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華電福新能源股份有限公司
HUADIAN FUXIN ENERGY CORPORATION LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00816)

AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

This announcement is made by Huadian Fuxin Energy Corporation Limited (the “**Company**”) pursuant to Rules 13.09(2) and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong).

Pursuant to the relevant regulations of the People's Republic of China (the “**PRC**”), the Company's audited annual financial statements shall be published on the website of China Foreign Exchange Trading System (<http://www.chinamoney.com.cn>) and the website of Shanghai Clearing House (<http://www.shclearing.com>).

The following are the audited consolidated annual financial statements of the Company for the year ended 31 December 2019 prepared in accordance with the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC, which are also published on the above-mentioned websites.

By Order of the Board
Huadian Fuxin Energy Corporation Limited
HUANG Shaoxiong
Chairman of the Board

Beijing, the PRC, 24 April 2020

As at the date of this announcement, the executive Directors are Mr. HUANG Shaoxiong, Mr. WU Jianchun and Mr. DU Jiangwu; the non-executive Directors are Mr. TAO Yunpeng, Mr. SHI Chongguang and Mr. WANG Bangyi; and the independent non-executive Directors are Mr. ZHANG Bai, Mr. TAO Zhigang and Mr. WU Yiqiang.

Huadian Fuxin Energy Corporation Limited

Audited Financial Statements

Year ended 31 December 2019

Important Notice

The attached financial statements have been translated from the financial statements prepared in accordance with Chinese Accounting Standards for Business Enterprises. In the case where the English version does not conform to the Chinese version, the Chinese version shall prevail.

Huadian Fuxin Energy Corporation Limited

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AUDITOR'S REPORT

Ernst & Young Hua Ming (2020) Shen Zi No. 61358086_A01
Huadian Fuxin Energy Corporation Limited

To the shareholders of Huadian Fuxin Energy Corporation Limited:

1. Opinion

We have audited the accompanying financial statements of Huadian Fuxin Energy Corporation Limited, which comprise the consolidated and company balance sheets as at 31 December 2019, the consolidated and company income statements for the year then ended, the consolidated and company statements of cash flows for the year then ended, the consolidated and company statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of Huadian Fuxin Energy Corporation Limited as at 31 December 2019, and their financial performance and cash flows for the year ended in accordance with the requirements of China Accounting Standards for Business Enterprises ("CASs").

2. Basis for opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Huadian Fuxin Energy Corporation Limited in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Key audit matters

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

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

AUDITOR'S REPORT (continued)

Ernst & Young Hua Ming (2020) Shen Zi No. 61358086_A01
Huadian Fuxin Energy Corporation Limited

3. Key audit matters (continued)

Key audit matter:	How our audit addressed the key audit matter:
Impairment testing of certain non-current assets (fixed assets, construction in progress and intangible assets)	
<p>As at 31 December 2019, the Group had fixed assets, construction in progress and intangible assets amounting to RMB84,330,559,121, comprising the largest portion of assets and representing 75% of the Group's total assets and 86% of the non-current assets.</p> <p>The directors of the Company identified indicators of impairment of these non-current assets as at 31 December 2019, which included i) continuous loss-making performance due to abandonment and curtailment of wind power for certain of the Group's wind power plants and an increase in cost of natural gas, coal and biomass used for certain of the Group's natural gas-fired power plants, coal-fired power plants and biomass power plants; ii) a significant decrease in utilisation hours; and iii) a slowdown in the progress of certain coal-fired power and wind power projects under construction.</p> <p>For those non-current assets with impairment indicators identified, management performed impairment testing by determining the recoverable amounts of the cash-generating units ("CGUs") to which the non-current assets were allocated. For the year ended 31 December 2019, the Group provided RMB483,679,050 impairment on fixed assets and construction in progress.</p> <p>Assessing potential impairment of the CGUs through estimations of their recoverable amounts based on value in use involved estimation of the discounted future cash flows which required significant management judgement and estimates, such as future electricity sales volumes, future operating costs and the discount rates.</p> <p>Because of the materiality of the balance of these non-current assets and significant management judgement and estimation involved, this area is identified as a key audit matter.</p> <p>Related disclosures are included in notes 3(14), 3(29)b, 17, 18 and 20 to the consolidated financial statements.</p>	<p>The following procedures were performed to address the identified key audit matter:</p> <ul style="list-style-type: none"> ● We evaluated the directors' assessment of indicators of impairment, the identification of CGUs and the allocation of non-current assets to each CGU, with reference to our understanding of the Group's business and the requirements of the prevailing accounting standards; ● We evaluated management's key assumptions in determining the recoverable amounts of the CGUs to which these non-current assets were allocated; ● We evaluated the key assumptions such as future electricity sales volumes, future on-grid tariffs, and future operating costs by comparing them with the recent historical results of the related CGUs, the budgets and the feasibility reports of the related CGUs provided by management; ● We also involved our internal valuation specialists to assist us in evaluating the methodology and discount rates used in the calculation of the recoverable amounts, and; ● We evaluate whether the disclosure of impairment assessments of fixed assets, intangible assets and construction in progress in the consolidated financial statements meets the requirements of relevant accounting standards.

AUDITOR'S REPORT (continued)

Ernst & Young Hua Ming (2020) Shen Zi No. 61358086_A01
Huadian Fuxin Energy Corporation Limited

4. Other information

The management of Huadian Fuxin Energy Corporation Limited is responsible for the other information. The other information comprises all the information included in the 2019 annual report on corporate bonds of Huadian Fuxin Energy Corporation Limited, other than the financial statements and our auditor's report thereon. The 2019 annual report on corporate bonds of Huadian Fuxin Energy Corporation Limited is expected to be provided to us after the date of audit report.

Our opinion on the 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 financial statements, our responsibility is to read the other information when we can obtain such information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

5. Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing Huadian Fuxin Energy Corporation Limited's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intend to liquidate Huadian Fuxin Energy Corporation Limited or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Huadian Fuxin Energy Corporation Limited's financial reporting process.

AUDITOR'S REPORT (continued)

Ernst & Young Hua Ming (2020) Shen Zi No. 61358086_A01
Huadian Fuxin Energy Corporation Limited

6. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether these 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs 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 financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on Huadian Fuxin Energy Corporation Limited'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 these 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 Huadian Fuxin Energy Corporation Limited to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Huadian Fuxin Energy Corporation Limited to express an opinion on the financial statements. We are responsible for the guidance, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S REPORT (continued)

Ernst & Young Hua Ming (2020) Shen Zi No. 61358086_A01
Huadian Fuxin Energy Corporation Limited

6. Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope, timing of the audit and significant audit findings, including deficiencies worth of attention 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young Hua Ming LLP

Zhang Siwei (Engagement Partner)
Chinese Certified Public Accountant

Cui Naiwen
Chinese Certified Public Accountant

Beijing, the People's Republic of China

20 April 2020

Huadian Fuxin Energy Corporation Limited

Consolidated balance sheet

31 December 2019

(Expressed in Renminbi (“RMB”) Yuan)

Assets	Notes	31 December 2019	31 December 2018
Current assets			
Cash at banks and on hand	7	2,480,330,105	3,603,943,616
Trade receivables	8	1,807,316,889	1,719,250,975
Receivables financing	9	7,707,857,319	4,250,525,992
Prepayments	10	216,686,801	101,589,112
Other receivables	11	195,723,305	841,423,487
Inventories	12	281,242,030	413,564,411
Non-current assets due within one year		16,381,882	17,304,345
Other current assets	13	<u>853,274,076</u>	<u>1,209,504,856</u>
Total current assets		<u>13,558,812,407</u>	<u>12,157,106,794</u>
Non-current assets			
Long-term receivables	14	-	14,656,883
Long-term equity investments	15	10,066,458,253	8,984,570,357
Other equity instruments investment	16	677,664,235	1,087,774,507
Fixed assets	17	67,637,890,829	70,384,374,806
Construction in progress	18	14,134,592,453	10,374,630,184
Right-of-use assets	19	911,880,987	-
Intangible assets	20	2,558,075,839	2,289,832,011
Goodwill	21	496,646,686	496,646,686
Long-term deferred expenses	22	117,161,211	137,983,205
Deferred tax assets	23	362,510,719	369,045,554
Other non-current assets	24	<u>1,532,569,259</u>	<u>1,836,332,875</u>
Total non-current assets		<u>98,495,450,471</u>	<u>95,975,847,068</u>
Total assets		<u>112,054,262,878</u>	<u>108,132,953,862</u>

The notes form part of these financial statements.

Huadian Fuxin Energy Corporation Limited

Consolidated balance sheet (continued)

31 December 2019

(Expressed in RMB Yuan)

Liabilities and shareholders' equity	Notes	31 December 2019	31 December 2018
Current liabilities:			
Short-term loans	25	6,408,827,247	4,741,142,999
Bills payable	26	90,444,300	73,000,000
Accounts payable	27	5,890,161,554	5,876,280,294
Contract liabilities	28	34,672,282	31,667,982
Employee benefits payable	29	60,052,089	58,147,895
Taxes payable	30	389,460,425	288,594,265
Other payables	31	2,051,882,520	2,062,616,976
Non-current liabilities due within one year	32	7,268,997,939	5,354,068,705
Other current liabilities	33	<u>26,755,158</u>	<u>809,689,893</u>
Total current liabilities		<u>22,221,253,514</u>	<u>19,295,209,009</u>
Non-current liabilities:			
Long-term loans	34	43,741,451,889	47,193,130,851
Debentures payable	35	5,714,335,489	6,826,690,581
Lease liabilities	36	526,852,639	-
Long-term payables	37	10,891,665	367,396,019
Provisions	38	197,223,960	-
Deferred income	39	313,304,030	340,631,851
Deferred tax liabilities	23	<u>977,610,267</u>	<u>1,007,988,544</u>
Total non-current liabilities		<u>51,481,669,939</u>	<u>55,735,837,846</u>
Total liabilities		<u>73,702,923,453</u>	<u>75,031,046,855</u>

The notes form part of these financial statements.

Huadian Fuxin Energy Corporation Limited

Consolidated balance sheet (continued)

31 December 2019

(Expressed in RMB Yuan)

Liabilities and shareholders' equity	Notes	31 December 2019	31 December 2018
Shareholders' equity:			
Share capital	40	8,407,961,520	8,407,961,520
Other equity instruments	41	12,566,547,170	8,969,841,509
Including: Perpetual medium-term notes and renewable corporate bonds		12,566,547,170	8,969,841,509
Capital reserve	42	1,768,731,993	1,770,524,861
Other comprehensive income	43	(3,641,363)	120,393,300
Surplus reserve	44	1,114,420,179	998,315,660
Retained earnings	45	<u>11,206,662,212</u>	<u>9,788,345,958</u>
Total equity attributable to equity holders of the Company		35,060,681,711	30,055,382,808
Non-controlling interests		<u>3,290,657,714</u>	<u>3,046,524,199</u>
Total shareholders' equity		<u>38,351,339,425</u>	<u>33,101,907,007</u>
Total liabilities and shareholders' equity		<u>112,054,262,878</u>	<u>108,132,953,862</u>

The financial statements have been signed by:

<u>Huang Shaoxiong</u>	<u>Wang Huiping</u>	<u>Zhu Fenge</u>	<u>(Company stamp)</u>
Legal Representative	The person in charge of accounting affairs	The head of the accounting department	

The notes form part of these financial statements.

Huadian Fuxin Energy Corporation Limited

Consolidated income statement Year ended 31 December 2019 (Expressed in RMB Yuan)

	Notes	2019	2018
Operating income	46	19,458,069,847	18,249,314,121
Less: Operating costs	46	12,874,354,418	12,630,072,719
Tax and surcharges	47	181,040,983	169,937,298
Administrative expenses		805,673,009	957,580,369
Research and development expenses		-	390,680
Financial expenses	48	2,666,413,079	3,042,017,231
Including: Interest expenses		2,697,531,576	3,072,906,130
Interest income		31,118,497	30,888,899
Add: Other income	49	197,693,899	204,337,647
Investment income	50	818,555,370	990,735,942
Including: Income from investment in joint ventures and associates		800,550,617	939,699,766
Credit impairment losses	51	(120,689,879)	(4,668,345)
Impairment losses on assets	52	(490,185,191)	(4,345,777)
Net income on disposal of assets	53	91,053,089	1,312,019
		<hr/>	<hr/>
Operating profit		3,427,015,646	2,636,687,310
Add: Non-operating income	54	63,576,820	233,563,794
Less: Non-operating expenses	55	256,821,317	112,466,420
		<hr/>	<hr/>
Profit before income tax		3,233,771,149	2,757,784,684
Less: Income tax expenses	56	542,276,178	285,069,422
		<hr/>	<hr/>
Net profit for the year		<u>2,691,494,971</u>	<u>2,472,715,262</u>
Classification according to the continuity of operation			
Net profit from continuing operation		2,691,494,971	2,472,715,262
Classification according to ownership			
Attributable to:			
Equity holders of the Company		2,415,719,310	2,268,466,968
Non-controlling interests		275,775,661	204,248,294

The notes form part of these financial statements.

Huadian Fuxin Energy Corporation Limited

Consolidated income statement (continued)
Year ended 31 December 2019
(Expressed in RMB Yuan)

	Note	2019	2018
Other comprehensive income, net of tax			
Other comprehensive income attributable to equity holders of the Company, net of tax			
Other comprehensive income which cannot be reclassified into profit or loss			
Changes at fair value of other equity instruments investment		1,850,062	(209,135,200)
Other comprehensive income which can be reclassified into profit or loss			
Translation differences arising on translation of foreign currency financial statements		<u>(675,711)</u>	<u>18,100,312</u>
Total comprehensive income		<u>2,692,669,322</u>	<u>2,281,680,374</u>
Attributable to:			
Equity holders of the Company		2,416,893,661	2,077,432,080
Non-controlling interests		275,775,661	204,248,294
Earnings per share			
Basic and diluted earnings per share	57	<u>0.2245</u>	<u>0.2371</u>

The financial statements have been signed by:

<u>Huang Shaoxiong</u>	<u>Wang Huiping</u>	<u>Zhu Fenge</u>	<u>(Company stamp)</u>
Legal Representative	The person in charge of accounting affairs	The head of the accounting department	

The notes form part of these financial statements.

Huadian Fuxin Energy Corporation Limited

Consolidated statement of changes in shareholders' equity Year ended 31 December 2019 (Expressed in RMB Yuan)

The year ended 31 December 2019

	Attributable to the equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Other equity Instruments investment -Perpetual medium-term notes and renewable corporate bonds	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Subtotal		
Balance at 31 December 2018	8,407,961,520	8,969,841,509	1,770,524,861	120,393,300	998,315,660	9,788,345,958	30,055,382,808	3,046,524,199	33,101,907,007
Changes in equity for the year									
1. Total comprehensive income for the year	-	528,296,444	-	1,174,351	-	1,887,422,866	2,416,893,661	275,775,661	2,692,669,322
2. Shareholders' contribution of capital	-	-	-	-	-	-	-	136,630,724	136,630,724
3. Other changes in equity of associates	-	-	(1,792,868)	-	-	-	(1,792,868)	-	(1,792,868)
4. Distribution for perpetual medium-term notes and renewable corporate bonds	-	(528,296,444)	-	-	-	-	(528,296,444)	-	(528,296,444)
5. Appropriation of profits:									
(1) Appropriation for surplus reserve	-	-	-	-	116,104,519	(116,104,519)	-	-	-
(2) Distributions to shareholders	-	-	-	-	-	(477,572,214)	(477,572,214)	-	(477,572,214)
(3) Distributions to non-controlling shareholders by subsidiaries	-	-	-	-	-	-	-	(125,912,247)	(125,912,247)
6. Issuance of perpetual medium-term notes and renewable corporate bonds, net of issuing expenses	-	3,596,705,661	-	-	-	-	3,596,705,661	-	3,596,705,661
7. Other comprehensive income transferred to retained earnings	-	-	-	(125,209,014)	-	125,209,014	-	-	-
8. Disposal of subsidiaries	-	-	-	-	-	-	-	(42,360,623)	(42,360,623)
9. Others	-	-	-	-	-	(638,893)	(638,893)	-	(638,893)
Balance at 31 December 2019	8,407,961,520	12,566,547,170	1,768,731,993	(3,641,363)	1,114,420,179	11,206,662,212	35,060,681,711	3,290,657,714	38,351,339,425

The financial statements have been signed by:

Huang Shaoxiong
Legal Representative

Wang Huiping
The person in charge of accounting affairs

Zhu Fengge
The head of the accounting department

(Company stamp)

The notes form part of these financial statements.

Huadian Fuxin Energy Corporation Limited

Consolidated statement of changes in shareholders' equity (continued)

Year ended 31 December 2019

(Expressed in RMB Yuan)

The year ended 31 December 2018

	Attributable to the equity holders of the Company							Subtotal	Non-controlling interests	Total equity
	Share capital	Other equity Instruments investment -Perpetual medium-term notes and renewable corporate bonds	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings				
Balance at 31 December 2017	8,407,961,520	3,988,339,623	1,783,262,159	(22,739,441)	817,192,725	8,450,351,715	23,424,368,301	3,042,729,833	26,467,098,134	
Add: Effect of changes in accounting policy	-	-	-	334,167,629	-	-	334,167,629	-	334,167,629	
Balance at 1 January 2018	8,407,961,520	3,988,339,623	1,783,262,159	311,428,188	817,192,725	8,450,351,715	23,758,535,930	3,042,729,833	26,801,265,763	
Changes in equity for the year										
1. Total comprehensive income for the year	-	275,230,556	-	(191,034,888)	-	1,993,236,412	2,077,432,080	204,248,294	2,281,680,374	
2. Shareholders' contribution of capital	-	-	-	-	-	-	-	44,229,562	44,229,562	
3. Other changes in equity of associates	-	-	(12,737,298)	-	-	-	(12,737,298)	-	(12,737,298)	
4. Distribution for perpetual medium-term notes and renewable corporate bonds	-	(275,230,556)	-	-	-	-	(275,230,556)	-	(275,230,556)	
5. Appropriation of profits:										
(1) Appropriation for surplus reserve	-	-	-	-	181,122,935	(181,122,935)	-	-	-	
(2) Distributions to shareholders	-	-	-	-	-	(467,482,661)	(467,482,661)	-	(467,482,661)	
(3) Distributions to non-controlling shareholders by subsidiaries	-	-	-	-	-	-	-	(244,683,490)	(244,683,490)	
6. Issuance of perpetual medium-term notes and renewable corporate bonds, net of issuing expenses	-	4,981,501,886	-	-	-	-	4,981,501,886	-	4,981,501,886	
7. Others	-	-	-	-	-	(6,636,573)	(6,636,573)	-	(6,636,573)	
Balance at 31 December 2018	8,407,961,520	8,969,841,509	1,770,524,861	120,393,300	998,315,660	9,788,345,958	30,055,382,808	3,046,524,199	33,101,907,007	

The financial statements have been signed by:

Huang Shaoxiong
Legal Representative

Wang Huiping
The person in charge of accounting affairs

Zhu Fenge
The head of the accounting department

(Company stamp)

The notes form part of these financial statements.

Huadian Fuxin Energy Corporation Limited

Consolidated cash flow statement Year ended 31 December 2019 (Expressed in RMB Yuan)

	Notes	2019	2018
Cash flows from operating activities:			
Proceeds from sale of goods and rendering of services		18,603,838,378	22,381,469,303
Refund of taxes		102,818,411	39,875,725
Proceeds from other operating activities	58(1)	<u>31,131,981</u>	<u>191,359,757</u>
Subtotal of cash inflows		<u>18,737,788,770</u>	<u>22,612,704,785</u>
Payment for goods and services		7,164,687,922	8,707,150,279
Payment to and for employees		1,828,267,318	1,697,013,397
Payment of various taxes		1,978,348,804	1,166,404,198
Payment for other operating activities	58(2)	<u>772,801,819</u>	<u>339,492,829</u>
Increase in restricted deposits		<u>16,380,752</u>	<u>-</u>
Subtotal of cash outflows		<u>11,760,486,615</u>	<u>11,910,060,703</u>
Net cash inflow from operating activities	59(1)	<u>6,977,302,155</u>	<u>10,702,644,082</u>
Cash flows from investing activities:			
Investment proceeds received		849,406,532	685,312,440
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		533,609,216	56,650,627
Net proceeds from disposal of subsidiaries	59(4)	<u>70,749,831</u>	<u>-</u>
Proceeds from other investing activities	58(3)	<u>31,118,497</u>	<u>28,358,949</u>
Subtotal of cash inflows		<u>1,484,884,076</u>	<u>770,322,016</u>
Payment for acquisition of fixed assets, intangible assets and other long-term assets		7,283,055,295	6,175,898,092
Payment for acquisition of investments		570,200,000	643,030,000
Increase in restricted deposits		<u>-</u>	<u>736,078</u>
Subtotal of cash outflows		<u>7,853,255,295</u>	<u>6,819,664,170</u>
Net cash outflow from investing activities		<u>(6,368,371,219)</u>	<u>(6,049,342,154)</u>
Cash flows from financing activities:			
Proceeds from investors		3,733,336,385	5,025,731,448
Including: Proceeds from non-controlling shareholders of subsidiaries		136,630,724	44,229,562
Proceeds from borrowings		<u>25,796,088,408</u>	<u>27,516,081,883</u>
Subtotal of cash inflows		<u>29,529,424,793</u>	<u>32,541,813,331</u>
Repayments of borrowings		27,116,762,993	31,641,425,662
Payment for dividends, profit distributions or interest		4,076,004,563	4,079,361,327
Including: Dividends and profits paid to non-controlling shareholders of subsidiaries		105,699,948	133,420,509
Payment for other financing activities	58(5)	<u>83,436,460</u>	<u>-</u>
Subtotal of cash outflows		<u>31,276,204,016</u>	<u>35,720,786,989</u>
Net cash outflow from financing activities		<u>(1,746,779,223)</u>	<u>(3,178,973,658)</u>
Effect of foreign exchange rate changes on cash and cash equivalents			
		<u>(2,145,976)</u>	<u>1,608,796</u>
Net (decrease)/increase in cash and cash equivalents	59(3)	<u>(1,139,994,263)</u>	<u>1,475,937,066</u>
Add: Cash and cash equivalents at the beginning of the year		3,597,840,533	2,121,903,467
Cash and cash equivalents at the end of the year	59(5)	<u>2,457,846,270</u>	<u>3,597,840,533</u>

The financial statements have been signed by:

Huang Shaoxiong
Legal Representative

Wang Huiping
The person in charge of accounting affairs

Zhu Fenge
The head of the accounting department

(Company stamp)

The notes form part of these financial statements.

Huadian Fuxin Energy Corporation Limited

Company balance sheet 31 December 2019 (Expressed in RMB Yuan)

Assets	Notes	31 December 2019	31 December 2018
Current assets			
Cash at banks and on hand	7	69,016,269	746,446,986
Trade receivables	8	22,163,729	59,322,178
Receivables financing		754,360	-
Prepayments		6,712,784	21,423,799
Other receivables	11	1,388,779,138	2,560,379,016
Inventories		1,283,396	210,698
Other current assets	13	<u>19,276,635</u>	<u>25,273,443</u>
Total current assets		<u>1,507,986,311</u>	<u>3,413,056,120</u>
Non-current assets			
Long-term receivables	14	5,255,808,900	4,340,780,000
Long-term equity investments	15	33,219,959,495	29,807,460,862
Other equity instruments investment	16	381,434,776	429,794,297
Fixed assets	17	1,793,721,094	1,706,373,530
Construction in progress	18	714,267,252	770,818,973
Right-of-use assets	19	199,491,101	-
Intangible assets	20	112,170,750	106,503,279
Goodwill		23,896,627	-
Long-term deferred expenses		5,914,601	3,485,490
Other non-current assets		<u>23,617,325</u>	<u>22,089,773</u>
Total non-current assets		<u>41,730,281,921</u>	<u>37,187,306,204</u>
Total assets		<u><u>43,238,268,232</u></u>	<u><u>40,600,362,324</u></u>

The notes form part of these financial statements.

Huadian Fuxin Energy Corporation Limited

Company balance sheet (continued)

31 December 2019

(Expressed in RMB Yuan)

Liabilities and shareholders' equity	Notes	31 December 2019	31 December 2018
Current liabilities:			
Short-term loans	25	4,150,000,000	1,550,000,000
Accounts payable	27	90,000,634	160,483,762
Employee benefits payable	29	4,494,966	2,123,493
Taxes payable	30	25,623,780	22,773,898
Other payables	31	2,294,361,916	4,071,529,105
Non-current liabilities due within one year	32	107,520,426	51,289,501
Other current liabilities	33	<u>67,118</u>	<u>799,577,949</u>
Total current liabilities		<u>6,672,068,840</u>	<u>6,657,777,708</u>
Non-current liabilities:			
Long-term loans	34	586,848,173	1,114,362,632
Debentures payable	35	5,033,341,109	5,991,747,681
Lease liabilities	36	147,912,299	-
Long-term payables		284,065	290,000
Deferred income		1,629,656	-
Deferred tax liabilities		35,367,884	43,323,767
Provisions	38	<u>197,223,960</u>	<u>-</u>
Total non-current liabilities		<u>6,002,607,146</u>	<u>7,149,724,080</u>
Total liabilities		<u>12,674,675,986</u>	<u>13,807,501,788</u>
Shareholders' equity:			
Share capital		8,407,961,520	8,407,961,520
Other equity instruments		12,566,547,170	8,969,841,509
Including: Perpetual medium-term notes and renewable corporate bonds		12,566,547,170	8,969,841,509
Capital reserve	42	2,370,864,538	2,372,657,406
Other comprehensive income		96,514,160	129,971,301
Surplus reserve	44	1,114,420,179	998,315,660
Retained earnings		<u>6,007,284,679</u>	<u>5,914,113,140</u>
Total shareholders' equity		<u>30,563,592,246</u>	<u>26,792,860,536</u>
Total liabilities and shareholders' equity		<u>43,238,268,232</u>	<u>40,600,362,324</u>

The financial statements have been signed by:

Huang Shaoxiong	Wang Huiping	Zhu Fengge	
Legal Representative	The person in charge of accounting affairs	The head of the accounting department	(Company stamp)

The notes form part of these financial statements.

Huadian Fuxin Energy Corporation Limited

Company income statement
Year ended 31 December 2019
(Expressed in RMB Yuan)

	Notes	2019	2018
Operating income	46	765,553,379	476,923,829
Less: Operating costs	46	592,993,701	367,218,928
Tax and surcharges	47	8,083,605	6,167,329
Administrative expenses		84,998,734	199,260,462
Financial expenses	48	130,783,243	457,151,566
Including: Interest expenses		369,445,741	619,430,454
Interest income		238,662,498	162,278,888
Add: Other income	49	1,882,070	407,958
Investment income	50	1,521,450,134	2,362,726,467
Including: Income from investment in joint ventures and associates		726,449,110	904,127,689
Credit impairment losses	51	(97,011,562)	-
Impairment losses on assets	52	(6,775,974)	(937,930)
Net income on disposal of assets	53	-	77,600
		<hr/>	<hr/>
Operating profit		1,368,238,764	1,809,399,639
Add: Non-operating income	54	1,604,694	4,699,024
Less: Non-operating expenses	55	208,865,508	2,869,319
		<hr/>	<hr/>
Profit before income tax		1,160,977,950	1,811,229,344
Less: Income tax expenses	56	(67,240)	-
		<hr/>	<hr/>
Net profit for the year		<u>1,161,045,190</u>	<u>1,811,229,344</u>
Classification according to the continuity of operation			
Net profit from continuing operation		<u>1,161,045,190</u>	<u>1,811,229,344</u>
Other comprehensive income, net of tax			
Other comprehensive income which cannot be reclassified into profit or loss			
Changes at fair value of other equity instruments investment		<u>(28,994,626)</u>	<u>(52,966,928)</u>
Total comprehensive income		<u><u>1,132,050,564</u></u>	<u><u>1,758,262,416</u></u>

The financial statements have been signed by:

<u>Huang Shaoxiong</u>	<u>Wang Huiping</u>	<u>Zhu Fenge</u>	<u>(Company stamp)</u>
Legal Representative	The person in charge of accounting affairs	The head of the accounting department	

The notes form part of these financial statements.

Huadian Fuxin Energy Corporation Limited

Company statement of changes in shareholders' equity

Year ended 31 December 2019

(Expressed in RMB Yuan)

	Share capital	Other equity instruments investment-Perpetual medium-term notes and renewable corporate bonds	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total equity
The year ended 31 December 2019							
Balance at 31 December 2018	8,407,961,520	8,969,841,509	2,372,657,406	129,971,301	998,315,660	5,914,113,140	26,792,860,536
Changes in equity for the year							
1. Total comprehensive income for the year	-	528,296,444	-	(28,994,626)	-	632,748,746	1,132,050,564
2. Distribution for perpetual medium-term notes and renewable corporate bonds	-	(528,296,444)	-	-	-	-	(528,296,444)
3. Appropriation of profits:							
(1) Appropriation for surplus reserve	-	-	-	-	116,104,519	(116,104,519)	-
(2) Distributions to shareholders	-	-	-	-	-	(477,572,214)	(477,572,214)
4. Issuance of perpetual medium-term notes and renewable corporate bonds, net of issuing expenses	-	3,596,705,661	-	-	-	-	3,596,705,661
5. Changes in other equity of associates	-	-	(1,792,868)	-	-	-	(1,792,868)
6. Business combination involving entities under common control	-	-	-	-	-	49,992,945	49,992,945
7. Other comprehensive income transferred to retained earnings	-	-	-	(4,462,515)	-	4,462,515	-
8. Others	-	-	-	-	-	(355,934)	(355,934)
Balance at 31 December 2019	8,407,961,520	12,566,547,170	2,370,864,538	96,514,160	1,114,420,179	6,007,284,679	30,563,592,246
The year ended 31 December 2018							
Balance at 31 December 2017	8,407,961,520	3,988,339,623	2,374,671,913	-	817,192,725	5,029,958,053	20,618,123,834
Add: Effect of changes in accounting policy	-	-	-	182,938,229	-	-	182,938,229
Balance at 1 January 2018	8,407,961,520	3,988,339,623	2,374,671,913	182,938,229	817,192,725	5,029,958,053	20,801,062,063
Changes in equity for the year							
1. Total comprehensive income for the year	-	275,230,556	-	(52,966,928)	-	1,535,998,788	1,758,262,416
2. Distribution for perpetual medium-term notes and renewable corporate bonds	-	(275,230,556)	-	-	-	-	(275,230,556)
3. Appropriation of profits:							
(1) Appropriation for surplus reserve	-	-	-	-	181,122,935	(181,122,935)	-
(2) Distributions to shareholders	-	-	-	-	-	(467,482,661)	(467,482,661)
4. Issuance of perpetual medium-term notes and renewable corporate bonds, net of issuing expenses	-	4,981,501,886	-	-	-	-	4,981,501,886
5. Other changes in equity of associates	-	-	(2,014,507)	-	-	-	(2,014,507)
6. Others	-	-	-	-	-	(3,238,105)	(3,238,105)
Balance at 31 December 2018	8,407,961,520	8,969,841,509	2,372,657,406	129,971,301	998,315,660	5,914,113,140	26,792,860,536

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Legal Representative

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The person in charge of accounting affairs

Zhu Fenge
The head of the accounting department

(Company stamp)

The notes form part of these financial statements.

Huadian Fuxin Energy Corporation Limited

Company cash flow statement Year ended 31 December 2019 (Expressed in RMB Yuan)

	Notes	2019	2018
Cash flows from operating activities:			
Proceeds from sale of goods and rendering of services		899,576,853	667,131,042
Proceeds from other operating activities	58(1)	5,632,042	2,426,281,468
Decrease in restricted deposits		1,291,965	-
Subtotal of cash inflows		<u>906,500,860</u>	<u>3,093,412,510</u>
Payment for goods and services		119,512,723	1,190,946,168
Payment to and for employees		330,921,568	291,272,510
Payment of various taxes		80,290,051	50,359,334
Payment for other operating activities	58(2)	78,323,368	157,917,513
Subtotal of cash outflows		<u>609,047,710</u>	<u>1,690,495,525</u>
Net cash (outflow)/inflow from operating activities	59(1)	<u>297,453,150</u>	<u>1,402,916,985</u>
Cash flows from investing activities:			
Investment proceeds received		1,796,581,868	1,192,565,994
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		22,095,628	185,980,511
Net proceeds from disposal of subsidiaries and other business units	59(4)	21,216,932	-
Proceeds from other investing activities	58(3)	244,715,127	162,886,349
Subtotal of cash inflows		<u>2,084,609,555</u>	<u>1,541,432,854</u>
Payment for acquisition of fixed assets, intangible assets and other long-term assets		202,276,327	309,219,655
Payment for acquisition of investments		2,972,936,500	2,061,479,500
Increase in restricted deposits		-	8,910
Payment for other investing activities	58(4)	2,476,499,444	-
Subtotal of cash outflows		<u>5,651,712,271</u>	<u>2,370,708,065</u>
Net cash outflow from investing activities		<u>(3,567,102,716)</u>	<u>(829,275,211)</u>
Cash flows from financing activities:			
Proceeds from investors		3,596,705,661	4,981,501,886
Proceeds from borrowings		10,324,900,000	14,367,405,920
Subtotal of cash inflows		<u>13,921,605,661</u>	<u>19,348,907,806</u>
Repayments of borrowings		9,037,815,189	17,941,005,920
Payment for dividends, profit distributions or interest		2,250,919,983	1,327,077,945
Payment for other financing activities	58(5)	37,797,036	-
Subtotal of cash outflows		<u>11,326,532,208</u>	<u>19,268,083,865</u>
Net cash inflow from financing activities		<u>2,595,073,453</u>	<u>80,823,941</u>
Effect of foreign exchange rate changes on cash and cash equivalents			
		<u>(1,562,639)</u>	<u>919,416</u>
Net (decrease)/increase in cash and cash equivalents	59(3)	<u>(676,138,752)</u>	<u>655,385,131</u>
Add: Cash and cash equivalents at the beginning of the year		742,577,094	87,191,963
Cash and cash equivalents at the end of the year	59(5)	<u>66,438,342</u>	<u>742,577,094</u>

The financial statements have been signed by:

Huang Shaoxiong
Legal Representative

Wang Huiping
The person in charge of accounting affairs

Zhu Fenge
The head of the accounting department

(Company stamp)

The notes form part of these financial statements.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements Year ended 31 December 2019 (Expressed in RMB Yuan)

1 Company status

Huadian Fuxin Energy Corporation Limited (the “Company”) was established in Fuzhou, Fujian province, with its head office located in Beijing. The parent and its ultimate holding company is China Huadian Corporation Ltd. (“Huadian Group”).

The Company is an incorporated company established by restructuring and transforming Huadian Fuxin Energy Company Limited (“Huadian Fuxin”). Pursuant to the “Reply on the Establishment of Huadian Fuxin Energy Corporation Limited” (Guo Zi Gai Ge [2011] No.838) by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) on 15 August 2011, Huadian Fuxin was turned into an incorporated company. The Company had total stock of 6 billion shares of RMB1.00 at par, of which Huadian Group, China Power Engineering Consulting Group Corporation (“CPECC”), Kunlun Trust Co., Ltd. (“Kunlun Trust”), Guizhou Wujiang Hydropower Development Co., Ltd. (“Wujiang Hydropower”), China Huadian Engineering Co., Ltd. (“CHEC”), Industrial Innovation Capital Management Co., Ltd. (“Industrial Capital”), Fujian Datong Venture Capital Investment Co., Ltd. (“Datong VC”) held 85.80%, 4.37%, 3.49%, 3.24%, 1.35%, 1.31% and 0.44% of the total share capital, respectively. On 19 August 2011, the Company obtained a business licence (No. 350000100004157) issued by the Fujian Province Administration of Industry and Commerce of the PRC.

With the approval of the China Securities Regulatory Commission given in the “Reply on the Issuance of Overseas Listed Foreign Shares by Huadian Fuxin Energy Corporation Limited” (Zheng Jian Xu Ke [2012] No.435), the Company launched an initial public offering to Hong Kong and overseas investors in June and July 2012, issuing 1,622,616,000 overseas shares (H shares) with a par value of RMB1.00. Meanwhile, Huadian Group, CPECC, Kunlun Trust, Wujiang Hydropower, CHEC, Industrial Capital and Datong VC transferred their 162,261,600 domestic shares at the par value of RMB1 to H shares at the ratio of 1:1, and then transferred the H shares to the National Council for Social Security Fund (NSSF). The overseas shares (H shares) of the Company have listed on the Stock Exchange of Hong Kong Limited (HKEx) on 28 June 2012. In February and December 2014, the Company completed the placing of an aggregate of 785,345,520 new H shares with a par value of RMB1. Therefore, the share capital (stock) of the Company has changed to RMB8,407,961,520, representing 8,407,961,520 ordinary shares with a par value of RMB1.00, including 5,837,738,400 domestic shares and 2,570,223,120 overseas shares (H shares).

The Company and its subsidiaries (together the “Group”) primarily engage in the production and sales of electricity in mainland China.

The scope of the consolidated financial statement is determined on the basis of control. The change in the scope of consolidation during the year is described in Note 6.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

2 Basis of preparation

The financial statements are prepared in accordance with “China Accounting Standards for Business Enterprises – General Principles” and other issued application guidance, interpretations and other related regulations issued later (collectively known as the “CAS”).

The financial statements have been prepared on the going concern basis.

As at 31 December 2019, the Group’s current liabilities exceeded its current assets by RMB8,662,441,107. Based on a review of the forecasted cash flows and the availability of unutilized banking facilities amounted to RMB20,159,843,445 as at 31 December 2019, management believes the Group will have the necessary liquid funds to finance its working capital and capital expenditure requirements.

The financial statements have been prepared for the annual disclosure purpose of issuing ultra short-term financing instruments, short-term financing instruments, medium-term notes in the inter-bank market and issuing corporate bonds in the Shanghai Stock Exchange.

(1) Statement of compliance

The financial statements have been prepared in accordance with the CAS, and present truly and completely the financial position of the Company and the Group as of 31 December 2019, and the results of their operations and cash flows for the year ended 31 December 2019.

(2) Accounting year

The accounting year of the Group is from 1 January to 31 December.

(3) Functional currency and presentation currency

The Company’s functional currency is Renminbi and these financial statements are presented in Renminbi. Functional currency is determined by the Company and its subsidiaries on the basis of the currency in which major income and costs are denominated and settled. Some of the Company’s subsidiaries have functional currencies that are different from the Company’s functional currency. Their financial statements have been translated based on the accounting policy set out in Note 3(2).

The financial statements have been prepared based on the historical cost, except for certain financial instruments. Provision for asset impairment is provided in accordance with related regulations.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

- 3 Significant accounting policies and accounting estimates
- (1) Business combinations and consolidated financial statements
- (a) Business combinations under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the acquisition date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total face value of shares issued) is adjusted against the capital premium in the capital reserve, with any excess adjusted against retained earnings. Any costs directly attributable to the combination is recognised in profit or loss when incurred. The acquisition date is the date on which one combining enterprise obtains control of other acquired enterprises.

- (b) Business combinations not involving enterprises under common control

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties both before and after the business combination. Where (1) the aggregate of the acquisition-date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition-date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. If (1) is less than (2), the difference is recognised in profit or loss for the current period. Other acquisition-related costs are expensed when incurred. The acquiree's identifiable assets, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition-date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

- (c) Consolidated financial statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary are included in the consolidated financial statements based on the carrying amounts of the assets and liabilities of the subsidiary in the financial statements of the ultimate controlling party as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

3 Significant accounting policies and accounting estimates (continued)

(1) Business combinations and consolidated financial statements (continued)

(c) Consolidated financial statements (continued)

Where a subsidiary was acquired during the reporting period, through a business combination not involving enterprises under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

Non-controlling interests are presented separately in the consolidated balance sheet within owners' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item. When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests. Changes in the interest in a subsidiary without a change in control are accounted for as equity transactions.

If the equity investment in subsidiaries handled step by step through multiple transactions until the loss of control is a package deal, transactions should be treated as disposing and losing control of subsidiaries transactions. However, before the loss of control, the difference between the disposal price and the net asset share of disposed investment shall be recognised as other comprehensive income in the consolidated financial statements and shall be transferred to current profit or loss when losing control. If the equity investment in subsidiaries handled step by step through multiple transactions until the loss of control is not a package deal, the accounting treatment differs on whether transaction results in losing control. If not losing control, the change of minority shareholders' equity is treated as an equity transaction. In case of loss of control, the remaining equity shall be remeasured according to its fair value on the day of loss of control. The sum of the price of disposed equity and the fair value of the remaining equity, minus the share of the original subsidiary's net assets which shall be continuously calculated from the purchase date according to the original shareholding ratio, shall be recognised as current profit or loss of losing control. If there is a goodwill of subsidiaries, the amount of the goodwill shall be deducted when calculating and determining the profit or loss of the disposal of the subsidiary. Other comprehensive income related to the original equity has the same base of accounting treatment with subsidiaries disposing related assets and liabilities when losing control over the subsidiaries. Shareholders' equity recognized as a result of changes in other equity resulting from all except changes in net profit or loss, other comprehensive income and distribution of profits related to original subsidiary shall be transferred to current profit or loss on losing control.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

3 Significant accounting policies and accounting estimates (continued)

(2) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates on the dates of the transactions.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognised in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the acquisition, construction of qualifying assets (see Note 3(25)). Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date.

In translating the financial statements of a foreign operation, assets and liabilities of foreign operation are translated to Renminbi at the spot exchange rate at the balance sheet date. Equity items, excluding retained earnings and the translation differences in other comprehensive income, are translated to Renminbi at the spot exchange rates at the transaction dates. Income and expenses of foreign operations are translated to Renminbi at the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income. The translation differences accumulated in owners' equity with respect to a foreign operation are transferred to profit or loss in the period when the foreign operation is disposed.

(3) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdrawn on demand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

(4) Inventories

Inventories include coal, fuel oil, spare parts and low-value consumables.

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase and other expenditure incurred in bringing the inventories to their present location and condition.

Cost of inventories transferred out is calculated using the weighted average method. Low-value consumables are amortised in full when received for use. The amortisations are included in the cost of the related assets or recognised in profit or loss for the current period.

At the balance sheet date, inventories are carried at the lower of cost and net realisable value.

Any excess of the cost over the net realisable value of each class of inventories is recognised as a provision for impairment, and is recognised in profit or loss. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale including relevant taxes.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

3 Significant accounting policies and accounting estimates (continued)

(5) Long-term equity investments

(a) Investments in subsidiaries

In the Group's consolidated financial statements, the subsidiaries are accounted for in accordance with the principles described in Note 3(1)(c).

In the Company's separate financial statements, investments in subsidiaries are measured as follows:

- The initial cost of a long-term equity investment acquired through a business combination involving enterprises under common control is the Company's share of the carrying amount of the subsidiary's equity in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the initial investment cost and the carrying amount of the consideration given is adjusted to the capital premium in the capital reserve, with any excess adjusted to retained earnings.
- For a long-term equity investment obtained through a business combination not involving enterprises under common control, the initial cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree.
- An investment in a subsidiary acquired other than through a business combination is initially recognised in accordance with the principles described in Note 3(5)(b).

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method unless the investment is classified as held for sale. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the subsidiary as investment income in the current period. The investments in subsidiaries are stated in the balance sheet at cost less impairment losses (see Note 3(14)).

(b) Investments in joint ventures and associates

A joint venture is an arrangement whereby the Group and other parties have joint control and rights to the net assets of the arrangement.

An associate is an enterprise over which the Group has significant influence.

An investment in a joint venture or an associate is initially recognised at the amount of cash paid if the Group acquires the investment by cash.

An investment in a joint venture or an associate is accounted for using the equity method, unless the investment is classified as held for sale.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

3 Significant accounting policies and accounting estimates (continued)

(5) Long-term equity investments (continued)

(b) Investments in joint ventures and associates (continued)

Under the equity method:

- Where the initial cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognised in profit or loss.
- After the acquisition of the investment, the Group recognises its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by the amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution ("other changes in owners' equity"), is recognised directly in the Group's equity, and the carrying amount of the investment is adjusted accordingly.
- In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owners' equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses resulting from transactions between the Group and its associates or joint ventures are eliminated in the same way as unrealised gains but only to the extent that there is no impairment.
- The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the joint venture or associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the joint venture or associate subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The Group makes provision for impairment of investments in joint ventures and associates in accordance with the principles described in Note3(14).

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

3 Significant accounting policies and accounting estimates (continued)

(6) Fixed assets and construction in progress

Fixed assets represent the tangible assets held by the Group for use in the production of goods, supply of services, for rental to others or for administrative purposes with useful lives over one accounting year.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note 3(14)). Construction in progress is stated in the balance sheet at cost less impairment losses (see Note 3(14)).

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note 3(25)), and any other costs directly attributable to bringing the asset to working condition for its intended use.

Construction in progress is transferred to fixed assets when it is ready for its intended use. No depreciation is provided against construction in progress.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

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

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the fixed asset is classified as held for sale. The estimated useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

	Estimated useful life	Residual value rates	Depreciation rates
Buildings and structures	8 - 55 years	0 - 5%	1.73% - 12.50%
Generators and related equipment	4 - 35 years	0 - 5%	2.71% - 25.00%
Motor vehicles	6 - 10 years	0 - 5%	9.50% - 16.67%
Furniture and others	5 - 18 years	0 - 5%	5.28% - 20.00%

Useful life, estimated residual values and depreciation methods are reviewed at least at each year-end.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

3 Significant accounting policies and accounting estimates (continued)

(7) Leases (Applicable from 1 January 2019)

(a) Identification of leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

(b) Identification of separate lease components

For a contract that contains multiple separate lease components, the Group separates the components of the contract and accounts for each separate lease component. The right to use an underlying asset is a separate lease component if both:

- the lessee can benefit from use of the underlying asset either on its own or together with other resources that are readily available to the lessee; and
- the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

(c) Separating lease components and non-lease components

For a contract that contains lease components and non-lease components, the Group accounts for lease components and non-lease components separately as a lessor or a lessee.

(d) Assessment of the lease term

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. If the Group has an option to extend the lease, that is, the Group has the right to extend the lease, and is reasonably certain to exercise that option, the lease term also includes periods covered by an option to extend the lease. If the Group has an option to terminate the lease, that is, the Group has the right to terminate the lease, but is reasonably certain not to exercise that option, the lease term includes periods covered by an option to terminate the lease. The Group reassesses whether it is reasonably certain to exercise an extension option, purchase option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in the circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

3 Significant accounting policies and accounting estimates (continued)

(7) Leases (Applicable from 1 January 2019) (Continued)

(e) As lessee

For the general accounting treatment of the Group as a lessee, see Note 3(9), Note 3(17) and Note 4.

Lease modifications

Lease modification is a change in the scope of a lease, the consideration for a lease or the term of a lease, which was not part of the original terms and conditions of the lease, for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The Group accounts for a lease modification as a separate lease if both:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by:

- decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, and recognising the gain or loss relating to the partial or full termination of the lease in profit or loss; or
- making a corresponding adjustment to the right-of-use asset for all other lease modifications.

Short-term leases and leases of low-value assets

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any purchase option as a short-term lease; and a lease for which the value of the individual underlying asset is not more than RMB40,000 when it is new as a lease of low-value assets. If the Group subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset. The Group does not recognise the right-of-use assets and lease liabilities for short-term leases and of low-value assets. The Group recognises lease payments on short-term leases and leases of low-value assets in the costs of the related asset or profit or loss on a straight-line basis.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

3 Significant accounting policies and accounting estimates (continued)

(7) Leases (Applicable from 1 January 2019) (Continued)

(f) As lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date. The Group, as an intermediate lessor, classifies the sublease by reference to the right-of-use asset arising from the head lease.

As lessor of a finance lease

At the commencement date of the lease, the Group recognises finance lease receivable and derecognises finance lease assets. The Group presents lease receivable at an amount equal to the net investment in the lease for the initial measurement. The net investment in the lease is the sum of any unguaranteed residual value accruing to the lessor and at the commencement date of the lease the lease payments receivable by a lessor under a finance lease discounted at the interest rate implicit in the lease.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the its net investment in the lease. Variable lease payments received by the Group that are not included in the measurement of the net investment in the lease are recognised in profit or loss as incurred.

As lessor of an operating lease

Rent income under an operating lease is recognised on a straight-line basis over the lease term, through profit or loss. Variable lease payments that are not included in the measurement of lease receivables are charged to profit or loss as incurred.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

3 Significant accounting policies and accounting estimates (continued)

(7) Leases (Applicable from 1 January 2019) (Continued)

(g) Sale and leaseback transactions

The Group applies the requirements in Note 3(21) to assess and determine whether the transfer of an asset is accounted for as a sale of that asset.

As lessee

If the transfer of an asset satisfies the requirements to be accounted for as a sale of the asset, the Group, as a lessee, measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Group. Accordingly, the Group recognises only the amount of any gain or loss that relates to the rights transferred to the lessor; and if the transfer of an asset does not satisfy the requirements to be accounted for as a sale of the asset, the Group, as a lessee, continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The Group accounts for the financial liability applying Note 3(17).

As lessor

If the transfer of an asset satisfies the requirements to be accounted for as a sale of the asset, the Group, as a lessor, accounts for the purchase of the asset and for the lease applying the accounting requirements set forth; and if the transfer of an asset by the Group does not satisfy the requirements to be accounted for as a sale of the asset, the Group, as a lessor, does not recognise the transferred asset and recognises a financial asset equal to the transfer proceeds. The Group accounts for the financial asset applying Note 3(13).

(8) Leases (Applicable to 2018)

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

(a) Assets acquired under finance leases

When the Group acquires an asset under a finance lease, the asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, each determined at the inception of the lease. At the commencement of the lease term, the minimum lease payments are recorded as long-term payables. The difference between the carrying amount of the leased assets and the minimum lease payments is accounted for as unrecognised finance charges. Initial direct costs attributable to a finance lease that are incurred by the Group are added to the carrying amount of the leased asset. Depreciation and impairment losses are accounted for in accordance with the accounting policies described in Note 3(6) and Note 3 (14), respectively.

Unrecognised finance charges arising from a finance lease are recognised using an effective interest method over the lease term. The amortisation is accounted for in accordance with the principles of borrowing costs (see Note 3(25)).

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

3 Significant accounting policies and accounting estimates (Continued)

(8) Leases (Applicable to 2018) (Continued)

(b) Assets acquired under operating leases

Rental payments under operating leases are recognised as part of the cost of another related asset or as expenses on a straight-line basis over the lease term.

(c) Assets leased out under operating leases

Income derived from operating leases is recognised in profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately.

(d) Sales and leaseback arrangement resulting in finance lease

For sale and leaseback transactions which are considered as finance leases, the difference between the selling price and the carrying amount of the asset is deferred in recognition as unrealised profit or loss of sales and leaseback arrangement, and amortised over the amortisation period of the leased asset to adjust the depreciation expenses.

(9) Right-of-use assets (Applicable from 1 January 2019)

The right-of-use assets of the Group mainly include prepaid land lease payments, buildings and structures, generators and related equipment.

At the commencement date of the lease, the Group recognises a right-of-use asset. The cost of the right-of-use asset comprises: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date of the lease less any lease incentives received; (iii) any initial direct cost incurred; and (iv) an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

The Group remeasures the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right-of-use assets accordingly, when the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognises the remaining amount of the remeasurement in profit or loss.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

3 Significant accounting policies and accounting estimates (Continued)

(10) Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 3(14)).

For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortised using the straight-line method over its estimated useful life, unless the intangible asset is classified as held for sale. The respective amortisation periods for such intangible assets are as follows:

	Amortisation period
Land use rights	20 - 70 years
Concession assets	22 - 23 years
Software and others	5 - 10 years

The concession assets obtained by the Group to take part in wind power projects are initially recognised at the fair value of the consideration received or receivable for the construction service provided. Pursuant to the concession contract, if the income received during the operation period is not a fixed amount, the concession assets are recognised as intangible assets during the construction period and amortised over the concession period.

(11) Goodwill

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under a business combination not involving enterprises under common control.

Goodwill is not amortised and is stated in the balance sheet at cost less accumulated impairment losses (see Note 3(14)). On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

(12) Long-term deferred expenses

Expenditure incurred with beneficial period over one year is recognised as long-term deferred expenses. Long-term deferred expenses are stated in the balance sheet at cost less accumulated amortisation and impairment losses (see Note 3(14)).

Long-term deferred expenses are amortised over their beneficial periods.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

3 Significant accounting policies and accounting estimates (continued)

(13) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Recognition and derecognition

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated balance sheet) when:

- (1) the rights to receive cash flows from the financial asset have expired; or
- (2) the Group has transferred its rights to receive cash flows from the financial asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (i) has transferred substantially all the risks and rewards of the financial asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the financial asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised using trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the period generally established by regulation or convention in the marketplace. The trade date is the date that the Group committed to purchase or sell a financial asset.

(b) Classification and measurement of financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them: financial assets at amortised cost and financial assets at fair value through other comprehensive income. All affected related financial assets will be reclassified only if the Group changes its business model for managing financial assets.

Financial assets are measured at fair value on initial recognition, for financial assets at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss, and transaction costs relating to other financial assets are included in the initial recognition amounts.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

3 Significant accounting policies and accounting estimates (continued)

(13) Financial instruments (continued)

(b) Classification and measurement of financial assets (continued)

The subsequent measurement of financial assets depends on their classification as follows:

Debt investments measured at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met: the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Debt investments at fair value through other comprehensive income

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met: the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are measured at fair value in subsequent measurement. The discount or premium are amortized using the effective interest method. The interest income, impairment losses and foreign exchange revaluation are recognised in profit or loss. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss. Interest income derived from these financial assets are recognized in profit or loss.

Equity investments at fair value through other comprehensive income

The Group can elect to classify irrevocably its equity investments which are not held for trading as equity investments designated at fair value through other comprehensive income. Only the relevant dividend income is recognised in profit or loss. Subsequent changes in the fair value are included in other comprehensive income. When the financial asset is derecognised, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income to retained earnings.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

3 Significant accounting policies and accounting estimates (continued)

(13) Financial instruments (continued)

(c) Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into other financial liabilities. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss, and transaction costs relating to other financial liabilities are included in the initial recognition amounts.

The subsequent measurement of financial liabilities depends on their classification as follows:

- Other financial liabilities
After initial recognition, such financial liabilities are measured at amortised cost using the effective interest method.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts; and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(e) Financial guarantee contracts

Financial guarantee contracts are those contracts that require a payment to be made by the issuer to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are measured, on initial recognition, at fair value. For financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss, they are, after initial recognition, subsequently measured at the higher of: (i) the amount of provisions determined at the balance sheet date, and (ii) the amount initially recognised less the cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)

Year ended 31 December 2019

(Expressed in RMB Yuan)

3 Significant accounting policies and accounting estimates (continued)

(13) Financial instruments (continued)

(f) Impairment of financial assets

Based on the expected credit losses (“ECLs”), the Group recognises an allowance for ECLs for the financial assets measured at amortised cost, debt investments at fair value through other comprehensive income, lease receivables, contract assets, loan commitments and financial guarantee contracts.

For trade receivables and contract assets that do not contain a significant financing component, the Group applies the simplified approach to recognise a loss allowance based on lifetime ECLs.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses to adopt the simplified approach to recognise a loss allowance based on lifetime ECLs.

Except for financial assets which apply the simplified approach as mentioned above, other financial assets, loan commitments and financial guarantee contracts, the Group assesses whether the credit risk has increased significantly since initial recognition at each balance sheet date. If the credit risk has increased significantly since initial recognition, the loss allowance is measured at an amount equal to lifetime ECLs by the Group; If the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month ECLs by the Group.

The Group assesses the expected credit loss of accounts receivable based on aging combination for accounts receivable of unsecured goods and services sold; for other financial assets, the Group assesses the expected credit loss based on single basis.

When the Group no longer reasonably expects to collect all or part of the contractual cash flows of the financial asset, the Group directly writes down the carrying amount of the financial asset.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

3 Significant accounting policies and accounting estimates (continued)

(13) Financial instruments (continued)

(g) Transfer of financial assets

A financial asset is derecognised when the Group has transferred substantially all the risks and rewards of the asset to the transferee. A financial asset is not derecognised when the Group retains substantially all the risks and rewards of the financial asset.

When the Group has neither transferred nor retained substantially all the risks and rewards of the financial asset, it either (i) derecognises the financial asset and recognises the assets and liabilities created in the transfer when it has not retained control of the asset; or (ii) continues to recognise the transferred asset to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability.

Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the guarantee amount. The guarantee amount is the maximum amount of consideration that the Group could be required to repay.

(h) Equity instrument

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity.

If, and only if, both conditions mentioned below are met, the financial instrument issued by the group could be an equity instrument:

- The instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the issuer;
- If the instrument will or may be settled in the issuer's own equity instruments, it is a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments, or a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

The equity of financial instruments holders, issued by the company are classified as equity instruments in accordance with the above conditions, are shown in other equity instruments of the consolidated balance sheet; and the profit and loss and total comprehensive income of the holders are shown in net profit and total comprehensive income of the consolidated income statement.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

3 Significant accounting policies and accounting estimates (continued)

(14) Impairment of assets

Except for impairment of assets set out in Notes 3(4), Notes 3(11), Notes 3(13), Notes 3(18), Notes 3(22) and Notes 3(23) impairment of assets is accounted for using the following principles:

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets
- construction in progress
- right-of-use assets
- intangible assets
- goodwill
- long-term deferred expenses
- long-term equity investments

If any indication exists, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of intangible assets not ready for use at least annually and the recoverable amounts of goodwill at each year-end, irrespective of whether there is any indication of impairment. Goodwill is allocated to each asset group, or set of asset groups, that is expected to benefit from the synergies of the combination for the purpose of impairment testing.

An asset group is composed of assets directly related to cash generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (see Note 3(15)) less costs to sell and its present value of expected future cash flows.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

3 Significant accounting policies and accounting estimates (continued)

(15) Fair value measurement

Unless otherwise specified, the Group measures fair value as follows:

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.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

(16) Employee benefits

(a) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(b) Post-employment benefits - defined contribution plans

Pursuant to the relevant laws and regulations of the People's Republic of China, the Group participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. In addition, some of the Group's employees also join an enterprise annuity managed by Huadian Group on a voluntary basis. Basic pension insurance contributions payables are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or include in the cost of assets where appropriate.

(c) Early retirement benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

-When the Group cannot unilaterally withdraw the offer of early retirement benefits because of an employee termination plan or a curtailment proposal;

-When the Group has a formal detailed restructuring plan involving the payment of early retirement benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

3 Significant accounting policies and accounting estimates (continued)

(17) Lease liabilities (Applicable from 1 January 2019)

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets. In calculating the present value of the lease payments, the Group uses the interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss, except those in the costs of the related asset as required. Variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss as incurred, except those in the costs of the related asset as required.

After the commencement date of the lease term, when the actual fixed payment changes, the estimated residual value guarantee payable changes, the index or ratio used to determine the lease payment amount changes, the evaluation or actual exercise of the purchase option, the lease renewal option or termination option changes, the Group remeasures the lease liability at the present value of the lease payment after the change.

(18) Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

3 Significant accounting policies and accounting estimates (continued)

(18) Income tax (continued)

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amount of the assets and liabilities, using tax rates enacted at the reporting date that are expected to be applied in the period when the asset is recovered, or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and liabilities are offset if all of the following conditions are met:

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

(19) Other equity instrument

There is no fixed repayment date for the perpetual bonds issued by the Group. The Group has right to defer the interest of the perpetual bonds and does not have contractual obligation to deliver cash or another financial asset to another entity, as such it is classified as equity instruments.

(20) Provisions

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows.

(21) Revenue from contracts with customers

Revenue is recognised when the Group has satisfied its performance obligations in the contract, that is, when the customer obtains control of the relevant goods or services. To obtain control of the relevant good and services is to have the ability to direct the use of, and obtain substantially all of the remaining benefits from of the relevant good and services.

(a) Sales of electricity

The contract of power generation and sales of electricity between the Group and customers normally include one performance obligation. Revenue from sales of electricity is recognised when electricity is supplied to the customers, the Group considers it fulfills the performance obligation at that point.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

3 Significant accounting policies and accounting estimates (continued)

(21) Revenue from contracts with customers (continued)

(b) Sales of heat

The contract of heat sales between the Group and customers normally include one performance obligation. Revenue from sales of heat is recognised when heat is supplied to the customers, the Group considers it fulfills the performance obligation at that point.

(c) Revenue from sale of goods

The contract between the Group and customers normally include performance obligation of coal transfer. The Group recognise revenue at the point of customer obtains control of the relevant goods, which is usually on delivery of the goods.

(d) Service income

Service income mainly refers to the revenue from rendering electricity consulting service. The service income of rendering electricity consulting service is recognised through the period service provided.

(e) Interest income

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

(22) Contract assets and contract liabilities

The group lists contract assets or contract liabilities on the balance sheet in accordance with the relationship of performance obligations and customer payments.

The group offsets contract assets and contract liabilities under the same contract and discloses them in a net amount.

Contract assets

Contract assets are the right to collect consideration for the goods transferred to the customer and subject to other factors other than the passage of time is listed.

The determination method and accounting treatment of the expected credit loss of contract assets are detailed in note 3(13).

Contract liabilities

Contractual liabilities are the obligation to transfer goods or services to customers in exchange of received or receivable consideration, such as payment received prior to the transfer of the promised goods or services.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

3 Significant accounting policies and accounting estimates (continued)

(23) Assets related to contract costs

The Group's assets related to contract costs include contract acquisition costs and contract performance costs. based to the liquidity, they are disclosed in inventory, other current assets and other non-current assets.

If incremental costs incurred by the Group for the acquisition of a contract are expected to be recovered, the acquisition costs shall be recognised as an asset (unless the amortization period of the asset is less than one year).

The cost incurred by the Group for the performance of the contract shall be recognised as an asset if it does not meet the standards to be disclosed as inventory, fixed assets or intangible assets and the following conditions are met simultaneously:

- the cost, including direct labor, direct materials, manufacturing costs (or similar expenses), is directly related to a current or anticipated contract, and expressly borne by the customer, and other costs incurred solely as a result of the contract;
- the cost increases the resources that the Group will use to fulfill its obligations in the future;
- the cost is expected to be recovered.

The Group's assets related to the cost of the contract are amortised on the same basis as the revenue recognition related to the asset and are recognised in profit or loss.

For assets related to contract costs whose carrying amount is higher than the following two differences, the Group will make provision for impairment on the excess and recognise it as asset impairment loss:

- the remaining consideration that the enterprise is expected to obtain by transferring the goods associated with the asset;
- the estimated cost of transferring the relevant commodity.

After the factors of impairment in the previous period have changed, the part that the difference between (1) minus (2) higher than the book value of the asset should be reversed to the provision for impairment of assets that have been accrued and is included in the current profit and loss. However, the book value of the returned assets shall not exceed the book value of the assets on the date of reversal, assuming no provision for impairment.

(24) Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

3 Significant accounting policies and accounting estimates (continued)

(24) Government grants (continued)

A government grant related to an asset, which belongs to Ministry of Finance (“MOF”) Subsidy for basic infrastructure loans interests, is offset against the carrying amount of the related asset; which belongs to other government grant related to an asset, is recognised as deferred income, and amortised over the useful life of the related asset on a reasonable and systematic manner as other income or non-operating income in the periods in which the expenses or losses are recognised. A grant that compensates the Group for expenses or losses to be incurred in the future is recognised as deferred income, and included in other income or non-operating income in the periods in which the expenses or losses are recognised.

(25) Borrowing costs

Borrowing costs incurred directly attributable to the acquisition and construction of a qualifying asset are capitalised as part of the cost of the asset. Other borrowing costs are recognised as financial expenses when incurred.

During the capitalisation period, the amount of interest (including amortisation of any discount or premium on borrowing) to be capitalised in each accounting period is determined as follows:

-Where funds are borrowed specifically for the acquisition and construction of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.

-To the extent that the Group borrows funds generally and uses them for the acquisition and construction of a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditure on the asset over the above amounts of specific borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

The capitalisation period is the period from the date of commencement of capitalisation of borrowing costs to the date of cessation of capitalisation, excluding any period over which capitalisation is suspended. Capitalisation of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition and construction that are necessary to prepare the asset for its intended use are in progress, and ceases when the assets become ready for their intended use. Capitalisation of borrowing costs is suspended when the acquisition and construction activities are interrupted abnormally for a period of more than three months.

(26) Profit distributions to shareholders

Dividends or profit distributions proposed in the profit appropriation plan to be approved after the balance sheet date are not recognised as a liability at the balance sheet date but are disclosed in the note 45 separately.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

3 Significant accounting policies and accounting estimates (continued)

(27) Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

(28) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system after taking materiality principle into account. Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics and are same or similar in respect of the nature of products and services, the nature of production processes, the types or classes of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of the actual transaction prices for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

(29) Major accounting judgments and estimates

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of provision, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

(a) Provision for expected credit losses ("ECLs") on bills receivable and trade receivable and other receivables

The Group uses a provision matrix to calculate ECLs for bills receivable and trade receivable and other receivable. The provision rates are based on aging for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's bills receivable and trade receivable and other receivable is disclosed in note 8 to the financial statements.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

3 Significant accounting policies and accounting estimates (continued)

(29) Major accounting judgments and estimates (continued)

(b) Impairment losses of non-current assets

In considering the impairment losses that may be required for certain of the Group's assets which include fixed assets, construction in progress and intangible assets, the recoverable amount of the cash-generating units ("CGUs") to which the non-current assets were allocated needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Value in use is generally determined as the present value of the estimated future cash flows of those expected to arise from the continued use of the asset in its present form and its eventual disposal. Assessing potential impairment of the CGUs through estimations of their recoverable amounts based on value in use involved estimation of the discounted future cash flows which required significant management judgement and estimates such as future electricity sales volumes, future on-grid tariffs, future operating costs and the discount rates. This policy requires management to make these estimates and assumptions which are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact on the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be impaired and the impairment would be charged against profit or loss.

(c) Application of the equity method due to significant influence over an investee in which the Group holds 10% of equity interest

The Group considers that it has significant influence over Sanmen Nuclear Power Corporation Limited ("Sanmen Power") even though it owns 10% of equity interest in it. Since the single largest shareholder of Sanmen Power who holds 56% of shares cannot control Sanmen Power, given the fact that the resolutions of the investee's financial and operating decisions require over two-thirds of votes in the shareholders' meetings. Besides, pursuant to the articles of association of Sanmen Power, the Group has the right to participate in the policy-making process and assign a director representative on the board of directors of Sanmen Power. The Group actively monitors the operations of Sanmen Power, through the director in the supervisory committee of Sanmen Power.

(d) Derecognition of financial assets

During the year, the Group has transferred the contractual rights to the cash flows from the trade receivables on tariff premium of renewable energy to unrelated third parties through asset-back securitisation transactions. In determining whether the related trade receivables should be derecognised, the Group needs to evaluate whether the rights to the cash flows from the assets have expired, whether the Group transferred the rights to receive the cash flows from the assets, whether the Group assumed an obligation to pay the cash flows from the assets that meets certain conditions, whether the Group transferred substantially all risks and rewards, whether the Group retained substantially all risks and rewards and retained control of the financial assets and other factors. The details of the securitisation transactions are disclosed in note 66.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

4 Changes in accounting policies and disclosures

The New Leases Standard

In 2018, the MOF issued revised Accounting Standard for Business Enterprises No. 21 – Leases (the “New Leases Standard”). The New Leases Standard introduces a single model similar to the current accounting treatment of finance leases, requiring the lessor to recognise right-of-use assets and lease liabilities for all the leases, except for short-term leases and leases of low-value assets, and recognise depreciation and interest expense, respectively. The Group has accounted for leases under the revised leases standard since 1 January 2019. As a practical expedient, the Group did not reassess whether a contract is, or contains, a lease at the date of initial application. According to the transitional requirements, the Group did not restate comparative information. Instead, the Group recognised the cumulative effect of the initial application of the New Leases Standard as an adjustment to the opening balance of retained earnings of 2019 at the date of initial application:

- the Group recognised the right-of-use asset and the lease liabilities at the amount of the carrying amount of the lease asset and lease liability under the original standards applicable at the date of initial application for leases previously classified as finance leases;
- for leases previously classified as operating leases, the Group recognised lease liabilities based on the present value of the remaining lease payments discounted at the incremental borrowing rate at the date of initial application, and measured right-of-use assets based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised; the Group recognised lease liabilities and right-of-use assets as if the New Leases Standard had been applied since the commencement date of the lease, but discounted using the incremental borrowing rate of the Group as a lessee at the date of initial application; and
- the Group applied Note 3(14) to perform its impairment test of right-of-use assets and account for the impairment.

For operating leases of low-value assets and operating leases for which the lease term ends within 12 months before initial application, the Group applied a simplified approach and did not recognise the right-of-use assets and lease liabilities. For leases previously classified as operating leases, the Group also applied the available practical expedients wherein it:

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- used hindsight in determining the lease term where the contract contained options to extend or terminate the lease;
- relied on its assessment of whether leases are onerous before the date of initial application as an alternative to performing an impairment review, and adjusted the right-of-use assets at the date of initial application by the amount of any provision for onerous leases recognised in the balance sheet immediately before the date of initial application; and
- accounted for the changes in leases before the date of initial application based on the final arrangement for such changes.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)
Year ended 31 December 2019
(Expressed in RMB Yuan)

4 Changes in accounting policies and disclosures (Continued)

The New Leases Standard (Continued)

The Group reconciled the outstanding minimum lease payments for significant operating leases disclosed in 2018 financial statements with lease liabilities included in the balance sheet as at 1 January 2019 based on the present value of the minimum lease payments discounted using the incremental borrowing rate of the Group as the lessee as at 1 January 2019 as follows:

Minimum lease payments for significant operating leases as at 31 December 2018	443,477,935
Less: Practical expedients	
Including: Short-term leases	984,768
Leases with lease term that ends within 12 months	407,180
Weighted average incremental borrowing rate	4.86%
Discounted operating lease commitments as at 1 January 2019	386,686,317
Add: Finance lease payables as at 31 December 2018	316,468,695
Lease liabilities as at 1 January 2019	<u>703,155,012</u>

The effect of implementation of the New Leases Standard on the balance sheet as at 1 January 2019 is as follows:

Consolidated Balance Sheet

	Carrying amount	Under the original standard	Effect
Assets			
Right-of-use assets	988,772,540	-	988,772,540
Property, plant and equipment	69,931,716,286	70,384,374,806	(452,658,520)
Prepayments	82,380,112	101,589,112	(19,209,000)
Long-term deferred expenses	116,133,603	137,983,205	(21,849,602)
Other non-current assets	1,727,963,774	1,836,332,875	(108,369,101)
Total assets	<u>72,846,966,315</u>	<u>72,460,279,998</u>	<u>386,686,317</u>
Liabilities			
Lease liabilities	627,788,330	-	627,788,330
Long-term payables	76,737,176	367,396,019	(290,658,843)
Non-current liabilities due within one year	5,403,625,535	5,354,068,705	49,556,830
Total liabilities	<u>6,108,151,041</u>	<u>5,721,464,724</u>	<u>386,686,317</u>

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

4 Changes in accounting policies and disclosures (Continued)

New lease standards (Continued)

The effect of implementation of the New Leases Standard on the balance sheet as at 1 January 2019 is as follows: (Continued)

Company Balance Sheet

	Carrying amount	Under the original standard	Effect
Assets			
Right-of-use assets	247,823,790	-	247,823,790
Prepayments	<u>2,214,799</u>	<u>21,423,799</u>	<u>(19,209,000)</u>
Total assets	<u>250,038,589</u>	<u>21,423,799</u>	<u>228,614,790</u>
Liabilities			
Lease liabilities	188,724,463	-	188,724,463
Non-current liabilities due within one year	<u>91,179,828</u>	<u>51,289,501</u>	<u>39,890,327</u>
Total liabilities	<u>279,904,291</u>	<u>51,289,501</u>	<u>228,614,790</u>

The effect of implementation of the New Leases Standard on the financial statements for the year ended 31 December 2019 is as follows:

Consolidated Balance Sheet

	Carrying amount	Under the original standard	Effect
Assets			
Right-of-use assets	911,880,987	-	911,880,987
Property, plant and equipment	67,637,890,829	68,061,267,734	(423,376,905)
Prepayments	216,686,801	232,236,944	(15,550,143)
Long-term deferred expenses	117,161,211	137,816,267	(20,655,056)
Other non-current assets	<u>1,532,569,259</u>	<u>1,614,780,221</u>	<u>(82,210,962)</u>
Total assets	<u>70,416,189,087</u>	<u>70,046,101,166</u>	<u>370,087,921</u>
Liabilities			
Lease liabilities	526,852,639	-	526,852,639
Long-term payables	10,891,665	117,251,959	(106,360,294)
Non-current liabilities due within one year	<u>7,268,997,939</u>	<u>7,218,785,001</u>	<u>50,212,938</u>
Total liabilities	<u>7,806,742,243</u>	<u>7,336,036,960</u>	<u>470,705,283</u>

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)
Year ended 31 December 2019
(Expressed in RMB Yuan)

4 Changes in accounting policies and disclosures (Continued)

New lease standards (Continued)

The effect of implementation of the New Leases Standard on the financial statements for the year ended 31 December 2019 is as follows: (continued)

Consolidated Income Statement

	Carrying amount	Under the original standard	Effect
Operating costs	12,874,354,418	12,753,059,746	121,294,672
Administrative expenses	805,673,009	899,199,625	(93,526,616)
Financial expenses	2,666,413,079	2,636,953,586	29,459,493

Company Balance Sheet

	Carrying amount	Under the original standard	Effect
Assets			
Right-of-use assets	199,491,101	-	199,491,101
Prepayments	<u>6,712,784</u>	<u>22,262,927</u>	<u>(15,550,143)</u>
Total assets	<u>206,203,885</u>	<u>22,262,927</u>	<u>183,940,958</u>
Liabilities			
Lease liabilities	147,912,299	-	147,912,299
Non-current liabilities due within one year	<u>107,520,426</u>	<u>64,570,846</u>	<u>42,949,580</u>
Total liabilities	<u>255,432,725</u>	<u>64,570,846</u>	<u>190,861,879</u>

Company Income Statement

	Carrying amount	Under the original standard	Effect
Operating costs	592,993,701	544,616,887	48,376,814
Administrative expenses	84,998,734	130,300,163	(45,301,429)
Financial expenses	130,783,243	121,520,530	9,262,713

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

4 Changes in accounting policies and disclosures (Continued)

New lease standards (Continued)

In addition, the cash paid by the Group for repayment of the principal and interest of the lease liability is included in the statement of cash flows as cash outflows from financing activities, and the payments for short-term leases and leases of low-value assets accounted for using the practical expedients and variable lease payments not included in the measurement of the lease liability are still included in cash outflows from operating activities.

Changes in presentation of financial statements

To meet the requirements of the Notice on Revising and Issuing Format of 2019 Financial Statements for General Business Enterprises (Cai Kuai [2019] No.6) and the Notice on Revising and Issuing Format of Consolidated Financial Statements (2019 edition) (Cai Kuai [2019] No.16), in the balance sheet, the amount previously presented in “notes receivable and accounts receivable” shall be presented separately in “notes receivable” and “accounts receivable”; the notes and receivables at fair value through other comprehensive income previously presented in “other current assets” are separately presented in “Receivables financing”; the amount previously presented in “notes payable and accounts payable” shall be presented separately in “notes payable” and “accounts payable”; In the income statement, the amount presented in “research and development expenses” not only include the expenditures incurred and directly charged to profit or loss during the research and development process, but also the amortisation of self-developed intangible assets previously presented in “administrative expenses”; In statement of changes in shareholders’ equity, there is a newly added item “capital invested by holders of other equity instrument”, reflects the amount of capital invested by holders of financial instruments issued by enterprises that are classified as equity instruments other than ordinary shares; The Group has retrospectively adjusted the comparative amounts correspondingly. The changes in accounting policies have had no impact on the net profit and equity in the consolidated and company financial statements.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)
Year ended 31 December 2019
(Expressed in RMB Yuan)

4 Changes in accounting policies and disclosures (Continued)

Changes in presentation of financial statements (Continued)

The cumulative effects of the retrospective adjustments caused by the above changes in accounting policies on the financial statements are as follows:

The Group

2019

	Before changes Closing balance for 2018	Changes in presentation of financial statements	After changes Opening balance for 2019
Bills receivable and accounts receivable	5,969,776,967	(5,969,776,967)	-
Trade receivables	-	1,719,250,975	1,719,250,975
Receivables refinancing	-	4,250,525,992	4,250,525,992
Bills payable and accounts payable	5,949,280,294	(5,949,280,294)	-
Accounts payable	-	5,876,280,294	5,876,280,294
Bills payable	-	73,000,000	73,000,000

The Company

2019

	Before changes Closing balance for 2018	Changes in presentation of financial statements	After changes Opening balance for 2019
Bills receivable and accounts receivable	59,322,178	(59,322,178)	-
Trade receivables	-	59,322,178	59,322,178
Bills payable and accounts payable	160,483,762	(160,483,762)	-
Accounts payable	-	160,483,762	160,483,762

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

5 Taxation

(1) Main types of taxes and corresponding tax rates

Tax type	Tax basis	Tax rate
Value added tax (VAT)	The VAT rate of domestic sales is 16% before 1 April 2019 and 13% since 1 April 2019. VAT payable is the net difference between VAT output and deductible VAT input.	16%、13%、6%
City maintenance and construction tax	Based on VAT paid	1%-7%
Education surcharges	Based on VAT paid	3%

Pursuant to the Notice of the MOF and the State Administration of Taxation (SAT) on Issues Related to Policies on Value Added Tax (VAT) on Wind Power Generation Products (Cai Shui [2015] No.74), wind power generation plants are entitled to a 50% refund of the VAT levied on electricity generated from 1 July 2015.

Pursuant to the Notice of the MOF and SAT Concerning Policies on Value Added Tax on Products Made through Comprehensive Utilisation of Resources and Labour Service (Cai Shui [2015] No.78), power generation plants which sell electricity or heating products generated by refuse incineration or methane gas made from waste, and which in accordance with the technical standards and related conditions listed in the Notice are entitled to a 100% refund of the VAT levied on electricity generated from 1 July 2015.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

5 Taxation (continued)

(2) Income tax

The statutory income tax rate applicable to the Company and subsidiaries in mainland China for the year is 25% (2018: 25%). Pursuant to the Notice of the MOF and SAT on Issues Related to Implementation of the List of Public Infrastructure Projects Enjoying Preferential Corporate Income Tax Treatment (Cai Shui [2008] No.46) and the Notice of the SAT on Issues Related to Implementation of Preferential Corporate Income Tax Treatment for Key Public Infrastructure Projects Supported by the State (Guo Shui Fa [2009] No.80), for companies in mainland China engaged in projects included in the “List of Public Infrastructure Projects Enjoying Preferential Corporate Income Tax Treatment” that meet the relevant requirements and technical standards, as well as the relevant investment management requirements of the State, their revenue from investing in and operating the public infrastructure projects approved after 1 January 2008 is exempted from paying corporate income tax for three years counting from the tax year in which the first income is generated, and can enjoy half rate reduction in the following three years. Pursuant to the Notice of the MOF, General Administration of Customs and SAT on Tax Policy Issues Concerning Further Implementation of the Strategy for Developing Western Region (Cai Shui [2011] No.58), companies in mainland China engaged in encouraged industries in the western area can enjoy the preferential corporate tax rates of 15% from 1 January 2011 to 31 December 2020, and this will not affect the tax exemption period they are entitled to. Pursuant to Notice of the MOF and SAT on Small Profit Enterprise Income Tax Preferential Policies (Cai Shui [2015] No.34), for part companies in mainland China can enjoy 50% reduction on taxable income and the preferential corporate tax rates of 20%.

The income tax rate applicable to Huadian Fuxin International Investment Company Limited, a subsidiary of the Group incorporated in Hong Kong, is 16.5% for the year; and that applicable to Elecdey Barchm, S.A-Sociedad Unipersonal, a subsidiary of the Group incorporated in Spain, is 25% for the year.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

6 Business combinations and the consolidated financial statements

(1) As at 31 December 2019, the consolidated financial statements included the following particular subsidiaries:

No.	Name	Place of incorporation/ registration and business	Business nature	Registered capital	proportion of shareholding direct/ indirect	proportion of voting rights direct/ indirect
1	Fujian Huadian Kemen Power Generation Company Limited	Lianjiang, Fujian	Coal-fired power generation	RMB 1,231,000,000	100%	100%
2	Fujian Mianhuatan Hydropower Development Co., Ltd. (i)(ii)	Longyan, Fujian	Hydropower generation	RMB 800,000,000	60%	82%
3	Huadian Ningde Hydropower Development Co., Ltd. (i)(ii)	Ningde, Fujian	Hydropower generation	RMB 250,404,900	51%	100%
4	Fujian Huadian Shaowu Energy Co., Ltd.	Shaowu, Fujian	Coal-fired power generation	RMB 733,000,000	100%	100%
5	Fujian Huadian Yong'an Power Generation Co., Ltd.	Yong'an, Fujian	Coal-fired power generation	RMB 663,000,000	100%	100%
6	Huadian Zhangping Energy Co., Ltd.	Zhangping Fujian	Coal-fired power generation	RMB 932,814,572	100%	100%
7	Fujian Huadian Jinhu Power Generation Co., Ltd. (i)(ii)	Jiangle, Fujian	Hydropower generation	RMB 100,000,000	50%	55%
8	Fujian Huadian Gaosha Hydropower Co., Ltd. (i)(ii)	Shaxian, Fujian	Hydropower generation	RMB 66,000,000	62%	65%
9	Fujian Shaxian Energy Power Co., Ltd. (i)(ii)	Shaxian, Fujian	Hydropower generation	RMB 66,000,000	40%	65%
10	Fujian Huadian Wan'an Energy Co., Ltd. (i)(ii)	Longyan, Fujian	Hydropower generation	RMB 40,000,000	41%	51%
11	Gansu Huadian Huanxian Wind Power Co., Ltd.	Huanxian, Gansu	Wind power generation Distributed	RMB 722,000,000	100%	100%
12	Shanghai Huadian Minhang Energy Co., Ltd.	Shanghai	energy power generation	RMB 280,000,000	100%	100%
13	Xinjiang Huadian Xuehu Wind Power Co., Ltd.	Urumqi, Xinjiang	Wind power generation	RMB 207,000,000	100%	100%
14	Yunnan Huadian Daheishan Wind Power Co., Ltd.	Kaiyuan, Yunnan	Wind power generation	RMB 354,400,000	85%	85%
15	Huadian Xinghua Solar Power Co., Ltd.	Taizhou, Jiangsu	Solar power generation	RMB 284,000,000	100%	100%
16	Gansu Huadian Yumen Wind Power Co., Ltd.	Yumen, Gansu	Wind power generation	RMB 595,000,000	100%	100%
17	Huadian Jilin Da'an Wind Power Co., Ltd.	Da'an, Jilin	Wind power generation	RMB 219,020,000	100%	100%
18	Inner Mongolia Huadian Huitengxile Wind Power Co., Ltd.	Wulanchabu, Inner Mongolia	Wind power generation	RMB 842,000,000	100%	100%
19	Inner Mongolia Huadian Bayin Wind Power Co., Ltd.	Baotou, Inner Mongolia	Wind power generation	RMB 339,000,000	100%	100%
20	Inner Mongolia Huadian Wutaohai Wind Power Co., Ltd.	Keshiketengqi, Inner Mongolia	Wind power generation	RMB 480,000,000	100%	100%

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

6 Business combinations and the consolidated financial statements (continued)

(1) As at 31 December 2019, the consolidated financial statements included the following particular subsidiaries (continued):

No.	Name	Place of incorporation/ registration and business	Business nature	Registered capital	proportion of shareholding direct/ indirect	proportion of voting rights direct/ indirect
21	Huadian Tieling Wind Power Co., Ltd.	Tieling, Liaoning	Wind power generation	RMB 183,500,000	100%	100%
22	Hebei Huadian Shangyi Wind Power Co., Ltd	Shangyi, Hebei	Wind power generation	RMB 292,320,000	70%	70%
23	Inner Mongolia Huadian Meiguiming Wind Power Co., Ltd	Wulanchabu, Inner Mongolia	Wind power generation	RMB 405,250,000	100%	100%
24	Shanxi Huadian Guangling Wind Power Co., Ltd. (i)(ii)	Guangling, Shanxi	Wind power generation	RMB 250,000,000	65%	100%
25	Shanxi Huadian Yanggao Wind Power Co., Ltd. (i)(ii)	Yanggao, Shanxi	Wind power generation	RMB 80,000,000	65%	100%
26	Guangzhou University Town Huadian New Energy Co., Ltd.(i)(ii)	Guangzhou, Guangdong	Distributed energy power generation	RMB 294,360,000	55%	100%
27	Zhouning Huadian Energy Co., Ltd. (i)(ii)	Zhouning, Fujian	Hydropower generation	RMB 60,000,000	70%	100%
28	Maoming Zhong'ao Wind Power Co., Ltd. (i)(ii)	Maoming, Guangdong	Wind power generation	RMB 83,288,000	51%	100%
29	Qitaihe Honghao Wind Power Co., Ltd. (i)(ii)	Qitaihe, Heilongjiang	Wind power generation	RMB 75,000,000	60%	100%
30	Fujian Shunchang Yangkou Hydropower Co., Ltd. (i)(ii)	Shunchang, Fujian	Hydropower generation	RMB 66,000,000	55%	75%
31	Fujian Songxixian Jinxing Hydropower Co., Ltd. (i)(ii)	Songxi, Fujian	Hydropower generation	RMB 13,000,000	45%	80%
32	Huadian Fuxin Xinjiang Energy Co., Ltd.	Hami, Xinjiang	Power generation	RMB 348,000,000	100%	100%
33	Damaoqi Concord Wind Power Co., Ltd.	Baotou, Inner Mongolia	Wind power generation	RMB 291,000,000	100%	100%
34	Gansu Jingyuan Hangtian Wind Power Co., Ltd.	Jingyuan, Gansu	Wind power generation	RMB 215,000,000	98%	98%
35	Huadian Fuxin International Investment Co., Ltd.	Hong Kong	Investment holding	HKD 390,000,000	100%	100%
36	ElecdeyBarchín, S.A.– Sociedad Unipersonal	Spain	Wind power generation	EUR 200,000	100%	100%

- i. The "proportion of shareholding" is smaller than the "proportion of voting rights" in the above because: "proportion of shareholding" refers to the proportion of interests in the investee (the impact of indirect shareholding is calculated where there is indirect shareholding), while "proportion of voting rights" refers to the proportion of voting rights controlled by the investee's decision-making body (including the voting rights of indirect shareholding and the voting rights controlled through shareholder voting agreements, where applicable).
- ii. During the above financial statement period, the Group signed shareholder voting agreements with some of the investee's minority shareholders. Pursuant to the agreements, these minority shareholders agree to take the same stance as the Group when voting on the investee's financial and operating decisions from the date the investee is established and continue to do so throughout their entire shareholding period.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

6 Business combinations and the consolidated financial statements (continued)

(2) Material non-controlling interests

Ownership interests held by non-controlling interests (“NCI”) of the Company’s subsidiaries that are material to the Group are set out as follows:

2019

<u>Name of the Subsidiary</u>	<u>Proportion of ownership interest held by NCI</u>	<u>Profit or loss allocated to NCI during the year</u>	<u>Dividend paid to NCI during the year</u>	<u>Accumulated NCI at the end of the year</u>
Fujian Mianhuatan Hydropower Development Co., Ltd. (“Mianhuatan Hydropower”)	40%	102,168,194	-	970,228,084
Huadian Ningde Hydropower Development Co., Ltd. (“Ningde Hydropower”)	49%	67,531,363	29,920,657	330,677,802
Guangzhou University Town Huadian New Energy Co., Ltd. (“Guangzhou New Energy”)	45%	12,145,689	-	176,372,635
Fujian Huadian Jinhu Power Generation Co., Ltd. (“Fujian Jinhu”)	49.97%	29,561,173	11,770,981	192,611,265

2018

<u>Name of the Subsidiary</u>	<u>Proportion of ownership interest held by NCI</u>	<u>Profit or loss allocated to NCI during the year</u>	<u>Dividend paid to NCI during the year</u>	<u>Accumulated NCI at the end of the year</u>
Mianhuatan Hydropower	40%	44,538,832	61,195,837	868,059,890
Ningde Hydropower	49%	33,571,644	36,484,454	293,067,096
Guangzhou New Energy	45%	2,474,304	-	164,226,946
Fujian Jinhu	49.97%	13,718,338	31,357,940	174,821,073

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)
Year ended 31 December 2019
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6 Business combinations and the consolidated financial statements (continued)

(2) Material non-controlling interests (continued)

Ownership interests held by non-controlling interests (“NCI”) of the Company’s subsidiaries that are material to the Group are set out as follows (continued):

	Mianhuatan Hydropower		Ningde Hydropower		Guangzhou New Energy		Fujian Jinhua	
	2019	2018	2019	2018	2019	2018	2019	2018
Current assets	507,483,625	139,898,011	101,859,611	52,465,362	108,730,658	99,944,991	29,261,075	44,380,039
Non-current assets	2,820,111,077	2,911,541,776	932,723,003	964,361,135	601,552,978	454,860,346	711,054,389	740,869,807
Total assets	3,327,594,702	3,051,439,787	1,034,582,614	1,016,826,497	710,283,636	554,805,337	740,315,464	785,249,846
Current liabilities	499,262,058	440,582,690	133,758,541	139,950,254	89,818,385	75,343,502	91,550,661	135,562,722
Non-current liabilities	402,762,433	440,707,372	225,971,415	278,780,129	228,526,059	114,513,066	263,311,002	301,016,979
Total liabilities	902,024,491	881,290,062	359,729,956	418,730,383	318,344,444	189,856,568	354,861,663	436,579,701
Operating income	630,932,324	341,682,207	377,866,602	211,849,171	438,057,821	437,823,285	254,751,105	130,972,620
Net profit	284,149,307	92,705,363	137,819,110	68,513,559	26,990,423	5,497,456	59,157,840	27,438,142
Total comprehensive income	255,420,485	111,346,318	137,819,110	68,513,559	26,990,423	5,497,456	59,157,840	27,438,142
Net cash flows from operating activities	503,102,312	210,781,733	226,180,905	92,160,196	72,758,965	52,726,589	133,841,965	12,624,882

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

6 Business combinations and the consolidated financial statements (continued)

(3) Disposal of Xinjiang Huaran New Energy Company Limited (“Xinjiang Huaran”)

	Place of incorporation	Nature of business	Total proportion of ownership interest held by the Group (%)	Total proportion of voting rights held by the Group (%)	Reason for no longer being a subsidiary
Xinjiang Huaran	Urumqi, Xinjiang	Wind power	67	67	Note

Note: On 5 July 2019 Huadian New Energy Development Company Limited (“Huadian New Energy Development”), a subsidiary of the Group entered into an equity transfer agreement with Mingyang Smart Energy Group Company Limited (“Mingyang Smart”), pursuant to which Huadian New Energy Development agreed to sell and Mingyang Smart agreed to acquire a 67% equity interest in Xinjiang Huaran. The transfer of equity interest was completed on 15 July 2019 and a total consideration of RMB82,367,911 has been settled in cash by 31 December 2019.

The relevant financial information of Xinjiang Huaran is listed below:

	15 July 2019 Carrying amount	31 December 2018 Carrying amount
Current assets	127,122,168	126,246,433
Non-current assets	300,414,661	309,406,326
Current liabilities	(106,385,253)	(66,981,916)
Non-current liabilities	<u>(208,000,000)</u>	<u>(208,000,000)</u>
Net assets	<u>113,151,576</u>	<u>160,670,843</u>
Non-controlling interest	<u>(37,340,020)</u>	<u>(53,021,378)</u>
Waive of payable or reduction of receivables	(6,735,000)	
Gain on disposal of a subsidiary	<u>13,291,355</u>	
Consideration for the disposal	<u><u>82,367,911</u></u>	
	From 1 January 2019 to 15 July 2019	
Operating income	11,300,689	
Operating cost	12,897,318	
Net profit	3,726,099	

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)

Year ended 31 December 2019

(Expressed in RMB Yuan)

6 Business combinations and the consolidated financial statements (continued)

(4) Deemed disposal of Jiangxi Huadian Jiujiang Distributed Energy Company Limited (“Huadian Jiujiang”)

	Place of incorporation	Nature of business	Total proportion of ownership interest held by the Group (%)	Total proportion of voting rights held by the Group (%)	Reason for no longer being a subsidiary
Huadian Jiujiang	Jiujiang city, Jiangxi province	Natural gas Power generation	79.07	79.07	Note

Note: Huadian New Energy Development, a subsidiary of the Group, had a 79.07% equity interest in Huadian Jiujiang, and Huadian Jiujiang revised its articles of association during 2019. In respect of significant financial and operating decisions, Huadian Jiujiang changed its requirement to form a resolution of board of directors from above 1/2 consent to unanimous consent, and its requirement to form a resolution of shareholders' meeting from above 2/3 consent to unanimous consent. According to the revised articles of association, the directors of the Company are of the opinion that Huadian Jiujiang is jointly controlled by the two shareholders, and therefore, the Group lost control over Huadian Jiujiang and accounted for it using the equity method accordingly.

The relevant financial information of Jiujiang Distributed is listed below:

	1 July 2019 Carrying amount	31 December 2018 Carrying amount
Current assets	42,193,227	51,141,542
Non-current assets	422,810,761	422,810,761
Current liabilities	(231,396,765)	(192,986,085)
Non-current liabilities	<u>(190,866,880)</u>	<u>(229,277,560)</u>
Net assets	<u>42,740,343</u>	<u>51,688,658</u>
Non-controlling interest	<u>(5,020,603)</u>	<u>(15,506,597)</u>
Loss on disposal of a subsidiary	<u>(37,719,740)</u>	
Consideration for the disposal	<u><u>-</u></u>	
	From 1 January 2019 to 1 July 2019	
Operating income	133,672,788	
Operating cost	132,600,822	
Net loss	(11,846,550)	

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)
Year ended 31 December 2019
(Expressed in RMB Yuan)

7 Cash at banks and on hand

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Cash on hand	2,116,856	87,229	-	4,952
Cash at banks	<u>2,478,213,249</u>	<u>3,603,856,387</u>	<u>69,016,269</u>	<u>746,442,034</u>
Total	<u>2,480,330,105</u>	<u>3,603,943,616</u>	<u>69,016,269</u>	<u>746,446,986</u>
Less: Guarantee deposit (i)	18,390,835	652,295	-	-
Deposit with banks for specific purpose (ii)	<u>4,093,000</u>	<u>5,450,788</u>	<u>2,577,927</u>	<u>3,869,892</u>
Cash and cash equivalents	<u><u>2,457,846,270</u></u>	<u><u>3,597,840,533</u></u>	<u><u>66,438,342</u></u>	<u><u>742,577,094</u></u>

- i. Guarantee deposits refer to those for land reclamation.
- ii. Deposit with banks for specific purpose are mainly “amounts from unit sale in housing reform” and public maintenance funds. According to the Notice on Opinions on Strengthened Administration of Income from Sale of State-owned Houses (Guo Ban [1996] No. 34), income from the sale of state-owned houses will be put under the special account of “amounts from unit sale in housing reform” and public maintenance funds for specific use.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

8 Trade receivables

(1) Trade receivables by nature are as follows:

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Sales of electricity	1,660,157,448	1,612,684,705	22,163,729	59,322,178
Others	<u>161,586,672</u>	<u>119,795,624</u>	-	-
Sub-total	1,821,744,120	1,732,480,329	22,163,729	59,322,178
Less: Provision for bad and doubtful debts	<u>14,427,231</u>	<u>13,229,354</u>	-	-
Total	<u>1,807,316,889</u>	<u>1,719,250,975</u>	<u>22,163,729</u>	<u>59,322,178</u>

The amounts of trade receivables are mainly due from the third parties.

(2) The ageing analysis of trade receivables is as follows:

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Within 1 year	1,759,612,017	1,667,152,303	22,163,729	59,322,178
Over 1 year but within 2 years	15,556,151	18,278,189	-	-
Over 2 years but within 3 years	960,984	31,073,285	-	-
Over 3 years	<u>45,614,968</u>	<u>15,976,552</u>	-	-
Sub-total	1,821,744,120	1,732,480,329	22,163,729	59,322,178
Less: Provision for bad and doubtful debts	<u>14,427,231</u>	<u>13,229,354</u>	-	-
Total	<u>1,807,316,889</u>	<u>1,719,250,975</u>	<u>22,163,729</u>	<u>59,322,178</u>

The ageing is counted starting from the date when trade receivables are recognised.

(3) The movements in the provision for bad and doubtful debts during the year are as follows:

	The Group	
	31 December 2019	31 December 2018
Balance at the beginning of the year	13,229,354	9,922,901
Additions during the year	1,825,408	3,489,852
Reversals during the year	-	(15,710)
Written-off during the year	<u>(627,531)</u>	<u>(167,689)</u>
Balance at the end of the year	<u>14,427,231</u>	<u>13,229,354</u>

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

8 Trade receivables (continued)

(3) The movements in the provision for bad and doubtful debts during the year are as follows (continued):

<u>The Group</u>	2019			
	Gross carrying amount		Provision for bad and doubtful debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Provision for bad debts based on credit risk characteristics	1,821,744,120	100%	14,427,231	0.79%
	<u>1,821,744,120</u>	<u>100%</u>	<u>14,427,231</u>	<u>0.79%</u>

<u>The Group</u>	2018			
	Gross carrying amount		Provision for bad and doubtful debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Provision for bad debts based on credit risk characteristics	1,732,480,329	100%	13,229,354	0.76%
	<u>1,732,480,329</u>	<u>100%</u>	<u>13,229,354</u>	<u>0.76%</u>

The provision for bad debts of the Group's trade receivables based on aging analysis are as follows:

	2019			2018		
	Estimated gross carrying amount at default	Expected credit loss ratio (%)	Lifetime expected credit loss	Estimated gross carrying amount at default	Expected credit loss ratio (%)	Lifetime expected credit loss
Within 1 year	1,759,612,017	0.00%	-	1,667,152,303	0.00%	-
Over 1 year but within 2 years	15,556,151	4.00%	622,246	18,278,189	4.00%	731,128
Over 2 years but within 3 years	960,984	12.54%	120,495	31,073,285	17.00%	5,282,458
Over 3 years	<u>45,614,968</u>	<u>30.00%</u>	<u>13,684,490</u>	<u>15,976,552</u>	<u>45.16%</u>	<u>7,215,768</u>
Total	<u>1,821,744,120</u>		<u>14,427,231</u>	<u>1,732,480,329</u>		<u>13,229,354</u>

As at 31 December 2019, the Group had no other significant trade receivables for guarantees and pledges except as indicated in Note 60.

For the transfer of trade receivables, see note 66.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

9 Receivables financing

	The Group	
	31 December 2019	31 December 2018
At fair value through other comprehensive income		
– Trade receivables- Tariff premium of renewable energy	7,455,787,783	3,948,183,404
– Bills receivable- Bank acceptance bills	252,069,536	302,342,588
Total	<u>7,707,857,319</u>	<u>4,250,525,992</u>

The Group registered an asset-backed securities / asset-backed notes (ABS / ABN) shelf facility of RMB10 billion in 2018. The Group issued ABS/ ABN with tariff premium of renewable energy as basic assets in 2018 and 2019, respectively, which were derecognized from the balance sheet. The Group's business model is managing tariff premium of renewable energy with the object of both holding to collect contractual cash flows and selling. Therefore, the Group classifies the tariff premium of renewable energy as financial assets at fair value through other comprehensive income (recycled to profit or loss) and are accounted for in the Receivables financing account accordingly.

On 31 December 2019, the Group's business model is managing bills receivable with the object of both holding to collect contractual cash flows and selling. Therefore, the Group classifies bills receivable as financial assets that are measured at fair value through other comprehensive income (recycled to profit or loss) and are accounted for in the Receivables financing account accordingly.

On 31 December 2019, the Group's bills receivable were all bank acceptance bills and were not pledged.

The bills receivable that have been endorsed or discounted but were not due at the balance sheet date are as follows:

	31 December 2019		31 December 2018	
	Derecognised	Not Derecognised	Derecognised	Not Derecognised
Bank acceptance bills	<u>613,668,029</u>	-	<u>22,374,000</u>	-
	<u>613,668,029</u>	<u>-</u>	<u>22,374,000</u>	<u>-</u>

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)
Year ended 31 December 2019
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10 Prepayments

(1) Prepayments by categories are as follows:

	31 December 2019	31 December 2018
<u>The Group</u>		
Fuels and spare parts prepayments	100,103,494	63,349,432
Others	116,602,117	38,258,490
Sub-total	<u>216,705,611</u>	<u>101,607,922</u>
Less: Provision for impairment	18,810	18,810
Total	<u><u>216,686,801</u></u>	<u><u>101,589,112</u></u>

(2) The ageing analysis of prepayments is as follows:

	31 December 2019	31 December 2018
<u>The Group</u>		
Within 1 year	194,121,458	80,617,080
Over 1 year but within 2 years	9,942,832	19,673,447
Over 2 years but within 3 years	11,827,277	599,729
Over 3 years	814,044	717,666
Total	<u>216,705,611</u>	<u>101,607,922</u>
Less: Provision for impairment	18,810	18,810
Total	<u><u>216,686,801</u></u>	<u><u>101,589,112</u></u>

The ageing is counted starting from the date when prepayments are recognised.

(3) An analysis of the movements of provisions for impairment for the year is as follows:

	31 December 2019	31 December 2018
<u>The Group</u>		
Balance at the beginning of the year	18,810	18,810
Additions during the year	-	-
Reversals during the year	-	-
Written-off during the year	-	-
Balance at the end of the year	<u><u>18,810</u></u>	<u><u>18,810</u></u>

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

11 Other receivables

(1) Other receivables by customers are as follows:

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Interest receivable	364,488	-	1,762,447	7,815,074
Dividend receivable	236,000	512,709,180	853,661,369	1,601,756,628
Amounts due from subsidiaries	-	-	522,636,520	915,498,162
Amounts due from other related parties	129,109,976	61,880,246	68,589,093	500,000
Amounts due from non-related parties:				
-Deposit	13,202,492	25,390,117	66,400	15,200
-Certified Emission Reduction ("CER") receivables	92,333,005	92,333,005	-	-
-Others	161,975,645	305,822,955	17,421,820	41,870,901
Sub-total	397,221,606	998,135,503	1,464,137,649	2,567,455,965
Less: Provision for bad and doubtful debts	201,498,301	156,712,016	75,358,511	7,076,949
Total	195,723,305	841,423,487	1,388,779,138	2,560,379,016

(2) The ageing analysis of other receivables is as follows:

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Within 1 year	151,107,571	649,214,538	1,322,324,736	2,303,212,939
Over 1 year but within 2 years	66,786,421	118,522,373	128,466,215	242,765,629
Over 1 year but within 2 years	22,951,616	42,732,134	5,464,301	14,534,886
Over 3 years	156,375,998	187,666,458	7,882,397	6,942,511
Sub-total	397,221,606	998,135,503	1,464,137,649	2,567,455,965
Less: Provision for bad and doubtful debts	201,498,301	156,712,016	75,358,511	7,076,949
Total	195,723,305	841,423,487	1,388,779,138	2,560,379,016

The ageing is counted starting from the date when other receivables are recognised.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)
Year ended 31 December 2019
(Expressed in RMB Yuan)

11 Other receivables(continued)

(3) An analysis of the movements of provisions for impairment of receivables for the year is as follows:

2019

<u>The Group</u>	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Credit-impaired financial assets	Total
Opening balance	-	-	156,712,016	156,712,016
Changes during the year				
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
- Transfer back to Stage 2	-	-	-	-
- Transfer back to Stage 1	-	-	-	-
Accrual	-	-	90,171,491	90,171,491
Reversal	-	-	(37,020)	(37,020)
Write-off	-	-	(45,348,186)	(45,348,186)
Other changes	-	-	-	-
Closing balance	-	-	201,498,301	201,498,301

2018

<u>The Group</u>	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Credit-impaired financial assets	Total
Opening balance	-	-	158,514,362	158,514,362
Changes during the year				
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
- Transfer back to Stage 2	-	-	-	-
- Transfer back to Stage 1	-	-	-	-
Accrual	-	-	2,270,122	2,270,122
Reversal	-	-	(1,075,919)	(1,075,919)
Write-off	-	-	(2,996,549)	(2,996,549)
Other changes	-	-	-	-
Closing balance	-	-	156,712,016	156,712,016

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

12 Inventories

(1) An analysis of the movements of inventories for the year is as follows:

The Group	31 December 2019			31 December 2018		
	Gross carrying amount	Impairment allowance	Carrying amount	Gross carrying amount	Impairment allowance	Carrying amount
Coal and natural gas	157,681,430	-	157,681,430	275,441,095	-	275,441,095
Fuel oil	5,476,906	-	5,476,906	4,346,080	-	4,346,080
Spare parts and others	124,589,835	6,506,141	118,083,694	133,777,236	-	133,777,236
Sub-total	<u>287,748,171</u>	<u>6,506,141</u>	<u>281,242,030</u>	<u>413,564,411</u>	<u>-</u>	<u>413,564,411</u>

The Group's balance at the beginning of the year and the end of the year does not contain any inventory under guarantee.

(2) An analysis of provision for impairment of inventories as follows:

The Group	31 December 2019			
	Balance at the beginning of the year	Additions during the year	Decrease during the year	Balance at the end of the year
Spare parts and others	-	6,506,141	-	6,506,141
Total	<u>-</u>	<u>6,506,141</u>	<u>-</u>	<u>6,506,141</u>

13 Other current assets

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Deductible VAT input tax	851,826,450	1,188,543,372	19,276,635	25,273,443
Income tax paid in advance	1,175,850	16,308,924	-	-
Others	271,776	4,652,560	-	-
Total	<u>853,274,076</u>	<u>1,209,504,856</u>	<u>19,276,635</u>	<u>25,273,443</u>

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

14 Long-term receivables

(1) Analysis of changes in long-term receivables is as follows:

The Group	31 December 2019			31 December 2018		
	Gross carrying amount	Impairment allowance	Carrying amount	Gross carrying amount	Impairment allowance	Carrying amount
Disposal of fixed assets by installments	16,381,882	-	16,381,882	31,961,228	-	31,961,228
Loans due from related parties	<u>28,730,000</u>	<u>28,730,000</u>	-	-	-	-
Sub-total	<u>45,111,882</u>	<u>28,730,000</u>	<u>16,381,882</u>	<u>31,961,228</u>	-	<u>31,961,228</u>
Less: Due within one year	<u>16,381,882</u>	-	<u>16,381,882</u>	<u>17,304,345</u>	-	<u>17,304,345</u>
Total	<u>28,730,000</u>	<u>28,730,000</u>	-	<u>14,656,883</u>	-	<u>14,656,883</u>
The Company	31 December 2019			31 December 2018		
	Gross carrying amount	Impairment allowance	Carrying amount	Gross carrying amount	Impairment allowance	Carrying amount
Loans due from related parties	<u>5,284,538,900</u>	<u>28,730,000</u>	<u>5,255,808,900</u>	<u>4,340,780,000</u>	-	<u>4,340,780,000</u>
Sub-total	<u>5,284,538,900</u>	<u>28,730,000</u>	<u>5,255,808,900</u>	<u>4,340,780,000</u>	-	<u>4,340,780,000</u>
Less: Due within one year	-	-	-	-	-	-
Total	<u>5,284,538,900</u>	<u>28,730,000</u>	<u>5,255,808,900</u>	<u>4,340,780,000</u>	-	<u>4,340,780,000</u>

(2) Changes in the provision for impairment of long-term receivables are as follows:

The Group	2019			
	Balance at 1 January 2019	Accrued during the year	Decrease during the year	Balance at 31 December 2019
Loans due from related parties	-	28,730,000	-	28,730,000
Total	<u>-</u>	<u>28,730,000</u>	<u>-</u>	<u>28,730,000</u>
The Company	2019			
	Balance at 1 January 2019	Accrued during the year	Decrease during the year	Balance at 31 December 2019
Loans due from related parties	-	28,730,000	-	28,730,000
Total	<u>-</u>	<u>28,730,000</u>	<u>-</u>	<u>28,730,000</u>

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

15 Long-term equity investments

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Investments in subsidiaries	-	-	23,947,687,259	21,606,869,784
Investments in joint ventures	156,325,253	148,273,784	102,783,681	91,438,287
Investments in associates	9,910,133,000	8,836,296,573	9,169,488,555	8,109,152,791
Total	<u>10,066,458,253</u>	<u>8,984,570,357</u>	<u>33,219,959,495</u>	<u>29,807,460,862</u>

(1) As at 31 December 2019, the Company's investments in subsidiaries were as follows:

	The Company	
	31 December 2019	31 December 2018
Fujian Huadian Kemen Power Generation Co., Ltd.	1,231,000,000	1,231,000,000
Gansu Huadian Huanxian Wind Power Co., Ltd.	1,017,000,000	1,017,000,000
Fujian Huadian Yong'an Power Generation Co., Ltd.	663,000,000	663,000,000
Huadian Zhangping Energy Co., Ltd.	970,814,572	915,814,572
Mianhuatan Hydropower Development Co., Ltd.	483,331,534	483,331,534
Huadian Fuxin International Investment Co., Ltd.	308,111,700	308,111,700
Huadian Xinghua Solar Power Co., Ltd.	284,000,000	284,000,000
Yunnan Huadian Daheishan Wind Power Co., Ltd.	335,860,000	292,750,000
Damaoqi Concord Wind Power Co., Ltd.	291,000,000	291,000,000
Huadian Fuxin Xinjiang Energy Co., Ltd.	363,000,000	348,000,000
Inner Mongolia Huadian Wutaohai Wind Power Co., Ltd.	480,000,000	480,000,000
Inner Mongolia Huadian Bayin Wind Power Co., Ltd.	345,762,300	309,000,000
Inner Mongolia Huadian Huitengxile Wind Power Co., Ltd.	842,000,000	607,000,000
Inner Mongolia Huadian Meiguixing Wind Power Co., Ltd.	439,488,200	345,437,500
Guangzhou University Town Huadian New Energy Co., Ltd.	202,253,400	202,253,400
Gansu Jingyuan Hangtian Wanyuan Wind Power Co., Ltd.	210,978,445	210,978,445
Gansu Huadian Yumen Wind Power Co., Ltd.	782,000,000	595,000,000
Fujian Huadian Energy Sales Co., Ltd.	202,000,000	202,000,000
Others	14,496,087,108	12,821,192,633
Sub-total	<u>23,947,687,259</u>	<u>21,606,869,784</u>
Less: Provision for impairment	-	-
Total	<u>23,947,687,259</u>	<u>21,606,869,784</u>

Detailed information about the particular subsidiaries is set out in Note 6.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)

Year ended 31 December 2019

(Expressed in RMB Yuan)

15 Long-term equity investments (continued)

(2) As at 31 December 2019, the Group's and the Company's investments in joint ventures were as follows:

	Note	The Group		The Company	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Immaterial joint ventures	(i)	156,325,253	148,273,784	102,783,681	91,438,287
Less: Provision for impairment		-	-	-	-
Total		<u>156,325,253</u>	<u>148,273,784</u>	<u>102,783,681</u>	<u>91,438,287</u>

(i) Details of immaterial joint ventures accounted for using the equity method is summarised as follows:

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Aggregate carrying amount of investments	156,325,253	148,273,784	102,783,681	91,438,287
Aggregate of the following items by proportion of ownership interests				
-Net profit	7,968,194	12,735,658	11,345,394	12,450,287
-Total comprehensive income	7,968,194	12,735,658	11,345,394	12,450,287

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

15 Long-term equity investments (continued)

- (3) As at 31 December 2019, the Group's and the Company's investments in associates were as follows:

	Note	The Group		The Company	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Material associates	(i)	9,647,042,720	8,579,648,190	9,169,488,555	8,109,152,791
Immaterial associates	(ii)	263,090,280	256,648,383	-	-
Sub-total		9,910,133,000	8,836,296,573	9,169,488,555	8,109,152,791
Less: Provision for impairment		-	-	-	-
Total		9,910,133,000	8,836,296,573	9,169,488,555	8,109,152,791

- (i) Details of the Group's material associates are as follows:

Name of associate	Principal place of business	Place of incorporation/ registration and business	Registered capital	Proportion of ownership interest	Principal activity	Strategic to the Group's activities?
Fujian Fuqing Nuclear Power Co., Ltd. ("Fuqing Nuclear")	Fujian China	China	RMB 16,379,050,000	39%	Nuclear power generation	Yes
Concord New Energy Group Limited ("Concord New Energy") (Note 1)	Mainland China	Bermud	HKD 125,000,000	10.35%	Power station construction	Yes
Zhonghai Fujian Gas Power Generation Co., Ltd. ("Zhonghai Gas Power")	Fujian China	China	RMB 777,000,000	25%	Gas power generation	No
Sanmen Nuclear Power Co., Ltd. ("Sanmen Nuclear Power") (Note 2)	Zhejiang China	China	RMB 11,788,633,000	10%	Nuclear power generation	No

Note1: The Group holds 10.35% equity interest and voting rights in Concord New Energy. Though it holds less than 20% percent of the voting rights, the Group has representation on the board of directors and participates in the financial and operating policy-making processes of Concord New Energy. The management of the Group determines that the Group has significant influence over Concord New Energy, thus, it treats the investment as investment in associates and accounts for it using the equity method.

Note2: According to the agreement between the Group and Huadian Group, the Group acquired 10% shares of Sanmen Nuclear Power on 23 March 2015 at a total consideration of RMB1,115,857,449. Pursuant to the articles of association of Sanmen Nuclear Power, the Group has right to participate in the financial decisions and policy-making process. Also, the Group has assigned a member on the board of directors of Sanmen Nuclear Power. The management of the Group determines that the Group has significant influence over Sanmen Nuclear Power, thus, it treats the investment as investment in associates and accounts for it using the equity method.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

15 Long-term equity investments (continued)

(3) As at 31 December 2019, the Group's and the Company's investments in associates were as follows (continued)

(i) Details of the Group's material associates are as follows (continued):

The following table sets out the key financial information of the Group's material associates, adjusted for fair value adjustments at the time of acquisition and any differences in adopting accounting policies of the Group. The table also reconciles the key financial information to the carrying amount of the Group's investments in the joint ventures when using the equity method:

	Fuqing Nuclear		Concord New Energy		Zhonghai Gas Power		Sanmen Nuclear Power	
	2019	2018	2019	2018	2019	2018	2019	2018
Current assets	6,012,343,966	4,787,207,610	3,451,499,040	3,566,432,684	378,661,701	625,156,439	3,551,425,973	3,085,230,453
Non-current assets	73,544,172,977	68,633,856,826	15,386,907,721	13,846,316,207	1,919,729,847	2,126,436,179	62,744,254,505	63,304,274,724
Total assets	79,556,516,943	73,421,064,436	18,838,406,761	17,412,748,891	2,298,391,548	2,751,592,618	66,295,680,478	66,389,505,177
Current liabilities	8,320,252,738	6,330,975,305	3,293,915,310	9,402,140,181	562,958,789	811,862,195	6,475,350,143	5,458,569,654
Non-current liabilities	52,185,239,746	50,884,426,592	10,591,086,454	3,463,929,182	730,000,000	930,000,000	45,423,946,140	45,744,769,208
Total liabilities	60,505,492,484	57,215,401,897	13,885,001,764	12,866,069,363	1,292,958,789	1,741,862,195	51,899,296,283	51,203,338,862
Net assets	19,051,024,459	16,205,662,539	4,953,404,997	4,546,679,528	1,005,432,759	1,009,730,423	14,396,384,195	15,186,166,315
Group's share of net assets by proportion of ownership interests	7,429,899,539	6,320,208,390	512,677,417	467,853,324	251,358,190	252,432,606	1,439,638,420	1,518,616,632
Goodwill	-	-	16,117,840	16,117,840	-	-	-	-
Carrying amount of the investment	7,408,427,941	6,320,208,390	541,653,960	483,971,164	251,358,190	252,432,606	1,445,602,629	1,523,036,030
Operating income	9,076,951,343	9,165,950,002	1,824,429,068	1,414,069,641	2,714,713,381	2,581,709,135	3,657,545,719	1,454,608,361
Net profit	2,041,563,639	2,173,637,873	632,713,262	513,849,624	81,484,674	95,268,121	(1,019,160,034)	199,094,928
Other comprehensive income	-	(34,789)	(2,033,896)	(9,860,759)	-	-	(3,348,112)	4,043,016
Total comprehensive income	2,041,563,639	2,173,603,084	630,679,366	503,988,865	81,484,674	95,268,121	(1,022,508,146)	203,137,944
Dividends received / receivable from associates during the year	646,000,000	773,760,000	15,468,816	7,458,264	21,445,585	-	-	-

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)
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15 Long-term equity investments (continued)

(3) As at 31 December 2019, the Group's and the Company's investments in associates were as follows (continued):

(ii) Details of immaterial associates accounted for using the equity method are summarised as follows:

	The Group		The Company	
	2019	2018	2019	2018
Aggregate carrying amount of investments	263,090,280	256,648,383	-	-
Aggregate of the following items by proportion of ownership interests				
-Net profit	21,495,395	5,867,574	-	-
-Total comprehensive income	21,495,395	5,867,574	-	-

16 Other equity instruments investment

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Measured at fair value through other comprehensive income				
Unquoted equity investments in non-listed companies, at fair value (Note 1)	467,717,863	876,360,783	381,434,776	429,794,297
Equity investment in a Hong Kong listed company, at fair value (Note 2)	<u>209,946,372</u>	<u>211,413,724</u>	<u>-</u>	<u>-</u>
Total	<u><u>677,664,235</u></u>	<u><u>1,087,774,507</u></u>	<u><u>381,434,776</u></u>	<u><u>429,794,297</u></u>

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Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

16 Other equity instruments investment (continued)

2019

	Changes in fair value of other comprehensive income	Fair value
Unquoted equity investments in non-listed companies, at fair value	130,106,983	467,717,863
Equity investment in a Hong Kong listed company, at fair value	<u>(140,682,522)</u>	<u>209,946,372</u>
Total	<u>(10,575,539)</u>	<u>677,664,235</u>

2018

	Changes in fair value of other comprehensive income	Fair value
Unquoted equity investments in non-listed companies, at fair value	281,406,454	876,360,783
Equity investment in a Hong Kong listed company, at fair value	<u>(131,551,107)</u>	<u>211,413,724</u>
Total	<u>149,855,347</u>	<u>1,087,774,507</u>

Note1: In 2019, to optimize the investment structure, the group disposed of its 6% equity investments in Huaxin Insurance Brokers Co., Ltd, resulted a reduction of RMB112,856,237 in investment this year. The consideration of disposal was RMB16,425,030 and accumulated gain recognized in other comprehensive income of RMB8,925,030 were transferred to retained earnings. (2018: Nil). The group disposed of its 4.95% equity investments in China Huadian Group Finance Co., Ltd, resulted a reduction of RMB300,769,212 in investment this year. The consideration of disposal was RMB399,491,332 and accumulated gain recognized in other comprehensive income of RMB116,283,984 were transferred to retained earnings (2018: Nil).

Note2: According to the agreement signed between the Group and China Energy Construction Co., Ltd. ("China Energy Construction"), on December 8, 2015, the Group subscribed for RMB243,722,000 shares of China Energy Construction at an amount of HK\$1.59 per share. The Group recognized it as an equity investment at fair value through other comprehensive income (without recycling). The decrease on fair value of investment in other equity instruments included in other comprehensive income for the year was RMB1,467,352.

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Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

17 Fixed assets

(1) Fixed assets by categories:

<u>The Group</u>	Buildings & structures	Generators & related equipment	Motor vehicles	Furniture & others	Total
Cost					
Balance at 31 December 2017	16,289,318,800	78,166,752,456	267,776,421	405,680,661	95,129,528,338
Additions during the year					
-Additions	54,021,552	71,303,439	4,060,765	12,961,464	142,347,220
-Transfer from construction in progress	539,526,977	2,946,664,930	10,651,660	19,706,261	3,516,549,828
Disposal during the year	(19,621,411)	(223,835,660)	(13,915,945)	(2,125,027)	(259,498,043)
Exchange differences	-	1,581,409	-	-	1,581,409
Transfer from intangible assets	10,237,028	-	-	-	10,237,028
Reclassification	<u>186,576,525</u>	<u>(185,316,718)</u>	<u>-</u>	<u>(1,259,807)</u>	<u>-</u>
Balance at 31 December 2018	17,060,059,471	80,777,149,856	268,572,901	434,963,552	98,540,745,780
Changes in accounting policies	<u>(51,626,100)</u>	<u>(598,547,535)</u>	<u>-</u>	<u>-</u>	<u>(650,173,635)</u>
Balance at 1 January 2019	<u>17,008,433,371</u>	<u>80,178,602,321</u>	<u>268,572,901</u>	<u>434,963,552</u>	<u>97,890,572,145</u>
Additions during the year					
-Additions	8,497,229	339,338,572	7,977,351	6,166,436	361,979,588
-Transfer from construction in progress	473,933,063	2,524,480,854	8,481,850	36,525,588	3,043,421,355
Disposal during the year	(18,677,567)	(92,571,336)	(15,702,250)	(3,503,994)	(130,455,147)
Disposal of subsidiaries	(111,701,279)	(787,508,314)	(2,378,575)	(920,801)	(902,508,969)
Exchange differences	-	(5,223,425)	-	-	(5,223,425)
Transfer to right of use assets	(40,677,600)	-	-	-	(40,677,600)
Others	2,273,798	(86,101,846)	-	-	(83,828,048)
Reclassification	<u>(52,141,162)</u>	<u>51,481,200</u>	<u>(1,266,872)</u>	<u>1,926,834</u>	<u>-</u>
Balance at 31 December 2019	<u>17,269,939,853</u>	<u>82,122,498,026</u>	<u>265,684,405</u>	<u>475,157,615</u>	<u>100,133,279,899</u>

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Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

17 Fixed assets (Continued)

(1) Fixed assets by categories (Continued)

The Group	Buildings & structures	Generators & related equipment	Motor vehicles	Furniture & others	Total
Less: Accumulated depreciation					
Balance at 31 December 2017	4,656,316,120	18,586,363,472	185,005,327	240,492,464	23,668,177,383
Charge for the year	508,071,947	3,891,835,320	20,896,088	35,438,559	4,456,241,914
Written off on disposal	(15,000,252)	(135,177,741)	(12,121,835)	(2,103,272)	(164,403,100)
Exchange differences	-	517,423	-	-	517,423
Reclassification	<u>2,139,678</u>	<u>(2,266,734)</u>	<u>-</u>	<u>127,056</u>	<u>-</u>
Balance at 31 December 2018	5,151,527,493	22,341,271,740	193,779,580	273,954,807	27,960,533,620
Changes in accounting policies	<u>(23,377,123)</u>	<u>(174,137,992)</u>	<u>-</u>	<u>-</u>	<u>(197,515,115)</u>
Balance at 1 January 2019	<u>5,128,150,370</u>	<u>22,167,133,748</u>	<u>193,779,580</u>	<u>273,954,807</u>	<u>27,763,018,505</u>
Charge for the year	610,617,513	3,924,605,449	21,137,375	25,233,693	4,581,594,030
Written off on disposal	(8,442,028)	(68,608,633)	(15,120,954)	(3,318,849)	(95,490,464)
Disposal of subsidiaries	(15,241,925)	(202,487,688)	(1,913,750)	(628,192)	(220,271,555)
Exchange differences	-	(428,074)	-	-	(428,074)
Reclassification	<u>(13,205,634)</u>	<u>(1,512,706)</u>	<u>(626,482)</u>	<u>15,344,822</u>	<u>-</u>
Balance at 31 December 2019	<u>5,701,878,296</u>	<u>25,818,702,096</u>	<u>197,255,769</u>	<u>310,586,281</u>	<u>32,028,422,442</u>
Less: Provision for impairment					
Balance at 31 December 2017	58,344,796	148,281,807	593,444	1,132,387	208,352,434
Written off on disposal	<u>(4,358,145)</u>	<u>(7,339,175)</u>	<u>(593,444)</u>	<u>(224,316)</u>	<u>(12,515,080)</u>
Balance at 31 December 2018	53,986,651	140,942,632	-	908,071	195,837,354
Charge for the year	59,974,454	208,423,810	9,876,786	1,485,676	279,760,726
Written off on disposal	<u>-</u>	<u>(8,631,452)</u>	<u>-</u>	<u>-</u>	<u>(8,631,452)</u>
Balance at 31 December 2019	<u>113,961,105</u>	<u>340,734,990</u>	<u>9,876,786</u>	<u>2,393,747</u>	<u>466,966,628</u>
Carrying amount At 31 December 2019	<u>11,454,100,452</u>	<u>55,963,060,940</u>	<u>58,551,850</u>	<u>162,177,587</u>	<u>67,637,890,829</u>
At 31 December 2018	<u>11,854,545,327</u>	<u>58,294,935,484</u>	<u>74,793,321</u>	<u>160,100,674</u>	<u>70,384,374,806</u>

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Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

17 Fixed assets (Continued)

(1) Fixed assets by categories (Continued)

<u>The Company</u>	Buildings & structures	Generators & related equipment	Motor vehicles	Furniture & others	Total
Cost					
Balance at 31 December 2017	1,462,342,560	1,267,157,115	36,191,612	32,041,384	2,797,732,671
Additions during the year					
-Additions	220,756	300,604	-	117,151	638,511
-Transfer from construction in progress	190,541,324	183,476,937	707,678	3,567,627	378,293,566
Disposal during the year	<u>(638,202)</u>	<u>(17,555,313)</u>	<u>(3,558,153)</u>	<u>(804,115)</u>	<u>(22,555,783)</u>
Balance at 31 December 2018	1,652,466,438	1,433,379,343	33,341,137	34,922,047	3,154,108,965
Additions during the year					
-Additions	-	390,717	354,183	163,655	908,555
-Business combination under common control	23,169,765	58,359,782	1,778,314	559,417	83,867,278
-Transfer from construction in progress	48,420,054	110,807,528	1,089,661	1,241,038	161,558,281
Disposal during the year	<u>(97,973)</u>	<u>(31,188,605)</u>	<u>(2,033,703)</u>	<u>(575,002)</u>	<u>(33,895,283)</u>
Balance at 31 December 2019	<u>1,723,958,284</u>	<u>1,571,748,765</u>	<u>34,529,592</u>	<u>36,311,155</u>	<u>3,366,547,796</u>
Less: Accumulated depreciation					
Balance at 31 December 2017	647,994,533	659,877,331	28,260,480	21,422,883	1,357,555,227
Charge for the year	26,304,151	64,268,239	2,247,698	2,356,510	95,176,598
Written off on disposal	<u>(529,821)</u>	<u>(16,755,887)</u>	<u>(3,451,590)</u>	<u>(804,115)</u>	<u>(21,541,413)</u>
Balance at 31 December 2018	673,768,863	707,389,683	27,056,588	22,975,278	1,431,190,412
Charge for the year	28,658,214	72,683,110	2,226,484	2,862,326	106,430,134
-Business combination under common control	18,570,278	21,918,816	1,281,530	457,933	42,228,557
Written off on disposal	<u>(89,149)</u>	<u>(23,447,576)</u>	<u>(1,972,692)</u>	<u>(573,773)</u>	<u>(26,083,190)</u>
Balance at 31 December 2019	<u>720,908,206</u>	<u>778,544,033</u>	<u>28,591,910</u>	<u>25,721,764</u>	<u>1,553,765,913</u>
Less: Provision for impairment					
Balance at 31 December 2017	<u>16,545,023</u>	-	-	-	<u>16,545,023</u>
Balance at 31 December 2018	16,545,023	-	-	-	16,545,023
Charge for the year	-	2,515,766	-	-	2,515,766
Balance at 31 December 2019	<u>16,545,023</u>	<u>2,515,766</u>	<u>-</u>	<u>-</u>	<u>19,060,789</u>
Carrying amount					
Balance at 31 December 2019	<u>986,505,055</u>	<u>790,688,966</u>	<u>5,937,682</u>	<u>10,589,391</u>	<u>1,793,721,094</u>
Balance at 31 December 2018	<u>962,152,552</u>	<u>725,989,660</u>	<u>6,284,549</u>	<u>11,946,769</u>	<u>1,706,373,530</u>

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

17 Fixed assets (Continued)

(1) Fixed assets by categories (Continued)

In 2019, the Group provided RMB279,760,726 for impairment of fixed assets (2018: nil).

For the year ended 31 December 2019, the recoverable amount of certain subsidiaries' property, plant and equipment of the Group's wind power segment, natural-gas power segment and other business segment was lower than its carrying amount due to its continuous loss-making performance. The recoverable amounts of the projects have been estimated based on their value in use. When determining the recoverable amounts based on value-in-use calculations, management prepared the calculations with cash flow projections covering a five-year period. Cash flows beyond the five-year period are projected using zero growth rates. The cash flows are discounted using discount rates of 6.8% to 11.0%. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. Key assumption used for the value-in-use calculations is the revenue from electricity sales. Management determined the revenue from electricity sales based on its expectation of electricity volume and the on-grid tariff approved by the related government authorities. As a result, the group made provision for impairment amounted to RMB279,760,726.

Except for those as set out in Note 60, as at 31 December 2019, the Group did not hold any other significant amounts of fixed assets for guarantee or pledged as security.

As at 31 December 2019, the Group and the Company did not hold any assets pending disposal.

(2) Temporarily idle fixed assets

As at 31 December 2019, the Group and the Company did not hold any material temporarily idle fixed assets.

(3) Fixed assets acquired under sale-leaseback of finance leases

As at 31 December 2018, the Group's fixed assets acquired under finance leases are set out as follows:

	Buildings & structures	Generators & related equipment	Total
Cost	51,626,100	598,547,535	650,173,635
Less: Accumulated depreciation	<u>23,377,123</u>	<u>174,137,992</u>	<u>197,515,115</u>
Carrying amount	<u><u>28,248,977</u></u>	<u><u>424,409,543</u></u>	<u><u>452,658,520</u></u>

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Notes to financial statements (continued)
Year ended 31 December 2019
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18 Construction in progress

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Construction in progress	12,631,584,039	9,435,389,264	714,267,252	770,818,973
Construction materials	1,503,008,414	939,240,920	-	-
Total	<u>14,134,592,453</u>	<u>10,374,630,184</u>	<u>714,267,252</u>	<u>770,818,973</u>

Construction in progress

	The Group	The Company
Cost		
Balance at 31 December 2018	9,528,896,368	773,298,486
Additions	6,462,281,017	117,977,606
Transfer to fixed assets	(3,043,421,355)	(161,558,281)
Transfer to intangible assets	(47,743,610)	(8,764,236)
Disposal of subsidiaries	(1,080,096)	-
Disposal during the year	(8,523,033)	-
Balance at 31 December 2019	<u>12,890,409,291</u>	<u>720,953,575</u>
Less: Provision for impairment		
Balance at 31 December 2018	93,507,104	2,479,513
Charge for the year (Note)	203,918,324	4,260,208
Written off on disposal	(38,600,176)	(53,398)
Balance at 31 December 2019	<u>258,825,252</u>	<u>6,686,323</u>
Carrying amount		
Balance at 31 December 2019	<u>12,631,584,039</u>	<u>714,267,252</u>
Balance at 31 December 2018	<u>9,435,389,264</u>	<u>770,818,973</u>

Construction materials

	31 December 2019	31 December 2018
The Group		
Coal-fired power project materials	1,063,744	64,251,785
Wind power project materials	939,166,510	212,196,780
Natural gas-fired project materials	561,575,131	652,975,365
Other project materials	1,203,029	9,816,990
Total	<u>1,503,008,414</u>	<u>939,240,920</u>

Note: In 2019, The Group evaluated some slow-moving construction projects and provided impairment losses amounted to RMB203,918,324 on projects in progress that do not match the land occupation function and are extremely unlikely to proceed (in 2018: RMB4,345,777).

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Notes to financial statements (continued)
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19 Right-of-use assets

2019

<u>The Group</u>	Land lease prepayments	Buildings and structures	Generators and related equipment	Total
Cost				
Balance at 1 January 2019	126,532,755	338,098,891	524,140,894	988,772,540
Additions	2,863,652	2,907,327	-	5,770,979
Transfer from fixed assets	<u>40,677,600</u>	<u>-</u>	<u>-</u>	<u>40,677,600</u>
Balance at 31 December 2019	<u>170,074,007</u>	<u>341,006,218</u>	<u>524,140,894</u>	<u>1,035,221,119</u>
Less: Accumulated depreciation				
Balance at 1 January 2019	-	-	-	-
Charge for the year	<u>6,682,582</u>	<u>63,792,068</u>	<u>52,865,482</u>	<u>123,340,132</u>
Balance at 31 December 2019	<u>6,682,582</u>	<u>63,792,068</u>	<u>52,865,482</u>	<u>123,340,132</u>
Carrying amount				
Balance at 31 December 2019	<u>163,391,425</u>	<u>277,214,150</u>	<u>471,275,412</u>	<u>911,880,987</u>
Balance at 1 January 2019	<u>126,532,755</u>	<u>338,098,891</u>	<u>524,140,894</u>	<u>988,772,540</u>

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Notes to financial statements (continued)
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19 Right-of-use assets (continued)

<u>The Company</u>	Buildings and structures	Total
Cost		
Balance at 1 January 2019	247,823,790	247,823,790
Additions	<u>44,125</u>	<u>44,125</u>
Balance at 31 December 2019	<u><u>247,867,915</u></u>	<u><u>247,867,915</u></u>
Less: Accumulated depreciation		
Balance at 1 January 2019	-	-
Charge for the year	<u>48,376,814</u>	<u>48,376,814</u>
Balance at 31 December 2019	<u><u>48,376,814</u></u>	<u><u>48,376,814</u></u>
Carrying amount		
Balance at 31 December 2019	<u><u>199,491,101</u></u>	<u><u>199,491,101</u></u>
Balance at 1 January 2019	<u><u>247,823,790</u></u>	<u><u>247,823,790</u></u>

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Notes to financial statements (continued)
Year ended 31 December 2019
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20 Intangible assets

<u>The Group</u>	Land use rights	Concession Assets	Software and others	Total
Cost				
Balance at 31 December 2017	1,648,352,000	865,945,419	147,249,876	2,661,547,295
Additions	6,055,120	80,392,626	29,889,071	116,336,817
Transfer from construction in progress	39,666,725	-	-	39,666,725
Reclassification to fixed assets	<u>(10,237,028)</u>	<u>-</u>	<u>-</u>	<u>(10,237,028)</u>
Balance at 31 December 2018	1,683,836,817	946,338,045	177,138,947	2,807,313,809
Additions	13,934,232	317,841,144	882,513	332,657,889
Transfer from construction in progress	25,378,688	-	22,364,922	47,743,610
Disposal of subsidiaries	<u>(15,700,374)</u>	<u>-</u>	<u>(81,624)</u>	<u>(15,781,998)</u>
Balance at 31 December 2019	<u>1,707,449,363</u>	<u>1,264,179,189</u>	<u>200,304,758</u>	<u>3,171,933,310</u>
Less: Accumulated amortization				
Balance at 31 December 2017	220,852,132	150,243,001	60,754,663	431,849,796
Charge for the year	<u>35,433,303</u>	<u>33,851,818</u>	<u>16,346,881</u>	<u>85,632,002</u>
Balance at 31 December 2018	256,285,435	184,094,819	77,101,544	517,481,798
Additions	39,851,363	38,949,417	19,591,399	98,392,179
Disposal of subsidiaries	<u>(1,983,600)</u>	<u>-</u>	<u>(32,906)</u>	<u>(2,016,506)</u>
Balance at 31 December 2019	<u>294,153,198</u>	<u>223,044,236</u>	<u>96,660,037</u>	<u>613,857,471</u>
Carrying amount				
At 31 December 2019	<u>1,413,296,165</u>	<u>1,041,134,953</u>	<u>103,644,721</u>	<u>2,558,075,839</u>
At 31 December 2018	<u>1,427,551,382</u>	<u>762,243,226</u>	<u>100,037,403</u>	<u>2,289,832,011</u>

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Notes to financial statements (continued)
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20 Intangible assets (continued)

<u>The Company</u>	Land use rights	Software and others	Total
Cost			
Balance at 31 December 2017	95,515,075	27,582,293	123,097,368
Transfer from construction in progress	<u>18,163</u>	<u>1,127,440</u>	<u>1,145,603</u>
Balance at 31 December 2018	95,533,238	28,709,733	124,242,971
Additions	-	183,467	183,467
Transfer from construction in progress	-	8,764,236	8,764,236
Business combination under common control	<u>-</u>	<u>328,273</u>	<u>328,273</u>
Balance at 31 December 2019	<u>95,533,238</u>	<u>37,985,709</u>	<u>133,518,947</u>
Less: Accumulated amortization			
Balance at 31 December 2017	1,805,939	12,623,681	14,429,620
Charge for the year	<u>543,261</u>	<u>2,766,811</u>	<u>3,310,072</u>
Balance at 31 December 2018	2,349,200	15,390,492	17,739,692
Charge for the year	538,396	2,905,575	3,443,971
Business combination under common control	<u>-</u>	<u>164,534</u>	<u>164,534</u>
Balance at 31 December 2019	<u>2,887,596</u>	<u>18,460,601</u>	<u>21,348,197</u>
Carrying amount			
At 31 December 2019	<u>92,645,642</u>	<u>19,525,108</u>	<u>112,170,750</u>
At 31 December 2018	<u>93,184,038</u>	<u>13,319,241</u>	<u>106,503,279</u>

Note1: Concession assets refer to the operating rights of Fuqing Niutouwei, Liyushan, Qingyu, Longtan and Chijiao wind farms projects that the Group obtained through the model "Build, Operation and Transfer".

Note2: Except for those as set out in Note 60, as at 31 December 2019, the Group did not hold any other significant amounts of intangible assets for guarantee or pledged as security.

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Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

21 Goodwill

	<u>The Group</u>
Cost	
Balance at 1 January 2018 and 31 December 2018	<u>496,646,686</u>
Balance at 31 December 2019	<u>496,646,686</u>
Carrying amount	
As at 31 December 2019	<u>496,646,686</u>
As at 31 December 2018	<u>496,646,686</u>

The Group allocates goodwill to the following asset groups which are determined by operating segments:

	31 December 2019	31 December 2018
Hydropower	230,134,980	230,134,980
Wind power	<u>266,511,706</u>	<u>266,511,706</u>
	<u>496,646,686</u>	<u>496,646,686</u>

As at 31 December 2019, the Group tested the above goodwill for impairment. According to the testing results, no provision for impairment of the goodwill is necessary.

The Group allocates the carrying value of goodwill to the relevant asset groups. The recoverable amount of an asset group is determined by the higher one of the net amount of the fair value of the assets minus the disposal expenses and the present value of the expected future cash flow of the assets. The estimated future cash flows are discounted to their present value using a pre-tax discount rate of 5.5%-8.5% for a period of not more than 5 years ("forecast period"). The cash flows beyond the five-year budget period were assumed to keep stable. The estimate of recoverable amount does not result in the recognition of any impairment losses.

However, as key assumptions on which management has made in respect of future electricity generating capacity and the discounting rate to calculate future cash projections are subject to change, management believes that any adverse change in the assumptions would cause the carrying amounts to exceed its recoverable amount.

The key assumptions used in impairment testing include the selling electricity price, generators' estimated hours of operation, etc. Management makes these assumptions based on the past operating experience and future expectation of each asset group.

22 Long-term deferred expenses

The Group's long-term deferred expenses primarily represent paid tax on the occupation of cultivated land.

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Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

23 Deferred tax assets and liabilities

The Group	Deferred tax assets / (liabilities)				Balance at the end of year
	Balance at the beginning of the year	Current year increase / decrease			
		Charged to profit or loss	Charged to other comprehensive income	Exchange differences	
Deductible loss	21,955,480	(12,272,442)	-	-	9,683,038
Revaluation deficit of assets under business combination involving entities not under common control	43,910,469	(3,758,805)	-	-	40,151,664
Provision for impairment of assets	15,917,424	1,554,209	-	-	17,471,633
Deferred income	45,721,670	(9,683,978)	-	-	36,037,692
Water resource fees and reservoir maintenance fund	13,871,186	(798,756)	-	-	13,072,430
Trial run revenue	227,199,962	(8,074,758)	-	-	219,125,204
Revaluation surplus of assets under business combination under non-common control	(253,682,646)	5,366,985	-	-	(248,315,661)
Difference fixed assets depreciation	(672,583,241)	16,277,090	-	-	(656,306,151)
Others	(81,253,294)	(2,038,191)	37,520,729	(248,641)	(46,019,397)
Total	(638,942,990)	(13,428,646)	37,520,729	(248,641)	(615,099,548)

At the balance sheet date, the deferred tax assets and liabilities on the balance sheet, after offsetting each other, were as follows:

The Group	31 December 2019	31 December 2018
Deferred tax assets	362,510,719	369,045,554
Deferred tax liabilities	(977,610,267)	(1,007,988,544)
Total	(615,099,548)	(638,942,990)

Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 3(18), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB3,695,508,312 (2018: RMB 2,956,664,497) as it is not probable that future taxable profits against which the losses can be utilised will be available before they expire. The deductible tax losses expire within 5 years from the year when such losses were incurred under current tax law.

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Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

24 Other non-current assets

	31 December 2019	31 December 2018
<u>The Group</u>		
Deductible VAT input	1,532,569,259	1,723,049,694
Unrealised profit and loss in sale and leaseback	-	113,283,181
Total	<u>1,532,569,259</u>	<u>1,836,332,875</u>

25 Short-term loans

	<u>The Group</u>		<u>The Company</u>	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Credit loans	6,399,327,247	4,573,342,999	4,150,000,000	1,550,000,000
Mortgage loans	-	81,500,000	-	-
Pledged loans	9,500,000	86,300,000	-	-
Total	<u>6,408,827,247</u>	<u>4,741,142,999</u>	<u>4,150,000,000</u>	<u>1,550,000,000</u>

As at 31 December 2019, the annual interest rate for these loans was 0.47% - 5.1625% (As at 31 December 2018: 0.47% - 5.655%).

As at 31 December 2019 and 2018, the Group and the Company did not hold any overdue and unpaid short-term loans.

26 Bills payable

	31 December 2019	31 December 2018
<u>The Group</u>		
Bank acceptance bills	65,444,300	48,000,000
Commercial acceptance bills	<u>25,000,000</u>	<u>25,000,000</u>
Total	<u>90,444,300</u>	<u>73,000,000</u>

The above bills are all due within one year.

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Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

27 Accounts payable

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Payables for equipment	2,772,407,799	3,240,149,572	378,375	703,607
Payables for projects	1,449,057,905	1,548,284,663	59,369,258	122,123,083
Payables for materials	202,788,447	112,586,441	5,356,735	3,170,956
Payables for coal purchase	395,780,477	326,837,405	-	-
Payables for substituted generation	7,686,105	12,268,800	-	-
Payables for land compensation	97,165,283	57,165,283	-	-
Provision for mianhuatan resettlement compensation (Note 1)	310,000,000	40,000,000	-	-
Others	655,275,538	538,988,130	24,896,266	34,486,116
Total	5,890,161,554	5,876,280,294	90,000,634	160,483,762

Note 1: Mianhuatan Hydropower, one of the Company's subsidiaries, owns and operates a hydropower plant (the "Mianhuatan Project") in Longyan, Fujian. The relevant local government authority disputed the amount of resettlement compensation and requested Mianhuatan Hydropower to increase the compensation to cover the rising costs associated with the relocation and resettlement of additional residents, the construction of roads and bridges, environmental protection and the preservation of historical relics. In response to this request, Mianhuatan Hydropower engaged the original independent design institute for this hydropower project, Shanghai Investigation, Design & Research Institute (the "Shanghai Institute"), to assess the need to pay any additional resettlement compensation. To support the local government's relocation and resettlement efforts, Mianhuatan Hydropower agreed in principle and paid to the local government additional compensations of RMB15 million, RMB15 million and RMB360 million in 2009, 2010 and 2011, respectively, totalling RMB390 million. In addition, the management of Mianhuatan Hydropower has recognised an additional provision of RMB40 million for this dispute during the year ended 31 December 2011. The total amounts of RMB430 million have been capitalised in property, plant and equipment. After reviewing the assessment report from the Shanghai Institute, the Fujian Development and Reform Commission (the "Fujian DRC") and the National Development and Reform Commission of the PRC (the "NDRC") would determine the adjusted resettlement compensation for which Mianhuatan Hydropower is responsible.

On 18 November 2019, Mianhuatan Hydropower entered into a preliminary settlement agreement with the local government authority of Longyan, Fujian Province. Mianhuatan Hydropower agreed to raise final resettlement compensation cap to RMB700 million, which included the prepayment of RMB390 million made during the period from 2009 to 2011. The final amount of resettlement compensation and payment schedule is subject to determination of Fujian DRC. The total amounts in addition to RMB430 million recognised have been capitalised in property, plant and equipment.

28 Contract liabilities

	31 December 2019	31 December 2018
<u>The Group</u>		
Advances for sale of heat power	34,672,282	31,667,982
Total	34,672,282	31,667,982

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

29 Employee benefits payable

	Note	The Group		The Company	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Short-term employee benefits	(i)	37,875,744	31,141,766	2,899,370	1,816,261
Post-employment benefits					
-defined contribution plans	(ii)	9,624,639	11,489,519	1,595,596	307,232
Early retirement benefits	(iii)	12,551,706	15,516,610	-	-
Total		<u>60,052,089</u>	<u>58,147,895</u>	<u>4,494,966</u>	<u>2,123,493</u>

(i) Short-term employee benefits

	The Group			
	Balance at 1 January 2019	Accrued during the year	Paid during the year	Balance at 31 December 2019
Salaries, bonuses, allowances	-	1,260,592,327	1,260,592,327	-
Staff welfare	-	91,927,395	91,927,395	-
Social insurance	7,819,052	150,209,498	147,377,560	10,650,990
Medical insurance	7,701,679	139,539,320	136,718,294	10,522,705
Work-related injury insurance	64,655	4,772,468	4,753,950	83,173
Maternity insurance	52,718	5,897,710	5,905,316	45,112
Housing fund	4,635,640	209,128,067	209,459,919	4,303,788
Labor union fee, staff and workers' education fee	16,807,135	52,493,571	46,435,162	22,865,544
Other short-term employee benefits	1,879,939	88,974,528	90,799,045	55,422
Total	<u>31,141,766</u>	<u>1,853,325,386</u>	<u>1,846,591,408</u>	<u>37,875,744</u>

	The Group			
	Balance at 1 January 2018	Accrued during the year	Paid during the year	Balance at 31 December 2018
Salaries, bonuses, allowances	-	1,061,902,516	1,061,902,516	-
Staff welfare	-	75,410,640	75,410,640	-
Social insurance	9,017,184	124,919,955	126,118,087	7,819,052
Medical insurance	8,151,516	115,304,297	115,754,134	7,701,679
Work-related injury insurance	549,899	4,527,826	5,013,070	64,655
Maternity insurance	315,769	5,087,832	5,350,883	52,718
Housing fund	404,775	151,254,466	147,023,601	4,635,640
Labor union fee, staff and workers' education fee	12,677,805	43,473,198	39,343,868	16,807,135
Other short-term employee benefits	4,295,886	94,125,195	96,541,142	1,879,939
Total	<u>26,395,650</u>	<u>1,551,085,970</u>	<u>1,546,339,854</u>	<u>31,141,766</u>

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Notes to financial statements (continued)
Year ended 31 December 2019
(Expressed in RMB Yuan)

29 Employee benefits payable (continued)

(i) Short-term employee benefits (continued)

	The Company			
	Balance at 1 January 2019	Accrued during the year	Paid during the year	Balance at 31 December 2019
Salaries, bonuses, allowances	-	235,847,269	235,847,269	-
Staff welfare	-	15,038,994	15,038,994	-
Social insurance	20,333	24,593,604	24,581,174	32,763
Medical insurance	9,120	23,147,322	23,134,892	21,550
Work-related injury insurance	3,767	622,924	622,924	3,767
Maternity insurance	7,446	823,358	823,358	7,446
Housing fund	40,280	35,859,810	35,866,708	33,382
Labor union fee, staff and workers' education fee	1,655,055	9,012,259	7,834,089	2,833,225
Other short-term employee benefits	100,593	4,916,668	5,017,261	-
Total	<u>1,816,261</u>	<u>325,268,604</u>	<u>324,185,495</u>	<u>2,899,370</u>

	The Company			
	Balance at 1 January 2018	Accrued during the year	Paid during the year	Balance at 31 December 2018
Salaries, bonuses, allowances	-	191,221,935	191,221,935	-
Staff welfare	-	14,883,231	14,883,231	-
Social insurance	994,315	21,373,880	22,347,862	20,333
Medical insurance	982,046	19,734,881	20,707,807	9,120
Work-related injury insurance	4,091	779,514	779,838	3,767
Maternity insurance	8,178	859,485	860,217	7,446
Housing fund	-	24,353,605	24,313,325	40,280
Labor union fee, staff and workers' education fee	1,660,152	7,814,410	7,819,507	1,655,055
Other short-term employee benefits	293,846	2,503,126	2,696,379	100,593
Total	<u>2,948,313</u>	<u>262,150,187</u>	<u>263,282,239</u>	<u>1,816,261</u>

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Notes to financial statements (continued)
Year ended 31 December 2019
(Expressed in RMB Yuan)

29 Employee benefits payable (continued)

(ii) Post-employment benefits - defined contribution plans

	The Group			
	Balance at 1 January 2019	Accrued during the year	Paid during the year	Balance at 31 December 2019
Basic pension insurance	581,745	247,087,756	244,992,504	2,676,997
Unemployment insurance	60,738	8,512,308	8,001,471	571,575
Annuity	10,847,036	113,815,705	118,286,674	6,376,067
Total	<u>11,489,519</u>	<u>369,415,769</u>	<u>371,280,649</u>	<u>9,624,639</u>

	The Group			
	Balance at 1 January 2018	Accrued during the year	Paid during the year	Balance at 31 December 2018
Basic pension insurance	2,561,499	190,021,111	192,000,865	581,745
Unemployment insurance	1,590,885	3,911,735	5,441,882	60,738
Annuity	342,082	62,260,031	51,755,077	10,847,036
Total	<u>4,494,466</u>	<u>256,192,877</u>	<u>249,197,824</u>	<u>11,489,519</u>

	The Company			
	Balance at 1 January 2019	Accrued during the year	Paid during the year	Balance at 31 December 2019
Basic pension insurance	221,177	45,624,496	44,339,064	1,506,609
Unemployment insurance	12,176	1,418,099	1,418,840	11,435
Annuity	73,879	16,884,107	16,880,434	77,552
Total	<u>307,232</u>	<u>63,926,702</u>	<u>62,638,338</u>	<u>1,595,596</u>

	The Company			
	Balance at 1 January 2018	Accrued during the year	Paid during the year	Balance at 31 December 2018
Basic pension insurance	161,824	30,649,583	30,590,230	221,177
Unemployment insurance	3,037	841,687	832,548	12,176
Annuity	-	12,979,719	12,905,840	73,879
Total	<u>164,861</u>	<u>44,470,989</u>	<u>44,328,618</u>	<u>307,232</u>

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)
Year ended 31 December 2019
(Expressed in RMB Yuan)

29 Employee benefits payable (continued)

(iii) Early retirement benefits

	The Group			
	Balance at 1 January 2019	Accrued during the year	Paid during the year	Balance at 31 December 2019
Early retirement benefits	15,516,610	912,770	3,877,674	12,551,706
Total	15,516,610	912,770	3,877,674	12,551,706

	The Group			
	Balance at 1 January 2018	Accrued during the year	Paid during the year	Balance at 31 December 2018
Early retirement benefits	19,044,188	1,069,852	4,597,430	15,516,610
Total	19,044,188	1,069,852	4,597,430	15,516,610

	The Company			
	Balance at 1 January 2019	Accrued during the year	Paid during the year	Balance at 31 December 2019
Early retirement benefits	-	-	-	-
Total	-	-	-	-

	The Company			
	Balance at 1 January 2018	Accrued during the year	Paid during the year	Balance at 31 December 2018
Early retirement benefits	-	-	-	-
Total	-	-	-	-

30 Taxes payable

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Value added tax	134,043,403	101,241,805	135,272	1,764,784
Business tax	-	16,920	-	-
Corporate income tax	155,450,221	77,412,626	-	-
Water resources fee and maintenance fund	82,439,206	63,887,357	21,630,939	14,916,240
Others	17,527,595	46,035,557	3,857,569	6,092,874
Total	389,460,425	288,594,265	25,623,780	22,773,898

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Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

31 Other payables

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Interests payable	184,705,403	189,427,636	89,451,377	87,522,776
Dividends payable	333,081,713	297,096,767	223,346,444	150,950,000
Other payables	<u>1,534,095,404</u>	<u>1,576,092,573</u>	<u>1,981,564,095</u>	<u>3,833,056,329</u>
Total	<u>2,051,882,520</u>	<u>2,062,616,976</u>	<u>2,294,361,916</u>	<u>4,071,529,105</u>

Interests payable

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Short-term borrowings pay interest	8,776,106	7,328,110	4,247,951	1,823,677
Long-term loan interest due to maturity	88,509,510	97,615,146	2,255,848	3,911,762
Corporate bonds payable interest	87,419,787	81,787,337	82,947,578	81,787,337
Finance lease payable interest	-	<u>2,697,043</u>	-	-
Total	<u>184,705,403</u>	<u>189,427,636</u>	<u>89,451,377</u>	<u>87,522,776</u>

Dividends payable

Dividends payable represents the profits attributable to non-controlling shareholders of the Company's subsidiaries which have not been paid and the distribution to the holders of perpetual medium-term notes and renewable corporate bonds of the Company.

Other payables

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Construction guarantee deposits	895,369,693	857,106,189	4,617,297	2,793,412
Staff related payable	16,267,236	20,406,989	17,770,890	156,749
Amounts due to subsidiaries	-	-	1,600,038,905	3,722,185,010
Amounts related to acquisition of subsidiaries	-	4,584,131	-	-
CDM expenses payable	1,728,602	1,728,602	-	-
Asset securitization	328,837,286	342,049,288	328,837,286	58,000,000
Others	<u>291,892,587</u>	<u>350,217,374</u>	<u>30,299,717</u>	<u>49,921,158</u>
Total	<u>1,534,095,404</u>	<u>1,576,092,573</u>	<u>1,981,564,095</u>	<u>3,833,056,329</u>

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

32 Non-current liabilities due within one year

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Long-term loans due within one year	7,024,603,298	5,328,258,853	64,570,846	51,289,501
Debentures payable due within one year	105,337,748	-	-	-
Obligations under finance leases within one year	-	25,809,852	-	-
Lease liabilities within one year	98,636,893	-	42,949,580	-
Long-term accounts payable within one year	40,420,000	-	-	-
Total	<u>7,268,997,939</u>	<u>5,354,068,705</u>	<u>107,520,426</u>	<u>51,289,501</u>

(1) The analysis of loans due within one year is set out as follows:

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Unsecured loans	3,858,544,408	2,166,718,177	64,570,846	51,289,501
Loans secured by mortgages	1,501,975,542	1,170,229,135	-	-
Pledged loans	1,083,341,250	1,404,799,443	-	-
Guaranteed loans	580,742,098	586,512,098	-	-
Total	<u>7,024,603,298</u>	<u>5,328,258,853</u>	<u>64,570,846</u>	<u>51,289,501</u>

On 31 December 2019, the interest rate of the above borrowings was 0.47% - 6.20% (31 December 2018: 0.47% - 6.20%).

As at 31 December 2019 and 31 December 2018, the Group and the Company had no long-term borrowings due within one year that were due and outstanding.

33 Other current liabilities

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Ultra-Short-term Financing Instruments (2018 first tranche)	-	798,682,075	-	798,682,075
Other	26,755,158	11,007,818	67,118	895,874
Total	<u>26,755,158</u>	<u>809,689,893</u>	<u>67,118</u>	<u>799,577,949</u>

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

34 Long-term loans

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Unsecured loans	22,289,209,727	23,456,285,169	586,848,173	1,114,362,632
Guaranteed loans	1,255,766,550	2,190,477,087	-	-
Loans secured by mortgages	10,426,638,099	8,244,916,012	-	-
Pledged loans	9,769,837,513	13,301,452,583	-	-
Total	<u>43,741,451,889</u>	<u>47,193,130,851</u>	<u>586,848,173</u>	<u>1,114,362,632</u>

As at 31 December 2019 and 2018, the Group did not hold any past-due long-term loans due.

35 Debentures payable

	31 December 2019	31 December 2018
<u>The Group</u>		
Items:		
Huadian Fuxin On-grid Electricity Sales Receivable Green Asset-backed Bond	786,332,128	834,942,900
Corporate Debenture 2013 (ten years)	998,131,252	997,556,252
Corporate Debenture 2016 (five years)	2,888,007,000	2,998,000,000
Corporate Debenture 2016 (five years)	49,010,000	898,470,000
Corporate Debenture 2016 (seven years)	<u>1,098,192,857</u>	<u>1,097,721,429</u>
Subtotal	5,819,673,237	6,826,690,581
Less: Debentures payable within one year	<u>105,337,748</u>	-
Total	<u>5,714,335,489</u>	<u>6,826,690,581</u>

Changes in the amount of debentures payable (Including debentures payable due within one year):

	Balance at 1 January 2019	Repayment during the year	Amortization of discounts or premiums	Balance at 31 December 2019
<u>The Group</u>				
Items:				
Huadian Fuxin On-grid Electricity Sales Receivable Green Asset-backed Bond	834,942,900	(51,602,973)	2,992,201	786,332,128
Corporate Debenture 2013 (ten years)	997,556,252	-	575,000	998,131,252
Corporate Debenture 2016 (five years) (Note 1)	2,998,000,000	(111,993,000)	2,000,000	2,888,007,000
Corporate Debenture 2016 (five years) (Note 2)	898,470,000	(850,000,000)	540,000	49,010,000
Corporate Debenture 2016 (seven years)	<u>1,097,721,429</u>	-	<u>471,428</u>	<u>1,098,192,857</u>
Total	<u>6,826,690,581</u>	<u>(1,013,595,973)</u>	<u>6,578,629</u>	<u>5,819,673,237</u>

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Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

35 Debentures payable (continued)

Notes 1: On 22 September 2016, the Company issued a five-year unsecured corporate bond of RMB3,000,000,000 at par with a coupon rate of 2.97% per annum, where the effective interest rate of this bond is 3.04% per annum. On 23 September 2019, holders of the corporate bonds sold a portion of the issued bonds amounting to RMB111,993,000 at par value back to the Company after the Company announced to adjust the coupon rate from 2.97% to 3.50% for the remaining two years, according to the sellback clause within the bond offering document.

Notes 2: On 4 November 2016, the Company issued a five-year unsecured corporate bond of RMB900,000,000 at par with a coupon rate of 3.02% per annum and a seven-year unsecured corporate bond of RMB1,100,000,000 at par with a coupon rate of 3.18% per annum. The effective interest rates of the five-year and seven-year unsecured corporate bonds are 3.09% and 3.23% per annum, respectively. On 4 November 2019, holders of the corporate bonds sold a portion of the issued bonds amounting to RMB 850,000,000 at par value back to the Company after the Company announced not to change the coupon rate, according to the sellback clause within the bond offering document.

	31 December 2019	31 December 2018
<u>The Company</u>		
Item		
Corporate Debenture 2013 (ten years)	998,131,252	997,556,252
Corporate Debenture 2016 (five years)	2,888,007,000	2,998,000,000
Corporate Debenture 2016 (five years)	49,010,000	898,470,000
Corporate Debenture 2016 (seven years)	<u>1,098,192,857</u>	<u>1,097,721,429</u>
Subtotal	5,033,341,109	5,991,747,681
Less: Debentures payable within one year	-	-
Total	<u>5,033,341,109</u>	<u>5,991,747,681</u>

Changes in the amount of Debentures payable (Including debentures payable due within one year):

	Balance at 1 January 2019	Repayment during the year	Amortization of discounts or premiums	Balance at 31 December 2019
<u>The Company</u>				
Item				
Corporate Debenture 2013 (ten years)	997,556,252	-	575,000	998,131,252
Corporate Debenture 2016 (five years)	2,998,000,000	(111,993,000)	2,000,000	2,888,007,000
Corporate Debenture 2016 (five years)	898,470,000	(850,000,000)	540,000	49,010,000
Corporate Debenture 2016 (seven years)	<u>1,097,721,429</u>	-	<u>471,428</u>	<u>1,098,192,857</u>
Total	<u>5,991,747,681</u>	<u>(961,993,000)</u>	<u>3,586,428</u>	<u>5,033,341,109</u>

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Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

36 Lease liabilities

	<u>The Group</u>	<u>The Company</u>
Carrying amount at 1 January 2019	703,155,013	228,614,790
New leases	5,770,979	44,125
Accretion of interest recognised during the year	29,459,493	9,262,713
Payments	<u>(112,895,953)</u>	<u>(47,059,749)</u>
Carrying amount at 31 December 2019	625,489,532	190,861,879
Less: lease liabilities due within one year	<u>98,636,893</u>	<u>42,949,580</u>
	<u>526,852,639</u>	<u>147,912,299</u>

37 Long-term payables

<u>The Group</u>	31 December 2019	31 December 2018
Long-term payables	50,970,000	392,915,871
Specific payable	<u>341,665</u>	<u>290,000</u>
Subtotal	51,311,665	393,205,871
Less: Long-term payables due within one year	<u>40,420,000</u>	<u>25,809,852</u>
	<u>10,891,665</u>	<u>367,396,019</u>

Long-term payables

<u>The Group</u>	31 December 2019	31 December 2018
Obligations under finance leases	-	316,468,695
Others (Note 1)	<u>50,970,000</u>	<u>76,447,176</u>
Less: Long-term payables due within one year	<u>40,420,000</u>	<u>25,809,852</u>
	<u>10,550,000</u>	<u>367,106,019</u>

Note 1: Other long-term payables represented the central authorities state-owned capital operating budget funds for energy saving and emission reduction provided by Huadian Group in December 2012.

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Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

38 Provisions

<u>The Group</u>	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Financial guarantee (Note 1)	-	197,223,960	-	197,223,960
	<u>-</u>	<u>197,223,960</u>	<u>-</u>	<u>197,223,960</u>
<u>The Company</u>	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Financial guarantee (Note 1)	-	197,223,960	-	197,223,960
	<u>-</u>	<u>197,223,960</u>	<u>-</u>	<u>197,223,960</u>

Note 1: Pursuant to the revision of articles of association of Huadian Jiujiang as disclosed in note 6(4), the Group lost control over Huadian Jiujiang and has accounted for it as a joint venture. The Group issued financial guarantees to banks in respect of the bank loans granted to Huadian Jiujiang amounting to RMB197,223,960, and the directors of the Company consider that a claim is probable to be made against the Group due to continuous loss-making performance of Huadian Jiujiang after. The Group does not hold any collateral or other credit enhancements over the guarantees. As a result, full provision relating to the financial guarantee as at 31 December 2019 of RMB197,223,960 has been made during the current year and included in other operating expenses.

As at 31 December 2018, the directors of the Company do not consider that a claim will probably be made against the Group under any of the guarantees.

39 Deferred income

<u>The Group</u>	31 December 2019	31 December 2018
Government grants	251,096,138	302,149,391
Unrealised profit or loss of sales and leaseback arrangement	-	7,695,429
Other deferred income	62,207,892	30,787,031
Total	<u>313,304,030</u>	<u>340,631,851</u>

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Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

40 Share capital

The Company's registered capital structure at 31 December is as follows:

	31 December 2019		31 December 2018	
	Amount	%	Amount	%
Huadian Group	5,008,785,336	59.57	5,008,785,336	59.57
CPECC	254,923,074	3.03	254,923,074	3.03
Kunlun Trust	203,938,459	2.43	203,938,459	2.43
Wujiang Hydropower	189,262,801	2.25	189,262,801	2.25
CHEC	78,859,501	0.94	78,859,501	0.94
Industrial Capital	76,476,922	0.91	76,476,922	0.91
Datong VC	25,492,307	0.30	25,492,307	0.30
Investors of overseas listed shares	<u>2,570,223,120</u>	<u>30.57</u>	<u>2,570,223,120</u>	<u>30.57</u>
Total	<u>8,407,961,520</u>	<u>100.00</u>	<u>8,407,961,520</u>	<u>100.00</u>

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)
Year ended 31 December 2019
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41 Other equity instruments

The Group's issuance of perpetual medium-term notes and renewable corporate bonds at 31 December 2019 is as follows:

	Issuance date	Accounting classification	Initial distribution rates	Distribution payment date	Issuance price	Quantity	Principal amount	Issuance costs	Maturity date or renewal
First tranche of 2015 perpetual medium-term notes	21 April 2015	Other equity instruments	5.75%	23 April	100	20,000,000	2,000,000,000	6,000,000	No fixed maturity date
First tranche of renewable corporate bonds 2017	6 November 2017	Other equity instruments	5.30%	6 November	100	20,000,000	2,000,000,000	5,660,377	Renewable
First tranche of 2018 perpetual medium-term notes	1-2 November 2018	Other equity instruments	4.65%	5 November	100	10,000,000	1,000,000,000	4,245,283	No fixed maturity date
Third tranche of 2018 perpetual medium-term notes	22 November 2018	Other equity instruments	4.65%	26 November	100	10,000,000	1,000,000,000	4,245,283	No fixed maturity date
Fourth tranche of 2018 perpetual medium-term notes	5-6 December 2018	Other equity instruments	4.64%	7 December	100	10,000,000	1,000,000,000	4,245,283	No fixed maturity date
First tranche of renewable corporate bonds 2018 (Category one)	7-9 August 2018	Other equity instruments	4.70%	7 August	100	15,000,000	1,500,000,000	4,321,698	Renewable
First tranche of renewable corporate bonds 2018 (Category two)	7-9 August 2018	Other equity instruments	5.00%	7 August	100	5,000,000	500,000,000	1,440,567	Renewable
First tranche of 2019 perpetual medium-term notes	28-29 May 2019	Other equity instruments	4.50%	30 May	100	20,000,000	2,000,000,000	1,784,905	No fixed maturity date
Second tranche of 2019 perpetual medium-term notes	17-19 September 2019	Other equity instruments	3.98%	19 September	100	16,000,000	<u>1,600,000,000</u>	<u>1,509,434</u>	No fixed maturity date
							<u>12,600,000,000</u>	<u>33,452,830</u>	

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Notes to financial statements (continued)

Year ended 31 December 2019

(Expressed in RMB Yuan)

41 Other equity instruments (continued)

The Group's issuance of perpetual medium-term notes and renewable corporate bonds at 31 December 2018 is as follows:

	Issuance date	Accounting classification	Initial distribution rates	Distribution payment date	Issuance price	Quantity	Principal amount	Issuance costs	Maturity date or renewal
First tranche of 2015 perpetual medium-term notes	21 April 2015	Other equity instruments	5.75%	23 April	100	20,000,000	2,000,000,000	6,000,000	No fixed maturity date
First tranche of renewable corporate bonds 2017	6 November 2017	Other equity instruments	5.30%	6 November	100	20,000,000	2,000,000,000	5,660,377	Renewable
First tranche of 2018 perpetual medium-term notes	1-2 November 2018	Other equity instruments	4.65%	5 November	100	10,000,000	1,000,000,000	4,245,283	No fixed maturity date
Third tranche of 2018 perpetual medium-term notes	22 November 2018	Other equity instruments	4.65%	26 November	100	10,000,000	1,000,000,000	4,245,283	No fixed maturity date
Fourth tranche of 2018 perpetual medium-term notes	5-6 December 2018	Other equity instruments	4.64%	7 December	100	10,000,000	1,000,000,000	4,245,283	No fixed maturity date
First tranche of renewable corporate bonds 2018 (Category one)	7-9 August 2018	Other equity instruments	4.70%	7 August	100	15,000,000	1,500,000,000	4,321,698	Renewable
First tranche of renewable corporate bonds 2018 (Category two)	7-9 August 2018	Other equity instruments	5.00%	7 August	100	5,000,000	<u>500,000,000</u>	<u>1,440,567</u>	Renewable
							<u>9,000,000,000</u>	<u>30,158,491</u>	

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)

Year ended 31 December 2019

(Expressed in RMB Yuan)

41 Other equity instruments (continued)

(1) Perpetual medium-term notes:

The Perpetual medium-term notes were all issued at par value and recorded as equity in the Group's financial statements, after netting off related issuance costs. Interest of the Perpetual medium-term notes is recorded as distribution, which is paid annually in arrears on the distribution payment date of each year and may be deferred at the discretion of the Company unless compulsory distribution payment events (including distributions to ordinary shareholders of the Company or reduction of the registered capital of the Company) have occurred.

The Perpetual medium-term notes have no fixed maturity dates and are callable at the Company's option in whole on the first call date or any distribution payment date falling after the first call date at their principal amounts together with any accrued, unpaid or deferred distributions.

The applicable distribution rate will be reset, on the first call date of the first tranche of 2015 PMTN and every five years after the first call date of the first tranche of 2015 PMTN, to the sum of the applicable benchmark interest rate, the initial spread and 300 basis points per annum.

The applicable distribution rate will be reset, on the first call date of the three tranches of 2018 Perpetual medium-term notes and the two tranches of 2019 Perpetual medium-term notes and every three years after the first call date of the three tranches of 2018 Perpetual medium-term notes and the two tranches of 2019 Perpetual medium-term notes, to the sum of the applicable benchmark interest rate, the initial spread and 300 basis points per annum.

For the year ended 31 December 2019, net profit attributable and distribution to holders of the Perpetual medium-term notes based on the applicable rate, in aggregate, were RMB 326,796,444 (2018: RMB130,234,723) and RMB326,796,444 (2018: RMB130,234,723), respectively.

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Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

41 Other equity instruments (continued)

(2) Renewable corporate bonds:

These renewable corporate bonds were issued at par value and were recorded as equity in the Group's financial statements, after netting off related issuance costs. Interest of these renewable corporate bonds is recorded as distribution, which is paid annually in arrears on the Distribution Payment Date and may be deferred at the discretion of the Company unless compulsory distribution payment events (including distributions to ordinary shareholders of the Company, reduction of the registered capital of the Company or external equity investment in equity) have occurred.

These renewable corporate bonds have no fixed maturity dates and are callable at the Company's option in whole on the first call date or any distribution payment date falling after the first call date at their principal amounts together with any accrued, unpaid or deferred distributions.

The applicable distribution rate will be reset, on the first call date of the first tranche of 2017 renewable corporate bonds and the first tranche of 2018 renewable corporate bonds – Category one and every three years after the first call date of the first tranche of 2017 renewable corporate bonds and the first tranche of 2018 renewable corporate bonds – Category one, to the sum of the applicable benchmark interest rate, the initial spread and 300 basis points per annum.

The applicable distribution rate will be reset, on the first call date of the first tranche of 2018 renewable corporate bonds – Category two and every five years after the first call date of the first tranche of 2018 renewable corporate bonds – Category two, to the sum of the applicable benchmark interest rate, the initial spread and 300 basis points per annum.

For the year ended 31 December 2019, net profit attributable and distribution to holders of renewable corporate bonds based on the applicable rate, in aggregate, were RMB 201,500,000 (2018: RMB144,995,833) and RMB201,500,000 (2018: RMB144,995,833), respectively.

Attributable to perpetual medium-term notes and renewable corporate bonds is as follows:

	31 December 2019	31 December 2018
Equity attributable to the holders of perpetual medium-term notes and renewable corporate bonds		
Including: Profit attributable to the holders of perpetual medium-term notes and renewable corporate bonds	528,296,444	275,230,556

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)
Year ended 31 December 2019
(Expressed in RMB Yuan)

42 Capital reserve

	Balance at 1 January 2019	Additions during the year	Transfers during the year	Balance at 31 December 2019
<u>The Group</u>				
Capital reserve	<u>1,770,524,861</u>	<u>-</u>	<u>1,792,868</u>	<u>1,768,731,993</u>
	Balance at 1 January 2019	Additions during the year	Transfers during the year	Balance at 31 December 2019
<u>The Company</u>				
Capital reserve	<u>2,372,657,406</u>	<u>-</u>	<u>1,792,868</u>	<u>2,370,864,538</u>
	Balance at 1 January 2018	Additions during the year	Transfers during the year	Balance at 31 December 2018
<u>The Group</u>				
Capital reserve	<u>1,783,262,159</u>	<u>-</u>	<u>12,737,298</u>	<u>1,770,524,861</u>
	Balance at 1 January 2018	Additions during the year	Transfers during the year	Balance at 31 December 2018
<u>The Company</u>				
Capital reserve	<u>2,374,671,913</u>	<u>-</u>	<u>2,014,507</u>	<u>2,372,657,406</u>

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

43 Other comprehensive income

	Gains or losses arising from changes in fair value of equity investments	Translation differences arising on translation of foreign currency financial statements	Transfer of other comprehensive income to retained earnings	Total
<u>The Group</u>				
Balance at 1 January 2019	82,327,591	38,065,709	-	120,393,300
Increase / (Decrease) during this year	<u>1,850,062</u>	<u>(675,711)</u>	<u>(125,209,014)</u>	<u>(124,034,663)</u>
Balance at 31 December 2019	<u>84,177,653</u>	<u>37,389,998</u>	<u>(125,209,014)</u>	<u>(3,641,363)</u>

	Gains or losses arising from changes in fair value of equity investments	Translation differences arising on translation of foreign currency financial statements	Total
<u>The Group</u>			
Balance at 31 December 2017	(42,704,838)	19,965,397	(22,739,441)
Effect of changes in accounting policies	334,167,629	-	334,167,629
Balance at 1 January 2018	291,462,791	19,965,397	311,428,188
Increase / (Decrease) during this year	<u>(209,135,200)</u>	<u>18,100,312</u>	<u>(191,034,888)</u>
Balance at 31 December 2018	<u>82,327,591</u>	<u>38,065,709</u>	<u>120,393,300</u>

44 Surplus reserve

	Statutory surplus reserve
<u>The Group and The Company</u>	
Balance at 31 December 2018	998,315,660
Profit appropriation	<u>116,104,519</u>
Balance at 31 December 2019	<u>1,114,420,179</u>

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

45 Appropriation of profits and retained earnings at the end of the year

(1) Appropriation to surplus reserve

In accordance with the Articles of Association, the Company made appropriations to the following surplus reserve for 2019:

Statutory surplus reserve 10%

(2) Distributions of profit in cash to equity holders

(a) Distributions of profit in cash declared during the year

Pursuant to the shareholders' approval at the Annual Shareholders' Meeting on 21 June 2019, a distribution of profit in cash totalling RMB477,572,214 (2018: RMB467,482,661).

(b) Distributions of profit in cash proposed after the balance sheet date

The Board of Directors proposed on 20 March 2020 a distribution of profit in cash totalling RMB454,029,922 (2019: RMB477,572,214). The proposal is subject to the approval by the Annual Shareholders' Meeting. This distribution of profit in cash has not been recognised as a liability at the balance sheet date.

46 Operating income and costs

	The Group		The Company	
	2019	2018	2019	2018
Revenue from contracts with customers	19,439,413,476	18,238,230,311	764,276,741	476,923,829
Rental income	18,656,371	11,083,810	1,276,638	-
Total	<u>19,458,069,847</u>	<u>18,249,314,121</u>	<u>765,553,379</u>	<u>476,923,829</u>
Operating costs	<u>12,874,354,418</u>	<u>12,630,072,719</u>	<u>592,993,701</u>	<u>367,218,928</u>

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)

Year ended 31 December 2019

(Expressed in RMB Yuan)

46 Operating income and costs (continued)

Disaggregation of the Group's revenue from contracts with customers in 2019 is as follows:

2019 Segments	Wind power	Solar power	Hydropower	Coal-fired power	Natural gas- fired power	Other business	Unallocated head office	Total
Place of business								
China	6,842,617,305	1,361,585,017	2,697,432,265	6,020,168,475	2,313,249,935	153,410,749	1,211,193	19,389,674,939
Spain	<u>49,738,537</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,738,537</u>
Total	<u>6,892,355,842</u>	<u>1,361,585,017</u>	<u>2,697,432,265</u>	<u>6,020,168,475</u>	<u>2,313,249,935</u>	<u>153,410,749</u>	<u>1,211,193</u>	<u>19,439,413,476</u>
Type of major products								
Sale of electricity	6,888,946,604	1,350,689,755	2,678,184,020	5,643,749,970	1,977,114,367	94,088,590	-	18,632,773,306
Sale of heat	314,563	-	-	301,692,266	329,399,873	59,322,159	-	690,728,861
Others	<u>3,094,675</u>	<u>10,895,262</u>	<u>19,248,245</u>	<u>74,726,239</u>	<u>6,735,695</u>	<u>-</u>	<u>1,211,193</u>	<u>115,911,309</u>
Total	<u>6,892,355,842</u>	<u>1,361,585,017</u>	<u>2,697,432,265</u>	<u>6,020,168,475</u>	<u>2,313,249,935</u>	<u>153,410,749</u>	<u>1,211,193</u>	<u>19,439,413,476</u>

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)

Year ended 31 December 2019

(Expressed in RMB Yuan)

46 Operating income and costs (continued)

Disaggregation of the Group's revenue from contracts with customers in 2019 is as follows (continued):

	Wind power	Solar power	Hydropower	Coal-fired power	Natural gas-fired power	Other business	Unallocated head office	Total
Timing of revenue recognition								
Products (At a point in time)	6,891,614,885	1,350,988,233	2,678,184,020	6,013,028,228	2,311,602,894	153,410,749	182,165	19,399,011,174
Service (Over time)	<u>740,957</u>	<u>10,596,784</u>	<u>19,248,245</u>	<u>7,140,247</u>	<u>1,647,041</u>	<u>-</u>	<u>1,029,028</u>	<u>40,402,302</u>
Total	<u>6,892,355,842</u>	<u>1,361,585,017</u>	<u>2,697,432,265</u>	<u>6,020,168,475</u>	<u>2,313,249,935</u>	<u>153,410,749</u>	<u>1,211,193</u>	<u>19,439,413,476</u>

Disaggregation of the Group's revenue from contracts with customers in 2018 is as follows:

2018	Wind power	Solar power	Hydropower	Coal-fired power	Natural gas-fired power	Other business	Unallocated head office	Total
Place of business								
China	7,027,164,354	1,232,070,756	1,688,374,786	6,114,616,427	1,963,549,609	160,425,570	502,958	18,186,704,460
Spain	<u>51,525,851</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,525,851</u>
Total	<u>7,078,690,205</u>	<u>1,232,070,756</u>	<u>1,688,374,786</u>	<u>6,114,616,427</u>	<u>1,963,549,609</u>	<u>160,425,570</u>	<u>502,958</u>	<u>18,238,230,311</u>

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)

Year ended 31 December 2019

(Expressed in RMB Yuan)

46 Operating income and costs (continued)

Disaggregation of the Group's revenue from contracts with customers in 2018 is as follows (continued):

	Wind power	Solar power	Hydropower	Coal-fired power	Natural gas-fired power	Other business	Unallocated head office	Total
Type of major products								
Sale of electricity	7,060,715,593	1,219,018,267	1,640,302,323	5,721,294,947	1,596,615,654	107,097,188	-	17,345,043,972
Sale of heat	515,865	-	-	290,410,570	349,538,446	53,026,301	-	693,491,182
Others	17,458,747	13,052,489	48,072,463	102,910,910	17,395,509	302,081	502,958	199,695,157
Total	7,078,690,205	1,232,070,756	1,688,374,786	6,114,616,427	1,963,549,609	160,425,570	502,958	18,238,230,311

	Wind power	Solar power	Hydropower	Coal-fired power	Natural gas-fired power	Other business	Unallocated head office	Total
Timing of revenue recognition								
Products (At a point in time)	7,072,176,744	1,219,340,422	1,622,317,681	6,088,461,832	1,952,584,035	160,425,570	502,958	18,115,809,242
Service (Over time)	6,513,461	12,730,334	66,057,105	26,154,595	10,965,574	-	-	122,421,069
Total	7,078,690,205	1,232,070,756	1,688,374,786	6,114,616,427	1,963,549,609	160,425,570	502,958	18,238,230,311

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Notes to financial statements (continued)
Year ended 31 December 2019
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46 Operating income and costs (continued)

Revenue recognised that was included in contract liabilities at the beginning of the year:

	2019	2018
Types of goods and services – others	<u>31,667,982</u>	<u>26,286,365</u>

Information about the Group's performance obligations is summarised below:

Sale of electricity and goods (including coal trading)

The Group's contracts with customers for the power generation and sale generally include one performance obligation. The Group has concluded that the performance obligation is satisfied at a point in time and revenue continues to be recognised upon transmission to the customers or delivery of the goods to the customers.

Rendering of services

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

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2019	2018
Within one year	<u>81,648,912</u>	<u>74,129,932</u>
	<u>81,648,912</u>	<u>74,129,932</u>

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Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

47 Taxes and surcharges

	The Group		The Company	
	2019	2018	2019	2018
Business tax	-	202,066	-	201,092
City maintenance and construction tax	42,795,412	33,110,684	2,197,337	1,392,473
Education surcharges	41,090,365	35,060,110	3,643,729	2,193,546
Land-use tax	45,699,063	58,148,031	749,239	874,217
Building tax	29,301,629	30,338,446	616,088	655,144
Stamp tax	9,821,593	8,476,970	714,026	813,845
Others	12,332,921	4,600,991	163,186	37,012
Total	181,040,983	169,937,298	8,083,605	6,167,329

48 Financial expenses

	The Group		The Company	
	2019	2018	2019	2018
Interest expenses from loans	3,033,750,344	3,211,882,752	382,177,734	645,598,475
Including: interest expense from lease liabilities	29,459,493	-	9,262,713	-
Less: Borrowing costs capitalised	357,815,059	181,360,527	21,207,934	39,864,722
Including: capitalized amount of interest expense from lease liabilities	728,856	-	-	-
Net interest expenses	2,675,935,285	3,030,522,225	360,969,800	605,733,753
Interest income from deposits and receivables	(31,118,497)	(30,888,899)	(238,662,498)	(162,278,888)
Net exchange losses	2,193,482	21,121,397	2,027,757	6,806,246
Other financial expenses	19,402,809	21,262,508	6,448,184	6,890,455
Total	2,666,413,079	3,042,017,231	130,783,243	457,151,566

The interest rate per annum, at which the borrowing costs were capitalised for the current year by the Group and the Company, were 3.92% - 4.90% and 4.41% - 4.90% respectively (2018: 3.92% - 4.90% and 4.41% - 4.90%).

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Notes to financial statements (continued)
Year ended 31 December 2019
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49 Other income

	The Group		The Company	
	2019	2018	2019	2018
Government grants:				
VAT Refund	145,465,601	128,854,298	-	-
Others	52,228,298	75,483,349	1,882,070	407,958
Total	<u>197,693,899</u>	<u>204,337,647</u>	<u>1,882,070</u>	<u>407,958</u>

50 Investment income

	The Group		The Company	
	2019	2018	2019	2018
Long-term equity investments				
-Investment income under cost method	-	-	790,111,024	1,455,028,778
-Investment income under equity method	800,550,617	939,699,766	726,449,110	904,127,689
Investment in other equity instruments				
-Dividends received or receivable	42,433,138	51,036,176	4,890,000	3,570,000
Losses from disposal of subsidiaries	(24,428,385)	-	-	-
Total	<u>818,555,370</u>	<u>990,735,942</u>	<u>1,521,450,134</u>	<u>2,362,726,467</u>

51 Credit impairment losses

	The Group		The Company	
	2019	2018	2019	2018
Credit loss of accounts receivable	1,825,408	3,474,142	-	-
Credit loss of other receivables	90,134,471	1,194,203	68,281,562	-
Credit loss of long-term receivables	28,730,000	-	28,730,000	-
Total	<u>120,689,879</u>	<u>4,668,345</u>	<u>97,011,562</u>	<u>-</u>

52 Impairment losses on assets

	The Group		The Company	
	2019	2018	2019	2018
Loss from write-down of inventories	6,506,141	-	-	-
Loss from impairment of fixed assets	279,760,726	-	2,515,766	-
Loss from impairment of construction in progress	203,918,324	4,345,777	4,260,208	937,930
Total	<u>490,185,191</u>	<u>4,345,777</u>	<u>6,775,974</u>	<u>937,930</u>

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Notes to financial statements (continued)
Year ended 31 December 2019
(Expressed in RMB Yuan)

53 Gains from asset disposals

	The Group		The Company	
	2019	2018	2019	2018
Gains from disposal of fixed assets	91,053,089	513,410	-	77,600
Gains from disposal of construction in progress	-	798,609	-	-
Total	91,053,089	1,312,019	-	77,600

54 Non-operating income

	The Group		The Company	
	2019	2018	2019	2018
Penalty income from equipment suppliers	21,747,822	75,663,919	17,000	14,151
Gain from damage or scrapping of non-current assets	8,423,425	30,206,119	133,053	2,519,716
Gain from exchange of non-monetary assets	-	57,956,313	-	-
Others	33,405,573	69,737,443	1,454,641	2,165,157
Total	63,576,820	233,563,794	1,604,694	4,699,024

55 Non-operating expenses

	The Group		The Company	
	2019	2018	2019	2018
Donations	7,991,758	4,972,894	5,287,468	2,844,005
Losses from damage or scrapping of non-current assets	8,279,620	77,595,967	6,204,073	2,913
Financial guarantee expenses	197,223,960	-	197,223,960	-
Others	43,325,979	29,897,559	150,007	22,401
Total	256,821,317	112,466,420	208,865,508	2,869,319

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Notes to financial statements (continued)
Year ended 31 December 2019
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56 Income tax expense

(1) Income tax expenses for the year ended 31 December 2019 are set out as follows:

	The Group		The Company	
	2019	2018	2019	2018
Current tax expense for the year	540,734,007	254,938,623	-	-
Tax filing differences	(11,886,475)	3,694,876	-	-
Changes in deferred tax assets / liabilities	13,428,646	26,435,923	(67,240)	-
Total	542,276,178	285,069,422	(67,240)	-

(2) Reconciliation between income tax expense and accounting profit:

	The Group		The Company	
	2019	2018	2019	2018
Profits before taxation	3,233,771,149	2,757,784,684	1,160,977,950	1,811,229,344
Expected income tax expense at tax rate of 25%	808,442,787	689,446,171	290,244,488	452,807,336
Non-deductible expenses	6,249,108	1,205,925	-	-
Non-taxable income	(210,745,939)	(247,683,986)	(380,362,534)	(590,681,617)
Effect of different tax rates applied by certain subsidiaries	(209,393,295)	(418,780,184)	-	-
Tax effect of unrecognised tax losses during the year	247,822,321	266,233,464	90,050,806	137,874,281
Tax effect of using unrecognised tax losses in previous years	(88,212,329)	(9,046,844)	-	-
Tax filing differences	(11,886,475)	3,694,876	-	-
Income tax expense	542,276,178	285,069,422	(67,240)	-

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)
Year ended 31 December 2019
(Expressed in RMB Yuan)

57 Earnings per share

	2019 Yuan per share	2018 Yuan per share
Basic earnings per share		
Continuing operation	<u>0.2245</u>	<u>0.2371</u>
Diluted earnings per share		
Continuing operation	<u>0.2245</u>	<u>0.2371</u>
	2019	2018
Gains		
Current period net profit attributable to the holders of ordinary shares, holders of perpetual medium-term notes and holders of renewable corporate bonds		
Continuing operation	<u>2,415,719,310</u>	<u>2,268,466,968</u>
Less: Current period net profit attributable to the holders of perpetual medium-term notes	326,796,444	130,234,723
Current period net profit attributable to the holders of renewable corporate bonds	<u>201,500,000</u>	<u>144,995,833</u>
Current period net profit attributable to the holders of ordinary shares after adjustment	<u>1,887,422,866</u>	<u>1,993,236,412</u>
Attributable to:		
Continuing operation	<u>1,887,422,866</u>	<u>1,993,236,412</u>
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year (Note)	<u>8,407,961,520</u>	<u>8,407,961,520</u>

The Company did not have any potential ordinary shares as dilutive items.

Note: During the period from the balance sheet date to the approval date of the financial statement, there is no event that should adjust the number of ordinary shares in issue or number of potential shares.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)
Year ended 31 December 2019
(Expressed in RMB Yuan)

58 Notes to cash flow statement

(1) Proceeds from other operating activities:

	The Group		The Company	
	2019	2018	2019	2018
Heat power access fee	3,172,151	2,495,595	-	-
Guarantee fee received	-	-	3,689,225	10,696,145
Others	27,959,830	188,864,162	1,942,817	2,415,585,323
Total	31,131,981	191,359,757	5,632,042	2,426,281,468

(2) Payment for other operating activities:

	The Group		The Company	
	2019	2018	2019	2018
Operating cost such as insurance premium and lease expense	242,401,400	129,195,772	5,382,778	53,515,815
General expense such as entertainment and travel expense	219,745,317	50,152,342	11,727,581	9,700,835
Insurance premium prepayment and lease prepayment	25,157,543	101,244,327	962,006	20,162,430
Others	285,497,559	58,900,388	60,251,003	74,538,433
Total	772,801,819	339,492,829	78,323,368	157,917,513

(3) Proceeds from other investing activities:

	The Group		The Company	
	2019	2018	2019	2018
Interest income	31,118,497	28,358,949	244,715,127	162,886,349
Total	31,118,497	28,358,949	244,715,127	162,886,349

(4) Payment for other investing activities

	The Group		The Company	
	2019	2018	2019	2018
Unified borrowing, unified repayment and entrusted loans	-	-	404,906,642	-
Others	-	-	2,071,592,802	-
Total	-	-	2,476,499,444	-

(5) Payment for other financing activities

	The Group		The Company	
	2019	2018	2019	2018
Payment of rental principal of lease liabilities	83,436,460	-	37,797,036	-
Total	83,436,460	-	37,797,036	-

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)
Year ended 31 December 2019
(Expressed in RMB Yuan)

59 Supplement to cash flow statement

(1) Reconciliation of net profit to cash flows from operating activities:

	The Group		The Company	
	2019	2018	2019	2018
Net profit	2,691,494,971	2,472,715,262	1,161,045,190	1,811,229,344
Add: Impairment loss of assets	490,185,191	4,345,777	6,775,974	937,930
Credit impairment loss of assets	120,689,879	4,668,345	97,011,562	-
Depreciation of fixed assets	4,549,140,526	4,476,308,452	106,280,276	93,114,454
Depreciation of right-of-use assets	120,922,750	-	48,376,814	-
Amortisation of intangible assets	97,033,324	48,298,604	3,441,406	4,438,826
Amortisation of long-term deferred expenses	13,344,868	47,764,421	583,736	1,672,229
Amortisation of deferred income	(57,939,506)	(40,755,335)	(29,269)	(889,000)
Gains on disposal of fixed assets	(91,053,089)	(1,312,019)	-	(77,600)
Loss / (gain) on non-current asset scrap	(143,805)	(10,566,465)	6,071,020	(2,516,803)
Financial expenses	2,647,010,270	3,020,754,723	124,335,059	450,261,111
Gains arising from investments	(818,555,370)	(990,735,942)	(1,521,450,134)	(2,362,726,467)
Financial guarantee expenses	197,223,960	-	197,223,960	-
Decrease in deferred tax assets	6,534,835	7,467,094	-	-
(Decrease) / increase in deferred tax liabilities	(30,378,277)	89,594,090	(7,955,883)	43,323,767
Decrease / (Increase) in gross inventories	125,816,240	(136,186,245)	(1,072,698)	98,229
(Increase) / decrease in operating receivables	(3,348,668,385)	1,378,680,885	(157,255,966)	(1,208,994,810)
Increase / (decrease) in operating payables	264,643,773	331,602,435	234,072,103	2,573,045,775
Net cash inflow from operating activities	<u>6,977,302,155</u>	<u>10,702,644,082</u>	<u>297,453,150</u>	<u>1,402,916,985</u>

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)

Year ended 31 December 2019

(Expressed in RMB Yuan)

59 Supplement to cash flow statement (continued)

(2) Major investing and financing activities not involving cash:

	The Group		The Company	
	2019	2018	2019	2018
Acquisition of right-of-use assets by assuming lease liabilities	5,770,979	-	44,125	-
Total	5,770,979	-	44,125	-

(3) Change in cash and cash equivalents:

	The Group		The Company	
	2019	2018	2019	2018
Cash and cash equivalents at the end of the year	2,457,846,270	3,597,840,533	66,438,342	742,577,094
Less: Cash and cash equivalents at the beginning of the year	3,597,840,533	2,121,903,467	742,577,094	87,191,963
Net (decrease) / increase in cash and cash equivalents	(1,139,994,263)	1,475,937,066	(676,138,752)	655,385,131

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

59 Supplement to cash flow statement (continued)

(4) Information on acquisition or disposal of subsidiaries and other business units:

Information on acquisition of subsidiaries and other business units:

	The Group		The Company	
	2019	2018	2019	2018
Consideration of acquiring subsidiaries and other business units	-	-	-	-
Cash and cash equivalents paid by acquiring subsidiaries and other business units	-	-	-	-
Less: cash and cash equivalents held by subsidiaries and other business units acquired	-	-	21,216,932	-
Net cash received from acquiring subsidiaries and other business units	-	-	21,216,932	-

Information on disposal of subsidiaries and other business units:

	The Group		The Company	
	2019	2018	2019	2018
Consideration of disposal of subsidiaries and other business units	82,367,911	-	-	-
Cash and cash equivalents received from disposal of subsidiaries and other business units	83,167,911	-	-	-
Less: cash and cash equivalents held by subsidiaries and other business units disposed	12,418,080	-	-	-
Net cash received from disposal of subsidiaries and other business units	70,749,831	-	-	-

(5) Cash and cash equivalents held by the Group and the Company are as follows:

	The Group		The Company	
	2019	2018	2019	2018
(a)Cash at banks and on hand				
-Cash on hand	2,116,856	87,229	-	4,952
-Bank deposits available on demand	2,455,729,414	3,597,753,304	66,438,342	742,572,142
-Cash with restricted usage	22,483,835	6,103,083	2,577,927	3,869,892
(b)Cash equivalents	-	-	-	-
(c)Closing balance of cash and cash equivalents	2,480,330,105	3,603,943,616	69,016,269	746,446,986
Less: Cash with restricted usage	22,483,835	6,103,083	2,577,927	3,869,892
(d)Closing balance of cash and cash equivalents available on demand	2,457,846,270	3,597,840,533	66,438,342	742,577,094

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

60 Restricted assets

	The Group		The Company	
	Balance at 31 December 2019	Balance at 31 December 2018	Balance at 31 December 2019	Balance at 31 December 2018
Assets restricted as collateral or other reasons				
-Cash at banks and on hand (note7)	22,483,835	6,103,083	2,577,927	3,869,892
-Net value of mortgaged fixed assets (i)	14,938,299,937	14,531,652,784	-	-
- Net value of mortgaged land (ii)	10,906,335	11,592,517	-	-
- Pledged tariff receivables (iii)	4,588,269,148	3,545,574,353	-	-
Total	<u>19,559,959,255</u>	<u>18,094,922,737</u>	<u>2,577,927</u>	<u>3,869,892</u>

- (i) Some of the Group's subsidiaries mortgaged fixed assets of power projects to banks to secure long-term borrowings. As at 31 December 2019, the carrying amounts of fixed assets which had not been released was RMB14,938,299,937 (31 December 2018: RMB14,531,652,784).
- (ii) Some of the Group's subsidiaries mortgaged land use rights of power projects to banks to secure long-term borrowings. As at 31 December 2019, the carrying amounts of land use rights which had not been released was RMB10,906,335 (31 December 2018: RMB11,592,517).
- (iii) Some of the Group's subsidiaries pledged receivables arising from tariff collection right of power projects to banks to secure short-term and long-term loans. As at 31 December 2019, the balance of pledged receivables was RMB4,588,269,148 (31 December 2018: RMB3,545,574,353). In addition, some of the Company's subsidiaries also pledged their tariff collection right on power projects upon completion and all income from the projects to banks to secure long-term loans.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)

Year ended 31 December 2019

(Expressed in RMB Yuan)

61 Monetary items denominated in foreign currencies

	31 December 2019			31 December 2018		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
Cash at bank						
EUR	20,422,609	7.8155	159,612,902	17,392,179	7.8473	136,481,650
HKD	54,901,093	0.8958	49,180,399	47,494,578	0.8762	41,614,750
Loans						
USD	-	6.9762	-	18,600,000	6.8632	127,655,520
EUR	36,000,000	7.8155	281,358,000	36,000,000	7.8473	282,502,800
HKD	390,000,000	0.8958	349,362,000	390,000,000	0.8762	341,718,000
Other payables						
EUR	42,698	7.8155	333,706	28,438	7.8473	223,162
HKD	2,176,933	0.8958	1,950,097	1,865,789	0.8762	1,634,805
Balance sheet net exposure						
USD	-	6.9762	-	(18,600,000)	6.8632	(127,655,520)
EUR	(15,620,089)	7.8155	(122,078,804)	(18,636,259)	7.8473	(146,244,312)
HKD	(337,275,840)	0.8958	(302,131,698)	(344,371,211)	0.8762	(301,738,055)

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)

Year ended 31 December 2019

(Expressed in RMB Yuan)

62 Related party relationships and transactions

(1) Information about the parent of the Company is listed as follows:

<u>Company name</u>	<u>Registered address</u>	<u>Business nature</u>	<u>Registered Capital</u> (RMB: '0000)	<u>Shareholding percentage</u>	<u>Proportion of voting rights</u>
China Huadian Corporation Ltd.	Beijing	The development, construction and operation management of power and power related industries, production and sale of electricity and heat	3,700,000	61.66% (i)	62.76% (i)

(i) The above proportion of shareholding and proportion of voting rights include those of China Huadian Corporation Ltd. in the Company controlled via Guizhou Wujiang Hydropower Development Co., Ltd. and China Huadian Engineering Co. Ltd.

(2) For information about the subsidiaries of the Company, refer to Note 6(1).

(3) For joint ventures and associates of the Group and the Company, refer to Note 15.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

62 Related party relationships and transactions (continued)

(4) Information on other related parties is listed as follows:

<u>Name of the enterprises</u>	<u>Relationship with the Group and the Company</u>
Guodian Nanjing Automation Co., Ltd	Under control of the same parent company
Huadian Heavy Industry Co., Ltd	Under control of the same parent company
Huadian Electric Power Research Institute	Under control of the same parent company
Huadian Coal Industry Group Co., Ltd	Under control of the same parent company
Huadian coal group transportation and Marketing Co., Ltd	Under control of the same parent company
Huadian global (Beijing) Trade Development Co., Ltd	Under control of the same parent company
Fujian Huadian storage and Transportation Co., Ltd	Under control of the same parent company
China Huadian Group Finance Co., Ltd	Under control of the same parent company
Huayuan star Shipping Co., Ltd	Under control of the same parent company
Beijing Huabin Investment Co., Ltd	Under control of the same parent company
Huadian Inner Mongolia Kailu Wind Power Co., Ltd	Under control of the same parent company
Huadian Ningxia ningdongshangde Solar Power Generation Co., Ltd	Under control of the same parent company
Huadian Energy Company Limited	Under control of the same parent company
Guizhou Huadian Wujiang Hydropower Project Management Co., Ltd	Under control of the same parent company
Hubei Huadian Xiangyang Power Generation Co., Ltd	Under control of the same parent company
Huadian Hubei Power Generation Co., Ltd	Under control of the same parent company
Xiamen power plant of China Huadian Group Co., Ltd	Under control of the same parent company
China Huadian Group Materials Co., Ltd	Under control of the same parent company
Hangzhou Huadian Engineering Equipment Supervision Company	Under control of the same parent company
China Huadian Power Construction Technology and Economic Consulting Center	Under control of the same parent company
Xinjiang Huadian Power Engineering Co., Ltd	Under control of the same parent company
Inner Mongolia Mengtai buliangou Co., Ltd	Under control of the same parent company
Huadian Distributed Energy Engineering Technology Co., Ltd	Under control of the same parent company
Huadian Xinjiang Power Generation Co., Ltd	Under control of the same parent company
Sichuan Huadian xixihe Hydropower Development Co., Ltd	Under control of the same parent company
Anhui Huadian Suzhou Power Generation Co., Ltd	Under control of the same parent company
Huadian Finance Leasing Co., Ltd	Under control of the same parent company
Inner Mongolia Mengtai buliangou Road Coal Logistics Co., Ltd	Under control of the same parent company
Huadian general light gas turbine equipment Co., Ltd	Under control of the same parent company
Zhengzhou Kerun mechanical and Electrical Engineering Co., Ltd	Under control of the same parent company

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)

Year ended 31 December 2019

(Expressed in RMB Yuan)

62 Related party relationships and transactions (continued)

(4) Information on other related parties is listed as follows (continued):

<u>Name of the enterprises</u>	<u>Relationship with the Group and the Company</u>
Hebei Huadian Kangbao Wind Power Co., Ltd	Under control of the same parent company
SDIC Zhangjiakou Wind Power Co., Ltd	Under control of the same parent company
Inner Mongolia Huadian Erenhot new energy Co., Ltd	Under control of the same parent company
Institute of power industry product quality standards	Under control of the same parent company
China Huadian Power Station Equipment Engineering Group	Under control of the same parent company
Guangzhou University Town Investment Management Co., Ltd	Under control of the same parent company
Guangzhou University City Energy Development Co., Ltd	Under control of the same parent company
Beijing Huadian Yunying Power Engineering Supervision Co., Ltd	Under control of the same parent company
Zhengzhou Keyuan wear and Corrosion Engineering Co., Ltd	Under control of the same parent company
Shanghai Tonghua gas turbine Service Co., Ltd	Under control of the same parent company
China Huadian Technology Group Co., Ltd	Under control of the same parent company
Inner Mongolia Huayi Zhuozi Thermal Power Co., Ltd	Under control of the same parent company
Ningxia Branch of Huadian Fengyuan (Beijing) Trading Co., Ltd	Under control of the same parent company
Huadian science and Trade Co., Ltd	Under control of the same parent company
Huadian Jinshan Energy Co., Ltd	Under control of the same parent company
Huadian Group Beijing fuel Logistics Co., Ltd. Qinhuangdao branch	Under control of the same parent company
Nanjing Huadun power information security evaluation Co., Ltd	Under control of the same parent company
Shanxi Hexin Power Development Co., Ltd	Under control of the same parent company
Jiangsu Shangneng Xinte Transformer Co., Ltd	Under control of the same parent company
Fujian Huadian fuel Logistics Co., Ltd	Under control of the same parent company
Guizhou Huadian tangzhai Power Generation Co., Ltd	Under control of the same parent company
Qinghai Huadian Datong Power Generation Co., Ltd	Under control of the same parent company
Beijing Longdian Hongtai Environmental Protection Technology Co., Ltd	Under control of the same parent company
Hubei Huadian Wuxue new energy Co., Ltd	Under control of the same parent company
Huadian Guangdong Shunde Energy Co., Ltd	Under control of the same parent company
Huadian Shanxi Energy Co., Ltd	Under control of the same parent company
China Huadian Group advanced training center	Under control of the same parent company
Jiangsu Huadian TongZhou Thermal Power Co., Ltd	Under control of the same parent company
Huadian Inner Mongolia Energy Co., Ltd. Tumet power generation branch	Under control of the same parent company
Jiangsu Huadian Qishuyan Power Generation Co., Ltd	Under control of the same parent company
Huadian Suzhou Biomass Power Generation Co., Ltd	Under control of the same parent company
Huadian technology Zuozhong banner Wind Power Co., Ltd	Under control of the same parent company

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)

Year ended 31 December 2019

(Expressed in RMB Yuan)

62 Related party relationships and transactions (continued)

(4) Information on other related parties is listed as follows (continued)

<u>Name of the enterprises</u>	<u>Relationship with the Group and the Company</u>
Huadian Tendering Co., Ltd	Under control of the same parent company
Huadian light gas turbine Service Co., Ltd	Under control of the same parent company
Nanjing Guodian Nanzi meizhuo Control System Co., Ltd	Under control of the same parent company
Nanjing Guodian Nanzi Wind Power Automation Technology Co., Ltd	Under control of the same parent company
Xinjiang Huadian weihuliang new energy Co., Ltd	Under control of the same parent company
Xinjiang Huadian Turpan Power Generation Co., Ltd	Under control of the same parent company
Huadian Jiangsu energy Co., Ltd	Under control of the same parent company
Hunan Huadian Changsha Power Generation Co., Ltd	Under control of the same parent company
Beijing Huabin Property Management Co., Ltd	Under control of the same parent company
Nanjing Guodian Nanzi Power Grid Automation Co., Ltd	Under control of the same parent company
Nanjing Nanzi Information Technology Co., Ltd	Under control of the same parent company
Huadian Zhengzhou Machinery Design and Research Institute Co, Ltd	Under control of the same parent company
Huadian Inner Mongolia Energy Co., Ltd	Under control of the same parent company
Baotou Power Generation Branch of Huadian Inner Mongolia Energy Co., Ltd	Under control of the same parent company
Heilongjiang Longdian Power Equipment Co., Ltd	Under control of the same parent company
Heilongjiang Longdian Electric Co., Ltd	Under control of the same parent company
Kangping Huadian Wind Power Co., Ltd	Under control of the same parent company
Huadian Heavy Industry Machinery Co., Ltd	Under control of the same parent company
Xin Zhou Guangyu Coal Power Co., Ltd	Under control of the same parent company
Nanjing Guodian Nanzi New Energy Engineering Technology Co., Ltd	Under control of the same parent company
Jiangsu Huadian Yangzhou Power Generation Co., Ltd	Under control of the same parent company
Jiangsu Electric Power Development Co., Ltd	Under control of the same parent company
Beijing Huadian Zhongguang New Energy Technology Co., Ltd	Under control of the same parent company
Xinjiang Huadian Changji thermal power phase II Power Generation Co., Ltd	Under control of the same parent company
Beijing Huadian Wanfang Management System Certification Center	Under control of the same parent company
Huadian Group Gansu new energy project preparatory office	Under control of the same parent company
Anhui Huadian Engineering Consulting Design Co., Ltd	Under control of the same parent company
Huadian Hexiang Engineering Consulting Co., Ltd	Under control of the same parent company
Huadianqian photovoltaic power generation Co., Ltd	Under control of the same parent company
Huaxin International Trust Co., Ltd	Under control of the same parent company
China Huadian overseas asset management Co., Ltd	Under control of the same parent company
Huadian International Project Management Co., Ltd	Under control of the same parent company
Wuhan Huadian Engineering Equipment Co., Ltd	Under control of the same parent company
Huadian Water Engineering Co., Ltd	Under control of the same parent company
Nanjing Guodian Nanzi New Energy Technology Co., Ltd	Under control of the same parent company
Nanjing Guodian nanziweimeide Automation Co., Ltd	Under control of the same parent company
Nanjing Hehai Nanjing Automation Co., Ltd	Under control of the same parent company
Sichuan Huadian Engineering Technology Co., Ltd	Under control of the same parent company
Neijiang branch of Sichuan Huadian Engineering Technology Co., Ltd	Under control of the same parent company
Material branch of Huadian Hubei Power Generation Co., Ltd	Under control of the same parent company
Huadian water membrane separation technology (Tianjin) Co., Ltd	Under control of the same parent company
Huadian Shandong Materials Co., Ltd	Under control of the same parent company
Huadian Group Beijing fuel Logistics Co., Ltd. Shaanxi Branch	Under control of the same parent company
Huadian Group Beijing fuel Logistics Co., Ltd. Fujian Branch	Under control of the same parent company
Shanxi Jinxing Energy Co., Ltd	Under control of the same parent company
Hebei Huadian Shijiazhuang Thermal Power Co., Ltd	Under control of the same parent company
Xinjiang Huadian Kashi Thermal Power Co., Ltd	Under control of the same parent company
New energy branch of Huadian Shanxi Energy Co., Ltd	Under control of the same parent company

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

62 Related party relationships and transactions (continued)

(5) Transactions with key management personnel

	2019	2018
Remuneration of key management personnel	<u>7,840,893</u>	<u>8,343,188</u>

The Group believes the above transactions with key management personnel were conducted under normal commercial terms or relevant agreements.

(6) Transactions with related parties other than key management personnel

(a) Transaction amounts with related parties:

	<u>The Group</u>		<u>The Company</u>	
	2019	2018	2019	2018
Purchase of goods and receiving services	4,911,078,555	4,189,668,480	773,419,511	29,238,280
Sales of goods and rendering of services	80,213,073	124,769,951	-	500,000
Lease of property and receiving property management service	29,287,757	29,434,299	24,993,708	27,713,773

	<u>The Group</u>		<u>The Company</u>	
	2019	2018	2019	2018
Provision of loan guarantee	(40,000,000)	25,524,000	(405,337,098)	891,602,973
Net loan borrowing/repayment	267,910,857	(1,375,189,433)	(1,550,000,000)	(1,030,000,000)
Movement of deposit balance	(1,200,748,909)	218,613,578	(117,409,315)	107,127,372
Interest expense	158,803,389	227,119,676	57,145,346	67,951,229
Interest income	11,782,130	16,224,442	235,693,474	155,728,477
Transfer of equity investments through other comprehensive income	415,916,362	-	8,212,515	-
Prepayment for acquisition of a subsidiary	4,812,100	-	-	-
Net amount of funds transactions between the Company and its subsidiaries (i)	-	-	548,762,741	252,596,549

- (i) The net amount of funds transactions between the Company and its subsidiaries primarily represents the net amount of advances, financial support provided or received, and tariff collected on behalf of other subsidiaries.

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Notes to financial statements (continued)
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62 Related party relationships and transactions (continued)

(6) Transactions with related parties other than key management personnel (continued):

(b) Amounts due from/to related parties:

	The Group			
	At 31 December 2019		At 31 December 2018	
	Gross carrying amount	Provision for bad and doubtful debts	Gross carrying amount	Provision for bad and doubtful debts
Bank deposits	891,398,670	-	2,092,147,578	-
Bills receivable	-	-	3,417,685	-
Trade receivables	9,632,671	-	19,154,532	-
Other receivables	129,345,976	67,954,093	576,077,798	-
Long-term receivables	28,730,000	28,730,000	-	-
Short-term loans	15,000,000	-	100,000,000	-
Long-term loans due within one year	1,370,126,712	-	132,447,676	-
Long-term payables within one year	40,420,000	-	-	-
Lease liabilities due within one year	40,032,175	-	-	-
Long-term loans	2,052,859,888	-	2,988,598,067	-
Lease liabilities	126,049,077	-	-	-
Long-term payables	10,550,000	-	76,737,176	-
Bills payable	65,000,000	-	25,000,000	-
Trade payables	1,635,462,061	-	117,867,537	-
Other payables	211,696,474	-	1,231,408,085	-
Prepayments	25,150,391	-	-	-

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)

Year ended 31 December 2019

(Expressed in RMB Yuan)

62 Related party relationships and transactions (continued)

(6) Transactions with related parties other than key management personnel (continued):

(b) Amounts due from/to related parties: (continued)

	The Company			
	At 31 December 2019		At 31 December 2018	
	Gross carrying amount	Provision for bad and doubtful debts	Gross carrying amount	Provision for bad and doubtful debts
Bank deposits	50,344,854	-	167,754,169	-
Other receivables	637,468,429	67,954,093	2,533,123,180	-
Long-term receivables	5,284,538,900	28,730,000	4,340,780,000	-
Short-term loans	-	-	1,550,000,000	-
Lease liabilities due				
within one year	17,709,675	-	-	-
Lease liabilities	58,338,009	-	-	-
Trade payables	8,634,261	-	-	-
Other payables	1,204,138,100	-	3,734,221,162	-
Prepayments	4,794,214	-	-	-

The above transactions of the Group and the Company with related parties were conducted under normal commercial terms or relevant agreements.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

63 Contingencies

(1) Loans guarantee

- (a) Loans guarantee provided by the Group for related parties as at 31 December 2019 is set out as follows:

Secured party	Starting date	Ending date	Guaranteed amount
Fujian Jian'ou Beijin Hydropower Development Co., Ltd.	13 November 2014	30 September 2019	-
Jiangxi Huadian Jiujiang Distributed Energy Co., Ltd.	20 December 2013	19 November 2025	110,223,960
Jiangxi Huadian Jiujiang Distributed Energy Co., Ltd.	08 February 2013	07 February 2023	87,000,000

Pursuant to the revision of articles of association of Huadian Jiujiang as disclosed in note 6(4), the Group lost control over Huadian Jiujiang and has accounted for it as a joint venture. The Group issued financial guarantees to banks in respect of the bank loans granted to Huadian Jiujiang amounting to RMB197,223,960, and the directors of the Company consider that a claim is probable to be made against the Group due to continuous loss-making performance of Huadian Jiujiang after. The Group does not hold any collateral or other credit enhancements over the guarantees. As a result, full provision relating to the financial guarantee as at 31 December 2019 of RMB 197,223,960 has been made during the current year and included in other operating expenses.

As at 31 December 2018, the directors of the Company do not consider that a claim will probably be made against the Group under any of the guarantees.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

63 Contingencies (continued)

(1) Loans guarantee (continued)

- (b) Loans guarantee provided by the Company for its subsidiaries as at 31 December 2019 is set out as follows:

Secured party	Starting date	Ending date	Guaranteed amount
Inner Mongolia Huadian Huitengxile Wind Power Co., Ltd.	28 September 2014	27 September 2021	231,000,000
Inner Mongolia Huadian Wutaohai Wind Power Co., Ltd.	26 September 2014	26 September 2021	215,000,000
Inner Mongolia Huadian Wutaohai Wind Power Co., Ltd.	29 July 2015	29 July 2025	262,630,000
Inner Mongolia Huadian Wutaohai Wind Power Co., Ltd.	13 November 2014	12 November 2029	356,230,000
Inner Mongolia Huadian Jieji Wind Power Co., Ltd.	26 September 2014	26 September 2021	200,000,000
Guangdong Huadian Qianshan Wind Power Co., Ltd.	29 April 2016	29 April 2031	284,564,751
Guangdong Huadian Qianshan Wind Power Co., Ltd.	18 March 2016	4 March 2031	199,800,000
Maoming Zhong'ao Wind Power Co., Ltd.	15 June 2015	14 June 2026	141,500,000
Huadian Nanning New Energy Co., Ltd.	8 July 2016	8 July 2024	73,125,000
Huadian (Xiamen) Energy Co., Ltd.	25 September 2015	25 September 2030	25,120,000
Huadian (Xiamen) Energy Co., Ltd.	26 November 2015	26 November 2030	4,140,000
Huadian (Xiamen) Energy Co., Ltd.	25 September 2015	25 September 2030	14,100,000
Huadian (Xiamen) Energy Co., Ltd.	25 November 2015	25 November 2030	10,740,000
Huadian (Xiamen) Distributed Energy Co., Ltd.	19 August 2015	18 August 2031	191,000,000
Huadian Fuxin Zhejiang Changxing Wind Power Co., Ltd.	20 January 2015	26 December 2029	105,625,635
Heilongjiang Dongning Huafu Wind Power Co., Ltd.	27 May 2008	26 May 2020	22,000,000
Huadian (Zhangping) Energy Co., Ltd.	20 June 2017	1 June 2021	12,200,000
Inner Mongolia Huadian Meiguixing Wind Power Co., Ltd.	10 July 2012	9 July 2027	373,320,000
Heilongjiang Huafu Wind Power Muleng Co., Ltd.	27 June 2008	26 June 2021	68,490,000
Huadian Tieling Wind Power Co., Ltd.	22 December 2015	5 March 2025	79,200,000
Huadian Tieling Wind Power Co., Ltd.	22 December 2015	24 July 2027	27,900,000
Huadian Tieling Wind Power Co., Ltd.	22 December 2015	27 June 2028	40,300,000
Huadian Geermu Solar Power Co., Ltd.	26 October 2011	25 October 2026	64,500,000
Yunnan Huadian Lianhuashan Wind Power Co., Ltd.	15 June 2015	29 April 2027	9,260,000
Yunnan Huadian Lianhuashan Wind Power Co., Ltd.	1 July 2014	29 April 2027	63,570,000
Yunnan Huadian Lianhuashan Wind Power Co., Ltd.	30 April 2014	29 April 2027	25,260,000
Yunnan Huadian Lianhuashan Wind Power Co., Ltd.	1 July 2014	29 April 2027	20,380,000
Yunnan Huadian Lianhuashan Wind Power Co., Ltd.	4 May 2014	29 April 2027	24,890,000

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

63 Contingencies (continued)

(2) Turnover tax on CERs income

Up to date, there have been no rules issued on whether the revenue from sales of CERs is subject to any VAT or business tax. Based on the discussions with local tax authorities, the directors of the Company are of the opinion that no such taxes will be applicable to the revenue from sales of CERs. Therefore, the Group has not made any provision on such contingencies.

(3) Contingent liability related to reallocation compensation of Mianhuatan Hydropower

As set out in note 27, Mianhuatan Hydropower has been requested by the relevant local government authority to further increase the compensation to cover the rising costs associated with the relocation and resettlement of additional residents, the construction of roads and bridges, environmental protection and the preservation of historical relics. The final resettlement compensation has yet to be determined by the Fujian DRC and the NDRC. Mianhuatan Hydropower prepaid an aggregate amount of RMB390 million during the years ended 31 December 2009, 2010 and 2011 in relation to this dispute and recognised a provision of RMB40 million during the year ended 31 December 2011 based on the assessment of the circumstances.

On 18 November 2019, Mianhuatan Hydropower entered into a preliminary settlement agreement with the local government authority of Longyan, Fujian Province. Mianhuatan Hydropower agreed to raise final resettlement compensation cap to RMB700 million, which included the prepayment of RMB390 million made during the period from 2009 to 2011. The final amount of resettlement compensation and payment schedule is subject to determination of Fujian DRC. The total amounts in addition to RMB430 million recognised have been capitalised in property, plant and equipment.

Huadian has undertaken to indemnify the Group against its losses, claims, charges and expenses arising from the relocation and resettlement of local residents in relation to the Mianhuatan Project if the additional compensation the NDRC requires the Group to pay is to exceed RMB40 million.

64 Commitments

Capital commitments

As at 31 December, the capital commitments of the Group and the Company are summarised as follows:

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Contracted, but not provided for	<u>10,078,282,436</u>	<u>10,817,673,997</u>	<u>2,141,001,434</u>	<u>163,936,686</u>
Total	<u>10,078,282,436</u>	<u>10,817,673,997</u>	<u>2,141,001,434</u>	<u>163,936,686</u>

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)

Year ended 31 December 2019

(Expressed in RMB Yuan)

65 Segment reporting

The Group has six reportable segments, which are wind power, solar power, hydropower, coal-fired power, natural gas-fired power and others, determined based on the structure of its internal organization, management requirements and internal reporting system. Each reportable segment is a separate business unit which offers different products and services, and is managed separately because they require different technology and marketing strategies. The financial information of different segments is regularly reviewed by the Group's management to make decisions about resources to be allocated to each segment and assess its performance.

- Wind power: this segment constructs, manages and operates wind power plants and generates electric power for sale to power grid companies.
- Solar power: this segment constructs, manages and operates solar power plants and generates electric power for sale to power grid companies.
- Hydropower: this segment constructs, manages and operates hydropower plants and generates electric power for sale to power grid companies.
- Coal-fired power: this segment constructs, manages and operates coal-fired power plants and generates electric power for sale to power grid companies.
- Natural gas-fired power: this segment constructs, manages and operates natural gas-fired power plants and generates electric power for sale to power grid companies.
- Others: other individually immaterial businesses, other than hydropower, wind power, coal-fired power, solar power and natural gas-fired power are categorised as "others" and reviewed as a whole by management. This segment also runs coal trading business.

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

Segment assets include all tangible, intangible, other non-current and current assets, such as accounts receivable, with the exception of income tax paid in advance, deferred tax assets and other unallocated corporate assets. Segment liabilities include payables, bank borrowings attributable to the individual segments, but exclude income tax payable, deferred tax liabilities and other unallocated corporate liabilities.

Financial performance is operating income after deducting expenses, depreciation, amortization and impairment losses attributable to the individual segments, and interest income and expenses from cash balances and borrowings managed directly by the segments.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)

Year ended 31 December 2019

(Expressed in RMB Yuan)

65 Segment reporting (continued)

(1) Segment results, assets and liabilities

Information regarding the Group's reportable segments set out below is the measure of segment profit or loss and segment assets and liabilities reviewed by the chief operating decision maker:

	2019								Total
	Wind power	Solar power	Hydropower	Coal-fired power	Natural gas-fired power	Others	Unallocated Items	Elimination	
Operating Income	6,907,442,986	1,361,585,017	2,709,318,555	6,022,742,192	2,317,025,553	153,416,431	14,954,696	(28,415,583)	19,458,069,847
including: External income	6,901,646,589	1,361,585,017	2,703,952,306	6,022,742,192	2,313,516,119	153,416,431	1,211,193	-	19,458,069,847
Profit/(loss)	1,566,899,337	280,318,723	1,076,884,164	461,969,089	(58,143,604)	(191,270,046)	97,113,486	-	3,233,771,149
Total assets	56,452,010,410	9,638,034,141	12,158,630,957	14,975,598,782	8,062,775,779	502,376,452	18,569,933,426	(8,305,097,069)	112,054,262,878
Total liabilities	41,591,745,970	6,199,563,506	4,032,460,328	10,684,169,498	6,410,705,133	560,340,429	12,529,035,658	(8,305,097,069)	73,702,923,453
Other material items:									
-Depreciation and amortization	2,717,944,605	467,532,787	520,514,088	731,522,436	265,460,047	26,461,424	51,006,081	-	4,780,441,468
-Impairment of fixed assets	195,125,990	14,142,915	18,939,116	19,564,298	76,868,561	151,032,515	14,511,796	-	490,185,191
-Credit impairment losses	12,947,602	279,181	6,710,282	3,630,908	53,224	-	97,068,682	-	120,689,879
-Interest income	13,917,014	1,995,651	5,659,299	3,470,834	1,665,121	381,165	242,525,929	(238,496,516)	31,118,497
-Interest expense	1,720,471,882	323,533,368	87,084,466	295,845,665	140,724,273	25,923,532	334,185,968	(251,833,869)	2,675,935,285
-Share of profit or loss of associates and joint ventures	62,024,865	1,832,422	13,061,176	476,969	-	-	723,155,185	-	800,550,617
-Investment in associates and joint ventures	541,653,961	108,122,861	89,887,803	18,251,044	-	-	9,308,542,584	-	10,066,458,253
-The amounts of additions to non-current assets other than long-term equity investments	3,859,622,355	344,867,841	844,018,462	875,292,699	1,721,742,520	64,892,916	26,750,712	-	7,737,187,505

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Notes to financial statements (continued)

Year ended 31 December 2019

(Expressed in RMB Yuan)

65 Segment reporting (continued)

(1) Segment results, assets and liabilities (continued):

	2018								Total
	Wind power	Solar power	Hydropower	Coal-fired power	Natural gas-fired power	Others	Unallocated Items	Elimination	
Operating Income including: External income	7,087,083,707	1,232,070,756	1,703,847,488	6,116,006,172	1,967,511,873	160,425,570	16,896,635	(34,528,080)	18,249,314,121
Profit/(loss)	7,083,402,528	1,232,070,756	1,693,356,527	6,116,006,172	1,963,549,609	160,425,570	502,959	-	18,249,314,121
	2,009,233,239	246,307,980	396,452,274	(165,994,832)	(16,686,222)	(10,734,084)	299,206,329	-	2,757,784,684
Total assets	57,030,145,331	9,089,174,135	11,049,999,999	15,269,718,308	6,974,323,413	769,217,356	18,366,630,302	(10,416,254,982)	108,132,953,862
Total liabilities	43,639,789,441	6,564,132,808	3,835,429,574	11,725,918,608	5,496,638,016	468,436,327	13,716,957,063	(10,416,254,982)	75,031,046,855
Other material items:									
-Depreciation and amortization	2,670,585,200	432,216,106	478,743,740	729,838,983	228,595,519	25,885,342	4,453,097	-	4,570,317,987
-Impairment of fixed assets	-	1,142,563	1,132,129	-	2,071,085	-	-	-	4,345,777
-Credit impairment losses	(1,042,112)	278,362	6,864	5,343,457	-	81,774	-	-	4,668,345
-Interest income	19,445,421	6,412,627	3,185,266	5,080,567	1,455,405	843,903	165,861,240	(171,395,530)	30,888,899
-Interest expense	1,768,411,211	297,978,076	92,828,341	337,521,462	122,584,667	13,812,434	585,175,240	(187,789,206)	3,030,522,225
-Share of profit or loss of associates and joint ventures	32,494,289	-	1,524,420	1,725,169	-	(457,171)	904,413,059	-	939,699,766
-Investment in associates and joint ventures	483,971,164	-	68,630,151	20,574,075	-	147,719,138	8,263,675,829	-	8,984,570,357
-The amounts of additions to non-current assets other than long-term equity investments	1,166,052,763	134,813,518	881,384,693	831,252,293	1,370,103,010	49,712,717	5,093,171	-	4,438,412,165

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)

Year ended 31 December 2019

(Expressed in RMB Yuan)

65 Segment reporting (continued)

(2) Geographic information

The Group's revenue is substantially generated from the sale of electricity to the customers in the PRC. The Group's operating assets are substantially situated in the PRC. Accordingly, no segment analysis based on geographical locations of the customers and assets is provided.

(3) Major customers

The major customers of the Group are the PRC government controlled power grid companies. During the year ended 31 December 2019, revenue from the sales of electricity to the PRC government-controlled power grid companies amounted to RMB18,619,223,364 (2018: RMB17,344,274,059).

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

66 Risk analysis and sensitivity analysis for financial instruments

Financial instruments by category

The carrying amounts of each of the categories of financial instruments of the Group as at the end of the reporting period are as follows:

As at 31 December 2019

Financial assets

	Financial assets at amortised cost	Equity investments at fair value through other comprehensive income		Total
		Required by the standard	Designated	
Cash at banks and on hand	2,480,330,105	-	-	2,480,330,105
Accounts receivable	1,807,316,889	-	-	1,807,316,889
Receivables financing	-	7,707,857,319	-	7,707,857,319
Other receivables	195,723,305	-	-	195,723,305
Non-current assets due within one year	16,381,882	-	-	16,381,882
Other current assets	271,776	-	-	271,776
Other equity instruments investment	-	-	677,664,235	677,664,235
	<u>4,500,023,957</u>	<u>7,707,857,319</u>	<u>677,664,235</u>	<u>12,885,545,511</u>

Financial liabilities

	Financial liabilities at amortised cost	Total
Short-term loans	6,408,827,247	6,408,827,247
Bills payable	90,444,300	90,444,300
Accounts payable	5,890,161,554	5,890,161,554
Other payables	2,051,882,520	2,051,882,520
Other current liabilities	26,755,158	26,755,158
Non-current liabilities due within one year	7,268,997,939	7,268,997,939
Long-term loans	43,741,451,889	43,741,451,889
Debentures payable	5,714,335,489	5,714,335,489
Lease liabilities	526,852,639	526,852,639
Long-term payables	10,550,000	10,550,000
	<u>71,730,258,735</u>	<u>71,730,258,735</u>

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)
Year ended 31 December 2019
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66 Risk analysis and sensitivity analysis for financial instruments (continued)

Financial instruments by category (continued)

As at 31 December 2018

Financial assets

	Financial assets at amortised cost	Equity investments at fair value through other comprehensive income		Total
		Required by the standard	Designated	
Cash at banks and on hand	3,603,943,616	-	-	3,603,943,616
Accounts receivable	1,719,250,975	-	-	1,719,250,975
Receivables financing	-	4,250,525,992	-	4,250,525,992
Other receivables	841,423,487	-	-	841,423,487
Non-current assets due within one year	17,304,345	-	-	17,304,345
Other current assets	4,652,560	-	-	4,652,560
Long-term receivables	14,656,883	-	-	14,656,883
Other equity instruments investment	-	-	1,087,774,507	1,087,774,507
	<u>6,201,231,866</u>	<u>4,250,525,992</u>	<u>1,087,774,507</u>	<u>11,539,532,365</u>

Financial liabilities

	Financial liabilities at amortised cost	Total
Short-term loans	4,741,142,999	4,741,142,999
Bills payable	73,000,000	73,000,000
Accounts payable	5,876,280,294	5,876,280,294
Other payables	2,062,616,976	2,062,616,976
Other current liabilities	809,689,893	809,689,893
Non-current liabilities due within one year	5,354,068,705	5,354,068,705
Long-term loans	47,193,130,851	47,193,130,851
Debentures payable	6,826,690,581	6,826,690,581
Long-term payables	367,106,019	367,106,019
	<u>73,303,726,318</u>	<u>73,303,726,318</u>

Financial instrument offset

The group did not enter into any offset arrangement in respect of its receivables in 2019 (2018: Nil).

Notes to financial statements (continued)
Year ended 31 December 2019
(Expressed in RMB Yuan)

66 Risk analysis and sensitivity analysis for financial instruments (continued)

Transfer of financial assets

(1) Transferred financial assets that are not derecognised in their entirety

The group entered asset-backed security transactions with special-purpose vehicles to transfer its right to receive renewable energy subsidies (“transferred financial instruments”), and thus the Group derecognise the transferred financial instruments. The special-purpose Vehicle is a structured entity with limited and clearly defined objectives designed to provide investors with the opportunity to invest in the transferred financial asset. The structured entity typically raises funds for the purchase of transferred financial assets by issuing asset-backed securities to investors.

The group may have retained some or all of the risks and rewards of the transferred financial assets by purchasing a number of sub-asset-backed securities in the asset-backed securities. The group determines whether to derecognise of the transferred financial assets mainly by assessing the degree of risk and reward of the transferred financial assets it retains.

In 2018, the group transferred to a structured entity the right of certain wholly-owned subsidiaries of the company to collect renewable energy subsidies for the next 6 to 12 years, but retained all risks and rewards of the transferred financial assets, and therefore regarded them as bonds with the right to collect electricity charges as collateral (note 35).

(2) Transferred financial assets that are derecognised in their entirety in which continuing involvement exists

At 31 December 2019, the Group endorsed certain bills receivable accepted by banks (the “Derecognised Bills”) to certain of its suppliers in order to settle the accounts payable due to such suppliers with a carrying amount in aggregate of RMB21,654,715 (31 December 2018: RMB5,794,000) and also discounted the bank's outstanding bank acceptance bills to banks with a carrying amount in aggregate of RMB592,013,314 (31 December 2018: RMB16,580,000). The Derecognised Bills had a maturity of 1 to 12 months at 31 December 2019. In accordance with the Law of Negotiable Instruments, the holders of the Derecognised Bills have a right of recourse against the Company if the accepting banks default (the “Continuing Involvement”). In the opinion of the Company, the Company has transferred substantially all the risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated accounts payable. The maximum exposure to loss from the Company's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Company, the fair values of the Company's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2019, the Group recognised expenses of RMB2,680,253 (2018: nil) on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

The group entered asset-backed security transactions with special-purpose vehicles to transfer its right to receive renewable energy subsidies (“transferred financial instruments”), and thus the Group derecognise the transferred financial instruments. The special-purpose Vehicle is a structured entity with limited and clearly defined objectives designed to provide investors with the opportunity to invest in the transferred financial asset. The structured entity typically raises funds for the purchase of transferred financial assets by issuing asset-backed securities to investors.

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Notes to financial statements (continued)

Year ended 31 December 2019

(Expressed in RMB Yuan)

63 Risk analysis and sensitivity analysis for financial instruments (continued)

Transfer of financial assets (continued)

(2) Transferred financial assets that are derecognised in their entirety in which continuing involvement exists (continued)

The group provides liquidity support for asset-backed securities and may retain some or all of the risks and rewards of the transferred financial assets. The group determines whether to derecognise of the transferred financial assets mainly by assessing the degree of risk and reward of the transferred financial assets it retains.

In 2019, the group transferred the receivables of renewable energy subsidies with a book value of RMB611,143,012 to a number of unconsolidated structured entities (2018: RMB 3,552,591,323), meeting the conditions to derecognise the transferred financial instruments in their entirety. The group therefore derecognise the transferred financial instruments in their entirety.

Through the above asset securitization transaction, the group has recognised the expense of RMB96,706,418 (2018: RMB101,591,323) for the transfer of renewable energy subsidy receivables.

Risk analysis for financial instruments

The Group has exposure to the following main risks from its use of financial instruments in the normal course of the Group's operations:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk

This note presents information about the Group's exposure to each of the above risks and their sources, and their changes during the year, as well as the Group's objectives, policies and processes for measuring and managing risks, and their changes during the year.

The Group aims to seek appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and analyses the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

66 Risk analysis and sensitivity analysis for financial instruments (continued)

Risk analysis for financial instruments (continued)

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to cash at banks, receivables financing and other receivables. Exposure to these credit risks are monitored by management on an ongoing basis.

The cash at banks of the Group is mainly held with well-known financial institutions, including state-owned banks and the related party of the Group, China Huadian Finance Corporation Limited. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

The Group sells electricity to state-owned regional or provincial grid companies. Its credit risk in this regard is little given its stable, long-term business relationship with these customers. As at 31 December 2019, accounts receivable from these grid companies accounted for 97.91% (2018: 92.94%) of the total. For other trade debtors and other receivables, the Group performs an ongoing individual credit evaluation of its customers' and counterparties' financial conditions. The allowance for doubtful debts has been made in the financial statements.

The maximum exposure to credit risk is represented by the carrying amounts of each financial asset in the balance sheet. Except for the financial guarantees given by the Group and the Company as set out in Note 63(1), the Group and the Company does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in Note 63(1).

Judgment standards to determine if the credit risk has increased significantly

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. In determining whether credit risk has increased significantly since the initial confirmation, the group uses all reasonable and supportable information that is available without undue cost or effort, including qualitative and quantitative analysis based on the group's historical data, external credit risk rating and forward-looking information. Based on a single financial instrument or a combination of financial instruments with similar credit risk characteristics, the group compares the risk of default of financial instruments on the balance sheet date with the risk of default on the initial confirmation date to determine the change of default risk of financial instruments within the expected duration.

When one or more of the following quantitative and qualitative criteria are triggered, the group believes that the credit risk of financial instruments has increased significantly:

- Quantitative standards: The default probability of the remaining duration of the reporting day increases by more than a certain proportion compared with the initial confirmation;
- Qualitative standards: Mainly include major adverse changes in the debtor's operation or financial situation, early warning customer list, etc;
- The upper limit: Contractual payments are 90 days past due (including principal and interest).

66 Risk analysis and sensitivity analysis for financial instruments (continued)

Risk analysis for financial instruments (continued)

(1) Credit risk (continued)

Indicators of any impairment losses is determined

To determine whether any impairment occurs, the group adopts a definition standard using both quantitative and qualitative indicators that is consistent with the internal credit risk management objectives for relevant financial instruments. When the group assesses whether the debtor has credit impairment, it mainly takes the following factors into consideration:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the creditor gives the debtor concessions that would not be made under any other circumstances for economic or contractual reasons in connection with the debtor's financial difficulties;
- it becomes probable that the debtor will enter bankruptcy or other financial reorganization;
- the active market of the financial asset disappears due to the financial difficulties of the issuer or debtor;
- Purchase or originate a financial asset at a substantial discount reflecting the fact that a credit loss has occurred.

The credit impairment of financial assets may be caused by the joint action of multiple events, it may not be necessarily caused by a single identifiable event.

Parameters for the measurement of expected credit losses

Depending on whether there is a significant increase in credit risk and whether a credit impairment has occurred, the group measures the impairment provision for different assets with the expected credit loss of 12 months or the whole duration. The key parameters of expected credit loss measurement include default probability, default loss rate and default risk exposure. The group takes into account the quantitative analysis and forward-looking information of historical statistical data (such as counterparty rating, guarantee method, collateral type and repayment method, etc.) to establish default probability, default loss rate and default risk exposure model.

Relevant definitions are as follows:

- the probability of default is the probability that the debtor will not be able to meet its payment obligations for the next 12 months or for the entire remaining duration. The default probability of the group is adjusted based on the results of the credit loss model, and forward-looking information is added to reflect the default probability of debtors in the current macroeconomic environment.
- default loss rate refers to the extent to which the group expects to suffer from the exposure to default risk. Depending on the type of counterparty, the manner and priority of recourse, and the collateral, the default loss rate will vary. The default loss rate is the percentage of the risk exposure loss at the time of default, which is calculated on the basis of the next 12 months or the whole duration.
- default exposure means the amount to be paid by the group at the time of default in the next 12 months or throughout the remaining duration.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

66 Risk analysis and sensitivity analysis for financial instruments (continued)

Risk analysis for financial instruments (continued)

(1) Credit risk (continued)

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of expected credit losses involve forward-looking information. By analyzing historical data, the group identifies key economic indicators that affect credit risks and expected credit losses of various business types.

The impact of these economic indicators on default probability and default loss rate varies for different types of business. In this process, the group applies expert judgment. According to the result of expert judgment, it forecasts these economic indicators every quarter and determines the impact of these economic indicators on default probability and default loss rate.

The table below shows the credit quality and maximum credit exposure based on the group's credit policy, and the classification as of 31 December, based primarily on past overdue information and taking into account other information available without unnecessary additional cost or effort.

2019	12-month ECLs			Lifetime ECLs Simplified approach	Total
	Stage 1	Stage 2	Stage 3		
Cash at banks and on hand	2,480,330,105	-	-	-	2,480,330,105
Trade receivables	-	-	-	1,821,744,120	1,821,744,120
Receivables financing	252,069,536	-	-	7,455,787,783	7,707,857,319
Other receivables	195,723,305	-	201,498,301	-	397,221,606
Non-current assets due within one year	16,381,882	-	-	-	16,381,882
Financial assets that are included in other current assets	271,776	-	-	-	271,776
Long-term receivables	-	-	28,731,000	-	28,731,000
	<u>2,944,776,604</u>	<u>-</u>	<u>230,229,301</u>	<u>9,277,531,903</u>	<u>12,452,537,808</u>
2018	12-month ECLs			Lifetime ECLs Simplified approach	Total
	Stage 1	Stage 2	Stage 3		
Cash at banks and on hand	3,603,943,616	-	-	-	3,603,943,616
Bills receivable	302,342,588	-	-	-	302,342,588
Accounts receivables	-	-	-	5,680,663,733	5,680,663,733
Other receivables	841,423,487	-	156,712,016	-	998,135,503
Non-current assets due within one year	17,304,345	-	-	-	17,304,345
Financial assets that are included in other current assets	4,652,560	-	-	-	4,652,560
Long-term receivables	14,656,883	-	-	-	14,656,883
	<u>4,784,323,479</u>	<u>-</u>	<u>156,712,016</u>	<u>5,680,663,733</u>	<u>10,621,699,228</u>

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Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

66 Risk analysis and sensitivity analysis for financial instruments (continued)

Risk analysis for financial instruments (continued)

(2) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset. The Company and its individual subsidiaries are responsible for their own cash management, including short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. As at 31 December 2019, the Group has unutilised banking facilities of RMB20,159,843,445. The Group manages the proportion of its current liabilities with respect to the total liabilities to mitigate the liquidity risk. The directors have determined that adequate liquidity exists to finance the future working capital and expenditure requirements of the Group.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group or the Company can be required to pay:

<u>The Group</u>	Contractual undiscounted cash flows of 2019					Total	Carrying amount at balance sheet date
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years			
Short-term loans	6,474,194,261	-	-	-	-	6,474,194,261	6,408,827,247
Bills payable	90,444,300	-	-	-	-	90,444,300	90,444,300
Accounts payable	5,890,161,554	-	-	-	-	5,890,161,554	5,890,161,554
Other payables	2,051,882,520	-	-	-	-	2,051,882,520	2,051,882,520
Other current liabilities	26,755,158	-	-	-	-	26,755,158	26,755,158
Long-term loans (including due within 1 year)	9,366,092,475	8,613,984,414	21,170,231,529	21,058,188,648	60,208,497,066	50,766,055,187	
Debentures payable (including due within 1 year)	321,107,620	4,306,678,670	1,554,869,334	252,842,833	6,435,498,457	5,819,673,237	
Lease liabilities (including due within 1 year)	125,344,466	123,233,829	292,657,577	193,863,048	735,098,920	625,489,532	
Long-term payables (including due within 1 year)	50,970,000	-	-	-	50,970,000	50,970,000	
Total	<u>24,396,952,354</u>	<u>13,043,896,913</u>	<u>23,017,758,440</u>	<u>21,504,894,529</u>	<u>81,963,502,236</u>	<u>71,730,258,735</u>	
<u>The Group</u>	Contractual undiscounted cash flows of 2018						Carrying amount at balance sheet date
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total		
Short-term loans	4,816,321,745	-	-	-	4,816,321,745		4,741,142,999
Bills payable	73,000,000	-	-	-	73,000,000		73,000,000
Accounts payable	5,876,280,294	-	-	-	5,876,280,294		5,876,280,294
Other payables	2,062,616,976	-	-	-	2,062,616,976		2,062,616,976
Other current liabilities	824,372,633	-	-	-	824,372,633		809,689,893
Long-term loans (including due within 1 year)	7,539,478,990	11,053,372,675	22,132,519,507	21,913,820,669	62,639,191,841		52,521,389,703
Debentures payable (including due within 1 year)	247,019,359	247,019,359	5,465,745,427	655,518,879	6,615,303,024		6,826,690,581
Long-term payables (including due within 1 year)	111,905,218	61,199,729	174,530,489	99,914,632	447,550,068		392,915,872
Total	<u>21,550,995,215</u>	<u>11,361,591,763</u>	<u>27,772,795,423</u>	<u>22,669,254,180</u>	<u>83,354,636,581</u>		<u>73,303,726,318</u>

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)

Year ended 31 December 2019

(Expressed in RMB Yuan)

66 Risk analysis and sensitivity analysis for financial instruments (continued)

Risk analysis for financial instruments (continued)

(2) Liquidity risk (continued)

<u>The Company</u>	Contractual undiscounted cash flows of 2019					Carrying amount at balance sheet date
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
Short-term loans	4,312,917,630	-	-	-	4,312,917,630	4,150,000,000
Accounts payable	90,000,634	-	-	-	90,000,634	90,000,634
Other payables	2,294,361,916	-	-	-	2,294,361,916	2,294,361,916
Other current liabilities	67,118	-	-	-	67,118	67,118
Long-term loans (including due within 1 year)	91,434,351	86,583,082	287,278,451	301,796,582	767,092,466	651,419,019
Debentures payable (including due within 1 year)	175,557,063	4,161,277,256	1,155,903,369	-	5,492,737,688	5,033,341,109
Lease liabilities (including due within 1 year)	54,642,617	52,128,164	121,489,483	-	228,260,264	190,861,879
Total	7,018,981,329	4,299,988,502	1,564,671,303	301,796,582	13,185,437,716	12,410,051,675

<u>The Company</u>	Contractual undiscounted cash flows of 2018					Carrying amount at balance sheet date
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
Short-term loans	1,569,113,527	-	-	-	1,569,113,527	1,550,000,000
Accounts payable and bills payable	160,483,762	-	-	-	160,483,762	160,483,762
Other payables	4,071,529,105	-	-	-	4,071,529,105	4,071,529,105
Other current liabilities	824,372,633	-	-	-	824,372,633	799,577,949
Long-term loans (including due within 1 year)	180,526,886	103,117,990	1,358,060,137	150,106,434	1,791,811,447	1,165,652,133
Debentures payable (including due within 1 year)	204,260,000	204,260,000	6,289,234,521	-	6,697,754,521	5,991,747,681
Total	7,010,285,913	307,377,990	7,647,294,658	150,106,434	15,115,064,995	13,738,990,630

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

66 Risk analysis and sensitivity analysis for financial instruments (continued)

Risk analysis for financial instruments (continued)

(3) Interest rate risk

Interest-bearing financial instruments at variable rates expose the Group to cash flow interest rate risk. The Group determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate exposure.

(a) As at 31 December, the Group and the Company held the following interest-bearing financial instruments:

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Fixed rate				
Financial liabilities				
- Short-term loans	4,252,800,000	2,026,800,000	4,050,000,000	1,400,000,000
- Other current liabilities	-	798,682,075	-	798,682,075
- Long-term loans (including due within 1 year)	12,889,900,862	10,938,735,057	-	496,000,000
- Debentures payable (including due within 1 year)	5,819,673,237	6,826,690,581	5,033,341,109	5,991,747,681
- Long-term payables (including due within 1 year)	50,970,000	247,087,872	-	-
- Lease liabilities (including due within 1 year)	501,459,700	-	190,861,879	-
	<u>23,514,803,799</u>	<u>20,837,995,585</u>	<u>9,274,202,988</u>	<u>8,686,429,756</u>
Variable rate				
Financial liabilities				
- Short-term loans	2,156,027,247	2,714,342,999	100,000,000	150,000,000
- Long-term loans (including due within 1 year)	37,876,154,325	41,582,654,646	651,419,019	669,652,133
- Long-term payables (including due within 1 year)	-	145,828,000	-	-
- Lease liabilities (including due within 1 year)	124,029,832	-	-	-
	<u>40,156,211,404</u>	<u>44,442,825,645</u>	<u>751,419,019</u>	<u>819,652,133</u>
Less: financial assets				
- Cash at banks	2,478,213,249	3,603,856,387	69,016,269	746,442,034
	<u>37,677,998,155</u>	<u>40,838,969,258</u>	<u>682,402,750</u>	<u>73,210,099</u>

(b) Sensitivity analysis

As at 31 December 2019, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, would decrease or increase the Group's net profit and equity by RMB313,597,190 (2018: RMB365,141,231), and would decrease or increase the Company's net profit and equity by RMB6,824,423 (2018: RMB687,442).

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

66 Risk analysis and sensitivity analysis for financial instruments (continued)

Risk analysis for financial instruments (continued)

(3) Interest rate risk

(b) Sensitivity analysis (continued)

In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group or the Company at the balance sheet date, the impact on the net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for the previous year.

(4) Foreign currency risk

Some cash at banks and bank loans denominated in foreign currencies (mainly the Hong Kong dollar, Euro and US dollar) expose the Group to foreign currency risk. As at 31 December 2019, the proportion of the Group's cash at banks and on hand denominated in foreign currencies accounted for 8.42% (2018: 4.95%), while the proportions of loans were 1.10% (2018: 1.31%). Its main operating activities are settled in the Renminbi.

In respect of cash at banks and on hand, accounts receivable and payable, short-term loans and other assets and liabilities denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

As at 31 December 2019, the Group did not have outstanding foreign currency swap contracts (2018: Nil).

(a) As at 31 December, the Group's and the Company's exposure to currency risk arising from recognised assets or liabilities denominated in foreign currencies is presented in the following tables. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date.

<u>The Group</u>	2019		2018		
	EUR	HKD	USD	EUR	HKD
Cash at the bank and on hand	159,612,902	49,180,399	-	136,481,650	41,615,000
Short-term loans	(281,358,000)	(349,362,000)	-	(282,502,800)	(341,718,000)
Other payables	(333,706)	(1,950,097)	-	(223,162)	(1,634,805)
Long-term loans (including due within 1 year)	-	-	(127,655,520)	-	-
Net balance sheet exposure	<u>(122,078,804)</u>	<u>(302,131,698)</u>	<u>(127,655,520)</u>	<u>(146,244,312)</u>	<u>(301,738,055)</u>

<u>The Company</u>	2019		2018		
	EUR	HKD	USD	EUR	HKD
Cash at the bank and on hand	-	17,467,044	-	-	19,655,422
Net balance sheet exposure	<u>-</u>	<u>17,467,044</u>	<u>-</u>	<u>-</u>	<u>19,655,422</u>

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)

Year ended 31 December 2019

(Expressed in RMB Yuan)

66 Risk analysis and sensitivity analysis for financial instruments (continued)

Risk analysis for financial instruments (continued)

(4) Foreign currency risk (continued)

(b) The following are the exchange rates for Renminbi against foreign currencies applied by the Group and the Company:

	<u>Average rate</u>		<u>Reporting date mid-spot rate</u>	
	2019	2018	2019	2018
USD	6.9197	6.6987	6.9762	6.8632
EUR	7.8314	7.8248	7.8155	7.8473
HKD	0.8860	0.8561	0.8958	0.8762

(c) Sensitivity analysis

Assuming all other risk variables remained constant, a 5% strengthening of the Renminbi against the US dollar, Euro and Hong Kong dollar at 31 December would have increased (decreased) the Group's and the Company's equity and net profit by the amount shown below, whose effect is in Renminbi and translated using the spot rate at the year-end date:

	<u>The Group</u>		<u>The Company</u>	
	2019	2018	2019	2018
USD	-	4,787,082	-	-
EUR	4,577,955	5,484,162	-	-
HKD	11,329,939	11,315,177	(586,762)	(737,078)
	<u>15,907,894</u>	<u>21,586,421</u>	<u>(586,762)</u>	<u>(737,078)</u>

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group or the Company which expose the Group or the Company to foreign currency risk at the balance sheet date. The analysis is performed on the same basis for the previous year.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

67 Fair value

(1) Financial instruments carried at fair value

The following table presents the fair value information and the fair value hierarchy, at the end of the current reporting period, of the Group's and the Company's assets and liabilities which are measured at fair value at each balance sheet date on a recurring or non-recurring basis. The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. The levels of inputs are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

In 2019, the fair value of equity investment in unlisted and unquoted equity investment was categorised to Level 3.

	31 December 2019			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Recurring fair value measurements				
Assets				
Receivables financing	-	7,707,857,319	-	7,707,857,319
Equity investment in a Hong Kong listed company	209,946,372	-	-	209,946,372
Unquoted equity investments in non-listed companies	-	-	467,717,863	467,717,863
Total assets measured at fair value on a recurring basis	<u>209,946,372</u>	<u>7,707,857,319</u>	<u>467,717,863</u>	<u>8,385,521,554</u>
	31 December 2018			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
Recurring fair value measurements				
Assets				
Receivables financing	-	4,250,525,992	-	4,250,525,992
Equity investment in a Hong Kong listed company	211,413,724	-	-	211,413,724
Unquoted equity investments in non-listed companies	-	-	876,360,783	876,360,783
Total assets measured at fair value on a recurring basis	<u>211,413,724</u>	<u>4,250,525,992</u>	<u>876,360,783</u>	<u>5,338,300,499</u>

(1) Financial instruments carried at fair value (continued)

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income, which were previously classified as available-for-sale equity investments, have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortization (“EV/EBITDA”) multiple, enterprise value to earnings before interest and taxes (“EV/EBIT”), price to earnings (“P/E”) multiple and price to book (“P/B”) multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group entered into securitization transactions whereby it transferred trade receivables on tariff premium of renewable energy (the “Transferred Financial Assets”) to unrelated third parties and derecognised the Transferred Financial Assets (Note 66). The Group endorsed and factored significant part of its bills receivables in its normal course of business. The Group managed its trade and bills receivable which generated cash flows resulting from both collecting contractual cash flows and selling the financial assets during the current year. Therefore, the Group measures trade and bills receivable at fair value through other comprehensive income. The fair values of trade and bills receivable were measured using the discounted cash flows model. The model incorporates various market observable inputs including the annualised yields of similar securitization products and interest rate curves. The carrying amounts of trade and bills receivables are the same as their fair values.

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued) Year ended 31 December 2019 (Expressed in RMB Yuan)

67 Fair value (continued)

(1) Financial instruments carried at fair value (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2019:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average EV/EBITDA multiple	2019: - 10% increase/decrease in (2018: 4.5 to 2.4)	10% increase/decrease in multiple would result in increase/decrease in fair value by RMB40,931,000 (2018: RMB99,486,000)
		Average EV/EBIT multiple	2019: - (2018: 14.0)	
		Average P/B	2019: 1.1-1.5 (2018: 1.1-1.4)	
		Average P/E	2019: 8.9 (2018: 7.9)	
		Discount for lack of marketability	2019: 30% (2018: 25% to 30%)	10% increase/decrease in multiple would result in decrease/increase in fair value by RMB17,542,000 (2018: RMB31,795,000)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

(2) Fair value of other financial instruments

The carrying amounts of the Group's financial instruments carried at amortised cost including receivables, payables and borrowings are not materially different from their fair values at the end of the reporting period, which are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, except for the following:

	31 December 2019		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Other borrowings (including due within 1 year)	5,819,673,237	5,711,278,644	6,826,690,581	6,581,226,325
Fixed rate long-term loans	12,889,900,862	12,598,480,791	12,890,705,475	12,845,852,427
Total	<u>18,709,574,099</u>	<u>18,309,759,435</u>	<u>19,717,396,056</u>	<u>19,427,078,752</u>

Huadian Fuxin Energy Corporation Limited

Notes to financial statements (continued)

Year ended 31 December 2019

(Expressed in RMB Yuan)

68 Capital management

The Group's primary objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group's capital structure is regularly reviewed and managed to achieve an optimal structure and return for shareholders. Factors for the Group's consideration include: its future funding requirements, capital efficiency, actual and expected profitability, expected cash flows, and expected capital expenditure, etc. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated by dividing total liabilities by total assets. The liability-to-asset ratios of the Group as at 31 December 2019 are 66% (31 December 2018: 69%).

During 2019, the Group's strategy was unchanged from 2018. Neither the Group nor the Company are subject to externally imposed capital requirements.

69 Event after balance sheet date

The board of directors of the Company proposed a final dividend after balance sheet date. Further details are disclosed in Note 45(2)(b).

70 Approval of financial statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 20 April 2020.