment Limited, a subsidiary of the Group incorporated in Hong Kong, is subject to Hong Kong profits tax at 16.5%. Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), Hero Asia (BVI) Company Limited, a subsidiary of the Group, is not subject to any income tax in the BVI.

Hero Asia Investment Limited and Hero Asia (BVI) Company Limited, being overseas enterprises controlled by a PRC enterprise, are considered as the PRC tax residents in accordance with GuoShuiFa [2009] No. 82. Accordingly, they are subject to the PRC income tax at 25%, and dividends receivable by these two companies are exempted from the PRC dividend withholding tax.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

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

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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Profit before taxation	5,465,390	5,149,903
Effect of differential tax rate of certain subsidiaries of the Group	(596,524)	(630,106)
Notional tax on profit before taxation	1,366,348	1,286,961
Tax effect of non-deductible expenses	25,032	4,881
Tax effect of share of profits less losses of associates and joint ventures	(85,966)	(94,041)
Tax effect of non-taxable income	(9,069)	(9,598)
Use of unrecognised tax losses in prior years	(12,404)	(22,134)
Tax effect of unused tax losses and deductible temporary differences not recognised	146,029	111,659
Underprovision in respect of prior years	78,870	13,303
Others	3,376	(743)
Income tax	915,692	660,182

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

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

For the year ended 31 December 2017:

	Directors' and supervisors' fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Retirement scheme contributions <i>RMB'000</i>	2017 Total <i>RMB'000</i>
Directors					
Mr. Qiao Baoping (Chairman)	-	-	-	-	-
Mr. Li Enyi	-	314	734	109	1,157
Mr. Wang Baole	-	-	-	-	-
Mr. Huang Qun	-	314	713	87	1,114
Mr. Luan Baoxing	-	-	-	-	-
Mr. Yang Xiangbin	-	-	-	-	-
Independent non-executive directors					
Mr. Zhang Songyi	143	-	-	-	143
Mr. Meng Yan	143	-	-	-	143
Mr. Han Dechang	143	-	-	-	143
Supervisors					
Mr. Xie Changjun	-	-	-	-	-
Mr. Yu Yongping	-	-	-	-	-
Mr. He Shen	-	256	573	81	910
	429	884	2,020	277	3,610

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

For the year ended 31 December 2016:

	Directors' and supervisors' fees <i>RMB'000</i>	Salaries allowances and benefits in kind <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Retirement scheme contributions <i>RMB'000</i>	2016 Total <i>RMB'000</i>
Directors					
Mr. Qiao Baoping (Chairman)	-	-	-	-	-
Mr. Li Enyi	-	245	734	95	1,074
Mr. Wang Baole	-	-	-	-	-
Mr. Huang Qun	-	245	712	94	1,051
Mr. Luan Baoxing	-	-	-	-	-
Mr. Yang Xiangbin	-	-	-	-	-
Independent non-executive directors					
Mr. Zhang Songyi	143	-	-	-	143
Mr. Meng Yan	143	-	-	-	143
Mr. Han Dechang	143	-	-	-	143
Supervisors					
Mr. Xie Changjun	-	-	-	-	-
Mr. Yu Yongping	-	-	-	-	-
Mr. He Shen	-	202	600	86	888
	<u>429</u>	<u>692</u>	<u>2,046</u>	<u>275</u>	<u>3,442</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of directors and non-directors included in the five highest paid individuals for the years ended 31 December are set forth below:

	2017	2016
Directors	2	2
Non-directors	3	3
	5	5

The emoluments of the directors are disclosed in note 9. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	2017 RMB'000	2016 RMB'000
Salaries and other emoluments	797	606
Discretionary bonuses	1,778	1,785
Retirement scheme contributions	241	260
	2,816	2,651

The emoluments of the individuals (non-directors) with the highest emoluments are within the following bands:

	2017	2016
HKD500,001 to HKD1,000,000	–	3
HKD1,000,001 to HKD1,500,000	3	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

11 OTHER COMPREHENSIVE INCOME

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Items to be reclassified to profit or loss in subsequent periods:		
Available-for-sale financial assets:		
Net movement in fair value reserve	(9,063)	24,538
Tax expense	2,265	(6,135)
	<u>(6,798)</u>	<u>18,403</u>
Exchange differences on translation of foreign operations	111,200	(40,562)
Share of other comprehensive income of associates	3,025	–
Exchange difference on net investment in overseas subsidiaries		
– Before and net of tax amount	126,855	(7,521)
Other comprehensive income	<u>234,282</u>	<u>(29,680)</u>

12 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company for the year ended 31 December 2017 of RMB3,688,053,000 (2016: RMB3,415,378,000) and the number of shares in issue during the year ended 31 December 2017 of 8,036,389,000 (2016: 8,036,389,000).

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

13 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by types of business. Consistently with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments:

- Wind power: this segment constructs, manages and operates wind power plants and generates electric power for sale to external power grid companies.
- Coal power: this segment constructs, manages and operates coal power plants and generates electric power for sale to external power grid companies and coal trading business.

The Group combined other business activities that are not reportable in "All others". Revenue included in this category is mainly from the manufacturing and sale of power equipment, provision of consulting services, maintenance and training services to wind power plants, and other renewable power generation.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of investments in associates and joint ventures, available-for-sale investments, unquoted equity investments, other financial assets, deferred tax assets, tax recoverable and other corporate assets. Segment liabilities include trade creditors, bills payable, other payables and bank borrowings managed directly by the segments. Segment liabilities do not include deferred tax liabilities, tax payable and other corporate liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

13 SEGMENT REPORTING (Continued)

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses do not include share of profits less losses of associates and joint ventures, net finance expenses, service concession construction revenue and cost and unallocated corporate expenses.

The measure used for reporting segment profit is the operating profit. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2017 and 2016 is set out below:

For the year ended 31 December 2017:

	Wind power RMB'000	Coal power RMB'000	All others RMB'000	Total RMB'000
Revenue from external customers				
– Sales of electricity	15,981,487	3,202,356	477,787	19,661,630
– Others	16,617	4,787,413	51,729	4,855,759
Subtotal	15,998,104	7,989,769	529,516	24,517,389
Inter-segment revenue	–	–	375,017	375,017
Reportable segment revenue	15,998,104	7,989,769	904,533	24,892,406
Reportable segment profit (operating profit)	7,914,920	450,118	107,189	8,472,227

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

13 SEGMENT REPORTING (Continued)

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

For the year ended 31 December 2017: (Continued)

	Wind power RMB'000	Coal power RMB'000	All others RMB'000	Total RMB'000
Depreciation and amortisation before inter-segment elimination	(6,253,075)	(378,250)	(204,134)	(6,835,459)
(Provision)/reversal of impairment losses of trade and other receivables	(7,317)	–	1,514	(5,803)
Provision of impairment losses of property, plant and equipment and lease prepayments	(40,762)	(58,056)	–	(98,818)
Interest income	15,577	18,661	15,258	49,496
Interest expense	(2,700,679)	(63,628)	(268,202)	(3,032,509)
Reportable segment assets	135,610,065	6,545,392	8,005,210	150,160,667
Expenditures for reportable segment non-current assets during the year	10,309,326	233,513	111,355	10,654,194
Reportable segment liabilities	93,277,588	3,873,681	10,233,880	107,385,149

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

13 SEGMENT REPORTING (Continued)

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

For the year ended 31 December 2016:

	Wind power <i>RMB'000</i>	Coal power <i>RMB'000</i>	All others <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers				
– Sales of electricity	13,891,059	3,009,803	466,271	17,367,133
– Others	58,936	4,259,699	77,079	4,395,714
Subtotal	13,949,995	7,269,502	543,350	21,762,847
Inter-segment revenue	–	–	588,301	588,301
Reportable segment revenue	<u>13,949,995</u>	<u>7,269,502</u>	<u>1,131,651</u>	<u>22,351,148</u>
Reportable segment profit (operating profit)	<u>6,609,340</u>	<u>896,265</u>	<u>167,335</u>	<u>7,672,940</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

13 SEGMENT REPORTING (Continued)

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

For the year ended 31 December 2016: (Continued)

	Wind power <i>RMB'000</i>	Coal power <i>RMB'000</i>	All others <i>RMB'000</i>	Total <i>RMB'000</i>
Depreciation and amortisation before inter-segment elimination	(5,815,393)	(371,257)	(189,121)	(6,375,771)
Reversal of impairment losses of trade and other receivables	2,214	–	9,320	11,534
(Provision)/reversal of impairment losses of property, plant and equipment and lease prepayments	(1,977)	–	94,069	92,092
Interest income	38,816	14,994	82,630	136,440
Interest expense	(2,521,971)	(67,050)	(148,996)	(2,738,017)
Reportable segment assets	123,099,458	6,845,431	15,725,834	145,670,723
Expenditures for reportable segment non-current assets during the year	12,452,707	367,426	241,264	13,061,397
Reportable segment liabilities	84,292,760	3,761,889	18,970,306	107,024,955

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

13 SEGMENT REPORTING (Continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Revenue		
Reportable segment revenue	24,892,406	22,351,148
Service concession construction revenue	74,227	541,208
Elimination of inter-segment revenue	<u>(375,017)</u>	<u>(588,301)</u>
Consolidated revenue	<u><u>24,591,616</u></u>	<u><u>22,304,055</u></u>
Profit		
Reportable segment profit	8,472,227	7,672,940
Elimination of inter-segment profits	<u>31,792</u>	<u>14,096</u>
	8,504,019	7,687,036
Share of profits less losses of associates and joint ventures	343,862	376,163
Net finance expenses	<u>(3,215,399)</u>	<u>(2,773,779)</u>
Unallocated head office and corporate expenses	<u>(167,092)</u>	<u>(139,517)</u>
Consolidated profit before taxation	<u><u>5,465,390</u></u>	<u><u>5,149,903</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

13 SEGMENT REPORTING (Continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (Continued)

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Assets		
Reportable segment assets	150,160,667	145,670,723
Inter-segment elimination	(7,718,060)	(8,522,130)
	142,442,607	137,148,593
Investments in associates and joint ventures	4,471,899	4,482,852
Available-for-sale investments	38,319	47,382
Unquoted equity investments	724,198	726,273
Other financial assets	177,813	634,887
Tax recoverable	102,065	179,310
Deferred tax assets	170,709	150,592
Unallocated head office and corporate assets	64,997,717	55,865,742
Elimination	(67,490,287)	(60,574,938)
Consolidated total assets	145,635,040	138,660,693

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

13 SEGMENT REPORTING (Continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (Continued)

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Liabilities		
Reportable segment liabilities	107,385,149	107,024,955
Inter-segment elimination	(14,813,821)	(8,213,110)
	92,571,328	98,811,845
Tax payable	228,531	175,975
Deferred tax liabilities	161,694	138,085
Unallocated head office and corporate liabilities	60,077,277	52,323,475
Elimination	(60,703,072)	(60,574,938)
	92,335,758	90,874,442

(c) Geographical information

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

(d) Major customers

Revenue from the PRC government controlled power grid companies amounted to RMB19,388,696,000 for the year ended 31 December 2017 (2016: RMB17,170,077,000). All the service concession construction revenue is from the PRC government.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

14 PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and structures <i>RMB'000</i>	Generators and related equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Furniture, fixtures and others <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:						
At 1 January 2016	8,707,721	102,368,702	511,867	608,116	13,730,737	125,927,143
Additions	594	9,899	5,388	52,557	12,280,847	12,349,285
Acquisition of subsidiaries	99,661	85,105	408	7,337	10,189	202,700
Transfer from construction in progress	1,470,145	14,045,064	–	22,948	(15,538,157)	–
Transfer to construction in progress	–	(11,417)	–	–	1,141	(10,276)
Effect on disposal of subsidiaries	(112,515)	(475,809)	(3,498)	(2,035)	(194,449)	(788,306)
Disposals	–	(165,484)	(1,952)	(15)	–	(167,451)
Reclassification	107,702	(114,521)	338	6,481	–	–
Exchange adjustments	356	148,279	30	97	–	148,762
At 31 December 2016	<u>10,273,664</u>	<u>115,889,818</u>	<u>512,581</u>	<u>695,486</u>	<u>10,290,308</u>	<u>137,661,857</u>
At 1 January 2017	10,273,664	115,889,818	512,581	695,486	10,290,308	137,661,857
Additions	80,876	127,050	6,840	49,410	10,195,492	10,459,668
Transfer from construction in progress	949,667	5,885,041	–	67,000	(6,901,708)	–
Transfer to investment properties	(10,900)	–	–	–	–	(10,900)
Effect on disposal of subsidiaries	–	–	–	(159)	(2,378)	(2,537)
Disposals	–	(40,938)	(15,053)	(13,720)	(615)	(70,326)
Reclassification	(20,139)	(19,795)	–	39,934	–	–
Exchange adjustments	–	(5,348)	–	(5)	–	(5,353)
At 31 December 2017	<u>11,273,168</u>	<u>121,835,828</u>	<u>504,368</u>	<u>837,946</u>	<u>13,581,099</u>	<u>148,032,409</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land, buildings and structures <i>RMB'000</i>	Generators and related equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Furniture, fixtures and others <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Accumulated depreciation and impairment losses:						
At 1 January 2016	2,529,761	23,651,058	281,489	366,049	102,050	26,930,407
Depreciation charge for the year	427,627	5,290,060	27,980	68,239	–	5,813,906
(Reversal)/provision of impairment losses	–	(89,569)	(270)	(68)	1,976	(87,931)
Written off of impairment losses	–	–	–	–	(362)	(362)
Written back on disposal	–	(161,373)	(1,758)	(15)	–	(163,146)
Transfer to construction in progress	–	(10,276)	–	–	–	(10,276)
Effect on disposal of subsidiaries	(17,363)	(407,216)	(3,481)	(1,905)	–	(429,965)
Reclassification	8,839	(9,430)	255	336	–	–
Exchange adjustments	172	10,782	6	3	–	10,963
At 31 December 2016	<u>2,949,036</u>	<u>28,274,036</u>	<u>304,221</u>	<u>432,639</u>	<u>103,664</u>	<u>32,063,596</u>
At 1 January 2017	2,949,036	28,274,036	304,221	432,639	103,664	32,063,596
Depreciation charge for the year	641,968	5,567,590	34,897	202,418	–	6,446,873
Provision of impairment losses	20,061	18,350	19,646	–	40,761	98,818
Transfer to investment properties	(4,095)	–	–	–	–	(4,095)
Written back on disposal	–	(20,416)	(11,980)	(13,235)	–	(45,631)
Effect on disposal of subsidiaries	–	–	–	(17)	–	(17)
Exchange adjustments	(283)	(229)	–	(29)	–	(541)
At 31 December 2017	<u>3,606,687</u>	<u>33,839,331</u>	<u>346,784</u>	<u>621,776</u>	<u>144,425</u>	<u>38,559,003</u>
Net book value						
At 31 December 2016	<u>7,324,628</u>	<u>87,615,782</u>	<u>208,360</u>	<u>262,847</u>	<u>10,186,644</u>	<u>105,598,261</u>
At 31 December 2017	<u>7,666,481</u>	<u>87,996,497</u>	<u>157,584</u>	<u>216,170</u>	<u>13,436,674</u>	<u>109,473,406</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

- (i) None of the Group's buildings and machinery were pledged for interest-bearing bank and other borrowings in 2017.
- (ii) The Group leases machinery and equipment under finance leases expiring in 8 to 10 years. At the end of the lease term, the Group has the option to purchase the leased equipment at a fixed price. None of the leases includes contingent rentals.

As at 31 December 2017, the net book value of machinery and equipment held under finance leases of the Group was RMB476,531,000 (2016: RMB504,186,000).

- (iii) Provision for impairment loss for the year ended 31 December 2017 comprises:
 - For the year ended 31 December 2017, certain buildings, vehicles and machines in Coal Power Segment were obsolete pursuant to the plan of disposal in 2018. The group fully impaired those assets and recognised an impairment loss of RMB38,410,000 was recognised in "Other operating expenses".
 - For the year ended 31 December 2017, the recoverable amount of certain coastal collier of Coal Power Segment was lower than its carrying amount due to the decrease of freight charge. The Group assessed the recoverable amounts and as a result the carrying amount of the coastal collier was written down to its recoverable amount of RMB142,000,000. An impairment loss of RMB19,646,000 was recognised in "Other operating expenses". The estimates of recoverable amount of the coastal collier were based on value in use. The pre-tax discount rate is 10.67%. Cash flows beyond the five-year period are expected to maintain constant, which is comparable with industry. Management believes any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed their recoverable amount. The key assumption used for the value in use calculations is the future volumes, sales price and operating costs.
 - For the year ended 31 December 2017, certain construction in progress in Wind Power Segment were obsolete due to the long-term delay of construction progress. The Group fully impaired those construction in progress of RMB40,762,000, and recognised the amount in "Other operating expenses".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

15 LEASE PREPAYMENTS

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Cost:		
At 1 January	2,648,789	2,450,296
Additions	115,137	155,766
Acquisition of subsidiaries	–	59,734
Disposals	(1,027)	–
Effect on disposal of subsidiaries	–	(17,007)
At 31 December	<u>2,762,899</u>	<u>2,648,789</u>
Accumulated amortisation:		
At 1 January	511,991	447,470
Amortisation charge for the year	86,295	79,000
Reversal of impairment losses	–	(4,161)
Effect on disposal of subsidiaries	–	(10,318)
At 31 December	<u>598,286</u>	<u>511,991</u>
Net book value:	<u>2,164,613</u>	<u>2,136,798</u>

Notes:

- (i) Lease prepayments mainly represent prepayments for acquiring rights to use land, which is all located in the PRC, for own use properties with lease periods ranging from 20 to 50 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

16 INTANGIBLE ASSETS

	Concession assets <i>RMB'000</i>	Software and others <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:			
At 1 January 2016	11,109,731	198,853	11,308,584
Additions	541,208	15,138	556,346
Exchange adjustments	–	13,777	13,777
Effect on disposal of subsidiaries	–	(412)	(412)
At 31 December 2016	<u>11,650,939</u>	<u>227,356</u>	<u>11,878,295</u>
At 1 January 2017	11,650,939	227,356	11,878,295
Additions	259,081	45,308	304,389
Exchange adjustments	–	6,408	6,408
Effect on disposal of subsidiaries	–	(733)	(733)
At 31 December 2017	<u>11,910,020</u>	<u>278,339</u>	<u>12,188,359</u>
Accumulated amortisation:			
At 1 January 2016	2,590,466	30,352	2,620,818
Charge for the year	443,773	14,809	458,582
Exchange adjustments	–	743	743
Effect on disposal of subsidiaries	–	(342)	(342)
At 31 December 2016	<u>3,034,239</u>	<u>45,562</u>	<u>3,079,801</u>
At 1 January 2017	3,034,239	45,562	3,079,801
Charge for the year	410,035	8,622	418,657
Exchange adjustments	–	–	–
Effect on disposal of subsidiaries	–	(2,269)	(2,269)
At 31 December 2017	<u>3,444,274</u>	<u>51,915</u>	<u>3,496,189</u>
Net book value:			
At 31 December 2016	<u>8,616,700</u>	<u>181,794</u>	<u>8,798,494</u>
At 31 December 2017	<u>8,465,746</u>	<u>226,424</u>	<u>8,692,170</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

17 GOODWILL

	2017	2016
	RMB'000	<i>RMB'000</i>
Cost and carrying amount as at 31 December	61,490	61,490

Impairment tests for CGUs containing goodwill:

Goodwill is allocated to the Group's CGUs identified according to operating segment as follows:

	2017	2016
	RMB'000	<i>RMB'000</i>
Wind power	11,541	11,541
Coal power	49,949	49,949
Cost and carrying amount as at 31 December	61,490	61,490

Goodwill of the wind power segment in the Group arises from the acquisition of Buerjin Tianrun Wind Power Co., Ltd. in 2010. The recoverable amount of goodwill is determined based on value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and a pre-tax discount rate of 5.33% (2016: 6.70%).

Goodwill of the coal power segment in the Group arises from the acquisition of Jiangyin Binjiang Heat and Power Generating Co., Ltd., ("Jiangyin Binjiang") Jiangyin Chengdong Heat and Power Generating Co., Ltd. ("Jiangyin Chengdong") and Nantong Xinxing Heat and Power Generating Co., Ltd. ("Nantong Xinxing") in 2016. The recoverable amount of goodwill is determined based on value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and a pre-tax discount rate of 9.33% (2016: 7.77%–7.99%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

17 GOODWILL (Continued)

Cash flows beyond the five-year period are expected to maintain constant, which is comparable with industry. Management believes any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed their recoverable amount.

The key assumption used for the value in use calculations is the revenue from electricity and heat sales. Management determined the revenue from electricity and heat sales based on its expectation of electricity and heat volume and the tariffs approved by related government authorities.

18 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries at 31 December 2017 which principally affected the results, assets or liabilities of the Group. All of these subsidiaries are limited liability companies.

Name of the company	Place of Incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest		Principal activities
			Direct	Indirect	
1 瀋陽龍源風力發電有限公司 Shenyang Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 432,270,000	73.62%	25.00%	Wind power generation
2 甘肅潔源風電有限責任公司 Gansu Jieyuan Wind Power Generation Co., Ltd.	the PRC	RMB 505,020,000	77.11%	–	Wind power generation
3 新疆天風發電股份有限公司 Xinjiang Tianfeng Power Generation Joint Stock Company (note(iii))	the PRC	RMB 511,016,909	59.52%	–	Wind power generation
4 吉林龍源風力發電有限公司 Jilin Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 438,200,000	56.58%	9.65%	Wind power generation

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

18 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of the company	Place of Incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest		Principal activities
			Direct	Indirect	
5 江蘇龍源風力發電有限公司 Jiangsu Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 333,320,000	50.00%	25.00%	Wind power generation
6 龍源平潭風力發電有限公司 Longyuan Pingtan Wind Power Generation Co., Ltd.	the PRC	RMB 170,000,000	85.00%	5.00%	Wind power generation
7 龍源加拿大可再生能源有限公司 Longyuan Canada Renewables Ltd.	the CAN	CAD 90,000,101	–	100.00%	Wind power generation
8 國電重慶風電開發有限公司 Guodian Chongqing Wind Power Generation Co., Ltd.	the PRC	RMB 331,000,000	51.00%	–	Wind power generation
9 樺南龍源風力發電有限公司 Huanan Longyuan Wind Power Generation Co., Ltd. (note (ii)(iii))	the PRC	RMB 414,036,016	15.00%	25.00%	Wind power generation
10 龍源(巴彥淖爾)風力發電有限責任公司 Longyuan (Bayannur) Wind Power Generation Co., Ltd.	the PRC	RMB 672,550,000	75.00%	25.00%	Wind power generation
11 龍源寧夏風力發電有限公司 Longyuan Ningxia Wind Power Generation Co., Ltd.	the PRC	RMB 575,530,000	100.00%	–	Wind power generation
12 龍源啟東風力發電有限公司 Longyuan Qidong Wind Power Generation Co., Ltd.	the PRC	RMB 245,760,000	30.00%	70.00%	Wind power generation
13 河北圍場龍源建設風力發電有限公司 Hebei Weichang Longyuan Jiantou Wind Power Generation Co., Ltd. (note (ii))	the PRC	RMB 209,300,000	50.00%	–	Wind power generation

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

18 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of the company	Place of Incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest		Principal activities
			Direct	Indirect	
14 龍源(包頭)風力發電有限責任公司 Longyuan (Baotou) Wind Power Generation Co., Ltd.	the PRC	RMB 394,940,000	75.00%	25.00%	Wind power generation
15 龍源(張家口)風力發電有限公司 Longyuan (Zhangjiakou) Wind Power Generation Co., Ltd.	the PRC	RMB 891,925,900	100.00%	–	Wind power generation
16 瀋陽龍源雄亞風力發電有限公司 Shenyang Longyuan Hero Asia Wind Power Generation Co., Ltd.	the PRC	RMB 449,519,999	75.00%	25.00%	Wind power generation
17 伊春龍源雄亞風力發電有限公司 Yichun Longyuan Hero Asia Wind Power Generation Co., Ltd.	the PRC	RMB 320,139,995	75.00%	25.00%	Wind power generation
18 赤峰龍源風力發電有限公司 Chifeng Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 468,570,000	72.00%	25.00%	Wind power generation
19 龍源吳忠風力發電有限公司 Longyuan Wuzhong Wind Power Generation Co., Ltd.	the PRC	RMB 192,000,000	100.00%	–	Wind power generation
20 龍源貴州風力發電有限公司 Longyuan Guizhou Wind Power Generation Co., Ltd.	the PRC	RMB 865,713,600	100.00%	–	Wind power generation
21 龍源大豐風力發電有限公司 Longyuan Dafeng Wind Power Generation Co., Ltd.	the PRC	RMB 520,614,000	100.00%	–	Wind power generation
22 龍源石林風力發電有限公司 Longyuan Shilin Wind Power Generation Co., Ltd.	the PRC	RMB 148,430,000	100.00%	–	Wind power generation
23 廣東國電龍源風力發電有限公司 Guangdong Guodian Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 170,493,839	51.00%	–	Wind power generation

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

18 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of the company	Place of Incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest		Principal activities
			Direct	Indirect	
24 雲南龍源風力發電有限公司 Yunnan Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 686,680,000	100.00%	–	Wind power generation
25 甘肅龍源風力發電有限公司 Gansu Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 624,530,000	75.00%	25.00%	Wind power generation
26 國電龍源吳起新能源有限公司 Guodian Longyuan Wuqi New Energy Co., Ltd.	the PRC	RMB 126,630,000	51.00%	–	Wind power generation
27 天津龍源風力發電有限公司 Tianjin Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 245,656,020	100.00%	–	Wind power generation
28 龍源(莆田)風力發電有限公司 Longyuan (Putian) Wind Power Generation Co., Ltd.	the PRC	RMB 339,130,000	100.00%	–	Wind power generation
29 福建龍源風力發電有限公司 Fujian Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 274,665,200	100.00%	–	Wind power generation
30 龍源阿拉山口風力發電有限公司 Longyuan Alashankou Wind Power Generation Co., Ltd.	the PRC	RMB 308,610,000	100.00%	–	Wind power generation
31 龍源(如東)風力發電有限公司 Longyuan (Rudong) Wind Power Generation Co., Ltd.	the PRC	RMB 666,350,000	50.00%	50.00%	Wind power generation
32 甘肅新安風力發電有限公司 Gansu Xinan Wind Power Generation Co., Ltd.	the PRC	RMB 169,810,000	54.54%	–	Wind power generation
33 龍源西藏那曲新能源有限公司 Longyuan Xizang Naqu New Energy Co., Ltd.	the PRC	RMB 25,000,000	100.00%	–	Wind power generation

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

18 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of the company	Place of Incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest		Principal activities
			Direct	Indirect	
34 龍源(酒泉)風力發電有限公司 Longyuan (Jiuquan) Wind Power Generation Co., Ltd.	the PRC	RMB 910,334,000	100.00%	–	Wind power generation
35 山西龍源風力發電有限公司 Shanxi Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 454,336,540	100.00%	–	Wind power generation
36 河北龍源風力發電有限公司 Hebei Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 792,035,000	100.00%	–	Wind power generation
37 江蘇海上龍源風力發電有限公司 Jiangsu Offshore Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 768,000,000	70.00%	30.00%	Wind power generation
38 安徽龍源風力發電有限公司 Anhui Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 320,140,000	100.00%	–	Wind power generation
39 新疆龍源風力發電有限公司 Xinjiang Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 323,453,600	100.00%	–	Wind power generation
40 龍源大理風力發電有限公司 Longyuan Dali Wind Power Generation Co., Ltd.	the PRC	RMB 331,985,000	80.00%	–	Wind power generation
41 龍源黃海如東海上風力發電有限公司 Longyuan Huanghai Rudong Offshore Wind Power Generation Co., Ltd.	the PRC	RMB 500,000,000	70.00%	–	Wind power generation
42 江陰蘇龍熱電有限公司 Jiangyin Sulong Heat and Power Generating Co., Ltd. (note (ii) (iii))	the PRC	USD 144,320,000	2.00%	25.00%	Coal power generation

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

18 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of the company	Place of Incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest		Principal activities
			Direct	Indirect	
43 南通天生港發電有限公司 Nantong Tianshenggang Power Generation (note (ii) (iii))	the PRC	USD 52,980,000	0.65%	31.29%	Coal power generation
44 中能電力科技開發有限公司 Zhongneng Power-Tech Development Co., Ltd.	the PRC	RMB 70,000,000	100.00%	–	Manufacturing and sale of power equipment
45 龍源(北京)風電工程技術有限公司 Longyuan (Beijing) Wind Power Engineering Technology Co., Ltd.	the PRC	RMB 30,000,000	100.00%	–	Manufacturing and sale of power equipment
46 龍源格爾木新能源開發有限公司 Longyuan Golmud New Energy Development Co., Ltd.	the PRC	RMB 265,372,639	100.00%	–	Solar power generation
47 內蒙古龍源新能源發展有限公司 Inner Mongolia Longyuan New Energy Development Co., Ltd.	the PRC	RMB 318,977,500	100.00%	–	Wind power generation
48 龍源巴里坤風力發電有限公司 Longyuan Balikun Wind Power Generation Co., Ltd.	the PRC	RMB 530,748,000	100.00%	–	Wind power generation
49 山東龍源風力發電有限公司 Shandong Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 234,430,000	100.00%	–	Wind power generation
50 龍源靜樂風力發電有限公司 Longyuan Jingle Wind Power Generation Co., Ltd.	the PRC	RMB 210,312,000	100.00%	–	Wind power generation
51 龍源盱眙風力發電有限公司 Longyuan Xuyi Wind Power Generation Co., Ltd.	the PRC	RMB 410,693,000	100.00%	–	Wind power generation

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

18 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of the company	Place of Incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest		Principal activities
			Direct	Indirect	
52 龍源陝西風力發電有限公司 Longyuan Shaanxi Wind Power Generation Co., Ltd.	the PRC	RMB 243,656,079	100.00%	–	Wind power generation
53 龍源雄亞(福清)風力發電有限公司 Longyuan Hero Asia (Fuqing) Wind Power Generation Co., Ltd.	the PRC	RMB 198,129,668	50.00%	50.00%	Wind power generation
54 龍源電力集團(上海)投資有限公司 Longyuan Power Group (Shanghai) Investment Co., Ltd.	the PRC	RMB 614,570,000	25.00%	75.00%	Investment
55 龍源吐魯番新能源有限公司 Longyuan Tulufan New Energy Co., Ltd.	the PRC	RMB 45,740,000	90.00%	–	Solar power generation
56 龍源達茂風力發電有限公司 Longyuan Damao Wind Power Generation Co., Ltd.	the PRC	RMB 376,380,800	100.00%	–	Wind power generation
57 國電新疆阿拉山口風電開發有限公司 Guodian Xinjiang Alashankou Wind Power Generation Co., Ltd.	the PRC	RMB 176,000,000	70.00%	–	Wind power generation
58 龍源(農安)風力發電有限公司 Longyuan (Nongan) Wind Power Generation Co., Ltd.	the PRC	RMB 153,638,900	100.00%	–	Wind power generation
59 龍源臨沂風力發電有限公司 Longyuan Linyi Wind Power Generation Co., Ltd.	the PRC	RMB 100,455,000	100.00%	–	Wind power generation
60 龍源靖邊風力發電有限公司 Longyuan Jingbian Wind Power Generation Co., Ltd.	the PRC	RMB 165,202,637	100.00%	–	Wind power generation
61 龍源哈密新能源有限公司 Longyuan Hami New Energy Co., Ltd.	the PRC	RMB 259,630,000	100.00%	–	Solar power generation

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

18 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of the company	Place of Incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest		Principal activities
			Direct	Indirect	
62 龍源全椒風力發電有限公司 Longyuan Quanjiao Wind Power Generation Co., Ltd.	the PRC	RMB 125,550,000	100.00%	–	Wind power generation
63 龍源(尚義)風力發電有限公司 Longyuan (Shangyi) Wind Power Generation Co., Ltd.	the PRC	RMB 125,160,000	100.00%	–	Wind power generation
64 龍源定遠風力發電有限公司 Longyuan Dingyuan Wind Power Generation Co., Ltd.	the PRC	RMB 156,345,355	100.00%	–	Wind power generation
65 赤峰新勝風力發電有限公司 Chifeng Xinsheng Wind Power Generation Co., Ltd. (note (ii))	the PRC	RMB 273,426,200	34.00%	–	Wind power generation
66 龍源興和風力發電有限公司 Longyuan Xinghe Wind Power Generation Co., Ltd.	the PRC	RMB 130,171,200	100.00%	–	Wind power generation
67 龍源東海風力發電有限公司 Longyuan Donghai Wind Power Generation Co., Ltd.	the PRC	RMB 180,757,143	70.00%	–	Wind power generation
68 廣西龍源風力發電有限公司 Guangxi Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 147,580,000	100.00%	–	Wind power generation
69 海南龍源風力發電有限公司 Hainan Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 299,088,800	75.00%	25.00%	Wind power generation
70 海安龍源海上風力發電有限公司 Haian Longyuan Offshore Wind Power Generation Co., Ltd.	the PRC	RMB 650,000,000	70.00%	30.00%	Wind power generation
71 福建龍源海上風力發電有限公司 Fujian Longyuan Offshore Wind Power Generation Co., Ltd.	the PRC	RMB 520,000,000	70.00%	30.00%	Wind power generation

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

18 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of the company	Place of Incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest		Principal activities
			Direct	Indirect	
72 龍源鹽城大豐海上風力發電有限公司 Longyuan Yancheng Dafeng Offshore Wind Power Generation Co., Ltd.	the PRC	RMB 663,000,000	100.00%	–	Wind power generation
73 龍源(天津濱海新區)風力發電 有限公司 Longyuan (Tianjin Binhai) Wind Power Generation Co., Ltd.	the PRC	RMB 96,890,000	100.00%	–	Wind power generation
74 黑龍江龍源新能源發展有限公司 Heilongjiang Longyuan New Energy Development Co., Ltd.	the PRC	RMB 976,884,000	100.00%	–	Wind power generation

Notes:

- (i) The English translation of the names is for reference only. The official names of these entities are in Chinese.
- (ii) The Company directly or indirectly owns less than half of equity interests in these companies. The Company is the biggest equity owner of these companies and no other equity owners individually or in the aggregate had the power to control these companies according to the articles of association. The Company or the Company's subsidiaries had signed the concert party agreements with certain equity owners of these companies, whereby such equity owners have agreed to vote the same as the Company. Such equity owners have also confirmed that the voting in unison with the Company has 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. In addition to the concert party agreements, the Company controlled the operation of these entities by appointing senior management, approving annual budgets and determining the remuneration of employees, etc. Considering the 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

18 INVESTMENTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(iii) The following table lists out the information relating to subsidiaries of the Group which have material non-controlling interests (NCI). The summarised financial information presented below presents the amounts before any inter-company eliminations:

	Jiangyin Sulong Heat and Power Generating Co., Ltd. <i>(note 18(ii))</i>		Nantong Tianshenggang Power Generation Co., Ltd. <i>(note 18(ii))</i>		Huanan Longyuan Wind Power Generation Co., Ltd <i>(note 18(ii))</i>		Xinjiang Tianfeng Power Generation Joint Stock Company	
	2017	2016	2017	2016	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
NCI percentage	73.00%	73.00%	68.06%	68.06%	60.00%	60.00%	40.48%	40.48%
Profit and total comprehensive income allocated to NCI	323,491	483,908	4,173	233,453	1,915	6,373	16,685	19,386
Dividend paid to NCI	410,126	476,025	91,522	171,141	–	–	34,206	40,891
Carrying amount of NCI	1,727,819	1,814,454	1,789,510	1,876,859	268,138	266,222	280,836	298,357
Revenue	5,501,659	4,669,076	2,488,110	2,602,866	115,526	99,270	171,190	165,588
Total expenses	(5,058,520)	(4,006,188)	(2,477,539)	(2,278,078)	(112,334)	(88,648)	(129,973)	(117,697)
Profit for the year	443,139	662,888	10,571	324,788	3,192	10,622	41,217	47,891
Total comprehensive income	443,139	662,888	6,132	343,010	3,192	10,622	41,217	47,891
Current assets	1,650,121	1,531,726	863,795	1,058,325	60,908	78,730	178,136	149,166
Non-current assets	2,977,113	2,668,460	3,429,019	3,764,330	734,517	812,551	805,945	878,229
Current liabilities	(2,193,158)	(1,638,814)	(1,010,987)	(1,407,442)	(29,772)	(145,019)	(290,316)	(190,220)
Non-current liabilities	(67,201)	(75,818)	(652,515)	(657,559)	(318,757)	(302,559)	–	(100,126)
Cash flows from/(used in) operating activities	308,891	964,373	(138,762)	466,022	112,974	78,594	101,391	184,570
Cash flows from/(used in) investing activities	102,949	(529,302)	105,751	(214,863)	(77)	(669)	(2,178)	(1,365)
Cash flows used in financing activities	(330,972)	(1,129,204)	(141,770)	(83,264)	(112,927)	(78,004)	(99,235)	(183,219)
Net increase/(decrease) in cash and cash equivalents	80,868	(694,133)	(174,781)	167,895	(30)	(79)	(22)	(14)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

19 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Share of net assets	4,471,899	4,482,852

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

	Place of establishment	Particulars of registered capital <i>RMB'000</i>	Percentage of attributable equity interest		Principal activities
			Direct	Indirect	
Associates					
國電聯合動力技術有限公司 Guodian United Power Technology Co., Ltd.	the PRC	2,137,527	30.00%	–	Manufacturing and sale of power equipment
國電融資租賃有限公司 China Guodian Financial Leasing Co., Ltd	the PRC	3,000,000	–	49.00%	Financial leasing
Joint venture					
江蘇南通發電有限公司 Jiangsu Nantong Power Generation Co., Ltd.	the PRC	1,596,000	–	50.00%	Coal power generation

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

19 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

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

	Guodian United Power Technology Co., Ltd.		China Guodian Financial Leasing Co., Ltd.		Jiangsu Nantong Power Generation Co., Ltd.	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Cash and cash equivalents	539,975	687,628	164,704	105,775	346,907	48,505
Other current assets	8,634,302	9,101,881	106,384	71,512	505,684	766,817
Current assets	9,174,277	9,789,509	271,088	177,287	852,591	815,322
Non-current assets	3,485,686	3,920,530	13,746,391	11,414,073	5,521,589	5,857,271
Financial liabilities	(6,895,080)	(7,864,237)	(5,912,276)	(2,948,961)	(2,606,164)	(2,276,894)
Other current liabilities	(1,441,568)	(1,477,480)	(135,500)	(41,205)	(522,729)	(323,327)
Current liabilities	(8,336,648)	(9,341,717)	(6,047,776)	(2,990,166)	(3,128,893)	(2,600,221)
Non-current financial liabilities	–	–	–	(5,414,100)	(1,352,000)	(1,907,000)
Other non-current liabilities	(1,199,170)	(1,258,942)	(4,689,704)	–	(22,656)	(24,219)
Net assets	3,124,145	3,109,380	3,279,999	3,187,094	1,870,631	2,141,153
Reconciled to the Group's interests in the associates and joint ventures:						
Group's effective interest	30.00%	30.00%	49.00%	49.00%	50.00%	50.00%
Group's interest in net assets of investee at end of year	937,244	916,885	1,607,200	1,564,536	935,315	1,070,577
Elimination of unrealised profit on (upstream)/downstream sales	(90,531)	(104,554)	–	–	16,450	14,050
Carrying amount of interest in associates and joint ventures at end of year	846,713	812,331	1,607,200	1,564,536	951,765	1,084,627
Revenue	5,345,411	7,742,531	501,163	455,577	3,451,983	3,354,545
Depreciation and amortisation	(128,448)	(83,307)	(444)	(282)	(398,709)	(394,027)
Finance income	1,896	1,815	1,794	1,169	1,786	2,313
Finance expenses	(142,759)	(135,468)	(591)	(1,964)	(131,460)	(128,399)
Income tax	(72,536)	(87,645)	(79,238)	(26,784)	(92,294)	(201,827)
Profit/(loss) for the year	58,909	(33,143)	239,126	143,707	277,271	601,748
Total comprehensive income	59,312	(33,143)	239,126	143,707	277,271	601,748
Dividends declared during the year	–	35,000	146,221	57,707	547,793	1,388,906

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

19 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

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

	2017 RMB'000	2016 RMB'000
Aggregate carrying amount of individually immaterial associates and joint ventures in the consolidated financial statements	1,066,221	663,410
Aggregate amounts of the Group's share of those associates' and joint ventures' profit for the year	51,109	37,694
Aggregate amounts of the Group's share of those associates' and joint ventures' total comprehensive income	54,013	37,694

龙源电力

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

20 OTHER ASSETS

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Available-for-sale investments, measured at fair value	38,319	47,382
Unquoted equity investments in non-listed companies, at cost (<i>note (i)</i>)	724,198	726,273
Loans and advances to:		
– associates (<i>note (ii)</i>)	8,000	75,790
– a fellow subsidiary	–	51,000
– non-controlling equity owner (<i>note (ii)</i>)	55,183	51,584
Prepayments for acquisition of business	87,380	–
Others	–	1,382
Subtotal	913,080	953,411
Deductible VAT (<i>note (iii)</i>)	2,555,177	3,141,975
	3,468,257	4,095,386

Notes:

- (i) Fair value for the unquoted equity investments has not been disclosed as the fair value cannot be measured reliably due to the lack of an active market for those equity investments. As at 31 December 2017, the Group did not plan to dispose of any of these equity investments.
- (ii) The loans to associates and non-controlling equity owner are designated loans and are unsecured, not past due as at the end of the reporting period, and bear interest at the rates of 4.75% to 5.08% per annum for the year ended 31 December 2017 (2016: 4.41% to 5.08%) The current portion is recorded in other current assets.
- (iii) Deductible VAT mainly represents the input VAT relating to acquisition of property, plant and equipment and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

21 INVENTORIES

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Coal	282,264	304,640
Fuel oil	2,147	5,193
Spare parts and others	668,955	730,017
	953,366	1,039,850

22 TRADE DEBTORS AND BILLS RECEIVABLE

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Amounts due from third parties	7,149,127	5,870,888
Amounts due from fellow subsidiaries	14,967	22,940
Amounts due from associates	2,252	17,634
	7,166,346	5,911,462
Less: allowance for doubtful debts	(11,830)	(10,431)
	7,154,516	5,901,031

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

22 TRADE DEBTORS AND BILLS RECEIVABLE (Continued)

(a) Ageing analysis

The ageing analysis of trade debtors and bills receivable of the Group, based on the invoice date and net of provisions, is as follows:

	2017	2016
	RMB'000	RMB'000
Within 1 year	7,147,267	5,883,250
Between 1 and 2 years	2,290	7,219
Between 2 and 3 years	5,801	5,921
Over 3 years	10,988	15,072
	7,166,346	5,911,462
Less: allowance for doubtful debts	(11,830)	(10,431)
	7,154,516	5,901,031

The Group's trade debtors are mainly wind power and other renewable energy electricity sales receivable from local grid companies. Generally, the debtors are due within 15 to 30 days from the date of billing, except for the tariff premium, representing 15% to 80% 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 consequently 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, standardised procedures for the settlement of the tariff premium have 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

22 TRADE DEBTORS AND BILLS RECEIVABLE (Continued)

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account.

The movements in the allowance for doubtful debts are as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	10,431	6,002
Impairment losses recognised	5,399	6,643
Reversal of impairment losses	(4,000)	(2,214)
At 31 December	11,830	10,431

As at 31 December 2017, the Group's trade debtors and bills receivable of RMB11,830,000 (2016: RMB10,431,000) were individually determined to be impaired. The individually impaired receivables relate to balances that management assessed to be not recovered based on available information. Consequently, specific allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

22 TRADE DEBTORS AND BILLS RECEIVABLE (Continued)

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

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired is as follows:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Neither past due nor impaired	7,131,979	5,878,855
Past due with 1 year	10,343	3,198
Past due between 1 and 2 years	2,000	7,219
Past due between 2 and 3 years	5,558	277
Past due over 3 years	4,636	11,482
	7,154,516	5,901,031

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

23 PREPAYMENTS AND OTHER CURRENT ASSETS

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Loans and advances to <i>(note (i))</i> :		
–associates and joint ventures	211,553	181,352
–China Guodian Corporation (“Guodian Group”)	5,273	9,085
–fellow subsidiaries	309,162	536,710
–third parties	403,218	349,386
Government grant receivables	133,173	103,867
Dividend receivable from		
–associates	666,899	698,111
Deductible VAT <i>(note 20(iii))</i>	1,582,383	1,652,462
Prepayments and others	355,658	146,797
	3,667,319	3,677,770
Less: allowance for doubtful debts	(37,952)	(33,548)
	3,629,367	3,644,222

Note:

- (i) Interest-bearing loans and advances of the Group amounted to RMB378,000,000 with annum interest rates of 4.35% to 4.50% as at 31 December 2017 (2016: RMB112,210,000, 4.00% to 4.95%).

Impairment losses in respect of prepayments and other current assets are recorded using an allowance account.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

23 PREPAYMENTS AND OTHER CURRENT ASSETS (Continued)

The ageing analysis of prepayments and other current assets that are neither individually nor collectively considered to be impaired is as follows:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Neither past due nor impaired	2,885,650	3,162,262
Past due within 1 year	298,482	115,893
Past due over 1 year	445,235	366,067
	3,629,367	3,644,222

The movements in the allowance for doubtful debts are as follows:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
At 1 January	33,548	49,511
Impairment losses recognised	4,908	37
Reversal of impairment losses	(504)	(16,000)
	37,952	33,548

The Group's prepayments and other current assets of RMB37,952,000 as at 31 December 2017 (2016: RMB33,548,000) were individually determined to be impaired. The individually impaired receivables relate to the counterparties that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances. The reversal of impairment losses in 2016 represented working capital received from an associate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

24 OTHER FINANCIAL ASSETS

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Trading securities		
– Listed equity securities at HKSE	77,813	63,570
Derivative financial instruments		
– Cross-currency exchange contracts (<i>note (i)</i>)	–	431,317
Short-term investments (<i>note (ii)</i>)	100,000	140,000
	<u>177,813</u>	<u>634,887</u>

Notes:

- (i) In 2015, Hero Asia Investment Limited, the Company's subsidiary, entered into several cross-currency contracts to mitigate the foreign currency risks. The cross-currency contracts are recognised in accordance with the accounting policies set out in note 2(aa). In October 2017, the cross-currency contracts have been settled. The fair value losses recognised for the year ended 31 December 2017 was RMB147,858,000.
- (ii) The short-term investments represent wealth management products issued by financial institutions with unguaranteed principal amounts and variable returns. The annualized expected return rate is 4.50%.

25 RESTRICTED DEPOSITS

Restricted deposits mainly represent cash pledged as collateral for borrowings and bills payable and a housing maintenance fund designated for specific purposes as requested by PRC regulations. These restricted deposits are expected to be released within one year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

26 CASH AT BANKS AND ON HAND

	2017	2016
	RMB'000	RMB'000
Cash on hand	53	87
Cash at banks and other financial institutions	5,071,526	1,905,135
	5,071,579	1,905,222
Representing:		
– Cash and cash equivalents	5,071,579	1,901,286
– Time deposits with original maturity over three months	–	3,936
	5,071,579	1,905,222

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

27 BORROWINGS

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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Bank loans		
– Secured	8,741,511	7,215,086
– Unsecured	16,190,251	12,368,556
Loans from fellow subsidiaries		
– Unsecured	12,000	159,000
Other borrowings		
– Secured	944,183	3,487,642
– Unsecured	18,142,174	15,487,168
	44,030,119	38,717,452
Less: current portion of long-term borrowings (note 27(b))		
– Bank loans	(2,365,162)	(2,524,516)
– Other borrowings	(44,780)	(4,865,938)
	41,620,177	31,326,998

As at 31 December 2017, the Group's loans and borrowings guaranteed by Guodian Group amounted to RMB4,017,125,000 (2016: RMB4,121,232,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

27 BORROWINGS (Continued)

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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Bank loans		
– Secured	1,505,000	1,855,600
– Unsecured	26,378,728	17,919,996
Loans from other financial institutions and others		
– Unsecured (<i>note (i)</i>)	41,000	41,000
Loans from fellow subsidiaries		
– Unsecured	439,493	270,976
Other borrowings		
– Unsecured	5,000,000	16,993,214
Loan from government		
– Unsecured	–	909
Current portion of long-term borrowings (<i>note 27(a)</i>)		
– Bank loans	2,365,162	2,524,516
– Other borrowings	44,780	4,865,938
	35,774,163	44,472,149

Note:

- (i) The Group had unpaid loans of RMB41,000,000 as at 31 December 2017 (2016: RMB40,000,000). These unpaid loans represent loans borrowed by a subsidiary, China Fulin Wind Power Engineering Co., Ltd. from third parties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

27 BORROWINGS (Continued)

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

	2017	2016
Long-term		
Bank loans	0.75%–12.10%	2.90%–10.74%
Other borrowings	3.28%–5.15%	3.32%–5.15%
Loans from fellow subsidiaries	6.00%	6.00%
Short-term		
Bank loans	1.00%–6.30%	1.32%–3.92%
Loans from other financial institutions	5.70%	5.70%
Other borrowings	3.75%–5.15%	2.90%–4.30%
Loans from Guodian Group	–	3.86%
Loans from fellow subsidiaries	3.92%–4.13%	3.92%–4.13%
Loan from government	–	2.55%

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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Within 1 year or on demand	2,409,942	7,390,454
After 1 year but within 2 years	4,893,746	2,345,591
After 2 years but within 5 years	22,135,500	19,476,177
After 5 years	14,590,931	9,505,230
	44,030,119	38,717,452

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

27 BORROWINGS (Continued)

(e) Significant terms of other borrowings:

- (i) On 10 December 2010, the Company issued a ten-year corporate bond of RMB2,000 million at par with a coupon rate of 5.05% per annum, which are guaranteed by Guodian Group. The effective interest rates of the bond is 5.15%.

On 21 January 2011, the Company issued a ten-year corporate bond of RMB1,500 million at par with a coupon rate of 5.04% per annum, which is guaranteed by Guodian Group. The effective interest rate is 5.14%.

On 3 October 2014, a subsidiary of the Company, Hero Asia Investment Limited, issued a three-year unsecured corporate bond of USD500 million at par with a coupon rate of 2.875% per annum. The effective interest rate is 3.32%. On 3 October 2017, the three-year unsecured corporate bond was due and repaid.

On 29 September 2015, the Company issued a five-year unsecured corporate bond of RMB3,000 million at par with a coupon rate of 3.75% per annum. The effective interest rate is 3.86%.

On 22 October 2015, a subsidiary of the Company, Longyuan Canada Renewables Limited, issued an eighteen-year unsecured corporate bond of CAD200 million at par with a coupon rate of 4.32% per annum. The effective interest rate is 4.32%. As at 31 December 2017, CAD15,424,000 of the corporate bond was repaid.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

27 BORROWINGS (Continued)

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

(i) (Continued)

On 22 January 2016, the Company issued a five-year unsecured corporate bond of RMB3,700 million at par with a coupon rate of 3.28% per annum. The effective interest rate is 3.39%.

On 17 March 2016, the Company issued a three-year unsecured corporate bond of RMB1,000 million at par with a coupon rate of 3.25% per annum. The effective interest rate is 3.75%.

On 25 August 2016, the Company issued a three-year unsecured corporate bond of RMB2,000 million at par with a coupon rate of 3.25% per annum. The effective interest rate is 3.75%.

On 16 May 2017, the Company issued a five-year unsecured corporate bond of RMB2,000 million at par with a coupon rate of 4.90% per annum. The effective interest rate is 4.98%.

On 1 August 2017, the Company issued a seven-year unsecured corporate bond of RMB3,000 million at par with a coupon rate of 4.78% per annum. The effective interest rate is 4.84%.

(ii) Short-term corporate bonds represented a series of unsecured corporate bonds with the coupon rate from 2.50% to 5.50% issued in 2016 and 2017. The effective interest rates of these bonds are from 2.90% to 5.90%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

28 TRADE CREDITORS AND BILLS PAYABLE

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Bills payable	1,366,778	1,925,791
Creditors and accrued charges	261,420	191,225
Amounts due to associates	132,910	399,378
Amounts due to fellow subsidiaries	129,799	33,343
	1,890,907	2,549,737

The ageing analysis of trade payables by invoice date is as follows:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Within 1 year	1,792,843	2,499,454
Between 1 and 2 years	53,070	46,089
Between 2 and 3 years	40,800	3,000
Over 3 years	4,194	1,194
	1,890,907	2,549,737

As at 31 December 2017 and 2016, all trade creditors and bills payable are payable and expected to be settled within one year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

29 OTHER CURRENT LIABILITIES

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Payables for acquisition of property, plant and equipment	6,524,142	5,677,013
Payables for staff related costs	252,067	263,994
Payables for other taxes	253,773	183,388
Dividends payable	137,339	52,618
Receipts in advance	133,725	169,968
Amounts due to associates and joint ventures <i>(note (i))</i>	686,871	1,216,635
Amounts due to fellow subsidiaries <i>(note (i))</i>	237,198	165,623
Amounts due to Guodian Group <i>(note (i))</i>	52,670	27,929
Other accruals and payables	831,657	770,092
Derivative financial instruments		
– Interest rate swap contracts <i>(note (iii))</i>	110,375	43,287
	9,219,817	8,570,547

Notes:

- (i) Amounts due to Guodian Group, fellow subsidiaries, associates and joint ventures are unsecured, interest-free and have no fixed terms of repayment.
- (ii) All other payables are expected to be settled or recognised as income within one year or are repayable on demand.
- (iii) In 2015, Longyuan Mulilo De Aar 2 North (RF) Proprietary Limited and Longyuan Mulilo De Aar Wind Power (RF) Proprietary Limited, two subsidiaries of the Group, entered into interest rate swap contracts to mitigate the interest rate risks. The interest rate swap contracts are recognised in accordance with the accounting policies set out in note 2(aa).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

30 OBLIGATIONS UNDER FINANCE LEASES

As at 31 December, the Group had obligations under finance leases repayable as follows:

	2017		2016	
	Present value of the minimum lease payments <i>RMB'000</i>	Total minimum lease payments <i>RMB'000</i>	Present value of the minimum lease payments <i>RMB'000</i>	Total minimum lease payments <i>RMB'000</i>
Within 1 year	46,000	67,213	39,000	62,137
After 1 year but within 2 years	53,945	72,894	46,000	67,213
After 2 years but within 5 years	210,000	249,189	189,500	237,876
After 5 years	151,000	162,037	225,500	246,152
	<u>414,945</u>	<u>484,120</u>	<u>461,000</u>	<u>551,241</u>
	<u>460,945</u>	<u>551,333</u>	<u>500,000</u>	<u>613,378</u>
Less: total future interest expenses		<u>(90,388)</u>		<u>(113,378)</u>
Present value of finance lease obligations		<u>460,945</u>		<u>500,000</u>
Where into:				
Current portion	46,000		39,000	
Non-current portion	<u>414,945</u>		<u>461,000</u>	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Net tax recoverable at 1 January	(3,335)	(13,970)
Provision for the year (<i>note 8(a)</i>)	831,062	630,848
Underprovision in respect of prior years (<i>note 8(a)</i>)	78,870	13,303
Income tax paid	<u>(780,131)</u>	<u>(633,516)</u>
Net tax payable/(recoverable) at 31 December	<u><u>126,466</u></u>	<u><u>(3,335)</u></u>
Representing:		
Tax payable	228,531	175,975
Tax recoverable	<u>(102,065)</u>	<u>(179,310)</u>
	<u><u>126,466</u></u>	<u><u>(3,335)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognised:

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

Deferred tax assets arising from:	Provision for impairment of assets <i>RMB'000</i>	Unrealised profits <i>RMB'000</i>	Depreciation and amortisation <i>RMB'000</i>	Gains and losses on changes in fair value of derivative financial instruments <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2016	13,979	46,473	39,996	-	54,637	155,085
(Charged)/credited to profit or loss	(4,059)	(2,092)	(2,341)	-	494	(7,998)
Acquisition of subsidiaries	3,505	-	-	-	-	3,505
At 31 December 2016	<u>13,425</u>	<u>44,381</u>	<u>37,655</u>	<u>-</u>	<u>55,131</u>	<u>150,592</u>
At 1 January 2017	13,425	44,381	37,655	-	55,131	150,592
Credited/(charged) to profit or loss	<u>7,555</u>	<u>(7,120)</u>	<u>(3,543)</u>	<u>18,959</u>	<u>4,266</u>	<u>20,117</u>
At 31 December 2017	<u>20,980</u>	<u>37,261</u>	<u>34,112</u>	<u>18,959</u>	<u>59,397</u>	<u>170,709</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

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

Deferred tax liabilities arising from:	Available for-sale investments	Revaluation of other properties	Depreciation and amortisation	Gain on deemed disposal of an associate	Other financial assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	(4,877)	(10,654)	(34,253)	(46,863)	(1,643)	(7,783)	(106,073)
Credited/(charged) to profit or loss	-	1,293	(11,636)	-	1,643	667	(8,033)
Charged to other comprehensive income	(6,135)	-	-	-	-	-	(6,135)
Acquisition of subsidiaries	-	(17,844)	-	-	-	-	(17,844)
At 31 December 2016	<u>(11,012)</u>	<u>(27,205)</u>	<u>(45,889)</u>	<u>(46,863)</u>	<u>-</u>	<u>(7,116)</u>	<u>(138,085)</u>
At 1 January 2017	(11,012)	(27,205)	(45,889)	(46,863)	-	(7,116)	(138,085)
(Charged)/credited to profit or loss	-	(2,383)	(24,298)	-	-	804	(25,877)
Credited to other comprehensive income	2,268	-	-	-	-	-	2,268
At 31 December 2017	<u>(8,744)</u>	<u>(29,588)</u>	<u>(70,187)</u>	<u>(46,863)</u>	<u>-</u>	<u>(6,312)</u>	<u>(161,694)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 2(v), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB2,730,893,000 (2016: RMB2,293,954,000) and deductible temporary differences of RMB24,419,000 (2016: Nil) as at 31 December 2017 as it is not probable that future taxable profits against which the losses and the provisions can be utilised will be available in the relevant entity. According to the tax law, the tax losses that will expire in the years ending 31 December 2018, 2019, 2020, 2021 and 2022 are RMB101,125,000, RMB181,891,000, RMB231,837,000, RMB679,007,000, and RMB55,991,000 respectively. Amount of RMB1,481,042,000 tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

32 EMPLOYEE BENEFITS

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 entire pension obligations payable to retired employees. In addition, the Group and its staff participate in a retirement plan managed by Guodian Group to supplement the above-mentioned Schemes. The Group has no other material obligation to make payments in respect of pension benefits associated with these Schemes and supplementary retirement plan other than the annual contributions described above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

33 DEFERRED INCOME

	2017 RMB'000	2016 <i>RMB'000</i>
At 1 January	1,684,507	1,791,775
Additions	25,153	25,170
Credited to profit or loss	(156,055)	(132,438)
At 31 December	1,553,605	1,684,507

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

34 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities mainly represent long-term retention payables for purchase of wind turbines, among which RMB282,303,000 (2016: RMB579,766,000) is due to an associate of the Group and a fellow subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

35 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 <i>RMB'000</i> <i>(note35(c))</i>	Perpetual medium-term note <i>RMB'000</i> <i>(note42)</i>	Capital reserve <i>RMB'000</i> <i>(note35</i> <i>(d)(i))</i>	Statutory surplus reserve <i>RMB'000</i> <i>(note 35</i> <i>(d)(ii))</i>	Fair value reserve <i>RMB'000</i> <i>(note 35</i> <i>(d)(iv))</i>	Retained earnings <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 1 January 2016	8,036,389	2,991,000	13,956,328	778,062	2,516	5,881,044	31,645,339
Change in equity for 2016:							
Profit for the year	-	133,200	-	-	-	2,007,712	2,140,912
Other comprehensive income	-	-	-	-	218	-	218
Total comprehensive income for the year	-	133,200	-	-	218	2,007,712	2,141,130
Appropriation	-	-	-	206,732	-	(206,732)	-
Dividends to holders of the Company	-	-	-	-	-	(576,209)	(576,209)
Distribution for perpetual medium-term notes <i>(note 42)</i>	-	(133,200)	-	-	-	-	(133,200)
At 31 December 2016	8,036,389	2,991,000	13,956,328	984,794	2,734	7,105,815	33,077,060

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

35 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(a) Movements in components of equity (Continued)

	Share capital <i>RMB'000</i> <i>(note 35</i> <i>(c))</i>	Perpetual medium- term note <i>RMB'000</i> <i>(note 42)</i>	Capital reserve <i>RMB'000</i> <i>(note 35</i> <i>(d)(i))</i>	Statutory surplus reserve <i>RMB'000</i> <i>(note 35</i> <i>(d)(ii))</i>	Fair value reserve <i>RMB'000</i> <i>(note 35(d)</i> <i>(iv))</i>	Retained earnings <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 1 January 2017	8,036,389	2,991,000	13,956,328	984,794	2,734	7,105,815	33,077,060
Change in equity for 2017:							
Profit for the year	-	157,937	-	-	-	2,322,856	2,480,793
Other comprehensive income	-	-	-	-	(2,359)	-	(2,359)
Total comprehensive income for the year	-	157,937	-	-	(2,359)	2,322,856	2,478,434
Appropriation	-	-	-	282,381	-	(282,381)	-
Dividends to holders of the Company	-	-	-	-	-	(683,093)	(683,093)
Distribution for perpetual medium-term notes <i>(note 42)</i>	-	(157,937)	-	-	-	-	(157,937)
Issuance of perpetual medium-term note <i>(note 42)</i>	-	2,000,000	-	-	-	-	2,000,000
At 31 December 2017	8,036,389	4,991,000	13,956,328	1,267,175	375	8,463,197	36,714,464

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

35 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

	2017	2016
	RMB'000	RMB'000
Final dividend proposed after the end of the reporting period of RMB0.0918 per share (2016: RMB0.0850)	737,611	683,093

The directors of the Company resolved on 12 March 2018 that a dividend of RMB0.0918 per share is to be distributed to the shareholders for 2017, subject to approval of the shareholders at for the forthcoming 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.

(c) Share capital

	2017	2016
	RMB'000	RMB'000
Issued and fully paid:		
4,696,360,000 domestic state-owned ordinary shares of RMB1.00 each	4,696,360	4,696,360
3,340,029,000 H shares of RMB1.00 each	3,340,029	3,340,029
	8,036,389	8,036,389

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

35 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves

(i) Capital reserve

Capital reserve includes share premium and other capital reserve

Share premium represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received from the IPO in December 2009 and the placing of new H shares in December 2012.

Other capital reserve mainly represents the difference between the total amount of the nominal value of shares issued and the amount of the net assets injected by Guodian Group and the cash injection in excess of the nominal value of shares issued to Guodian Northeast Electric Power Co., Ltd. upon the establishment of the Company, and the capital reserve as a result of acquisition of business and business combinations under common control.

(ii) Statutory surplus reserve

According to the Company's Articles of Association, the Company is required to transfer 10% of its net profit as determined in accordance with the PRC Accounting Rules and Regulations 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 holders. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

35 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves (Continued)

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations that have functional currencies other than the RMB and the foreign exchange differences on the net investment in foreign operations of the Group which are dealt with in accordance with the accounting policies as set out in note 2(y).

(iv) Fair value reserve

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

(e) Distributability of reserves

According to the Company's Articles of Association, the distributable profits are the lower of the net profit of the year as determined under PRC accounting rules and regulations and the amount determined under IFRSs. At 31 December 2017, the aggregate amount of reserves available for distribution to equity holders of the Company is RMB8,463,197,000 (2016: RMB7,105,815,000). After the end of the reporting period, the directors proposed a final dividend of RMB0.0918 per share (2016: RMB0.0850), amounting to RMB737,611,000 (2016: RMB683,093,000) (note 35(b)). The dividend has not been recognised as a liability at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

35 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(f) Capital management

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

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

The Group monitors its capital structure on the basis of the net gearing ratio, which is calculated by dividing net debt (total borrowings and obligations under finance leases less cash and cash equivalents) by the sum of net debt and total equity. The net gearing ratio of the Group as at 31 December 2017 is 57.7% (2016: 60.9%).

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(a) Financial Instruments By Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

At 31 December 2017

	Financial assets at fair value through profit or loss <i>RMB'000</i>	Loans and receivables <i>RMB'000</i>	Available-for- sale financial assets <i>RMB'000</i>	Total <i>RMB'000</i>
Current				
Trade debtors and bills receivable	-	7,154,516	-	7,154,516
Financial assets included in other current assets	-	1,729,278	-	1,729,278
Other financial assets	77,813	-	100,000	177,813
Restricted cash and pledged deposits	-	33,471	-	33,471
Cash and cash equivalents	-	5,071,579	-	5,071,579
	<u>77,813</u>	<u>13,988,844</u>	<u>100,000</u>	<u>14,166,657</u>
Non-current				
Financial assets included in other assets	-	63,183	38,319	101,502
	<u>-</u>	<u>63,183</u>	<u>38,319</u>	<u>101,502</u>
	<u>77,813</u>	<u>14,052,027</u>	<u>138,319</u>	<u>14,268,159</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial Instruments By Category (Continued)

Financial liabilities

At 31 December 2017

	Financial liabilities at fair value through profit or loss <i>RMB'000</i>	Financial liabilities at amortised cost <i>RMB'000</i>	Total <i>RMB'000</i>
Current			
Interest bearing loans and other borrowings	–	35,774,163	35,774,163
Trade creditors and bills payable	–	1,890,907	1,890,907
Financial liabilities in other current liabilities	110,375	7,638,220	7,748,595
	<u>110,375</u>	<u>45,303,290</u>	<u>45,413,665</u>
Non-current			
Interest bearing loans and other borrowings	–	41,620,177	41,620,177
Financial liabilities in other non-current liabilities	–	1,376,130	1,376,130
	<u>–</u>	<u>42,996,307</u>	<u>42,996,307</u>
	<u>110,375</u>	<u>88,299,597</u>	<u>88,409,972</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial Instruments By Category (Continued)

Financial assets

At 31 December 2016

	Financial assets at fair value through profit or loss <i>RMB'000</i>	Loans and receivables <i>RMB'000</i>	Available-for-sale financial assets <i>RMB'000</i>	Total <i>RMB'000</i>
Current				
Trade debtors and bills receivable	–	5,901,031	–	5,901,031
Financial assets included in other current assets	–	1,878,511	–	1,878,511
Other financial assets	494,887	–	140,000	634,887
Restricted cash and pledged deposits	–	31,990	–	31,990
Cash and cash equivalents	–	1,901,286	–	1,901,286
	<u>494,887</u>	<u>9,712,818</u>	<u>140,000</u>	<u>10,347,705</u>
Non-current				
Available for sale investment	–	–	47,382	47,382
Financial assets included in other assets	–	178,374	–	178,374
	–	<u>178,374</u>	<u>47,382</u>	<u>225,756</u>
	<u>494,887</u>	<u>9,891,192</u>	<u>187,382</u>	<u>10,573,461</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial Instruments By Category (Continued)

Financial liabilities

At 31 December 2016

	Financial liabilities at fair value through profit or loss <i>RMB'000</i>	Financial liabilities at amortised cost <i>RMB'000</i>	Total <i>RMB'000</i>
Current			
Interest bearing loans and other borrowings	–	44,511,149	44,511,149
Trade creditors and bills payable	–	2,549,737	2,549,737
Derivative financial instruments	43,287	–	43,287
Financial liabilities in other current liabilities	–	7,139,818	7,139,818
	<u>43,287</u>	<u>54,200,704</u>	<u>54,243,991</u>
Non-current			
Interest bearing loans and other borrowings	–	31,787,998	31,787,998
Financial liabilities in other non-current liabilities	–	1,408,925	1,408,925
	<u>–</u>	<u>33,196,923</u>	<u>33,196,923</u>
	<u>43,287</u>	<u>87,397,627</u>	<u>87,440,914</u>

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities, and movements in its own equity share price.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial Instruments By Category (Continued)

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:

(b) Credit risk

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

The receivables from sale 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 Group and its subsidiaries maintain long-term and stable business relationships with these companies. The receivables from the provincial power grid companies accounted for 91% of the Group's total trade debtors and bills receivable as at 31 December 2017(2016: 91%).

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Liquidity risk

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

The Company is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. As at 31 December 2017, the Group has unutilised banking facilities of RMB24,200,000,000. The Group also signed several strategic cooperative framework agreements with PRC banks with unutilised credit lines of RMB79,776,190,000 as at 12 March 2018. The Group manages the proportion of its current liabilities with respect to the total liabilities to mitigate the liquidity risk.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's 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 that the Group can be required to pay:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Liquidity risk (Continued)

	Contractual cash flows <i>RMB'000</i>	On demand <i>RMB'000</i>	1 year or less <i>RMB'000</i>	1–2 years <i>RMB'000</i>	2–5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>
31 December 2017						
Long-term borrowings <i>(note 27(a))</i>	51,746,242	–	1,924,151	6,563,544	25,770,883	17,487,664
Short-term borrowings <i>(note 27(b))</i>	36,572,934	–	36,572,934	–	–	–
Trade creditors and bills payable <i>(note 28)</i>	1,890,907	–	1,890,907	–	–	–
Other payables <i>(note 29)</i>	9,086,092	–	9,086,092	–	–	–
Guarantees given to banks in connection with facilities granted to an associate <i>(note 38)</i>	67,833	67,833	–	–	–	–
Other long-term liabilities <i>(note 34)</i>	1,376,130	–	–	331,258	397,422	647,450
	<u>100,740,138</u>	<u>67,833</u>	<u>49,474,084</u>	<u>6,894,802</u>	<u>26,168,305</u>	<u>18,135,114</u>
31 December 2016						
Long-term borrowings <i>(note 27(a))</i>	41,152,384	–	6,468,953	3,576,664	21,534,364	9,572,403
Short-term borrowings <i>(note 27(b))</i>	45,203,795	–	45,203,795	–	–	–
Finance lease liabilities	613,378	–	62,137	67,213	237,876	246,152
Trade creditors and bills payable <i>(note 28)</i>	2,549,737	–	2,549,737	–	–	–
Other payables <i>(note 29)</i>	8,400,579	–	8,400,579	–	–	–
Guarantees given to banks in connection with facilities granted to an associate <i>(note 38)</i>	33,308	33,308	–	–	–	–
Other long-term liabilities <i>(note 34)</i>	1,474,154	–	–	406,317	1,002,608	65,229
	<u>99,427,335</u>	<u>33,308</u>	<u>62,685,201</u>	<u>4,050,194</u>	<u>22,774,848</u>	<u>9,883,784</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate risk

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

The Group regularly reviews and monitors the mix of fixed and variable rate borrowings in order to manage its interest rate risk. During the years ended 31 December 2017 and 2016, however, except for the interest rate swap contracts entered into as stated in note 29(iii), management of the Group did not consider it necessary to use interest rate swaps to hedge the exposure to interest rate risk.

The following table details the profile of the Group's net borrowings (interest-bearing financial liabilities less interest-bearing financial assets) at the end of the reporting period. The detailed interest rates and maturity information of the Group's borrowings are disclosed in note 27.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate risk (Continued)

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Net fixed rate borrowings/(lendings):		
Finance lease liabilities	460,945	500,000
Borrowings	31,896,739	36,285,729
Less: loans and advances (<i>note 23(i)</i>)	(378,000)	(112,210)
other assets (<i>note 20</i>)	(63,183)	(169,584)
bank deposits (including restricted deposits)	—	(3,936)
	31,916,501	36,499,999
Net floating rate borrowings/(lendings):		
Borrowings	45,497,601	39,513,418
Less: other assets (<i>note 20</i>)	—	(8,790)
bank deposits (including restricted deposits)	(5,105,050)	(1,929,253)
	40,392,551	37,575,375
Total net borrowings	72,309,052	74,075,374

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 earnings by approximately RMB287,772,000 (2016: RMB221,008,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate risk (Continued)

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 the end of the next reporting period. The sensitivity analysis is performed on the same basis for the years presented.

(e) 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, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Hong Kong dollars, Euros and United States dollars. The Group manages this risk as follows:

(i) Recognised assets and liabilities

Except for foreign operations of three subsidiaries which were denominated in foreign currencies, all revenue-generating operations of the Group are transacted in RMB. In addition, the Group has certain borrowings that are denominated in Hong Kong dollars and United States dollars. In 2015, Hero Asia Investment Limited entered into several cross-currency contracts to mitigate the foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Currency risk (Continued)

(i) Recognised assets and liabilities (Continued)

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 holders.

(ii) Exposure to currency risk

The Group's cash at banks and on hand, prepayments and other current assets, borrowings, trade creditors and bills payable and other current liabilities contains items denominated in foreign currency. The following table indicates the instantaneous change in the Group's profit after tax (and retained earnings) 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. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of United States dollar against other currencies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Currency risk (Continued)

(ii) Exposure to currency risk (Continued)

	2017		2016	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings RMB'000
HKD	5% (5)%	2 (2)	5% (5)%	876 (876)
USD	5% (5)%	(10,280) 10,280	5% (5)%	(17,078) 17,078
EUR	5% (5)%	(129) 129	5% (5)%	243 (243)
RMB	5% (5)%	27,820 (27,820)	5% (5)%	95,584 (95,584)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet the criteria of Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

At 31 December 2017 and 2016, the financial instruments of the Group carried at fair value were trading securities, derivative financial instruments and available-for-sale investments. These instruments fall into Level 1 and Level 2 of the fair value hierarchy described above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(f) Fair value measurement (Continued)

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

Fair value hierarchy (Continued)

	Fair value measurements as at 31 December 2017 categorised into			
	Fair value at 31 December 2017 <i>RMB'000</i>	Quoted prices in active market for identical assets (Level 1) <i>RMB'000</i>	Significant other observable inputs (Level 2) <i>RMB'000</i>	Significant observable inputs (Level 3) <i>RMB'000</i>
Recurring fair value measurement				
Assets:				
Available-for-sale equity securities				
– listed	38,319	38,319	–	–
Short-term investment	100,000	–	100,000	–
Trading securities	77,813	77,813	–	–
Liabilities:				
Derivative financial instruments				
– Interest rate swap contracts	110,375	–	110,375	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(f) Fair value measurement (Continued)

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

Fair value hierarchy (Continued)

	Fair value at 31 December 2016 <i>RMB'000</i>	Fair value measurements as at 31 December 2016 categorised into		
		Quoted prices in active market for identical assets (Level 1) <i>RMB'000</i>	Significant other observable inputs (Level 2) <i>RMB'000</i>	Significant observable inputs (Level 3) <i>RMB'000</i>
Recurring fair value measurement				
Assets:				
Available-for-sale equity securities				
– listed	47,382	47,382	–	–
Trading securities	63,570	63,570	–	–
Short-term investment	140,000	–	140,000	–
Derivative financial instruments				
– Cross-currency exchange contracts	431,317	–	431,317	–
Liabilities:				
Derivative financial instruments				
– Interest rate swap contracts	43,287	–	43,287	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(f) Fair value measurement (Continued)

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

Fair value hierarchy (Continued)

During the year ended 31 December 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2016: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of cross-currency exchange contracts in Level 2 is determined by discounting the difference between contractual cash flows in RMB and that in USD using the spot exchange rate. The discount rate used is derived from the risk-free interest rate reference to China Interest Rate Swap at the end of the reporting period.

The fair value of interest rate swap contracts in Level 2 is determined by discounting the contractual fixed interest rate and deducting the forward Johannesburg Interbank Agreed Rate ("JIBAR"). The discount rate used is derived from the JIBAR swap yield curve as at the end of the reporting period.

The fair value of interest rate swap contracts in Level 2 is determined by discounting the difference between the contractual forward price and the current spot rate. The discount rate used is derived from the risk-free interest rate reference to China Interest Rate Swap at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(f) Fair value measurement (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 are not materially different from their fair values as at 31 December 2017 and 2016 except the following:

	Carrying amounts at 31 December 2017 RMB'000	Fair value at 31 December 2017 RMB'000	Fair value measurements as at 31 December 2017 categorised into		
			Level 1	Level 2	Level 3
			RMB'000	RMB'000	RMB'000
Other borrowings (note 27(a))	19,041,577	18,634,537	18,634,537	-	-
Fixed rate long-term loans	3,637,866	3,569,920	-	3,569,920	-
	22,679,443	22,204,457	18,634,537	3,569,920	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(f) Fair value measurement (Continued)

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

	Carrying amounts at 31 December 2016 <i>RMB'000</i>	Fair value at 31 December 2016 <i>RMB'000</i>	Fair value measurements as at 31 December 2016 categorised into		
			Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>
Other borrowings <i>(note 27(a))</i>	14,108,872	14,567,197	14,567,197	-	-
Fixed rate long-term loans	275,796	266,420	-	266,420	-
	<u>14,384,668</u>	<u>14,833,617</u>	<u>14,567,197</u>	<u>266,420</u>	<u>-</u>

The fair values of the fixed rate long-term loans are estimated as being the present values of future cash flows, discounted at interest rates based on the market interest rates of comparable bank loans as at 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

37 COMMITMENTS

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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Contracted for	24,256,704	10,093,751
Authorised but not contracted for	41,629,487	41,996,688
	<u>65,886,191</u>	<u>52,090,439</u>

- (b) At the year end, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Within 1 year	29,732	3,094
After 1 year but within 5 years	9,825	5,344
After 5 years	—	485
	<u>39,557</u>	<u>8,923</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

38 CONTINGENT LIABILITIES

At 31 December, the Group issued the following guarantees:

- (i) Guarantees to banks in respect of the bank loans granted to certain related parties are set forth below:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Associates and joint ventures	58,380	24,456

As at 31 December 2017, the banking facilities guaranteed by the Group to the associates and joint ventures were utilised to the extent of approximately RMB58,380,000 (2016: RMB24,456,000).

- (ii) The Company issued a counter-guarantee to Hubei Energy Group Co., Ltd. (湖北能源集團股份有限公司), the controlling equity owner of Hubei Jiugongshan Wind Power Co., Ltd. (湖北省九宮山風力發電有限責任公司), which is an associate of the Company, in respect of a guarantee issued by Hubei Energy Group Co., Ltd. (湖北能源集團股份有限公司) for a banking facility granted to the associate. As at 31 December 2017, the balance counter-guaranteed by the Company amounted to RMB9,453,000 (2016: RMB8,852,000).

39 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

The Group is part of a large group of companies under Guodian Group and has significant transactions and relationships with the subsidiaries of Guodian Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

39 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

The principal transactions are as follows:

	Note	2017 RMB'000	2016 RMB'000
<u>Sales of goods and provision of services to</u>			
	(i)		
Guodian Group		86	9
Fellow subsidiaries		46,270	75,414
Associates and joint ventures		87,995	122,966
<u>Purchase of goods and receipt of services from</u>			
	(ii)		
Guodian Group		1,300	—
Fellow subsidiaries		315,168	325,483
Associates and joint ventures		1,807,554	2,043,177
<u>Working capital (provided to)/received from</u>			
	(iii)		
Guodian Group		28,553	(2,242)
Fellow subsidiaries		170,852	(930)
Associates and joint ventures		(38,063)	33,458
<u>Loan guarantees revoked by</u>			
	(iv)		
Guodian Group		(104,107)	(1,506,318)
<u>Loan guarantees provided to/(revoked from)</u>			
	(v)		
Associates and joint ventures		33,924	(11,892)
<u>Loans (repayment from)/provided to</u>			
	(vi)		
Fellow subsidiaries		(112,793)	29,000
Associates		(81,790)	(2,022,000)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

39 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

	<i>Note</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
<u>Loans (provided by)/repayment to</u>	(vii)		
Fellow subsidiaries		(21,517)	379,021
<u>Interest expenses</u>	(viii)		
Fellow subsidiaries		36,151	33,230
<u>Interest income</u>	(ix)		
Fellow subsidiaries		24,852	27,022
Associates and joint ventures		8,122	70,083
<u>Deposits (placed with)/withdrawn from</u>	(x)		
Fellow subsidiaries		(988,662)	605,202
<u>Payment/prepayment for acquisition</u> <u>of subsidiaries</u>	(xi)		
Fellow subsidiary		–	17,954
Associates and joint ventures		87,380	–

Notes:

- (i) The sales to the related parties were made according to the published prices and conditions offered to the major customers of the Group.
- (ii) The purchases from the related parties were made according to the published prices and conditions offered by the associates to their major customers.
- (iii) The working capital provided to and received from the related parties are unsecured and interest-free.
- (iv) Guodian Group has guaranteed certain bank loans made to the Group as of at the end of the reporting period, as further detailed in note 27(a) to the financial statements.
- (v) As at 31 December 2017, the Group provided a guarantee of RMB58,380,000 (2016: 24,456,000) for bank loans of associates and joint ventures in note 38(i).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

39 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

Notes: (Continued)

- (vi) The Group provided loans to the related parties, as further detailed in note 20 and 23 to the financial statements.
- (vii) The Group received loans from the related parties, as further detailed in note 27 to the financial statements.
- (viii) The amount represented the interest expenses incurred for the loans received from the follow subsidiaries.
- (ix) The amount represented the interest income received for the loans provided to the follow subsidiaries, associates and joint ventures.
- (x) The amount represented the withdrawal of deposit from a fellow subsidiary, as further detailed in note 39(b) to the financial statements.
- (xi) Pursuant to the sales and purchase agreement with Guodian United Power Technology Co., Ltd. signed on 11 November 2016 to purchase all the issued share capital of Guodian United Power Technology (Changchun) Co., Ltd., the Company prepaid cash consideration of RMB87,380,000 in 2017. During the year ended 31 December 2016, the Group acquired Shanxi Guodian Jinke Wind Power Generation Co., Ltd. at cash consideration of RMB17,954,000.

(b) Outstanding balances with related parties

The deposits placed with a fellow subsidiary amounted to RMB2,675,766,000 as at 31 December 2017 (2016: RMB1,687,104,000). Details of the other outstanding balances with related parties are set out in notes 20, 22, 23, 27, 28, 29 and 34.

(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 “state-controlled entities”).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

39 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions with other state-controlled entities in the PRC (Continued)

Apart from transactions mentioned above, the Group conducts a majority of its business activities with state-controlled entities in the ordinary course of business. These transactions are carried out on terms similar to those that would be entered into with non-state-controlled entities. Transactions with other state-controlled entities include, but are not limited to, the following:

- Sales of electricity;
- Depositing and borrowing money;
- Purchase of materials and receipt of construction work services; and
- Service concession arrangements.

The tariff of electricity is regulated by the relevant government. The Group prices its other services and products based on the commercial negotiations. The Group has also established its approval process for sales of electricity, purchase of products and services and its financing policy for borrowings. Such approval process and financing policy do not depend on whether the counterparties are state-controlled entities or not.

Having considered the potential for transactions to be impacted by related party relationships, the Group's approval process and financing policy, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the directors are of the opinion that the following transactions require disclosure as other state-controlled entities transactions:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

39 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions with other state-controlled entities in the PRC (Continued)

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Sales of electricity	19,388,696	17,179,192
Sales of other products	244,428	217,270
Interest income	13,345	56,988
Interest expenses	3,005,025	2,207,649
Loans repaid/(received)	535,152	(1,882,979)
Deposits placed with/(withdrawn from)	158,126	(377,936)
Purchase of materials and receipt of construction services	2,937,593	2,407,637
Service concession construction revenue	74,227	541,208

The balances with other state-controlled entities transactions are as follows:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Receivables from sales of electricity	6,199,120	5,362,629
Receivables from sales of other products	143,181	72,778
Bank deposits (including restricted deposits)	375,130	217,004
Borrowings	52,206,535	52,741,687
Payable for purchase of materials and receiving construction work services	1,966,923	2,123,359

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

39 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(d) 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 RMB'000	2016 <i>RMB'000</i>
Salaries and other emoluments	2,210	1,906
Discretionary bonuses	4,925	5,137
Retirement scheme contributions	684	789
	7,819	7,832

(e) Commitment with related parties

	2017 RMB'000	2016 <i>RMB'000</i>
<u>Sales commitment with</u>		
Fellow subsidiaries	—	420
<u>Capital commitment with</u>		
Associates and joint ventures	3,316,932	1,676,482

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

39 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(f) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of the sales and purchase of goods, provision of and receipt of services to and from Guodian Group and its subsidiaries, loans from and deposits placed with Guodian Group and its subsidiaries as detailed in note 39(a) constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the section headed “Connected transactions” to the Director’s Report of the Group for the year ended 31 December 2017.

40 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Non-current assets		
Property, plant and equipment	269,154	338,951
Investment properties	96,014	89,939
Lease prepayments	4,435	4,435
Intangible assets	2,275	2,618
Investments in subsidiaries	30,140,957	27,628,824
Investments in associates and joint ventures	1,046,124	1,046,124
Other assets	6,365,896	18,432,776
Total non-current assets	37,924,855	47,543,667
Current assets		
Inventories	2,017	2,070
Trade debtors and bills receivable	24,310	8,859
Prepayments and other current assets	54,471,039	36,421,340
Restricted deposits	15,239	13,951
Cash at banks and on hand	4,345,238	1,173,690
Total current assets	58,857,843	37,619,910

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

40 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (Continued)

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Current liabilities		
Borrowings	21,032,810	28,447,965
Trade creditors and bills payable	10,927	5,141
Other payables	13,842,509	7,087,002
Total current liabilities	34,886,246	35,540,108
Net current assets/(liabilities)	23,971,597	2,079,802
Total assets less current liabilities	61,896,452	49,623,469
Non-current liabilities		
Borrowings	25,155,868	16,528,483
Deferred income	21,958	12,979
Deferred tax liabilities	4,162	4,947
Total non-current liabilities	25,181,988	16,546,409
NET ASSETS	36,714,464	33,077,060
CAPITAL AND RESERVES		
Share capital	8,036,389	8,036,389
Perpetual medium-term notes	4,991,000	2,991,000
Reserves	23,687,075	22,049,671
TOTAL EQUITY	36,714,464	33,077,060

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

41 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Borrowings	Obligations under finance leases	Other current liabilities
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2017	75,799,147	500,000	575,741
Changes from financing cash flows	1,563,631	(62,045)	(4,367,497)
Foreign exchange movement	31,562	–	–
Distribution for dividends	–	–	1,381,248
Interest expense	–	19,362	3,013,147
Distribution for perpetual medium-term notes	–	–	157,937
Interest paid classified as operating cash flows	–	3,628	–
At 31 December 2017	<u>77,394,340</u>	<u>460,945</u>	<u>760,576</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

42 PERPETUAL MEDIUM-TERM NOTES

On 24 November 2015, the Company issued perpetual medium-term note amounting to RMB3,000,000,000 (“2015 Perpetual Medium-term Note”). 2015 Perpetual Medium-term Note was issued at par value with an initial interest rate of 4.44% and recorded as equity, after netting off related issuance costs of approximately RMB9,000,000. On 17 November 2017, the Company issued perpetual medium-term note amounting to RMB2,000,000,000 (“2017 Perpetual Medium-term Note”). 2017 Perpetual Medium-term Note was issued at par value with an initial interest rate of 5.44% and recorded as equity.

Interest of the 2015 Perpetual Medium-term Note and 2017 Perpetual Medium-term Note are recorded as distributions, which are paid annually in arrears on 25 November and 21 November in each year, respectively (the “Distribution Payment Date”) and may be deferred at the discretion of the Company unless compulsory distribution payment events (including distributions to ordinary shareholders of the Company or reduction of the registered capital of the Company or repaying any securities of lower rank) have occurred.

The 2015 Perpetual Medium-term Note and 2017 Perpetual Medium-term Note have no fixed maturity date and is callable at the Company’s option on 25 November 2020 and 21 November 2020, respectively (the “First Call Date”) or any Distribution Payment Date falling after the First Call Date at their principal amounts together with any accrued, unpaid or deferred distributions. The applicable interest rate of 2015 Perpetual Medium-term Note and 2017 Perpetual Medium-term Note will be reset, on the First Call Date and every five and three years after the respective First Call Date, to the sum of the applicable benchmark interest rate, the initial spread and a premium. The premium for the First Call Date is 300 basis points per annum and will increase by 300 basis points every five years and three years after the respective First Call Date.

In 2017, the profit attributable to holders of perpetual medium-term notes, based on the applicable interest rate, was RMB157,937,000 (2016: RMB133,200,000). RMB133,200,000 has been paid in 2017 (2016: RMB133,200,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

43 PARENT AND ULTIMATE HOLDING COMPANY

The directors of the Company consider its parent and ultimate holding company to be Guodian Group, which is a state-owned enterprise established in the PRC. Guodian Group does not produce financial statements available for public use.

44 TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are derecognised in their entirety

At 31 December 2017, the Group endorsed certain bills receivable accepted by banks in Mainland China (the “Derecognised Bills”), to certain of its suppliers in order to settle the trade payables due to these suppliers with a carrying amount in aggregate of RMB22,387,000 (2016:RMB75,110,000). The Derecognised Bills have a maturity from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the banks in Mainland China default (the “Continuing Involvement”). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase the Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

During the year, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The Group endorsed certain bills receivable accepted by banks in Mainland China to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”). The Endorsement has been made evenly throughout the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

44 TRANSFERS OF FINANCIAL ASSETS (Continued)

In 2017, the Group entered into several trade receivable factoring arrangements (the “Factoring Arrangements”) and transferred certain trade receivables to a bank. Under the Factoring Arrangements, the Group is not exposed to default risks of the trade debtors after the transfer. Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. The original carrying value of the trade receivables transferred under the Arrangement that have not been settled as at 31 December 2017 was RMB4,392,486,000 (2016: RMB1,106,600,000).

45 SERVICE CONCESSION ARRANGEMENTS

In recent years, the Group has entered into several service concession agreements with local governments (the “Grantor”) to construct and operate wind power plants during the concession period, which is normally for 22–25 years of operation. The Group is responsible for the construction and maintenance of the wind power plants during the concession period. At the end of the concession period, the Group either needs to dispose of the wind power plants or transfer the wind power plants to the Grantor at nil consideration. Service concession construction revenue (note 4) recorded during the years represents the revenue recognised during the construction stage of the service concession period. The same amount of cost is recorded since substantially all construction activities are sub-contracted.

The Group has recognised intangible assets (note 16) related to the service concession arrangement representing the right that the Group receives to charge a fee for the sale of electricity. The Group has not recognised service concession receivables as the Grantor will not provide any guaranteed minimum payment to the group for the operating period of the wind power plants.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

46 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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
Amendments to IFRS 2, Share-based Payment: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to IFRS 4, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRS 9, Financial Instruments	1 January 2018
Amendments to IFRS 9, Prepayment Features with Negative Compensation	1 January 2019
Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	No mandatory effective date yet determined but available for adoption
IFRS 15, Revenue from Contracts with Customers	1 January 2018
Amendments to IFRS 15, Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16, Leases	1 January 2019
Amendments to IAS 40, Transfers of Investment Property	1 January 2018
IFRIC 22, Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23, Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements 2014–2016 Cycle, Amendments to IFRS 1 and IAS 28	1 January 2018
Annual Improvements 2015–2017 Cycle, Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

46 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Further information about those IFRSs that are expected to be applicable to the Group is described below:

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to will adopt IFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of IFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

46 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

IFRS 9, Financial Instruments (Continued)

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade and other receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The effect of adoption on the Group's financial statements is not expected to be material.

Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 (2011) was removed by the IASB in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application adoption now.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (Expressed in thousands of Renminbi unless otherwise stated)

46 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (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 the sale of goods and rendering of services, and IAS 11, Construction Contracts, which specifies the accounting for revenue from construction contracts. Based on the assessment, the Group expects that there will be no material impacts on its consolidated financial statements upon the adoption of IFRS 15.

IFRS 16, Leases

As disclosed in note 2(m), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the leases. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for property, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss and other comprehensive income over the period of the lease. As disclosed in note 37(b), at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amounted to RMB39,557,000 for property, plant and equipment, the majority of which are payable between 1 and 5 years 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.

47 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 12 March 2018.

GLOSSARY OF TERMS

“18th CPC National Congress”	the 18th National Congress of the Communist Party of China
“19th CPC National Congress”	the 19th National Congress of the Communist Party of China
“Articles of Association”	articles of association of the Company
“attributable installed capacity”	the aggregate installed capacity or capacity under construction (as the case may be) of our project companies or individual projects under one project company in which we have an interest in proportion to the level of our ownership in each of those companies. It is calculated by multiplying our percentage ownership in each project company in which we have an interest, whether or not such interest is a controlling interest, by its total installed capacity or total capacity under construction (as the case may be). Both attributable installed capacity and attributable installed capacity under construction include the capacity of both our subsidiaries and associated companies but only to the extent of our equity ownership
“average utilisation hours”	the consolidated gross power generation in a specified period (in MWh or GWh) divided by the average consolidated installed capacity in the same period (in MW or GW)
“biomass”	plant material, vegetation, or agricultural waste used as a fuel or energy source

GLOSSARY OF TERMS

“Board”	the board of directors of the Company
“China Energy Investment Corporation Limited” or “China Energy Investment Corporation”	the controlling Shareholder of the Company (renamed from Shenhua Group Corporation Limited after joint reorganisation with Guodian Group by consolidation)
“clean development mechanism”	an arrangement under the Kyoto Protocol allowing industrialised countries to invest in projects that reduce greenhouse gas emissions in developing countries in order to earn emission credits
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“consolidated installed capacity”	the aggregate installed capacity or capacity under construction (as the case may be) of our project companies that we fully consolidated in our consolidated financial statements only. It is calculated by including 100% of the installed capacity or capacity under construction of our project companies that we fully consolidate in our consolidated financial statements and are deemed as our subsidiaries. Both consolidated installed capacity and consolidated capacity under construction do not include the capacity of our associated companies
“consolidated power generation”	the aggregate gross power generation or net power generation (as the case may be) of our project companies that we fully consolidate in our financial statements for a specified period
“Director(s)”	the directors of the Company

GLOSSARY OF TERMS

“electricity sales”	the actual amount of electricity sold by a power plant in a particular period of time, which is equivalent to gross power generation less comprehensive auxiliary electricity
“Group”	China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司) and its subsidiaries
“Guodian Finance”	Guodian Finance Co., Ltd. (國電財務有限公司)
“Guodian Group”	China Guodian Corporation (中國國電集團公司)
“GW”	unit of energy, gigawatt. 1 GW = 1,000 MW
“GWh”	unit of energy, gigawatt-hour. The standard unit of energy used in the electric power industry. One gigawatt-hour is the amount of energy that would be produced by a generator producing one gigawatt for one hour
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“kW”	unit of energy, kilowatt. 1 kW = 1,000 watts
“kWh”	unit of energy, kilowatt-hour. The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

GLOSSARY OF TERMS

“load factor”	the ratio (expressed as a percentage) of the gross amount of electricity generated by a power plant in a given period to the product of the number of hours in the given period multiplied by the plant’s installed capacity
“MW”	unit of energy, megawatt. 1 MW = 1,000 kW. The installed capacity of power plants is generally expressed in MW
“MWh”	unit of energy, megawatt-hour. The standard unit of energy used in the electric power industry. One megawatt-hour is the amount of energy that would be produced by a generator producing one megawatt for one hour
“NDRC”	National Development and Reform Commission of the People’s Republic of China (中華人民共和國國家發展和改革委員會)
“New Financial Services Agreement”	the financial services agreement entered into between Guodian Finance and the Company on 26 October 2015
“our Company”, “the Company”, “we”, “us”, “our” or “Longyuan Power”	China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司)
“PRC” or “China”	People’s Republic of China, and for the purpose of this report, excludes the Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan

* For identification purpose only



GLOSSARY OF TERMS

“regions not subject to grid curtailment”	Regions excluding Heilongjiang Province, Jilin Province, Liaoning Province, Inner Mongolia Autonomous Region, Gansu, Xinjiang Uygur Autonomous Region and Hebei Zhangjiakou region
“renewable energy sources” or “renewable energy”	sustainable sources that are regenerative or, for all practical purposes, cannot be depleted, such as wind, water or sunlight
“RMB”	Renminbi, the official currency of the PRC
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“Shareholder(s)”	holder(s) of shares of the Company
“Southbound Trading”	Investors of the Shanghai Stock Exchange (including enterprises and individuals) investing in the H Shares of the Company listed on the Hong Kong Stock Exchange
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

CORPORATE INFORMATION

THE COMPANY'S OFFICIAL NAME

龍源電力集團股份有限公司

THE COMPANY'S NAME IN ENGLISH

China Longyuan Power Group Corporation Limited*

REGISTERED OFFICE

Room 1206, 12th Floor
No.7, Baishiqiao Street
Haidian District
Beijing
PRC

HEAD OFFICE IN THE PRC

Tower C, International Investment Plaza
6-9 Fuchengmen North Street
Xicheng District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

BOARD

Non-executive Directors

Mr. Qiao Baoping (*Chairman of the Board*)
Mr. Wang Baole
Mr. Luan Baoxing
Mr. Yang Xiangbin

* For identification purpose only

Executive Directors

Mr. Li Enyi (*President*)
Mr. Huang Qun

Independent Non-executive Directors

Mr. Zhang Songyi
Mr. Meng Yan
Mr. Han Dechang

THE COMPANY'S LEGAL REPRESENTATIVE

Mr. Qiao Baoping

AUTHORIZED REPRESENTATIVES

Mr. Li Enyi
Mr. Jia Nansong
Mr. Zhang Songyi (as Mr. Li Enyi's alternate)
Ms. Chan Sau Ling (as Mr. Jia Nansong's alternate)

JOINT COMPANY SECRETARIES

Mr. Jia Nansong
Ms. Chan Sau Ling

AUDITORS

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Centra
Hong Kong

Ruihua Certified Public Accountants
(special general partner)
4th Floor, Building No. 2
Block No. 16
Xi Si Huan Zhong Road
Haidian District
Beijing
PRC

CORPORATE INFORMATION

PRINCIPAL BANKERS

China Development Bank
No.29 Fuchengmenwai Avenue
Xicheng District
Beijing
PRC

China Construction Bank Corporation
Beijing Branch
Building No. 28
Xuanwumenxi Street
Xuanwu District
Beijing
PRC

Bank of Communications Co., Ltd.
Beijing Branch
No. 33 Financial Street
Xicheng District
Beijing
PRC

LEGAL ADVISERS

as to Hong Kong law

Clifford Chance
27th Floor, Jardine House
One Connaught Place
Central
Hong Kong

as to PRC law

Beijing Dacheng Law Offices, LLP
7th Floor, Building D
Parkview Green Fangcaodi
No.9 Dongdaqiao Road
Chaoyang District, Beijing
PRC

H SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
17/F
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

STOCK CODE

00916

FOR INVESTOR ENQUIRIES

Investor hotline: 86 10 6657 9988
Fax: 86 10 6388 7780
Website: www.clypg.com.cn
Email: ir@clypg.com.cn



龍源電力集團股份有限公司
China Longyuan Power Group Corporation Limited*