Beijing Jingneng Clean Energy Co., Limited
北京京能清潔能源電力股份有限公司

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

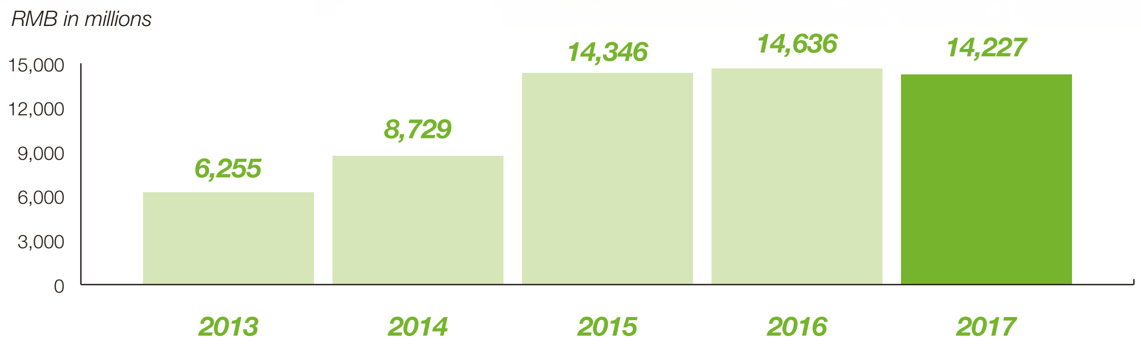
Stock Code: 00579

2017
ANNUAL REPORT

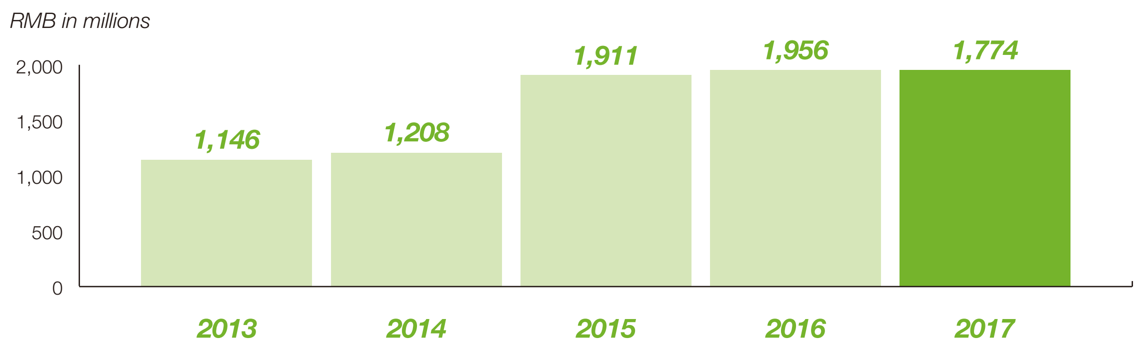
Contents

Financial Highlights

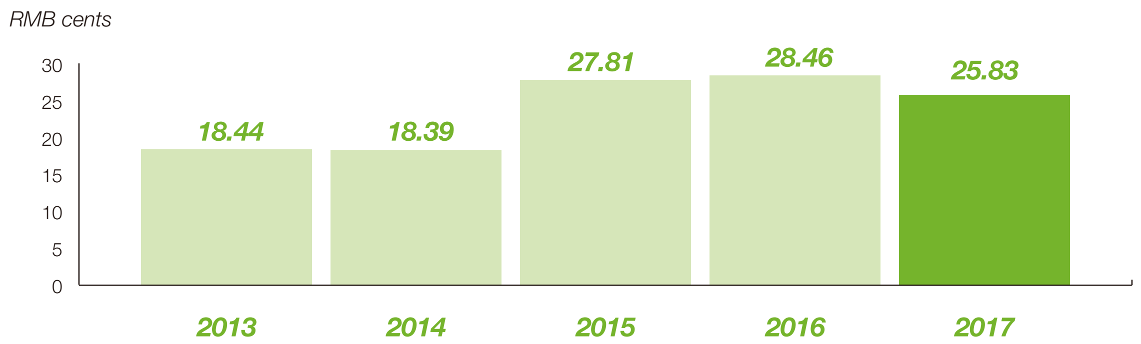
REVENUE



PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY



EARNINGS PER SHARE



Financial Summary

	Year ended December 31				
	2017	2016	2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**14,227,365**	14,635,836	14,346,034	8,728,687	6,254,824
Other income	**1,353,370**	1,445,079	3,248,431	1,425,623	1,462,121
Profit from operations	**3,446,769**	3,354,176	3,372,923	2,330,090	2,037,558
Profit before taxation	**2,452,301**	2,570,330	2,561,228	1,571,614	1,449,835
Income tax expense	**(516,716)**	(443,296)	(528,478)	(284,321)	(222,352)
Profit for the year	**1,935,585**	2,127,034	2,032,750	1,287,293	1,227,483
Total comprehensive income	**2,160,586**	1,976,498	2,002,859	1,186,701	1,227,483
Profit for the year attributable to:					
– Ordinary shareholders of the Company	**1,774,473**	1,955,569	1,910,643	1,208,330	1,145,534
– Holders of perpetual notes	**77,250**	77,250	41,482	–	–
– Non-controlling interests	**83,862**	94,215	80,625	78,963	81,949
	1,935,585	2,127,034	2,032,750	1,287,293	1,227,483
Total comprehensive income for the year attributable to:					
– Ordinary shareholders of the Company	**1,937,527**	1,837,015	1,886,311	1,132,147	1,145,534
– Holders of perpetual notes	**77,250**	77,250	41,482	–	–
– Non-controlling interests	**145,809**	62,233	75,066	54,554	81,949
	2,160,586	1,976,498	2,002,859	1,186,701	1,227,483
Earnings per share *(RMB cents)*					
Basic and diluted	**25.83**	28.46	27.81	18.39	18.44

Financial Summary

	As at December 31				
	2017 *RMB'000*	2016 *RMB'000*	2015 *RMB'000*	2014 *RMB'000* (restated)	2013 *RMB'000*
Total assets	**50,955,684**	47,732,887	46,401,607	48,137,748	38,493,152
Non-current assets	**42,160,577**	40,926,643	39,349,821	37,696,064	32,090,764
Current assets	**8,795,107**	6,806,244	7,051,786	10,441,684	6,402,388
Total liabilities	**32,050,583**	30,337,575	30,294,363	35,195,978	27,528,994
Current liabilities	**19,823,168**	20,279,259	14,189,234	16,487,571	10,645,896
Non-current liabilities	**12,227,415**	10,058,316	16,105,129	18,708,407	16,883,098
Net assets	**18,905,101**	17,395,312	16,107,244	12,941,770	10,964,158
Capital and reserves					
Share capital	**6,870,423**	6,870,423	6,870,423	6,870,423	6,477,413
Reserves	**9,938,168**	8,509,052	7,226,480	5,629,414	4,199,672
Equity attributable to ordinary shareholders of the Company	**16,808,591**	15,379,475	14,096,903	12,499,837	10,677,085
Perpetual notes	**1,527,982**	1,527,982	1,527,982	–	–
Non-controlling interests	**568,528**	487,855	482,359	441,933	287,073
Total equity	**18,905,101**	17,395,312	16,107,244	12,941,770	10,964,158

Corporate Profile

Established in August 2010, Beijing Jingneng Clean Energy Co., Limited, a subsidiary of Beijing Energy Holding Co., Ltd ("**BEH**"), was listed on the Main Board of the Hong Kong Stock Exchange on 22 December 2011. The Group operates its business in a number of provinces and autonomous regions, such as Beijing, Inner Mongolia, Ningxia, Sichuan, Hunan and Guangdong, and involves in gas-fired power and heat energy generation, wind power, photovoltaic power, small-to-medium-sized hydropower and other clean energy generation businesses, which help the Group claim the title of internationally well-known clean energy enterprise, industry-leading clean energy brand, the largest gas-fired heat and power supplier in Beijing and the leading wind power operator in China.

As of 31 December 2017, the total consolidated installed capacity of the Group reached 8,031 MW. Currently, the Group operates six gas-fired cogeneration plants with a consolidated installed capacity of 4,436 MW in Beijing, accounting for over 50% of gas-fired power generation in Beijing and 70% of the heat supply. As a result, it is the leading gas-fired heat and power supplier in Beijing. The consolidated installed capacity of wind power generation reached 2,348 MW with the majority located in Inner Mongolia region, Shaan-Gan-Ning region and Beijing-Tianjin-Hebei region in China where wind resources are abundant. The Group's photovoltaic power generation installed capacity is 798 MW, which is distributed in northwest China, north China and south China regions with relatively abundant solar resource. The Group also operates other clean energy business like small-to-medium-sized hydropower which has an attributable installed capacity of 449 MW mainly distributed in southwest China with abundant water resources. Furthermore, the Group continually explores overseas projects and actively develops wind power and photovoltaic projects in Australia.

The Group adheres to the development philosophy of "innovation, coordination, green, openness and sharing", while upholds the operating approach of "building a solid foundation, refining management and control, optimizing business plans and boosting efficiency through innovation". In pursuit of economic benefits, it generates profits through existing operation capacity, achieves growth from increment and seeks progress while maintaining stability. It also endeavors to adapt to the new normal in economic development, thus continuously improving its competitiveness and capability for sustainable development.

Chairman's Statement

Dear Shareholders,

The year 2017 marked the implementation of the "Thirteenth Five-Year" Plan. While the national economy maintained steady growth and exceeded the expectation, the energy structure underwent significant optimization. In the face of the complex and volatile external environment and the drastically changing domestic market, the Group overcame challenges through ongoing exploration and seized opportunities in adversity. In pursuit of economic benefits, it strived to produce profits from stock, achieve growth from increment and maintain good development momentum. As of the end of 2017, the Group had a total consolidated installed capacity of 8,031 MW and recorded stable growth in installed capacity of the wind power and photovoltaic segments. The utilization hours of wind power and photovoltaic power reached 2,044 hours and 1,558 hours respectively, staying ahead of the nation's average.

Low-carbon energy development, climate and environmental change initiatives, as well as green and sustainable development, have become the common goal of the global community. The PRC is poised for the restructuring, optimization and transformation of the energy structure and has achieved initial progress. Under the "Thirteenth Five-Year" Plan, China has set the target to increase the proportion of non-fossil fuel consumption to 15% by 2020. This provides unprecedented opportunities and challenges to clean energy development.

As stated in the report to the "19th CPC National Congress", "the PRC economy has been transitioning from a phase of rapid growth to a stage of high-quality development". High-quality development refers to meeting the ever-growing needs of people for a better life. It represents the new development philosophy, where innovation is the primary driving force, coordination is a feature of organic growth, green development is the mainstream, opening up is the essential way and sharing is the fundamental purpose. Adhering to the development strategy of "innovation, coordination, green, opening up and sharing", the Board aims to eliminate bottlenecks in development and resolve deep-rooted conflicts. It will expand financing channels, enhance risk management and support the advancement of state-owned enterprises reform for in-depth integration, innovation and development, thereby preparing for the new round of challenges.

The "Thirteenth Five-Year" Energy Plan will be taken to the next level in 2018. The Group will grasp the opportunity as "clean and low-carbon energy development becomes the main theme in the adjustment of energy structure" in the "Thirteenth Five-Year" Energy Plan. To this end, it will optimize the energy portfolio, coordinate the domestic and foreign markets, implement the semi-organic growth strategy, and follow the keynote of achieving progress while maintaining stability. It will also focus on the principal activities and build economies of scale to improve the profitability of assets. Moreover, it will call for joint efforts in integrated development, proceed with reform and innovation, and take the people-oriented approach to work towards the win-win for enterprise and people, so as to bring more attractive investment returns to shareholders!

General Manager's Statement

In 2017, facing the complex and volatile external environment as well as significant domestic changes, the management worked together and took the leading role with the support of the Shareholders and investors and the guidance of the Board. The Group further strengthened management and control, expanded the business scale and realized growth potential as a diligent, practical and ambitious corporate over the year by adopting the operational approach of "building a solid foundation, refining management and control, optimizing business plans and boosting efficiency through innovation". As at the end of 2017, the Group had consolidated total assets of RMB51.0 billion. It had an installed capacity of 8,031 MW under operation, with annual power generation and annual heat generation reaching 25.3 billion kWh and 20.86 million GW respectively. The operating revenue for the year was RMB14.2 billion and the total profit was RMB2.45 billion.

The Group focused on boosting quality and efficiency in 2017. It strived to enhance and expand principal activities, achieved breakthroughs with new growth and implemented the business model driven by development and merger, which led to the rapid and high-quality expansion of the Group. Currently, the Group had an installed capacity of approximately 1,000 MW under construction and a project pipeline of over 5,000 MW. The wind power and photovoltaic projects in Australia have begun to take shape and delivered returns as expected. The overall business of the Group showed good momentum.

During the "Thirteenth Five Year Plan" period, the state has concentrated on developing clean and low carbon energy, bringing the installed capacity of renewable energy into a new round of rapid growth. This opened up a golden opportunity for the Group. We will proceed with the "three space" strategy. Under which, we will first centre on the Beijing-Tianjin-Hebei Coordinated Development Strategy and closely monitor key regional markets including Xiong'an New Area and the venues of the Winter Olympics. Secondly, we will promote development across the country and expanded domestic market. Thirdly, we will follow investment opportunities in countries and regions along the "Belt and Road" and continue to explore overseas market.

Following the 19th National Congress, the clean energy sector has entered the "new era of green development". Our employees will diligently comply with the new requirements, actively adopt new practices, push hard for new breakthroughs and put great efforts in facilitating new growth of the Group, thereby creating exciting investment returns for all shareholders.

On behalf of the management and all staff, I hereby extend my heartfelt gratitude to all Shareholders and investors for your long-term support and trust.

Management Discussion and Analysis

I. INDUSTRY REVIEW

In 2017, the global economy continued to recover and rise, which gave rise to economic growth and moderate inflation in general. Amid the improving overall economic conditions, the PRC promoted structure optimization, change of development momentum and quality upgrade with a focus on the supply-side structural reform during the year. As a result, China's economy achieved steady growth and fared better than expected, entering a phase of high-quality development. In 2017, the country's GDP reached RMB82.7122 trillion, representing a year-on-year increase of 6.9%.

In 2017, the PRC pushed forward the energy production and consumption revolution, accelerated the development in promoting the use of clean energy and significantly optimized the energy consumption structure. The total energy consumption of China increased by approximately 2.9% as compared to last year with the consumption of clean energy, including natural gas, hydropower, nuclear power and wind power, as a percentage of total energy consumption grew by approximately 1.5 percentage points from last year and the share of coal consumption decreased by approximately 1.7 percentage points. National electricity consumption reached 6,307.7 billion kWH, representing a year-on-year growth of 6.6%. Net increase in installed capacity was 133.72 million kW for the whole country, of which, net increase in non-fossil fuel generation was 89.88 million kW, hitting a record high. Net increase of hydropower was 12.87 million kW; net increase in on-grid wind power was 19.52 million kW, representing a year-on-year increase of 8.8 percentage points; net increase of on-grid solar power was 53.38 million kW, representing a year-on-year increase of 19.6 percentage points. Net increase of coal-fired power was 38.55 million kW, down 1.42 million kW from last year. The national electricity output totaled 6.42 trillion kWH, representing a year-on-year growth of 6.5%. Among which, non-fossil fuel generation increased by 10.0% from last year and accounted for 30.4% of total power generation, up 1.0 percentage point year-on-year. Total power generation from on-grid solar energy, on-grid wind power and nuclear power increased by 75.4%, 26.3% and 16.5% respectively. Hydropower generation grew by 1.7% and thermal power generation went up by 5.2% year-on-year.

During the Reporting Period, the Group focused on "quality and efficiency improvement". It fully implemented the operating philosophy of "building a solid foundation, refining management and control, optimizing business plans and boosting efficiency through innovation". In pursuit of economic benefits, the Group generated profits through existing operation capacity, achieved growth from increment and sought progress while maintaining stability. As a result, all business segments developed in an orderly manner and the Group steadily improved its competitiveness, profitability and capability to sustain growth, allowing it to stay on the track of steady development.

II. BUSINESS REVIEW FOR THE YEAR OF 2017

1. Strengthened construction progress management and steadily increased installed capacity

In 2017, the Group continued to push forward key projects under construction and closely monitored construction quality of each stage. It ensured timely, orderly and high-quality construction work through stringent time management for milestones of construction projects. During the Reporting Period, the Group commenced commercial operation of 9 new projects with a total installed capacity of 240 MW, including 2 wind power projects with an installed capacity of 85 MW, representing a year-on-year growth of 3.8%, and 7 photovoltaic projects with an installed capacity of 155 MW, representing a year-on-year growth of 24.1%.

As at 31 December 2017, the consolidated installed capacity of the Group totaled 8,031 MW, representing a year-on-year growth of 3.1%. Of which, the installed capacity of gas-fired power projects accounted for 4,436 MW or 55.23% of the total; wind power projects accounted for 2,348 MW or 29.24% of the total; photovoltaic power projects accounted for 798 MW or 9.94% of the total; and hydropower projects accounted for 449 MW or 5.59% of the total.

Power generation of all segments reached 25.263 billion kWH for the year. Among which, gas-fired power and heat energy generation totaled 17.526 billion kWH, wind power generation totaled 4.719 billion kWH, photovoltaic power generation totaled 1.147 billion kWH and hydropower generation totaled 1.871 billion kWH.

As at 31 December 2017, the consolidated installed capacity of the Group, classified by types of power generation, was as follows:

Types of power generation	Consolidated installed capacity as at 31 December 2017 *(MW)*	Percentage
Gas-fired power and heat energy generation	4,436	55.23%
Wind power generation	2,348	29.24%
Photovoltaic power generation	798	9.94%
Hydropower generation	449	5.59%
Total	8,031	100.00%

2. Active expansion of high-quality projects and in-depth optimization of business plan

In 2017, the Group spared no efforts to achieve breakthroughs in various aspects. Aiming at more in-depth progress, it proposed innovative development strategy and implemented the semi-organic growth model driven by construction and acquisition. By fully leveraging favourable national policy and opportunities from the adoption of ultra-high-voltage electricity transmission, the Group targeted the development of photovoltaic power in areas including Hunan and Guangdong and acquired major photovoltaic stations with better profitability and that were not subjected to power curtailment. During the Reporting Period, the Group acquired the Guangdong Heyuan 100 MW Agriculture and Light Complementary Photovoltaic Power Project, Hunan Datong Lake 200 MW Fishing and Light Complementary Photovoltaic Power Project, Gonghe Yuantong 10 MW Photovoltaic Power Project and Lingyuan Dongda 40 MW Photovoltaic Power Project which further optimized its business network.

3. Green and efficient growth driven by innovation and full implementation of Beijing-Tianjin-Hebei Coordinated Development

On 28 September 2017, Beijing Jingxi Gas-fired Power Co., Ltd ("Jingxi Gas"), a subsidiary of the Group, was awarded the "First Batch of Influential Brand in Beijing-Tianjin-Hebei Region-2017 Green Development Role Model" at the "2017 Summit of Innovation for Beijing-Tianjin-Hebei Coordinated Development cum Beijing-Tianjin-Hebei Influential Brand Award Ceremony". On 15 December 2017, Jingxi Gas received the "2017 Most Influential PRC Brand in Technological Innovation" Award at the 4th China Green Development and Ecological Construction Forum cum "China Green Development Demonstrative Project (2017) Press Conference". Through technological innovation, Jingxi Gas made active efforts and contribution to the green economy and green transformation.

Seizing opportunities in the Beijing-Tianjin-Hebei Coordinated Development, the Group leveraged its own strengths to capture market resources in the Beijing-Tianjin-Hebei region in 2017. The distributed photovoltaic project in the administration and office area of the sub-centre of Beijing has commenced construction and the first phase of the Qianxi Jinxin 4 MW Rooftop Photovoltaic Power Project has achieved on-grid connection. In addition, the Group promoted the initial development of key projects in the Beijing-Tianjin-Hebei region. The Guanting Wind Farm 200 MW Follow-up Project and the Mentougou Jiangshuihe 50 MW Wind Power Project made application for preparation works to the Beijing Municipal Commission of Development and Reform.

4. Coordinated and formulated plans for various financing channels to further rationalize the debt structure

In 2017, against the backdrop of financial deleveraging, the PRC faced liquidity squeeze and interest rate hike, leading to significantly higher financing cost in the bond market. In facing the challenging financing environment, the Group coordinated various financing channels and issued a total of RMB8.0 billion super short-term bonds and RMB2.0 billion mid-term notes. At the same time, it expanded the bank financing channels and increased the credit limit to RMB24.4 billion, including RMB14.025 billion for loans. This secured working capital by ensuring timely renewal of domestic and foreign loans. During the Reporting Period, the Group achieved steady growth in assets and lowered the gearing ratio.

5. Continuous expansion of overseas projects to fully capitalize on synergy

Following the acquisition of Gullen Wind Farm in Australia and photovoltaic projects, the Group acquired the Newtricity Development Biala Pty Ltd. (which was engaged in construction of wind power projects) in Australia during the Reporting Period, with an estimated installed capacity of 108 MW. The Biala Project and Gullen Project are adjacent to each other, hence they are able to share existing booster station and other grid connection facilities, which lowers the grid connection fee and increases project profits. The synergy makes it easier for the Group to coordinate and manage its overseas operation as well. In addition, the difference in pricing strategies balances the tariff revenue from the two projects. In addition to delivering fixed income, it also secures higher profitability and further optimizes the tariff structure in the Australian market.

6. Enhanced production safety through various measures to maintain leading operational capability

In 2017, the Group strengthened the foundation of production safety management and established a long-lasting production safety mechanism. During the year, it attained the production safety goal of "ten non-occurrences" and entered into safety target letter and individual undertakings on "no harm done in four aspects" in connection with all levels of projects under its direct management. Through comprehensive inspection programmes, including "spring inspection"; "autumn inspection"; inspection for peak season in summer; annual inspection of wind farms; inspection to secure stable electricity supply for the 19th National Congress; inspection for resistance to wind, fire, low temperature and freezing; inspection of the work tickets; safety assessment by external specialists and self-inspection; inspection of hidden fire threats and other comprehensive inspection on all business segments, the Group identified and rectified the deficiencies and carried out follow-up actions for the closed-loop management of hidden safety risks. Based on operation features of individual business segments, the Group strengthened equipment management and maintenance, and optimized the operation and repair practices, so as to ensure the stable operation of units. During the Reporting Period, the average utilization hours of wind power and photovoltaic power outperformed the national average.

III. OPERATING RESULTS AND ANALYSIS

1. Overview

In 2017, the Group achieved net profit of RMB1,935.6 million, representing a decrease of 9.00% as compared to RMB2,127.0 million for 2016. Profit attributable to the ordinary shareholders of the Company amounted to RMB1,774.5 million, representing a decrease of 9.26% as compared to RMB1,955.6 million for 2016.

2. Operating Income

Total revenue decreased by 2.79% from RMB14,635.8 million for 2016 to RMB14,227.4 million for 2017. Adjusted total operating income decreased by 3.63% from RMB15,852.1 million in 2016 to RMB15,276.4 million in 2017, due to the decrease in revenue from sales of electricity as a result of fewer utilization hours and a reduction in government grants and subsidies related to clean energy production in the gas-fired power and heat energy generation segment in 2017.

Gas-fired Power and Heat Energy Generation Segment

The revenue from the gas-fired power and heat energy generation segment decreased by 6.80% from RMB11,882.3 million for 2016 to RMB11,073.9 million for 2017. Revenue from sales of electricity decreased by 9.11% from RMB10,490.4 million for 2016 to RMB9,535.2 million for 2017, due to the decrease in sales volume of electricity resulting from the reduction in utilization hours in the segment. Revenue from sales of heat energy increased by 10.54% from RMB1,391.9 million for 2016 to RMB1,538.6 million for 2017, due to the increase in sales volume of heat in this segment.

Wind Power Segment

The revenue from wind power segment increased by 9.99% from RMB1,729.7 million for 2016 to RMB1,902.5 million for 2017, due to the increase in sales volume of electricity as a result of the increase in the installed capacity in this segment.

Photovoltaic Power Segment

The revenue from photovoltaic power segment increased by 34.57% from RMB645.7 million for 2016 to RMB868.9 million for 2017, due to the increase in sales volume of electricity as a result of the increase in the installed capacity in this segment.

Hydropower Segment

The revenue from hydropower segment decreased by 2.22% from RMB373.1 million for 2016 to RMB364.8 million for 2017.

Others

Other revenue increased by 239.22% from RMB5.1 million for 2016 to RMB17.3 million for 2017, due to the increase in revenue from providing maintenance services to external parties.

3. Other Income

Other income decreased by 6.35% from RMB1,445.1 million for 2016 to RMB1,353.4 million for 2017, due to the decrease in government grants and subsidies related to clean energy production as a result of the decrease in gas sales in the gas-fired power and heat energy generation segment.

4. Operating Expenses

Operating expenses decreased by 4.66% from RMB12,726.7 million for 2016 to RMB12,134.0 million for 2017, due to the decrease in gas consumption as a result of the decrease in the sales volume of electricity in the gas-fired power and heat energy generation segment.

(1) Gas Consumption

Gas consumption decreased by 7.18% from RMB8,715.7 million for 2016 to RMB8,089.8 million for 2017, due to the decrease in gas consumption as a result of the decrease in the sales volume of electricity in the gas-fired power and heat energy generation segment.

(2) Depreciation and Amortization

Depreciation and amortization increased by 10.68% from RMB1,913.5 million for 2016 to RMB2,117.9 million for 2017, due to the increase in the installed capacity in the wind power segment and photovoltaic power segment.

(3) Personnel Cost

Personnel cost increased by 12.95% from RMB619.9 million for 2016 to RMB700.2 million for 2017, due to the increase in the number of employees as a result of the business development of the Group and additional personnel costs expensed following the commencement of production of new projects.

(4) Repairs and Maintenance

Repairs and maintenance decreased by 8.90% from RMB615.7 million for 2016 to RMB560.9 million for 2017, due to the decrease in maintenance expenses in the gas-fired power and heat energy generation segment.

(5) Other Expenses

Other expenses increased by 6.09% from RMB669.6 million for 2016 to RMB710.4 million for 2017, due to the increase in land lease expenses.

(6) Other Gains and Losses

Other gains and losses increased from a loss of RMB192.3 million for 2016 to a gain of RMB45.3 million for 2017, due to the decrease in the loss from changes in the fair value of H shares of CGN Power Co., Ltd. held by the Company during the holding period and the derecognition of operation right over the Yunnan Hydropower Project assumed by the Company in 2016.

5. Operating Profit

As a result of the above, the Company's operating profit increased by 2.76% from RMB3,354.2 million for 2016 to RMB3,446.8 million for 2017.

6. Adjusted Segment Operating Profit

The total adjusted segment operating profit increased by 0.55% from RMB3,125.3 million for 2016 to RMB3,142.4 million for 2017.

Gas-fired Power and Heat Energy Generation Segment

The adjusted segment operating profit of our gas-fired power and heat energy generation segment decreased by 15.50% from RMB2,359.6 million for 2016 to RMB1,993.9 million for 2017, as a result of the decrease in the sales volume of electricity resulting from the reduction of utilization hours in this segment.

Wind Power Segment

Adjusted segment operating profit of our wind power segment increased by 11.28% from RMB557.5 million for 2016 to RMB620.4 million for 2017 due to the increase in sales volume of electricity as a result of newly installed capacity in this segment.

Photovoltaic Power Segment

The adjusted segment operating profit of our photovoltaic power segment increased by 24.54% from RMB388.7 million for 2016 to RMB484.1 million for 2017, due to the increase in sales volume of electricity as a result of the newly installed capacity in this segment.

Hydropower Segment

The adjusted segment operating profit of our hydropower segment increased by 482.74% from RMB16.8 million for 2016 to RMB97.9 million for 2017, due to the derecognition of operation right over the Yunnan Hydropower Project assumed by the Company in 2016 in this segment.

Others

Other adjusted operating profit increased from a loss of RMB197.3 million for 2016 to a loss of RMB53.9 million for 2017, due to the decrease in the loss from changes in the fair value of H shares of CGN Power Co., Ltd. held by the Company.

7. Finance Costs

Our finance costs increased by 9.61% from RMB983.1 million for 2016 to RMB1,077.6 million for 2017 due to the increase in market interest rate and the interest payments expensed following the commencement of production of new projects.

8. Share of Results of Associates and a Joint Venture

The share of results of associates and a joint venture decreased by 71.37% from RMB172.2 million for 2016 to RMB49.3 million for 2017, due to the decrease in net profit of a subsidiary of Beijing Jingneng International Power Co., Ltd., an associate of the Company, resulting from rising coal price.

9. Profit before Taxation

As a result of the above, profit before taxation decreased by 4.59% from RMB2,570.3 million for 2016 to RMB2,452.3 million for 2017.

10. Income Tax Expense

Income tax expense increased by 16.56% from RMB443.3 million for 2016 to RMB516.7 million for 2017. The effective tax rate increased from 17.25% for 2016 to 21.07% for 2017.

11. Profit for the Year

As a result of the above, profit for the year decreased by 9.00% from RMB2,127.0 million for 2016 to RMB1,935.6 million for 2017.

12. Profit for the Year Attributable to Ordinary Shareholders of the Company

Profit for the year attributable to ordinary shareholders of the Company decreased by 9.26% from RMB1,955.6 million in 2016 to RMB1,774.5 million in 2017.

IV. FINANCIAL POSITION

1. Overview

As of 31 December 2017, total assets of the Group amounted to RMB50,955.7 million, total liabilities were RMB32,050.6 million and shareholders' equity reached RMB18,905.1 million, among which equity attributable to the ordinary shareholders amounted to RMB16,808.6 million.

2. Particulars of Assets and Liabilities

Total assets increased by 6.75% from RMB47,732.9 million as at 31 December 2016 to RMB50,955.7 million as at 31 December 2017, due to the increase in investment for the construction of new projects. Total liabilities increased by 5.65% from RMB30,337.6 million as at 31 December 2016 to RMB32,050.6 million as at 31 December 2017, due to the increase in construction loans for new projects. Total equity of shareholders increased by 8.68% from RMB17,395.3 million as at 31 December 2016 to RMB18,905.1 million as at 31 December 2017. Equity attributable to ordinary shareholders of the Company increased by 9.29% from RMB15,379.5 million as at 31 December 2016 to RMB16,808.6 million as at 31 December 2017, due to the operating accretion from businesses.

3. Liquidity

As of 31 December 2017, current assets amounted to RMB8,795.1 million, including monetary capital of RMB2,675.1 million; bills and trade receivables of RMB3,867.6 million (mainly comprising receivables from sales of electricity and heat energy); and prepayment and other current assets of RMB2,252.4 million (mainly comprising deductible value added tax and other account receivables). Current liabilities amounted to RMB19,823.2 million, including short-term borrowings of RMB9,922.7 million, short-term debentures of RMB6,000.0 million, and bills and trade payables of RMB3,483.2 million (mainly comprising payables for gas, payables for engineering and purchase of equipment); other current liabilities amounted to RMB417.3 million, mainly including income tax payable and amounts due to related parties.

Net current liabilities decreased by 18.15% from RMB13,473.0 million as at 31 December 2016 to RMB11,028.1 million as at 31 December 2017. Current ratio increased by 10.81% from 33.56% as at 31 December 2016 to 44.37% as at 31 December 2017, due to the increase in monetary capital.

4. Net Gearing Ratio

Net gearing ratio, calculated by dividing net debts (total borrowings minus cash and cash equivalents) by the sum of net debts and total equity, decreased by 0.78% from 57.47% as at 31 December 2016 to 56.69% as at 31 December 2017 due to the increase in shareholders' equity.

The Group's long-term and short-term borrowings increased by 8.49% from RMB25,273.2 million as at 31 December 2016 to RMB27,420.0 million as at 31 December 2017, comprising short-term borrowings of RMB9,922.7 million, long-term borrowings of RMB9,494.6 million, mid-term notes of RMB2,002.7 million and short-term debentures of RMB6,000.0 million.

Bank deposits and cash held by the Group increased by 50.97% from RMB1,772.0 million as at 31 December 2016 to RMB2,675.1 million as at 31 December 2017, due to the ample funds raised from multiple parties for securing liquidity in light of the tightening of credit policy at the end of last year.

V. OTHER SIGNIFICANT EVENTS

1. Financing

On 9 March 2017, the Group issued the first tranche of the super-short-term debentures of 270 days to raise proceeds of RMB2,000.0 million, bearing an interest rate of 4.30% per annum, which was settled on 4 December 2017. On 18 August 2017, the Group issued the second tranche of the super-short-term debentures of 270 days to raise proceeds of RMB2,000.0 million, bearing an interest rate of 4.58% per annum. On 13 November 2017, the Group issued the third tranche of the super-short-term debentures of 270 days to raise proceeds of RMB2,000.0 million, bearing an interest rate of 4.90% per annum. On 14 December 2017, the Group issued the fourth tranche of the super-short-term debentures of 270 days to raise proceeds of RMB2,000.0 million, bearing an interest rate of 5.15% per annum.

On 1 December 2017, the Group issued the 5-year mid-term notes to raise proceeds of RMB2,000.0 million, bearing an interest rate of 5.5% per annum.

2. Capital Expenditure

In 2017, the Group's capital expenditure amounted to RMB3,141.4 million, including RMB416.1 million incurred for construction projects in the gas-fired power and heat energy generation segment, RMB572.2 million incurred for construction projects in the wind power segment, RMB2,048.2 million incurred for construction projects in the photovoltaic power segment, RMB36.2 million incurred for construction projects in the hydropower segment, and RMB68.8 million incurred for construction projects in other segments.

Management Discussion and Analysis

3. Significant Investment

According to the development plan of the Group, the Group established "Beipiao Jingneng New Energy Co., Limited" (北票京能新能源有限公司), "Chaoyang County Jingneng New Energy Co., Limited" (朝陽縣京能新能源有限公司), "Jinyun County Jingneng New Energy Co., Limited" (縉雲縣京能新能源有限公司), "Huludao Nanpiao Jingtai New Energy Co., Limited" (葫蘆島南票京泰新能源有限公司), "Huludao Nanpiao Wanhe New Energy Co., Limited" (葫蘆島南票萬和新能源有限公司) and "Linghai Jingxin New Energy Co., Limited" (淩海京鑫新能源有限公司) as wholly-owned subsidiaries in 2017 to carry out the construction of photovoltaic power projects.

The Group acquired "Gonghe Yuantong Photovoltaic Power Co., Limited" (共和源通光伏發電有限公司), "Dongyuan Tianhua Sunlight New Energy Power Photovoltaic Power Co., Limited" (東源天華陽光新能源電力有限公司), Yiyang Datong Lake Dongda Photovoltaic Power Co., Limited (益陽大通湖東大光伏發電有限公司), "Lingyuan Dongda Photovoltaic Power Co., Limited" (淩源東大光伏發電有限公司) as wholly-owned subsidiaries in 2017 to carry out the construction of photovoltaic power projects. The Group acquired the wholly-owned subsidiary Newtricity Development Biala Pty Ltd. (紐崔希蒂拜亞拉開發公司) in Australia in 2017, which was primarily engaged in construction of wind power projects.

4. Contingent Liabilities

As of 31 December 2017, the Group had no external guarantees.

5. Mortgage of Assets

As of 31 December 2017, the Group's bank borrowings were secured by trade receivables of RMB132.7 million; bank borrowings were secured by fixed assets of RMB1,537.48 million; bank borrowings were secured by the entire equity in New Gullen Range Wind Farm (Holding) Pty Ltd., which was pledged to National Australia Bank.

6. Subsequent Events

Subsequent to the Reporting Period to the date of this announcement, the Group had no material subsequent events.

VI. RISK FACTORS AND RISK MANAGEMENT

Currently, the operation and development of the Group are not exposed to any material risk factors, but they will be impacted to a certain extent by several factors in the short run:

Interest Rate Risk

The Group is principally engaged in electricity investment, which requires relatively high capital investments. Thus the uncertainties of interest rate will affect the financing cost of the Group. The Group's good credit standing and sufficient credit facility from banks can ensure safe, stable and successful funding. Also, for the purpose of minimizing financing costs, the Group has secured a large number of stable sources of funding through a variety of means, such as the issue of super-short-term debentures, short-term debentures, mid-term notes and perpetual notes. It also adhered to the principle of combining short-term and long-term funds carrying interest at fixed or floating rates, thereby providing stable funding for projects.

The Group closely monitors changes in the economic environment, determines the direction of movement in bank interest rate and enhances the management of debt structure with timely adjustment, so as to minimize the exposure to interest rate risks.

Exchange Rate Risk

The businesses of the Group are mainly located in mainland China, where most of the income and expenses are denominated in Renminbi. The Group has a small portion of overseas investments and loans in foreign currencies (including deposits denominated in Australia dollars, HK dollars, US dollars, Euro, as well as borrowings in US dollars and Australia dollars). Changes in the Renminbi exchange rate may cause exchange loss or gain to the Group's businesses denominated in foreign currencies.

The Group will continue to monitor the exchange rate so as to cope with changes in the foreign exchange market, and enhance the risk management on the exchange rate to reduce exchange loss by various means.

VII. 2018 BUSINESS OUTLOOK

The year 2018 is crucial to the "Thirteenth Five-Year" plan. In 2018, the clean energy sector will continue to shift from unplanned growth to the production model that focuses on quality and efficiency. The improving renewable energy development and utilization mechanism, rising local consumption and evolving market mechanism and policy will reduce wind and solar power curtailment. The Group will thoroughly follow the decision of the 19th National Congress. It will pursue economic benefits by generating profit through existing operation capacity and attaining growth from increment. Through concerted efforts and practical approach, the Group will adapt to the new trend with a good culture, new achievements and new breakthrough.

Management Discussion and Analysis

In 2018, the Group will strive to realize various business objectives by accomplishing the following tasks:

1. Comprehensive enhancement of innovation capability to improve quality and efficiency

Favourable government policy and subsidies play an important role in the PRC clean energy industry. Nonetheless, the state has introduced various policies to gradually open up the clean energy market as it underwent rapid expansion, which was demonstrated by the frequent promulgation of NDRC policies on clean energy grid parity. The Group will have to enhance its innovation capabilities so as to achieve growth in the new order. Firstly, it will develop new production and management mode, conduct research on the management of operation and maintenance target for new projects, and maximize efficiency by utilizing social capital. Secondly, it will formulate new performance assessment model for the production system. Through ongoing exploration of appraisal system that correlates with power generation target and utilization rate target, it will encourage production personnel to be more proactive and creative. Thirdly, it will adopt new technology and process, in order to achieve breakthrough in the application of new materials and technology.

2. Increase efforts in project expansion and optimize clean energy layout

In 2018, the Group will adhere to existing development strategy and "focusing on Beijing market", "constructing refines projects" and "strengthening projects". It will develop high-quality resources and continue to optimize the business plan. Centering on the Beijing-Tianjin-Hebei region, Yangtze River Delta and Pearl River Delta, it will push forward regional energy projects that integrate distributed gas-fired power and energy internet. While further development of clean energy projects in the Beijing-Tianjin-Hebei remains one of its missions, the Group will also take part in project construction in key regions such as Tongzhou, Xiong'an, the stadium of the Winter Olympics, New Airport, and the "Three Cities and One District". The Group will follow the trend of market development and secure high-quality wind power projects in Central, Eastern and Southern China, where there are abundant wind resources and favourable conditions for on-gird connection and power consumption. The Group will conduct in-depth market research and promote agriculture and light complementary, fishing and light complementary, wind and light complementary and distributed photovoltaic projects with strong market competitiveness. In pursuit of breakthroughs in offshore wind power and solar thermal power generation, it will take advantage of the country's supporting policy. Where project revenue is secured, it will follow up on waste-to-energy projects. Based on its projects in Australia, the Group will develop along the Belt and Road initiative, thereby enlarging overseas market share.

3. Further consolidate the management foundation to enhance professional management and control

In 2018, the Group will further optimise operation management and internal decision making procedures. In addition to that, it will continue to optimize the formulation, promotion, implementation, inspection and evaluation of the standard system, so as to ensure compliance, inspection and supervision of all aspects of management practices. It will conduct comprehensive benchmarking with top-notch industry players to identify deficiencies and seek improvements, with an aim of maintaining the leading position in terms of management standard. It will also enhance operation compliance and strengthen risk management and internal control system for more effective risk control, with a view of promoting professional management.

Human Resource

The Group upholds the management philosophy of "people-oriented and pursuit of excellence", strives to create a harmonious working environment, and strengthens efforts in building of talents team. While focusing on the development of the Company, it attaches importance to staff training and employees' benefits. The overall human resources condition of the Group in 2017 is summarized as follows:

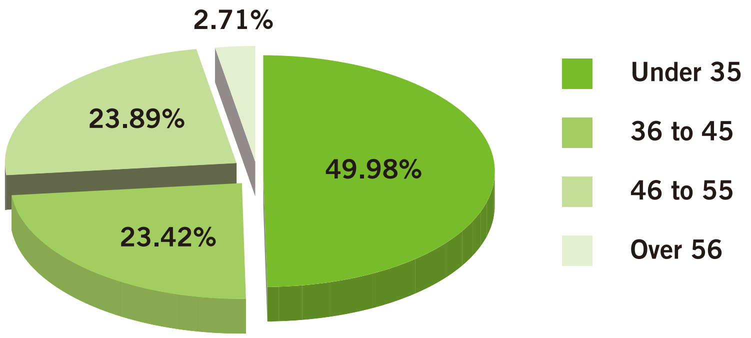
I. SUMMARY OF HUMAN RESOURCES

The Group had a total of 2,763 employees as at 31 December 2017. The age of staff tended to be young, with the proportion of employees under the age of 35 accounting for 50%; employees were generally highly educated, with the proportion of holders of Bachelor degree and above degree accounting for nearly 55% of the total staff. Please refer to the following tables for details of the age and degree structure of employees:

1. Age Structure:

Age distribution	Number of employees	Percentage	Cumulative percentage
Under 35	1,381	49.98%	49.98%
36 to 45	647	23.42%	73.40%
46 to 55	660	23.89%	97.29%
Over 56	75	2.71%	100.00%
Total	2,763	100.00%	–

Age Structure



2. Degree Structure:

Educational background	Number of employees	Percentage	Cumulative percentage
Doctorate degree	4	0.15%	0.15%
Master degree	229	8.29%	8.44%
Bachelor degree	1,252	45.31%	53.75%
College or below	1,278	46.25%	100.00%
Total	2,763	100.00%	–

II. EMPLOYEES INCENTIVES

With an aim to cope with its development, the Group, on the basis of position-oriented accountability system, has established a performance appraisal system for all employees and a multi-level incentive mechanism. Through clearly defining position-oriented performance targets and formulating performance standards, the Company is able to assess and appraise employees' performance in an objective manner. By materializing reward and penalty in the performance-based portion of the employees' remuneration based on appraisement results, the Company is able to fully boost the potential and the morale of employees, thus achieving the coexistence of incentives and restraints.

III. EMPLOYEES' REMUNERATION

The employees' remuneration comprises basic salary and performance-based salary. The total salary is determined by reference to the performance appraisal of all the employees of the Group. Individual performance is associated with personal annual appraisal results.

IV. EMPLOYEES' TRAINING

Talent is the source for the Company's development. The Group utilized training agenda as an important tool of upgrading the level of corporate management and of enhancing the overall quality of the employees. In terms of the design of training courses, the Company emphasized the probe into training needs, in a view to actively motivating all departments' initiatives, and arranged various vocational training for the employees that are geared to the characteristics of profession and position requirements. The Company formed a set of complete system to strictly check and examine the training results for the purpose of training management. The Company offered a variety of training courses, and also encouraged employees to actively participate in external training to provide more opportunities for employees to conduct foreign exchange and study and broaden their horizons, thus training more talents for the Company.

Based on corporate characteristics and the actual situations, the Group rolled out the management training program in 2017, which was designed to enhance professional efficiency and cultural quality. The training program comprises post-specific professional training, new employee training and frontline technical skill training that focused on the actual needs of the generation business and the professional skills. The content-rich and diversified courses were attended by 100% of staff. The average training sessions attended per employee was over 4 times and the average training time per employee exceeded 110 hours.

V. EMPLOYEES' BENEFITS

The Group has made contributions to the social security fund and housing fund for its employees in strict compliance with the Labor Law, Labor Contract Law and Social Insurance Law. Meanwhile, the Group has also prepared related systems such as the Management Standards for Social Security Fund and Housing Fund, Management Standards for Supplementary Healthcare, Management Standards for Occupational Health, Administrative Measures for Labor Welfare and Administrative Measures for Labor Protective Equipment to increase the benefits of the Company and enhance employees' sense of belonging and happiness.

Profiles of Directors, Supervisors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. MENG Wentao (孟文濤), aged 48, is a non-executive Director and the Chairman of the Board of our Company. He is a senior engineer. He served as the operation team leader and shift leader of the operation department of Inner Mongolia Delate Power Plant from July 1992 to January 2000; the deputy director of the organization department of Inner Mongolia Delate Power Plant from January 2000 to January 2001; the deputy director, director and secretary of the inspection and maintenance department of Inner Mongolia Delate Power Plant from January 2001 to January 2004; the vice chief engineer of the inspection and maintenance department of Inner Mongolia Delate Power Plant from January 2004 to March 2005; the deputy general manager of Inner Mongolia Daihai Electric Power Generation Co., Ltd. (內蒙古岱海發電有限責任公司) from March 2005 to November 2006; the deputy head of the safety production supervision department of North United Power Corporation (北方聯合電力有限責任公司) from November 2006 to May 2007; the general manager of Beijing Jingneng Thermal Power Co., Ltd. from May 2007 to July 2009; the secretary of CPC Committee and general manager of Beijing Jingneng Thermal Power Co., Ltd. from July 2009 to June 2010; the member of the CPC Committee and general manager of the Company from June 2010 to May 2012; the vice general manager of Beijing Energy Investment Holding Co., Ltd. from May 2012 to December 2014; and the vice general manager of BEH since December 2014.

Mr. JIN Shengxiang (金生祥), aged 43, is a non-executive Director of our Company. He is a senior engineer with a master degree in engineering management. He served as a cadre of the Turbine Research Institute of Beijing Electric Power Research Institute (北京電力科學研究院) from August 1995 to November 2000; a cadre of the Turbine Research Institute and the manager of infrastructure commissioning of North China Electric Power Research Institute Co., Ltd. (華北電力科學院有限責任公司) from November 2000 to December 2005; the deputy head of the Turbine Research Institute of North China Electric Power Research Institute Co., Ltd. from December 2005 to May 2007; the manager of the production safety department of Beijing Jingneng International Power Co., Ltd. from May 2007 to August 2009; the vice president of Beijing Jingneng International Power Co., Ltd. from August 2009 to June 2013; the deputy head and the head of the Power production and operation department of Beijing Energy Investment Holding Co., Ltd. from December 2009 to March 2013; the head of production management department of Beijing Energy Investment Holding Co., Ltd. (北京能源投資(集團)有限公司) from March 2013 to December 2014; and the head of production management department of BEH since December 2014.

Profiles of Directors, Supervisors and Senior Management

Mr. Tang Xinbing (唐鑫炳), aged 53, is a non-executive Director of our Company. Mr. Tang is a senior economist with a master degree in economics. He served as an officer of the business planning department and the general office secretary of Hubei Supply and Marketing Cooperative from July 1988 to March 1993; the assistant manager of Shenzhen Efeng Trading Co., Ltd. (深圳鄂豐貿易有限公司) from March 1993 to December 1993; the manager of the securities investment department of Hainan Efeng Industrial Trading Company (海南鄂豐實業貿易總公司) from December 1993 to March 1994; the general manager and the legal representative of Hongqiao Securities Consulting Service Company (虹橋證券諮詢服務公司) from March 1994 to September 1995; and the deputy head of office of Hubei Supply and Marketing Cooperative from September 1995 to December 1998. He was seconded to the Administrative Office of the Hubei Provincial Government and served as the secretary to the board and deputy general manager of Beijing Hubei Building Co., Ltd. (北京湖北大廈有限責任公司) from December 1998 to May 2000. Mr. Tang also served as the deputy general manager of Beijing Jiulifang High-tech Development Co., Ltd. (北京九立方高科技發展有限公司) from May 2000 to May 2002; the head of the board office of Beijing International Power Development and Investment Corporation (北京國際電力開發投資公司) and the general manager of Inner Mongolia Daihai Protection Construction Development Co., Ltd. (內蒙古岱海保護建設發展有限責任公司) from May 2002 to November 2004; the office head of the strategic decision committee of the board and the manager of the strategic development department of Beijing Energy Investment Holding Co., Ltd. from December 2004 to January 2007; the head of the strategic investment office (energy strategy research institute) of Beijing Energy Investment Holding Co., Ltd. from January 2007 to October 2007; the head of the Jianghan hydropower project planning and construction department of Beijing Energy Investment Holding Co., Ltd. from October 2007 to April 2008; the general manager of Huibei Jingneng Longbeiwan Hydropower Development Co., Ltd. (湖北京能龍背灣水電發展有限公司) from April 2008 to July 2009; the person-in-charge of the strategic investment office of the board of Beijing Energy Investment Holding Co., Ltd. from July 2009 to December 2009; the head of the strategic planning department of Beijing Energy Investment Holding Co., Ltd. from December 2009 to December 2014; the head of the strategic planning department of BEH from December 2014 to November 2015; the head of strategic planning department of BEH and the general manager of Beijing Energy Investment Holding (Hong Kong) Co., Ltd. since November 2015.

Mr. YU Zhongfu (于仲福), aged 47, is a non-executive Director of our Company. Mr. Yu has been the deputy general manager of Beijing State-owned Assets Operation and Management Center since May 2009, and the director of Beijing Rural Commercial Bank Co., Ltd. since May 2010. Mr. Yu has been serving as a non-executive director of CSC Financial Co., Ltd. (a company listed on the Main Board of Hong Kong Stock Exchange, stock code: 6066, whose English name was changed from "China Securities Finance Co., Ltd." to "CSC Financial Co., Ltd." with effect from 20 October 2016.) since March 2011 and the vice chairman since August 2016. From November 2003 to May 2009, he worked with Beijing State-owned Assets Supervision and Administration Commission, as deputy director of Department of Reform and Development, deputy director and then director of Department of Enterprise Reform, in that respective order. From September 1996 to November 2003, he worked with Beijing Economic and Trade Commission, where he was a senior staff, principal staff and deputy director of Department of Small and Medium Enterprises, and then deputy director of the Department of Enterprise Reform, in that respective order. From January 1996 to September 1996, Mr. Yu worked with Shijingshan District Economic Planning Commission in Beijing as a staff then deputy section chief of Industry Section. Mr. Yu started his career as a staff at Shijingshan District Committee of the Chinese People's Political Consultative Conference in Beijing, where he worked from July 1992 to January 1996. Mr. Yu studied at North China University of Technology from September 1988 to July 1992, where he obtained a bachelor's degree of engineering. From September 2000 to July 2002, he studied in a post-graduate course at Central University of Finance and Economics, majoring in finance. He obtained a master's degree in public administration from Peking University in July 2011.

Profiles of Directors, Supervisors and Senior Management

Mr. ZHAO Wei (趙威), aged 46, is a non-executive Director of our Company. Mr. Zhao served as the deputy general manager of Funds Usage Centre of China Life Insurance (Group) Company from March 2003 to June 2004; served as the director-general of Account Management Centre of China Life Asset Management Co., Ltd. from June 2004 to April 2006; served as the general manager of China Life Hong Kong Asset Management Company and the president of China Life Franklin Asset Management Co., Ltd. from April 2006 to February 2010; served as the vice president of New China Asset Management Co., Ltd. from February 2010 to September 2011; serves as the deputy chairman and the general manager of China Re-Asset since April 2012. In addition, Mr. Zhao serves as a non-executive director of China Everbright Bank Company Limited (a company listed on the Main Board of Hong Kong Stock Exchange, stock code: 6818 and on the Shanghai Stock Exchange, stock code: 601818) since February 2015, and the chairman of the board of China Re-Asset Hong Kong since April 2015. Mr. Zhao graduated from Jilin University with a master degree in National Economic Planning and Management major in May 1998, and graduated from the Research Institute for Fiscal Science of Ministry of Finance in PRC with a doctorate degree in finance major in July 2005.

EXECUTIVE DIRECTOR

Mr. Zhang Fengyang (張鳳陽), aged 48, is an executive Director and the general manager of our Company. He is a senior engineer with a bachelor degree in hydraulic and hydropower engineering. He served as the engineer and the deputy head of the design office of Beijing Survey and Design Research Institute (北京勘測設計研究院) from July 1994 to September 2000. He served as the deputy head of the operation and development department, deputy chief design engineer and the party branch secretary of Beijing National Water Conservancy & Electric Power Engineering Co., Ltd. from September 2000 to October 2003; the project manager of the electricity investment and construction department of Beijing International Power Development and Investment Corporation (北京國際電力開發投資公司) from October 2003 to July 2004; the deputy general manager and party branch secretary of Beijing International Power New Energy Co., Ltd. (北京國際電力新能源有限公司) from July 2004 to April 2007; the general manager, party branch secretary and executive director of Beijing International Power New Energy Co., Ltd. from April 2007 to July 2009; the secretary of CPC Committee, general manager and executive director of Beijing Jingneng New Energy Co., Ltd. from July 2009 to November 2013; the executive director of Ningxia Jingneng Lingwu Wind Power Co., Ltd. (寧夏京能靈武風電有限公司) since October 2010; and the general manager of Beijing Jingneng New Energy Co., Ltd. since November 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HUANG Xiang (黃湘), aged 61, is an independent non-executive Director of our Company. Mr. Huang served as a lead engineer in heat engine and site worker representative of Institute for Electric Power Survey and Design in Hebei province from July 1982 to January 1991; served as the project design president and deputy general engineer of Institute for Electric Power Survey and Design in Hebei province from January 1991 to August 1993; served successively as the general engineer, manager representative for the Institute, deputy president and president of Institute for Electric Power Survey and Design in Hebei province from August 1993 to November 2001; served as the deputy general engineer and general engineer of China Huadian Engineering (Group) Co., Ltd, a judge for the National Prize for Progress in Electric Power, editor-in-chief of Huadian Technology magazine, head of electric power coal-fired mechanism standardization technical committee in electric power industry, deputy head of National Key Laboratory for Huadian Decentralized Energy from November 2001 to March 2014. Mr. Huang served as an inspector of China Huadian Engineering (Group) Co., Ltd from March 2004 to June 2016. Mr. Huang retired in June 2016. Mr. Huang graduated from Thermal Energy and Power Engineering major of Southeast University with a bachelor degree in July 1982. He is a qualified senior engineer.

Mr. ZHANG Fusheng (張福生), aged 62, is an independent non-executive Director of our Company. Mr. Zhang worked as a technician and chief of the comprehensive mechanical mining team at Shenhua Wuda Mining Administration and the vice president of Inner Mongolia University of Mining for Professional Workers (now known as Wuhai College of Inner Mongolia University of Technology) from June 1990 to June 1994, deputy director of Shenhua Wuda Mining Administration from 1994, director of Huangbaici Mine of Shenhua Wuda Mining Administration from July 1994 to April 1997, deputy general manager of electrical and mechanical and chief engineer of Shenhua Shendong Power Company Limited from April 1997 to January 2001, a member of the Communist Party Committee and the chairman of the labour union of Inner Mongolia Power Co., Ltd. from January 2001 to September 2004, member of the Communist Party Committee and deputy general manager of Inner Mongolia Power Co., Ltd. From September 2004 to September 2006, deputy general manager and deputy secretary of the Communist Party Committee from September 2006 to September 2008, and general manager and deputy secretary of the Communist Party Committee from September 2008 to May 2013. Mr. Zhang graduated from Inner Mongolia University of Mining for Professional Workers (now known as Wuhai College of Inner Mongolia University of Technology) in August 1983, majoring in Electric Mechanics, and graduated from Tianjin University in June 2006 with an MBA degree.

Profiles of Directors, Supervisors and Senior Management

Mr. CHAN Yin Tsung (陳彥璁), aged 38, is an independent non-executive Director of our Company. Mr. Chen has over 14 years of working experience in initial public offering, corporate merger and acquisition, restructuring, due diligence, auditing, financial modelling analysis and business valuation. From November 2003 to July 2010, Mr. Chan held relevant positions in Ernst & Young, KPMG Transaction Advisory Services and PricewaterhouseCoopers Corporate Finance. Mr. Chan served the investment banking division of Essence International Financial Holdings Limited from October 2010 to April 2011; served the private equity department of the same company as a senior manager from June 2011 to July 2012; served as an executive director of Green International Holdings Limited (a company listed on the Main Board of Hong Kong Stock Exchange, stock code: 02700) from July 2012 to August 2013; served as the CEO of Hao Wen Holdings Limited (a company listed on the Growth Enterprise Market of Hong Kong Stock Exchange, stock code: 8019) from February 2014 to May 2016; serves as an independent non-executive director, the chairman of audit committee and nomination committee and a member of remuneration committee of Zhidao International (Holdings) Limited (a company listed on the Main Board of Hong Kong Stock Exchange, stock code: 1220) since September 2014, and serves as an independent non-executive director, the chairman of audit committee and remuneration committee and a member of the nomination committee of China Ludao Technology Company Limited (a company listed on the Main Board of Hong Kong Stock Exchange, stock code: 2023) since November 2016. Mr. Chan graduated from the University of British Columbia in November 2001 with a bachelor degree in business and Hong Kong University of Science and Technology in November 2011 with a master degree in financial analysis. Mr. Chan is a certified public accountant under the American Institute of Certified Public Accountants.

Mr. HAN Xiaoping (韓曉平), aged 60, is an independent non-executive Director of our Company. Mr. Han worked as an editor and reporter at CAAC Journal and CAAC Inflight Magazine for the General Administration of Civil Aviation of China (CAAC) from 1986 to 1988. He has been a committee member of the new technology committee under the Cogeneration Professional Committee of the Chinese Society for Electrical Engineering since 1988. He established China Energy Net in 2000 and has served as its managing director and chief information officer since then. Mr. Han currently serves as the chief writer of Energy Review, chief researcher of China Energy Net Research Center, a senior expert of China City Gas Association Distributed Energy Professional Committee, a Sinopec social supervisor, an expert at the Policies & Regulations Department of National Energy Administration, a deputy director of China Energy Research Society Distributed Energy Professional Committee, an executive committee member of the Chinese Enterprises Investment Association and deputy director of Financial Enterprises Investment Committee, and the deputy governor of China's Natural Gas Industry Association. Mr. Han is an independent non-executive director, a member of the audit committee and nomination committee of LongiTech Smart Energy Holding Limited (a company listed on the Main Board of Hong Kong Stock Exchange, stock code: 1281) since June 2016.

SUPERVISORS

Mr. LI Xun (李迅), aged 57, has served as the chairman of the Board of Supervisors of our Company since October 2014. Mr. Li had served as secretary of the Communist Youth League of Beijing Chemical Experimental Plant and Beijing Chemical Industry Group Co., Ltd. from January 1988 to June 1991 and from June 1991 to November 1993, respectively. He joined Beijing No. 2 Rubber Factory in November 1993 where he was secretary of the Communist Party Committee and Director until February 2001. He then served as secretary of the Communist Party Committee of Beijing Jingneng Thermal Power Co., Ltd. from February 2001 to April 2004, and chief officer of the Community Union Working Department of Beijing International Power Development and Investment Company from April to December 2004. From December 2004 to May 2014, Mr. Li served consecutively as chief officer of the Community Union Working Department, director, chairman of the labour union, and employee representative director and the head of the Community Union Working Department of BEH. He is currently a deputy secretary of the Communist Party Committee, employee representative director, chairman of the labour union and the head of the Community Union Working Department of BEH.

Mr. LIU Jiakai (劉嘉凱), aged 50, has served as a Supervisor of our Company since January 2010. Mr. Liu has over 25 years of experience in construction and accounting in the power industry. Mr. Liu joined BEH in December 2009 and has been the director of the department of finance and property management. Also, he was the chief accountant of Beijing Jingneng Thermal Power Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600578, whose name was changed from Beijing Jingneng Thermal Power Co., Ltd. to Beijing Jingneng Power Co., Ltd. on 25 September 2013) between April 2006 and April 2007 and has been a supervisor of the same company since June 2007. From July 2006 to December 2009, he held the position of the chief financial officer at Beijing Jingneng International Power Co., Ltd. Between July 2003 and April 2006, he was the chief accountant at Inner Mongolia Daihai Electric Power Generation Co., Ltd. Mr. Liu worked as the director of the finance department and the vice director of the audit department of Inner Mongolia Power Control Bureau for eleven years from March 1992 to July 2003. Mr. Liu obtained a bachelor's degree in economics from Central University of Finance and Economics of China in June 1989.

Ms. HUANG Linwei (黃林偉), aged 49, has served as a Supervisor of our Company since January 2010. Ms. Huang has more than 23 years of experience in accounting and auditing in power companies. She joined Beijing Jingneng Energy Technology Investment Co., Ltd. in December 1993, where she has held various positions successively, including cashier, accountant, supervisory accountant and deputy manager of the finance department, and manager of the department of audit and internal control. Ms. Huang took an on-job post-graduate course in the Party School of Beijing Municipal Committee in July 2009. Ms. Huang is an intermediate accountant.

Profiles of Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

Mr. Zhang Fengyang (張鳳陽), aged 48, is an executive Director and the general manager of our Company. Please refer to his biography under the paragraph headed "– Executive Director" above.

Mr. KANG Jian (康健), aged 54, has been a deputy general manager of our Company since March 2010 and the secretary of the Board since December 2009. Mr. Kang has over 21 years of experience in strategic management, sales management and investor relationship management in large state-owned enterprises and transnational corporations. Mr. Kang has been the deputy general manager of our Company since March 2010, and the secretary of the Board since December 2009. Between August 2009 and December 2009, Mr. Kang worked for BEH as the deputy director of the office of strategic investment. Mr. Kang worked at several transnational corporations, including as a senior manager of the department of automation system of Automation & Drives Group and the director of strategic development and customer relations of the company's Strategic Marketing Department at Siemens Ltd., China from January 2004 to July 2009, as a regional manager of the Greater China area of Canadian Tucows Inc. from April 2000 to March 2003, and as the assistant manager of the Marketing Division of the U.S. Albany International Company from July 1999 to February 2000. Mr. Kang obtained a bachelor's degree in international trade and finance from First Branch College of the Renmin University of China in July 1988, and an MBA degree from Rensselaer Polytechnic Institute in the United States in May 1999.

Mr. LI Zhijian (李志堅), aged 47, has been a deputy general manager of our Company since March 2010. Mr. Li has over 19 years of experience in production and management in the power industry. He worked as the deputy general manager of Beijing Jingneng New Energy Co., Ltd. from July 2009 to March 2010, as the deputy general manager of Wulanyiligeng Power from August 2008 to July 2009, the project manager of the Chayouzhong Project of Inner Mongolia Wind Power Division of Beijing Jingneng International from September 2007 to August 2008. Between November 2001 and September 2007, he worked for Jingfeng Thermal Power, where he served successively as the vice director (and later the director) of the boiler maintenance branch, the leader of the division of project extension, and the deputy head of the department of maintenance. From July 1995 to November 2001, he worked at Beijing No. 3 Thermal Power Plant and held various positions successively. These included being a boiler forge engineer and the vice director of the ash plant. Mr. Li obtained a bachelor's degree in power plant thermal energy and power engineering from Northeast China Institute of Electric Power Engineering in July 1995.

Mr. HUANG Hui (黃慧), aged 45, has been the chief accountant of our Company since June 2013 and served as the secretary to the board of directors of Beijing Jingneng Thermal Power Co., Ltd. from June 2010 to April 2013 and also the chief accountant of Beijing Jingneng Thermal Power Co., Ltd. from March 2010 to June 2013. He worked in Beijing Jingneng International Energy Co. Ltd. from August 2007 to March 2010 and served as its vice manager in charge of daily management at financial department since June 2009. During his tenure with Inner Mongolia Power (Group) Co. Ltd., Mr. Huang served as a division chief at price control division of financial department from January 2007 to July 2007, deputy chief at budget office of financial department from January 2004 to December 2006, a specialist in electricity pricing at management office of financial department from October 2000 to December 2003 and an audit personnel at fund procurement centre of financial department from January 1998 to October 2000. He was the financial officer of Inner Mongolia Dianye Art Troupe from August 1995 to January 1998. Mr. Huang received his bachelor degree from finance department of Inner Mongolia College of Finance and Economics (currently known as Inner Mongolia University of Finance and Economics) in July 1995. From September 2004 to June 2007, he studied in business management at North China Electric Power University and was granted master's degree in business administration.

Mr. ZHANG Jurui (張巨瑞), aged 50, has been a chief engineer of our Company since March 2010. Mr. Zhang has over 10 years of experience in project management in the power industry. He joined our Company and has been the chief engineer since March 2010. Between January 2008 and March 2010, he worked at the department of planning and development of Beijing Jingneng International Power Co., Ltd. From February 2004 to January 2008, Mr. Zhang worked at the Inner Mongolia Daihai Electric Power Generation Co., Ltd., starting as assistant manager of the maintenance department and director of the electrics office, and then the chief engineer of the power generation subsidiary and was later appointed as the deputy director of the department of safe production. He worked at the Second Power Plant in Datong of GD Power Development from July 1989 to February 2004, holding various positions including senior engineer. Mr. Zhang obtained a bachelor's degree in power system and its automation from School of Electric Power of Taiyuan University of Industry in July 1989. He is a senior engineer.

Mr. JIA Geng (賈耕), aged 44, has been a deputy general manager of our Company since June 2012. Mr. Jia has been the assistant to general manager and the director of the general planning department of our Company since August 2010. He worked in Beijing Jingneng Thermal Power Co., Ltd. and served as the deputy chief economist from April 2010 to July 2010, as the manager of the operating and planning department from January 2005 to April 2010, and as assistant to manager of human resources department from June 2003 to January 2005, and was responsible for personnel management from May 2000 to June 2003. Before that, Mr. Jia joined Shijingshan General Power Plant, and was a technological transformation engineer of the production technical department from January 1999 to May 2000, a managing secretary of the office of CPC committee from March 1997 to January 1999, and a repairman and technician of the ash removal and program control team from July 1995 to March 1997. Mr. Jia obtained a master's degree in project management from North China Electric Power University in June 2008. Mr. Jia is a senior engineer.

Mr. LI Wei (李偉), aged 36, has been the deputy general manager of our Company since March 2018. Mr. Li has been the officer and deputy head of the integrated division of the general office of the Standing Committee of Beijing Municipal People's Congress from July 2004 to October 2008, the deputy head and head of the conference division of the general office of the Standing Committee of Beijing Municipal People's Congress from October 2008 to March 2012, the divisional secretary and deputy departmental secretary of the Standing Committee of Beijing Municipal People's Congress from March 2012 to February 2016, the assistance researcher of the economics department of the finance and economy office of the Standing Committee of Beijing Municipal People's Congress from March 2016 to March 2018 (seconded to the transmission subsidiary of BDHG as the deputy manager from March 2016 to May 2017 and the Company as the deputy general manager from May 2017 to March 2018). He obtained a master's degree in law from the School of Law of the Renmin University of China in 2012.

COMPANY SECRETARY

Mr. KANG Jian (康健), serves as secretary to the Board and the company secretary. Please refer to his biography under the paragraph headed "– Senior Management".

Report of the Directors

The Board of Directors of the Company now presents the annual report of the year 2017 (the "**Annual Report**") and the audited financial statements of the Group (the "**Financial Statements**") for the year ended 31 December 2017 to Shareholders.

SHARE CAPITAL

As of 31 December 2017, the total share capital of the Company was RMB6,870,423,454, divided into 6,870,423,454 shares of RMB1.00 each, including 4,512,359,454 domestic legal person shares and 2,358,064,000 H Shares. Details of movements in the share capital of the Company during the year are set out in note 39 to the Financial Statements.

On 28 June 2017, the Shareholders of the Company at the annual general meeting of the Company for the year of 2016 approved the proposed issue of 902,471,890 domestic shares to BEH at the subscription price of RMB2.24 (equivalent to approximately HK$2.56) per domestic share and the proposed issue of 471,612,800 H shares to Beijing Energy Investment at the subscription price of HK$2.56 per H share (collectively, the "**Proposed Subscription**"). Immediately upon completion of the Proposed Subscription, the total share capital of the Company will increase to RMB8,244,508,144, divided into 8,244,508,144 shares of RMB1.00 each. As at the date of this annual report, the Proposed Subscription has not been completed. The Company will make further announcement at the time of the completion of the Proposed Subscription.

USE OF PROCEEDS

The net proceeds from the Proposed Subscription are expected to be approximately RMB3,076.27 million. Such net proceeds will be utilized to repay onshore and offshore short-term bonds and bank loans as set out in the circular in relation to the Proposed Subscription.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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.

DEBENTURES IN ISSUE

The Company issued debentures in light of the demand of business operation and capital expenditures, as well as the market condition. Details of debentures in issue of the Company for the year ended 31 December 2017 are set out in notes 33 to the Financial Statements.

FUTURE INVESTMENT PLANS AND EXPECTED FUNDING

Looking forward, the Group will continue to expand its markets at home and abroad so as to tap into its internal potential and undertake more quality works, exquisite works and works with high returns, thereby maximising Shareholders' interest and creating higher value. We will continue to grow the Group both in scale and strength through self-development, acquisitions, M&A and other means. Our future business plan will employ a combination of financing channels to finance capital expenditures, including but not limited to internal funds and bank loans. Currently, the bank credit lines available to the Group are adequate.

EQUITY-LINKED AGREEMENT

For the year ended 31 December 2017, the Company did not entered into any equity-linked agreement, nor did any equity-linked agreement exist.

PERMITTED INDEMNITY PROVISION

The Company has maintained appropriate liability insurance for its Directors, Supervisors and senior management. The permitted indemnity provisions are set out in such liability insurance. Save as disclosed above, no permitted indemnity provision was made by the Company for the year ended 31 December 2017 and no permitted indemnity provision was in force as at the Latest Practicable Date.

PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDER

The controlling shareholder of the Company did not pledge any of its shares in the Company to secure the Company's debts or to secure guarantees or other support of the Company's obligations for the year ended 31 December 2017.

CHARGES ON GROUP ASSETS

For the year ended 31 December 2017, details of the Group's charges on assets are set out in note 44 to the Financial Statements.

LOAN AGREEMENTS OR FINANCIAL ASSISTANCE OF THE COMPANY

The Company did not provide any financial assistance nor guarantee to its affiliated companies for the year ended 31 December 2017, which gives rise to a disclosure under Rule 13.16 of the Listing Rules. The Company did not enter into any loan agreement with covenants relating to specific performance of its controlling shareholder nor breach the terms of any loan agreements for the year ended 31 December 2017.

SHARE OPTION SCHEME

The Company did not adopt any share option scheme in 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.

Report of the Directors

PRINCIPLE BUSINESS

The Group is the largest gas-fired power provider in Beijing and a leading wind power operator in the PRC, with a diversified clean energy portfolio including gas-fired power and heat energy, wind power, small to medium hydropower, photovoltaic power and other clean energy projects. All electricity generated is sold to local grid companies. Details of the major subsidiaries and associates of the Company are set out in notes 50 and 20 to the Financial Statements, respectively.

RESULTS

The audited results of operations of the Group for the year ended 31 December 2017 are set out in the Consolidated Statement of Profit or Loss and other Comprehensive Income on pages 69 to 70. The financial condition of the Group for the year ended 31 December 2017 is set out in the Consolidated Statement of Financial Position on pages 71 to 72. The consolidated cash flow of the Group for the year ended 31 December 2017 is set out in the Consolidated Statement of Cash Flows on pages 75 to 76.

Discussion and analysis about the operating performance and significant elements affecting the results of operations and financial condition of the Group during the year are set out in Management Discussion and Analysis of the Annual Report on page 8 to page 20.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided on pages 9 to 11 and pages 19 to 20 of this Annual Report. Description of possible risks and uncertainties that the Group may be facing can be found on page 19 of this Annual Report. An analysis of the Group's performance during the year using financial key performance indicators is provided on pages 12 to 18 of this Annual Report. To the knowledge of the Directors, there has not been any important event affecting the Group since the end of the financial year.

ENVIRONMENTAL POLICIES AND PERFORMANCE

A discussion on the Company's environmental policies and performance will be set forth in the Environmental, Social and Governance Report, which will be published on the website of the Hong Kong Stock Exchange in due course.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company recognizes the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licenses. The Company has been allocating system and staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with regulators effectively through effective communications. During the reporting period, the Company has complied, to the best of the knowledge of Directors, with all relevant rules and regulations that have a significant impact on the Company.

FINAL DIVIDEND

The Board resolved to propose to the Shareholders of the Company at the 2017 Annual General Meeting (the "**AGM**") to be held on 28 June 2018, for their consideration and approval of the payment of a final dividend of RMB7.40 cents per share (tax inclusive) for the year ended 31 December 2017 (the "**2017 Final Dividends**") payable to the Shareholders of the Company, whose names are listed in the register of members of the Company on 11 July 2018, in an aggregate amount of approximately RMB508.41 million. The 2017 Final Dividends will be denominated and declared in RMB. Dividends on domestic shares will be paid in RMB and dividends on H Shares will be paid in Hong Kong dollars. Subject to the passing of the relevant resolution at the AGM, the 2017 Final Dividends are expected to be paid on or around 15 August 2018.

Pursuant to the Enterprise Income Tax Law of the PRC and its implementation rules, which came into force since 1 January 2008 and other relevant rules, where the Company distributes the proposed 2017 Final Dividends to non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company, it is required to withhold enterprise income tax at a rate of 10%. Any H shares registered in the name of non-individual registered shareholders, including HKSCC Nominees Limited, other nominees or trustees, or other organizations or groups, will be treated as shares being held by non-resident enterprise shareholders, and consequently will be subject to the withholding of the enterprise income tax.

Pursuant to the PRC Individual Income Tax Law, the Implementation Regulations of the Individual Income Tax Law, the Tentative Measures on Withholding and Payment of Individual Income Tax and other relevant laws and regulations, the foreign individuals who are the holders of H shares shall pay individual income tax at a tax rate of 20% upon their receipt of distribution of dividend from domestic enterprises which issued such H shares, which shall be withheld and paid by such domestic enterprises on behalf of the such individual H shareholders. However, the Notice of the Ministry of Finance and the State Administration of Taxation on Certain Policies Regarding Individual Income Tax effective from 13 May 1994 (the "**1994 Notice**") grants exemption to foreign individuals from PRC individual income tax on dividend from foreign-invested enterprises. Since the Company has become a "foreign-invested enterprise" since August 2010 as approved by the relevant PRC authorities, the individual shareholders who hold the Company's H shares and whose names appear on the register of members of H shares of the Company (the "**Individual H Shareholders**") are not required to pay PRC individual income tax when the Company distributes the 2017 Final Dividends based on the 1994 Notice. Therefore, the Company will not withhold any amount of the 2017 Final Dividends to be distributed to the Individual H Shareholders to pay the PRC individual income tax.

Shareholders are recommended to consult their taxation advisors for advice on the PRC, Hong Kong and other tax effects with respect to the holding and disposing of H Shares of the Company.

According to the Articles of Association, unless otherwise provided by the relevant laws and regulations, for the payment of cash dividends and other payments in foreign currency, the applicable exchange rates shall be the average selling price announced by the People's Bank of China for the one calendar week before the declaration date of such cash dividends and other payments.

Other than the above, the Board of Directors does not recommend any distribution of dividend for the year ended 31 December 2017.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain Shareholders' entitlement to attend and vote at the AGM and to the proposed 2017 Final Dividends, the H Share register of members of the Company will be closed from 29 May 2018 to 28 June 2018 (both days inclusive) and from 6 July 2018 to 11 July 2018 (both days inclusive) respectively, during such periods no transfer of shares will be registered.

In order to qualify for attending and voting at the forthcoming AGM, holders of H Shares of the Company shall lodge transfer documents with the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on 28 May 2018.

In order to qualify for receiving the proposed 2017 Final Dividends (subject to the approval by Shareholders at the forthcoming AGM), holders of H Shares of the Company shall lodge transfer documents with the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at the above mentioned address for registration before 4:30 p.m. on 5 July 2018.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 15 to the Financial Statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in Consolidated Statement of Changes in Equity, of which details of reserves available for distribution to Shareholders are set out in Consolidated Statement of Changes in Equity. The Company's reserves available for distribution to Shareholders as at 31 December 2017 represents the retained profits of approximately RMB3,550 million (2016: RMB2,464 million).

DONATIONS

During the reporting period, the Group made external donations of approximately RMB0.1 million (excluding personal donations of employees).

BANK BORROWINGS AND OTHER BORROWINGS

Details of bank borrowings and other borrowings of the Group as at 31 December 2017 are set out in note 32 to the Financial Statements.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Part of the information of the Directors, Supervisors and Senior Management of the Company for the year ended 31 December 2017 and as the date of this report is illustrated below.

Name	Title in the Company	Date of Appointment/Re-election
ZHU Yan(1)	Chairman and non-executive Director	23 June 2016
MENG Wentao	Chairman and non-executive Director	13 February 2018
LI Dawei(1)	Non-executive Director	29 December 2016
GUO Mingxing(1)	Non-executive Director	29 December 2016
ZHU Baocheng(1)	Non-executive Director	29 December 2016
JIN Shengxiang	Non-executive Director	13 February 2018
TANG Xinbing	Non-executive Director	13 February 2018
YU Zhongfu	Non-executive Director	29 December 2016
ZHAO Wei	Non-executive Director	29 December 2016
ZHANG Fengyang(2)	Executive Director and general manager	13 February 2018
CHEN Ruijun(3)	Executive Director and general manager	29 December 2016
HUANG Xiang	Independent non-executive Director	29 December 2016
ZHANG Fusheng	Independent non-executive Director	29 December 2016
CHAN Yin Tsung	Independent non-executive Director	29 December 2016
HAN Xiaoping	Independent non-executive Director	29 December 2016
LI Xun	Chairman of the Board of Supervisors	28 June 2017
LIU Jiakai	Supervisor	28 June 2017
HUANG Linwei	Supervisor	1 March 2017
KANG Jian	Deputy general manager and secretary of the Board	11 March 2010/14 December 2009
LI Zhijian	Deputy general manager	11 March 2010
HUANG Hui	Chief accountant	28 June 2013
ZHANG Jurui	Chief engineer	11 March 2010
JIA Geng	Deputy general manager	8 June 2012
LI Wei	Deputy general manager	27 March 2018

Note:

(1) The resignation of Mr. Zhu Yan as chairman and non-executive Director for other work commitment, and Mr. Li Dawei, Mr. Guo Mingxing and Mr. Zhu Baocheng as non-executive Directors for other work commitment took effect on 13 February 2018.

(2) The appointment of Mr. Zhang Fengyang as non-executive Director took effect on 13 February 2018 and the re-designation of Mr. Zhang Fengyang as executive Director took effect on 13 February 2018.

(3) The resignation of Mr. Chen Ruijun as executive Director for other work commitment took effect on 13 February 2018.

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of Directors, Supervisors and senior management of the Company are set out on page 24 to page 31 of the Annual Report.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with the Directors, major terms of which include that (1) the tenure of each Director shall continue till the expiration of the term of the current session of the Board of Directors; and (2) the tenure may be terminated in accordance with respective terms of the contract. The service contracts may be renewed under the Articles of Association and applicable rules.

The Company has entered into contracts with the Supervisors in respect of, among others, compliance with relevant laws and regulations, the Articles of Association and provisions of arbitration.

Save as disclosed above, none of the Directors or Supervisors has entered into a contract of service with the Company which is not determinable by the Company within one year without payment of compensation, other than statuary compensation.

EMOLUMENTS OF DIRECTORS AND SUPERVISORS

Details of the emoluments of the Directors and Supervisors of the Company are set out in note 12 to the Financial Statements. The emoluments of the Directors and Supervisors are determined by the Remuneration and Nomination Committee based on the experience and duties of the Directors and Supervisors.

Details of the emoluments of each senior management of the Company (excluding Directors who also hold executive positions) in 2017 are set out below:

Name	Basic salaries and allowances RMB'000	Retirement benefit contributions RMB'000	Total RMB'000
KANG Jian	667	51	718
LI Zhijian	667	51	718
JIA Geng	667	51	718
HUANG Hui	677	51	728
ZHANG Jurui	672	51	723

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS

At the end of the year of 2017 or at any time during the year, there were no transaction, arrangement or contracts of significance subsisting in relation to the Group's business to which the Company or any of its subsidiaries was a party, directly or indirectly, and in which any Director or Supervisor or any entity connected with the Director or Supervisor had a material interest.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the reporting period was the Company, its holding company, any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year 2017, save as disclosed below, none of the Directors or their associates had any competing interests in any business that constitutes or may constitute direct or indirect competition with the Company's businesses:

Name	Positions in the Company	Other interests
ZHU Yan	Chairman and non-executive Director	Chairman of BEH
LI Dawei	Non-executive Director	Vice chairman of BEH
GUO Mingxing	Non-executive Director	Director and general manager of BEH
ZHU Baocheng	Non-executive Director	Chief financial officer of BEH

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

As at 31 December 2017, no Director, Supervisor or chief executive of the Company had any interest or short position in the shares underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those taken or deemed as their interests and short position in accordance with such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2017, to the knowledge of the Directors of the Company, the persons (other than a Director, Supervisor or chief executive of the Company) who have an interest or short position 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 and as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Notes: (L) – Long position, (S) – Short position, (P) – Lending pool

Name of shareholders	Types of Shares	Capacity	Number of shares/ underlying shares held (share)	Percentage of relevant class of share capital (%)	Percentage of total share capital (%)
BEH *(Note 1 and Note 2)*	Domestic share	Beneficial interest and interest of a controlled corporation	5,190,483,053 (L)	115.03	75.55
	H share	Interest of a controlled corporation	471,612,800 (L)	20.00	6.86
BSCOMC *(Note 1 and Note 2)*	Domestic share	Beneficial interest and interest of a controlled corporation	5,414,831,344 (L)	120.00	78.81
	H share	Interest of a controlled corporation	471,612,800 (L)	20.00	6.86
Beijing Energy Investment *(Note 2)*	H share	Beneficial interest	471,612,800 (L)	20.00	6.86
SAIF IV GP Capital Ltd. *(Note 3)*	H share	Interest of a controlled corporation	173,532,000 (L)	7.36	2.53
SAIF IV GP LP *(Note 3)*	H share	Interest of a controlled corporation	173,532,000 (L)	7.36	2.53
SAIF Partners IV L.P. *(Note 3)*	H share	Beneficial interest	173,532,000 (L)	7.36	2.53
Yan Andrew Y. *(Note 3)*	H share	Interest of a controlled corporation	173,532,000 (L)	7.36	2.53
Beijing Enterprises Holdings Limited *(Note 4)*	H share	Interest of a controlled corporation	196,964,000 (L)	8.35	2.87
Beijing Enterprises Energy Technology Investment Co. Limited *(Note 4)*	H share	Beneficial interest	196,964,000 (L)	8.35	2.87
Beijing Enterprises Energy Technology (Hong Kong) Co. Limited *(Note 4)*	H share	Interest of a controlled corporation	196,964,000 (L)	8.35	2.87
Keywise Capital Management (HK) Limited	H share	Investment manager	140,070,000 (L)	5.94	2.04
Xinjiang Goldwind Science & Technology Co., Ltd. *(Note 5)*	H share	Interest of a controlled corporation	140,118,000 (L)	5.94	2.04
New Wealth Investment Holdings Limited *(Note 6)*	H share	Beneficial interest	137,008,928 (L)	5.81	1.99
Chen Li *(Note 6)*	H share	Interest of a controlled corporation	137,008,928 (L)	5.81	1.99
Norges Banks	H share	Beneficial interest	191,076,992 (L)	8.10	2.78

Name of shareholders	Types of Shares	Capacity	Number of shares/ underlying shares held (share)	Percentage of relevant class of share capital (%)	Percentage of total share capital (%)
Central Huijin Investment Ltd. (Note 7)	H share	Interest of a controlled corporation	542,828,000 (L)	23.02	7.90
China Reinsurance (Group) Corporation (Note 7)	H share	Beneficial interest and interest of a controlled corporation	542,828,000 (L)	23.02	7.90
China Property & Casualty Reinsurance Company Ltd. (Note 7)	H share	Beneficial interest	170,582,000 (L)	7.23	2.48
Citigroup Inc. (Note 8)	H share	Interest of a controlled corporation and custodian-corporation/ approved lending agent	147,257,252 (L) 650,000 (S) 146,605,255 (P)	6.24 0.03 6.22	2.14 0.00 2.13

Notes

1. Beijing International Electric Engineering Co., Ltd. held direct interests in 92,654,249 domestic shares of the Company. As far as the Company is aware, Beijing International Electric Engineering Co., Ltd was wholly-owned by BEH. In accordance with the SFO, BEH was deemed to have interests in 92,654,249 domestic shares held by Beijing International Electric Engineering Co., Ltd.

   Beijing District Heating (Group) Co Ltd. held direct interests in 16,035,322 domestic shares of the Company. As far as the Company is aware, Beijing District Heating (Group) Co Ltd. was wholly-owned by BEH. In accordance with the SFO, BEH was deemed to have interests in 16,035,322 domestic shares held by Beijing District Heating (Group) Co Ltd.

   According to the supplemental circular of the Company dated 8 June 2017 regarding the proposed subscription of domestic shares of the Company, the Domestic Shares Subscription Agreement between the Company and BEH was signed on 1 June 2017. Therefore, on 1 June 2017, BEH was deemed to have interest in the additional 902,471,890 domestic shares of the Company to be issued. The Domestic Shares Subscription Agreement and the proposed subscription of domestic shares will only become effective after the satisfaction of all precedent conditions (please refer to the aforesaid supplemental circular for details of the precedent conditions).

   BEH held direct interests in 5,081,793,482 domestic shares of the Company. In accordance with the SFO, BEH had/was deemed to have interests in altogether 5,190,483,053 domestic shares of the Company.

   BSCOMC held direct interests in 224,348,291 domestic shares of the Company. As far as the Company is aware, BEH was wholly-owned by BSCOMC. In accordance with the SFO, BSCOMC had/was deemed to have interests in altogether 5,414,831,344 domestic shares of the Company.

   The Domestic Shares Subscription Agreement and the proposed subscription of domestic shares have not yet become effective as at 31 December 2017. Therefore, the total number of the issued domestic shares of the Company remains unchanged at 4,512,359,454 shares. Accordingly, BEH and BSCOMC were deemed to have interest in 115.03% and 120.00% of the issued domestic share capital of the Company, respectively.

2. According to the supplemental circular of the Company dated 8 June 2017 regarding the proposed subscription of H shares of the Company, the H Shares Subscription Agreement between the Company and Beijing Energy Investment was signed on 1 June 2017. Therefore, on 1 June 2017, Beijing Energy Investment was deemed to have interest in the additional 471,612,800 H shares of the Company to be issued. The H Shares Subscription Agreement and the proposed subscription of H shares will only become effective after the satisfaction of all precedent conditions (please refer to the aforesaid supplemental circular for details of the precedent conditions).

   Beijing Energy Investment held direct interests in 471,612,800 H shares of the Company. As far as the Company is aware, Beijing Energy Investment was wholly-owned by BEH, while BEH was wholly-owned by BSCOMC. In accordance with the SFO, BEH and BSCOMC were deemed to have interests in 471,612,800 H shares held by Beijing Energy Investment.

   The H Shares Subscription Agreement and the proposed subscription of H shares have not yet become effective as at 31 December 2017. Therefore, the total number of the issued H shares of the Company remains unchanged at 2,358,064,000 shares. Accordingly, Beijing Energy Investment, BEH and BSCOMC were deemed to have interest in 20.00% of issued H share capital of the Company, respectively.

3. SAIF Partners IV L.P. held direct interests in 173,532,000 H shares of the Company. As far as the Company is aware, SAIF Partners IV L.P. was wholly-owned by SAIF IV GP LP, while SAIF IV GP LP was wholly-owned by SAIF IV GP Capital Ltd. SAIF IV GP Capital Ltd. was wholly-owned by Yan Andrew Y. In accordance with the SFO, SAIF IV GP LP, SAIF IV GP Capital Ltd. and Yan Andrew Y. were deemed to have interests in 173,532,000 H shares held by SAIF Partners IV L.P.

4. Beijing Enterprises Energy Technology Investment Co. Limited held direct interests in 196,964,000 H shares of the Company. As far as the Company is aware, Beijing Enterprises Energy Technology Investment Co. Limited was wholly-owned by Beijing Enterprises Energy Technology (Hong Kong) Co. Ltd., while Beijing Enterprises Energy Technology (Hong Kong) Co. Ltd. was wholly-owned by Beijing Enterprises Holdings Limited. In accordance with the SFO, Beijing Enterprises Energy Technology (Hong Kong) Co. Ltd. and Beijing Enterprises Holdings Limited were deemed to have interests in 196,964,000 H shares held by Beijing Enterprises Energy Technology Investment Co. Limited.

5. Gold Wind New Energy (HK) Investment Ltd. held direct interests in 140,118,000 H shares of the Company. As far as the Company is aware, Gold Wind New Energy (HK) Investment Ltd. was wholly-owned by Xinjiang Goldwind Science & Technology Co. Ltd. In accordance with the SFO, Xinjiang Goldwind Science & Technology Co. Ltd. was deemed to have interests in 140,118,000 H shares held by Gold Wind New Energy (HK) Investment Ltd.

6. New Wealth Investment Holdings Limited held direct interests in 137,008,928 H shares of the Company. As far as the Company is aware, New Wealth Investment Holdings Limited was wholly-owned by Chen Li. In accordance with the SFO, Chen Li was deemed to have interests in 137,008,928 H shares held by New Wealth Investment Holdings Limited.

7. China Property & Casualty Reinsurance Company Ltd. held direct interests in 170,582,000 H shares of the Company. China Reinsurance (Group) Corporation held direct interests in 372,246,000 H shares of the Company. As far as the Company is aware, China Property & Casualty Reinsurance Company Ltd. was wholly-owned by China Reinsurance (Group) Corporation, while 71.56% of issued share capital of China Reinsurance (Group) Corporation was owned by Central Huijin Investment Ltd. In accordance with the SFO, China Reinsurance (Group) Corporation and Central Huijin Investment Ltd. were deemed to have interests in 542,828,000 H shares of the Company.

8. Citigroup Inc. held interests in certain H shares of the Company (as shown above) through various controlled corporation/wholly-owned controlled corporations.

MANAGEMENT CONTRACT

No contract concerning the management and administration of all or any substantial part of our business was entered into by the Company or existed in 2017.

CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, at no time during the reporting period had the Company or any of its subsidiaries entered into any contract of significance with the Controlling Shareholder (as defined in the Listing Rules) or any of its subsidiaries, nor had any contract of significance been entered into for the services provided by the Controlling Shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

CONNECTED TRANSACTIONS

The Group did not conduct any non-exempt one-off connected transaction during the year ended 31 December 2017.

CONTINUING CONNECTED TRANSACTIONS

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

Pursuant to the announcement of the Company dated 25 October 2016, the Company obtained approval from the Board on the transactions and annual caps under item 1 to 4, item 6 to 7 and item 9 for the year 2017, 2018 and 2019.

Pursuant to the announcement of the Company dated 29 December 2016, the Company obtained approval from the extraordinary general meeting of the Company on the transactions and annual caps under item 5 and item 8 for the year 2017, 2018 and 2019.

Pursuant to the announcement of the Company dated 29 August 2017, the Company obtained approval from the Board on amendment to the annual caps of continuing connected transactions under item 1 and item 9 for the year 2017, 2018 and 2019.

(RMB million)

Connected transactions under		Connected persons	Annual caps for 2017	Actual transaction value in 2017
1.	Framework Equipment Maintenance Agreement	BEH	186.05	119.45
2.	Framework Service Agreement	BEH	59.41	44.62
	– landscaping services		3.54	0.61
	– property management services		49.67	43.66
	– conference services		3.00	0.35
	– project management services		3.20	–
3.	Framework Operating Agreement	BEH	18.70	17.64
4.	EPC Framework Agreement	BEH	30.50	–
5.	Framework Heat Sale and Purchase Agreement	BDHG	2,271.80	1,439.83
6.	Equipment Purchase Framework Agreement	BEH	263.69	115.70
7.	Finance Lease Framework Agreement	YuanShen Financial Leasing	700	–
8.	Financial Services Framework Agreement	BEH		
	– deposit services		1,500.00	1,220.00
	– loan services (Note)		–	1,980.25
	– other financial services		30.00	7.56
9.	Property Lease Framework Agreement	BEH	55.15	54.29

Note: Given the loan services provided by BEH Finance Co., Ltd. ("BEH Finance") to the Group are on normal commercial terms which are similar to or more favourable than those offered by independent third parties for comparable services in the PRC, and that no security over the assets of the Group will be granted in respect of such loan services, the loan services are exempted from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.90 of the Listing Rules. As such, no cap has been set for such services.

Continuing Connected Transactions between the Group and BEH and its Associates

BEH, a controlling shareholder of the Company, directly held 60.83% of the total issued share capital of the Company as at 31 December 2017. Accordingly, BEH and its associates, including BDHG which is a wholly-owned subsidiary of BEH, are connected persons of the Company pursuant to the Listing Rules.

The Company and BEH and its associates entered into several framework agreements in respect of the continuing connected transactions between them, so as to regulate the continuing connected transactions carried out between the parties. Details of such connected transactions are set out below:

Financial Lease Framework Agreement between Beijing YuanShen Financial Leasing Co., Ltd. ("YuanShen Financial Leasing") and the Company

To expand its financing channels, the Company entered into the Financial Lease Framework Agreement with YuanShen Financial Leasing on 25 October 2016. The term of such agreement is three years commencing from 1 January 2017 and ending on 31 December 2019.

Framework Property Lease Agreement between BEH and the Company

The Company leases properties from BEH and/or its associates, in respect of which the Company and BEH entered into the Framework Property Lease Agreement on 19 March 2014. The term of such agreement is twenty years commencing on the listing date of the Company.

Framework Equipment Maintenance Agreement between BEH and the Company

The Company and BEH entered into the Framework Equipment Maintenance Agreement on 19 March 2014. Due to the expiration of such agreement on 31 December 2016 and the Company's continuous demand for equipment maintenance service, the Company entered into the updated Framework Equipment Maintenance Agreement with BEH on 25 October 2016. The term of the updated agreement is three years commencing from 1 January 2017 and ending on 31 December 2019.

Framework Service Agreement between BEH and the Company

The Company and BEH entered into the Framework Service Agreement on 19 March 2014. Due to the expiration of such agreement on 31 December 2016 and the Company's continuous demand for (i) landscaping services; (ii) property management services, including cleaning, security and catering services; (iii) conference services; and (iv) project management services, Company entered into the updated Framework Service Agreement with BEH on 25 October 2016. The term of the updated agreement is three years commencing from 1 January 2017 and ending on 31 December 2019.

Framework Operating Agreement between BEH and the Company

The Company and BEH entered into the Framework Operating Agreement on 19 March 2014. Due to the expiration of such agreement on 31 December 2016 and the Company's continuous demand for BEH's services of operating the power and/or heating equipment, the Company entered into the updated Framework Operating Agreement with BEH on 25 October 2016. The term of the updated agreement is three years commencing from 1 January 2017 and ending on 31 December 2019.

EPC Framework Agreement between BEH and the Company

The Company and BEH entered into the EPC Framework Agreement on 19 March 2014. Due to the expiration of such agreement on 31 December 2016 and the Company's continuous demand for energy performance contracting services, the Company entered into the updated EPC Framework Agreement with BEH on 25 October 2016. The term of the updated agreement is three years commencing from 1 January 2017 and ending on 31 December 2019.

Framework Heat Sale and Purchase Agreement between BDHG and the Company

The Company and BDHG entered into the Framework Operating Agreement on 19 March 2014. Due to the expiration of such agreement on 31 December 2016 and BDHG's continuous demand for purchasing heat generated by the Group, the Company entered into the updated Framework Heat Sale and Purchase Agreement with BDHG on 25 October 2016. The term of the updated agreement is three years commencing from 1 January 2017 and ending on 31 December 2019.

Equipment Purchase Framework Agreement between BEH and the Company

The Company and BEH entered into the original Equipment Purchase Framework Agreement on 28 March 2012 and 19 March 2014. Due to the expiration of such agreement on 31 December 2016 and the Company's increasing demand for purchasing more equipment, the Company entered into the updated Equipment Purchase Framework Agreement with BEH on 25 October 2016. The term of the updated agreement is three years commencing from 1 January 2017 and ending on 31 December 2019.

Financial Services Provided by BEH Finance to the Group

The Company and BEH Finance entered into the original Financial Service Agreement on 23 May 2011, 28 March 2012 and 19 March 2014. Due to the expiration of such agreement on 31 December 2016 and the Company's increasing demand for financial services, the Company entered into the Financial Services Framework Agreement with BEH Finance on 25 October 2016. Such updated Financial Services Framework Agreement is of a term of three years commencing from 1 January 2017 and ending on 31 December 2019.

In respect of the deposit services under the Financial Service Framework Agreements, the interest rate to be paid by BEH Finance for the Group's deposits with BEH Finance shall not be lower than the same level deposit interest rate as published by the PBOC for the same periods.

In respect of the loan services under the Financial Service Framework Agreements, the interest rate for loans granted to the Group by BEH Finance shall not be higher than the benchmark interest rates as published by the PBOC from time to time or should not be higher than the interest rates granted by independent commercial banks which provide similar service on the same conditions.

In respect of the other financial services under the Financial Service Framework Agreements, the other financial services to be provided by BEH Finance to the Group shall be made on normal commercial terms and on terms similar to or more favourable than those offered by independent third parties for comparable services in the PRC.

Save as disclosed above, none of the transactions disclosed as related party transactions in note 46 to the Financial Statement is a connected transaction or a continuing connected transaction for the Company as defined under the Listing Rules nor are they connected transactions or continuing connected transactions for the Company exempt from the reporting requirements under the Listing Rules. The Company has complied with the disclosure requirements governing connected transactions under the Listing Rules.

Review by and Confirmation of Independent Non-executive Directors of the Company

The independent non-executive Directors of the Company have reviewed the above continuing connected transactions, and confirmed that such transactions were:

(1) carried out in the ordinary course of business of the Group;

(2) made on normal commercial terms; and

(3) carried out according to the terms in the relevant transaction agreements, which are fair and reasonable, and in the interests of our Company's Shareholders as a whole.

Confirmation of the Auditors

The auditors of the Company have performed the relevant assurance procedures regarding the above continuing connected transactions, and confirmed by way of a letter to the Board of Directors that for the year ended 31 December 2017 these transactions:

(1) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;

(2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

(3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(4) with respect to the aggregate amount of each of the continuing connected transactions set out in the above, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value as set by the Company.

Save as disclosed above, the Directors confirmed that the Company has complied with the requirements under Chapter 14A of the Listing Rules with regard to the abovementioned connected transactions.

COMPLIANCE WITH THE NON-COMPETITION AGREEMENT

The Company and BEH entered into a Non-Competition Agreement and a Supplemental Non-Competition Agreement on 13 June 2011 and 2 December 2011 respectively, under which, BEH agrees that it will not (and it will procure that its subsidiaries (other than listed subsidiaries) will not) compete with the Company in the gas-fired power and heat energy generation business, wind power business, hydro-power business and other clean energy generation business (the "**core business**" of the Company) that and will grant the Company options for new business opportunities and acquisitions, as well as pre-emptive rights. The non-executive Directors of the Company are responsible for approving, considering and deciding on the acceptance of new business opportunities introduced by BEH and/or its subsidiaries.

During the year, the Company's non-executive Directors have reviewed the implementation of the Non-Competition Agreement and confirmed that BEH has fully observed the Agreement without any case of violation.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, the total volume of purchases from the five largest suppliers of the Company accounted for 77.26% of the total purchase volume of the year. The purchase from the largest supplier accounted for 69.17% of the total volume of fuel purchased during the year.

For the year ended 31 December 2017, the total revenue generated from the five largest customers of the Company accounted for 87.98% of the total revenue of the year. The revenue generated from the largest customers accounted for 65.98% of the total revenue of the year.

During the reporting period, to the knowledge of the Directors, none of the Directors, their associates, or Shareholders of the Company (which, to the knowledge of the Directors, owned more than 5% of the Company's share capital) had interests in the five largest suppliers or customers of the Company.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Please refer to the note 45 to the Financial Statements for detailed information on the retirement and employee benefits scheme.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

As a company listed on the Stock Exchange, the Company always strives to maintain a high level of corporate governance and complies with code provisions as set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2017 except for the limited deviation on the grounds and causes as explained below.

Code Provision E.1.2

Code Provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. Mr. Zhu Yan, being the Chairman of the Board in 2017, did not attend the Company's annual general meeting held on 28 June 2017 as he had to attend the 12th Beijing Municipal Congress of the Communist Party of China and deal with the related issues in June 2017.

RELATIONSHIP WITH STAKEHOLDERS

The Company recognizes that our employees, customers and business associates are keys to our sustainability journey. We strive to achieve corporate sustainability through engaging our employees, providing quality services for our customers, collaborating with business partners and supporting our community.

The Company places significant emphasis on human capital. The Company provides a fair workplace, promoting non-discrimination and diversity to our staff, together with competitive remuneration and benefits, as well as a range of opportunities for career advancement based on employees' merits and performance. The Company administers its employee health and safety management system and ensures the adoption of the principles across the Group. The Company provides regular trainings for staff to keep them abreast of the latest developments in the market and industry, in the form of both internal trainings and trainings provided by experts from external organizations.

The Company values the feedback from customers by daily communication and other means. The Company has also established the mechanism about customer service and support. The Company treats providing customer support as an opportunity to improve our relationship with the customer, addressing customer's concern in a timely manner and in accordance with international standards.

We believe that our suppliers are equally important in driving quality delivery of our project developments. Therefore, we proactively collaborate with our business partners (including suppliers and contractors) to deliver quality sustainable services.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained a public float of no less than 25% of the issued shares as at the Latest Practicable Date prior to the issue of this Annual Report, which was in line with the requirement under the Listing Rules.

Report of the Directors

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2017, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

AUDIT COMMITTEE

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

AUDITORS

Deloitte Touche Tohmatsu was appointed as auditor for the financial statements prepared in accordance with IFRSs for the year ended 31 December 2017. The Company's financial statements for the year 2017 prepared in accordance with IFRSs have been audited by Deloitte Touche Tohmatsu. Deloitte Touche Tohmatsu has been the auditor of the Company for the past six years.

On 29 December 2017, the Board has resolved to appoint Grant Thornton LLP as the domestic auditors of the Company to hold office until the conclusion of the next annual general meeting of the Company. At the first extraordinary general meeting of the Company held on 13 February 2018, Shareholders have approved such appointment.

FINANCIAL HIGHLIGHTS

Summary of results of operation and the assets and liabilities of the Group for the last five financial years is set out on pages 2 to 4 in the Annual Report.

MISCELLANEOUS

The Company was not aware of that any Shareholders had waived or agreed to waive any dividend arrangement for the year ended 31 December 2017.

By order of the board
Beijing Jingneng Clean Energy Co., Limited
MENG Wentao
Chairman

Beijing, the PRC
27 March 2018

Report of the Supervisory Committee

In 2017, the Supervisors Committee of the Company, with its best earnest, and in strict compliance with various laws, regulations, rules and regulating documents such as the Company Law of the People's Republic of China and the Articles of Association, the Rule of Procedure for the Supervisors Committee and the Listing Rules, had been performing its supervisory duties on the Directors and Senior Management's fulfilling of their respective responsibilities in the Company, aiming at guarding the long-term benefits of the Company and the interests of all of our Shareholders. We hereby report the main works we have done during the reporting period as follows:

I. SUPERVISORS COMMITTEE'S MEETINGS HELD

In 2017, the Supervisors Committee of the Company held two meetings, and the convening of the meetings, the signing of the resolutions and the exercise of Supervisors' rights were in compliance with the relevant provisions of the Company Law, the Articles of Association and the Rule of Procedure for the Supervisors Committee. During the reporting period, the Supervisors Committee approved the resolution on the Report of the Supervisors Committee and other resolutions. Furthermore, the members of Supervisors Committee presented at all the previously-held on-site Board meetings. The Supervisors Committee proposed advices and suggestions in connection with and based on the meetings' topic and its supervisory duties and conducted proper supervision of the procedures and substance of each meeting held, so as to ensure the Shareholders' exercises of their respective legitimate interests and the lawful and orderly proceeding of the meetings in convening.

II. SUPERVISORS COMMITTEE'S FULFILLING OF ITS DUTIES

Supervisors Committee mainly carried out its work on the following aspects:

1. Inspecting whether the Company was in lawful operation

Through their presence at all previously-held on-site Board meetings of the Company, the members of the Supervisors Committee had reviewed the resolutions submitted to the Board for approval, as well as the Report of the General Manager, the Report of the Board, the Audited Financial Report (IFRS), the Financial Budget Report of the Company and relevant resolutions in relation to the significant decisions made by the Board and the Company in operations and management. By means of attending meetings held mentioned above, the process of the making significant decisions and the duty-performing behaviors of Board members and senior management were monitored. The Supervisors Committee was of the view that the process of making significant decisions was in compliance with laws and rules, and this year, with the correct leadership by the Board and the joint endeavor of the whole staff, all operational and management objectives set by the Board at the beginning of the year had been fully achieved. During the reporting period, the Company harvested satisfying results on lawful operation, cost control, project construction and development, capital operation, internal management and other aspects. The management further improved the internal management systems, strengthened the implementation and monitoring of the internal control system, and enhanced the governance level, with the management being devoted and the staff being more proactive. All Board members and senior management of the Company, featured by their hardworking, diligence and dedication, had duly executed the resolutions passed in general meetings, insisting on lawful operation and being prudent in making decisions. Nothing was found to be in violation of law, regulations or the Articles of Association, or damaging to Shareholders' interests.

2. Inspecting on the Company's financial condition

Members of the Supervisors Committee had imposed effective supervision and inspection on the Company's financial control system and financial conditions, and also reviewed the relevant financial information of the Company and its subsidiaries and the audit reports in respect of the Company and its subsidiaries prepared by the Auditors. According to the findings of the inspection, the Supervisors Committee was of the view that the accounts and the accounting process of the Company and its subsidiaries were in accordance with the provisions in the Accounting Law of The People's Republic of China, the accounting standards issued by the Ministry of the Finance of the People's Republic of China, and the financial reporting was in compliance with relevant requirements under International Financial Reporting Standards, and the financial control system was sound and in effective implementation, the internal control system was well in place, the financial operation was properly regulated, and the financial condition was in order; The Supervisors Committee reviewed carefully the financial report of 2016 and the interim financial report of 2017 prepared and to be disclosed by the Company intended to submitted to the general meeting, which had been audited by Deloitte Touche Tohmatsu with unqualified opinion, and was of the view that these reports had followed the principle of consistence, and reflected the Company's financial condition and operating results faithfully, accurately and fairly.

3. Inspecting on Company's major assets acquisition and sale and connected transactions

The Supervisors Committee reviewed the relevant information on the acquisition and sale of the equity interest by the Company, as well as the connected transactions entered into between the Company and its controlling shareholder from time to time, and thought that those acquisition and sale of equity interest and connected transactions were in compliance with the relevant requirements of the Hong Kong Stock Exchange, those connected transactions were reasonably, publicly and fairly priced, and no matter damaging the interests the Shareholders and the Company was in existence. The Directors, general manager and other senior management of the Company had strictly abided by the principle of good faith, exercised all rights empowered by the Shareholders and fulfilled all obligations with all their dedications, and nothing violating Shareholders' interests and our employees' legitimate rights was found.

4. Inspecting on the Company's information disclosure

The Supervisors Committee reviewed the relevant documents in relation to the announcement and disclosure made by the Company, and was of the view that the Company had disclosed lawfully, timely and fully the relevant information according to the rules of the Hong Kong Stock Exchange. No false information was found.

5. **Inspecting on the Company's implementation of the resolutions passed in general meeting**

The Supervisors Committee had no objection to the various reports and resolutions submitted to general meetings for approval during the reporting period, and the Board had faithfully implemented each resolution passed in general meetings.

In 2018, the Supervisors Committee will fully fulfill its supervisory duties, comply strictly with the relevant provisions of the Company Law of the PRC, the Articles of Association, the Rule of Procedures for the Supervisors Committee and the Listing Rules of the Hong Kong Stock Exchange, abide by the principle of good faith, and impose effective supervision on the Company and its Directors and senior management; pay close attention on the production, operation and management of the Company and monitor the significant measures of the Company, so as to promote the growth of the Company's economic benefits and safeguard the interests of all Shareholders and of the Company.

Chairman of the Board of Supervisors
LI Xun

Beijing, the PRC
27 March 2018

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board of the Company has committed to maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders and to enhance corporate value, and accountability.

The Company has applied the principles as set out in the CG Code contained in Appendix 14 to the Listing Rules.

In the opinion of the Directors, throughout the year ended 31 December 2017, the Company has complied with the code provisions as set out in the CG Code, except for the limited deviation on the grounds and causes as explained below.

Code Provision E.1.2

Code Provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. Mr. ZHU Yan, being the Chairman of the Board in 2017, did not attend the Company's annual general meeting held on 28 June 2017 as he has to attend the 12th Beijing Municipal Congress of the Communist Party of China and deal with the related issues in June 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and Supervisors of the Company. All the Directors and Supervisors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2017.

The Company has also established written guidelines no less exacting than the Model Code (the "**Employees Written Guidelines**") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

The Board currently comprises 10 members, consisting of 5 non-executive Directors, 1 executive Director and 4 independent non-executive Directors.

The Board of the Company comprises the following Directors:

Non-executive Directors

MENG Wentao *(Chairman)*
JIN Shengxiang
TANG Xinbing
YU Zhongfu
ZHAO Wei

Executive Director

ZHANG Fengyang *(General Manager)*

Independent Non-executive Directors

HUANG Xiang
ZHANG Fusheng
CHAN Yin Tsung
HAN Xiaoping

The biographical information of the Directors are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" on pages 24 to 31 of this Annual Report.

None of the members of the Board has financial, business, family or other material/relevant relationships with each other.

Chairman and General Manager

Mr. ZHU Yan has resigned as a Director, Chairman of the Board, chairman of the strategy committee of the Board and a member of the remuneration and nomination committee of the Board with effect from 13 February 2018. Upon the approval by the Shareholders at the first extraordinary general meeting of 2018, Mr. MENG Wentao has been appointed as a Director, the Chairman of the Board, the chairman of the strategy committee of the Board and a member of the remuneration and nomination committee of the Board with effect from 13 February 2018.

Mr. CHEN Ruijun has resigned as a Director, the General Manager and a member of the strategy committee of the Board with effect from 13 February 2018. Upon the approval by the Shareholders at the first extraordinary general meeting of 2018, Mr. ZHANG Fengyang has been appointed as a Director and a member of the strategy committee of the Board with effect from 13 February 2018. The Board has resolved to appoint Mr. ZHANG Fengyang as the General Manager of the Company with effect from 13 February 2018 at the Board meeting held on 13 February 2018.

The positions of Chairman and General Manager are held by separate persons in order to preserve independence and a balance of views and judgment. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board in accordance with good corporate governance practice. The General Manager focuses on implementing objectives, policies and strategies approved and delegated by the Board.

Independent non-executive Directors

During the year ended 31 December 2017, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

Non-executive Directors and Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Directors of the Company is appointed for a specific term of three years and is renewable upon re-election by Shareholders.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Independent Non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the Company Secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year 2017, the Company organized a training session conducted by the lawyer for all Directors. Such training session covers a wide range of relevant topics including directors' duties and responsibilities and update on Listing Rule amendments etc. In addition, relevant reading materials including legal and regulatory update and seminar handouts have been provided to the directors for their reference and studying.

BOARD COMMITTEES

The Board has established 3 committees, namely, the Audit Committee, Remuneration and Nomination Committee and the Strategy Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee and the Remuneration and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Members of each Board committee comprise independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 186.

Audit Committee

The Audit Committee comprises 3 non-executive Directors, namely Mr. CHAN Yin Tsung (Chairman), Mr. JIN Shengxiang and Mr. HUANG Xiang, with independent non-executive Directors in majority (including one independent non-executive Director with the accounting expertise). None of the members of the Audit Committee is a former partner of the Company's existing auditors.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, audit plan and relationship with external auditors, and evaluating arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 December 2017, the Audit Committee held two meetings to review the interim and annual financial results and reports and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, effectiveness of the internal audit function, scope of work and appointment of external auditors, and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice without the presence of the executive Directors.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises 5 members, namely Mr. HUANG Xiang (Chairman), Mr. MENG Wentao, Mr. TANG Xinbing, Mr. ZHANG Fusheng, and Mr. HAN Xiaoping, the majority of which are independent non-executive Directors.

The primary functions of the Remuneration and Nomination Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration and Nomination Committee is also responsible for reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Remuneration and Nomination Committee would take into account various aspects set out in the Board Diversity Policy as adopted by the Board on 27 August 2013, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Remuneration and Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

The Remuneration and Nomination Committee has adopted a set of nomination procedures for selection of candidates for directorship of the Company. It would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year, the Remuneration and Nomination Committee held one meeting.

The Remuneration and Nomination Committee reviewed and made recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and other related matters.

The Remuneration and Nomination Committee also reviewed the structure, size and composition of the Board and the independence of the independent non-executive Directors, and considered the qualifications of the retiring Directors standing for election at the general meeting.

The Remuneration and Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

Strategy Committee

The current members of the Strategy Committee are Mr. MENG Wentao (Chairman), Mr. JIN Shengxiang, Mr. TANG Xinbing and Mr. ZHANG Fengyang.

The primary function of the Strategy Committee is to make recommendations to the Board on the long-term development strategies of the Company.

During the year, the Strategy Committee held one meeting.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2017 is set out in the table below:

	Attendance/Number of Meetings during the term of office				
Name of Director	Board	Audit Committee	Remuneration and Nomination Committee	Annual General Meeting	Strategic Committee
ZHU Yan *(Note 1)*	5/5		1/1	1/1 *(Note 2)*	1/1
LI Dawei *(Note 1)*	5/5			0/1	1/1
GUO Mingxing *(Note 1)*	5/5		1/1	1/1 *(Note 2)*	1/1
ZHU Baocheng *(Note 1)*	5/5	2/2		1/1 *(Note 2)*	1/1
YU Zhongfu	5/5			0/1	
ZHAO Wei	4/5			0/1	
CHEN Ruijun *(Note 1)*	5/5			1/1	1/1
HUANG Xiang	5/5	2/2	1/1	1/1	
ZHANG Fusheng	5/5		1/1	0/1	
CHAN Yin Tsung	5/5	2/2		1/1	
HAN Xiaoping	5/5		1/1	1/1	

Note 1: The Directors resigned on 13 February 2018.

Note 2: Meeting was attended by the alternate Director of the respective Director.

Apart from regular Board meetings, the Chairman also held meetings with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors during the reporting period.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales and leasing, financial reporting, human resources and information technology.

All divisions/departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provided treatment plans, and monitored the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2017.

The Company has engaged external professional firm for providing the internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The internal audit function examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2017, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Arrangements/Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2017.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 64 to 183.

Where appropriate, a statement will be submitted by the Audit Committee explaining its recommendation regarding the selection, appointment, resignation or dismissal of external auditors and the reasons why the Board has taken a different view from that of the Audit Committee.

AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2017 amounted to RMB3.5 million and RMB4.7 million respectively.

COMPANY SECRETARY

Our Company Secretary, Mr. Kang Jian ("**Mr. Kang**"), is familiar with the day-to-day affairs of the Company. All Directors of the Company are entitled to obtain the advice and services from Mr. Kang to ensure their compliance with Board procedures and all applicable laws, rules and regulations.

Upon enquiry by the Board, Mr. Kang has confirmed his compliance with all requirements stipulated in the Listing Rules in relation to qualifications, experience and training.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels and a shareholders' communication policy is in place to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

To safeguard Shareholders' interests and rights, separate resolution is proposed for each substantially separate issue at Shareholders' meetings, including the election of individual Directors.

All resolutions put forward at Shareholders' meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each Shareholders' meeting.

Convening an Extraordinary General Meeting by Shareholders

Shareholders holding more than 10% of Shares (individually or together with others) shall be entitled to request for an extraordinary general meeting or class meeting.

Upon signing one or several written requests with the same content and format, and stating the subject of the meeting, the aforesaid Shareholders may request the Board to convene an extraordinary general meeting or class meeting. Shares held by the above Shareholders shall be calculated as at the date of submitting the written request.

Putting Forward Proposals at General Meetings

When a general meeting is held by the Company, the Board, Board of Supervisors or Shareholders who individually or together holding more than 3% of the Shares of the Company may propose resolutions to the Company. Shareholders who individually or together holding more than 3% of the Shares of the Company may submit ad hoc proposals in writing to the convener of the general meeting 10 days before the holding of the general meeting.

The contents of the proposals to be raised shall be within the scope of duties of the general meetings. It shall have a clear topic and specific matters to be resolved on, and shall be in compliance with relevant requirements of the laws, administrative regulations and the Company's Articles of Association.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: 7/8 Floor, No. 6 Xibahe Road
Chaoyang District, Beijing, the PRC
(For the attention of the Company Secretary)

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full names, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board, non-executive Directors, independent non-executive Directors, and the chairman of all Board committees (or their delegates) will make themselves available at general meetings to meet Shareholders and answer their enquiries.

During the year under review, the Company has not made any changes to its Articles of Association.

On 13 February 2018, the Company has amended its Articles of Association. Details of the amendments are set out in the circular dated 29 December 2017 to the Shareholders. An up-to-date version of the Articles of Association is also available on the Company's website and the Stock Exchange's website.

Independent Auditors' Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF BEIJING JINGNENG CLEAN ENERGY CO., LIMITED
(incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Beijing Jingneng Clean Energy Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 69 to 183, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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 International Standards on Auditing ("ISAs"). 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Recognition of Government's subsidy on clean energy production	
We identified the recognition of other income of government subsidies on clean energy production (the "Government Subsidies") in compliance with the requirements as prescribed by the relevant government policy as a key audit matter due to the significance to the Group's profit or loss. The other income related to the Government Subsidies represented 43% of the Group's consolidated profit before taxation for the year ended 31 December 2017. Pursuant to the relevant government policy, the Government Subsidies will be released to profit or loss based on the actual volume of electricity generated from and sold by the Group's related gas and wind power facilities (the "Electricity Production Data") and at the pre-determined subsidized rate. The pre-determined subsidized rate is calculated on a pricing formula set out by the Beijing Government. The parameters affecting the rate were approved by the relevant government authorities under the Beijing Government. The rate may vary from time to time which is in line with the change in natural gas price which promulgated by the Beijing Government, due to that natural gas is the key material for the Group's gas power generation. The directors of the Company assessed whether the pricing formula had been appropriately applied in arriving at the pre-determined subsidized rate to calculate the amount of other income, i.e. calculating the effect of change of natural gas price incurred during the year. The Government Subsidies will be reviewed and confirmed by the Beijing Government in the next year. Details of the Government Subsidies are set out in Notes 7 and 37(a) to the consolidated financial statements.	Our procedures in relation to the government subsidies on clean energy production included: • Obtaining and analyzing the relevant government policy documents in connection with the Government Subsidies to identify any change occurred during the year; • Testing the Electricity Production Data by agreeing with the evidence of external customer's acceptance, on a sample basis; • Verifying the accuracy of pre-determined subsidized rate by testing relevant parameters in the pricing formula by comparing with recent government authorities' circulars to corroborate any changes occurred during the current year; • Recalculating the amount of the Government Subsidies for accuracy based on the pricing formula; and • Performing a retrospective review of the calculation of the 2016 Government Subsidies by obtaining the statements of the amount of 2016 Government Subsidies to be received by the Group which was issued by the Beijing Government in 2017.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment	
We identified goodwill impairment as a key audit matter due to the management's significant judgment in assessing the recoverable amounts of the Group's corresponding cash-generating units ("CGUs"). The recoverable amounts of the Group's goodwill are determined based on the value-in-use calculation of the CGUs. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Details of goodwill and the related key estimation uncertainty are set out in Notes 17 and 5 to the consolidated financial statements.	Our procedures in relation to the goodwill impairment assessment included: • Evaluating and corroborating the key inputs used in the management's impairment assessment, including comparisons of profit margins, revenue growth rate with the Group's historical performances, and investigating any material discrepancy; • Challenging the management's future cash flow forecast through a comparison of the underlying cash flows in the forecast with those in the budgets prepared by the management; and • Engaging internal valuation specialist to independently assess the valuation methodology and models, developing expectations in respect of the discount rate and comparing against those used by the management.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in the independent auditor's report is Mok Sau Fan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000
Revenue	6	14,227,365	14,635,836
Other income	7	1,353,370	1,445,079
Gas consumption		(8,089,769)	(8,715,697)
Depreciation and amortization expense	11	(2,117,944)	(1,913,517)
Personnel costs	11	(700,248)	(619,875)
Repairs and maintenance		(560,888)	(615,712)
Other expenses		(710,415)	(669,644)
Other gains and losses	8	45,298	(192,294)
Profit from operations		3,446,769	3,354,176
Interest income	9	33,886	27,063
Finance costs	9	(1,077,630)	(983,064)
Share of results of associates		49,276	172,155
Profit before taxation		2,452,301	2,570,330
Income tax expense	10	(516,716)	(443,296)
Profit for the year	11	1,935,585	2,127,034
Profit for the year attributable to:			
– Ordinary shareholders of the Company		1,774,473	1,955,569
– Holders of perpetual notes		77,250	77,250
– Non-controlling interests		83,862	94,215
		1,935,585	2,127,034

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000
Profit for the year	11	1,935,585	2,127,034
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations:			
Exchange differences arising during the year		(11,878)	19,755
Cash flow hedges:			
Gain (loss) during the year		338,399	(243,273)
Income tax relating to items that may be reclassified subsequently to profit or loss		(101,520)	72,982
Other comprehensive income (expense) for the year, net of income tax		225,001	(150,536)
Total comprehensive income for the year		2,160,586	1,976,498
Total comprehensive income for the year attributable to:			
– Ordinary shareholders of the Company		1,937,527	1,837,015
– Holders of perpetual notes		77,250	77,250
– Non-controlling interests		145,809	62,233
		2,160,586	1,976,498
Earnings per share			
Basic *(RMB cents)*	14	25.83	28.46

Consolidated Statement of Financial Position

AT 31 DECEMBER 2017

	Notes	At 31 December 2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	15	33,948,817	33,282,883
Intangible assets	16	3,764,511	3,884,876
Goodwill	17	190,049	190,049
Prepaid lease payments	19	193,600	192,124
Investments in associates	20(a)	1,900,299	1,939,484
Loans to associates	20(b)	142,000	148,000
Investment in a joint venture	21(a)	80,467	80,467
Loans to a joint venture	21(b)	30,000	15,000
Deferred tax assets	22	228,246	181,565
Derivative financial asset	36	182,499	–
Available-for-sale financial assets	23	128,028	128,028
Value-added tax recoverable	27	633,528	695,284
Deposit paid for acquisition of property, plant and equipment		738,533	188,883
		42,160,577	40,926,643
Current assets			
Inventories	24	130,374	128,366
Trade and bill receivables	25	3,867,593	3,368,118
Other receivables, deposits and prepayments	26	374,640	489,064
Current tax assets		14,982	15,966
Amounts due from related parties	46(b)	460,712	370,801
Prepaid lease payments	19	6,033	5,436
Value-added tax recoverable	27	302,617	293,431
Held for trading financial asset	28	247,175	265,750
Restricted bank deposits	29	715,894	97,306
Cash and cash equivalents	30	2,675,087	1,772,006
		8,795,107	6,806,244

Consolidated Statement of Financial Position

AT 31 DECEMBER 2017

	Notes	At 31 December 2017 RMB'000	2016 RMB'000
Current liabilities			
Trade and other payables	31	3,483,214	3,991,966
Amounts due to related parties	46(c)	83,074	103,289
Bank and other borrowings – due within one year	32	9,922,736	7,794,224
Short-term debentures	33	6,000,000	6,000,000
Corporate bonds – due within one year	35	–	2,195,516
Income tax payable		95,977	113,182
Deferred income-current portion	37	238,167	81,082
		19,823,168	20,279,259
Net current liabilities		(11,028,061)	(13,473,015)
Total assets less current liabilities		31,132,516	27,453,628
Non-current liabilities			
Derivative financial liabilities	36	8,714	167,053
Bank and other borrowings – due after one year	32	9,494,596	9,283,513
Medium-term note – due after one year	34	2,002,713	–
Deferred tax liabilities	22	196,554	84,230
Deferred income	37	487,769	482,082
Other non-current liability	38	37,069	41,438
		12,227,415	10,058,316
Net assets		18,905,101	17,395,312
Capital and reserves			
Share capital	39	6,870,423	6,870,423
Reserves		9,938,168	8,509,052
Equity attributable to ordinary shareholders of the Company		16,808,591	15,379,475
Perpetual notes	41	1,527,982	1,527,982
Non-controlling interests		568,528	487,855
Total equity		18,905,101	17,395,312

The consolidated financial statements on pages 69 to 183 were approved and authorized for issue by the board of directors on 27 March 2018 and are signed on its behalf by:

Jin Shengxiang
Director

Zhang Fengyang
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to ordinary shareholders of the Company										
	Statutory Share capital RMB'000 (Note 39)	Capital reserve RMB'000 (Note 40)	Statutory surplus reserve RMB'000 (Note (a))	Other reserves RMB'000 (Note (b))	Cash flow hedging reserve RMB'000	Currency translation differences RMB'000	Retained profits RMB'000	Total RMB'000	Perpetual notes RMB'000 (Note 41)	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	6,870,423	2,303,646	1,535,883	(81,279)	(129,577)	(89,492)	4,969,871	15,379,475	1,527,982	487,855	17,395,312
Profit for the year	–	–	–	–	–	–	1,774,473	1,774,473	77,250	83,862	1,935,585
Other comprehensive income (expense) for the year	–	–	–	–	177,660	(14,606)	–	163,054	–	61,947	225,001
Total comprehensive income (expense) for the year	–	–	–	–	177,660	(14,606)	1,774,473	1,937,527	77,250	145,809	2,160,586
Appropriation to statutory surplus reserve	–	–	390,873	–	–	–	(390,873)	–	–	–	–
Capital contribution in a subsidiary from non-controlling interest	–	–	–	–	–	–	–	–	–	8,000	8,000
Dividend declared	–	–	–	–	–	–	(508,411)	(508,411)	(77,250)	(73,136)	(658,797)
At 31 December 2017	6,870,423	2,303,646	1,926,756	(81,279)	48,083	(104,098)	5,845,060	16,808,591	1,527,982	568,528	18,905,101

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to ordinary shareholders of the Company										
	Share capital RMB'000 (Note 39)	Capital reserve RMB'000 (Note 40)	Statutory surplus reserve RMB'000 (Note (a))	Other reserves RMB'000 (Note (b))	Cash flow hedging reserve RMB'000	Currency translation differences RMB'000	Retained profits RMB'000	Total RMB'000	Perpetual notes RMB'000 (Note 41)	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2016	6,870,423	2,303,646	1,127,298	3,914	(1,858)	(98,657)	3,892,137	14,096,903	1,527,982	482,359	16,107,244
Profit for the year	–	–	–	–	–	–	1,955,569	1,955,569	77,250	94,215	2,127,034
Other comprehensive income (expense) for the year	–	–	–	–	(127,719)	9,165	–	(118,554)	–	(31,982)	(150,536)
Total comprehensive income (expense) for the year	–	–	–	–	(127,719)	9,165	1,955,569	1,837,015	77,250	62,233	1,976,498
Appropriation to statutory surplus reserve	–	–	408,585	–	–	–	(408,585)	–	–	–	–
Capital contribution in a subsidiary from non-controlling interest	–	–	–	–	–	–	–	–	–	13,260	13,260
Share of equity movement other than profit or loss and other comprehensive income of an associate (Note c)	–	–	–	(85,193)	–	–	–	(85,193)	–	–	(85,193)
Dividend declared	–	–	–	–	–	–	(469,250)	(469,250)	(77,250)	(69,997)	(616,497)
At 31 December 2016	6,870,423	2,303,646	1,535,883	(81,279)	(129,577)	(89,492)	4,969,871	15,379,475	1,527,982	487,855	17,395,312

Notes:

(a) According to the relevant requirement in the memorandum and articles of association of Beijing Jingneng Clean Energy Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), a portion of their profits after taxation computed in accordance with the relevant accounting principles and financial regulations in the People's Republic of China (the "PRC") ("PRC GAAP") will be transferred to statutory surplus reserve. The transfer to this reserve must be made before the distribution of a dividend to ordinary shareholders. Such statutory surplus reserve can be used to offset the previous years' losses, if any, or increase capital. The statutory surplus reserve is non-distributable other than upon liquidation.

(b) Other reserves represent: (i) the share of other comprehensive income of associates and a joint venture; (ii) the share of equity movement arising from an associate's equity transaction with its non-controlling interest.

(c) The amount represented the share of equity movement other than profit or loss and other comprehensive income of one of the Group's associates, namely 北京京能國際能源股份有限公司 (Beijing Jingneng International Power Co., Ltd., English name for identification purpose) ("Jingneng International"), which arose from a deemed distribution to 北京能源集團有限責任公司 (Beijing Energy Holding Co., Ltd., English name for identification purpose) ("BEH") by Jingneng International due to the dilution of equity interest in a subsidiary of Jingneng International. Another 80% equity interest in Jingneng International is held by BEH. 北京京能電力股份有限公司 (Beijing Jingneng Power Co., Ltd., English name for identification purpose) (Jingneng Power), a subsidiary of Jingneng International and its shares are listed in Shanghai Stock Exchange, Jingneng International, entered an asset purchase agreement (the "Agreement") with BEH on 1 February 2016. In accordance with the Agreement, Jingneng Power acquired 100% equity interest of 北京京能煤電資產管理有限公司 (Beijing Jingneng Coal-fired Power Asset Management Co., Ltd.) ("Jingneng Coal-fired Power") from BEH by private placing of 1,411,710,154 shares to BEH and a cash consideration of RMB900,000,000. The transaction was accounted for as a common control transaction by Jingneng International because Jingneng International, Jingneng Power and Jingneng Coal-fired Power were all under the common control of BEH.

The aforementioned transaction resulted in a dilution of Jingneng International's ownership interest in Jingneng Power without losing control over Jingneng Power. Jingneng International has recorded in its consolidated financial statements a decrease in net asset attributable to the ordinary shareholders amounting to RMB425,967,000. The Group's share of the change in equity amounting to RMB85,193,000 was recognized directly in the Group's equity.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2017

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Operating activities		
Profit before taxation	**2,452,301**	2,570,330
Adjustments for:		
Depreciation and amortization expense	**2,117,944**	1,913,517
Loss arising on change in fair value of held for trading financial asset	**1,210**	91,907
Impairment losses on doubtful receivables	**1,956**	1,952
Loss on derecognition of an intangible asset	**–**	88,320
Dividend from available-for-sale financial asset	**(4,486)**	(4,612)
Loss on ineffectiveness of cash flow hedging instrument	**–**	10,071
Loss on disposal of property, plant and equipment	**2,722**	2,974
Share of results of associates	**(49,276)**	(172,155)
Interest income	**(33,886)**	(27,063)
Finance costs	**1,077,630**	983,064
Prepaid lease payments released to profit or loss	**6,033**	5,436
Release of a contractual obligation	**(5,699)**	(5,426)
Deferred income released to profit or loss	**(1,067,373)**	(1,230,180)
Operating cash flows before movements in working capital	**4,499,076**	4,228,135
Movements in working capital:		
(Increase) decrease in inventories	**(2,008)**	5,804
Increase in trade and bill receivables	**(501,431)**	(375,969)
(Increase) decrease in amounts due from related parties	**(69,205)**	32,704
Decrease in other receivables, deposits and prepayments	**206,752**	174,645
Increase in trade and other payables	**691,259**	133,866
(Decrease) increase in amounts due to related parties	**(27,363)**	13,044
Increase in deferred income	**1,206,075**	902,788
Cash generated from operations	**6,003,155**	5,115,017
Income tax paid	**(568,814)**	(470,897)
Net cash generated from operating activities	**5,434,341**	4,644,120
Investing activities		
Interest received	**18,119**	29,215
Dividends received	**92,946**	112,647
Repayment of loans by associates	**6,000**	150,000
Cash received from reduction of share capital of an associate	**–**	120,000
Cash advanced to associates	**–**	(148,000)
Cash advanced to a joint venture	**(15,000)**	(15,000)
Purchases of:		
– Property, plant and equipment	**(4,319,756)**	(3,669,659)
– Intangible assets	**(79,546)**	(20,861)
Addition of prepaid lease payments on land use rights	**(8,106)**	(38,781)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2017

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Proceeds on disposal of property, plant and equipment	606	7,280
Withdrawal of restricted bank deposits	91,992	7,909
Placement of restricted bank deposits	(710,580)	–
Cash received from government grants	24,070	66,081
Net cash used in investing activities	(4,899,255)	(3,399,169)
Financing activities		
Interest paid	(1,096,823)	(1,108,563)
Cash received from capital contribution of non-controlling interest	8,000	13,260
New bank and other borrowings raised	9,913,600	5,327,322
Repayments of bank and other borrowings	(7,598,251)	(5,246,883)
Proceeds from issuance of short-term debentures	8,000,000	8,000,000
Proceeds from issuance of medium-term note	1,994,340	–
Repayment of short-term debentures	(8,000,000)	(8,000,000)
Repayment of corporate bonds	(2,200,000)	–
Dividends paid to:		
– Ordinary shareholders of the Company	(508,411)	(469,250)
– Non-controlling interests	(69,997)	(34,769)
– Holders of perpetual notes	(77,250)	(77,250)
Net cash from (used in) financing activities	365,208	(1,596,133)
Net increase (decrease) in cash and cash equivalents	900,294	(351,182)
Cash and cash equivalents at the beginning of the year	1,772,006	2,114,669
Effect of foreign exchange rate changes	2,787	8,519
Cash and cash equivalents at the end of the year	2,675,087	1,772,006
Represented by:		
– Cash and cash equivalents at the end of the year	2,675,087	1,772,006

1. GENERAL INFORMATION

The Company was a joint stock company established in the PRC with limited liability and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The address of the Company's registered office is at Room 118, No. 1 Ziguang East Road, Badaling Economic Development Zone, Yanqing County, Beijing, the PRC. The principal place of business of the Company is No.6 Xibahe Road, Chaoyang District, Beijing, the PRC.

In the opinion of the directors of the Company (the "Directors"), BEH is the Company's ultimate holding company (also the immediate parent company). BEH is a state-owned enterprise established in the PRC with limited liability and is wholly-owned by 北京市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality, English name for identification purpose).

The principal activities of the Group are gas-fired power and heat energy generation, wind power generation, photovoltaic power generation, hydropower generation and other businesses.

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

2. BASIS OF PREPARATION

In preparing the consolidated financial statements, the Directors have given careful consideration that at 31 December 2017, the Group has net current liabilities of RMB11,028,061,000. The Group meets its working capital requirements with cash generated from its operating activities and available financing facilities from banks. At 31 December 2017, the Group has committed unutilized financing facilities amounting to approximately RMB17,404,732,000, of which approximately RMB9,889,989,000 are subject to renewal during the next 12 months from the date of the consolidated statement of financial position. The Directors are confident that these financing facilities will continue to be available to the Group for the foreseeable period not less than 12 months from the date of the consolidated statement of financial position. Based on the assessment, the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time in the current year:

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

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

Amendments to IAS 7 *Disclosure Initiative*

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

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

A reconciliation between the opening and closing balances of these items is provided in Note 49. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 49, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs, including IFRIC Interpretations that are developed by the IFRS Interpretations Committee, which have been issued but are not yet effective:

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

Notes:

(1) Effective for annual periods beginning on or after 1 January 2018

(2) Effective for annual periods beginning on or after 1 January 2019

(3) Effective for annual periods beginning on or after a date to be determined

(4) Effective for annual periods beginning on or after 1 January 2021

Except for the new and amendments to IFRSs and Interpretations mentioned below, the Directors anticipate that the application of all other new and amendments to IFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

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

IFRS 9 *Financial Instruments*

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

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

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

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

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

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

IFRS 9 *Financial Instruments (continued)*

- the new general hedge accounting requirements retain the three types of hedge accounting currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

Classification and measurement:

Equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in Note 23: these securities qualified for designation as measured at FVTOCI under IFRS 9 and the Group will measure these securities at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognized as other comprehensive income and accumulated in the investments revaluation reserve. Upon initial application of IFRS 9, the fair value gain relating to these securities would be adjusted to investments revaluation reserve as at 1 January 2018.

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

Impairment

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

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

IFRS 9 *Financial Instruments (continued)*

Impairment (continued)

Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognized by Group as at 1 January 2018 would be slightly increased as compared to the accumulated amount recognized under IAS 39 mainly attributable to expected credit losses provision on trade and bill receivables, amounts due from related parties and other receivables and deposits. Such further impairment recognized under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets at 1 January 2018.

Hedge accounting

As the new hedge accounting requirements will align more closely with the Group's risk management policies, with generally more qualifying hedging instruments and hedged items, an assessment of the Group's current hedging relationships indicates that they will qualify as continuing hedging relationships upon application of IFRS 9. Accordingly, the Directors anticipate that the application of the new hedging requirements may not have a material impact on the Group's current hedge designation and hedge accounting.

IFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

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

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

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

The Directors have assessed the full impact of IFRS 15 on the Group's consolidated financial statements and it is not expected to have a material impact on the Group's consolidated financial statements but may require additional disclosures.

IFRS 16 *Leases*

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

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

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

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

IFRS 16 *Leases (continued)*

Under IAS 17, the Group has already recognized an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

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

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB323,694,000 (2016: RMB112,861,000) as disclosed in Note 42. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the application of new requirements may result in changes in measurements, presentation and disclosure as indicated above.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRS issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations

(i) Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing carrying values from the controlling party's perspective. No amount is recognized in respect of goodwill or bargain purchase gain at the time of common control combination.

(ii) Business combination other than under common control

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

At the acquisition date, the acquiree's identifiable assets and liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair value at the acquisition date.

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their acquisition-date fair value or, when applicable, on the basis specified in another IFRS.

Goodwill

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

On disposal of the relevant cash-generating unit (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill), the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates and joint ventures

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures *(continued)*

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from sale of goods, including electricity, heat energy and other goods, is recognized when such goods are delivered and titles have passed.

The Group sells several carbon credits including:

(i) Certified Emission Reductions generated from wind farms or other clean energy facilities which have been registered under the United Nation's Clean Development Mechanism ("CDM").

(ii) Voluntary Emission Reductions generated from CDM projects but generated before the registration with CDM.

(iii) Chinese Certified Emission Reductions generated from wind farms or other clean energy facilities which have been registered under the National Development and Reform Commission.

(iv) Beijing Emission Allowances, which transact on the Beijing Environment Exchange.

(v) Large Generator Credits, which are the carbon credits registered under Australian clean energy framework.

The revenue in relation to carbon credits are recognized when there is a persuasive arrangement between the Group and a buyer, the selling price is fixed or determinable, the relevant electricity has been generated, and the consideration is payable.

Service income is recognized when services are provided.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

Leasehold land and buildings

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payment can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange prevailing rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of currency translation differences (attributed to non-controlling interests as appropriate). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants *(continued)*

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

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes under the state-managed retirement benefits schemes in the PRC are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred taxation.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate and tax laws that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in profit or loss, except when they relates to items that are recognized in the other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any recognized impairment loss except for certain property, plant and equipment stated at deemed cost under PRC GAAP less accumulated depreciation and any recognized impairment loss on the first adoption of IFRSs.

Depreciation is recognized so as to write off the cost or deemed cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives after taking into account of their estimated residual values, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognized impairment loss. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the item, is included in profit or loss in the period in which the item is derecognized.

Intangible assets

The Group recognize an intangible asset arising from the wind farm concession arrangement when it has a right to receive the income for the usage of the concession infrastructure. Intangible assets recognized as a consideration for providing construction services in a concession arrangement are measured at fair value upon initial recognition. Subsequent to initial recognition, the intangible asset is measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets(or a cash-generating unit) for which the estimated future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets.

Effective interest method

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

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in Note 48.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Dividends on available-for-sale equity investments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bill receivables, other receivables and deposits, amounts due from related parties, loans to associates and a joint venture, restricted bank deposits, and cash and cash equivalents) are carried at amortized cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of security below its cost is considered to be objective evidence of impairment.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For loans and receivables which carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade, bill and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When trade, bill and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For available-for-sale financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is recognized in profit or loss and will not be reversed in subsequent periods.

For loans and receivables, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the original carrying amount would have been had the impairment not been recognized.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments

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

Equity instruments

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

Perpetual notes issued by a group entity, which includes no contractual obligation for the Group to deliver cash or other financial assets to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, is classified as an equity instrument and is initially recorded at the proceeds received.

A non-derivative contract that will or may oblige the Group to deliver a fixed number of a group entity's own ordinary shares (subject to anti-dilutive adjustments) is classified as an equity instrument of the group entity. A derivative contract that will or may be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of a group entity's own equity instruments (subject to anti-dilutive adjustments) is classified as an equity instrument of the group entity.

Perpetual notes issued by the Group are classified as equity instruments.

Financial liabilities

Financial liabilities of the Group (including trade and other payables, amounts due to related parties, bank and other borrowings, short-term debentures and corporate bonds) are subsequently measured at amortized cost using the effective interest method.

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

Interest expense is recognized on an effective interest basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain derivatives as hedging instruments for fair value hedges, or cash flow hedges. At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedging transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity (cash flow hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in the cash flow hedging reserve are transferred from the cash flow hedging reserve and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Hedge accounting *(continued)*

Cash flow hedges (continued)

Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities are derecognized when, and only when, the obligation specified in the relevant contract is discharged, cancelled or has expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

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 of the Group's parent.

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

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

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

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Allowance on doubtful receivables

The Group estimates the impairment on trade and bill receivables and other receivables by assessing their recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgments. Impairments are applied to trade and bill receivables and other receivables when events or changes in circumstances indicate that the balances may not be recoverable. Where the expectation is different from the original estimate, such difference will affect the carrying amount of trade and bill receivables and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment on trade and bill receivables and other receivables at the end of each reporting period. At 31 December 2017, the carrying amount of trade and bill receivables and other receivables net of allowance on doubtful receivables is RMB3,867,593,000 and RMB230,654,000 (2016: RMB3,368,118,000 and RMB310,952,000).

Useful lives of property, plant and equipment

The Group's management determines the useful lives and related depreciation expenses for its property, plant and equipment, after taking into account of the estimated residual value. This estimate is based on historical experience on the projected wear and tear incurred during power generation. It could change significantly as a result of technical innovations. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates. At 31 December 2017, the carrying amount of property, plant and equipment is set out in Note 15.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Useful lives of concession rights and operation rights

The Group's management determines the useful lives and related amortization expenses for its wind farm concession rights and wind or hydropower operation rights. This estimate is based on corresponding legal or contractual arrangements, projected profitability, and current legal and economic environment. It might be significantly affected by factors that include but not limited to the changes in the legal and regulatory framework, economic environment, the technical innovation, etc. The amortization expense for future periods would be adjusted if there are significant changes from previous estimates. At 31 December 2017, the carrying amounts of wind farm concession rights and wind or hydropower operation rights are set out in Note 16.

Impairment losses of non-current assets other than goodwill

In considering the impairment losses that may be required for certain of the Group's assets which mainly include property, plant and equipment, intangible assets and prepaid lease payments, recoverable amount of the asset needs to be determined. The recoverable amount is the higher of the fair value less costs of disposal and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flow generated by the asset are discounted to its present value, which requires significant judgments relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs. At 31 December 2017, the carrying amounts of property, plant and equipment, intangible assets and prepaid lease payments are set out in Notes 15, 16 and 19 respectively.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash generating units ("CGUs") to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. The carrying amount of goodwill at 31 December 2017 is set out in Note 17.

Fair value of financial derivative – Power purchase agreement

Determining the fair value of the Power Purchase Agreement (the "PPA") derivative requires an estimation of the future electricity spot price in Australia, the volume of electricity generated by New Gullen Range Wind Farm Pty Ltd., ("New GRWF", a subsidiary of the Company), and a suitable discount rate in order to calculate the present value of future cash flow. The fair value of the financial instrument at 31 December 2017 is set out in Note 48.

6. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue is as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Sales of goods:		
– Electricity	**12,671,397**	13,238,853
– Heat energy	**1,538,637**	1,391,896
Others	**17,331**	5,087
	14,227,365	14,635,836

The Group manages its businesses by divisions, such as performing the monthly revenue analysis by segments which are organized by types of business. Information is reported internally to the Group's chief operating decision maker ("CODM"), including general manager, deputy general managers and financial controller, for the purposes of resource allocation and performance assessment. The Group has presented the following operating and reportable segments.

– Gas-fired power and heat energy generation: managing and operating natural gas-fired power plants and generating electric power and heat energy for sale to external customers.

– Wind power: constructing, managing and operating wind power plants and generating electric power for sale to external customers.

– Photovoltaic power: managing and operating photovoltaic power plants and sales of electricity generated to external customers.

– Hydropower: managing and operating hydropower plants and sales of electricity generated to external customers.

Business activities other than "Gas-fired power and heat energy generation", "Wind power", "Photovoltaic power" and "Hydropower" are grouped and presented as "Others" in the segment information.

6. REVENUE AND SEGMENT INFORMATION *(continued)*

(a) Segment revenue, results, assets and liabilities

An analysis of the Group's reportable segment revenue, results, assets, and liabilities for the years ended 31 December 2017 and 2016 by operating and reportable segment is as follows:

	Gas-fired power and heat energy generation *RMB'000*	Wind power *RMB'000*	Photovoltaic power *RMB'000*	Hydropower *RMB'000*	Others *RMB'000*	Total *RMB'000*
For the year ended 31 December 2017						
Revenue from external customers						
Sales of electricity	9,535,247	1,902,478	868,913	364,759	–	12,671,397
Sales of heat energy	1,538,637	–	–	–	–	1,538,637
Others	–	–	–	–	17,331	17,331
Reportable segment revenue/ consolidated revenue	11,073,884	1,902,478	868,913	364,759	17,331	14,227,365
Reportable segment results *(Note (i))*	2,074,940	835,050	486,849	98,881	(53,437)	3,442,283
Reportable segment assets	15,179,850	18,193,549	8,488,121	3,348,990	15,283,166	60,493,676
Reportable segment liabilities	(8,691,547)	(12,280,297)	(5,914,458)	(2,079,955)	(14,838,827)	(43,805,084)
Additional segment information:						
Depreciation	825,342	703,348	270,813	117,946	822	1,918,271
Amortization	6,452	167,944	230	24,572	475	199,673
Finance costs *(Note (ii))*	151,508	469,384	127,164	65,526	264,048	1,077,630
Other income	1,108,409	236,322	2,730	980	443	1,348,884
Including:						
– Government grants related to clean energy production	1,027,332	21,658	–	–	–	1,048,990
– Grants related to construction of assets	12,670	2,782	2,486	445	–	18,383
– Income from carbon credits	4,402	126,951	–	–	–	131,353
– Others	64,005	84,931	244	535	443	150,158
Expenditures for reportable segment non-current assets	416,062	572,198	2,048,178	36,222	68,760	3,141,420

6. REVENUE AND SEGMENT INFORMATION *(continued)*

(a) Segment revenue, results, assets and liabilities *(continued)*

	Gas-fired power and heat energy generation *RMB'000*	Wind power *RMB'000*	Photovoltaic power *RMB'000*	Hydropower *RMB'000*	Others *RMB'000*	Total *RMB'000*
For the year ended 31 December 2016						
Revenue from external customers						
Sales of electricity	10,490,376	1,729,687	645,740	373,050	–	13,238,853
Sales of heat energy	1,391,896	–	–	–	–	1,391,896
Others	–	–	–	–	5,087	5,087
Reportable segment revenue/ consolidated revenue	11,882,272	1,729,687	645,740	373,050	5,087	14,635,836
Reportable segment results *(Note (i))*	2,386,711	747,513	388,889	17,642	(191,191)	3,349,564
Reportable segment assets	15,880,112	17,861,001	6,402,498	3,341,112	13,630,761	57,115,484
Reportable segment liabilities	(9,092,393)	(12,592,160)	(4,165,711)	(2,088,050)	(14,076,990)	(42,015,304)
Additional segment information:						
Depreciation	792,529	603,648	205,133	109,662	1,227	1,712,199
Amortization	5,523	168,115	180	27,029	471	201,318
Finance costs *(Note (ii))*	192,811	440,844	88,491	65,662	195,256	983,064
Other income	1,223,510	209,835	175	836	6,111	1,440,467
Including:						
– Government grants related to clean energy production	1,196,371	19,850	–	–	–	1,216,221
– Grants related to construction of assets	11,019	2,632	–	308	–	13,959
– Income from carbon credits	2,641	131,241	–	–	–	133,882
– Others	13,479	56,112	175	528	6,111	76,405
Expenditures for reportable segment non-current assets	977,819	1,546,457	1,383,960	73,692	553	3,982,481

6. REVENUE AND SEGMENT INFORMATION *(continued)*

(a) Segment revenue, results, assets and liabilities *(continued)*

Notes:

(i) The segment results are arrived at after the deduction from revenue of gas consumption, depreciation and amortization expense, personnel costs, repairs and maintenance, other expenses, other gains and losses and other income (excluding dividend from available-for-sale financial assets).

(ii) Finance costs have been allocated among the segments for the additional information to the CODM, but are not considered to arrive at the segment profit. It represents amounts regularly provided to the CODM but not included in the measure of segment profit or loss. However, the relevant borrowings have been allocated into the segment liabilities.

(b) Reconciliations of segment results, assets and liabilities to the consolidated financial statements

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Results		
Reportable segment profit	3,442,283	3,349,564
Unallocated		
Dividend income from available-for-sale financial assets	4,486	4,612
Profit from operations	3,446,769	3,354,176
Interest income	33,886	27,063
Finance costs	(1,077,630)	(983,064)
Share of results of associates	49,276	172,155
Consolidated profit before taxation	2,452,301	2,570,330

6. REVENUE AND SEGMENT INFORMATION *(continued)*

(b) Reconciliations of segment results, assets and liabilities to the consolidated financial statements *(continued)*

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**60,493,676**	57,115,484
Inter-segment elimination	**(12,983,177)**	(12,863,856)
Unallocated assets:		
– Investments in associates	**1,900,299**	1,939,484
– Loans to associates	**142,000**	148,000
– Investment in a joint venture	**80,467**	80,467
– Loans to a joint venture	**30,000**	15,000
– Deferred tax assets	**228,246**	181,565
– Available-for-sale financial assets	**128,028**	128,028
Different presentation on:		
– Value-added tax recoverable *(Note (i))*	**936,145**	988,715
Consolidated total assets	**50,955,684**	47,732,887

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Liabilities		
Reportable segment liabilities	**43,805,084**	42,015,304
Inter-segment elimination	**(12,983,177)**	(12,863,856)
Unallocated liabilities:		
– Income tax payable	**95,977**	113,182
– Deferred tax liabilities	**196,554**	84,230
Different presentation on:		
– Value-added tax recoverable *(Note (i))*	**936,145**	988,715
Consolidated total liabilities	**32,050,583**	30,337,575

6. REVENUE AND SEGMENT INFORMATION *(continued)*

(b) Reconciliations of segment results, assets and liabilities to the consolidated financial statements *(continued)*

Note:

(i) Value-added tax recoverable was net-off with value-added tax payables under segment information, but reclassified and presented as assets on the consolidated statement of financial position.

All assets are allocated to reportable segments, other than available-for-sale financial assets, investments in associates and a joint venture, loans to associates and a joint venture, value-added tax recoverable and deferred tax assets; all liabilities are allocated to reportable segments other than income tax payable and deferred tax liabilities.

(c) Geographical information

Over 90% of the Group's revenue and non-current assets (non-current assets excluded deferred tax assets and financial assets) are located in the PRC. Therefore no geographical segment information is presented. The basis for attributing the revenue is based on the location of customers from which the revenue is earned, which are located in/out of the PRC and the sales activities are made in/out of the PRC. Information about the Group's non-current assets is presented based on the geographical location of the assets.

(d) Information of major customers

Revenue from the PRC government controlled power grid companies for the year ended 31 December 2017 amounted to RMB12,613,093,000 (2016: RMB13,061,880,000). Sales of electricity to the major customers for the year ended 31 December 2017 by segment were as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Gas-fired power and heat energy generation	**9,532,728**	10,490,376
Wind power	**1,902,478**	1,596,398
Photovoltaic power	**868,914**	645,740
Hydropower	**308,973**	329,366
Total	**12,613,093**	13,061,880

7. OTHER INCOME

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Government grants and subsidies related to:		
– Clean energy production *(Note 37(a))*	**1,048,990**	1,216,221
– Construction of assets *(Note 37(b))*	**18,383**	13,959
Income from carbon credits *(Note (a))*	**131,353**	133,882
Value-added tax refunds *(Note (b))*	**108,465**	51,336
Dividend from available-for-sale financial assets	**4,486**	4,612
Others	**41,693**	25,069
	1,353,370	1,445,079

Notes:

(a) During the year ended 31 December 2017, income from carbon credits was mainly derived from the sales of carbon credits registered under relevant mechanisms in Australia and the PRC.

(b) The Group is entitled to a 50% refund of value-added tax for its revenue from the sale of electricity generated from the wind farms and photovoltaic farms, and a full refund of value-added tax for its revenue from the sale of heat energy to residential customers. A receivable and the corresponding income of the value-added tax refund are recognized when relevant value-added tax refund application is registered with the relevant PRC tax authorities.

8. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Other gains (losses) comprise:		
Impairment loss on doubtful receivables	**(2,206)**	(2,543)
Loss on derecognition of an intangible asset *(Note 16 (d))*	**–**	(88,320)
Reversal of impairment loss on doubtful receivables	**250**	591
Loss on disposal of property, plant and equipment	**(2,722)**	(2,974)
Net exchange gain (loss)	**51,577**	(1,034)
Loss arising on change in fair value of financial asset classified as held for trading *(Note 28)*	**(1,210)**	(91,907)
Loss on ineffectiveness of cash flow hedging instrument *(Note 48)*	**–**	(10,071)
Others	**(391)**	3,964
	45,298	(192,294)

9. INTEREST INCOME/FINANCE COSTS

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Interest income from:		
– Loans to associates	6,886	6,770
– Loans to a joint venture	978	6
– Deposits with a related non-bank financial institution *(Note)*	18,626	14,667
– Bank balances	7,396	5,620
Total interest income	33,886	27,063
Interest on bank and other borrowings, short-term debentures, corporate bonds and medium-term note	1,128,991	1,081,657
Less: Amounts capitalized in property, plant and equipment	(51,361)	(98,593)
Total finance costs	1,077,630	983,064
Net finance costs	1,043,744	956,001

	Year ended 31 December	
	2017	2016
Capitalization rate of borrowing costs to expenditure on qualifying assets	4.90%	4.23%

Note: A related non-bank financial institution refers to 京能集團財務有限公司 (BEH Finance Co, Ltd., English name for identification purpose) ("BEH Finance") which is a fellow subsidiary of BEH.

10. INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current tax:		
PRC enterprise income tax	**553,184**	380,899
Other jurisdictions	**–**	–
	553,184	380,899
Deferred tax:		
Current year	**(36,468)**	62,397
Income tax expense	**516,716**	443,296

PRC enterprise income tax has been generally provided at the applicable enterprise income tax rate of 25% (2016: 25%) on the estimated assessable profits of the group companies established in the PRC for the year ended 31 December 2017.

Under the PRC enterprise income tax law, the preferential tax treatment for encouraged enterprises located in the western PRC and certain industry-oriented tax incentives remain available up to 31 December 2020 when the original preferential tax period was expired. A PRC enterprise which enjoys this tax treatment is entitled to a preferential tax rate of 15% with a two-year tax exemption and a three-year 50% deduction on the PRC enterprise income tax for taxable income commencing from the first year, when relevant projects start to generate revenue. The Group's certain wind farm projects, photovoltaic projects and hydropower power projects were entitled to this tax concession for the years ended 31 December 2017 and 2016 respectively.

Two major operating subsidiaries 北京京西燃氣熱電有限公司 (Beijing Jingxi Gas-fired Power Co., Ltd., English name for identification purpose) ("Jingxi Gas") and 北京京能未來燃氣熱電有限公司 (Beijing Jingneng Weilai Gas-fired Power Co., Ltd., English name for identification purpose) ("Weilai Gas") were qualified as High and New Technology Enterprises since 2015 and are entitled to a preferential income tax rate of 15%. The qualification of High and New Technology Enterprises is subject to review once every three years and the two major subsidiaries continued to be recognized as high-tech enterprises for the year ended 31 December 2017.

10. INCOME TAX EXPENSE *(continued)*

Hong Kong Profits Tax and Australia Profit Tax are calculated at 16.5% (2016: 16.5%) and 30% (2016: 30%) respectively, of the estimated assessable profit. No provision for Hong Kong Profits Tax and Australia Profit Tax has been made as the Group has no assessable profit derived in Hong Kong and Australia.

The tax charges for the year can be reconciled to the profit before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Profit before taxation	**2,452,301**	2,570,330
PRC enterprise income tax at 25% (2016: 25%)	**613,075**	642,583
Tax effect on:		
– Expenses not deductible for tax purposes	**11,037**	38,189
– Tax effect of share of results of associates	**(12,319)**	(43,039)
– Tax losses not recognized as deferred tax assets	**43,647**	38,875
– Utilization of tax losses not recognized previously	**(1,629)**	(390)
– PRC enterprise income tax exemption and concessions	**(139,718)**	(235,853)
– Effect of different tax rates of group entities operating in jurisdictions other than PRC	**2,623**	2,931
	516,716	443,296

11. PROFIT FOR THE YEAR

	Year ended 31 December	
	2017 *RMB'000*	2016 *RMB'000*
Profit for the year has been arrived at after charging:		
Auditors' remuneration	7,359	7,250
Prepaid lease payments released to profit or loss	6,033	5,436
Operating lease payments in respect of land and building	73,889	34,607
Depreciation and amortization:		
Depreciation of property, plant and equipment	1,918,271	1,712,199
Amortization of intangible assets	199,911	201,431
Less: Amount capitalized to construction in progress	238	113
Total depreciation and amortization	2,117,944	1,913,517
Personnel costs:		
Directors' emoluments *(Note 12)*	1,420	1,689
Other personnel costs	698,828	618,186
Total personnel costs	700,248	619,875

12. DIRECTORS', SUPERVISORS' AND THE FIVE HIGHEST PAID INDIVIDUALS EMOLUMENTS

The emoluments paid or payable to each of the Directors, chief executive and the supervisors by the Group were as follows:

	Director fees *RMB'000*	Basic salaries and allowances *RMB'000*	Discretionary bonus *RMB'000* *(Note)*	Retirement benefit contributions *RMB'000*	Total *RMB'000*
Year ended 31 December 2017:					
Executive Director:					
Mr. Ruijun Chen	–	869	–	51	920
	–	869	–	51	920

12. DIRECTORS', SUPERVISORS' AND THE FIVE HIGHEST PAID INDIVIDUALS EMOLUMENTS *(continued)*

The executive director's emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

	Director fees *RMB'000*	Basic salaries and allowances *RMB'000*	Discretionary bonus *RMB'000* *(Note)*	Retirement benefit contributions *RMB'000*	Total *RMB'000*
Non-executive Directors:					
Mr. Yan Zhu	–	–	–	–	–
Mr. Dawei Li	–	–	–	–	–
Mr. Mingxing Guo	–	–	–	–	–
Mr. Baocheng Zhu	–	–	–	–	–
Mr. Zhongfu Yu	–	–	–	–	–
Mr. Wei Zhao	–	–	–	–	–
	–	–	–	–	–
Independent Non-executive Directors:					
Mr. Xiang Huang	150	–	–	–	150
Mr. Yin Tsung Chan	150	–	–	–	150
Mr. Fusheng Zhang	100	–	–	–	100
Mr. Xiaoping Han	100	–	–	–	100
	500	–	–	–	500

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

12. DIRECTORS', SUPERVISORS' AND THE FIVE HIGHEST PAID INDIVIDUALS EMOLUMENTS *(continued)*

	Director fees *RMB'000*	Basic salaries and allowances *RMB'000*	Discretionary bonus *RMB'000* *(Note)*	Retirement benefit contributions *RMB'000*	Total *RMB'000*
Supervisors:					
Mr. Xun Li	–	–	–	–	–
Mr. Jiakai Liu	–	–	–	–	–
Ms. Linwei Huang	–	313	246	51	610
	–	313	246	51	610
	500	1,182	246	102	2,030

The supervisors' emoluments shown above were mainly for their services as supervisors of the Company.

	Director fees *RMB'000*	Basic salaries and allowances *RMB'000*	Discretionary bonus *RMB'000* *(Note)*	Retirement benefit contributions *RMB'000*	Total *RMB'000*
Year ended 31 December 2016					
Executive Director:					
Mr. Ruijun Chen	–	842	–	47	889
	–	842	–	47	889

The executive director's emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

12. DIRECTORS', SUPERVISORS' AND THE FIVE HIGHEST PAID INDIVIDUALS EMOLUMENTS *(continued)*

	Director fees *RMB'000*	Basic salaries and allowances *RMB'000*	Discretionary bonus *RMB'000* *(Note)*	Retirement benefit contributions *RMB'000*	Total *RMB'000*
Non-executive Directors:					
Mr. Mingxing Guo	–	–	–	–	–
Mr. Jingfu Xu (retired at 23 June 2016)	–	–	–	–	–
Mr. Guochen Liu (retired at 23 June 2016)	–	–	–	–	–
Mr. Zhongfu Yu	–	–	–	–	–
Mr. Yudan Jin (retired at 29 December 2016)	–	–	–	–	–
Mr. Yan Zhu (elected at 23 June 2016)	–	–	–	–	–
Mr. Dawei Li (elected at 23 June 2016)	–	–	–	–	–
Mr. Baocheng Zhu (elected at 23 June 2016)	–	–	–	–	–
Mr. Wei Zhao (elected at 29 December 2016)	–	–	–	–	–
	–	–	–	–	–
Independent Non-executive Directors:					
Mr. Chaoan Liu (retired at 29 December 2016)	250	–	–	–	250
Mr. Fusheng Zhang	150	–	–	–	150
Ms. Miu Man Lau (retired at 29 December 2016)	250	–	–	–	250
Mr. Xiaoping Han	150	–	–	–	150
Mr. Xiang Huang (elected at 29 December 2016)	–	–	–	–	–
Mr. Yin Tsung Chan (elected at 29 December 2016)	–	–	–	–	–
	800	–	–	–	800

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

12. DIRECTORS', SUPERVISORS' AND THE FIVE HIGHEST PAID INDIVIDUALS EMOLUMENTS *(continued)*

	Director fees *RMB'000*	Basic salaries and allowances *RMB'000*	Discretionary bonus *RMB'000* *(Note)*	Retirement benefit contributions *RMB'000*	Total *RMB'000*
Supervisors:					
Mr. Xun Li	–	–	–	–	–
Mr. Jiakai Liu	–	–	–	–	–
Ms. Linwei Huang	–	308	222	47	577
	–	308	222	47	577
	800	1,150	222	94	2,266

The supervisors' emoluments shown above were mainly for their services as supervisor of the Company.

Mr. Ruijun Chen is the chief executive of the Company since 30 October 2012. His emoluments disclosed above include those for services rendered by him as the chief executive.

During the year, the Directors' and supervisors' emoluments were RMB1,420,000 (2016: RMB1,689,000) (Note 11). Also, Mr. Yan Zhu, Mr. Dawei Li, Mr. Mingxing Guo, Mr. Baocheng Zhu, Mr. Zhongfu Yu, Mr. Wei Zhao, Mr. Xun Li and Mr. Jiakai Liu did not receive any remuneration from the Group for their services provided to the Group. They were also management of BEH and their remunerations were paid by BEH over the respective years. Given the amounts of emoluments paid by BEH to them are considered to be not material compared with the revenue and profits of the Group, BEH did not allocate any of their remuneration to the Group.

Five highest paid individuals

For the year ended 31 December 2017, the five highest paid individuals do not include any directors or supervisors (2016: none). The emoluments of the five highest paid individuals for the year ended 31 December 2017 are as follows:

	Year ended 31 December	
	2017 *RMB'000*	2016 *RMB'000*
Salaries and allowances	**1,757**	1,720
Discretionary bonus *(Note)*	**2,013**	1,938
Retirement benefit contributions	**266**	236
	4,036	3,894

12. DIRECTORS', SUPERVISORS' AND THE FIVE HIGHEST PAID INDIVIDUALS EMOLUMENTS *(continued)*

Five highest paid individuals *(continued)*

Each of the five highest paid individuals in the Group for the years ended 31 December 2017 and 2016 was below Hong Kong Dollar ("HK$")1,000,000.

During the year, no emoluments were paid by the Group to the Directors, chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of offices. None of the Directors waived any emoluments during the year.

Note: The discretionary bonus is determined by the Remuneration Committee in accordance with the relevant human resources policies.

13. DIVIDENDS

(a) On 28 June 2017, a final dividend of RMB7.40 cents per ordinary share (tax inclusive) in respect of the year ended 31 December 2016 amounting to RMB508,411,000 was declared by the Directors and subsequently paid by 10 July 2017.

(b) On 23 June 2016, a final dividend of RMB6.83 cents per ordinary share (tax inclusive) in respect of the year ended 31 December 2015 amounting to RMB469,250,000 was declared by the Directors and subsequently paid by 30 July 2016.

(c) Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of RMB7.40 cents per ordinary share (tax inclusive), totaling RMB508,411,000 has been proposed by the board of directors and is subject to approval by shareholders of the Company at the forthcoming annual general meeting.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to ordinary shareholders of the Company is based on the following data:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to ordinary shareholders of the Company for the purpose of earnings per share	**1,774,473**	1,955,569

	Year ended 31 December	
	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,870,423**	6,870,423

No diluted earnings per share are presented as there were no potential ordinary shares in issue during both years.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Generators and related equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST OR DEEMED COST						
At 1 January 2016	7,032,236	25,597,895	117,098	74,666	4,192,388	37,014,283
Additions *(Note (e))*	3,688	2,973	8,628	9,696	4,001,905	4,026,890
Adjustment *(Note (b))*	8,725	12,286	–	–	–	21,011
Transfer	377,409	3,986,517	4,070	8,401	(4,376,397)	–
Capitalization of depreciation for construction in progress	–	–	–	–	3,614	3,614
Disposals	–	(12,503)	(4,997)	(462)	–	(17,962)
Effect of foreign currency exchange differences	–	105,221	19	6	–	105,246
At 31 December 2016	7,422,058	29,692,389	124,818	92,307	3,821,510	41,153,082
Additions	35,935	110,727	1,653	7,730	2,423,722	2,579,767
Adjustment *(Note (b))*	(80,214)	61,475	–	(494)	–	(19,233)
Transfer	322,196	1,836,297	–	89	(2,158,582)	–
Capitalization of depreciation for construction in progress	–	–	–	–	807	807
Disposals	(2,077)	(4,557)	(3,028)	(408)	–	(10,070)
Effect of foreign currency exchange differences	55	28,074	8	3	–	28,140
At 31 December 2017	7,697,953	31,724,405	123,451	99,227	4,087,457	43,732,493

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Land and buildings RMB'000	Generators and related equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
DEPRECIATION						
At 1 January 2016	734,473	5,310,519	71,213	40,003	–	6,156,208
Depreciation provided for the year	225,755	1,464,087	12,064	10,293	–	1,712,199
Capitalization of depreciation for construction in progress	–	2,827	636	151	–	3,614
Eliminated on disposals	–	(2,871)	(4,398)	(439)	–	(7,708)
Effect of foreign currency exchange differences	–	5,880	4	2	–	5,886
At 31 December 2016	960,228	6,780,442	79,519	50,010	–	7,870,199
Depreciation provided for the year	242,977	1,656,839	9,616	8,839	–	1,918,271
Capitalization of depreciation for construction in progress	–	143	552	112	–	807
Eliminated on disposals	(667)	(2,820)	(2,885)	(370)	–	(6,742)
Effect of foreign currency exchange differences	–	1,140	–	1	–	1,141
At 31 December 2017	1,202,538	8,435,744	86,802	58,592	–	9,783,676
NET BOOK VALUES						
At 31 December 2017	6,495,415	23,288,661	36,649	40,635	4,087,457	33,948,817
At 31 December 2016	6,461,830	22,911,947	45,299	42,297	3,821,510	33,282,883

Notes:

(a) The above items of property, plant and equipment, other than construction in progress, are depreciated using the straight-line method, after taking into account of their residual values, at the following rates per annum.

Buildings	2.11% to 4.75%
Generators and related equipment	3.17% to 7.92%
Motor vehicles	9.50% to 18.83%
Office equipment	11.00% to 19.00%

(b) The Directors estimate the final construction cost of certain assets when the assets are ready for use and transferred from construction in progress to respective categories of property, plant and equipment. Adjustments on the final cost will be made in the subsequent periods when the construction cost is finalized with the contractors.

(c) The Group was in the process of applying for the title certificates of certain buildings with the aggregate net book value of approximately RMB906,736,000 as at 31 December 2017 (2016: RMB1,600,250,000). The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors are also of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2017.

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Notes: (continued)

(d) Certain property, plant and equipment with an aggregate carrying amount of approximately RMB1,537,480,000 as at 31 December 2017 (2016: RMB1,631,147,000) are pledged to secure bank borrowings of the Group.

(e) During the year ended December 2016, New GRWF bought freehold land in Australia total cost of Australia dollars ("AU$") $709,000, equivalent to approximate RMB3,556,000.

16. INTANGIBLE ASSETS

	Concession rights *RMB'000* *(Note (b))*	**Operation rights** *RMB'000* *(Note (c))*	**Software** *RMB'000*	**Total** *RMB'000*
COST				
At 1 January 2016	4,022,154	1,320,275	119,356	5,461,785
Additions	–	–	20,861	20,861
Derecognition *(Note (d))*	–	(96,000)	–	(96,000)
At 31 December 2016	4,022,154	1,224,275	140,217	5,386,646
Additions *(Note (e))*	–	68,571	10,975	79,546
Disposals	–	–	–	–
At 31 December 2017	4,022,154	1,292,846	151,192	5,466,192
AMORTIZATION				
At 1 January 2016	1,177,387	111,712	18,920	1,308,019
Provided for the year	164,411	27,281	9,739	201,431
Derecognition *(Note (d))*	–	(7,680)	–	(7,680)
At 31 December 2016	1,341,798	131,313	28,659	1,501,770
Provided for the year	164,411	25,371	10,129	199,911
At 31 December 2017	1,506,209	156,684	38,788	1,701,681
CARRYING VALUES				
At 31 December 2017	2,515,945	1,136,162	112,404	3,764,511
At 31 December 2016	2,680,356	1,092,962	111,558	3,884,876

16. INTANGIBLE ASSETS *(continued)*

Notes:

(a) Intangible assets have finite useful lives and are amortized on a straight-line basis over the following rates per annum:

Concession rights	4% to 5%
Operation rights	2% to 10%
Software	10% to 50%

(b) The Group provides construction services to build up the wind power facilities and generates electricity under the concession rights. The Group recognizes the concession rights as intangible assets according to the fair value of the construction services on related assets. These concession rights are amortized according to the respective beneficial periods.

(c) Operation rights with finite useful lives represent governmental permits or contractual arrangements which grant the operators to construct and operate power facilities. Those operation rights are obtained through business acquisition and amortized on straight-line basis according to the estimated beneficial periods of such facilities.

(d) During the year ended 31 December 2016, one of the Group's hydropower project lost its advantage in the local market because the relevant local government implemented a reform to open the market for competition between hydropower and other types of power plants. The Directors assessed the operation right associated with that hydropower project and concluded that no future economic benefits were expected from the use or disposal of the operation right. The operation right was derecognized and the loss of derecognition was charged in profit or loss accordingly.

(e) Included in the additions of operation rights for the year, amount of RMB68,571,000 represented the operation right of Biala Wind Farm Project acquired on 29 September 2017 through the acquisition of Newtricity Biala Property Trust and Newtricity Developments Biala Pty Ltd.("Newtricity Biala")

17. GOODWILL

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Cost and carrying amount		
Hydropower operation in Sichuan province of the PRC	**124,194**	124,194
Wind power operation in Australia	**65,855**	65,855
	190,049	190,049

Goodwill of the Group arises from the acquisition of 四川大川電力有限公司 (Sichuan Dachuan Power Co., Ltd., English name for identification purpose) ("Sichuan Dachuan"), 四川眾能電力有限公司 (Sichuan Zhongneng Power Co., Ltd., English name for identification purpose) ("Sichuan Zhongneng") and New Gullen Range Wind Farm (Holding) Pty Ltd. ("New GRWF Holding").

18. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill set out in Note 17 has been allocated to two CGUs, one comprising two subsidiaries in the hydropower segment, namely, Sichuan Dachuan and Sichuan Zhongneng and the other one including one subsidiary in wind segment (New GRWF Holding).

During the years ended 31 December 2017 and 2016, the management of the Group determines that there is no impairment of any of its CGUs containing goodwill.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarized below:

The recoverable amounts of these units have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rate of 10.73% for hydropower CGU and 11.8% for wind power CGU (2016: 10.87% for hydropower CGU and 11.8% for wind power CGU). The CGUs' cash flows beyond the five-year period are extrapolated using a 3% growth rate for hydropower CGU and a 2.5% growth rate for wind power CGU. These growth rates are based on the relevant industry growth forecasts and do not exceed the average long-term growth rates for the relevant industries. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the units' past performance and management's expectations for the market development.

The management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of these units to exceed the aggregate recoverable amount of these units.

19. PREPAID LEASE PAYMENTS

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Land in the PRC held under medium-term shown in the consolidated financial statements:		
Non-current	**193,600**	192,124
Current	**6,033**	5,436
	199,633	197,560

20. INVESTMENTS IN ASSOCIATES/LOANS TO ASSOCIATES

(a) Investments in associates

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Unlisted equity investments, at cost	827,681	827,681
Share of post-acquisition profits net of dividend declared	1,072,618	1,196,996
Share of equity movement other than profit or loss and other comprehensive income	–	(85,193)
	1,900,299	1,939,484

The associates of the Group were established and operate in the PRC. The details of associates of the Group as at 31 December 2017 and 2016 are set out below:

Name of associate	Paid up registered capital	Equity interest attributable to the Group At 31 December 2017	2016	Proportion of voting rights held by the Group At 31 December 2017	2016	Principal activities
Jingneng International	RMB3,400,000,000	20%	20%	20%	20%	Electric power and energy construction, investment management
全州柳鋪水電有限公司 (Quanzhou Liupu Hydropower Co., Ltd., English name for identification purpose) ("Quanzhou Liupu")	RMB25,000,000	40%	40%	40%	40%	Hydropower project development and investment
北京市天銀地熱開發有限責任公司 (Beijing Tian Yin Di Re Development Co., Ltd., English name for identification purpose) ("Tian Yin Di Re")	RMB60,000,000	50%	50%	50%	50%	Geothermal power development and heating

20. INVESTMENTS IN ASSOCIATES/LOANS TO ASSOCIATES *(continued)*

(b) Loans to associates

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Loans to associates	**142,000**	148,000

The loans to associates of the Group include Quanzhou Liupu and Tian Yin Di Re, both loans are unsecured and bear an interest at rate which is 106.6% of the prevailing interest rates promulgated by the People's Bank of China ("PBOC"), and will mature on 23 June 2018. The Directors expect to grant a one-year extension to the loans.

(c) Summarized financial information of a material associate

Summarized financial information in respect of the Group's material associate is set out below. The summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs. The associate is accounted for using the equity method in the consolidated financial statements.

Jingneng International	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Non-current assets	**52,805,066**	48,114,494
Current assets	**7,628,321**	5,117,579
Non-current liabilities	**15,430,870**	15,679,479
Current liabilities	**19,058,470**	13,700,623
Non-controlling interests	**16,927,079**	14,619,331

20. INVESTMENTS IN ASSOCIATES/LOANS TO ASSOCIATES *(continued)*

(c) Summarized financial information of a material associate *(continued)*

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Revenue	**12,220,251**	11,091,567
Profit and total comprehensive income for the year	**268,212**	1,857,330
Profit and total comprehensive income for the year attributable to non-controlling interests	**43,884**	1,013,310
Dividends received from the associate during the year	**88,000**	104,737

Reconciliation of the above summarized financial information to the carrying amount of the interest in the associate recognized in the consolidated financial statements:

	2017	2016
	RMB'000	*RMB'000*
Net assets of Jingneng International	**9,016,968**	9,232,640
Proportion of the Group's ownership interest in Jingneng International	**20%**	20%
Group's share of net assets of Jingneng International	**1,803,394**	1,846,528
Goodwill	**35,270**	35,270
Carrying amount of the Group's interest in Jingneng International	**1,838,664**	1,881,798

(d) Aggregate information of associates that are not individually material:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Group's share of profit and total comprehensive income for the year	**4,410**	3,351
Aggregate carrying amount of the Group's interests in these associates	**61,635**	57,686

21. INVESTMENT IN A JOINT VENTURE/LOANS TO A JOINT VENTURE

(a) Investment in a joint venture

	At 31 December 2017 RMB'000	2016 RMB'000
Unlisted equity investment, at cost	80,000	80,000
Share of post-acquisition profits	467	467
	80,467	80,467

The joint venture of the Group was established and operates in the PRC. The details of the joint venture as at 31 December 2017 and 2016 are set out below:

Name of joint venture	Paid up registered capital	Equity interest attributable to the Group At 31 December 2017	2016	Proportion of voting rights held by the Group At 31 December 2017	2016	Principal activities
北京華源惠眾環保科技有限公司 (Beijing Huayuan Huizhong Environmental Protection Technology Co., Ltd., English name for identification purpose) ("Huayuan Huizhong")	RMB160,000,000	50%	50%	50%	50%	Environment protection technology

(b) Loans to a joint venture

	At 31 December 2017 RMB'000	2016 RMB'000
Loans to a joint venture	30,000	15,000

The loans to a joint venture of the Group are unsecured, bear interest at the prevailing interest rate promulgated by the PBOC and will mature on 28 December 2019 and 25 August 2020, respectively.

22. DEFERRED TAXATION

The following are the Group's major deferred tax assets (liabilities) recognized and movements thereon during the years ended 31 December 2017 and 2016:

	Tax loss	Impairment on doubtful receivables	Temporary differences on fair value adjustments in acquisition of subsidiaries	Trial run profit	Deferred income related to clean energy production	Different depreciation rate	Trial run loss	Held for trading financial asset	Derivative financial instruments	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(Note (c))	*(Note (a))*	*(Note (b))*		*(Note (a))*				
At 1 January 2016	49,120	2,906	(17,110)	49,873	93,547	(32,482)	(67,124)	(2,794)	1,063	9,594	86,593
Credit (charge) to profit or loss	19,667	161	523	(1,968)	(76,923)	(20,374)	5,546	15,165	(3,021)	(1,173)	(62,397)
Credit to other comprehensive income	–	–	–	–	–	–	–	–	72,982	–	72,982
Exchange adjustments	1,080	–	–	–	–	(1,270)	–	530	(183)	–	157
At 31 December 2016	69,867	3,067	(16,587)	47,905	16,624	(54,126)	(61,578)	12,901	70,841	8,421	97,335
(Charge) credit to profit or loss	(5,797)	197	2,111	12,710	35,505	(16,388)	3,946	(230)	(1,063)	5,477	36,468
Charge to other comprehensive income	–	–	–	–	–	–	–	–	(101,520)	–	(101,520)
Exchange adjustments	(939)	–	–	–	–	(1,298)	–	27	1,619	–	(591)
At 31 December 2017	63,131	3,264	(14,476)	60,615	52,129	(71,812)	(57,632)	12,698	(30,123)	13,898	31,692

Notes:

(a) The revenue and cost generated from trial run of property, plant and equipment were credited and debited respectively in the property, plant and equipment but the profit margin is subject to PRC enterprise income tax and results in a temporary difference. The trial run profit/(loss) resulted in the tax bases of the related property, plant and equipment to be higher/(lower) than their carrying value on the consolidated statement of financial position in accounting, which the entity can receive more/(less) deductible depreciation charging to the tax profit to save/(increase) the future income tax expense during the useful life of the related property, plant and equipment. Accordingly, the deferred tax assets/(liabilities) are recognized from the trial run profit/(loss).

(b) The subsidies from the government will be taxable immediately as taxable income upon the receipt, however the income can only be released from deferred income in accounting when the actual volume of electricity generated from and sold by the Group's related gas and wind power facilities. Accordingly, the deferred tax assets are recognized.

(c) The carrying amount of some properties, plant and equipment and intangible assets was different from their tax bases as a result of the fair value exceeding the book value in connection with the business combinations.

22. DEFERRED TAXATION *(continued)*

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Deferred tax assets	**228,246**	181,565
Deferred tax liabilities	**(196,554)**	(84,230)
	31,692	97,335

Details of tax losses not recognized are set out below:

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Tax losses	**1,038,857**	869,445

The Group has not recognized deferred tax assets on above tax losses because it is not probable that the future taxable profits will be available in relevant subsidiaries to offset the tax losses.

As at 31 December 2017, the Group had unrecognized tax losses in Hong Kong of approximately RMB19,410,000 (2016: RMB16,484,000), which can be carried forward against future taxable income and have no expiry date.

22. DEFERRED TAXATION *(continued)*

The unrecognized tax losses will expire as follows:

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
2017	**–**	5,213
2018	**117,750**	120,640
2019	**291,457**	291,457
2020	**280,152**	280,152
2021	**155,499**	155,499
2022	**174,589**	–
	1,019,447	852,961

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Unlisted equity investments, at cost *(Note)*	**128,028**	128,028

Note:

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

24. INVENTORIES

Inventories as at 31 December 2017 mainly represent consumable spare parts used for maintenance, and the cost of inventories recognized as expense was RMB194,146,000 (2016: RMB203,415,000) during the year ended 31 December 2017.

25. TRADE AND BILL RECEIVABLES

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**3,816,882**	3,332,243
Bill receivables	**54,031**	38,506
	3,870,913	3,370,749
Less: allowance for doubtful receivables	**3,320**	2,631
	3,867,593	3,368,118

The Group allows an average credit period of 60 days to its electricity and heat customers, except for clean energy power price premium is 365 days. The following is an aged analysis of the Group's trade and bill receivables net of allowance for doubtful receivables based on the invoice dates which approximated the respective dates on which revenue was recognized as at the end of reporting period:

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within 60 days	**2,029,424**	2,112,336
61 to 365 days	**919,247**	700,950
1 to 2 years	**549,569**	404,372
2 to 3 years	**255,201**	140,616
Over 3 years	**114,152**	9,844
	3,867,593	3,368,118

The Group's major customers are the PRC state-owned grid companies with good credit rating.

The clean energy power price premium is included as a component of the government-approved on-grid tariff of wind power and photovoltaic power. The financial resource for the clean energy power price premium is the national renewable energy fund that accumulated through a special levy on the consumption of electricity. The government in the PRC is responsible to collect and allocate the fund and make settlement through state-owned grid companies to the wind and photovoltaic farm project companies.

25. TRADE AND BILL RECEIVABLES *(continued)*

The trade receivables that were past due but not impaired mainly represented the clean energy power price premium. The Directors consider that there has not been a significant change in credit quality and is no impairment in view of the creditability of the debtors and the continuing repayment from these debtors.

The aged analysis of trade receivables which are past due but not impaired is as follows:

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
1 to 2 years	**515,291**	401,741
2 to 3 years	**230,075**	140,616
Over 3 years	**114,152**	9,844
	859,518	552,201

Bill receivables are mainly bank's acceptance bills endorsed by the PRC state-owned grid companies.

The Directors consider the debts that are neither past due nor impaired are of good credit quality.

At 31 December 2017, trade receivables amounting to RMB132,733,000 (2016: RMB75,984,000) are pledged for bank borrowings set out in Note 32(e)(i).

Movements in the allowance of doubtful receivables are set out as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
At the beginning of the year	**2,631**	2,577
Provided during the year	**939**	645
Reversed during the year	**(250)**	(591)
At the end of the year	**3,320**	2,631

26. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Other receivables from carbon credits income	**–**	1,898
Other miscellaneous receivables	**116,690**	54,148
Security deposits	**124,778**	266,351
Prepayments	**143,986**	178,112
	385,454	500,509
Less: allowance for doubtful receivables	**10,814**	11,445
	374,640	489,064

Movements in the allowance for doubtful debts of other receivables are set out as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
At the beginning of the year	**11,445**	9,547
Provided during the year	**1,267**	1,898
Reversed during the year	**(1,898)**	–
At the end of the year	**10,814**	11,445

27. VALUE-ADDED TAX RECOVERABLE

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Value-added tax recoverable, classified as:		
– Current	**302,617**	293,431
– Non-current	**633,528**	695,284
	936,145	988,715

27. VALUE-ADDED TAX RECOVERABLE *(continued)*

In accordance with the Provisional Regulations of the People's Republic of China on Value-Added Tax, the value-added tax payable on the Group's revenue can be set off by the value-added tax paid by the Group on acquisition of property, plant and equipment and service concession assets. Accordingly, the value-added tax paid by the Group on acquisition of the property, plant and equipment and service concession assets is recognized as value-added tax recoverable and will be set off against the Group's value-added tax payable to be arisen on future revenue. Value-added tax recoverable is classified as current if it would probably be set off by value-added tax payable related to the revenue incurred in the next twelve months.

28. HELD FOR TRADING FINANCIAL ASSET

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Listed equity investment		
Listed in Hong Kong *(Note)*	**247,175**	265,750

Note:

The Group holds 0.32% (2016: 0.32%) of the ordinary share capital of CGN Power Co., Ltd, a company listed on the Stock Exchange and engaged in the nuclear power generation.

The fair value of listed equity investment is based on the quoted bid price.

29. RESTRICTED BANK DEPOSITS

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Restricted bank deposits pledged as collateral presented in the consolidated financial statements as:		
– Current	**715,894**	97,306

Restricted bank deposits as at 31 December 2017 represented collaterals for bills payable and letter of credit used for equipment purchase and ensured that there are sufficient funds available for debt and interest payments for the next six months as required by the loan agreement. Restricted bank deposits above carried variable interest rate promulgated by PBOC of same term deposits in bank and variable interest rate promulgated by National Australia Bank Limited ("NAB") of general saving bank deposits respectively.

30. CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents comprise cash on hand and deposits to banks and a related non-bank financial institution with an original maturity of three months or less. Deposits to banks and a related non-bank financial institution carry prevailing market interest rate.

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Bank deposits denominated in:		
– RMB	**2,335,582**	1,436,810
– HK$	**4,114**	3,396
– Euro ("EUR")	**–**	2,172
– AU$	**93,355**	148,614
– United States dollars ("US$")	**4,021**	3,729
Deposits in a related non-bank financial institution denominated in RMB	**238,011**	177,273
Cash on hand	**4**	12
	2,675,087	1,772,006

The Group had certain amount of deposits placed with BEH Finance, a non-bank financial institution approved by China Banking Regulatory Commission as at 31 December 2017. Such deposits were short-term and are subject to an insignificant risk of changes in value, accordingly, the balances as at 31 December 2017 have been regarded as cash and cash equivalents.

The deposits in banks and a related non-bank financial institution at the end of each reporting period carry interest at the following variable interest rates per annum:

	At 31 December	
	2017	2016
Range of interest rates per annum	**0.01% to 1.35%**	0.005% to 1.35%

31. TRADE AND OTHER PAYABLES

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade payables	**1,534,669**	1,580,415
Payables for acquisition of property, plant and equipment	**1,095,391**	867,522
Retention payables	**257,119**	638,647
Bills payable	**35,217**	434,884
Advance received from customers	**85,279**	54,257
Salary and staff welfares	**90,204**	80,286
Non-income tax payables	**139,794**	75,825
Accrued interests payable	**92,139**	128,211
Dividend payables to a non-controlling equity owner of a subsidiary	**73,136**	69,997
Other payables	**80,266**	61,922
	3,483,214	3,991,966

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The Group normally settles the trade payable related to gas purchase within 30 days, settles the payable related to equipment purchase and construction cost, according to related contractual arrangements which normally require progress payments during the construction period and a final payment after construction cost verified by independent valuer.

The following is an aged analysis of the Group's trade and bill payables by invoice dates as at the reporting date:

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within 30 days	**833,793**	977,101
31 to 365 days	**559,798**	749,585
1 to 2 years	**16,803**	129,424
2 to 3 years	**82,843**	148,638
Over 3 years	**76,649**	10,551
	1,569,886	2,015,299

31. TRADE AND OTHER PAYABLES *(continued)*

The Group's trade payables denominated in a currency other than the functional currency of the relevant group entities are set out below:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
EUR	**2,035**	285
US$	**2,783**	–

32. BANK AND OTHER BORROWINGS

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Bank loans	**15,578,168**	11,044,237
Other borrowings from		
– related non-bank financial institutions *(Note (a))*	**2,076,164**	1,165,500
– fellow subsidiaries *(Note (b))*	**160,000**	120,000
– other non-related entities *(Note (c))*	**1,100,000**	4,245,000
– BEH *(Note (d))*	**503,000**	503,000
	19,417,332	17,077,737
Represented by:		
– Unsecured borrowings	**17,278,480**	15,109,874
– Secured borrowings *(Note (e))*	**2,138,852**	1,967,863
	19,417,332	17,077,737
Bank and other borrowings repayable:		
– Within one year	**9,922,736**	7,794,224
– More than one year but not exceeding two years	**1,131,530**	1,527,760
– More than two years but not exceeding five years	**4,240,346**	3,734,610
– More than five years	**4,122,720**	4,021,143
	19,417,332	17,077,737
Less: Amount due within one year shown under current liabilities	**9,922,736**	7,794,224
Amount due after one year	**9,494,596**	9,283,513

32. BANK AND OTHER BORROWINGS *(continued)*

Notes:

(a) Other borrowings from related non-bank financial institutions included loans from BEH Finance and 深圳京能融資租賃有限公司 (Shenzhen Jingneng Finance Lease Limited, English name for identification purpose) ("Jingneng Lease"), a subsidiary of BEH.

(i) The loans from BEH Finance amounting to RMB1,980,250,000 (2016: RMB1,068,000,000) were unsecured, carried interest at rates which are the prevailing interest rates promulgated by PBOC, with a maximum premium or discount of 10% and variable by reference to the interest rates promulgated by PBOC. The balance amounting to RMB1,719,500,000 is repayable in 2018, and the remaining RMB260,750,000 is repayable between 2019 and 2022. The interest expenses attributed to the loans from BEH Finance above were RMB54,239,000 for the year ended 31 December 2017 (2016: RMB46,330,000).

(ii) The loans from Jingneng Lease amounting to RMB95,914,000 (2016: RMB97,500,000) were secured, carried fixed annual interest rates at 2.95% per annum, and will be fully repaid in 2018. The interest expenses attributed to the loans above from Jingneng Lease were RMB2,909,000 for the year ended 31 December 2017 (2016: RMB2,949,000).

(b) At 31 December 2017, the amount included the borrowings from 北京京西發電有限責任公司 (Beijing Jingxi Power Generation Co., Ltd., English name for identification purpose) ("Jingxi Power") amounting to RMB90,000,000 (2016: RMB90,000,000) and 北京京豐熱電有限責任公司 (Beijing Jingfeng Thermal Power Co., Ltd., English name for identification purpose) ("Jingfeng Thermal") amounting to RMB70,000,000 (2016: RMB30,000,000), both are subsidiaries of BEH. The loans were unsecured, repayable in 2018 and carried fixed interest rate at 4.35% and 3.915% per annum, respectively.

The interest expense attributed to the loans above was RMB5,446,000 for the year ended 31 December 2017 (2016: RMB4,435,000).

(c) The amount included borrowings from光大金融租賃股份有限公司 (Ever Bright Financial Leasing Co., Ltd., English name for identification purpose) ("Ever Bright Financial Leasing"), and certain independent financial institutions. As at 31 December 2017, the borrowings were:

(i) The secured loans granted by Ever Bright Financial Leasing amounting to RMB835,000,000 (2016: RMB630,000,000) were pledged by property, plant and equipment, carrying variable interest rates with discount of 20%, 15% and 32%, variable by reference to the interest rates promulgated by PBOC and repayable in 2020, 2022 and 2024, respectively.

32. BANK AND OTHER BORROWINGS *(continued)*

Notes: (continued)

(c) *(continued)*

(ii) The loans of RMB310,000,000 (2016: RMB310,000,000) in nominal amount were from 中國農發重點建設基金有限公司 (China Agricultural Development Fund Co., Ltd., English name for identification purpose) ("CAD Fund"). According to the agreements between 北京上莊燃氣熱電有限公司 (Beijing Shangzhuang Gas-fired Power Co., Ltd., English name for identification purpose)("Shangzhuang Power"), a subsidiary of the Group, the Company and CAD Fund, the loans were provided by CAD Fund as capital injection to Shangzhuang Power ("Designated Capital Loan"). Upon receipt of the Designated Capital Loan, the Group and CAD Fund held 56.82% and 43.18% (2016: 56.82% and 43.18%) interests in Shangzhuang Power, respectively.

In the opinion of the Directors, the Designated Capital Loan is designated by certain government institutions to finance the construction of the gas-fired plant owned by Shangzhuang Power; and the relevant investment agreement required: (i) the Company is obliged to repurchased all shares of Shangzhuang Power issued to CAD Fund with a cash consideration of RMB110,000,000 on 19 November 2025, RMB100,000,000 on 2 March 2026, and RMB100,000,000 on 5 June 2026; (ii) CAD Fund does not have any influence over Shangzhuang Power or undertake any risk of investment, but only entitled to a fixed interest rate at 1.2% per annum which should be paid quarterly during the ten years of investment period. In the opinion of the Directors, the arrangement is in substance a financing arrangement from the government. The Group classified the above Designated Capital Loan as a financial liability, and continues to consolidate all results as if Shangzhuang power is a wholly-owned subsidiary of the Group.

The Designated Capital Loan is initially measured at its fair value of RMB221,000,000, at an effective interest rate of 4.9% per annum. The benefit derived from such loan of RMB89,000,000 (Note 37) that represents the difference between the proceeds and the fair value of the loan on initial recognition, is recognized as deferred income and will be recognized in profit or loss on the same basis as depreciation for the related plant. At 31 December 2017 and 2016, the Designated Capital Loan balance is RMB221,000,000 (2016: RMB221,000,000) is measured at amortized cost using the effective interest method.

(iii) The loan from 上海電氣集團財務有限責任公司 (Shanghai Electric Group Finance Co., Ltd, English name for identification purpose) amounted to RMB44,000,000 (2016: RMB29,000,000) which was unsecured and repayable in 2019, carrying an interest at rate which is 90% of the prevailing interest rates promulgated by PBOC and variable by reference to the interest rates promulgated by PBOC.

(iv) By 31 December 2016, the loans granted by Beijing Municipal Bureau of Finance for clean development amounted to RMB365,000,000, which were unsecured, carried a fixed interest rate at 5.23% per annum. The loans were fully repaid in 2017.

(v) By 31 December 2016, the entrusted loan from 中國人壽資產管理有限公司 (China Life Insurance Asset Management Company Limited, English name for identification purpose) amounted to RMB3,000,000,000, which was unsecured, carried at variable interest rate with discount of 5%, variable by reference to the interest rate promulgated by the PBOC. The loan was fully repaid in 2017.

(d) The loans were unsecured, carried at fixed interest rate at 6.10%, 5.48% and 4.53% per annum and repayable in 2018, 2019 and 2020. The interest expenses attributed to the loans were RMB31,364,000 for the year ended 31 December 2017 (2016: RMB31,655,000).

32. BANK AND OTHER BORROWINGS *(continued)*

Notes: (continued)

(e) Except for certain property, plant and equipment pledged to secure bank borrowings as set out in Note 15, the Group's secured borrowings also include borrowings with right to receive electricity sale proceeds and secured borrowing in Australia as follows:

(i) The Group's secured borrowings were pledged by a right to receive the wind power electricity sale proceeds in two subsidiaries of the Company, and guaranteed by 北京京能新能源有限公司 (Beijing Jingneng New Energy Co., Ltd., English name for identification purpose) ("New Energy"), a subsidiary of the Company, and the Company as at 31 December 2017. The relevant account receivable balances were RMB132,733,000 as at 31 December 2017 (2016: RMB75,984,000).

(ii) The New GRWF's syndicated loan, amounting to AU$226,050,000 (2016: AU$230,349,000), equivalent to approximately RMB1,151,227,000 (2016: RMB1,155,361,000) is secured by the beneficial interest of the properties and pledged by the shares of New GRWF. The syndicated loan carried at floating interest rate at Bank Bill Bid Rate prevailing in Australia plus 1.7% and repayable between 2016 and 2020. The Group enters into interest rate swaps to exchange variable rate interest for fixed rate interest in order to hedge against the cash flow interest rate risk (Note 36).

The following is an analysis of the Group's bank and other borrowings by variable and fixed interest rate:

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Variable interest rate	**16,695,518**	14,821,237
Fixed interest rate	**2,721,814**	2,256,500
	19,417,332	17,077,737

	Year ended 31 December	
	2017	2016
Range of interest rates per annum:		
– Variable-interest borrowings	**2.37% to 6.87%**	2.24% to 5.15%
– Fixed-interest borrowings	**1.20% to 6.14%**	1.20% to 6.10%

The fair values of fixed interest rate borrowings are approximately RMB2,093,526,000 and RMB2,226,689,000 at 31 December 2017 and 2016 respectively.

32. BANK AND OTHER BORROWINGS *(continued)*

The Group's bank and other borrowings denominated in a currency other than the functional currency of the relevant group entities are set out below:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
US$	**648,094**	693,527

33. SHORT-TERM DEBENTURES

On 18 August 2017, the Company issued a short-term commercial paper of RMB2,000,000,000 at par value, bearing an interest rate of 4.58% and will be settled on 15 May 2018.

On 13 November 2017, the Company issued a short-term commercial paper of RMB2,000,000,000 at par value, bearing an interest rate of 4.90% and will be settled on 10 August 2018.

On 14 December 2017, the Company issued a short-term commercial paper of RMB2,000,000,000 at par value, bearing an interest rate of 5.15% and will be settled on 13 April 2018.

These commercial papers are traded on the National Association of Financial Market Institutional Investors (銀行間市場交易商協會) ("NAFMII") in the PRC.

The short-term commercial papers amounting to RMB6,000,000,000 issued in 2016 were traded on the NAFMII in the PRC, and were fully repaid by the Company on the corresponding maturity dates during the year ended 31 December 2017.

34. MEDIUM-TERM NOTE

On 1 December 2017, the Company issued 5-year medium-term note with total value of RMB2,000,000,000. The coupon rate is 5.50% per annum. Total proceeds received net of issuance costs, amounted to RMB1,994,340,000. The medium-term note will be fully repaid on 1 December 2022. The medium-term note is traded on NAFMII in the PRC.

35. CORPORATE BONDS

On 3 July 2012, the Company issued corporate bonds with par value of RMB100 each totaling RMB3,600,000,000. The corporate bonds separated into two types of products amounting to RMB2,400,000,000 and RMB1,200,000,000, namely 3-year and 5-year product, whose coupon rates are 4.35% and 4.60% per annum respectively. BEH provided irrecoverable guarantee with joint liability to the bonds. These bonds have been traded on Shanghai Stock Exchange since 20 July 2012. Total proceeds received net of issuance costs, amounted to RMB3,580,200,000. The 3-year corporate bond was fully repaid in 2015, while the 5-year corporate bond was fully repaid in 2017.

On 23 December 2014, Jingneng Clean Energy Investment Holdings ("JCEIH") issued senior guaranteed bonds with total value of RMB1,000,000,000. The coupon rate is 4.30% per annum. Total proceeds received net of issuance costs, amounted to RMB988,132,000. Jingneng Clean Energy (Hong Kong) Limited ("Jingneng HK"), a subsidiary of the Group, provided irrecoverable guarantee with joint liability to the bonds. JCEIH, Jingneng HK and BEH entered into agreement and BEH will assist JCEIH and Jingneng HK in meeting their respective obligations under the senior guaranteed bonds. These bonds have been traded on the Stock Exchange since 23 December 2014. On 23 December 2017, the bonds were fully repaid.

The corporate bonds were recognized in the consolidated statement of financial position as below:

	5-Year Corporate Bond issued in 2012 *RMB'000*	3-Year Senior Guaranteed Bond issued in 2014 *RMB'000*	Total *RMB'000*
Nominal value	1,200,000	1,000,000	2,200,000
Issuance cost	(6,600)	(11,868)	(18,468)
Net proceeds from issuance	1,193,400	988,132	2,181,532
Effective interest recognized	254,571	50,813	305,384
Interest payable	(248,400)	(43,000)	(291,400)
Carrying amount at 31 December 2016	**1,199,571**	**995,945**	**2,195,516**
Effective interest recognized	**55,629**	**47,055**	**102,684**
Interest paid	**(55,200)**	**(43,000)**	**(98,200)**
Principal repaid	**(1,200,000)**	**(1,000,000)**	**(2,200,000)**
Carrying amount at 31 December 2017	**–**	**–**	**–**

36. OTHER FINANCIAL ASSETS/LIABILITIES

	Current		Non-current	
	31 December 2017 RMB'000	31 December 2016 RMB'000	31 December 2017 RMB'000	31 December 2016 RMB'000
Other financial assets				
Derivatives under hedge accounting				
Cash flow hedges				
– Fixed forward commodity contract	–	–	182,499	–
	–	–	182,499	–
Other financial liabilities				
Derivatives under hedge accounting				
Cash flow hedges				
– Interest rate swaps	–	–	(8,714)	(7,441)
– Fixed forward commodity contract	–	–	–	(159,612)
	–	–	(8,714)	(167,053)

36. OTHER FINANCIAL ASSETS/LIABILITIES *(continued)*

Cash flow hedges:

(1) Interest Rate Swaps

At the end of reporting period, the Group had the following interest rate swaps contracts designated as highly effective hedging instruments in order to manage the Group's interest rate risk exposure in relation to the New GRWF's syndicated loan (Note 32 (e)(ii)).

The terms of the interest rate swaps contracts have been negotiated to match the terms of the respective designated hedged items.

Major terms of these contracts are as follows:

At 31 December 2017

Notional amount	Maturity	Swaps
AU$165,190,000 (equivalent to approximately RMB841,280,000)	21 September 2020	Bank Bill Bid Rate prevailing in Australia+1.7% for 2.56%

At 31 December 2016

Notional amount	Maturity	Swaps
AU$172,762,000 (equivalent to approximately RMB866,522,000)	21 September 2020	Bank Bill Bid Rate prevailing in Australia+1.7% for 2.56%

36. OTHER FINANCIAL ASSETS/LIABILITIES *(continued)*

Cash flow hedges: *(continued)*

(2) Fixed Forward Commodity Contract

New GRWF entered into the PPA contract with a counterparty (an electricity retailer in Australia) in 2013. Under the Australian PPA Contract, New GRWF will sell its electricity product on the spot price in Australian national energy market, but both parties agreed that the difference between the actual price realized in the market and a fixed price determined in the Australian PPA Contract will be net settled in cash. The Australian PPA Contract results in New GRWF converting its floating price electricity sales revenue that will be earned during the contract period (ten years effective from the wind farms of New GRWF starting to operate) to a fixed price revenue, with the fixed price being escalated at 2.5% per annum over the contract period.

The Group separately recognized the embedded fixed forward commodity contract as a derivative financial instrument, and initially recognized at fair value and measures at fair value on each subsequent reporting period. For the year ended 31 December 2015, New GRWF account for this derivative financial instrument as a FVTPL financial instrument. New GRWF designated the contract as a hedging instrument as of 1 January 2016, in order to manage the Group's risk exposure in relation to price fluctuation of the expected sales of electricity.

Major terms of the PPA contract are as follows:

Notional amount	Maturity	Fixed Prices
Up to the maximum capacity of the wind farm	Effective for 10 years from the operation of the wind farm to start (31 December 2014)	Peak/off peak rates as at 1 January 2012 (AU$58.81 per MWh and AU$40.29 per MWh, respectively) and escalated 2.5% per annum since then

As at 31 December 2017, fair value gain of approximately RMB337,807,000 (2016: fair value loss of approximately RMB239,590,000) has been recognized in other comprehensive income and accumulated in equity and is expected to be reclassified to the consolidated statement of profit or loss and other comprehensive income at various dates in the coming seven years after the end of the reporting period, the period in which sales are expected to occur. For the year ended 31 December 2017, the ineffectiveness recognized in profit or loss that arises from the cash flow hedge of the PPA contract were nil (2016: RMB10,071,000).

37. DEFERRED INCOME

	Government grants and subsidies for		
	Clean energy production	Construction of assets	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Note (a))	*(Notes (b) and (c))*	
At 1 January 2016	394,515	372,541	767,056
Additions	902,788	123,500	1,026,288
Released to profit or loss	(1,216,221)	(13,959)	(1,230,180)
At 31 December 2016	**81,082**	**482,082**	**563,164**
Additions	**1,206,075**	**24,070**	**1,230,145**
Released to profit or loss	**(1,048,990)**	**(18,383)**	**(1,067,373)**
At 31 December 2017	**238,167**	**487,769**	**725,936**

Notes:

(a) The Group's gas and wind power facilities located in Beijing, the PRC, were entitled to a subsidy policy promulgated by the Beijing Government. The Beijing Government compensated the Group based on a pre-determined rate and quantities approved from time to time for the sale of electricity generated by those facilities. The Group recognizes deferred income when the Group receives the relevant government subsidies. The deferred income will be released to profit or loss based on the actual volume of electricity generated from and sold by the Group's related gas and wind power facilities and at the pre-determined subsidized rate. The amounts released to profit or loss are set out in Note 7.

(b) Grants related to construction of assets are provided by several local governments in the PRC to encourage the construction of clean energy facilities. The Group records these grants as deferred income upon receipt of the grants and releases to profit or loss to match with the depreciation of related assets. The amounts released to profit or loss are set out in Note 7.

(c) For the year ended 31 December 2016, the amount of additions in government grants and subsidies for construction of assets included RMB89,000,000 as a benefit derived from a government designated capital loan (Note 32(c)(ii)).

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Presented in the consolidated financial statements as:		
– Current	**238,167**	81,082
– Non-current	**487,769**	482,082
	725,936	563,164

38. OTHER NON-CURRENT LIABILITY

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
At the beginning of the year	**41,438**	44,266
Released to profit or loss	**(5,699)**	(5,426)
Effect of foreign currency exchange difference	**1,330**	2,598
At the end of the year	**37,069**	41,438

Note:

The other non-current liability represented a contractual obligation under the Australian PPA Contract. The obligation is to require New GRWF to deliver certain quantity of carbon credits to the counterparty at a fixed price but escalating 2.5% per annum during the contract period.

At the date of acquisition for New GRWF, the Group recognized the contractual obligation as a liability pursuant to IFRS 3 *Business Combinations*. The liability was initially recognized at fair value which represented the discounted cash flow related to the difference between the contracted fixed prices and the estimated future market prices. At the end of each reporting period, the liability will be measured at the amount initially recognized less cumulative amortization recognized in the profit or loss on a straight-line basis during the contract period.

39. SHARE CAPITAL

	Year ended 31 December			
	Number of shares		Share capital	
	2017	2016	**2017**	2016
	'000	*'000*	***RMB'000***	*RMB'000*
At the beginning and end of the year	**6,870,423**	6,870,423	**6,870,423**	6,870,423

As at 31 December 2017, the share capital comprised the domestic legal person shares of 4,512,359,000 (2016: 4,512,359,000) and H shares of 2,358,064,000 (2016: 2,358,064,000).

40. CAPITAL RESERVE

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Share premium on share issuance	**1,245,930**	1,245,930
Effects on acquisition of additional interest in a subsidiary	**(19,043)**	(19,043)
Effects on equity transactions with holding company	**1,076,759**	1,076,759
	2,303,646	2,303,646

41. PERPETUAL NOTES

The Company issued perpetual medium-term notes at par value on 18 June 2015, with a total principal amount of RMB1.5 billion ("Perpetual Notes"). The proceeds from the issuance of the Perpetual Notes after netting off the issuance cost are RMB1,486,500,000.

The coupon rate for the first three years up to 18 June 2018 is 5.15% per annum, which is paid annually in arrears on 19 June in each year ("Coupon Payment Date"). The Company may defer any interest at its own discretion unless compulsory coupon payment events (including distributions to ordinary shareholders of the Company or reduction of the registered capital of the Company) has occurred. The deferred interest is interest bearing at the current coupon rate during the interest deferral period.

The Perpetual Notes have no fixed maturity and are callable at the Company's option, on 18 June 2018 or on any Coupon Payment Date afterwards, at their principal amounts together with any accrued, unpaid or deferred coupon interest payments.

After 18 June 2018, the coupon rate will be reset every three years to a percentage per annum equal to the sum (i) of the initial spreads of difference between nominal interest rate and initial benchmark interest rate, (ii) current period benchmark interest rate, and (iii) a margin of 300 base points per annum. While any coupon interest payments are unpaid or deferred, the Group cannot declare or pay dividends or reduce its registered capital.

Pursuant to the terms of these Perpetual Notes, the Company has no contractual obligation to repay its principal or to pay any coupon and deferred interest unless compulsory coupon payment event has occurred. Accordingly, the Perpetual Notes are classified as equity and subsequent coupon payment will be recorded as equity distribution to the owners of the Company.

During the year ended 31 December 2017, the profit attributable to holders of the Perpetual Notes, based on the applicable coupon rate, was approximately RMB77,250,000 (2016: RMB77,250,000); and the coupon payment distributed to the holders of the perpetual notes was approximately RMB77,250,000 (2016: RMB77,250,000).

42. LEASE ARRANGEMENTS

The Group as a lessee

At 31 December 2017, the Group had commitment for future minimum lease payments under non-cancelable operating leases in respect of leased properties as follows:

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within one year	**24,825**	19,512
In the second to fifth year, inclusive	**62,754**	40,890
Over five years	**236,115**	52,459
	323,694	112,861

Operating lease payments represent rentals payable by the Group for land. Leases are negotiated for the term between one year and twenty years, and rentals are fixed at the date of signing of lease.

43. COMMITMENTS

The Group had the following commitments:

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Acquisition or construction of property, plant and equipment contracted but not provided for:	**1,610,535**	1,145,540

44. PLEDGE OF ASSETS

a) The following assets were pledged to secure certain bank borrowing granted to the Group at the end of 31 December 2017 and 2016.

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Property, plant and equipment *(Note 15(d))*	**1,537,480**	1,631,147
Trade receivables *(Note 32(e))*	**132,733**	75,984
	1,670,213	1,707,131

b) Shares pledged

As at 31 December 2017 and 2016, the Group pledged 100% equity interest of New GRWF to NAB in connection with the loan facility amounting to AU$226,050,000 (2016: AU$230,349,000), equivalent to approximate RMB1,151,227,000 (2016: RMB1,155,361,000), granted by NAB to New GRWF.

45. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS

During the year ended 31 December 2017, total cost of RMB90,151,000 (2016: RMB70,138,000) including the amount of RMB51,000 (2016: RMB47,000) of retirement benefit of a director was charged to the profit or loss as retirement benefit scheme contributions.

The Group participates in retirement benefit schemes organized by the local government authority in the PRC. The local government authority in the PRC is responsible for managing the pension liabilities to these retired employees. For the pension liabilities to these retired employees, the Group's obligation is only to make monthly contributions at 20% of salary for the years ended 31 December 2017 and 2016.

46. RELATED PARTY BALANCES AND TRANSACTIONS

(a) The following parties are identified as related parties to the Group and the respective relationships are set out below:

Name of related party	Relationship
BEH	Ultimate holding company
北京市熱力集團有限責任公司 (Beijing District Heating (Group) Co., Ltd., English name for identification purpose) ("BDHG")	Fellow subsidiary
北京國際電氣工程有限責任公司 (Beijing International Electric Engineering Co., Ltd., English name for identification purpose) ("BIEE")	Fellow subsidiary
BEH Finance	Fellow subsidiary
Jingfeng Thermal	Fellow subsidiary
Jingxi Power	Fellow subsidiary
京能電力後勤服務有限公司 (Jingneng Electricity Logistic Services Co., Ltd., English name for identification purpose) ("Jingneng Logistic")	Fellow subsidiary
北京天湖會議中心有限公司 (Beijing Sky-Line Resort Co., Ltd., English name for identification purpose) ("Sky-Line Resort")	Fellow subsidiary
內蒙古岱海旅遊學校 (Daihai LvYou Vocational Education Co., Ltd., English name for identification purpose) ("Daihai LvYou")	Fellow subsidiary
內蒙古京能建築安裝工程有限公司 (Inner Mongolia Jingneng Construction and Installation Engineering Co., Ltd., English name for identification purpose)	Fellow subsidiary
北京源深節能技術有限責任公司 (Beijing Yuanshen Energy-saving technology Co., Ltd., English name for identification purpose) ("Yuanshen Energy")	Fellow subsidiary
北京京能源深融資租賃有限公司 (Beijing YuanShen Financial Leasing Co,. Ltd., English name for identification purpose) ("YuanShen Financial Leasing")	Fellow subsidiary
北京京能電力股份有限公司 (Beijing Jingneng Power Co., Ltd., English name for identification purpose) ("Jingneng Power")	Fellow subsidiary
Quanzhou Liupu	Associate
Tian Yin Di Re	Associate
Huayuan Huizhong	Joint Venture
內蒙古岱電房地產開發公司 (Inner Mongolia Dai Dian Real Estate Development Co., Ltd., English name for identification purpose)	Fellow subsidiary
內蒙古京能建築安裝工程有限公司 (Inner Mongolia Jingneng Construction and Installation Engineering Co., Ltd., English name for identification purpose)	Fellow subsidiary
Jingneng Lease	Fellow subsidiary
北京京能熱電粉煤灰工業有限公司 (Beijing Jingneng Thermal Power Flyash Industry Co., Ltd., English name for identification purpose)	Fellow subsidiary
北京京能源創碳資產管理有限公司 (Beijing Jingneng Yuanchuang Carbon Asset Management Co., Ltd., English name for identification purpose)	Fellow subsidiary
內蒙古京能電力檢修有限公司 (Inner Mongolia Jingneng Power Maintenance Co., Ltd., English name for identification purpose) ("Jingneng Power Maintenance")	Fellow subsidiary
內蒙古京能盛樂熱電有限公司 (Inner Mongolia Shenglei Power Co., Ltd., English name for identification purpose)	Fellow subsidiary

46. RELATED PARTY BALANCES AND TRANSACTIONS *(continued)*

(b) At 31 December 2017, other than loans to associates and loans to a joint venture as set out in Notes 20 and 21, the deposits in a related non-bank financial institution as set out in Note 30, the Group has amounts receivable from the following related parties and the details are set out below:

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Amounts due from:		
BEH	**15,621**	–
Associates	**61**	31
Fellow subsidiaries	**445,030**	370,770
	460,712	370,801
Represented by:		
Trade receivables aged within 90 days by invoice date	**460,432**	370,655
Non-trade receivables*	**280**	146
	460,712	370,801

* The balances were interest-free, unsecured and repayable on demand.

46. RELATED PARTY BALANCES AND TRANSACTIONS *(continued)*

(c) Except for the balances in borrowings from related non-bank financial institutions, fellow subsidiaries and BEH as set out in Note 32, the Group has amounts payable to the following related parties and the details are set out below:

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Amounts due to:		
BEH	**883**	883
Fellow subsidiaries	**77,504**	100,117
Associates	**4,687**	2,289
	83,074	103,289
Represented by:		
Trade payables aged within one year by invoice date	**54,572**	81,935
Payables for acquisition of property, plant and equipment	**19,187**	16,062
Non-trade payables*	**9,315**	5,292
	83,074	103,289

* The balances were interest-free, unsecured and repayable on demand.

(d) The Group operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or organisations (collectively "State-owned Enterprises"). During the year ended 31 December 2017, the Group had transactions with State-owned Enterprises including, but not limited to, sales of goods, purchases of property, plant and equipment, and borrowings. The Directors consider that the transactions with these State-owned Enterprises are activities in the ordinary course of the Group's business and that the dealings of the Group have not been significantly or unduly affected by the fact the Group and these State-owned Enterprises are ultimately controlled or owned by the PRC government. Having due regard to the substance of the relationship, the Directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

46. RELATED PARTY BALANCES AND TRANSACTIONS *(continued)*

(e) During the year ended 31 December 2017, other than interest income received from associates and a joint venture as set out in Note 9, interest expense charged by related parties as set out in Note 32(a), Note 32(b) and Note 32(d), respectively, the Group entered into the following significant transactions with its related parties:

Continuing transactions:

(i) Management services from related parties

Name of related party	Year ended 31 December 2017 RMB'000	2016 RMB'000
BIEE	–	27,395

(ii) Equipment maintenance services from related parties

Name of related party	Year ended 31 December 2017 RMB'000	2016 RMB'000
Jingfeng Thermal	11,162	11,301
BIEE	35,453	32,313
Jingneng Power	66,911	65,877
Jingneng Power Maintenance	5,925	–

(iii) Conference service from related parties

Name of related party	Year ended 31 December 2017 RMB'000	2016 RMB'000
Sky-Line Resort	103	70
Daihai LvYou	249	1,708

46. RELATED PARTY BALANCES AND TRANSACTIONS *(continued)*

(e) Continuing transactions: *(continued)*

(iv) Rental expense as a lessee charged by related parties

Name of related party	Year ended 31 December 2017 RMB'000	2016 RMB'000
Jingfeng Thermal	8,733	8,880
YuanShen Financial Leasing	1,639	1,685
Jingxi Power	43,921	–

(v) Commission for entrusted loan service from a related non-bank financial institution

Name of related party	Year ended 31 December 2017 RMB'000	2016 RMB'000
BEH Finance	7,557	7,789

(vi) Interest income from a related non-bank financial institution

Name of related party	Year ended 31 December 2017 RMB'000	2016 RMB'000
BEH Finance	18,626	15,726

(vii) Property management fee charged by a related party

Name of related party	Year ended 31 December 2017 RMB'000	2016 RMB'000
Jingneng Logistic	43,664	18,443

46. RELATED PARTY BALANCES AND TRANSACTIONS *(continued)*

(e) Continuing transactions: *(continued)*

(viii) Heat energy sold to a related party

Name of related party	Year ended 31 December 2017 RMB'000	2016 RMB'000
BDHG	**1,428,247**	1,291,624
Yuanshen Energy	**11,578**	2,452

The amount of the revenue to this connected person excludes the value added tax based on the 11% rate.

(ix) Equipment purchase framework agreement

Name of related party	Year ended 31 December 2017 RMB'000	2016 RMB'000
BIEE	**115,696**	120,347

(x) Framework Operating Agreement

Name of related party	Year ended 31 December 2017 RMB'000	2016 RMB'000
Jingxi Power	**17,642**	23,989
Yuanshen Energy	**–**	10,189

(xi) Landscaping service agreement

Name of related party	Year ended 31 December 2017 RMB'000	2016 RMB'000
Jingneng Logistic	**–**	291
Jingxi Power	**606**	1,933

46. RELATED PARTY BALANCES AND TRANSACTIONS *(continued)*

(f) Compensation of key management personnel

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Director fees	**500**	800
Basic salaries and allowances	**4,219**	4,120
Retirement benefit contributions	**306**	282
	5,025	5,202

Key management represents the Directors and other senior management personnel disclosed in the annual report. The remuneration of key management is determined by the remuneration committed having regard to the performance of individuals and market trends.

(g) In addition, the Group also has entered into other various transactions with other government-related entities in its ordinary course of business. In view of the insignificance of these transactions, the Directors are of the opinion that separate disclosure would not be meaningful.

47. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts (which include the bank and other borrowings, short-term debentures, medium-term note, corporate bonds, net of cash and cash equivalents, restricted bank deposits), perpetual notes and equity attributable to ordinary shareholders of the Company, comprising issued share capital, accumulated profits and other reserves.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with capital, and take appropriate actions to balance its overall capital structure.

48. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Financial assets		
Available-for-sale financial assets	**128,028**	128,028
Held for trading financial asset	**247,175**	265,750
Loans and receivables (including cash and cash equivalents)	**8,121,940**	6,082,183
Derivative financial assets	**182,499**	–
Financial liabilities		
Financial liabilities at amortized cost	**30,671,056**	29,238,425
Derivative financial liabilities	**8,714**	167,053

The Group's major financial instruments include derivative financial assets, trade and bill receivables, other receivables and deposits, available-for-sale financial assets, held for trading financial asset, loans to associates and a joint venture, cash and cash equivalents, restricted bank deposits, trade and other payables, amounts due from/to related parties, bank and other borrowings, short-term debentures, medium-term note, corporate bonds, and derivative financial liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose primarily to the market risks of changes in interest rates, foreign currency exchange rates and other price risk.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk during the year ended 31 December 2017.

48. FINANCIAL INSTRUMENTS *(continued)*

Interest rate risk management

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on loans to associates and a joint venture, cash and cash equivalents, restricted bank deposits, bank and other borrowings. The Group's cash flow interest rate concentrated on prevailing market interest based on the interest rates quoted by the PBOC plus a premium or less a discount. The Group enters into interest rate swaps to hedge against its exposure to changes in cash flow of certain borrowings. The interest rate swaps is designated as an effective hedging instrument and hedge accounting is applied (see Note 36 for details).

The Group's fair value interest rate risk mainly included bank borrowings carried at fixed interest rate, short-term debentures, medium-term note and corporate bonds.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at the end of each reporting period. For those financial instruments bearing floating interest rate, the analysis is prepared assuming the amount of balances outstanding at the end of each reporting period was outstanding for the whole year. A 25 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2017 would decrease/increase by RMB24,415,000 (2016: RMB23,663,000).

Foreign currency risk management

Currency risk

The Group has certain assets and liabilities, including bank balances and cash (Note 30), bank loans (Note 32) and trade payables (Note 31) denominated in foreign currencies, hence risk exposure to exchange rate fluctuation arises.

48. FINANCIAL INSTRUMENTS *(continued)*

Foreign currency risk management *(continued)*

Currency sensitivity

The Group is mainly exposed to exchange rate fluctuation on EUR, HK$, US$ and AU$, because trade payables caused by repairs and maintenance services were mainly denominated in EUR, and bank loans in Hong Kong were denominated in US$, and bank balances in Hong Kong were denominated in AU$ and HK$. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	31/12/2017	31/12/2016	**31/12/2017**	31/12/2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
EUR	**2,035**	285	**–**	2,172
HK$	**–**	–	**1,525**	1,414
US$	**650,877**	693,527	**4,021**	3,729
AU$	**–**	–	**5,143**	8,604

The following table details the Group's sensitivity to a 5% strengthening of RMB against EUR, HK$, US$ and AU$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the exchange rate of RMB against EUR, HK$, US$ and AU$. For a 5% weakening of RMB against EUR, HK$, US$ and AU$, there would be an equal and opposite impact on the profit after taxation for the year:

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Increase (decrease) in profit (EUR)	**80**	(78)
Decrease in profit (HK$)	**(60)**	(59)
Increase (decrease) in profit (US$)	**25,549**	28,542
Decrease in profit (AU$)	**(203)**	(356)

48. FINANCIAL INSTRUMENTS *(continued)*

Other price risks

The Group is exposed to equity price risk mainly through its investment in equity securities. The Group's equity price risk over investment in listed equity securities is mainly concentrated on an equity security operating in nuclear power industry sector quoted in the Hong Kong Stock Exchange. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices had been 15% higher/lower:

Profit for the year ended 31 December 2017 would increase/decrease by RMB30,959,000 (2016: RMB33,285,000) as a result of the changes in fair value of held for trading financial asset.

Credit risk management

The Group's credit risk is primarily attributable to its trade and bill receivables, other receivables and deposits, loans to associates and a joint venture, amounts due from related parties, bank balances and restricted bank deposits. As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position.

In order to minimize the credit risk, the management of the Group is responsible for determination of credit limit, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the Directors consider that the Groups' credit risk is significantly reduced.

Credit risk on trade receivables is concentrated on a limited number of power grids companies. However, the management, having considered the strong financial background and good creditability of the power grids companies, believes there is no significant credit risk. As at 31 December 2017, the Group has concentration of credit risk as 31% (2016: 42%) of the total trade receivables (including trade receivables due from related parties) is due from the Group's largest customer, and 80% (2016: 86%) were due from the five largest customers. The Group has also concentration of credit risk in relation to the loans to associates and a joint venture as loans are mainly made to one associate. This associate is engaged in managing and operating of hydropower plants in the PRC.

48. FINANCIAL INSTRUMENTS *(continued)*

Credit risk management *(continued)*

Liquid funds are deposited with several banks in the PRC and Hong Kong. However, the credit risk on liquid funds is limited because the counterparties are authorized financial institutions in the PRC and Hong Kong.

The credit risk in relation to the Group's restricted bank deposits is not significant as the corresponding banks are reputable bank institutions.

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group has net current liabilities as at 31 December 2017 and 2016, which exposed the Group to liquidity risk. In order to mitigate the liquidity risk, the management regularly monitors the operational cash flow of the Group as well as the unutilised bank facilities to meet its liquidity requirements in the short and long term.

The Group relies on bank borrowings as a significant source of liquidity. As on 31 December 2017, the Group has available unutilized banking and other borrowing facilities of RMB17,404,732,000 (2016: RMB24,046,564,000).

Liquidity risk

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

48. FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk *(continued)*

	Weighted average effective interest rate	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 5 years	Over 5 years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017								
Trade and other payables	–	2,928,825	201,580	35,801	1,731	–	3,167,937	3,167,937
Bank and other borrowings – variable interest rate	4.73	9,007,463	1,435,818	1,670,724	2,503,710	4,428,880	19,046,595	16,695,518
Bank and other borrowings – fixed interest rate	4.34	1,571,337	64,694	867,102	–	336,928	2,840,061	2,721,814
Short-term debentures	4.92	6,174,115	–	–	–	–	6,174,115	6,000,000
Medium-term note	5.04	–	–	–	2,550,000	–	2,550,000	2,002,713
Amounts due to related parties	–	83,074	–	–	–	–	83,074	83,074
		19,764,814	1,702,092	2,573,627	5,055,441	4,765,808	33,861,782	30,671,056
At 31 December 2016								
Trade and other payables	–	3,812,190	47,801	1,892	–	–	3,861,883	3,861,883
Bank and other borrowings – variable interest rate	4.82	6,920,350	1,598,721	1,679,498	2,544,817	4,441,227	17,184,613	14,821,237
Bank and other borrowings – fixed interest rate	4.77	1,435,312	170,247	220,011	64,956	473,548	2,364,074	2,256,500
Short-term debentures	2.93	6,179,000	–	–	–	–	6,179,000	6,000,000
Corporate bonds	4.46	2,298,200	–	–	–	–	2,298,200	2,195,516
Amounts due to related parties	–	103,289	–	–	–	–	103,289	103,289
		20,748,341	1,816,769	1,901,401	2,609,773	4,914,775	31,991,059	29,238,425

48. FINANCIAL INSTRUMENTS *(continued)*

Fair value

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

Financial assets/ financial liabilities	Fair value as at 31 December 2017	Fair value as at 31 December 2016	Fair value hierarchy	Valuation technique and key input
1) Listed held for trading shares *(see Note 28)*	Listed equity securities in Hong Kong: Electric power industry – RMB247,175,000	Listed equity securities in Hong Kong: Electric power industry – RMB265,750,000	Level 1	Quoted bid prices in an active market.
2) Interest rate swaps classified as derivatives on the consolidated statement of financial position *(see Note 36)*	Liabilities – RMB8,714,000	Liabilities – RMB7,441,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of the counterparty.
3) Fixed forward commodity contract classified as a derivative on the statement of financial position *(see Note 36)*	Assets – RMB182,499,000	Liability – RMB159,612,000	Level 3 *(Note)*	Discounted cash flow. Future cash flows are estimated based on spot electricity price, contract forward price and generators' utilization hours, discounted at a rate that reflects the credit risk of a counterparty. Discount rates are 4.10% and 4.85% for 31 December 2017 and 2016 respectively.

Note: The significant unobservable input is spot electricity price. A slight increase in the spot electricity price used in isolation would result in a significant decrease in the fair value of the derivative on fixed forward commodity contract and vice versa. A 5% increase in the spot electricity price holding all other variables constant would decrease the fair value of the derivative financial asset by RMB124,952,000 (2016: decrease the fair value of the derivative financial liability by RMB62,134,000).

48. FINANCIAL INSTRUMENTS *(continued)*

Fair value *(continued)*

In estimating the fair value of an asset where Level 1 inputs are not available, the management of the Group works closely with external valuers to establish the appropriate valuation techniques and inputs to the model.

There were no transfers among different levels during the year.

Except for the above financial assets and financial liabilities, included in available-for-sale financial assets at 31 December 2017 are unlisted equity investments amounting to RMB128,028,000 (2016: RMB128,028,000) which are stated at cost less impairment. As the ranges of reasonable fair value estimates are significant, the Directors are of the opinion that their fair values cannot be measured reliably.

Some of the Group's financial assets and financial liabilities are measured at amortized cost at the end of the reporting period. Their fair values are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Except for the fixed rate bank and other borrowings (Note 32), medium-term note (Note 34) and corporate bonds (Note 35), the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated statement of financial position approximate their respective fair values at the end of each reporting period.

Reconciliation of level 3 fair value measurement is as follow:

Fixed forward commodity contract	**Year ended 31 December**	
	2017	2016
	RMB'000	*RMB'000*
At 1 January	**(159,612)**	85,049
Ineffectiveness arising from cash flow hedging instrument recognized in profit or loss	**–**	(10,071)
Fair value gains (losses) of cash flow hedging instrument recognized in other comprehensive income	**337,807**	(239,590)
Effect of foreign currency exchange difference	**4,304**	5,000
At 31 December	**182,499**	(159,612)

49. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Borrowings	Corporate Bonds	Short-term Debentures	Medium-term Note	Interest Paid	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	(17,077,737)	(2,195,516)	(6,000,000)	–	–	(25,273,253)
Financing cash flows	(2,315,349)	2,298,200	–	(1,994,340)	998,623	(1,012,866)
Effective interest recognized	–	(102,684)	–	(8,373)	–	(111,057)
Effect of foreign currency exchange difference	(24,246)	–	–	–	–	(24,246)
At 31 December 2017	(19,417,332)	–	(6,000,000)	(2,002,713)	998,623	(26,421,422)

50. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2017 and 2016 are set out below:

Name of subsidiary	Place of registration and operation	Issued and fully paid up registered capital	Equity interest attributable to the Company: Direct		Indirect		Proportion of voting rights held by the Group		Principal activities
			2017	2016	2017	2016	2017	2016	
北京太陽宮燃氣熱電有限公司 (Beijing Taiyanggong Gas-fired Power Co., Ltd., English name for identification purpose) ("Taiyanggong Power")	PRC	RMB700,000,000	74%	74%	–	–	74%	74%	Gas-fired power and heat energy generation
北京京橋熱電有限責任公司 (Beijing Jingqiao Thermal Power Co., Ltd., English name for identification purpose)	PRC	RMB876,280,000	100%	100%	–	–	100%	100%	Gas-fired power and heat energy generation
北京京豐燃氣發電有限責任公司 (Beijing Jingfeng Natural Gas-fired Power Co., Ltd., English name for identification purpose)	PRC	RMB325,770,000	100%	100%	–	–	100%	100%	Gas-fired power and heat energy generation

50. SUBSIDIARIES *(continued)*

Name of subsidiary	Place of registration and operation	Issued and fully paid up registered capital	Equity interest attributable to the Company Direct		Indirect		Proportion of voting rights held by the Group		Principal activities
			2017	2016	2017	2016	2017	2016	
北京京能高安屯燃氣熱電有限責任公司 (Beijing Jingneng Gaoantun Gas-fired Power Co., Ltd., English name for identification purpose)	PRC	RMB760,512,000	100%	100%	–	–	100%	100%	Gas-fired power and heat energy generation
Jingxi Gas	PRC	RMB1,010,000,000	100%	100%	–	–	100%	100%	Gas-fired power and heat energy generation
Shangzhuang Power	PRC	RMB518,000,000	100%	100%	–	–	100%	100%	Gas-fired power and heat energy generation
黑水縣三聯水電開發有限責任公司 (Heishui County SanLian Hydropower Development Co., Ltd., English name for identification purpose)	PRC	RMB231,770,000	100%	100%	–	–	100%	100%	Water power generation
盈江華富水電開發有限公司 (Yingjiang Huafu Hydropower Development Co., Ltd., English name for identification purpose)	PRC	RMB413,600,000	100%	100%	–	–	100%	100%	Water power generation
騰沖縣猴橋永興河水電開發有限公司 (Tengchong County Hou Qiao Yong Xing River HydroPower Development Co., Ltd., English name for identification purpose)	PRC	RMB74,876,000	100%	100%	–	–	100%	100%	Water power generation
Sichuan Dachuan	PRC	RMB130,000,000	100%	100%	–	–	100%	100%	Water power generation
Sichuan Zhongneng	PRC	RMB90,000,000	100%	100%	–	–	100%	100%	Water power generation

50. SUBSIDIARIES *(continued)*

Name of subsidiary	Place of registration and operation	Issued and fully paid up registered capital	Equity interest attributable to the Company Direct 2017	Direct 2016	Indirect 2017	Indirect 2016	Proportion of voting rights held by the Group 2017	2016	Principal activities
成都金華能電力實業有限責任公司 (Chengdu Jinhuaneng Power Co., Ltd., English name for identification purpose)	PRC	RMB20,000,000	–	–	100%	100%	100%	100%	Repair and maintenance
內蒙古京能商都風力發電有限責任公司 (Inner Mongolia Jingneng Shangdu Wind Power Co., Ltd., English name for identification purpose)	PRC	RMB207,520,000	100%	100%	–	–	100%	100%	Wind power generation
New Energy	PRC	RMB2,706,390,000	100%	100%	–	–	100%	100%	Investment management, wind power generation
內蒙古京能察右中風力發電有限責任公司 (Inner Mongolia Jingneng Chayouzhong Energy Co., Ltd., English name for identification purpose)	PRC	RMB313,641,000	100%	100%	–	–	100%	100%	Wind power generation
錫林郭勒吉相華亞風力發電有限責任公司 (Xilinguole Jixianghuaya Wind Power Co., Ltd., English name for identification purpose)	PRC	RMB324,468,000	100%	100%	–	–	100%	100%	Wind power generation
內蒙古京能烏蘭伊力更風力發電有限責任公司 (Inner Mongolia Jingneng Wulanyiligeng Wind Power Co., Ltd., English name for identification purpose)	PRC	RMB792,350,000	100%	100%	–	–	100%	100%	Wind power and photovoltaic power generation
左雲京能風力發電有限責任公司 (Zuoyun Jingneng Wind Power Co., Ltd., English name for identification purpose)	PRC	RMB85,790,000	100%	100%	–	–	100%	100%	Wind power generation

50. SUBSIDIARIES *(continued)*

Name of subsidiary	Place of registration and operation	Issued and fully paid up registered capital	Equity interest attributable to the Company Direct 2017	Direct 2016	Indirect 2017	Indirect 2016	Proportion of voting rights held by the Group 2017	2016	Principal activities
內蒙古京能文貢烏拉風力發電有限公司 (Inner Mongolia Jingneng Wengongwula Wind Power Co., Ltd., English name for identification purpose)	PRC	RMB118,890,000	100%	100%	–	–	100%	100%	Wind power and photovoltaic power generation
內蒙古霍林郭勒風力發電有限責任公司 (Inner Mongolia Huolinguole Wind Power Co., Ltd., English name for identification purpose)	PRC	RMB129,220,000	100%	100%	–	–	100%	100%	Wind power generation
內蒙古京能巴林右風力發電有限責任公司 (Inner Mongolia Jingneng Balinyou Wind Power Co., Ltd., English name for identification purpose)	PRC	RMB149,290,000	100%	100%	–	–	100%	100%	Wind power generation
內蒙古京能科右中風力發電有限責任公司 (Inner Mongolia Jingneng Keyouzhong Wind Power Co., Ltd., English name for identification purpose)	PRC	RMB78,000,000	100%	100%	–	–	100%	100%	Wind power generation
內蒙古京能旗杆風力發電有限公司 (Inner Mongolia Jingneng Qigan Wind Power Co., Ltd., English name for identification Purpose)	PRC	RMB73,000,000	100%	100%	–	–	100%	100%	Wind power generation
內蒙古京能烏蘭風力發電有限公司 (Inner Mongolia Jingneng Wulan Wind Power Co., Ltd., English name for identification purpose)	PRC	RMB285,140,000	100%	100%	–	–	100%	100%	Wind power generation
寧夏京能新能源有限公司 (Ningxia Jingneng New Energy Co., Ltd., English name for identification purpose)	PRC	RMB259,248,000	100%	100%	–	–	100%	100%	Wind power and photovoltaic power generation

50. SUBSIDIARIES *(continued)*

Name of subsidiary	Place of registration and operation	Issued and fully paid up registered capital	Equity interest attributable to the Company Direct 2017	Direct 2016	Indirect 2017	Indirect 2016	Proportion of voting rights held by the Group 2017	2016	Principal activities
寧夏京能靈武風電有限公司 (Ningxia Jingneng Lingwu Wind Power Co., Ltd., English name for identification purpose)	PRC	RMB338,528,000	100%	100%	–	–	100%	100%	Wind power and photovoltaic power generation
五家渠京能新能源有限責任公司 (Wujiaqu Jingneng New Energy Co., Ltd., English name for identification purpose)	PRC	RMB347,204,000	100%	100%	–	–	100%	100%	Wind power and photovoltaic power generation
寧夏京能中衛有限公司 (Ningxia Jingneng Zhongwei Co., Ltd., English name for identification purpose)	PRC	RMB56,000,000	100%	100%	–	–	100%	100%	Photovoltaic power generation
Weilai Gas	PRC	RMB291,898,600	100%	100%	–	–	100%	100%	Gas-fired power and heat energy generation
建湖京能新能源有限公司 (Jianhu Jingneng New Energy Co., Ltd., English name for identification purpose)	PRC	RMB54,760,000	100%	100%	–	–	100%	100%	Photovoltaic power generation
寧夏賀蘭京能新能源有限公司 (Ningxia Helan Jingneng New Energy Co., Ltd., English name for identification purpose)	PRC	RMB56,760,000	100%	100%	–	–	100%	100%	Photovoltaic power generation
寧夏中寧縣京能新能源有限公司 (Ningxia Zhongning County New Energy Co., Ltd., English name for identification purpose)	PRC	RMB260,050,000	100%	100%	–	–	100%	100%	Wind power and photovoltaic power generation

50. SUBSIDIARIES *(continued)*

Name of subsidiary	Place of registration and operation	Issued and fully paid up registered capital	Equity interest attributable to the Company Direct		Indirect		Proportion of voting rights held by the Group		Principal activities
			2017	2016	2017	2016	2017	2016	
格爾木京能新能源有限公司 (Golmud Jingneng New Energy Co., Ltd., English name for identification purpose)	PRC	RMB205,360,000	100%	100%	–	–	100%	100%	Photovoltaic power generation
京能(遷西)發電有限公司 (Jingneng Qianxi Power Co., Ltd., English name for identification purpose) ("Qianxi Power")	PRC	RMB93,146,600	60%	60%	–	–	60%	60%	Photovoltaic power generation
Jingneng HK	Hong Kong	HK$77,657,000	100%	100%	–	–	100%	100%	Investment holding
New GRWF Holding	Australia	AU$138,960,000	–	–	75%	75%	75%	75%	Investment holding
New GRWF	Australia	AU$132,460,000	–	–	75%	75%	75%	75%	Wind power generation
Gullen Solar Pty Ltd.	Australia	AU$6,500,000	–	–	75%	75%	75%	75%	Photovoltaic power generation
JCEIH	British Virgin Islands	US$50,000	–	–	100%	100%	100%	100%	Investment holding
深圳京能清潔能源融資租賃有限公司 (Shenzhen Jingneng Clean Energy Finance Lease Co., Ltd., English name for identification purpose)	PRC	RMB306,000,000	–	–	100%	100%	100%	100%	Finance Lease
府谷縣京能新能源有限公司 (Fugu Jingneng New Energy Co., Ltd., English name for identification purpose)	PRC	RMB72,770,000	100%	100%	–	–	100%	100%	Wind power generation

50. SUBSIDIARIES *(continued)*

Name of subsidiary	Place of registration and operation	Issued and fully paid up registered capital	Equity interest attributable to the Company Direct		Indirect		Proportion of voting rights held by the Group		Principal activities
			2017	2016	2017	2016	2017	2016	
共和京能清潔能源有限公司 (Gonghe Jingneng Clean Energy Co., Ltd., English name for identification purpose)	PRC	RMB18,900,000	100%	100%	–	–	100%	100%	Photovoltaic power generation
寧夏海原京能新能源有限公司 (Ningxia Haiyuan Jingneng New Energy Co. Ltd., English name for identification purpose)	PRC	RMB19,000,000	100%	100%	–	–	100%	100%	Photovoltaic power generation
大同京能新能源有限公司 (Datong Jingneng New Energy Co., Ltd., English name for identification purpose)	PRC	RMB170,000,000	100%	100%	–	–	100%	100%	Photovoltaic power generation
靖遠京能新能源有限公司 (Jingyuan Jingneng New Energy Co., Ltd., English name for identification purpose)	PRC	RMB79,450,000	100%	100%	–	–	100%	100%	Wind power generation
徐聞京能新能源有限公司 (Xuwen Jingneng New Energy Co., Ltd., English name for identification purpose)	PRC	RMB114,000,000	100%	100%	–	–	100%	100%	Photovoltaic power generation
北票京能新能源有限公司 *(Note a)* (Beipiao Jingneng New Energy Co., Ltd., English name for identification purpose)	PRC	RMB58,610,000	100%	–	–	–	100%	–	Photovoltaic power generation
朝陽縣京能新能源有限公司 *(Note a)* (Chaoyang Jingneng New Energy Co., Ltd., English name for identification purpose)	PRC	RMB30,660,000	100%	–	–	–	100%	–	Photovoltaic power generation
縉雲縣京能新能源有限公司 *(Note a)* (Jinyun Jingneng New Energy Co., Ltd., English name for identification purpose)	PRC	RMB21,010,000	100%	–	–	–	100%	–	Photovoltaic power generation

50. SUBSIDIARIES *(continued)*

Name of subsidiary	Place of registration and operation	Issued and fully paid up registered capital	Equity interest attributable to the Company Direct 2017	Direct 2016	Indirect 2017	Indirect 2016	Proportion of voting rights held by the Group 2017	2016	Principal activities
葫蘆島南票京泰新能源有限公司 *(Note a)* (Huludao Nanpiao Jingtai Jingneng New Energy Co., Ltd., English name for identification purpose)	PRC	RMB30,600,000	100%	–	–	–	100%	–	Photovoltaic power generation
葫蘆島南票萬和新能源有限公司 *(Note a)* (Huludao Nanpiao Wanhe Jingneng New Energy Co., Ltd., English name for identification purpose)	PRC	RMB30,552,000	100%	–	–	–	100%	–	Photovoltaic power generation
Beijing Jingneng Clean Energy (Australia) Holding Pty Ltd. *(Note a)*	Australia	AU$138,960,000	–	–	100%	–	100%	–	Investment holding
共和源通光伏發電有限公司 *(Note b)* (Gongheyuantong Photovoltaic Power Co., Ltd., English name for identification purpose)	PRC	RMB1,000,000	100%	–	–	–	100%	–	Photovoltaic power generation
凌海京鑫新能源有限公司 *(Note a)* (Linghai Jingxin New Energy Co., Ltd., English name for identification purpose)	PRC	nil	100%	–	–	–	100%	–	Photovoltaic power generation
東源天華陽光新能源電力有限公司 *(Note b)* (Dongyuan Tianhua Yangguang New Energy Power Co., Ltd., English name for identification purpose)	PRC	RMB1,836,000	100%	–	–	–	100%	–	Photovoltaic power generation
益陽大通湖東大光伏發電有限公司 *(Note b)* (Yiyang Datonghu Dongda Photovoltaic Power Co., Ltd., English name for identification purpose)	PRC	RMB1,000,000	100%	–	–	–	100%	–	Photovoltaic power generation
凌源東大光伏發電有限公司 *(Note b)* (Lingyuan Dongda Photovoltaic Power Co., Ltd., English name for identification purpose)	PRC	RMB1,000,000	100%	–	–	–	100%	–	Photovoltaic power generation
Newtricity Biala *(Note b)*	Australia	AU$30,000	–	–	100%	–	100%	–	Wind power generation

50. SUBSIDIARIES *(continued)*

Notes:

a) These subsidiaries were newly established during the year ended 31 December 2017.

b) These subsidiaries were acquired during the year ended 31 December 2017.

c) The subsidiaries registered in the PRC are all in the legal form of limited liability company.

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Incorporation/ establishment/ registration and operation	Proportion ownership interest held by non-controlling interests		Profit allocated to non-controlling interests		Total comprehensive income (expenses) allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	2017	2016	2017	2016	2017	2016
		%	*%*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Taiyanggong Power	PRC	26	26	70,241	80,401	70,241	80,401	307,070	309,965
New GRWF Holding	Australia	25	25	9,404	13,814	71,351	(18,168)	219,981	148,630
Qianxi Power	PRC	40	40	4,217	–	4,217	–	41,477	29,260
				83,862	94,215	145,809	62,233	568,528	487,855

50. SUBSIDIARIES *(continued)*

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Taiyanggong Power	**2017** *RMB'000*	2016 *RMB'000*
Current assets	**390,425**	413,696
Non-current assets	**1,491,047**	1,588,809
Current liabilities	**691,496**	773,233
Non-current liabilities	**8,936**	37,097
Revenue	**1,896,579**	2,100,598
Profit and total comprehensive income for the year	**270,156**	309,236
Dividends declared to non-controlling interests	**73,136**	69,997
Net cash inflow from operating activities	**546,822**	493,499
Net cash outflow used in investing activities	**(62,780)**	(139,584)
Net cash outflow used in financing activities	**(470,681)**	(392,536)
Net cash inflow (outflow)	**13,361**	(38,586)

50. SUBSIDIARIES *(continued)*

New GRWF Holding	**2017** *RMB'000*	2016 *RMB'000*
Current assets	**443,569**	240,396
Non-current assets	**1,814,091**	1,776,074
Current liabilities	**77,510**	73,530
Non-current liabilities	**1,300,224**	1,348,419
Revenue	**131,089**	133,289
Profit for the year	**37,615**	55,254
Other comprehensive income (expense) for the year	**225,001**	(150,535)
Total comprehensive income (expense) for the year	**262,616**	(95,315)
Dividends declared to non-controlling interests	**–**	–
Net cash inflow from operating activities	**183,053**	192,871
Net cash outflow used in investing activities	**(97,354)**	(28,684)
Net cash outflow used in financing activities	**(174,619)**	(59,354)
Net cash (outflow) inflow	**(88,920)**	104,834

50. SUBSIDIARIES *(continued)*

Qianxi Power	2017 *RMB'000*	2016 *RMB'000*
Current assets	54,733	38,762
Non-current assets	347,594	328,237
Current liabilities	84,937	50,752
Non-current liabilities	213,700	243,100
Revenue	25,011	–
Profit and total comprehensive income for the year	10,543	–
Dividends declared to non-controlling interests	–	–
Net cash inflow from operating activities	82	–
Net cash outflow used in investing activities	(35,176)	(133,247)
Net cash inflow from financing activities	11,593	131,357
Net cash outflow	(23,501)	(1,890)

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	1,528,003	1,670,313
Intangible assets	3,480	15,401
Investments in subsidiaries	13,602,265	13,226,717
Prepaid lease payments	1,231	1,260
Investments in associates	788,496	827,681
Loans to associates	142,000	148,000
Loans to a joint venture	30,000	15,000
Loans to subsidiaries	805,000	2,641,000
Investment in a joint venture	80,467	80,000
Deferred tax assets	34,292	19,332
Available-for-sale financial asset	60,000	60,000
Value-add tax recoverable	16,903	29,619
Deposit paid for acquisition of property, plant and equipment	164,548	6,595
	17,256,685	18,740,918
Current assets		
Inventories	789	884
Trade and bill receivables	187,286	32,578
Other receivables, deposits and prepayments	3,133	141,612
Amounts due from related parties	15,842	31
Amounts due from subsidiaries	3,615,790	2,418,831
Loans to subsidiaries	5,806,000	4,620,000
Prepaid lease payments	29	29
Value-added tax recoverable	5,993	4,708
Restricted cash	612,600	2,600
Cash and cash equivalents	901,057	240,843
	11,148,519	7,462,116

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

	Notes	At 31 December 2017 RMB'000	2016 RMB'000
Current liabilities			
Trade and other payables		144,025	154,094
Amounts due to related parties		5,957	3,531
Amounts due to a subsidiary		2,071	1,157
Bank and other borrowings – due within one year		4,140,000	4,105,000
Short-term debentures		6,000,000	6,000,000
Corporate bonds – due within one year		–	1,199,846
Deferred income – current portion		5,354	4,792
		10,297,407	11,468,420
Net current assets (liabilities)		851,112	(4,006,304)
Total assets less current liabilities		18,107,797	14,734,614
Non-current liabilities			
Bank and other borrowings – due after one year		593,000	503,000
Corporate bonds – due after one year		2,002,713	–
Deferred income		104,798	96,139
		2,700,511	599,139
Net assets		15,407,286	14,135,475
Capital and reserves			
Share capital	*39*	6,870,423	6,870,423
Reserves		7,008,882	5,737,070
Perpetual notes	*41*	1,527,982	1,527,982
Total equity		15,407,287	14,135,475

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Accumulated profits *RMB'000*	Total *RMB'000*
At 1 January 2016	2,656,574	438,218	1,463,615	4,558,407
Profit and total comprehensive income for the year	–	–	1,725,163	1,725,163
Appropriation to statutory surplus reserve	–	178,427	(178,427)	–
Dividend declared	–	–	(469,250)	(469,250)
Dividend declared to perpetual notes holders	–	–	(77,250)	(77,250)
At 31 December 2016	2,656,574	616,645	2,463,851	5,737,070
Profit and total comprehensive income for the year	–	–	1,857,473	1,857,473
Appropriation to statutory surplus reserve	–	185,747	(185,747)	–
Dividend declared	–	–	(508,411)	(508,411)
Dividend declared to perpetual notes holders	–	–	(77,250)	(77,250)
At 31 December 2017	2,656,574	802,392	3,549,916	7,008,882

Definitions

"Articles of Association"	Articles of association of the Company
"BDHG"	北京市熱力集團有限責任公司(Beijing District Heating (Group) Co., Ltd)
"BEH"	北京能源集團有限責任公司(Beijing Energy Holding Co., Ltd)
"BEH Finance"	京能集團財務有限公司(BEH Finance Co., Ltd)
"BIEE"	北京國際電氣工程有限責任公司(Beijing International Electric Engineering Co., Ltd.)
"Beijing Energy Investment"	Beijing Energy Investment Holding (Hong Kong) Co., Limited
"Board of Directors" or "Board"	board of directors of the Company
"Board of Supervisors"	board of supervisors of the Company
"BSCOMC"	北京國有資本經營管理中心(Beijing State-owned Capital Operation and Management Center)
"China" or "PRC"	the People's Republic of China, but for the purposes of this annual report and for geographical reference only (unless otherwise indicated), excluding Taiwan, Macau and Hong Kong
"Company," "our Company," "we" or "us"	北京京能清潔能源電力股份有限公司(Beijing Jingneng Clean Energy Co., Limited)
"CSRC"	中國證券監督管理委員會(China Securities Regulatory Commission)
"Director(s)"	director(s) of the Company
"Group"	the Company and its subsidiaries
"HK GAAP"	Hong Kong Financial Reporting Standards and other generally accepted accounting principles in Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HK$" or "Hong Kong dollars" or "HK dollars" or "HKD"	Hong Kong dollars, the lawful currency for the time being of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"H Shares"	overseas listed foreign invested ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange

Definitions

"IFRSs"	the International Financial Reporting Standards, which include standards and interpretations promulgated by the International Accounting Standards Board (IASB), and the International Accounting Standards (IAS) and interpretation issued by the International Accounting Standards Committee (IASC)
"Latest Practicable Date"	19 April 2018, being the latest practicable date for the inclusion of certain information in this annual report prior to its publication
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"NSSF"	全國社會保障基金理事會(National Council for Social Security Fund of the PRC)
"PBOC"	中國人民銀行(People's Bank of China)
"PRC GAAP"	generally accepted accounting principles in the PRC
"Renminbi" or "RMB"	the lawful currency of the PRC
"SASAC"	國務院國有資產監督管理委員會(State-owned Assets Supervision and Administration Commission of the State Council)
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"SERC"	國家電力監管委員會(State Electricity Regulatory Commission of the PRC)
"SFC"	the Securities and Futures Commission of Hong Kong
"Shareholder(s)"	holder(s) of our Shares, including holders of H shares and holders of domestic shares of the Company
"Shares"	shares in the share capital of the Company, with a nominal value of RMB1.00 each
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor(s) of the Company
"YuanShen Financial Leasing"	北京京能源深融資租賃有限公司(Beijing YuanShen Financial Leasing Co., Ltd.)

Corporate Information

Registered Name	Beijing Jingneng Clean Energy Co., Limited
Directors	
Non-executive Directors	Mr. MENG Wentao *(Chairman)* Mr. JIN Shengxiang Mr. TANG Xinbing Mr. YU Zhongfu Mr. ZHAO Wei
Executive Director	Mr. ZHANG Fengyang *(General Manager)*
Independent Non-executive Directors	Mr. HUANG Xiang Mr. ZHANG Fusheng Mr. CHAN Yin Tsung Mr. HAN Xiaoping
Strategy Committee	Mr. MENG Wentao *(Chairman)* Mr. JIN Shengxiang Mr. TANG Xinbing Mr. ZHANG Fengyang
Remuneration and Nomination Committee	Mr. HUANG Xiang *(Chairman)* Mr. MENG Wentao Mr. TANG Xinbing Mr. ZHANG Fusheng Mr. HAN Xiaoping
Audit Committee	Mr. CHAN Yin Tsung *(Chairman)* Mr. JIN Shengxiang Mr. HUANG Xiang
Supervisors	Mr. LI Xun Mr. LIU Jiakai Ms. HUANG Linwei
Company Secretary	Mr. KANG Jian

Corporate Information

Authorized Representatives	Mr. ZHANG Fengyang 7/8 Floor, No.6 Xibahe Road, Chaoyang District, Beijing, the PRC Mr. KANG Jian 7/8 Floor, No.6 Xibahe Road, Chaoyang District, Beijing, the PRC
Registered Office	Room 118, No. 1 Ziguang East Road, Badaling Economic Development Zone, Yanqing County, Beijing, the PRC
Principal Place of Business in the PRC	7/8 Floor, No. 6 Xibahe Road, Chaoyang District, Beijing, the PRC
Principal Place of Business in Hong Kong	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Principal Bankers	China Merchants Bank Co., Ltd (Dongzhimen Branch) Floor 2, Tianheng Manson, No.46 Dongzhimen Waidajie, Dongcheng District, Beijing, the PRC Bank of Communications Co., Ltd. (Fuwai Branch) Building 1, No. 9, Chegongzhuangdajie, Xicheng District, Beijing, the PRC Agricultural Bank of China Limited (Fengtai Branch) No. 9, East Avenue Street, Fengtai District, Beijing, the PRC Industrial and Commercial Bank of China Limited (Taoranting Branch) No. 55, Taoranting Road, Xicheng District, Beijing, the PRC

Corporate Information

International Auditors	Deloitte Touche Tohmatsu Certified Public Accountants 35/F, One Pacific Place, 88 Queensway, Hong Kong
Domestic Auditors	Grant Thornton LLP 5th Floor, Scitech Place, 22 Jianguomen Wai Avenue, Chaoyang District, Beijing, the PRC
Hong Kong Legal Advisors	Freshfields Bruckhaus Deringer 55th Floor, One Island East, Taikoo Place Quarry Bay, Hong Kong
PRC Legal Advisors	Tian Yuan Law Firm 10/F, CPIC Plaza, 28 Fengsheng Lane, Xicheng District, Beijing, the PRC
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Stock Code	579
Company's Website	www.jncec.com
Listing Place	The Stock Exchange of Hong Kong Limited