



# 中國廣核美亞電力控股有限公司 CGN Meiya Power Holdings Co., Ltd.

(Incorporated in Bermuda with limited liability)  
Stock Code : 1811.HK



## GLOBAL OFFERING



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## IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



### CGN MEIYA POWER HOLDINGS CO., LTD.

中國廣核美亞電力控股有限公司

(incorporated in Bermuda with limited liability)

#### GLOBAL OFFERING

|  |   |
|--|---|
| Number of Offer Shares under the Global Offering | : 1,033,934,000 Shares (subject to the Over-allotment Option)   |
| Number of International Offer Shares             | : 930,538,000 Shares (subject to the Over-allotment Option and adjustment)  |
| Number of Hong Kong Public Offer Shares          | : 103,396,000 Shares (subject to adjustment)  |
| Maximum Offer Price                              | : not more than HK\$1.73 per Offer Share payable in full on application subject to refund on final pricing, plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003% |
| Nominal Value                                    | : HK\$0.0001 per Share  |
| Stock Code                                       | : 1811  |

Sole Sponsor

Morgan Stanley

Joint Global Coordinators

Morgan Stanley



J.P.Morgan

Joint Bookrunners and Joint Lead Managers

Morgan Stanley  國泰君安國際 J.P.Morgan  BOC INTERNATIONAL HSBC  ICBC  工銀國際

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A copy of this prospectus, having attached thereto the documents specified in "Appendix IX – Documents Delivered to the Registrar of Companies and Available for Inspection – 1. Documents Delivered to the Registrar of Companies," has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, September 25, 2014 and, in any event, not later than Monday, September 29, 2014. The Offer Price will be announced in the South China Morning Post (in English) and in the Hong Kong Economic Times (in Chinese) as soon as practicable after the Offer Price is fixed.

The Offer Price will be not more than HK\$1.73 per Offer Share and is currently expected to be not less than HK\$1.57 per Offer Share. Applicants for Hong Kong Public Offer Shares are required to pay, on application, the maximum Offer Price of HK\$1.73 for each Hong Kong Public Offer Share together with 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy, subject to refund if the Offer Price as finally determined is less than HK\$1.73 per Offer Share. If, for any reason, the Offer Price is not agreed by Monday, September 29, 2014 between the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

Prospective investors should read the entire document carefully and, in particular, should consider the matters discussed in the section headed "Risk Factors" in this prospectus.

The Joint Global Coordinators (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares and/or the indicative offer price range below that stated in this prospectus (which currently is HK\$1.57 to HK\$1.73 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative offer price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain grounds arise at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such grounds are set out in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been registered under the U.S. Securities Act, as amended (the "Securities Act") and may be offered or sold, pledged or transferred only (i) in the United States to QIBs, in reliance on Rule 144A under the Securities Act and (ii) outside the United States in reliance on Regulation S under the Securities Act.

September 19, 2014

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## EXPECTED TIMETABLE

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If there is any change in the following expected timetable, we will issue an announcement on the respective websites of the Company at [www.cgnmeiyapower.com](http://www.cgnmeiyapower.com) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

Latest time to complete electronic applications under  
the **HK eIPO White Form** service through the designated website  
at [www.hkeipo.hk](http://www.hkeipo.hk)<sup>(2)</sup> ..... 11:30 a.m. on  
Wednesday, September 24, 2014<sup>(1)</sup>

Application lists open<sup>(3)</sup> ..... 11:45 a.m. on  
Wednesday, September 24, 2014

Latest time to lodge **WHITE** and **YELLOW** Application Forms and  
to give **electronic application instructions** to HKSCC ..... 12:00 noon on  
Wednesday, September 24, 2014

Latest time to complete payment of **HK eIPO White Form** applications by  
effecting internet banking transfer(s) or PPS payment transfer(s) ..... 12:00 noon on  
Wednesday, September 24, 2014

Application lists close ..... 12:00 noon on  
Wednesday, September 24, 2014

Expected Price Determination Date<sup>(4)</sup> ..... Thursday, September 25, 2014

(1) Announcement of:

- the Offer Price;
- the level of indications of interest in the International Offering;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocation of the Hong Kong Public Offer Shares

to be published in South China Morning Post (in English) and  
Hong Kong Economic Times (in Chinese), on or before ..... Tuesday,  
September 30, 2014

(2) Results of allocations in the Hong Kong Public Offering  
(with successful applicants' identification document numbers,  
where applicable) to be available through a variety of channels  
(see the section headed "*How to Apply for Hong Kong Public  
Offer Shares – 11. Publication of Results*" in this prospectus) from ..... Tuesday,  
September 30, 2014

Announcement of (1) and (2) above to be published on the website of  
the Company at [www.cgnmeiyapower.com](http://www.cgnmeiyapower.com) and the website of  
the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on or before ..... Tuesday,  
September 30, 2014

Results of allocations in the Hong Kong Public Offering to be  
available at the designated results of allocation website at  
[www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result), with a "search by ID" function ..... Tuesday,  
September 30, 2014

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## EXPECTED TIMETABLE

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Dispatch/Collection of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before<sup>(5)(6)</sup> . . . . . Tuesday, September 30, 2014

Dispatch/Collection of refund checks and e-Auto Refund payment instructions in respect of wholly or partially successful applications (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before<sup>(5)</sup> . . . . . Tuesday, September 30, 2014

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on . . . . . Friday, October 3, 2014

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*Notes:*

1. All times and dates refer to Hong Kong local times and dates unless otherwise stated.
2. You will not be permitted to submit your application through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application money) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning signal or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, September 24, 2014, the application lists will not open on that day. For further information please see the section headed “*How to Apply for Hong Kong Public Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists*” in this prospectus.
4. The Offer Price is expected to be determined by agreement between us and the Joint Global Coordinators, for and on behalf of the Underwriters, on or around Thursday, September 25, 2014, and in any event, not later than Monday, September 29, 2014. If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators, for and on behalf of the Underwriters, on or before Monday, September 29, 2014, the Global Offering will not proceed and will lapse.
5. Applicants who apply with **WHITE** Application Forms or through **HK eIPO White Form** service for 1,000,000 or more Hong Kong Public Offer Shares under the Hong Kong Public Offering and have provided all information required by their Application Forms, may collect their refund checks and Share certificates (as applicable) in person from our Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, September 30, 2014. Applicants being individuals who opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives bearing a letter of authorization from their corporation stamped with the corporation’s chop. Both individuals and authorized representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to our Hong Kong Share Registrar.

Applicants who apply with **YELLOW** Application Forms for 1,000,000 or more Hong Kong Public Offer Shares under the Hong Kong Public Offering and have provided all information required by their Application Forms, may collect their refund checks (where relevant) in person but may not collect their Share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund checks for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Uncollected Share certificates (if applicable) and refund checks (if applicable) will be dispatched by ordinary post and at the own risk of the applicants shortly after the expiry of the time for collection at the date of dispatch of refund check as described in the section headed “*How to Apply for Hong Kong Public Offer Shares – 14. Dispatch/Collection of Share Certificates and Refund Monies*” in this prospectus.

6. Share certificates for the Hong Kong Public Offer Shares are expected to be issued on Tuesday, September 30, 2014 but will only become valid certificates of title provided that the Global Offering becomes unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms before 8:00 a.m. on the Listing Date. Investors who trade the Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

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## CONTENTS

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### Important Notice to Investors

*This prospectus is issued by CGN Meiya Power Holdings Co., Ltd. (中國廣核美亞電力控股有限公司) (the “Company,” “our Company,” “we” or “us”) solely in connection with the Hong Kong Public Offering and the Hong Kong Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy a security other than the Hong Kong Public Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus and the application forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, any of the Underwriters and any of their respective directors, officers or representatives, or any other person or party involved in the Global Offering. The information contained on our website at [www.cgnmeiyapower.com](http://www.cgnmeiyapower.com) does not form part of this prospectus.*

|  | <u>Page</u> |
|--|-------------|
| <b>EXPECTED TIMETABLE</b> .....  | i           |
| <b>SUMMARY</b> .....   | 1           |
| <b>DEFINITIONS</b> .....   | 17          |
| <b>GLOSSARY OF TECHNICAL TERMS</b> .....                               | 31          |
| <b>FORWARD-LOOKING STATEMENTS</b> .....                                | 36          |
| <b>RISK FACTORS</b> .....  | 37          |
| <b>WAIVERS FROM COMPLIANCE WITH THE LISTING RULES</b> .....            | 68          |
| <b>INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING</b> ..... | 73          |
| <b>DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING</b> .....     | 77          |
| <b>CORPORATE INFORMATION</b> .....                                     | 83          |
| <b>INDUSTRY OVERVIEW</b> .....   | 85          |
| <b>OUR HISTORY AND DEVELOPMENT</b> .....                               | 103         |

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## CONTENTS

---

|   | <u>Page</u> |
|---|-------------|
| <b>BUSINESS</b> .....   | 121         |
| <b>DIRECTORS AND SENIOR MANAGEMENT</b> .....  | 193         |
| <b>RELATIONSHIP WITH CGN GROUP</b> .....  | 209         |
| <b>CONNECTED TRANSACTIONS</b> .....   | 226         |
| <b>SUBSTANTIAL SHAREHOLDERS</b> .....   | 255         |
| <b>SHARE CAPITAL</b> .....  | 257         |
| <b>CORNERSTONE PLACING</b> .....  | 260         |
| <b>FINANCIAL INFORMATION</b> .....  | 263         |
| <b>FUTURE PLANS AND USE OF PROCEEDS FROM THE GLOBAL OFFERING</b> .....  | 314         |
| <b>UNDERWRITING</b> .....   | 316         |
| <b>STRUCTURE OF THE GLOBAL OFFERING</b> .....   | 325         |
| <b>HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES</b> .....   | 333         |
| <b>APPENDIX I – ACCOUNTANTS’ REPORT</b> .....   | I-1         |
| <b>APPENDIX II – UNAUDITED PRO FORMA FINANCIAL INFORMATION</b> .....  | II-1        |
| <b>APPENDIX III – CGN GROUP PROJECTS</b> .....  | III-1       |
| <b>APPENDIX IV – TECHNICAL REPORT</b> .....   | IV-1        |
| <b>APPENDIX V – SUMMARY OF PRINCIPAL LEGAL AND REGULATORY<br/>PROVISIONS IN THE PRC AND KOREA</b> .....       | V-1         |
| <b>APPENDIX VI – TAXATION</b> .....   | VI-1        |
| <b>APPENDIX VII – SUMMARY OF THE CONSTITUTION OF<br/>THE COMPANY AND BERMUDA COMPANY LAW</b> .....            | VII-1       |
| <b>APPENDIX VIII – STATUTORY AND GENERAL INFORMATION</b> .....  | VIII-1      |
| <b>APPENDIX IX – DOCUMENTS DELIVERED TO THE REGISTRAR OF<br/>COMPANIES AND AVAILABLE FOR INSPECTION</b> ..... | IX-1        |



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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus, including our consolidated financial statements and related notes, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read this section carefully before you decide to invest in our Offer Shares.*

### OVERVIEW

We are a diversified independent power producer (“**IPP**”) in Asia in terms of fuel type and geography, with a portfolio of gas-fired, coal-fired, oil-fired, hydro, cogen and fuel cell power generation projects and a steam project in the PRC and Korea. As of April 30, 2014, our clean and renewable energy projects, namely gas-fired, hydro and fuel cell projects, accounted for approximately 51.6% of our attributable installed capacity, and our conventional power projects, namely coal fired, oil-fired and cogen projects, accounted for approximately 48.4% of our attributable installed capacity. For the four months ended April 30, 2014, our clean and renewable energy projects contributed 71.0% of our revenue and our conventional energy and steam projects contributed 29.0% of our revenue.

CGN acquired the entire share capital of our Company through its indirectly wholly-owned subsidiary, CGNPC Huamei, in November 2010 and became our Controlling Shareholder. Please see the section headed “*Our History and Development*” on page 103 in this prospectus for further details. We focus on acquiring clean and renewable power generation projects while continuing our own greenfield and brownfield developments to deliver solid returns and create shareholder value. Positioned as CGN’s sole global platform for development and operation of non-nuclear clean and renewable power generation projects, we intend to selectively acquire clean and renewable power generation projects with solid returns from CGN with an aggregate installed capacity of 3.0 GW to 5.0 GW in several batches within the next four years by exercising our acquisition rights under the non-competition deed given by CGN in our favor. We intend to undertake the first batch of acquisition before the end of 2015 and other batches from 2015 to 2018, subject to compliance with applicable regulatory requirements and the Listing Rules. For additional details, see “*Relationship with CGN Group*” and “*Business – Power Project Pipeline*” on pages 209 and 168, respectively.

We are well positioned to benefit from the steady and rapid growth in power demand in both China and Korea. As compared to the more advanced economies, China achieved higher GDP growth while having a significantly lower electricity consumption per capita in 2013. Driven by environmental concerns, the PRC government has set clear targets to increase non-fossil fuel contributions in the primary energy consumption mix, which are expected to increase the contribution in total installed capacity from 28.5% in 2012 to 33.8% by 2015, and further increase to 37% by 2020. The Korean power market has experienced steady growth in installed capacity and generation, with a CAGR of 4.4% and 5.4% from 2001 to 2012, respectively, and tightening reserve margin which indicate increasing power demand in the market. In 2012, the reserve margin in Korean power market was 5.2%, the lowest ever since 2001.

As of April 30, 2014, we had 14 operating power generation projects with a consolidated installed capacity of 2,867.8 MW and an attributable installed capacity of 3,659.5 MW and one steam project in our portfolio. For the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, our net electricity generated amounted to 5,618 GWh, 6,225 GWh, 7,116 GWh and 2,020 GWh, respectively. As of the Latest Practicable Date, one power generation project is under construction and is expected to contribute an additional attributable installed capacity of 18.0 MW to our power project portfolio by the end of 2014. In addition, we provide management services to 23

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## SUMMARY

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operating power generation projects in which CGN Energy and Huamei Holding have interests with an attributable installed capacity of 5,831.6 MW, three of which are under expansion, which together with an additional four power generation projects that are either under construction or will commence construction, are expected to contribute an additional attributable installed capacity of 454.9 MW to projects under management between 2014 and 2018. We also provide management services to XTI, an investment holding company holding some of the above mentioned power generation projects in which Huamei Holding has interests.

For the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, our revenue was U.S.\$754.7 million, U.S.\$932.4 million, U.S.\$1,037.3 million and U.S.\$311.2 million, respectively, and our profit for the year/period attributable to the owner of our Company was U.S.\$11.3 million, U.S.\$29.0 million, U.S.\$55.3 million and U.S.\$15.8 million, respectively.

Our business model consists of operating the power projects we own, as subsidiaries, and earning revenue from the sale of electricity and steam generated by these power projects primarily to electricity offtakers, such as local and regional power grids. In addition, we hold minority interests in two coal-fired power projects. We also earn additional management fees through the provision of management services for 27 power generation projects in which CGN Energy and Huamei Holding have interests.

There are three types of offtake arrangements under which we operate: (1) *minimum take arrangement* in which offtakers purchase a defined minimum volume of electricity generated, and the tariffs for the sale of electricity are reviewed and determined by the relevant authorities from time to time; (2) *capacity charge arrangement* in which, in addition to the payment received for electricity purchased, defined payments are also made based on the capacity available for dispatch regardless of actual generation, and where the tariffs for the sale of electricity are determined based on various factors such as construction costs, tax rates, financing costs and producer price indices; and (3) *annual allocation arrangement* in which an output volume is agreed with the local power grid or regulatory authorities, on an annual basis, and the tariffs for the sale of electricity are reviewed and determined by the relevant authorities from time to time. For further information regarding pricing in our offtake agreements, please see “*Financial Information – Key Factors Affecting our Results of Operations and Financial Condition – Tariffs*” on page 269.

The average remaining years on our long-term PPAs, weighted by attributable installed capacity, is approximately nine years, which we believe provides better long-term visibility to the potential revenue stream from our projects. Our PPAs are generally structured with minimum take, capacity charge or annual allocation arrangement. For further information regarding our PPAs by project, see “*Business – Our Power Projects in Operation*” on page 138.

## REORGANIZATION

For the purpose of the Listing, we have undergone the Reorganization by entering into a restructuring agreement on September 15, 2014 with CGNPC Huamei, our Controlling Shareholder, pursuant to which we agreed to transfer and assign to CGNPC Huamei (i) all of the issued shares of the Disposal Group; and (ii) the net balance of amounts due from certain companies (and their subsidiaries) within the Disposal Group to our Company as of July 1, 2014, and in connection therewith the novation to CGNPC Huamei of our loan owed to CGNPC International Limited with an outstanding principal amount of US\$242.3 million as of July 1, 2014. The Disposal Group comprised 22 investment holding companies which were our subsidiaries and some of these investment holding companies held indirect interests in 12 power generation projects and one coal trading company. As a result, the Disposal Group and interests in the power generation projects held by it ceased to form part of our Group, and became part of the CGN Group. Upon the completion of the Reorganization, the carrying value of the



## SUMMARY

subsidiaries and the amounts due from certain subsidiaries within the Disposal Group was accounted for as a distribution in kind and recognized in the Group's contributed surplus and retained earnings directly. The difference between the consideration for the sale of equity interest in a joint venture within the Disposal Group and the carrying amount of that joint venture was accounted for as a deemed distribution and recognized in the Group's retained earnings directly, while the translation reserve related to all companies within the Disposal Group was recognized in the consolidated statement of profit or loss and other comprehensive income. See section headed "*Our History and Development – Our Reorganization*" on page 109 in this prospectus for further details, including the reasons for undertaking the Reorganization. In view of this, the discussion and analysis of our financial condition and results of operations for the Track Record Period contained in the section headed "*Financial Information*" on page 263 in this prospectus and the other financial information contained in this prospectus, unless otherwise indicated, relate to our Group and exclude the Disposal Group. See Section B, Subsequent Events, of the Accountants' Report included as Appendix I to this prospectus for a presentation of the financial information of our Group (excluding the Disposal Group).

Prior to the Reorganization, our associates and joint venture (including the Disposal Group), which included Huangshi I JV, Huangshi II JV, Dongyuan Qujing Energy Co., Ltd., Jingyuan Second Power Co. and XTI, had a significant effect on our Group's profit during the Track Record Period. For the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, the aggregate of our Group's share of results of associates and share of results of a joint venture prior to the Reorganization amounted to a loss of U.S.\$13.9 million, a profit of U.S.\$7.7 million, a profit of U.S.\$84.9 million and a profit of U.S.\$27.6 million, respectively, which accounted for (130.6%), 26.6%, 122.4% and 73.7% of our profit for the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, respectively. After the Reorganization, Dongyuan Qujing Energy Co., Ltd., Jingyuan Second Power Co. and XTI became part of the Disposal Group.

### SUMMARY OPERATIONAL INFORMATION

The operational data included in this summary and throughout this prospectus, unless otherwise indicated, is for our Group (excluding the Disposal Group).

The following table shows the attributable installed capacity for the years indicated:

|  | Attributable Installed Capacity |                |                |                         | As a percentage<br>of total energy<br>portfolio as of<br>April 30, 2014<br>(%) |
|--|---------------------------------|----------------|----------------|-------------------------|--|
|  | As of December 31,              |                |                | As of April<br>30, 2014 |  |
|  | 2011                            | 2012           | 2013           |                         |  |
|  |                                 | (MW)           |                |                         |  |
| <b>Clean and renewable<br/>energy portfolio</b>            |                                 |                |                |                         |  |
| Gas-fired <sup>(1)</sup> . . . . .                         | 824.4                           | 824.4          | 1,458.6        | 1,770.7                 | 48.4   |
| Hydro . . . . .  | 119.3                           | 119.3          | 119.3          | 119.3                   | 3.3  |
| Subtotal . . . . .   | 943.7                           | 943.7          | 1,577.9        | 1,890.0                 | 51.6   |
| <b>Conventional energy<br/>portfolio</b>                   |                                 |                |                |                         |  |
| Coal-fired . . . . .                                       | 854.4                           | 854.4          | 854.4          | 1,187.6                 | 32.5   |
| Oil-fired . . . . .  | 507.0                           | 507.0          | 507.0          | 507.0                   | 13.9   |
| Cogen . . . . .  | 78.0                            | 75.0           | 75.0           | 75.0                    | 2.0  |
| Subtotal . . . . .   | 1,439.4                         | 1,436.4        | 1,436.4        | 1,769.6                 | 48.4   |
| <b>Total attributable<br/>installed capacity . . . . .</b> | <b>2,383.0</b>                  | <b>2,380.0</b> | <b>3,014.2</b> | <b>3,659.5</b>          | <b>100.0</b>   |

## SUMMARY

*Notes:*

- (1) Gas-fired attributable installed capacity includes attributable installed capacity of the 10.4 MW Yulchon I Fuel Cell Project.

The following table sets out our operating data from consolidated power generation projects and steam project in operation during the Track Record Period.

| <u>Summary Operating Data</u>  | <u>As of or for the year ended December 31,</u> |             |             | <u>As of or for the four months ended April 30,</u> |             |
|--|---|-------------|-------------|---|-------------|
|  | <u>2011</u>                                     | <u>2012</u> | <u>2013</u> | <u>2013</u>   | <u>2014</u> |
| Attributable installed capacity <sup>(1)</sup> .                             | 2,383.0   | 2,380.0     | 3,014.2     | 2,380.0   | 3,659.5     |
| PRC . . . . .  | 1,288.2   | 1,285.2     | 1,285.2     | 1,285.2   | 1,618.4     |
| Korea . . . . .  | 1,094.8   | 1,094.8     | 1,729.0     | 1,094.8   | 2,041.1     |
| Consolidated installed capacity <sup>(2)</sup> . . . . .                     | 1,924.5   | 1,921.5     | 2,555.7     | 1,921.5   | 2,867.8     |
| PRC . . . . .  | 829.7   | 826.7       | 826.7       | 826.7   | 826.7       |
| Korea . . . . .  | 1,094.8   | 1,094.8     | 1,729.0     | 1,094.8   | 2,041.1     |
| Average installed capacity (MW) <sup>(3)</sup> . . . . .                     | 1,918.9   | 1,924.5     | 2,238.6     | 1,921.5   | 2,249.1     |
| Gross electricity generated (GWh) . . . . .                                  | 5,923   | 6,535       | 7,462       | 2,094   | 2,127       |
| Net electricity generated (GWh) . . . . .                                    | 5,618   | 6,225       | 7,116       | 1,990   | 2,020       |
| Steam sold ('000 tons) . . . . .   | 2,676   | 2,687       | 2,744       | 1,043   | 1,020       |
| Weighted average equivalent availability factor (%) <sup>(4)</sup> . . . . . | 93.5  | 93.2        | 93.6        | 93.2  | 97.4        |
| Utilization hours by fuel type <sup>(5)</sup> .                              |   |             |             |   |             |
| Gas-fired  |   |             |             |   |             |
| PRC . . . . .  | 1,763   | 1,130       | 2,004       | 766   | 663         |
| Korea <sup>(6)</sup> . . . . .   | 4,752   | 5,400       | 4,258       | 1,719   | 1,157       |
| Coal-fired . . . . .   | 5,586   | 5,588       | 5,600       | 1,834   | 2,046       |
| Oil-fired . . . . .  | 331   | 720         | 478         | 124   | 19          |
| Hydro . . . . .  | 4,157   | 4,669       | 4,784       | 942   | 1,040       |
| Cogen . . . . .  | 3,645   | 5,199       | 6,250       | 1,958   | 1,970       |

*Notes:*

- (1) Attributable installed capacity is installed capacity of a power project multiplied by the percentage ownership of an equity owner for all of our projects.
- (2) Consolidated installed capacity is the aggregate installed capacity or capacity under construction (as the case may be) of our power projects that we fully consolidated in our consolidated financial statements only, calculated by including 100% of the installed capacity or capacity under construction of our project companies that we fully consolidated in our consolidated financial statements and are deemed as our subsidiaries, and exclude the installed capacity for our associates, Huangshi I Power Project and Huangshi II Power Project.
- (3) Average installed capacity is the aggregate daily consolidated installed capacity for a period divided by the number of days in the period.
- (4) Calculated as the average of the availability factor of each consolidated power project weighted by each power project's installed capacity.
- (5) Utilization hours is the gross electricity generated in a specified period (in MWh or GWh) divided by the average installed capacity in the same period (in MW or GW).
- (6) Gas-fired utilization hours includes the utilization hours for the 10.4 MW Yulchon I Fuel Cell Project.

## SUMMARY

The following table sets out the weighted average gas and standard coal and average oil prices applicable to our projects in the PRC and Korea, inclusive of VAT for the periods indicated:

|  | For the year ended December 31, |       |       | For the four months ended April 30, |       |
|--|---------------------------------|-------|-------|-------------------------------------|-------|
|  | 2011                            | 2012  | 2013  | 2013                                | 2014  |
| PRC weighted average gas price<br>(RMB per Nm <sup>3</sup> ) <sup>(1)(2)(3)</sup> . . .    | 1.786                           | 1.859 | 1.861 | 1.813                               | 2.048 |
| PRC weighted average standard coal price (RMB per ton) <sup>(1)</sup> . . . . .            | 992                             | 905   | 757   | 810                                 | 729   |
| Korea weighted average gas price<br>(KRW per Nm <sup>3</sup> ) <sup>(1)(4)</sup> . . . . . | 723                             | 802   | 797   | 807                                 | 864   |
| Korea average oil price<br>(KRW per Liter) <sup>(5)</sup> . . . . .                        | 1,345                           | 1,640 | 1,499 | 1,535                               | 1,456 |

*Notes:*

- (1) The weighted average standard coal and the weighted average gas prices are weighted based on the consumption of gas or coal in each applicable period.
- (2) The PRC weighted average gas price excludes the gas price for Weigang Power Project, which exclusively uses blast furnace gas.
- (3) Our weighted average gas price in the PRC increased from the four months ended April 30, 2013 to the four months ended April 30, 2014 due to the directive issued by the NDRC requiring relevant government bodies to increase city gate prices by no greater than RMB0.4 per m<sup>3</sup> in June 2013, with effect from July 10, 2013.
- (4) Our weighted average gas price in Korea increased from the four months ended April 30, 2013 to the four months ended April 30, 2014 due to increases in gas prices, as indicated by the Japanese Crude Cocktail, a measurement of average prices of crude oil imported into Japan and an important determinant of natural gas prices in Korean markets. However, the Yulchon I Power Project PPA allows us to contractually incorporate fuel cost fluctuations in the tariff charged to our customer. See “*Business – Our business – Offtake arrangements*”.
- (5) We only purchase oil in Korea to supply Daesan I Power Project.

The table below sets out the weighted average tariffs (inclusive of VAT) applicable to each of our projects in the PRC and Korea for the periods indicated:

| Weighted average tariff (inclusive of VAT) <sup>(1)</sup> | For the year ended December 31, |        |        | For the four months ended April 30, |        |
|---|---------------------------------|--------|--------|-------------------------------------|--------|
|   | 2011                            | 2012   | 2013   | 2013                                | 2014   |
| <b>Gas-fired</b>  |                                 |        |        |                                     |        |
| PRC (RMB per kWh) . . . .                                 | 0.5872                          | 0.5798 | 0.6252 | 0.6602                              | 0.6401 |
| Korea (KRW per kWh) <sup>(2)</sup> . .                    | 149.3                           | 166.9  | 169.4  | 170.4                               | 185.9  |
| <b>Coal-fired</b>   |                                 |        |        |                                     |        |
| PRC (RMB per kWh) . . . .                                 | 0.4826                          | 0.5228 | 0.5138 | 0.5265                              | 0.5060 |
| <b>Oil-fired</b>  |                                 |        |        |                                     |        |
| Korea (KRW per kWh) . . .                                 | 453.2                           | 495.9  | 458.5  | 485.5                               | 452.8  |
| <b>Hydro</b>  |                                 |        |        |                                     |        |
| PRC (RMB per kWh) . . . .                                 | 0.3515                          | 0.3472 | 0.3326 | 0.3950                              | 0.3932 |
| <b>Cogen</b>  |                                 |        |        |                                     |        |
| PRC (RMB per kWh) <sup>(3)</sup> . . .                    | 0.5110                          | 0.5330 | 0.5276 | 0.5340                              | 0.5089 |

*Notes:*

- (1) Weighted average tariffs are affected not only by a change in the tariff for each project but also a change in net generation for each project.

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## SUMMARY

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- (2) Weighted average tariff (inclusive of VAT) for gas-fired power projects includes the tariffs (inclusive of VAT) for the 10.4 MW Yulchon I Fuel Cell Project.
- (3) The weighted average tariffs (inclusive of VAT) for our cogen power projects exclude steam tariffs (inclusive of VAT).

### SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

You should read the entire Accountants' Report, including the notes therein, included in Appendix I for more details regarding the financial information of our Group. See Section B, Subsequent Events, of the Accountants' Report included as Appendix I to this prospectus for a presentation of the financial information of our Group (excluding the Disposal Group). The following is a summary of historical consolidated financial information of our Group (excluding the Disposal Group).

The following table sets out our results of operations for each of the periods indicated as derived from the Accountants' Report in Appendix I to this prospectus.

|  | For the year ended December 31, |         |         | For the four months<br>ended April 30, |         |
|--|---------------------------------|---------|---------|--|---------|
|  | 2011                            | 2012    | 2013    | 2013                                   | 2014    |
|  | (U.S.\$ millions)               |         |         |  |         |
| Revenue . . . . .                              | 754.7                           | 932.4   | 1,037.3 | 299.5                                  | 311.2   |
| Total operating expenses . . . .               | (676.4)                         | (852.2) | (922.1) | (262.8)                                | (272.5) |
| Operating profit . . . . .                     | 78.3                            | 80.2    | 115.2   | 36.7                                   | 38.7    |
| Profit before tax . . . . .                    | 33.3                            | 64.9    | 109.7   | 39.1                                   | 32.5    |
| Income tax expense . . . . .                   | (13.9)                          | (26.5)  | (40.1)  | (10.5)                                 | (11.0)  |
| Profit for the year/period . . . .             | 19.4                            | 38.4    | 69.6    | 28.6                                   | 21.5    |
| Profit for the year/period<br>attributable to: |                                 |         |         |  |         |
| Owner of the Company . . . . .                 | 11.3                            | 29.0    | 55.3    | 24.2                                   | 15.8    |
| Non-controlling interests . . . .              | 8.1                             | 9.4     | 14.3    | 4.4                                    | 5.7     |
|  | 19.4                            | 38.4    | 69.6    | 28.6                                   | 21.5    |

## SUMMARY

The following table sets out selected items from our results of operations by fuel type and on a consolidated basis for each of the periods indicated.

|                                   | Gas-fired<br>projects <sup>(1)</sup> | Coal-fired,<br>cogen and<br>steam<br>projects | Oil-fired<br>projects | Hydro<br>projects | Corporate <sup>(2)</sup> | Consolidated |
|-----------------------------------|--------------------------------------|---|-----------------------|-------------------|--------------------------|--------------|
|                                   | (U.S.\$ millions)                    |   |                       |                   |                          |              |
| <b>For the four months</b>        |                                      |   |                       |                   |                          |              |
| <b>ended April 30, 2014</b>       |                                      |   |                       |                   |                          |              |
| Revenue . . . . .                 | 211.2                                | 76.3  | 13.9                  | 9.8               | –                        | 311.2        |
| Operating expenses . . . . .      | (188.9)                              | (59.1)  | (8.8)                 | (6.0)             | (9.7)                    | (272.5)      |
| Operating profit (loss) . . . . . | 22.3                                 | 17.2  | 5.1                   | 3.8               | (9.7)                    | 38.7         |
| <b>For the four months</b>        |                                      |   |                       |                   |                          |              |
| <b>ended April 30, 2013</b>       |                                      |   |                       |                   |                          |              |
| Revenue . . . . .                 | 181.7                                | 74.1  | 34.8                  | 8.9               | –                        | 299.5        |
| Operating expenses . . . . .      | (158.2)                              | (60.8)  | (28.9)                | (6.0)             | (8.9)                    | (262.8)      |
| Operating profit (loss) . . . . . | 23.5                                 | 13.3  | 5.9                   | 2.9               | (8.9)                    | 36.7         |
| <b>For the year ended</b>         |                                      |   |                       |                   |                          |              |
| <b>December 31, 2013</b>          |                                      |   |                       |                   |                          |              |
| Revenue . . . . .                 | 660.1                                | 213.9   | 125.3                 | 38.0              | –                        | 1,037.3      |
| Operating expenses . . . . .      | (588.4)                              | (174.3)                                       | (113.2)               | (19.9)            | (26.3)                   | (922.1)      |
| Operating profit (loss) . . . . . | 71.7                                 | 39.6  | 12.1                  | 18.1              | (26.3)                   | 115.2        |
| <b>For the year ended</b>         |                                      |   |                       |                   |                          |              |
| <b>December 31, 2012</b>          |                                      |   |                       |                   |                          |              |
| Revenue . . . . .                 | 507.2                                | 213.5   | 174.3                 | 37.4              | –                        | 932.4        |
| Operating expenses . . . . .      | (456.3)                              | (189.1)                                       | (162.0)               | (20.2)            | (24.6)                   | (852.2)      |
| Operating profit (loss) . . . . . | 50.9                                 | 24.4  | 12.3                  | 17.2              | (24.6)                   | 80.2         |
| <b>For the year ended</b>         |                                      |   |                       |                   |                          |              |
| <b>December 31, 2011</b>          |                                      |   |                       |                   |                          |              |
| Revenue . . . . .                 | 435.8                                | 195.0   | 90.5                  | 33.4              | –                        | 754.7        |
| Operating expenses . . . . .      | (377.9)                              | (185.3)                                       | (76.3)                | (17.9)            | (19.0)                   | (676.4)      |
| Operating profit (loss) . . . . . | 57.9                                 | 9.7   | 14.2                  | 15.5              | (19.0)                   | 78.3         |

*Notes:*

- (1) Gas-fired project revenue includes the revenue from the 10.4 MW Yulchon I Fuel Cell Project.
- (2) The Corporate segment primarily comprises head office general and administrative expenses related to our Group (excluding the Disposal Group) and the Disposal Group. After the Reorganization, the portion of head office general and administrative expenses attributable to the Disposal Group will be reimbursed by the immediate holding company on a “cost-plus” basis. For additional information, see “*Connected Transactions – (A) With the CGN Group (Including the Disposal Group) – Non-exempt Continuing Connected Transactions subject to reporting and announcement requirements – 2(a) Operation and Management Services (CGN Energy) Framework Agreement*” on page 235 and “*Connected Transactions – (A) With the CGN Group (Including the Disposal Group) – Non-exempt Continuing Connected Transactions subject to reporting and announcement requirements – 2(b) Operation and Management Services (Huamei Holding) Framework Agreement*” on page 236.



## SUMMARY

The following table sets forth the operating results of our power projects by geographic region:

| Project Location   | For the year ended December 31, |             |             | For the four months<br>ended April 30, |             |
|--|---------------------------------|-------------|-------------|--|-------------|
|  | 2011                            | 2012        | 2013        | 2013                                   | 2014        |
|  | (U.S.\$ millions)               |             |             |  |             |
| PRC  |                                 |             |             |  |             |
| Profit for the year/period from subsidiaries<br>attributable to owner of the Company . . . . | 30.3                            | 30.1        | 40.3        | 13.4                                   | 15.5        |
| Share of results of associates . . . . .   | (5.0)                           | 11.3        | 37.4        | 9.9                                    | 9.3         |
| PRC profit for the year/period attributable to<br>owner of the Company . . . . .             | 25.3                            | 41.4        | 77.7        | 23.3                                   | 24.8        |
| Korea . . . . .  |                                 |             |             |  |             |
| Profit for the year/period from subsidiaries<br>attributable to owner of the Company . . . . | 30.7                            | 32.1        | 27.9        | 14.1                                   | 8.4         |
| Corporate <sup>(1)</sup> . . . . .   | (44.7)                          | (44.5)      | (50.3)      | (13.2)                                 | (17.4)      |
| Profit for the year/period attributable to owner of<br>the Company . . . . .                 | <u>11.3</u>                     | <u>29.0</u> | <u>55.3</u> | <u>24.2</u>                            | <u>15.8</u> |

*Note:*

- (1) The Corporate segment primarily comprises head office general and administrative expenses related to the Remaining Group and the Disposal Group. After the Reorganization, the portion of head office general and administrative expenses attributable to the Disposal Group will be reimbursed by the immediate holding company on a “cost-plus” basis. For additional information, see “*Connected Transactions – (A) With the CGN Group (Including the Disposal Group) – Non-exempt Continuing Connected Transactions subject to reporting and announcement requirements – 2(a) Operation and Management Services (CGN Energy) Framework Agreement*” and “*Connected Transactions – (A) With the CGN Group (Including the Disposal Group) – Non-exempt Continuing Connected Transactions subject to reporting and announcement requirements – 2(b) Operation and Management Services (Huamei Holding) Framework Agreement*”.

The following table sets out our consolidated balance sheet information as extracted from the Accountants’ Report in Appendix I to this prospectus.

|  | As of December 31, |              |              | As of<br>April 30, |
|--|--------------------|--------------|--------------|--------------------|
|  | 2011               | 2012         | 2013         | 2014               |
|  | (U.S.\$ millions)  |              |              |                    |
| Non-current assets . . . . .                             | 913.6              | 1,354.2      | 1,664.7      | 1,777.1            |
| Current assets . . . . .                                 | 519.3              | 730.2        | 707.9        | 689.4              |
| Current liabilities . . . . .                            | 305.0              | 461.9        | 211.7        | 290.3              |
| Net current assets . . . . .                             | 214.3              | 268.3        | 496.2        | 399.1              |
| Total assets less current liabilities . . . . .          | 1,127.9            | 1,622.5      | 2,160.9      | 2,176.2            |
| Non-current liabilities . . . . .                        | 793.7              | 1,204.2      | 1,667.1      | 1,671.7            |
| Net assets . . . . .                                     | <u>334.2</u>       | <u>418.3</u> | <u>493.8</u> | <u>504.5</u>       |
| Equity attributable to owner of the<br>Company . . . . . | 240.4              | 311.5        | 387.3        | 398.5              |
| Non-controlling interests . . . . .                      | 93.8               | 106.8        | 106.5        | 106.0              |
| <b>Net assets/total equity . . . . .</b>                 | <u>334.2</u>       | <u>418.3</u> | <u>493.8</u> | <u>504.5</u>       |

## SUMMARY

The following table sets out a summary of our cash flows as extracted from the Accountants' Report in Appendix I to this prospectus.

|  | For the year ended December 31, |             |              | For the four months ended April 30, |              |
|--|---------------------------------|-------------|--------------|-------------------------------------|--------------|
|  | 2011                            | 2012        | 2013         | 2013                                | 2014         |
|  | (U.S.\$ millions)               |             |              |                                     |              |
| Net cash from operating activities . . . . .   | 85.4                            | 145.4       | 184.8        | 40.8                                | 51.4         |
| Net cash used in investing activities . . . . .  | (140.1)                         | (572.4)     | (286.1)      | (106.3)                             | (81.0)       |
| Net cash from (used in) financing activities . . . . .   | 78.8                            | 397.2       | 182.5        | 71.2                                | (32.7)       |
| Net increase (decrease) in cash and cash equivalents . .                                       | 24.1                            | (29.8)      | 81.2         | 5.7                                 | (62.3)       |
| Cash and cash equivalents at beginning of year/period . .                                      | 87.8                            | 112.8       | 83.7         | 83.7                                | 167.6        |
| Effect of foreign exchange rate changes . . . . .  | 0.9                             | 0.7         | 2.7          | 4.3                                 | (1.4)        |
| Cash and cash equivalents at end of year/period, representing bank balances and cash . . . . . | <u>112.8</u>                    | <u>83.7</u> | <u>167.6</u> | <u>93.7</u>                         | <u>103.9</u> |

The following table sets out certain financial ratios and other information derived from the Accountants' Report in Appendix I to this prospectus.

|   | As of and for the year ended December 31, |       |       | As of and for the four months ended April 30, |
|---|---|-------|-------|---|
|   | 2011                                      | 2012  | 2013  | 2014  |
| EBITDA (U.S.\$ millions) <sup>(1)</sup> . . . . . | 133.6                                     | 141.1 | 185.8 | 66.3  |
| Current ratio <sup>(2)</sup> . . . . .            | 1.70                                      | 1.58  | 3.34  | 2.37  |
| Net debt/equity <sup>(3)</sup> . . . . .          | 2.09                                      | 2.90  | 3.01  | 3.06  |
| Operating margin (%) <sup>(4)</sup> . . . . .     | 10.4                                      | 8.6   | 11.1  | 12.4  |
| Net margin (%) <sup>(5)</sup> . . . . .           | 2.6                                       | 4.1   | 6.7   | 6.9   |

*Notes:*

- (1) EBITDA is calculated by adding depreciation and amortization to the operating profit. We present EBITDA in certain tables and discussions in this prospectus in addition to other financial information because we consider EBITDA to be an important performance measure and we believe that EBITDA is used by many industries and investors as one measure of gross cash flow generation. EBITDA should not be considered by an investor as an alternative to cash flow as determined in accordance with generally accepted accounting principles, and is not a standard measure under IFRS. Our calculation of EBITDA may differ from similarly titled computations of other companies.
- (2) Current ratio is calculated by dividing current assets by current liabilities.
- (3) Net debt/equity is calculated as net debt, which is an aggregate of bank borrowings, bond payables and loan from an intermediate holding company less bank balances and cash (including cash under cash-pooling arrangements), divided by total equity, representing the net assets of the Remaining Group.
- (4) Operating margin is calculated by dividing operating profit by revenue.
- (5) Net margin is calculated by dividing profit for the year/period by revenue.

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## SUMMARY

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### PRINCIPAL STRENGTHS

We believe that we have the following principal strengths:

- we are positioned as CGN's sole global platform for development and operation of non-nuclear clean and renewable power generation projects;
- we have a long track record of successfully acquiring, developing, financing and profitably operating high quality power generation projects in Asia;
- we have projects that are strategically located in regional markets with solid economic fundamentals and favorable supply and demand dynamics;
- we have a diversified portfolio of power projects across various geographies and a wide range of fuel types with long term PPAs, which reduce our operational and financial risks and provide stable cash flows; and
- we have a highly experienced leadership team with extensive international experience, strong technical expertise and in-depth local knowledge supported by highly skilled employees.

### BUSINESS STRATEGY

Our goal is to increase shareholder value and to be one of the most profitable IPPs in Asia in the long-term by strengthening our competitive position in the PRC while seeking growth opportunities in a disciplined manner outside the PRC. We intend to achieve this goal by pursuing the following principal strategies:

- we will selectively exercise our acquisition rights under the non-competition deed (please see "*Relationship with CGN Group – Non-competition Deed and Undertakings – Right to Acquire the Retained Business*" on page 216 for details) on CGN's non-nuclear clean and renewable power generation projects, including hydro, wind power and solar projects, and we aim to consolidate CGN's non-nuclear clean and renewable businesses to create value for shareholders;
- we will continue to focus on attractive returns through our development, expansion and acquisition of clean and renewable power projects from third parties;
- we will maintain a well-balanced and diversified portfolio of power projects in terms of fuel and geography, and focus on expanding our clean and renewable energy project portfolio; and
- we will continue to improve our power projects' operational efficiency and financial management to achieve greater profitability and stability.

As of December 31, 2013, our Group's gross installed capacity for our PRC power projects accounted for 0.2% of China's total installed capacity and as of April 30, 2014, its Korean power projects accounted for 2.3% of Korea's total installed capacity. For further details, see "*Industry Overview – The PRC Power Industry – Competition – Competitive landscape and advantages*" on page 88 and "*Industry Overview – The Korean Power Industry – Competition – Competitive landscape*" on page 96.

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## SUMMARY

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### SUMMARY OF RISK FACTORS

We believe that there are certain risks involved in the operations of our Group. These risks are set out in the section headed “*Risk Factors*” on page 37 in this prospectus and certain of the risks are summarized below.

- Our revenue and profit are greatly impacted by our tariffs and net generation. Any reduction in tariffs or of net electricity generated or net steam generated may result in a decrease in our revenue and have a material adverse effect on our business, financial condition and results of operation.
- Regulation promoting clean and renewable energy may have an adverse effect on our revenue and net profit.
- We may experience limitations on the dispatch of our electricity due to grid congestion or other grid constraints. Any reduction in dispatched output due to grid congestion or constraint may have a material adverse effect on the sales of electricity generated from our power generation projects, as well as our business, financial condition and results of operations.
- Increases in the local supply of or decreases in demand for power in the areas in which we operate may have a material adverse effect on our power sales.
- Interpretation and implementation of PRC laws and regulations involves significant domestic uncertainties.
- We may not be able to expand our business effectively through acquisitions, investments and alliances and there can be no assurance that all or any of our proposed acquisitions, investments or alliances will be consummated on commercially acceptable terms, if at all.

### MAJOR CUSTOMERS AND SUPPLIERS

Our primary customers are the electricity offtakers for our projects. The percentage of aggregate revenue contributed by our largest customer, KEPCO, for the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014 was 50.7%, 50.3%, 47.1% and 55.2%, respectively. KEPCO is an integrated electric utility company engaged in the transmission and distribution of substantially all of the electricity in Korea. KEPCO has been our major purchaser since Yulchon I Power Project commenced operations and we have maintained a business relationship with KEPCO since 1996.

Our primary suppliers are the fuel providers for our projects, including oil, gas and coal. Our single largest supplier is KOGAS. The breakdown of percentage of total aggregate cost of coal, oil and gas consumed attributed to our largest supplier, KOGAS, for the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014 was 57.5%, 56.7%, 67.6% and 73.7%, respectively. KOGAS was incorporated by the Korean government in 1983 and is the sole wholesale supplier of natural gas in Korea, and as a result, is currently the only source of natural gas. KOGAS has been our major supplier since we entered into a long-term fuel supply agreement with KOGAS in 2009.

Please see “*Risk Factors – Risks Relating to our Business and Industry – The majority of our power generation projects rely on a single customer to purchase the power we generated from each respective power generation project which may expose us to operating and financial risks*” on page 46 and “*Risk Factors – Risks Relating to our Business and Industry – All of our gas-fired and oil-fired power projects rely on a single fuel supplier. Any interruption or shortage of our fuel supply may have a material adverse effect on our business, financial condition and results of operation*” on page 46.

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## SUMMARY

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### CAPITAL COMMITMENTS AND EXPENDITURE

Our capital expenditures principally relate to the acquisition, development, maintenance and upgrade of projects. Our capital expenditure, which is addition to property, plant and equipment, for the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014 was U.S.\$69.8 million, U.S.\$442.0 million, U.S.\$304.8 million and U.S.\$114.2 million, respectively.

Our planned committed capital expenditure for 2014 and 2015 is expected to be U.S.\$132.9 million and U.S.\$21.1 million, respectively, and will primarily be used for financing our current projects under construction as well as investment in other pipeline projects and upgrading equipment in compliance with environmental standards.

### GLOBAL OFFERING STATISTICS

The statistics below are based on the assumption that 1,033,934,000 Offer Shares are issued under the Global Offering:

|  | Based on the low end of the<br>indicative Offer Price range of<br>HK\$1.57 per Share | Based on the high end of the<br>indicative Offer Price range of<br>HK\$1.73 per Share |
|--|--|---|
| Market capitalization of our<br>Shares <sup>(1)(2)</sup> . . . . .   | HK\$6,489.3 million  | HK\$7,150.7 million   |
| Unaudited pro forma adjusted<br>consolidated<br>net tangible assets of the Group<br>attributable to owners of the<br>Company per Share <sup>(3)</sup> . . . . .  | HK\$1.85   | HK\$1.89  |
| Unaudited pro forma adjusted<br>consolidated net tangible assets of<br>the Group excluding the Disposal<br>Group and after the special dividend<br>attributable to owners of the<br>Company per Share <sup>(4)</sup> . . . . . | HK\$1.11   | HK\$1.15  |

*Notes:*

- (1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.
- (2) The calculation of market capitalization is based on 1,033,934,000 Shares expected to be in issue following the Global Offering, assuming that the Over-allotment Option is not exercised.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 4,135,734,000 Shares, assuming 1,033,934,000 Shares expected to be issued pursuant to the Global Offering and 3,101,800,000 Shares issued pursuant to the shareholder resolutions of the Company dated September 15, 2014 and repurchase of 100,000 ordinary shares of US\$0.4 each had been taken place as at April 30, 2014. It is without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, or any Shares which may be issued or repurchased pursuant to our Company's general mandate.
- (4) The financial information of the Group as at April 30, 2014 set out in the Accountants' Report included net tangible assets of the Disposal Group as they formed an integral part of the Group's business as at April 30, 2014. Pursuant to the Reorganisation, the equity interest in the Disposal Group has been transferred to the immediate holding company subsequent to April 30, 2014. In addition, the Group has declared a special dividend to set off against the net amounts due from Disposal Group held in the book of the Company at the date of the Disposal. Taking into account of the transfer of



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## SUMMARY

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the Disposal Group and the special dividend declared, the unaudited pro forma adjusted consolidated net tangible assets of the Group after completion of the transfer of the Disposal Group and the special dividend attributable to owners of the Company per Share would be as per above.

### FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$1,532 million (assuming an Offer Price of HK\$1.65 per Offer Share, being the mid-point of the Offer Price range), after deducting the underwriting fees and commissions and estimated expenses payable by us in relation to the Global Offering and assuming that the Over-allotment Option is not exercised.

We intend to use the net proceeds we will receive from the Global Offering for the following purposes:

- approximately HK\$1,072 million representing approximately 70% of the net proceeds will be used to selectively acquire clean and renewable power projects from CGN. See “*Business – Power Project Pipeline*” on page 168. Subject to market conditions, regulatory approval and independent Shareholders approval, as required under the Listing Rules, if applicable, we expect to use these proceeds in the near term and in any event by the end of 2015; and
- approximately HK\$460 million representing approximately 30% of the net proceeds will be used for acquisition of operational power projects and development of greenfield projects acquired from independent third parties. Subject to market conditions, regulatory approval and Shareholders approval, as required under the Listing Rules, if applicable, we expect to use these proceeds in the near term and in any event by the end of 2015. In particular, we intend to apply part of the net proceeds to satisfy the equity portion for the development of a greenfield wind power project if we are successful in purchasing the requisite development rights for such project from an independent third party. See “*Business – Power Project Pipeline*” on page 168.

The above allocation of proceeds will be adjusted on a pro rata basis in the event the Offer Price is fixed at a higher or lower level compared to the mid-point of the Offer Price range or if the Over-allotment Option is exercised.

### DIVIDEND POLICY

In 2011, we declared a dividend of U.S.\$33.0 million which we paid in 2013. We paid this dividend in cash and out of our distributable profits. In 2014, we declared and paid a dividend of U.S.\$3.3 million to CGNPC Huamei, which was offset by a cash payment payable by CGNPC Huamei in 2014 pursuant to the Reorganization. Our Directors consider the dividend payments made not to be indicative of our future dividend policy. We expect to distribute no less than 15% of our annual distributable earnings as dividends. The declaration and payment of dividends may be limited by certain covenants of our loans. See “*Financial Information – Dividend Policy and Distributable Reserves – Dividend Policy*” on page 311 for further details.

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## SUMMARY

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### **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER**

Our Controlling Shareholder, CGN, through its indirect wholly-owned subsidiary, CGNPC Huamei, became a Shareholder of our Company in November 2010. Throughout the Track Record Period, CGN remained our Controlling Shareholder. Upon completion of the Global Offering, CGN will hold 75% of our Shares, or approximately 72.3%, if the Over-allotment Option is exercised in full. CGN is a wholly state-owned company, established on September 29, 1994 under the laws of the PRC. As of the Latest Practicable Date, SASAC and Guangdong Hengjian Investment Holding Co., Ltd. (on behalf of the People's Government of Guangdong Province) held 90% and 10%, respectively, of the equity interest in CGN. See “*Our History and Development – Our History – CGN’s acquisition of our Company*” on page 103 for further details. See “*Relationship with CGN Group*” on page 209 for further details of our relationship with the CGN Group.

### ***Retained Business of the CGN Group***

Apart from its controlling interest in our Group, CGN, through interests in its subsidiaries (including the Disposal Group), has retained controlling interest in certain non-nuclear power generation businesses in operation and under construction which compete or are likely to compete with our business and will continue to own and/or operate the Retained Business after the Global Offering is completed. CGN Group’s principal business outside of our Group is nuclear power generation, whilst our Group does not currently, and does not intend to in the future, own, operate or manage any nuclear power project.

As of April 30, 2014, the Retained Business comprised 64 wind power generation projects, 13 hydro power generation projects, 15 solar power generation projects and one cogen power project in operation with a consolidated installed capacity of approximately 6.76 GW, as well as 23 wind power generation projects, three hydro power generation projects and five solar power generation projects under construction or expansion with a consolidated capacity of approximately 1.82 GW. Due to the limited overlap of the locations of CGN Group’s existing Retained Business with the locations of our Group’s business, and the unique features of the power industry in the PRC, we believe that the competition between CGN Group’s existing Retained Business and our Group’s business is limited. See “*Relationship with CGN Group*” on page 209 for further details.

### ***Non-competition undertakings from CGN***

While there is some limited overlap of locations of CGN Group’s existing Retained Business with the locations of our business, pursuant to a non-competition deed dated September 15, 2014, CGN has agreed not to, and to procure its subsidiaries (other than our Group) not to, compete with us in our non-nuclear power business (save for the retention of the existing Retained Business of the CGN Group or any future business which the CGN Group carried out pursuant to the non-competition deed) and granted us with a right to acquire the Retained Business of the CGN Group and a right to acquire a new business or equity investment opportunity directed to us according to the terms of the non-competition deed. In addition, pursuant to the operation and management framework agreements we have entered into with CGN Energy and Huamei Holding on August 20, 2014 and September 15, 2014, respectively, our Company has agreed to provide, or to procure a member of our Group to provide, operation and management services to power generation projects (whether in operation or under construction) in which a subsidiary or an associated company of CGN Energy and Huamei Holding has an interest. During the initial term of the agreement, we will manage 27 power generation projects (four of which are under construction or will commence construction), as well as an investment holding company holding some of the power generation projects, which the CGN Group has interests in. These


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## SUMMARY

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27 power generation projects comprise projects held by the Disposal Group (which has become part of the CGN Group upon completion of the Reorganization) as well as CGN Energy, a member of the CGN Group. These arrangements have been entered into as a form of internal control measure which we believe would help us monitor the status and performance of some of the Retained Business of the CGN Group and, as a result, would help to mitigate the concern of competition from the existing Retained Business of the CGN Group. See “*Relationship with CGN Group*” and “*Connected Transactions*” on pages 209 and 226, respectively, in this prospectus for further details regarding our non-competition arrangements with CGN.

### ***Connected transactions with the CGN Group***

In addition to the transactions under the above operation and management framework agreements, we have entered into certain continuing connected transactions with the CGN Group, pursuant to which the CGN Group may provide certain financial services, entrustment loan services, loan risk management advisory services, insurance brokerage services and financial advisory services to our Group, as well as license its trademark “ CGN” for our use, share a network data line with our Group and lease an office premise in Shenzhen for our use. Other than the transactions in relation to financial services arrangements which will constitute non-exempt continuing connected transactions requiring compliance with reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules, all other transactions with the CGN Group will either constitute non-exempt continuing connected transactions requiring compliance with reporting and announcement requirements or exempt continuing connected transactions under Chapter 14A Listing Rules. In relation to our non-exempt continuing connected transactions with the CGN Group, the Stock Exchange has granted us waiver from strict compliance with applicable requirements of Chapter 14A of the Listing Rules. See section headed “*Connected Transactions*” on page 226 for further details.

### **REGULATORY COMPLIANCE**

As of the Latest Practicable Date, we owned 76 buildings with an aggregate GFA of approximately 190,733.4 square meters in the PRC. We do not have the building ownership certificates for 53 of our owned buildings with an aggregate GFA of approximately 78,057.7 square meters in the PRC. In addition, for three of the 13 building units leased by us with an aggregate GFA of approximately 376.8 square meters (which represent 16.1% of the aggregate GFA of all of our leased buildings in the PRC) and which we use as employee residence, the lessors had not obtained or delivered to us the relevant building ownership certificates. In view of the nature of our use of these owned and leased properties, and/or the nature and extent of the risk that we are exposed to because of such title defects as advised by our PRC legal adviser, we believe that none of such property title defects will materially and adversely impact our business operations. See section headed “*Business – Properties*” on page 185 in this prospectus for further details of the nature of the title defects, maximum penalty and potential legal impact, views of our PRC legal adviser and remedial actions taken or to be taken by us. In addition, certain members of our Group were involved in systematic non-compliances, primarily in respect of the timely laying of audited financial statement at annual general meetings in Hong Kong and the timely filing of audited financial statements with relevant authorities in Mauritius and Malta, which do not have any material financial or operational impact on our Group. See section headed “*Business – Licenses, Regulatory Approvals and Compliance – Systematic non-compliances in Hong Kong, Mauritius and Malta*” on page 182 for further details of the non-compliance, potential maximum penalty or fine and our remedial actions.

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## SUMMARY

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### LISTING EXPENSES

Our listing expenses in connection with the Listing, which include professional fees, underwriting commission and fees, are estimated to be U.S.\$22.3 million (assuming an Offer Price of HK\$1.65 per Offer Share, being the mid-point of the Offer Price range). For the year ended December 31, 2013 and for the four months ended April 30, 2014, our Group incurred listing expenses of approximately U.S.\$6.9 million and U.S.\$1.2 million, respectively, which were fully charged to the consolidated statements of profit or loss and other comprehensive income of our Group for the respective periods. It is estimated that approximately U.S.\$9.3 million (assuming an Offer Price of HK\$1.65 per Offer Share, being the mid-point of the Offer Price range) of listing expenses will be capitalized after the Listing, with the remaining U.S.\$4.9 million of listing expenses charged to the consolidated statements of profit or loss and other comprehensive income of our Group for the year ending December 31, 2014.

### RECENT DEVELOPMENTS

On January 10, 2014, we submitted our letter of intent of investment to local officials in Korea with respect to the proposed Daesan II Power Project as an initial step to the application for change in land use. We submitted the official application for change in land use and held a public hearing in June 2014, and we expect to receive approval for change in land use for Daesan II Power Project by December 2014. We target to commence construction for Daesan II Power Project by the end of 2016, and the total estimated capital investment for Daesan II Power Project is approximately KRW1,000.0 billion. Based on our plans, we expect Daesan II Power Project to contribute an additional installed capacity of 946.0 MW, which will further enhance our project portfolio.

Based on our unaudited management accounts, we continued to experience stable growth in our revenue and operating profit for the three months ended July 31, 2014 as compared to the three months ended July 31, 2013, primarily as a result of the commencement of the combined cycle operations for Yulchon II Power Project in April 2014.

Hexie Power Project ceased power generation in May 2014 and we have commenced winding down the project. For the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, Hexie Power Project had a loss for the year of U.S.\$1.0 million, U.S.\$2.9 million, U.S.\$0.2 million and U.S.\$0.1 million, respectively. As of April 30, 2014, the net assets of Hexie Company was U.S.\$24.1 million. No impairment was recognized in regards to Hexie Power Project for the Track Record Period given that the magnitude of the operating loss was reducing during the period, and no impairment was recognised as of the Latest Practicable Date as we do not expect there to be a negative financial impact on our financials nor any loss upon the disposal of our interest in Hexie Company or its assets in view that the appraised value of the parcel of land on which Hexie Power Project situates is much higher than the aforesaid net assets of Hexie Company.

The Directors confirm that, since April 30, 2014 to the date of this prospectus, there has not been any material adverse change relating to our operations, financial performance, expectations of financial performance or financial condition as a result of recent changes in economic conditions. For details relating to our proposed acquisition which is yet to be completed after the Track Record Period, please see the section headed “*Financial Information – Proposed Acquisition*” on page 312 of this prospectus.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this prospectus.*

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| “Application Form(s)”           | <b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Application Form(s), or where the context so requires, any of them   |
| “Bermuda Companies Act”         | the Companies Act 1981 of Bermuda   |
| “Board of Directors” or “Board” | the board of directors of our Company   |
| “business day”                  | any day (other than a Saturday or Sunday) in Hong Kong on which banks in Hong Kong are open generally for normal banking business   |
| “BVI”                           | British Virgin Islands  |
| “Bye-laws”                      | the bye-laws of our Company, conditionally adopted on September 15, 2014 as amended from time to time, a summary of which is included in “Appendix VII – Summary of the Constitution of the Company and Bermuda Company Law”                                    |
| “CAGR”                          | compound annual growth rate   |
| “CCASS”                         | the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited  |
| “CCASS Clearing Participant”    | a person admitted to participate in CCASS as a direct clearing participant or general clearing participant  |
| “CCASS Custodian Participant”   | a person admitted to participate in CCASS as a custodian participant  |
| “CCASS Investor Participant”    | a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation   |
| “CCASS Participant”             | a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant   |
| “CGN”                           | China General Nuclear Power Corporation (中國廣核集團有限公司), formerly known as China Guangdong Nuclear Power Holding Co. Ltd. (中國廣東核電集團有限公司), a wholly state-owned company established under the laws of the PRC on September 29, 1994 and our Controlling Shareholder |



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## DEFINITIONS

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| “CGN Energy”  | CGN Energy Development Co., Ltd. (中廣核能源開發有限責任公司), a direct subsidiary of CGN established under the laws of the PRC on April 25, 2003, in which 65.84% equity interest is owned by CGN, and the remaining 34.16% equity interest is beneficially owned by investors under an asset management plan and held in trust by Pingan Trust Co., Ltd. which entrusted CGN to exercise the shareholder rights in relation to their interests (including voting rights but excluding the right of disposal) |
| “CGN Group”   | CGN and all of its subsidiaries, excluding our Group (as defined below) and including the Disposal Group (as defined below)   |
| “CGNPC Huamei”  | CGNPC Huamei Investment Limited (中廣核華美投資有限公司), an indirectly wholly-owned subsidiary of CGN incorporated in Hong Kong on January 21, 2010 and the direct sole Shareholder of our Company  |
| “China” or “PRC”  | the People’s Republic of China, but for the purposes of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to China or the PRC do not include Taiwan, the Macau Special Administrative Region and Hong Kong   |
| “CJV”   | Sino-foreign cooperative joint venture established under the laws of the PRC  |
| “Company” or “our Company”                                      | CGN Meiya Power Holdings Co., Ltd. (中國廣核美亞電力控股有限公司), incorporated in Bermuda on September 28, 1995 as an exempted company with limited liability  |
| “Companies (Winding Up and Miscellaneous Provisions) Ordinance” | the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time  |
| “Controlling Shareholders”                                      | CGN, CGNPC International Limited and CGNPC Huamei   |
| “CSRC”  | China Securities Regulatory Commission  |
| “Daesan Company”  | MPC Daesan Power Co., Ltd., a joint stock company incorporated in Korea on April 8, 2009 and a wholly-owned subsidiary of our Company held through MPC Korea  |
| “Daesan I Power Project” or “Daesan I”                          | a 507.0 MW oil-fired project in Korea   |
| “Daesan II Power Project”                                       | a proposed 946.0 MW gas-fired project in Korea  |

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## DEFINITIONS

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| “Director(s)”                          | the director(s) of our Company   |
| “Disposal Group”                       | consists of 100% interest in certain of our subsidiaries prior to the undertaking of the Reorganization which held interest in certain operating power projects, subsidiaries, associates and a joint venture that were transferred to CGNPC Huamei as part of the Reorganization pursuant to a restructuring agreement dated September 15, 2014. For additional information, please see the section headed “ <i>Our History and Development – Our Reorganization</i> ” in this prospectus   |
| “EHS”                                  | an environmental, health and safety policy adopted by our Group pursuant to which it has issued requirements on EHS systems for all of project companies under our operational control   |
| “EIT Law”                              | Enterprise Income Tax Law of the PRC   |
| “EJV”                                  | Sino-foreign equity joint venture established under the laws of the PRC  |
| “Fushi Dam JV”                         | Guangxi Rongjiang Meiya Company Limited (廣西融江美亞有限公司), a Sino-foreign cooperative joint venture company with limited liability established in the PRC on September 15, 1999 and a subsidiary of our Company. We hold a 55% interest in this company through our wholly-owned subsidiary, Meiya Rongjiang Hydropower Ltd., incorporated in Mauritius, and Liuzhou Shuye Electric Equipment Co., Ltd. holds the remaining 45% interest  |
| “Fushi I Hydro Project” or “Fushi I”   | a 54.0 MW hydro project in Guangxi, the PRC  |
| “Fushi II Hydro Project” or “Fushi II” | an 18.0 MW hydro project in Guangxi, the PRC   |
| “Fushi Power JV”                       | Guangxi Rongjiang Meiya Hydropower Company Limited (廣西融江美亞水電有限公司), a Sino-foreign cooperative joint venture company with limited liability established in the PRC on September 15, 1999, which is a subsidiary of our Company, held through our wholly-owned subsidiary, Meiya Rongjiang Hydropower Ltd., incorporated in Mauritius. We hold an 80% interest in this company and Guangxi Investment Group Co., Ltd. and Liuzhou Shuye Electric Equipment Co., Ltd. hold approximately 18.7% <sup>(1)</sup> and a 1.3% interest, respectively |

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*Note:*

- (1) The ownership of the approximately 18.7% equity interest in Fushi Power JV was the subject of a judgment from the Nanning Intermediate People’s Court in March 2006, according to which such 18.7% equity interest should belong to Guangxi Investment Group Co., Ltd. (廣西投資集團有限公司). The registration with the Administration for Industry and Commerce has not been updated to reflect the effect of the judgment and Guangxi Liuzhou Rongjiang Hydropower Development Company Limited (廣西柳州融江水電開發有限責任公司) remains as the holder of the said 18.7% of Fushi Power JV in the records of the Administration for Industry and Commerce.

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## DEFINITIONS

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| “GFA”                                  | gross floor area  |
| “Global Offering”                      | the Hong Kong Public Offering and the International Offering  |
| “GREEN application form(s)”            | the application form(s) to be completed by the <b>HK eIPO White Form Service Provider</b>   |
| “Group,” “our Group,” “we” or “us”     | our Company and its subsidiaries, but excluding the Disposal Group  |
| “Haian Cogen Power Project” or “Haian” | a 27.0 MW coal-fired cogen project in Jiangsu, the PRC  |
| “Haian Cogen”                          | Haian Meiya Cogeneration Co., Ltd. (海安美亞熱電有限公司), a wholly foreign-owned company with limited liability established in the PRC on December 20, 2002 and a subsidiary of our Company. We hold a 100% interest through our indirectly wholly-owned subsidiary, Meiya Haian Cogen Power Limited, incorporated in Hong Kong  |
| “Haian ETD Zone”                       | the Haian Economic and Technological Development Zone (海安經濟技術開發區) in Jiangsu Province   |
| “Hanneng JV”                           | Wuhan Han-Neng Power Development Co., Ltd (武漢漢能電力發展有限公司), a Sino-foreign equity joint venture company with limited liability established in the PRC on October 11, 1995, which is a subsidiary of our Company, held through our wholly-owned subsidiary, Meiya Hanneng Power Company Limited, incorporated in Mauritius. We hold a 60% interest and Wuhan Hua Yuan Power Group Co., Ltd. (武漢華源電力集團有限公司), Wuhan Hua Yuan Energy and Material Development Company (武漢華原能源物資開發公司) and Wuhan Economic Development and Investment Co., Ltd. (武漢經開投資有限公司), hold a 15%, 15% and 10% interest, respectively |
| “Hanneng Power Project” or “Hanneng”   | a 176.5 MW gas-fired project in Hubei, the PRC  |
| “Hexie Company”                        | Sichuan Hexie Electric Power Co., Ltd. (四川和協電力有限公司), a wholly foreign-owned company with limited liability established in the PRC on February 25, 1998, which is a subsidiary of our Company, held through our indirectly wholly-owned subsidiary, Fast Well Investments Limited, incorporated in Hong Kong   |
| “Hexie Power Project” or “Hexie”       | a 98.2 MW gas-fired project in Sichuan, the PRC   |

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## DEFINITIONS

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| “HK\$” or “Hong Kong dollars”                  | Hong Kong dollars, the lawful currency of Hong Kong  |
| “ <b>HK eIPO White Form</b> ”                  | the application for Hong Kong Public Offer Shares to be issued in the applicant’s own name by submitting application online through the designated website at <b>www.hkeipo.hk</b>   |
| “ <b>HK eIPO White Form Service Provider</b> ” | The Bank of East Asia, Limited, the HK eIPO White Form service provider designated by our Company, as specified on the designated website of the HK eIPO White Form at <b>www.hkeipo.hk</b>  |
| “HKSCC”  | Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited   |
| “HKSCC Nominees”                               | HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC   |
| “Hong Kong” or “HK”                            | the Hong Kong Special Administrative Region of the PRC   |
| “Hong Kong Companies Ordinance”                | the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time, which came into operation on March 3, 2014   |
| “Hong Kong Public Offering”                    | the offer of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in this prospectus and the Application Forms                    |
| “Hong Kong Public Offer Shares”                | 103,396,000 new Shares (subject to adjustment as described in the section headed “ <i>Structure of the Global Offering</i> ” in this prospectus) being offered by us for subscription at the Offer Price under the Hong Kong Public Offering |
| “Hong Kong Share Registrar”                    | Tricor Investor Services Limited   |
| “Hong Kong Underwriters”                       | the several underwriters of the Hong Kong Public Offering listed in the section headed “ <i>Underwriting – Hong Kong Underwriter(s)</i> ” in this prospectus   |
| “Hong Kong Underwriting Agreement”             | the underwriting agreement dated September 18, 2014 relating to the Hong Kong Public Offering entered into among us, CGNPC Huamei, the Joint Global Coordinators and the Hong Kong Underwriters  |

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## DEFINITIONS

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| “Huangshi I JV”                              | Hubei Xisaishan Power Generation Co., Ltd. (湖北西塞山發電有限公司), a Sino-foreign cooperative joint venture company with limited liability established in the PRC on October 18, 2000 and an associate of our Company. We hold a 49% interest through our indirectly wholly-owned subsidiary, Meiya Huangshi Power Limited incorporated in Hong Kong, and Huadian Hubei Power Generation Co., Ltd. (華電湖北發電有限公司) and Huangshi City Dingcheng Asset Management Co., Ltd. (黃石市鼎城資產管理有限公司) hold a 50% and 1.0% interest, respectively.     |
| “Huangshi I Power Project” or “Huangshi I”   | a 760.0 MW coal-fired project in Huangshi, near Wuhan, the capital of Hubei province, which consists of a 50% interest in a 200.0 MW coal-fired power unit and a 100% interest in two 330.0 MW coal-fired power units   |
| “Huangshi II JV”                             | Hubei Huadian Xisaishan Power Generation Co., Ltd. (湖北華電西塞山發電有限公司), a Sino-foreign equity joint venture company with limited liability established in the PRC on August 15, 2007 and an associate of our Company. We hold a 49% interest through our indirectly wholly-owned subsidiary, Meiya Huangshi Power Limited, incorporated in Hong Kong, and Huadian Hubei Power Generation Co., Ltd. (華電湖北發電有限公司) and Huangshi City Dingcheng Asset Management Co., Ltd. (黃石市鼎城資產管理有限公司) hold a 50% and 1.0% interest, respectively |
| “Huangshi II Power Project” or “Huangshi II” | a 2 x 680.0 MW coal-fired project and base load facility located in Huangshi, near Wuhan, the capital of Hubei province   |
| “Huamei Holding”                             | Huamei Holding Company Limited, a wholly-owned subsidiary of CGN established under the laws of Bermuda on November 29, 2013   |
| “IASB”                                       | International Accounting Standards  |
| “IFRS”                                       | International Financial Reporting Standards issued by the IASB  |
| “independent third party”                    | a party which, to the best of our Directors’ knowledge, information and belief, are independent of our Company and its connected persons  |
| “International Offering”                     | the offer by the International Underwriters of the International Offer Shares to QIBs in the United States in reliance on Rule 144A, and to institutional and professional investors outside the United States in reliance on Regulation S, as further described in the section headed “ <i>Structure of the Global Offering</i> ” in this prospectus   |

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## DEFINITIONS

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| “International Offer Shares”           | 930,538,000 Shares (subject to adjustment as described in the section headed “ <i>Structure of the Global Offering</i> ” in this prospectus) which are the subject of the International Offering, together with any additional shares offered pursuant to the exercise of the Over-allotment Option  |
| “International Underwriting Agreement” | the underwriting agreement relating to the International Offering expected to be entered into among us, the Joint Global Coordinators, the International Underwriters and CGNPC Huamei on or around September 25, 2014   |
| “International Underwriters”           | the group of underwriters, which is expected to enter into the International Underwriting Agreement to underwrite the International Offering   |
| “Jinqiao Steam Project” or “Jinqiao”   | a 300 tons/hour steam coal-fired project in Shanghai, the PRC  |
| “Jinqiao JV”                           | Shanghai Meiya Jinqiao Energy Co., Ltd. (上海美亞金橋能源有限公司), a Sino-foreign equity joint venture company with limited liability established in the PRC on July 14, 1995 and a subsidiary of our Company. We hold a 60% interest through our indirectly wholly-owned subsidiary, Meiya Jinqiao Power Limited incorporated in Hong Kong, and Shanghai Jinqiao Heat Power Co. Ltd. (上海金橋熱力有限公司) holds the remaining 40% interest |
| “Joint Bookrunners”                    | Morgan Stanley Asia Limited, Guotai Junan Securities (Hong Kong) Limited, J.P. Morgan Securities plc, BOCI Asia Limited, The Hongkong and Shanghai Banking Corporation Limited, ICBC International Capital Limited   |
| “Joint Global Coordinators”            | Morgan Stanley Asia Limited, Guotai Junan Securities (Hong Kong) Limited and J.P. Morgan Securities (Asia Pacific) Limited   |
| “Joint Lead Managers”                  | Morgan Stanley Asia Limited, Guotai Junan Securities (Hong Kong) Limited, J.P. Morgan Securities (Asia Pacific) Limited, BOCI Asia Limited, The Hongkong and Shanghai Banking Corporation Limited, ICBC International Securities Limited   |
| “KEPCO”                                | Korea Electric Power Corporation, established by the Republic of Korea on December 31, 1981 as a statutory juridical corporation in Korea and is an independent third party  |
| “KOGAS”                                | Korea Gas Corporation, established by the Republic of Korea in August 1983 as a statutory juridical corporation in Korea and is an independent third party   |
| “Korea”                                | The Republic of Korea  |

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## DEFINITIONS

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| “Korean Won”, “KRW” or “Won”                | the lawful currency of the Republic of Korea   |
| “KPX”                                       | the Korea Power Exchange   |
| “Latest Practicable Date”                   | September 10, 2014, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained in this prospectus   |
| “LATGGEA”                                   | the Law on the Allocation and Trade of Greenhouse Gas Emission Allowances, in Korea  |
| “LIBOR”                                     | London Interbank Offered Rate  |
| “Listing”                                   | the listing of our Shares on the Stock Exchange  |
| “Listing Committee”                         | the Listing Committee of the Stock Exchange  |
| “Listing Date”                              | the date, expected to be on or about October 3, 2014, on which dealings in our Shares first commence on the Stock Exchange   |
| “Listing Rules”                             | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)  |
| “Memorandum” or “Memorandum of Association” | the memorandum of association of our Company adopted upon incorporation and as amended from time to time   |
| “Mianyang Hydro Project” or “Mianyang”      | a 51.0 MW hydro project in Sichuan, the PRC  |
| “Mianyang JV”                               | Mianyang Sanjiang Meiya Hydropower Company Limited (綿陽三江美亞水電有限公司), a Sino-foreign cooperative joint venture company with limited liability established in the PRC on October 25, 2002 and a subsidiary of our Company. We hold a 75% interest through our wholly-owned subsidiary, Meiya Sanjiang Hydropower Limited, incorporated in the Cayman Islands, and Mianyang Sanjiang Construction Company Ltd. (綿陽市三江建設有限公司) holds the remaining 25% interest |
| “Ministry of Commerce” or “MOFCOM”          | the Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部), the PRC government agency responsible for the administration of domestic and international trade, foreign investment and international economic cooperation   |



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## DEFINITIONS

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| “MOTIE”                               | the Ministry of Trade, Industry and Energy, previously known as the Ministry of Knowledge Economy, and also, prior to the establishment of the Ministry of Knowledge Economy, the Ministry of Commerce, Industry and Energy, which oversees the power industry in Korea  |
| “MPC Korea”                           | MPC Korea Holdings Co., Ltd., a joint stock company established under the laws of Korea on November 22, 1996 that is wholly owned by Meiya Yulchon Power Company Limited in Malta, in which our Company and Meiya Power Development Company Limited hold interests of 99.95% and 0.05%, respectively. Meiya Power Development Company Limited is a wholly owned subsidiary of our Company  |
| “Nantong Cogen Power Project”         | a 48.0 MW coal-fired cogen project in Jiangsu, the PRC   |
| “Nantong Company”                     | Nantong Meiya Co-generation Co., Ltd. (南通美亞熱電有限公司), a wholly foreign-owned company with limited liability established in the PRC on March 13, 1997, which is a subsidiary of our Company, held through our indirectly wholly-owned subsidiary, Meiya Electric Asia, Ltd, which is incorporated in Mauritius  |
| “National Gencos”                     | the five national power generation groups in the PRC, namely China Huaneng Group, China Guodian Corporation, China Datang Corporation, China Huadian Corporation and China Power Investment Corporation  |
| “NDRC”                                | National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會), the PRC government agency responsible for developing national economic strategies and long term economic plans and for reporting economic and social development to the PRC National People’s Congress  |
| “NPC” or “National People’s Congress” | the National People’s Congress of the PRC (全國人民代表大會) and its Standing Committee  |
| “Offer Price”                         | the final Hong Kong dollar price per Offer Share (exclusive of brokerage, Stock Exchange trading fee and SFC transaction levy) of not more than HK\$1.73 and expected to be not less than HK\$1.57 at which the Offer Shares are to be issued pursuant to the Hong Kong Public Offering, to be determined as further described in the section headed “ <i>Structure of the Global Offering – Pricing and Allocation</i> ” in this prospectus |
| “Offer Shares”                        | the Hong Kong Public Offer Shares and the International Offer Shares including, where relevant, any additional Shares issued and allotted pursuant to the exercise of the Over-allotment Option (if any)   |

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## DEFINITIONS

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| “Operation and Management Services Framework Agreements” | the framework agreements we have entered into with each of CGN Energy and Huamei Holding in relation to the provision of certain operation and management services. See “ <i>Connected Transactions – (A) With the CGN Group (Including the Disposal Group) – Non-exempt Continuing Connected Transactions subject to reporting and announcement requirements – 2(a) Operation and Management Services (CGN Energy) Framework Agreement</i> ” and “ <i>Connected Transactions – (A) With the CGN Group (Including the Disposal Group) – Non-exempt Continuing Connected Transactions subject to reporting and announcement requirements – 2(b) Operation and Management Services (Huamei Holding) Framework Agreement</i> ” |
| “Over-allotment Option”                                  | the option to be granted by us to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters under the International Underwriting Agreement pursuant to which we may be required to offer an aggregate of 155,090,000 additional Offer Shares (representing in aggregate 15% of the number of Offer Shares initially available under the Global Offering) at the Offer Price to cover over-allocation in the International Offering   |
| “PBOC”   | the People’s Bank of China (中國人民銀行)   |
| “PRC Company Law”  | the Company Law of the PRC as enacted by the Standing Committee of the Eighth NPC on December 29, 1993 and effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time  |
| “PRC Renewable Energy Law”                               | the Renewable Energy Law of the PRC as enacted by the Standing Committee of the tenth NPC on February 28, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time   |
| “Price Determination Date”                               | the date, expected to be on or around Thursday, September 25, 2014 but no later than Monday, September 29, 2014, on which the Offer Price is fixed for the purposes of the Global Offering  |
| “Principal Share Registrar”                              | MUFG Fund Services (Bermuda) Limited  |
| “Puguang JV”   | Nanyang General Light Electric Co., Ltd. (南陽普光電力有限公司), a Sino-foreign cooperative joint venture company with limited liability established in the PRC on January 1, 1997, in which we indirectly hold a 59.5% interest. CPI Henan Electric Power Co., Ltd. (中電投河南電力有限公司) and Nanyang City Hengsheng Energy Development Co., Ltd. (南陽市恒升能源開發有限公司) each hold a 15% direct interest in, and Through In Industries Limited (信原實業有限公司) holds a 10.5% indirect interest in Puguang JV, respectively   |

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## DEFINITIONS

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| “Puguang Power Project” or “Puguang” | a 250.0 MW coal-fired project in Henan, the PRC   |
| “QIBs”                               | qualified institutional buyers within the meaning of Rule 144A  |
| “Regulation S”                       | Regulation S under the U.S. Securities Act  |
| “Renminbi” or “RMB”                  | the Renminbi, the lawful currency of the PRC  |
| “Reorganization”                     | the reorganization of our Group as described in the section headed “ <i>Our History and Development – Our Reorganization</i> ” in this prospectus   |
| “Retained Business”                  | the non-nuclear power generation businesses which compete or are likely to compete with the business of our Group and which the CGN Group (excluding our Group but including the Disposal Group) has controlling interests now or in the future. See “ <i>Relationship with CGN Group – Retained Business of the CGN Group (excluding our Group but including the Disposal Group)</i> ” for details |
| “Rule 144A”                          | Rule 144A under the U.S. Securities Act   |
| “SAFE”                               | State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)  |
| “SASAC”                              | State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)  |
| “SERC”                               | State Electricity Regulatory Commission of the PRC (中華人民共和國國家電力監管委員會)   |
| “SETC”                               | State Economic and Trade Commission of the PRC (國家經濟貿易委員會)  |
| “SFC”                                | the Securities and Futures Commission of Hong Kong  |
| “SFO”                                | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time  |
| “Share(s)”                           | ordinary shares of nominal value of HK\$0.0001 each in the capital of our Company   |
| “Shareholder(s)”                     | registered holder(s) of Share(s)  |
| “Sole Sponsor”                       | Morgan Stanley Asia Limited   |
| “Southern Grid”                      | China Southern Power Grid Company Limited   |

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## DEFINITIONS

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| “Stabilizing Manager”                     | Morgan Stanley Asia Limited   |
| “State Council”                           | the State Council of the PRC (中華人民共和國國務院)   |
| “State Grid”                              | State Grid Corporation of China   |
| “Stock Borrowing Agreement”               | a stock borrowing agreement expected to be entered into between CGNPC Huamei and the Stabilizing Manager  |
| “Stock Exchange”                          | The Stock Exchange of Hong Kong Limited   |
| “Track Record Period”                     | the period comprising the three years ended December 31, 2013 and the four months ended April 30, 2014  |
| “Underwriters”                            | the Hong Kong Underwriters and the International Underwriters   |
| “Underwriting Agreements”                 | the Hong Kong Underwriting Agreement and the International Underwriting Agreement   |
| “United Kingdom” or “UK”                  | United Kingdom of Great Britain and Northern Ireland  |
| “United States” or “U.S.”                 | the United States of America, including its territories and possessions   |
| “U.S.\$” or “U.S. dollars”                | United States dollars, the lawful currency of the United States   |
| “U.S. Securities Act” or “Securities Act” | the U.S. Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder  |
| “VAT”                                     | value added tax   |
| “Weigang JV”                              | Shanghai Wei Gang Energy Co. Ltd. (上海威鋼能源有限公司), a Sino-foreign cooperative joint venture company with limited liability established in the PRC on January 21, 1998, which is a subsidiary of our Company. We hold a 65% interest through our indirectly wholly-owned subsidiary CanAm Energy China Holdings Limited, incorporated in Hong Kong, and Baosteel Group Shanghai No. 1 Iron & Steel Co. Ltd. (寶鋼集團上海第一鋼鐵有限公司) holds the remaining 35% interest |
| “Weigang Power Project” or “Weigang”      | a 50.0 MW blast furnace gas-fired project in Shanghai, the PRC  |
| “WFOE”                                    | wholly foreign-owned enterprise established under the laws of the PRC   |
| “ <b>WHITE</b> Application Form(s)”       | the application form(s) for use by the public who require such Hong Kong Public Offer Shares to be issued in the applicants’ own names  |

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## DEFINITIONS

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| “XTI”                                      | Hunan Xiangtuo International Investment Company Limited (湖南湘投國際投資有限公司), a company established in the PRC with limited liability on September 28, 2005, in which we held a 50% interest prior to the Reorganization. Interests in the Yueyang Power Project, Wuling Power Project, Langdu Power Project and Zhenkang Power Project, which form part of the Disposal Group, are held via XTI. Hunan Xiangtuo Holdings Group Company Limited (湖南湘投控股集團有限公司) holds the remaining 50% interest |
| “¥” or “Yen”                               | the Japanese Yen, the lawful currency of Japan  |
| “YELLOW Application Form(s)”               | the application form(s) for use by the public who require such Hong Kong Public Offer Shares to be deposited directly into CCASS  |
| “Yulchon Company”                          | MPC Yulchon Generation Co., Ltd., a joint-stock company established in Korea through a vertical spin-off from MPC Korea on July 28, 2009 and a wholly-owned subsidiary of our Company held through our wholly-owned subsidiary, MPC Korea   |
| “Yulchon I Fuel Cell Project”              | a 10.4 MW fuel cell project in Korea comprising a Phase I 4.8 MW fuel cell project and a Phase II 5.6 MW fuel cell project  |
| “Yulchon I Power Project” or “Yulchon I”   | a 577.4 MW gas-fired project in Korea   |
| “Yulchon II Power Project” or “Yulchon II” | a 946.3 MW gas-fired project in Korea   |
| “Zuojiang Hydro Project” or “Zuojiang”     | a 72.0 MW hydro project in Guangxi, the PRC   |
| “Zuojiang JV”                              | Guangxi Zuojiang Meiya Hydropower Company Limited (廣西左江美亞水電有限公司), a Sino-foreign cooperative joint venture company with limited liability established in the PRC on October 8, 1998 and a subsidiary of our Company. We hold a 60% interest through our wholly-owned subsidiary, Meiya Zuojiang Hydropower Ltd., incorporated in Mauritius, and Guangxi Chongzuo Huiyuan Hydropower Company (廣西崇左市匯源水電公司) holds the remaining 40% interest  |

*In this prospectus, the term “our power project” means the 14 operating power generation projects and the one steam project owned and operated by our Group, unless the context otherwise requires.*

*In this prospectus, the terms “associate”, “close associate”, “core connected person”, “connected person”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.*

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## DEFINITIONS

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*If there is any inconsistency between the Chinese names of PRC entities mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities are provided for identification purposes only.*

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary of technical terms contains terms used in this prospectus as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.*

|   |   |
|---|---|
| “annual allocation”                     | a determination of power generation output by the local power grid company on an annual basis pursuant to PRC government regulations  |
| “attributable installed capacity”       | the installed capacity of a power project multiplied by the percentage ownership of an equity owner   |
| “auxiliary electricity”                 | electricity consumed by a power project in the course of generation   |
| “auxiliary power consumption rate”      | auxiliary electricity as a percentage of gross electricity generated  |
| “average installed capacity”            | average installed capacity refers to the aggregate daily consolidated installed capacity in a specified period and divided by the number of days in the period  |
| “average steam tariff”                  | a measure calculated by dividing the total utilization charge revenue by the tons of steam sold   |
| “base load”                             | a power project that is planned to run continually, except for maintenance and scheduled or unscheduled outages   |
| “basic tariff”                          | tariff for minimum take offtake arrangements  |
| “benchmark tariff”                      | tariff for annual allocation offtake arrangements   |
| “brownfield”                            | a power project that is constructed adjacent to or in close proximity to an existing power plant  |
| “btu”                                   | British thermal unit, the amount of heat energy needed to raise the temperature of one pound of water by one degree Fahrenheit. This is the standard measurement used to state the amount of energy that a fuel has as well as the amount of output of any heat generating device |
| “capacity charge” or “capacity payment” | payment or payments that power project owners receive for agreeing to provide standby power regardless of actual generation or dispatch, and usually supplementing the payment received for the electricity dispatched  |
| “capacity factor”                       | ratio (expressed as a percentage) of the gross amount of electricity generated by a power project in a given period to the product of (i) the number of hours in the given period multiplied by (ii) the project’s average capacity   |
| “CFB”                                   | circulating fluidized bed boiler  |



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## GLOSSARY OF TECHNICAL TERMS

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|---|---|
| “clean energy”  | energy, that when generated, causes little or no harm to the environment, including natural gas and hydrocarbon energy generated using fuel efficient technologies that reduce pollutants. Our gas-fired and fuel cell power generation projects are considered to be clean energy projects   |
| “cogen” or “cogeneration”   | combined heat and power; cogeneration is the use of a heat engine or a power station to simultaneously generate both electricity and heat   |
| “commercial operation date” or “COD”  | the date a power project commences commercial operations; usually determined following the end of construction and acceptance test to confirm project actual generating capacity and operating characteristics (such as contracted capacity, other operating parameters); and upon the issuance of certificates/consent by regulators   |
| “consolidated installed capacity” or “consolidated capacity under construction” | the aggregate installed capacity or capacity under construction (as the case may be) of our project companies that we fully consolidated in our consolidated financial statements only. It is calculated by including 100% of the installed capacity or capacity under construction of our project companies that we fully consolidate in our consolidated financial statements and are deemed as our subsidiaries. Both consolidated installed capacity and consolidated capacity under construction do not include the capacity of our associated companies |
| “conventional energy”   | energy derived from traditional fossil fuel sources such as coal and oil  |
| “dispatch”  | the process of apportioning the total demand of the grid through the issuance of dispatch instructions to the scheduled generating units and the generating units providing ancillary services in order to achieve the operational requirements of balancing demand with generation that will ensure the security of the grid   |
| “dispatch priority”   | the ranking of preference of one producer or source of electricity generation capacity over other available producers or sources of electricity generation capacity   |
| “distribution system”   | a system of wires and associated facilities extending between (a) the delivery points on the grid and any subtransmission system and (b) the points of connection of embedded facilities used to generate electricity and the points of connection of systems and equipment of end-users  |
| “EIA”   | Environmental Impact Assessment   |
| “EC”  | erection and construction   |

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## GLOSSARY OF TECHNICAL TERMS

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|                                      |  |
|--------------------------------------|--|
| “EPC”                                | Engineering, procurement and construction  |
| “equivalent availability factor”     | a ratio (expressed as a percentage) of the equivalent hours that a power unit is available to generate at full capacity to total hours in the same period                    |
| “fuel cell”                          | a type of power generation that converts hydrogen and oxygen into electricity without firing. Heat, as a by-product of the process, can be utilized for increased efficiency |
| “flue gas desulphurization” or “FGD” | technology used for the removal of sulfur dioxide from the exhaust flue gases in power projects that burn coal or oil  |
| “greenfield”                         | power generation projects that are developed from inception on previously undeveloped sites  |
| “gross electricity generated”        | the quantity of electricity generated by a project prior to subtracting electricity consumed or retained by the project  |
| “gross installed capacity”           | the installed capacity of a power project  |
| “gross steam generated”              | the quantity of steam generated by a project prior to subtracting loss incurred during the transmission from the project to the steam customer                               |
| “GW”                                 | gigawatt, equal to one million kilowatts   |
| “GWh”                                | gigawatt-hour, or one million kilowatt-hours. GWh is typically used as a measure for the annual energy production of large power projects                                    |
| “heat rate”                          | indicates efficiency of a fuel-burning power project. The heat rate equals the Btu content of the fuel input divided by the kilowatt-hours of power output                   |
| “HGPI”                               | hot gas path inspection  |
| “hydro” or “hydro power”             | hydro power which is commonly used to generate electricity; the production of power through the use of the gravitational force of falling or flowing water                   |
| “installed capacity”                 | the manufacturer’s rated power output of a generating unit of a power project  |
| “IPP”                                | independent power producer   |
| “kV”                                 | kilovolt, or one thousand volts  |
| “kW”                                 | kilowatt, or one thousand watts  |

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## GLOSSARY OF TECHNICAL TERMS

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|---|--|
| “kWh”   | kilowatt-hour, the standard unit of energy used in the power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour   |
| “load center”                                   | a geographic area with high electricity demand   |
| “MW”  | megawatt, or one million watts. The installed capacity of power projects is generally expressed in terms of MW   |
| “MWh”   | megawatt-hour, or one million watt-hours. One megawatt-hour is the amount of energy that would be produced by a generator producing one million watts for one hour   |
| “mine-mouth”                                    | a power project located in close proximity to a coal mine  |
| “minimum-take”                                  | an agreement in-principle that the grid will purchase a specified number of net electricity generated over a period of time  |
| “net generation” or “net electricity generated” | net energy delivered by a seller to the agreed delivery point expressed in kWh, MWh or GWh   |
| “net gas consumption rate”                      | a measure of natural gas usage in generating power or steam calculated by dividing the quantity of the natural gas consumed by the quantity of electricity produced. The net gas consumption rate is usually expressed in normal cubic meters (Nm <sup>3</sup> ) of gas usage per MWh of electricity or per ton of steam |
| “net standard coal consumption rate”            | a measure of standard coal usage in generating power or steam calculated by dividing the weight of standard coal consumed by the quantity of electricity produced, usually expressed in grams per MWh of electricity or per ton of steam   |
| “net steam generation”                          | the actual amount of steam sold by a project in a particular period of time, which equals gross steam generated less loss incurred during the transmission from the project to the steam customer  |
| “Nm <sup>3</sup> ”                              | normal cubic meter – used to refer to quantities of gas. Normal refers to the standard temperature and pressure of the specific gas being measured   |
| “NO <sub>x</sub> ”                              | nitrogen oxide   |
| “offtake” or “offtaker”                         | net generation taken or power purchaser that takes net generation  |

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## GLOSSARY OF TECHNICAL TERMS

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|---------------------------|--|
| “pipeline”                | power projects that have been identified and reserved for future development pursuant to energy investment and development agreements that (i) we entered into with a governmental authority under which we are authorized to develop power projects or (ii) third parties entered into with a governmental authority under which such third parties are authorized to develop power projects; such third parties have undertaken to assign the development rights to us   |
| “PPA”                     | power purchase agreement   |
| “pumped storage”          | a method of using power at a period of low demand and/or low tariff to pump water back up to a high altitude storage reservoir so that it can be released to generate electricity at a period of peak demand and high tariff   |
| “REC”                     | Renewable Energy Certificate   |
| “reliability”             | a measure of the ability of the electric system to supply the aggregate electrical demand and energy requirements of the customers at all times, taking into account scheduled and unscheduled outages of system facilities  |
| “renewable energy”        | any energy resource that is naturally regenerated over a short time scale and derived directly from the sun (such as thermal, photochemical, and photoelectric), indirectly from the sun (such as wind, and photosynthetic energy stored in biomass), or from other natural movements and mechanisms of the environment (such as geothermal, hydro power and tidal energy). Renewable energy does not include energy resources derived from fossil fuels, waste products from fossil sources, or waste products from inorganic sources. Our hydro power generation projects are considered to be renewable energy projects |
| “reserve margin”          | the available electricity generation capacity minus the peak electricity demand level divided by the peak electricity demand level   |
| “standard coal”           | coal with an energy content of 7,000 kcal/kg   |
| “TWh”                     | terawatt-hour, or one million megawatt-hours. TWh is typically used as a measure for the annual energy production of a region or a country   |
| “utilization hours”       | the gross electricity generated in a specified period (in MWh or GWh) divided by the average installed capacity in the same period (in MW or GW). Utilization hours is a way of measuring the volume of energy generated which in turn relates directly to project generation revenue  |
| “weighted average tariff” | the total revenue received from the sale of electricity excluding capacity charge and/or start-up charge divided by the net generation   |

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## FORWARD-LOOKING STATEMENTS

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*This prospectus contains forward-looking statements, including, without limitation, words and expressions such as “expect,” “believe,” “plan,” “intend,” “estimate,” “project,” “aim,” “going forward,” “ought to,” “seek,” “should,” “anticipate,” “may,” “will,” “would” and “could” or similar words or statements, in particular, under the sections headed “Business” and “Financial Information” in this prospectus in relation to our Company, our prospects, our expected financial condition and operating results, business strategy, the future development of our operations and industry and the future development of the general economy of our key markets and globally.*

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. Our future results could differ materially from those expressed or implied by such forward-looking statements. In addition, our actual results may be affected by various factors including, without limitation, those discussed in the section headed “*Risk Factors*” in this prospectus and the following:

- changes in laws and governmental regulations and policies in the regions where we develop or manage our projects;
- governmental approval processes and rules and regulations relating to the power generation industry;
- our ability to further develop and manage our projects as planned;
- catastrophic losses from fires, floods, windstorms, earthquakes, diseases or other adverse weather conditions or natural disasters;
- interest rate and exchange rate fluctuations;
- foreign currency restrictions;
- changes in economic conditions and competition in the cities and regions where we operate;
- our dividend policy; and
- availability and cost of bank loans and other forms of financing.

Should one or more of these or other risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of these forward-looking statements.

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## RISK FACTORS

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*Prior to making any investment decision to purchase any of our Shares, prospective investors should consider carefully all of the information contained in this prospectus, including the risks and uncertainties described below. The business, financial condition or results of operations of our Company or our Group could be materially adversely affected by any of these risks. Many of these risks are beyond our control and can be categorized into: (i) risks relating to our business and industry; (ii) risks relating to doing business in the PRC and Korea; (iii) risks relating to our Shares; and (iv) risks relating to certain information in this prospectus. The trading price of our Shares could decline due to any of these risks and you may lose all or part of your investment.*

*The risks and uncertainties described below may not be the only ones faced by our Company or our Group. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect the business, financial condition or results of operations of our Company or our Group. If any of the possible events described below occur, the business, financial condition or results of operations of our Company or our Group could be adversely affected, the trading price of the Shares could decline and investors may lose all or part of their investment.*

*This prospectus also contains forward-looking statements that involve risks and uncertainties. Actual results of our Company and our Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this prospectus.*

### **RISKS RELATING TO OUR BUSINESS AND INDUSTRY**

***Our revenue and profit are greatly impacted by tariffs and net generation. Any reduction in tariffs or of net electricity generated or net steam generated may result in a decrease in our revenue and have a material adverse effect on our business, financial condition and results of operation.***

Our electricity sales are determined primarily by two factors: tariffs and net electricity generated. For many of our power projects, we sell electricity generated directly to the relevant local grid company at set tariffs.

Some of our tariffs and offtake arrangements are set out in PPAs which are structured as either minimum take, capacity charge or annual allocation arrangements. Our PRC tariffs comprise, in the case of minimum take offtake arrangements, a basic tariff, supplemented in certain cases with a separate tariff for any excess offtake amounts, and in the case of annual allocation offtake arrangements, a benchmark tariff. Tariffs for our projects in Korea mainly comprise an energy charge or a system marginal price charge, which, depending on the power project, is supplemented by a capacity charge and a start-up charge.

The power generation industry is highly regulated in the regions in which we operate. For example, on-grid tariffs in the PRC are fixed with the respective governments and the approval of relevant government authorities. While the tariffs for all of our PPAs in the PRC are intended to be regularly adjusted to reflect changing market conditions and production costs, they may not accurately take into account such factors. For instance, historically, on-grid tariffs of coal-fired power projects have not necessarily been driven by market conditions or effectively linked to the price of coal. Thus, our coal-fired power projects may not be able to pass along increases in the cost of coal to the offtaker.

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## RISK FACTORS

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In Korea, while our Yulchon I Power Project is able to pass through our exposure to fuel price fluctuations through fuel cost pass-through provisions in the tariff formula, our Yulchon II and Daesan I Power Projects receive payments based on the system marginal price, which is influenced by market demand and supply, and may not fully reflect the power plants' respective fuel price fluctuations. A tariff adjustment that does not accurately reflect production costs or changing market conditions may have an adverse effect on our business, financial condition and results of operations. See "*Financial Information – Key Factors Affecting our Results of Operations and Financial Condition – Tariffs – Tariffs applicable to our projects in Korea*" and "*Financial Information – Key Factors Affecting our Results of Operations and Financial Condition – Fuel costs and fuel supply – Fuel costs and supplies related to our projects in Korea*".

In addition to tariffs, the net generation of our power projects affects our financial condition. As planned output set out in our annual allocation PPAs may be adjusted on an annual basis, the counterparties to these PPAs may lower the planned output in our PPAs due to an increase in supply or a decrease in demand. Even if our planned output remains at levels that our management deems acceptable to our business and financial condition, we cannot assure you that our actual net generation will be sufficient to meet minimum levels required by PPAs. Our net generation may be reduced for reasons beyond our control, including unplanned outages. We experienced minor unplanned outages in Puguang Power Project in November 2013 due to failure of the uninterruptible power supply inverter resulting in stoppage for approximately 4 hours and Huangshi II Power Project in May 2013 due to a defect in the excitation regulator which activated protective measures resulting in stoppage for approximately 4 hours and Huangshi I Power Project in June 2013 due to a defective temperature gauge of the excitation transformer resulting in stoppage for approximately 2 hours. Any decrease in net generation, including any future unplanned outages, whether by fuel type or in the aggregate, may result in a decrease of our revenue.

There can be no assurance that our tariffs, net electricity generation or net steam generation will not be reduced in the future. Any reduction in our tariffs, our inability to raise the level of our tariffs (for example, to cover any increased costs that we may incur) as a result of the changes to the tariff-setting mechanism or otherwise, or a reduction in our net electricity generation or net steam generation, may have a material adverse effect on our revenue which in turn would have a material adverse effect on our business, financial condition and results of operations. For a more detailed discussion of our offtake arrangements and tariff structure, see "*Business – Our Business*".

***Regulation promoting clean and renewable energy may have an adverse effect on our revenue and net profit.***

Certain of our power generation projects are subject to preferential dispatch policies, set by government regulators, which prioritize dispatch from clean and renewable energy, energy-efficient or environmentally friendly power generation projects. The dispatch center within the jurisdiction of each applicable power grid company, subject to regulations, oversees the dispatch of power and determines the planned output of power to be dispatched by each power generation project. As a result, our net generation, and therefore our revenue and net profit, is heavily influenced by dispatch priority and government policies and regulations such as those enacted to increase and promote efficient generation from clean and renewable energy sources such as wind, hydro and natural gas.

Our power generation projects that do not generate electricity from clean and renewable energy sources may receive a lower dispatch priority than competing power projects that do. As we compete with other power projects in the areas in which we operate, as well as power generation projects that will come into operation in the future, there can be no assurance that the dispatch centers will not give



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## RISK FACTORS

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higher dispatch priority to other power generation projects operating in the same areas based on fuel type and efficiency. In the event our competitors generate clean and renewable energy or develop power generation projects which are more energy-efficient or environmentally friendly than ours, the PRC and Korean government authorities may reduce our net generation by purchasing electricity from other projects before ours due to these dispatch priority policies.

Any reductions in our net generation volume due to lower dispatch priority may reduce our revenue and net profit and have a material adverse effect on our business, financial condition and results of operations.

***Increases in the local supply of or decreases in demand for power in the areas in which we operate may have a material adverse effect on our power sales.***

In recent years, a significant number of new power projects, and in particular, coal-fired power projects, have been built throughout the PRC, including in the provinces, autonomous region and municipality in which we operate. Provincial governments, in conjunction with the central government, take into account demand forecasts, among other things, when determining the number of new power projects allowed within the province and/or grid. While in recent years, the power generation sector in the PRC has been growing as a result of rapid industrialization and rising residential power demand, there can be no assurance that the current demand for power in the PRC will continue to increase or be sustained. Furthermore, in Korea, due to the electricity shortage experienced from 2011 to 2013, the Korean government has encouraged the development and construction of new power projects by independent power producers. As a result, a number of power projects are scheduled to commence their commercial operations in the upcoming years, which are expected to increase the supply of electricity and could thereby decrease our competitive advantage in Korea. A slowdown in certain industries, or in the PRC or Korean economy generally, or an increase in the number of new power projects coming into operation, could result in a lower demand for the power we generate and have a material adverse effect on our business, financial condition and results of operations.

Additionally, there can be no assurance that governments will accurately predict the demand for power in their respective jurisdictions, which may lead to discrepancies between growth in supply and demand for power that may affect our planned output and utilization hours. Decreases in utilization hours may have an adverse effect on our net generation and revenue. Any inability for governments to accurately predict power supply and demand may have a material adverse effect on our business, financial condition and results of operations.

***We may not be able to expand our business effectively through acquisitions, investments and alliances and there can be no assurance that all or any of our proposed acquisitions, investments or alliances will be consummated on commercially acceptable terms, if at all.***

Our business strategy includes selective acquisition of new assets or businesses and entering into new strategic alliances, which include exercising our acquisition rights with respect to certain non-nuclear clean and renewable power generation projects of CGN. Our ability to achieve and benefit from such acquisitions, investments and alliances will depend upon a number of factors, some of which are beyond our control. These factors include, but are not limited to, our ability to: identify assets or businesses for acquisition, investments or alliances that suit our development strategy; execute the acquisition or alliance or complete the investments within the time frame or budget anticipated or integrate any business we acquire; identify additional new markets; understand the regulatory and other complexities of new markets and fuel types with partners or other shareholders; and train and retain qualified personnel to manage and operate our growing business. New acquisitions, investments and

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## RISK FACTORS

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alliances will also be subject to all of the business risks to which our existing projects are subject to. See “*Business – Overview*” and “*Financial Information – Overview*” for more information on our recent acquisitions and investments.

Acquisitions and strategic investments involve numerous risks both prior to and after completion of the acquisition or investment. Risks prior to completion include regulatory restrictions, the incurrence of debt, the diversion of management’s attention from other business matters, delays in board approval and the possibility that conditions to complete an acquisition may not be satisfied by us or the seller. Post-acquisition difficulties may include the assimilation of operations, corporate culture and personnel of the acquired business, diversion of management’s attention from other business concerns, risks of entering into new markets and fuel types, the uncertainty of the regulatory structure of new markets, the incurrence of additional debt, the impairment or amortization of expenses related to goodwill and other intangible assets and the potential loss of key employees of the acquired business.

Integrating new assets or businesses into our operational framework and ensuring their proper management may involve unanticipated delays, costs and operational problems, in particular with respect to new markets and fuel types with which we have not had extensive experience. We may encounter unexpected problems or difficulties in realizing anticipated synergies or have disagreements or conflicting interests with our alliance partners or the other shareholders of our acquisitions. We may also be prohibited or delayed from consummating business transactions due to our inability to receive the required governmental and other approvals, acquisition documents, construction contracts, fuel supply and transportation agreements, power sales contracts and dispatch agreements in a timely fashion, or at all. As a result, we may be unable to derive profit from acquired businesses. Any of these problems may impair our competitiveness or growth prospects and have a material adverse effect on our business, financial condition, results of operations and prospects.

Furthermore, there can be no assurance that all or any of the proposed acquisitions, investments or alliances will be consummated on commercially acceptable terms, if at all. In addition, any expansion will require us to continuously upgrade and improve our risk management controls and systems. Failure to manage any of these factors effectively may have a material adverse effect on our business, financial position, results of operations and prospects.

Acquisitions also pose the risk that we may be exposed to successor liability relating to actions by an acquired company and its management before and after the acquisition. The due diligence that we conduct in connection with an acquisition may not be sufficient to discover unknown liabilities, and any contractual guarantees or indemnities that we receive from the sellers of acquired companies may not be sufficient to protect us from, or compensate us for, actual liabilities. A material liability associated with an acquisition could adversely affect our reputation and reduce the benefits of the acquisition and may have a material adverse effect on our business, financial condition and results of operations.

***We require substantial capital for investing in or acquiring new power projects and failure to obtain capital on terms acceptable to us may increase our financing costs and cause delays in our expansion plans.***

Key components of our growth strategy include the construction of new power projects and the acquisition of power projects and related development rights on commercially reasonable terms. Similar to other power generation enterprises, it usually takes a long period of time for us to recover our investment in power projects. As a result, the cash generated from operations may not be sufficient to meet our capital needs and we may have to rely on debt financing for the expansion of our business.

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## RISK FACTORS

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Our capital expenditure, which is addition to property, plant and equipment, was U.S.\$69.8 million, U.S.\$442.0 million, U.S.\$304.8 million and U.S.\$114.2 million for the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, respectively. Our planned committed capital expenditure for the years ended December 31, 2014 and 2015 is expected to be U.S.\$132.9 million and U.S.\$21.1 million, respectively. For details, see “*Financial Information – Capital Commitments and Major Expenditures*”.

Our ability to arrange financing and the cost of that financing are dependent on numerous factors, including but not limited to:

- general economic and capital market conditions;
- credit availability from banks or other lenders;
- restrictive covenants or undertakings in existing financing arrangements; and
- the continued performance of our power projects.

There can be no assurance that international or domestic financing for future power projects or project acquisitions and development and expansion of existing power projects will be available on terms favorable to us, or at all, which could force us to delay, reduce or abandon our growth strategy and/or increase our financing costs, resulting in a material adverse effect on our business, financial condition and results of operations.

***Development and acquisition of power projects and businesses may be subject to various regulatory approvals and there can be no assurance that these regulatory approvals will be obtained in time or at all.***

We intend to develop and expand our business through the development of new power projects and the acquisitions of power projects and related operating companies and businesses from third parties and the CGN Group in the PRC as well as outside the PRC. Such development and acquisitions may be subject to various governmental and regulatory approvals, consents, reports and filings. In particular, under the PRC laws and regulations and governmental policies (which may change from time to time), acquisitions of PRC or offshore power projects and related operating companies and businesses by any member of our Group (including the acquisitions of power projects and related operating companies and businesses from the CGN Group by exercising the rights under the non-competition deed given by CGN in favour of our Group as disclosed in “*Relationship with CGN Group*” in this prospectus or otherwise) may be subject to approvals of and/or registrations with various PRC governmental and regulatory authorities, including but not limited to SASAC, CSRC, NDRC, MOFCOM and SAFE or their local counterparts.

There can be no assurance that any of the governmental and regulatory approvals for the development of new power projects and the acquisitions of power projects and related operating companies and businesses can be obtained in time or at all. If we cannot obtain all necessary governmental and regulatory approvals in time for the development of a new power project or for a proposed acquisition, we may not proceed with such development or acquisition or it may take us a long time to undertake such development or acquisition which may have a material adverse effect on the undertaking and realisation of our development and expansion plans, as well as the implementation of our business strategies and the achievement of improved financial performance.

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## RISK FACTORS

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***Adverse changes in the amount or calculation method of capacity charge and system marginal price payments or amendments to the pricing system may adversely affect our financial condition and results of operations.***

Daesan I Power Project and Yulchon II Power Project depend on capacity charge and system marginal price payments from the KPX. For the year ended December 31, 2013 and for the four months ended April 30, 2014, revenue generated from capacity charges by Daesan I Power Project and Yulchon II Power Project together constituted a total of 4.6% and 5.4%, respectively, of our total revenue. Capacity charges are provided to central dispatch generators (*jungang gubjeon baljungi*) which commit the availability of power dispatch to the KPX and are determined based on cost to compensate the fixed costs, such as construction costs, of the registered power generator, including development and maintenance costs. System marginal price payments are based on the marginal price of electricity at a given hour at which the projected demand for electricity and the projected supply of electricity for such hour intersect, as determined by the merit order system. From March 1, 2013, however, the KPX has implemented a settlement price capping scheme, according to which the system marginal price for a power generating unit determined for the purpose of calculating the tariff for each hour is capped at the higher of the amount of variable cost of a designated standard power project in Korea or the unit generating cost of that project for that hour. See “*Appendix V – Summary of Principal Legal and Regulatory Provisions in the PRC and Korea – Korea Regulatory Overview – Power Industry in Korea – Electricity Purchase*”.

We cannot assure you that there will be no changes to the capacity charge, system marginal price payments or the electricity pricing system in Korea. Any further changes could affect the financial condition, results of operations and prospects of our power projects in Korea and may cause the Daesan Company or the Yulchon Company to default on its respective indebtedness, which in turn could have an adverse effect on our financial condition, results of operations and prospects.

***Regulatory reform of the power industry in the PRC and Korea may adversely affect our business.***

Our power projects are located in the PRC and Korea, both of which have undergone, and may continue to undergo, regulatory changes. Governmental regulations affect all aspects of our power project operations, including the amount and timing of electricity generation, the setting of tariffs, compliance with power grid controls, dispatch directives and environmental protection. Regulatory changes in the PRC and Korea can affect, among other things, dispatch policies, clean and renewable energy and environmental compliance policies and tariffs, and may result in a change of tariff-setting procedures or mandatory installation of costly equipment and technologies to reduce environmental pollutants. See “*Appendix V – Summary of Principal Legal and Regulatory Provisions in the PRC and Korea*.” There can be no assurance that we will be able to continue to operate on our existing terms under such new regulations or tariff-setting procedures.

For example, in Korea, the government has indicated that it intends to increase its power reserve margin which may result in Daesan I, Yulchon I and Yulchon II Power Projects dispatching less electricity due to an increase in overall installed capacity. Additionally, the recently implemented system marginal price capping scheme may reduce tariffs at Daesan I and Yulchon II Power Projects. See “*Financial Information – Key Factors Affecting our Results of Operations and Financial Condition – Tariffs*”. Any profit reductions as a result of regulatory reform may have a material adverse effect on our business, financial condition and results of operations.

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## RISK FACTORS

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*Hydro project revenue is highly dependent on rainfall and associated weather conditions. The absence of acceptable climatic conditions for our hydro projects may have a material adverse effect on the output of such projects and, in turn, our business, financial condition and results of operations.*

We currently operate a number of hydro projects and may invest in or develop additional hydro projects in the future. Hydro projects depend upon a year-round flow of water to generate electricity. The water flow of the rivers on which our hydro projects are situated may fluctuate considerably according to seasonal rainfall, which can be unpredictable. Excessive fluctuations in rainfall and droughts could affect the output of our hydro projects. The availability of sufficient water flow affects the output of our hydro projects, which, in turn, affects our results of operations. Moreover, annual climatic fluctuations due to severe or abnormal weather conditions in a particular year may result in uneven results from year to year. The absence of acceptable climatic conditions for our hydro projects may have a material adverse effect on the output of such projects and, in turn, our business, financial condition and results of operations.

In selecting sites for the development of our hydro projects, we make our decisions based on the meteorological and topographical data of the proposed area as well as the on-site exploration conducted by our technicians. There can be no assurance that the actual conditions will conform to the historical measured data or that the assumptions we made during our assessment are correct. Moreover, even if actual conditions are consistent with our assessment, those conditions may be affected by variations in weather patterns which may change over time to the detriment of our power projects. As a result, the electricity generated by our hydro projects may fall below our expectations, which could in turn have a material adverse effect on our business, financial condition and results of operations.

*Compliance with stricter emissions or environmental laws in the PRC and Korea has increased, and is expected to further increase our capital expenditure obligations and operating expenses.*

Our fossil fuel-based power projects discharge pollutants into the environment and are subject to environmental protection laws and regulations in the PRC which currently impose base-level discharge fees for various pollutants and a tiered schedule of fees for the discharge of waste substances. Compliance with environmental laws and regulations has increased, and is expected to further increase, our capital expenditure obligations and operating expenses. There is no assurance that the fees or capital expenditures will not be higher than our estimates. PRC environmental regulations and mandatory industry standards have set the phased-in restrictions on the amount of SO<sub>x</sub>, particulate matter, NO<sub>x</sub> and other emissions permitted in connection with fossil fuel power projects developed in different time periods. According to PRC laws and regulations, (i) any fossil fuel power unit to be set up shall be equipped with desulphurization, deNO<sub>x</sub>, particulate matter removal and other facilities and (ii) all desulphurization, deNO<sub>x</sub>, particulate matter removal and other facilities of existing fossil fuel power units shall be upgraded according to the schedule set by the local government to meet PRC pollutant emissions standards. To comply with these stricter requirements, we have installed FGD, deNO<sub>x</sub> and particulate matter removal equipment at a number of our coal-fired projects and are in the process of installing similar equipment at several coal-fired projects to reduce emissions. There is no assurance we can meet these or other requirements in a timely manner or at all.

In Korea, under the Air Environment Protection Law (“AEPL”), prior to establishing a power project that will discharge air pollutants, an entity must obtain permission from, or make a report to, the competent local government, and install and operate air pollution preventive equipment and air emission monitoring instruments so as to keep air pollutant emission levels within permissible standards. Because the standard for NO<sub>x</sub> emissions from internal-combustion engines in gas turbines

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## RISK FACTORS

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using liquid fuel has been strengthened from 250 ppm to 100 ppm as of January 1, 2010, Daesan I Power Project changed the fuel for its gas turbine from Low Sulphur Waxy Residual to diesel oil to comply with the more stringent emission standard, resulting in additional operating costs. This emission standard will be further strengthened to 80 ppm for NOx emissions, 25 ppm for Sulphur Oxide emissions and 30 milligrams per standard cubic meter for particulate matter emissions, beginning on January 1, 2015. In addition to such changes in emission standards, the Korean government may further strengthen applicable emission standards thereby potentially increasing our operating costs.

These environmental laws and regulations also impose fines for violations of laws, regulations or decrees and provide for other sanctions including the possible closure or relocation by the PRC or Korean governments of any power project which fails to comply with orders requiring it to cease or rectify activities that are non-compliant with the relevant laws and regulations. There is no assurance that the PRC or Korean governments will not adopt stricter environmental laws or regulations or that we will not violate such laws and regulations in the future. In addition, the cost of compliance with any such laws or regulations is uncertain. Any such changes in the environmental laws and regulations of the PRC or Korea may have a material adverse effect on our business, financial condition and results of operations. See *“Industry Overview – The PRC Power Industry – Background and restructuring of the PRC power industry”*.

***Future legislation and regulation on carbon emissions in the PRC and Korea may adversely affect our operations.***

Emissions trading schemes set a limit on the aggregate amount of carbon dioxide that can be emitted in a country, as well as a cap on each individual company’s carbon emissions. Companies whose emissions exceed their individual cap may need to purchase carbon permits from companies with lower emissions. As a result, under emissions trading schemes, power companies that utilize high-emission fuels such as coal or oil may be less competitive than renewable or clean energy companies.

The PRC government has recently approved carbon emissions trade pilot programs in seven districts in the PRC, in line with its efforts to substantially reduce emissions per unit of economic output by 2020. The pilot districts of Shenzhen, Beijing, Shanghai, Tianjin, Guangdong, Hubei and Chongqing have started the operation of carbon emissions exchange. As of the Latest Practicable Date, we have not traded any carbon emissions in the PRC since May 2014.

Similarly, in Korea, the LATGGEA, which was enacted in 2012, and the regulations thereunder established the Korean “Emissions Trading Scheme,” which is scheduled to be implemented on January 1, 2015, under which companies will be allocated a limited volume of emission allowances and be allowed to trade certain allowances. The LATGGEA and the regulations thereunder regulate greenhouse gas emissions for companies (whether a power company or not) emitting more than a certain level of greenhouse gas. See *“Appendix V – Summary of Principal Legal and Regulatory Provisions in the PRC and Korea – Korea Regulatory Overview – Korean Environmental Protection and Health and Safety Regulation – Environmental Regulation and Protection”*.

As of April 30, 2014, 48.4% of our attributable installed capacity comprised coal-fired, oil-fired and co-generation power projects. Compliance with these cap and trade emissions trading schemes may result in significant increase in costs due to a need to purchase carbon credits, coupled with our inability to accurately predict the fluctuation of the price of these permits, or make additional technological investments to reduce our emissions. Moreover, our clean and renewable energy projects



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## RISK FACTORS

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may face increasing competition as a result of cap and trade and other regulatory initiatives that incentivize new players to enter those markets. Any of these events could have a material adverse effect on our business, financial condition, results of operations and prospects.

Furthermore, in April 2010, the Korean National Assembly passed an amendment bill to the Renewable Energy Act which went into effect in January 2012, and introduced the Renewable Portfolio Standard (“RPS”). According to the Renewable Energy Act, power projects in Korea with capacity over 500 MW measured at 30 degrees Celsius are obligated to supply a minimum percentage of power generated through new and renewable energy, as defined in the Renewable Energy Act. In 2012, the renewable energy generation requirement was 2% of the gross electricity generated. This percentage will increase to 10% by 2022. Consequently, to meet the requirements of the Renewable Energy Act, the Yulchon Company needs to generate a minimum proportion of its total power generation through new and renewable energy generation or purchase RECs from the open market. Companies that do not meet these minimum levels may be subject to pecuniary charges proportionate to the volume of RECs that they failed to submit. Compliance with the RPS is measured on a yearly basis, and Yulchon Company has been in compliance since its introduction in 2012. Daesan Company is not subject to the regulations of the RPS given that the installed capacity of Daesan I Power Project is 465.8 MW measured at 30 degrees Celsius<sup>(1)</sup>, which is lower than the RPS threshold of 500 MW measured at 30 degrees Celsius. The Yulchon Company’s inability to meet or maintain compliance with such percentage thresholds may result in a fine or other penalty imposed upon us for non-compliance, and there can be no assurance that such fine or other penalty will not have a material adverse effect on our business, results of operations or financial condition.

*We may experience limitations on the dispatch of our electricity due to grid congestion or other grid constraints. Any reduction in dispatched output due to grid congestion or constraint may have a material adverse effect on the sales of electricity generated from our power generation projects, as well as our business, financial condition and results of operations.*

The transmission and dispatch of the output of our power generation projects may be curtailed as a result of various grid constraints, such as grid congestion, resulting in constraints on transmission capacity of the grid and restrictions on electricity dispatch during certain periods. Grid congestion may be caused by the increased supply of electricity due to rapid economic growth, resulting in periods when grids do not have sufficient capacity to transmit and dispatch the full output of their connected power projects. In the event of grid congestion, the relevant grid could require a project to reduce the amount of power generated, which in turn would reduce our expected revenue from that particular power project. We may not be able to receive compensation for reductions in generation due to a grid constraint. We rely on local grid companies in the PRC and KEPCO in Korea to construct and maintain the infrastructure and provide the electricity transmission and dispatch services necessary to connect our power generation projects to the respective grids and to maintain that connection, and there can be no assurance that the grid companies will do so in a timely manner, or at all. We have not experienced any material grid congestion for our power projects during the Track Record Period and up to the Latest Practicable Date.

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(1) The Daesan I Power Project has a rated installed capacity of 507.0 MW measured at 15 degrees Celsius. The industry common practice is to quote the rated installed capacity measure at 15 degrees Celsius. However, for the Korean government’s purposes, installed capacities are measured at 30 degrees Celsius to better indicate the power generation capacity during the summer peak demand period.



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## RISK FACTORS

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Any reduction in dispatched output due to grid congestion or constraint may have a material adverse effect on the sales of electricity generated from our projects, as well as our business, financial condition and results of operations.

***All of our gas-fired and oil-fired power projects rely on a single fuel supplier. Any interruption or shortage of our fuel supply may have a material adverse effect on our business, financial condition and results of operation.***

In the PRC and Korea, our five gas-fired power projects and our oil-fired power project each rely on a single fuel supplier. For example, in Korea, the gas for our gas-fired power projects, Yulchon I and Yulchon II Power Projects, is supplied by KOGAS, the government-owned gas company which is the sole supplier of natural gas to projects such as ours. Hyundai Oilbank is the supplier of oil for our oil-fired power project, Daesan I Power Project.

There can be no assurance that we will continue to have access to gas and oil at favorable rates or at all, or that we will be able, if necessary, to access alternative sources of gas or oil for our projects. Interruptions in the supply of fuel, as have occurred in the past, may affect the output of our oil- and gas-fired power projects and, in turn, our results of operations. For instance, during the Track Record Period, Hexie Power Project had a fuel supply shortage. The shortage was primarily due to a lack of a consistent gas supply coupled with particularly cold weather conditions in the region that caused the local government authorities to prioritize and redirect a portion of gas resources directly to domestic heating use, rather than for electricity generation. We have not been, and do not expect to be, compensated for these, or any future, output shortfalls. Additionally, any significant interruption or delay in the supply of fuel required by our oil- or gas-fired power projects (including disruptions resulting from defects in, or the requirement for maintenance of, the respective methods used to transport fuel supply) would require us to purchase fuel from alternative sources. In that event, there can be no assurance that prices will not be higher than those contracted with our existing suppliers or that any alternative sources will be available at all. There is no assurance that there will not be future disruptions in our fuel supplies or that there will be sufficient fuel resources available to us to meet our future obligations. Any such interruption or shortage, and our inability to compensate for such shortage at favorable rates or at all may have a material adverse effect on our business, financial condition and results of operations.

***The majority of our power generation projects rely on a single customer to purchase the power we generated from each respective power generation project which may expose us to operating and financial risks.***

In the PRC, the relevant local grid company is the sole customer for a majority of our power generation projects. Each of these power generation project companies in the PRC has entered into a PPA with the local grid company. Therefore, our business in the PRC primarily relies on a single customer for each power generation project. There is no assurance that the offtakers under our PPAs, the majority of which in the PRC are also the provincial power grid operators, will make full and timely payments for our electricity output according to the terms of the relevant PPA or agreed upon tariffs, will comply with their other contractual obligations under the relevant PPA or that we would be able to enforce the terms of those PPAs against them. In addition, we cannot guarantee that our offtakers will not be subject to insolvency or liquidation proceedings during the term of the PPA. The failure of our PPA counterparties to honor their obligations under their respective PPAs or any significant non-purchase, non-payment, non-compliance, insolvency or liquidation of a PPA counterparty may have a material adverse effect on our business, financial condition and results of operations.

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## RISK FACTORS

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Likewise, in Korea, Yulchon I, Yulchon II and Daesan I Power Projects rely on a single offtaker pursuant to their respective offtake arrangements. KEPCO purchases power generated by Yulchon I Power Project pursuant to a long-term PPA that expires in 2025, and the KPX purchases power generated by Yulchon II Power Project and Daesan I Power Project pursuant to the Power Market Operation Rules enacted by the KPX (the “**Power Market Operation Rules**”). We cannot assure you that the counterparty to our PPA for Yulchon I Power Project will not default, or that there will not be any changes to the capacity payments or the electricity pricing system that governs the tariff of power produced by Daesan I Power Project and Yulchon II Power Project. The occurrence of any of these events could have a material adverse effect on our business, financial condition and results of operations.

*We operate facilities that may cause significant harm to the environment or for which accidents, natural disasters or external attacks may have a material adverse effect on our business, financial condition, results of operations and prospects.*

Although we have adopted stringent risk control procedures for the operation of our facilities, these facilities, as currently operated, could be the source of industrial accidents or environmental and public health impacts (such as inadequately controlled emissions, leakages in explosive or flammable materials and in electricity supply lines insulated with pressurized oil or a failure of decontamination facilities). Some of our hydro projects operate dams, at which failures or accidents could have significant impact on the surrounding environment from floods and other water management problems. Our facilities may be located in industrial areas where other facilities subject to similar risks are operated, which means that our own facilities may be impacted by accidents occurring at neighboring facilities owned by other operators which are not under our control.

We implement appropriate measures to prevent and, if necessary, repair any industrial accidents or environmental damage caused by the facilities that we operate. These measures are intended, in particular, to protect both against the risk of an accident (such as explosion or fire) occurring in our facilities and against the impact of such an accident occurring in a neighboring facility owned by a third party. However, there can be no assurance that the measures taken to control these risks will prove effective if any of the above events were to occur. An accident of the type described above could have serious consequences for persons, property and business continuity, and could result in significant liability for us. Insurance policies for civil liability and damages taken out by us could prove to be significantly inadequate, and there can be no assurance that we will always be able to maintain a level of insurance coverage at least equal to current insurance coverage levels and at the same cost. The frequency and magnitude of natural disasters seen over the past few years, in particular, the nuclear accident that occurred in Fukushima, Japan, in March 2011, could have a significant impact on the capacities of the insurance and reinsurance market and on the costs of civil liability and damages insurance cover for us. See “– *We may not have adequate insurance to cover all potential liabilities or losses*” below. An accident could also lead to the shutdown of the facility affected and, potentially, of similar facilities that may be considered to present the same risks.

Power-related facilities may be at greater risk for terrorist activities than other targets. Facilities or assets operated by us may be targeted by attacks or malicious acts. Safety measures were incorporated into the design of the facilities and sites, and protective measures have been taken by us. Nonetheless, there can be no guarantee that these measures will prove fully effective in all cases. An attack or malicious act committed on these facilities could have consequences such as damage to persons, property and continuity of business, our liability being sought on the basis of measures that are judged inadequate and interruptions to operations.

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## RISK FACTORS

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The occurrence of any one of these events may have a material adverse effect on our business, financial condition, results of operations and prospects.

***We are a holding company and depend on distributions from our subsidiaries and associates. Any inability to receive distributions or dividends from our subsidiaries and associates may have a material adverse effect on our business, financial condition and results of operations.***

As a holding company, we are dependent on the earnings and cash flows of, and distributions from, our subsidiaries and associates to satisfy our financial obligations as well as to pay dividends to our Shareholders. We currently conduct, and expect to continue to conduct, our operations through wholly foreign-owned enterprises and associates in the PRC and through our subsidiaries in Korea. While our share of results of associates changed from a loss of U.S.\$5.0 million for the year ended December 31, 2011 to a gain of U.S.\$11.3 million for the year ended December 31, 2012 and increased to a gain of U.S.\$37.4 million for the year ended December 31, 2013, and decreased from U.S.\$9.9 million for the four months ended April 30, 2013 to U.S.\$9.3 million for the four months ended April 30, 2014, there is no guarantee that such results will continue in future financial periods. In addition, the availability of distributions from our subsidiaries and associates is subject to the satisfaction of various covenants and conditions contained in the applicable subsidiaries' and associates' financing documents and certain tax and regulatory restrictions. Our subsidiaries and associates may generally distribute their after-tax profits, as determined in accordance with accounting standards and regulations in the PRC or Korea, as applicable, to their shareholders according to their shareholding ratios or the shareholders agreements only after they have made the requisite contributions to relevant statutory funds. See "Appendix VI – Taxation".

Furthermore, if our subsidiaries and associates incur debt on their own behalf in the future, the loan agreements governing that debt may restrict their ability to pay dividends or make other payments to us. Furthermore, we are structuring other project financing arrangements containing, and we anticipate that future project level financing will contain, certain conditions and similar restrictions on distributions to us. Any inability to receive distributions or dividends from our subsidiaries and associates may have a material adverse effect on our business, financial condition and results of operations.

***Our joint venture partners' interests may differ from ours and we may not be able to execute successfully or fully our business strategy with respect to assets and projects owned with our joint venture partners.***

We are the sole shareholder of six of our power project companies, a majority shareholder in seven of our power project companies and a minority shareholder in two associate power project companies. As a result, we may not be able to execute successfully or fully our business strategy with respect to assets and projects in which we have joint venture partners because we cannot guarantee that these partners' interests will align with ours. Furthermore, our control over these assets and projects is generally subject to the terms of applicable agreements and arrangements which may limit our ability to take certain actions which we would deem to be beneficial to our business and financial condition. If there is a dispute or disagreement with respect to certain corporate decisions, we may not be able to fully protect our interests in associates or other companies, which may have a material adverse effect on our business, financial condition and results of operations.

In addition, for some of our power projects, we conduct our project development activities through one or more local partners. In general, local partners may be involved in sourcing new projects and carrying out various activities during the development phase. While we generally enter into such

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## RISK FACTORS

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partnerships where we believe we are able to benefit from the strong local insight and experience of local partners, we cannot guarantee that such partnerships will be successful. Failure to successfully manage any of our joint venture relationships may result in a material adverse effect on our business, financial conditions, results of operations and prospects.

In addition, the financing of certain of our power projects that are under development are also dependent on capital contributions and assistance from our joint venture partners or other shareholders. The inability of those partners or shareholders to provide their portion of the capital contributions could result in delays or indefinite postponements of the construction of those power projects. Failure to obtain acceptable financing on a timely basis or at all or the inability of our joint venture partners or other shareholders to contribute or assist may have a material adverse effect on our business, financial condition and results of operations.

***The Operation and Management Services Framework Agreements may not be renewed under favorable terms, or at all.***

Our current Operation and Management Services Framework Agreements with certain members of the CGN Group are, and the operation and management services agreements for each specific power project are, scheduled for expiration on December 31, 2016. We cannot assure you that CGN or any individual counterparty will choose to renew our Operation and Management Services Framework Agreements or any individual operation and management services agreement, respectively, on terms which we believe to be favorable, or at all. Our inability to renew our Operation and Management Services Framework Agreements or an individual operation and management services agreement, or renew either agreement with favorable terms, may result in a reduction of our revenue, which in turn may have a material adverse effect on our business, financial condition and results of operations. See “*Connected Transactions – (A) With the CGN Group (Including the Disposal Group) – Non-exempt Continuing Connected Transactions subject to reporting and announcement requirements – 2(a) Operation and Management Services (CGN Energy) Framework Agreement*” and “*Connected Transactions – (A) With the CGN Group (Including the Disposal Group) – Non-exempt Continuing Connected Transactions subject to reporting and announcement requirements – 2(b) Operation and Management Services (Huamei Holding) Framework Agreement*”.

***Construction, development and operation of power projects involves many risks which may result in delays or interruptions of operations, lost revenue, increased maintenance costs and damages due to failure to perform under our PPAs.***

Constructing, developing and operating power projects involves many risks and hazards which may materially adversely affect our profitability, including but not limited to:

- breakdown, failure or substandard performance of our equipment or the transmission and distribution system;
- improper design, installation, operation or maintenance of equipment;
- mechanical, technical and design problems;
- unforeseen design, engineering, environmental, or geological problems;
- shortages of equipment, materials or labor;

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## RISK FACTORS

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- work stoppages and labor disputes;
- delays or failure in receiving requisite approvals, licenses or permits;
- weather conditions;
- accidents;
- natural disasters;
- new technologies;
- environmental hazards; and
- industrial accidents, including fires and explosions.

The occurrence of any of the above or similar problems may cause delays, interruption of operations or cost overruns which may have a material adverse effect on our business, financial condition or results of operations. For example, Yulchon II Power Project utilizes as part of its combined cycle operation, a technologically advanced turbine, which utilizes technology that is relatively new to the industry, and Yulchon II Power Project is among the first to utilize this type of technology commercially outside of Japan. As a result, there is no assurance that there will be no delays or interruptions of operations, lost revenues, increased maintenance costs and damages due to the implementation of new, and relatively untested, technology.

In addition, the construction of our power projects is generally undertaken by third-party contractors and there can be no assurance that such contractors will be able to complete construction in a timely or cost-effective manner. For example, Nantong Cogen Power Project was delayed for 128 days due to construction complications, delays in the receipt of government approval and weather-related delays. Construction delays or suspension of operations at any of our power projects can result in loss or delayed receipt of revenue, increase in financing costs or failure to meet profit and earnings projections resulting in a material adverse effect on our business, financial condition or results of operations.

***We are subject to extensive laws and regulations, compliance with which may require significant capital, and there can be no assurance that we have obtained or will be able to obtain all necessary regulatory approvals or licenses.***

Our business is subject to extensive laws and regulations of the PRC and Korea, including the connection and dispatch of power generation, setting of on-grid tariffs, compliance with power grid control and dispatch directives, land use and environmental, safety and health standards. Compliance with such laws and regulations, and any future laws and regulations, may require us to incur significant capital expenditures or may impose other obligations or liabilities which could create a substantial financial burden on us. There can be no assurance that we possess at all times, or will in the future be able to obtain, adequate certificates, authorizations, licenses, orders, consents, approvals or permits required by all applicable laws and regulations in the PRC or Korea for the operation of our businesses. A breach of the laws or regulations to which we are subject or failure to possess adequate licenses may result in the imposition of fines and penalties or the suspension or closure of the relevant power project operations or construction. In addition, a failure to possess certain certificates, authorizations, licenses, orders, consents, approvals or permits may also affect our ability to transfer our assets in the event of

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## RISK FACTORS

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any disposal. Furthermore, failure to comply with environmental laws and regulations could have a material adverse effect on our business, financial conditions and results of operations, through the closure of individual facilities not in compliance, as well as the imposition of civil or criminal liability and the imposition of liens or fines, and expenditures to bring the relevant facilities into compliance.

***Certain of our leased and owned properties on which we conduct our operations may be subject to title defects.***

Some of our power projects are situated on land and building units that we own while other of our power projects are situated on land that we lease from third parties. Certain of our owned parcels of land and certain of our owned and leased building units are subject to title defects and accordingly our use of these properties may subject us to risks and liabilities.

Our title defects in relation to our owned parcels of land and building units in the PRC, including certain parcels of land owned by Puguang JV and Weigang JV and certain building units owned by Puguang JV, relate primarily to the failure to obtain all of the requisite building ownership certificates, the failure to obtain all of the requisite approvals for our land use rights, and the potential obligation to pay additional land costs for changing the nature of state-allocated land to granted land. For details of these title defects, see “*Business – Properties – Owned Properties*”. If the relevant PRC government authorities were to take actions against our use of these properties, we may be subject to the imposition of penalty, confiscation of land, the payment of additional land costs and vacation from or demolition of building units, causing interruptions to or suspension of the operations of certain of our power projects. We may also be subject to additional costs and expenses if we were to relocate and reconstruct our power plants and ancillary buildings and structures.

The title defects in relation to our leased building units in the PRC relate primarily to the failure on the part of the lessors to obtain or produce the relevant building ownership certificates and the failure to register the lease agreements. For details of these title defects, see “*Business – Properties – Leased Properties*”. Such title defects of our leased properties may result in our leases being non-compliant with relevant PRC laws and regulations and we may be subject to the imposition of penalty. There is no assurance that our use of these leased properties will not be negatively affected, suspended or interrupted as a result of such non-compliance.

Our inability to operate a power plant, confiscation of land, or vacation from or demolition of building units or otherwise violation of land use right certificates or approvals, building ownership certificates or approvals could have a material adverse effect on our business, financial condition and results of operations. For a discussion of our owned and leased properties, see “*Business – Properties*”.

***Our Group has had certain compliance irregularities which may lead to enforcement actions being taken.***

Some of the members of our Group incorporated in Hong Kong, Mauritius and Malta have on various occasions been involved in a number of systematic non-compliance matters. These include primarily non-compliance with certain statutory requirements in the then Companies Ordinance (Chapter 32 of the laws of Hong Kong) in respect the timely laying of audited financial statements and the timely filing of audited financial statements with relevant authorities in Mauritius and Malta. For details, see “*Business – Licenses, Regulatory Approvals and Compliance – Systematic non-compliances in Hong Kong, Mauritius and Malta*”. There is no assurance that the relevant authorities would not take



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## RISK FACTORS

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any enforcement action against the relevant members of our Group and their respective relevant directors in relation to the non-compliances. In the event that such enforcement action is taken, the reputation, cash flow and results of operation of our Group may be adversely affected.

***We may be subject to litigation that may result in penalties, charges, settlements or claims against us and cause reputational harm and damage.***

In the ordinary course of business, claims involving customers, suppliers, subcontractors, environmental groups and the general public may be brought against us and in connection with our contracts and power project operations.

If we were found to be liable on any claims, we may be subject to penalties, charges or settlements for which we may have to incur a charge against our revenue to the extent a reserve has not been established for the relevant matter in our accounts, or to the extent the claims are not sufficiently covered by our insurance coverage. Furthermore, if any claims are not resolved through negotiations, we may be subject to lengthy and expensive litigation or arbitration proceedings in addition to any financial burden created by an adverse outcome of the claim.

Penalties, charges or settlements associated with any claims or litigation may have a material adverse impact on our business, financial condition, results of operations and cash flow. In addition, legal proceedings resulting in judgments or findings against us may harm our reputation and damage our prospects for future expansion and development plans.

***We face increasing competition from existing and new power projects, some of which may have more resources than us, which could reduce dispatch volume and our utilization hours and adversely affect our revenue and profitability.***

In the PRC, we primarily compete with the national, provincial, local and other power generation and investment companies for dispatch volume, fuel and labor required to operate our power projects. Our revenue is very sensitive to changes in dispatch volume that impact our utilization hours. In the markets where we sell our power, we compete with other power projects for dispatch and there can be no assurance that the dispatch centers will not give preferential dispatch treatment to other power projects. In addition, we may encounter competition from other electricity producers. In particular, other clean and renewable energy technologies may become more competitive or attractive in the future. Competition for dispatch priority and volume from such producers may intensify if the technology used to generate electricity from these other clean and renewable energy sources becomes more sophisticated and cost-effective, or if the PRC government strengthens its support for such other renewable energy sources through updated regulations. If we are unable to maintain and increase our competitiveness in the future, our market share, revenue and profitability may decrease, which would have a material adverse effect on our business, financial condition and results of operations.

In Korea, due to the electricity shortage experienced from 2011 to 2013, the Korean government has encouraged the development and construction of new power projects by independent power producers. As a result, a number of power projects are scheduled to commence their commercial operations in the upcoming years, which are expected to increase the supply of electricity and could thereby decrease our competitive advantage in Korea.

Furthermore, we compete with competitors for the acquisition of power projects and required capital in order to develop new power projects. Some of our competitors have been operating for a longer period than we have and have access to more financial resources, stronger support from group or



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## RISK FACTORS

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affiliated companies and/or better government relationships than we do. The ability of our competitors to access resources that we do not have access to, including labor and capital, may prevent us from acquiring additional power projects in strategic locations or from increasing our generating capacity. Failure to secure new greenfield or brownfield projects, to acquire additional power projects or other resources necessary to compete could have a material adverse effect on our business, financial condition and results of operations.

***We may not be able to secure key equipment or have access to the latest technologies.***

We face competition in securing delivery and installation of key equipment, securing all necessary connection to local grids in a timely manner and accessing the latest technologies. Although we evaluate these competitive factors carefully, certain competitors, including other major state-owned power generation enterprises in the PRC, may have better access to government support, infrastructure, financing or other resources than we do, enabling them to access better equipment or technology.

***We may need to purchase and install additional equipment to comply with grid safety and stability requirements.***

In order to meet grid safety and stability requirements, grid companies may require us to purchase and install, at our cost, additional equipment at our power projects after some of these projects have been constructed and connected to the grid. In the event that we become subject to stricter grid safety and stability requirements, we would need to incur additional expenses to comply with these requirements, which could have a material adverse effect on our business, financial condition and results of operations.

***Our overseas operations and our plans for further overseas expansion are subject to unforeseen risks.***

We are currently considering the acquisition of power projects in foreign countries and we plan to further expand our overseas operations, particularly in areas that we believe will create synergies with the CGN Group. These international operations are subject to special risks that can have a material adverse effect on our results of operations. These risks include but are not limited to:

- unsettled political conditions, war, civil unrest and hostilities in countries and regions we operate or seek to operate;
- undeveloped legal systems;
- political and economic instability in foreign markets;
- natural disasters;
- fluctuations and changes in currency exchange rates;
- PRC regulations and approval processes relating to overseas investments; and
- governmental actions such as expropriation of assets, general legislative and regulatory environment changes, exchange controls, cancellation of contract rights, and changes in global trade policies such as trade restrictions and embargoes imposed by the United States and other countries.

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## RISK FACTORS

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To date, instability in the overseas political and economic environment has not had a material adverse effect on our business, financial condition, results of operations and prospects. However, we cannot predict the effect that current conditions affecting various foreign economies or future changes in economic or political conditions abroad could have on the economics of our power projects overseas. Any of the factors above may have a material adverse effect on our international operations and expansion plans and, consequently, our business, financial condition and results of operations.

***To fund our working capital, capital expenditure requirements and our growth strategy, we may further increase our indebtedness level which will increase our gearing and/or issue additional Shares which will dilute the interest of our Shareholders in our Company.***

We currently have, and expect to continue to incur, significant indebtedness. Our net debt/equity ratio was 2.09, 2.90, 3.01 and 3.06 as of December 31, 2011, 2012 and 2013 and April 30, 2014, respectively. As of April 30, 2014, our bank borrowings and bond payables amounted to U.S.\$1,065.6 million and U.S.\$351.1 million, respectively. Our indebtedness could have important consequences, including the following:

- adversely affect our corporate credit rating;
- limit our ability to satisfy our obligations on our outstanding debt;
- increase our vulnerability to adverse general economic and industry conditions;
- increase our exposure to exchange rate fluctuations since our outstanding debt is denominated in U.S. dollars while our revenue is primarily denominated in Renminbi and Korean Won;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industries in which we operate;
- reduce our competitiveness compared to our competitors that have less debt;
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds or pay dividends; and
- increase the costs of additional financing.

We expect to incur significant capital expenditures for investing in and acquiring new power projects, including the exercise of acquisition rights under the non-competition deed to acquire power projects from CGN, and upgrading and expanding our existing power projects as our ability to increase our revenue, net income and cash flows depend upon continued capital spending. We intend to fund our operations, including our working capital and capital expenditure needs, and the implementation of our growth strategy primarily by the cash flow generated from our operations, extension of existing bank financing upon maturity, renewal and additional bank financing or issuance of additional Shares to the CGN Group or the market. We intend to fund part of our investments in pipeline projects with the proceeds from this offering. See “*Future Plans and Use of Proceeds from the Global Offering*”. Our

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## RISK FACTORS

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ability to meet our working capital and capital expenditure needs as well as other expansion plans will be affected by several factors, including general economic and market conditions, capital market activities and conditions, credit availability from banks and other financial institutions, investor confidence in us, our partners and the regional power markets, our financial performance, our levels of indebtedness, our cash flows, and tax and securities laws that may impact raising capital, covenants in our existing debt and credit agreements and existing obligations to contribute capital under our associate agreements. Restrictive covenants contained in our debt agreements restrict us from creating or permitting to subsist security interests over our assets, making any sale, transfer, assignment or other disposal of any investment or project company, amalgamating, merging, demerging, consolidating or entering into a corporate reconstruction, incurring or permitting to subsist further financial indebtedness, becoming a creditor in respect of any financial indebtedness, declaring or making shareholder distributions, entering into treasury transactions, changing the nature of our business, our management or our constitutional documents, among others, unless expressly permitted or certain exceptions apply. In addition, our ability to meet our financial ratios under our existing loans may be affected by events beyond our control. Whilst our high level of indebtedness with a net debt/equity ratio of 3.06 as of April 30, 2014 may initially reduce our ability to incur further debts to fund the acquisitions, when we acquire operational power generation projects from CGN, as these projects would be generating cashflow and earnings, this is expected to increase our overall cashflow and earnings potential and therefore enabling us to take on more debts. Notwithstanding this, we cannot assure you that we will be able to meet these ratios; if we fail to do so it could result in an inability to incur debt or an acceleration of our debt. See further details of such restrictive covenants in “*Financial Information – Liquidity and Capital Resources – Indebtedness.*” In addition, obtaining additional debt or equity financing may require us to sell debt securities or issue equity securities including Shares. The sale of debt securities could result in the incurrence of indebtedness that could result in additional covenants that restrict our operations. The issue of equity securities including Shares and securities that are convertible into Shares could result in the dilution of the interest held by our Shareholders in our Company and the earnings per Share will also be affected. If, in satisfying the consideration for acquisitions of power projects from CGN, we issue additional Shares to the CGN Group, the interest held by our other Shareholders in our Company will be diluted and the level of the public float of our Shares will also be reduced, which may also impact the liquidity in the trading of our Shares on the Stock Exchange. We cannot assure you that financing will be available in amounts or on terms acceptable to us or at all.

If we fail to secure sufficient cash flow from our operations or external financing, either on acceptable terms or on a timely basis, to fund our working capital and capital expenditure required for the implementation of our expansion plans, our future plans to acquire new power projects and upgrade and expand our existing power projects may be adversely affected or curtailed which could have a material adverse effect on our business, financial condition and results of operations.

***We are exposed to fluctuations in interest rates on our debt. Any unfavorable interest rate fluctuations relating to our debt could have a material adverse effect on our business, financial condition and results of operation.***

We are exposed to interest rate risk resulting from fluctuations in interest rates on our debt. We undertake debt obligations to support general corporate purposes including capital expenditures and working capital needs. Certain of our indebtedness is subject to floating interest rates or interest rates that are subject to adjustment by our lenders. Furthermore, the PBOC abolished the upper limit on Renminbi lending rates for all loans from financial institutions in July 2013, which could result in us paying higher interest rates. Our finance costs amounted to U.S.\$43.5 million, U.S.\$40.4 million, U.S.\$51.1 million and U.S.\$19.6 million for the years ended December 31, 2011, 2012 and 2013 and

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## RISK FACTORS

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for the four months ended April 30, 2014, respectively. The weighted average interest rate with respect to our outstanding loans (including bond payables and loan from an intermediate holding company) as of December 31, 2011, 2012 and 2013 and April 30, 2014, was 4.46%, 4.54%, 4.25% and 4.18%, respectively. As of April 30, 2014, the amount of our outstanding debt on a consolidated basis totaled U.S.\$1,659.0 million of which approximately 46.6% had floating interest rates. The remaining approximately 53.4% of our outstanding debt on a consolidated basis had fixed interest rates. If interest rates had been 50 basis points higher or lower for variable-rate bank borrowings of the Group (including the Disposal Group), with all other variables held constant, and taking into account the capitalization effect, our profit for the year/period ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014 would have decreased or increased by U.S.\$2.1 million, U.S.\$2.4 million, U.S.\$1.4 million and U.S.\$0.5 million, respectively. We are likely to incur additional floating rate indebtedness as we incur debt financing in connection with the acquisition or construction of additional power projects and upward fluctuations in interest rates will increase the cost of new debt. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of our debt obligations. Accordingly, our business, financial condition and results of operations could be materially adversely affected by any unfavorable interest rate fluctuations on our debt.

***Our hedging strategy may not adequately protect us from commodity price risks, foreign exchange and interest rates.***

Our power projects expose us to volatility in the price of electricity and fuel supplies, particularly coal, oil and gas prices. See “– All of our gas-fired and oil-fired power projects rely on a single fuel supplier. Any interruption or shortage of our fuel supply may have a material adverse effect on our business, financial condition and results of operation”. Furthermore, our profit is affected by fluctuations in foreign currency exchange rates as we collect substantially all of our revenues from our projects in Renminbi and Korean Won. In addition, we are exposed to fluctuations in interest rates on our debt with floating interest rates based on market prevailing rates. In an effort to reduce our exposure to losses from adverse changes in the prices for fuel and to stabilize our returns as well as reduce our exposure to foreign exchange rate and interest rate fluctuations, we assess the appropriateness of entering into a financial hedge to stabilize our projected revenue streams. While we currently do not actively engage in any hedging activities, we may choose to do so in the future.

Any hedging activities we undertake may fail to protect or could harm our operating results because, among other things: (i) hedging can be expensive, particularly during periods of volatile prices; (ii) available hedges may not correspond directly with the risks that we are seeking to protect ourselves against; (iii) the duration of the hedge may not match the duration of the risk that we are seeking to protect ourselves against; (iv) the counterparty or clearing agent to a hedging transaction may default on its obligation to pay or deliver under the forward contract; and (v) we may need to post collateral with counterparties for certain hedging transactions.

Our inability to effectively manage risks associated with potential hedging activities may have a material adverse effect on our business, financial condition and results of operations. See “*Financial Information – Quantitative and Qualitative Disclosure of Market Risk – Treasury Policy*”.

***We may be subject to significantly higher taxes if we are unable to rely on preferential withholding tax rates on dividends.***

We hold shares in our project companies through offshore vehicles that are based in jurisdictions such as the Cayman Islands, Bermuda, the British Virgin Islands, Hong Kong, Malta and Mauritius that allow us to benefit from favorable tax rates on dividends paid by our project companies. From 2011 to

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## RISK FACTORS

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2013, dividends paid by our subsidiaries that were tax residents in Korea were subject to a 10% Korean withholding tax pursuant to the PRC-Korea Tax Treaty. Upon completion of the Global Offering, dividends paid by such subsidiaries in Korea may not be eligible for the 10% Korean dividend withholding tax based on the PRC-Korea tax treaty. If no reduction of the withholding tax rate applies under an applicable tax treaty, the full Korean withholding tax rate of 22.0% would apply to such dividends. If there are changes to the tax treaties or other regulations that allow us to benefit from these preferential withholding tax rates, or if those offshore vehicles are deemed not to be resident for tax purposes in the jurisdictions in which they are incorporated, we could be subject to significantly higher withholding tax rates on dividends from our project companies. These higher tax rates could have a material adverse effect on our financial condition, results of operations and profit. See “*Financial Information – Key Factors Affecting our Results of Operations and Financial Condition – Taxation*” and “*Appendix VI – Taxation*”.

***We may not have adequate insurance to cover all potential liabilities or losses.***

We maintain insurance which is consistent with market practice in the PRC and Korean power generation industries and in amounts that we believe to be adequate, including business interruption and earthquake insurance. We also generally require third party contractors to indemnify us for certain losses for which they are able and for which they may, but are not required to, obtain insurance. However, we face various risks in connection with our businesses and may lack adequate insurance coverage or may have no relevant insurance coverage. See “– *Construction, development and operation of power projects involves many risks which may result in delays or interruptions of operations, lost revenue, increased maintenance costs and damages due to failure to perform under our PPAs*” and “– *We operate facilities that may cause significant harm to the environment or for which accidents, natural disasters or external attacks may have a material adverse effect on our business, financial condition, results of operations and prospects*”. There can be no assurance that the insurance we maintain or the insurance maintained by our third party contractors will provide adequate coverage in all circumstances. Although each of our power projects has a track record of safe operation and none of them has suffered any material hazards during the Track Record Period, there can be no assurance that we will not suffer an accident or mishap in the future. The occurrence of any accident or mishap for which we are uninsured or inadequately insured may have a material adverse effect on our business, financial condition and results of operations.

***We depend on executives, key management and technical personnel and there can be no assurance that we will be able to attract and retain the key personnel that we need to achieve our business objectives.***

Our success is built substantially upon the strategic vision of our executives, key management and technical personnel. We do not carry key person insurance on any of our management personnel and there can be no assurance that we will be able to retain our executives and employees. If any of our executives, key management or technical personnel ceases to continue in their present positions, or if any of them fails to observe and perform their obligations under their service agreements, we may not be able to find a suitable replacement and our business may be disrupted, leading to a material adverse effect on our business, financial condition and results of operations.

Our future growth and success will also depend to a large extent on our ability to retain or recruit suitably qualified individuals to strengthen our management, operational and research teams. We expect to face increased competition for employees from other power generation companies, driven in part by the growth of the power generation sector. There can be no assurance that we will be able to attract and retain the key personnel that we need to achieve our business objectives.

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## RISK FACTORS

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*The assumptions we use to perform our internal investment analysis and feasibility studies for new power projects may not be up-to-date or accurate.*

In performing investment analysis and feasibility studies, we consider factors and assumptions including (i) the growth of power demand in the province where the relevant power project investment is to be located; (ii) the increase in the supply of power in the local area, including the addition of new generation capacity; (iii) the capacity and average tariff of existing power projects in a province; (iv) proposed commercial arrangements such as power offtake arrangements; (v) project financing; (vi) facilities engineering design and construction; (vii) land acquisition; (viii) project licensing and approval; (ix) the proposed project environmental, safety and health and social impact on the local communities; sources of fuel supply and related transportation channels; (x) storage facilities and costs; and (xi) the location of the local load center and connection to the local power grid. However, there can be no assurance that these factors and other assumptions used and considered by us in performing our internal investment analysis and feasibility studies are up-to-date, accurate or within our control. For example, there are new power projects being developed or which have been built in each power market where we supply power for which we do not have complete or accurate information. The emergence of these new power projects, some of which are substantial, as well as any other uncertainty in the assumptions used by us to perform our internal investment analysis and feasibility studies, may affect our projections for our new power projects and, consequently, have a material adverse effect on our business, financial condition and results of operations if our projections for such power projects differ significantly from actual results.

*We may have difficulties in implementing and monitoring corporate policies across our group members in the PRC and Korea.*

We strive to implement our corporate governance and operational and safety standards across each of our group members in the PRC and Korea in a uniform manner. However, implementing and monitoring these standards may prove difficult and failure to do so may result in violations of local laws and regulations or our own internal policies. There can be no assurance that we can effectively monitor each group member and prevent non-compliance. Any non-compliance may damage our reputation and business prospects in the PRC and Korea, which could have a material adverse effect on our business, financial condition and results of operations.

### **RISKS RELATING TO DOING BUSINESS IN THE PRC AND KOREA**

*We may be subject to higher tax rates in the PRC.*

Prior to the implementation of the EIT law (“EIT Law”) on January 1, 2008, the rates of income tax on companies in China varied depending on the availability of preferential tax treatments based on their nature, industries or locations. For example, before 2008, pursuant to PRC income tax regulations for companies with foreign investment and engaged in the energy and transportation industries, some of our power projects enjoyed preferential state income tax rates ranging from 15.0% to 27.0% instead of the statutory rate of 30.0%. Further, some of our power projects in the PRC were eligible for an additional exemption from state income taxes for two years starting from the first year they generated positive accumulated earnings as approved by the relevant tax authorities and a 50.0% reduction in the state enterprise income tax for three years thereafter. However, in recent years, there have been changes in PRC law and policy that have affected and will continue to affect our preferential tax treatments as applicable to foreign-invested enterprises. Pursuant to the EIT Law, a uniform income tax rate of 25.0% for all enterprises in the PRC has been imposed as of January 1, 2008. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax



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## RISK FACTORS

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those entities that previously enjoyed a lower tax incentive rate will be subject to an increase in their tax rate progressively year by year to 25.0% over a five-year transitional period. Some of our subsidiaries and associate companies receive tax incentives under the new EIT Law and its relevant implementing rules. However, we cannot assure you that such tax incentives will continue. If we or our subsidiaries or associates are subject to higher tax rates, our financial condition will be adversely affected.

***The slowdown of the PRC's or Korea's economy caused in part by the recent challenging global economic conditions may adversely affect our business.***

Our revenue is derived from power sales in the PRC and Korea. We rely, to a significant degree, on domestic demand in these countries for power to achieve revenue growth. Domestic demand for power is materially affected by industrial development, growth of private consumption and overall economic growth in the PRC and Korea. The global crisis in financial services and credit markets in 2008 caused a slowdown in the growth of the global economy. While the rate of deterioration of the global economy slowed in the second half of 2009, with some signs of stabilization and improvement in 2010 and the first half of 2011, macroeconomic events in 2011 such as the tightening of monetary policy by the PRC and other governments and the sovereign debt crisis in Europe may have an adverse effect on global liquidity and as a result, on the Korean and PRC economies, resulting in continuing uncertainty for the overall prospects for the global economies in 2013 and beyond. Any slowdown of the PRC or Korea economy may reduce domestic demand for power, resulting in a material adverse effect on our business, results of operations and financial condition.

***Interpretation and implementation of PRC laws and regulations involves significant domestic uncertainties.***

The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, due to the limited volume of published cases and judicial interpretation and their lack of precedential force, interpretation and enforcement of these laws and regulations involve significant uncertainties. In particular, the PRC power generation industry is a highly regulated industry. Many aspects of our business such as the connection and dispatch of power generation and the setting of on-grid and retail tariffs are subject to negotiations with the PRC government and the relevant government authorities' approval. As the PRC legal system develops together with the PRC power generation industry, there can be no assurance that changes to these laws and regulations, or in their interpretation or enforcement, will not have a material adverse effect on our business operations.

***PRC and Korean economic, political and social conditions as well as government policies could adversely affect our business.***

In addition, the PRC economy differs from the economies of most developed countries in many respects, including government involvement, level of development, economic growth rate, control of foreign exchange, and allocation of resources. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented measures emphasizing market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a large portion of productive assets in the PRC is still owned by the PRC government. The



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## RISK FACTORS

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PRC government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC government will continue to pursue the economic reforms or that any such reforms will not have an adverse effect on our business.

Changes in the political, economic and social conditions in the PRC or Korea, or relevant policies of the PRC or Korean government, such as laws and regulations (or the interpretation thereof), could have a material adverse effect on our operations and financial results. For example, the PRC government may decide to change its current policies with respect to power pooling, and our power projects which are currently not subject to power pooling may end up being subject to power pooling. The power pooling process typically results in a lower selling price than the tariffs received from the power dispatched as part of the planned output, and as such, this could have a material adverse effect on our business and results of operations. Additionally, changes in taxation, on-grid tariff-setting mechanisms for power projects, usage and costs of state-controlled transportation services, or state policies affecting the power industry could also have a material adverse effect on our operating results and financial condition. Similarly, our tariff and offtake arrangements in Korea which are governed by Korean regulators may be amended which could result in a decrease in our revenue.

Furthermore, the growth of power demand in the PRC or Korea depends heavily on economic growth. If the PRC's or Korea's economic growth slows down or if either economy experiences a recession, the growth of power demand may also slow down or stop. Changes in PRC government policy, such as changes in measures which might be introduced to control inflation, or in the rate or method of taxation, or the imposition of additional import restrictions or restrictions on currency conversion, could also have a material adverse effect on our operations and financial results.

***Any force majeure events, including the outbreak, or threatened outbreak, of any severe communicable disease in Korea or the PRC, could have a material adverse effect on our business, financial condition and results of operations.***

Any force majeure events, including the outbreak, or threatened outbreak, of any severe communicable disease (such as severe acute respiratory syndrome or avian influenza) in Korea or the PRC, could have a material adverse effect on the overall business sentiment and environment in Korea or the PRC, particularly if such outbreak is inadequately controlled. This, in turn, could have a material adverse effect on domestic consumption, labor supply and, possibly, the overall GDP growth of Korea or the PRC. Our revenue is currently derived mainly from Korean and PRC operations, and any labor shortages on contraction or slowdown in the growth of domestic consumption in Korea or the PRC could have a material adverse effect on our business, financial condition and results of operations. In addition, if any of our employees are affected by any severe communicable disease, it could adversely affect or disrupt production levels and operations at the relevant projects and have a material adverse effect on our business, financial condition and results of operations, which may also involve a closure of our facilities to prevent the spread of the disease. The spread of any severe communicable disease in Korea or the PRC may also affect the operations of our customers and suppliers, which could have a material adverse effect on our business, financial condition, and results of operations.

***Fluctuation of the Renminbi and Korean Won could have a material adverse effect on our business, financial condition and results of operations.***

We earn our revenue in Renminbi and Korean Won, some of which are converted into foreign currencies to (i) purchase foreign-made equipment and parts for repair and maintenance, (ii) make investments in or acquire interests from other companies, (iii) settle our operating costs and (iv) pay

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## RISK FACTORS

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dividends to the shareholders of our power projects. In 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. In addition, conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. Under the PRC's foreign exchange regulations, payments of current account items, including dividend payments, interest payments and expenditures from trade are freely exchangeable into foreign currencies without prior government approval except for certain procedural requirements. However, strict foreign exchange controls continue for capital account transactions, including repayment of loan principal, return of direct capital investments and investments in negotiable securities. In Korea, there are certain foreign exchange controls applicable to us as well. We are also exposed to foreign currency fluctuations attributable to our bank balances and payables which are denominated in the currencies other than the functional currency of the entity to which they relate. In Korea, the Yulchon Company has a commitment to make foreign currency payments to contractors for maintenance work, which also exposes us to foreign currency fluctuation risks. The committed foreign currency payments by the Yulchon Company to contractors amounted to U.S.\$267.3 million, U.S.\$108.3 million, U.S.\$14.8 million and U.S.\$14.8 million for the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, respectively. Devaluation of the Korean Won against the U.S. dollar has also affected dividend distributions we receive from our Korean entities. For further information on our foreign exchange risks, foreign exchange gains/losses and certain exchange rates, see "*Financial Information – Quantitative and Qualitative Disclosure of Market Risk – Foreign currency exchange risk*". Any material fluctuation of the Renminbi or Korean Won may have a material adverse effect on our business, financial condition and results of operations.

***The potential increase in wages or allowance payments due to not properly calculating "ordinary wages," which is the basis for calculating such payments, may have an adverse effect on our business in Korea***

The Korean Labor Standards Act provides that a worker's "ordinary wages" will mean hourly wages, daily wages, weekly wages, monthly wages or contract wages which are determined to be paid regularly and uniformly and on a fixed basis to a worker for his/her prescribed labor, and be used as the basis for calculating incremental wages for overtime, nighttime, and holiday work, allowance paid in lieu of termination notice and annual leave allowances.

In a recent ruling, the Korean Supreme Court held that fixed bonuses should be included in calculating ordinary wages regardless of their payment period and that any labor-management agreement which excludes fixed bonuses from ordinary wages shall in principle be null and void because it violates mandatory labor law. However, wages payable on a predetermined date only to persons who are employees as of such date, such as Chuseok and Lunar New Year holiday bonuses, summer vacation allowances, *kimchang* bonuses paid during the preparation of Korea's traditional *kimchi* dish, gift expenses, birthday support, personal pension subsidy, workplace group insurance premium, etc., have been excluded from the scope of ordinary wages. The Korean Supreme Court reasoned that these types of wages do not satisfy the "fixed" criteria of the ordinary wage definition because they would not be payable to employees that are not employed at the time of payment. The Korean Supreme Court further held that employees will not be permitted to file claims for additional wage amounts if the filing would be in breach of the principle of "good faith and trust." Employees filing additional wage claims would be acting in bad faith, and thus the filings would be prohibited, if certain requirements, including the following, are satisfied: (i) if labor and management would have adjusted the amount of other wage items had they known that fixed bonuses would be part of ordinary

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## RISK FACTORS

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wages and, as result, the aggregate wage amount would have remained the same; and (ii) if the additional wage claims had a material adverse impact on the company due to the unexpected excessive financial burden.

Despite having paid regular, uniform and fixed payments, such as “fixed bonuses” that may be categorized as “ordinary wages” to their employees, many Korean companies have not reflected such amounts that were not paid on a monthly basis when calculating the amount of the applicable ordinary wages until now. In such cases, many of these companies may not have paid wages for overtime, nighttime, and holiday work, allowances paid in lieu of termination notice, or annual leave allowances up to the amount required under the Korean Labor Standards Act, and thus employees of such companies may seek amounts unpaid during the past to the extent the relevant statute of limitation period permits, and demand for the increase of future wages or allowances which are calculated based on ordinary wage. There can be no assurance that MPC Korea, Yulchon Company or Daesan Company have made wage or allowance payments in compliance with the Korean Labor Standards Act and further clarification provided by the Korean Supreme Court, which may have a material adverse effect on our business, financial position, results of operation and prospects.

***Increased tensions with North Korea could have a material adverse effect on our operations in Korea.***

As of and for the year ended December 31, 2013, our subsidiaries in Korea had a total attributable installed capacity of 1,729.0 MW, which represented 57.4% of our total attributable installed capacity, and revenue of U.S.\$720.8 million, which represented 69.5% of our total revenue. As of and for the four months ended April 30, 2014, our subsidiaries in Korea had a total attributable installed capacity of 2,041.1 MW, which represented 55.8% of our total attributable installed capacity, and revenue of U.S.\$202.9 million, which represented 65.2% of our total revenue. Relations between Korea and the Democratic People’s Republic of Korea (“**North Korea**”) have been tense for many decades. The level of tension between Korea and North Korea fluctuates and may increase or change abruptly as a result of current and future events, including ongoing contacts between the governments of Korea and North Korea. Korea and North Korea and other countries have been holding ministerial talks relating to North Korea’s intention to withdraw from the Nuclear Non-Proliferation Treaty. In 2003, North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty. Since the renouncement, Korea, the United States, North Korea, China, Japan and Russia have held numerous rounds of six-party multi-lateral talks in an effort to resolve issues relating to North Korea’s nuclear weapons program. In addition to conducting test flights of long-range missiles, North Korea announced in 2006 that it had successfully conducted a nuclear test, which increased tensions in the region and elicited strong objections worldwide. In May 2009, North Korea announced that it had successfully conducted a second nuclear test and test-fired three short-range surface-to-air missiles. In response, the United Nations Security Council unanimously passed a resolution in June 2009 that condemned North Korea for the nuclear test and expanded and tightened sanctions against North Korea. In March 2010, a Korean warship was destroyed by an underwater explosion, killing many of the crewman on board. The Korean government formally accused North Korea of causing the sinking in May 2010, and North Korea has denied responsibility for the sinking and threatened retaliation for any attempt to punish it for the act. On November 23, 2010, North Korean forces fired more than 100 artillery shells targeting Yeonpyeong Island located near the maritime border between Korea and North Korea on the west coast of the Korean peninsula, killing two Korean soldiers and two civilians, as well as causing substantial property damage. Korea responded by firing approximately 80 artillery shells and putting the military at its highest alert level. The Korean government condemned North Korea for the act and vowed stern retaliation should there be further provocation. Most recently, on February 12, 2013, North Korea conducted its third nuclear testing for which the United Nations Security Council imposed new

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## RISK FACTORS

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economic sanctions on North Korean banking, trade and travel on March 7, 2013. The government of North Korea announced on March 8, 2013 that it was cancelling all non-aggression pacts with Korea. Since the death of Kim Jong-il in December 2011, there has been increased uncertainty with respect to the future of North Korea's political leadership and concern regarding its implication for political and economic stability in the region. Although Kim Jong-il's third son, Kim Jong-eun, has assumed power as his father's designated successor, the long term outcome of such leadership transition remains uncertain.

There can be no assurance that the level of tension on the Korean peninsula will not escalate in the future. Any further increase in tension which may occur if North Korea continues with its long-range missiles or nuclear tests, or if North Korea experiences a leadership crisis, high-level contacts break down between Korea and North Korea or military hostilities occur, could have a material adverse effect on our project operations in Korea and, in turn, our financial condition and results of operations.

***Certain PRC regulations governing PRC companies are substantially different from those applicable to companies incorporated in other countries.***

Most of our investments are in the form of equity ownerships in Sino-foreign companies established in the PRC which are subject to the relevant PRC laws and regulations. These laws and regulations contain certain provisions that cannot be precluded by the stipulations in the contracts, articles of association and all other major operational agreements of these PRC companies, and are intended to regulate the internal affairs of these companies. These laws and regulations in general, and the provisions on corporate governance and protection of shareholders' rights in particular, are substantially different from those applicable to companies incorporated in Hong Kong, the United States, the United Kingdom and other countries or regions.

***Foreign exchange regulations in the PRC may affect our ability to pay dividends in foreign currencies or conduct other foreign exchange businesses.***

We currently receive a significant amount of our revenue in Renminbi. Renminbi is not presently a freely convertible currency, and the restrictions on currency exchanges may limit our ability to use revenue generated in Renminbi to fund our business activities outside the PRC or other payments in U.S. dollars. The PRC government, through SAFE, and other government agencies regulates conversion of Renminbi into foreign currencies. Currently, foreign-invested enterprises, such as our operating subsidiaries and affiliate companies in the PRC, are required to apply for "Foreign Exchange Registration Certificates" and subject to annual inspection by SAFE. Under the PRC's foreign exchange regulations, payments of current account items, including dividend payments, interest payments and expenditures from trade, are freely exchangeable into foreign currencies without prior government approval provided certain procedural requirements are met. However, conversion of currency in the "capital account" (e.g. capital items such as direct investments or loans) requires the approval of SAFE or its local branches. There is no assurance that such approval will be obtained, and if it is not, it could impede our business activities.

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## RISK FACTORS

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### RISKS RELATING TO OUR SHARES

***There has been no prior public market for our Shares; the liquidity and market price of our Shares may be volatile.***

Prior to the Global Offering, there was no public market for our Shares. The Offer Price for our Shares will be the result of negotiations between the Joint Global Coordinators and us and may differ from the market prices for our Shares after the Global Offering. We have applied to have our Shares listed and quoted on the Stock Exchange. There is no assurance that the Global Offering will result in the development of an active, liquid public trading market for our Shares. In addition, the price and trading volume of our Shares may be volatile. Factors such as variations in our revenue, earnings and cash flows may affect the volume and price at which our Shares will be traded.

***Future sales of substantial amounts of our Shares in the public market could adversely affect the liquidity and price of the Shares.***

Sales of a substantial number of Shares or securities exchangeable or convertible into our Shares in the public market, or the perception that such sales may occur, could adversely affect the prevailing market price of the Shares. We and CGNPC Huamei have agreed with the Joint Global Coordinators to a lock-up of our Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, subscribe for or purchase our Shares for a period of six months from the Listing Date. See “*Underwriting – Underwriting Arrangements and Expenses – Undertakings to the Stock Exchange pursuant to the Listing Rules*”, “*Underwriting – Underwriting Arrangements and Expenses – Undertakings by our Company pursuant to the Hong Kong Underwriting Agreement*” and “*Underwriting – Underwriting Arrangements and Expenses – Undertakings by CGNPC Huamei*”. The sale of substantial numbers of our Shares in the public market by any one of our Shareholders, or the sale of new Shares in the public market by us subsequent to the expiry of the restrictive agreement described above, could have a material adverse impact on the price of the Shares. We can give no assurances as to the timing or amount of any such sales. A subsequent sale or offering of Shares may be conducted in conjunction with a second listing on another securities exchange, depending on market conditions, business development plans and our financing requirements. In the event that we are listed on another securities exchange, the liquidity of our Shares may be affected.

***CGN will retain significant control of our Company after the Global Offering and will be able to influence the outcome of matters requiring the approval of Shareholders.***

Upon completion of the Global Offering, our Controlling Shareholder will be CGN who will hold 75% of our Shares, or approximately 72.3%, if the Over-allotment Option is exercised in full. By way of its controlling shareholding, CGN will be able to exercise significant influence over all matters requiring Shareholders’ approval, including the election of our Directors and the approval of significant corporate transactions. There is no assurance that CGN will always vote in a way that benefits all or any of our other Shareholders. See also “*Relationship with CGN Group*” and “*Connected Transactions*”.

***Our dividend distributions to our existing Shareholder prior to the completion of the Global Offering should not be treated as indicative of our future dividend policy; nor can we provide any assurance on the amount of future distributions, if any.***

In 2011, we declared a dividend in the amount of U.S.\$33.0 million which we paid in 2013. In 2014, we declared and paid a dividend of U.S.\$3.3 million to CGNPC Huamei, which was offset by a cash payment payable by CGNPC Huamei in 2014 pursuant to the Reorganization. We expect to

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## RISK FACTORS

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distribute no less than 15% of our annual distributable earnings as dividends. However, payment of any future dividends will be at the discretion of our Board and will depend on a number of factors including: our financial condition, capital requirements, ability to meet financial covenants pursuant to financing arrangements, funds for operations, future business prospects and such other factors as our Board may deem relevant. See “*Financial Information – Dividend Policy and Distributable Reserves – Dividend Policy*”. As a result, the amounts of dividends that we have historically declared are not indicative of the dividends that we may pay in the future and no assurance can be given as to the timing and amount of any future dividend payments.

***The adjusted book value per Share of our Shares issued in this Global Offering is significantly less than the Offer Price, and investors will incur immediate and substantial dilution as a result of purchasing the Offer Shares.***

The issue price of our Shares in this Global Offering is substantially higher than the adjusted book value per Share of our outstanding Shares. Therefore, purchasers of the Offer Shares will experience immediate and substantial dilution and the existing shareholders of our Company will experience a material increase in the adjusted book value per Share of our Shares they own. If we issue additional shares in the future, investors will experience further dilution.

***Shareholders outside Hong Kong may not be able to participate in any future rights offering or certain other equity issues of our Company.***

Neither we nor our Directors shall be obliged, when making or granting any allotment of, offer of, option over or disposal of Shares, to make, or make available, any such allotment, offer, option or Shares to our Shareholders or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of our Directors, be unlawful or impracticable. We may not offer such rights to Shareholders having an address in a jurisdiction outside Hong Kong. For instance, we will not offer such rights to Shareholders who are U.S. persons, as defined in Regulation S, or have a registered address in the United States unless:

- a registration statement is in effect, if a registration statement under the Securities Act is required in order for us to offer such rights to holders and sell the securities represented by such rights; or
- the offering and sale of such rights or the underlying securities to such holders are exempt from registration under the provisions of the Securities Act.

We have no obligation to prepare or file a registration statement to register our Shares in the United States. Accordingly, Shareholders who are U.S. persons, as defined in Regulation S, or have a registered address in the United States, may be unable to participate in any rights offering by us and may experience dilution in their holdings.

***Our Shareholders may face difficulty protecting their interests under the laws of Bermuda and Hong Kong.***

We are incorporated and registered in Bermuda, and our corporate affairs are governed by our Memorandum of Association and Bye-laws, the Bermuda Companies Act and, upon listing, by the Listing Rules. The laws of Bermuda, relating to the protection of the interests of minority shareholders and to the fiduciary responsibilities of directors may differ from the laws in certain jurisdictions in the



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## RISK FACTORS

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United States and elsewhere, and the corresponding remedies available to minority shareholders may differ accordingly. Under Bermuda law, the duties of directors of a company are generally owed to the company only and not to individual shareholders. Shareholders of Bermuda companies do not generally have rights to take action against directors of the company, and may only do so in limited circumstances. Officers of a Bermuda company must, in exercising their powers and performing their duties, act honestly and in good faith with a view to the best interests of the company and must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Directors have a duty not to put themselves in a position in which their duties to the company and their personal interests may conflict and also are under a duty to disclose at the first opportunity at a meeting of directors or by writing to the directors of the company any personal interest in any contract or arrangement or proposed contract or arrangement with the company or any of its subsidiaries and in any person that is a party to such contract or arrangement or proposed contract or arrangement. A summary of the laws of the Bermuda relating to the protection of minority shareholders is set out in the section headed “*Appendix VII – Summary of the Constitution of the Company and Bermuda Company Law*” in this prospectus.

The rights of our Shareholders and the fiduciary responsibilities of our Directors under Bermuda and Hong Kong law may not be as clearly established as under statutes or judicial precedent in certain jurisdictions in the United States and elsewhere. Therefore, our Shareholders may have more difficulty protecting their interests in the case of actions by our Directors, management or substantial shareholders than would Shareholders of a corporation incorporated in certain jurisdictions in the United States or elsewhere.

***There is uncertainty as to our Shareholders’ ability to enforce civil liabilities in Bermuda and Hong Kong.***

Uncertainty exists as to whether the courts of Bermuda or in countries other than the United States where we have assets, would recognize or enforce court judgments against us or our Directors or officers obtained in other jurisdictions (including the United States) based on the civil liability provisions of the federal or state securities laws of the United States or would entertain actions against us or those persons based on those laws. The United States and Bermuda do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money given by any federal or state court in the United States based on civil liability, whether or not based solely on the federal or state securities laws of the United States, may not automatically be enforceable in Bermuda. Similarly, those judgments may not be enforceable in countries, other than the United States, where we have assets.

Furthermore, investors should be aware that judgments of the courts of the United States based upon the civil liability provisions of the federal securities laws of the United States may not be enforceable in Hong Kong courts and there is doubt as to whether Hong Kong courts will enter judgments in original actions brought in Hong Kong courts based solely upon the civil liability provisions of the federal securities laws of the United States.

In addition, a significant amount of our assets are located within the PRC and Korea. The PRC and Korea have not entered into treaties providing for the reciprocal recognition and enforcement of judgments of courts of each other. The PRC also does not have treaties providing for reciprocal recognition and enforcement of judgments of courts with the United States, or most other western countries, and the reciprocal recognition and enforcement of judgment of courts between the PRC and



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## RISK FACTORS

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Hong Kong is subject to certain conditions. Korean courts also may not acknowledge reciprocity with certain countries, and not allow the enforcement of punitive damages. Therefore, it may be difficult for you to enforce against us any judgments obtained from non-PRC or non-Korean courts.

***Hong Kong tax law differs from the tax laws of other jurisdictions.***

The Hong Kong tax implications of acquiring, owning and selling our Shares are described in “Appendix VI – Taxation”. However, prospective investors should also consider the tax implications in their countries of domicile/residence for tax purposes, or in any countries where they conduct business. As Hong Kong tax law may differ from the tax laws of other jurisdictions, including the United States, prospective investors should consult their own tax advisors concerning the overall tax consequences of acquiring, owning and selling our Shares. See “Appendix VI – Taxation”.

### **RISKS RELATING TO CERTAIN INFORMATION CONTAINED IN THIS PROSPECTUS**

***We cannot guarantee the accuracy of facts, forecasts and other statistics contained in this prospectus with respect to the PRC and Korea, their economies and their power industries.***

Facts, forecasts and other statistics in this prospectus relating to the PRC and Korea, their economies and their power industries have been derived from various government and private publications and obtained in communications with various PRC and Korean government agencies generally believed to be reliable. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Underwriters or any of our or their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside the PRC and Korea. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecasts or statistics.

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## WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

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In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

### MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, except as otherwise permitted by the Stock Exchange at its discretion, an issuer must have a sufficient management presence in Hong Kong, normally meaning that at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. As we only have one executive Director, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, subject to the conditions that, among other things, we maintain the following arrangements to maintain effective communication between us and the Stock Exchange.

Our sole executive Director, Mr. Lin Jian, also acts as our authorized representative (with Mr. William Dunn, our Chief Financial Officer, as his alternate). In addition, we have appointed Mr. Wat Chi Ping Isaac, our Company Secretary, as our other authorized representative. Mr. Lin Jian, Mr. William Dunn and Mr. Wat Chi Ping Isaac are all ordinarily resident in Hong Kong and are readily contactable by telephone, email and/or facsimile. They are and will be able to deal promptly with any enquiries which may be raised by the Stock Exchange and to act at all times as the principal channels of communication between our Company and the Stock Exchange.

Each of our authorized representatives has all necessary means for contacting all members of the Board and the senior management of our Company promptly at all times as and when the Stock Exchange wishes to contact them on any matters. The Board will consist of, upon the proposed Listing, one executive Director, six non-executive Directors and four independent non-executive Directors. Three of the 11 Directors are ordinarily resident in Hong Kong and six of the 11 Directors are ordinarily resident in Shenzhen, China. If required, each of the authorized representatives and the other eight Directors who ordinarily reside in Hong Kong and Shenzhen will be able to meet at short notice with the Stock Exchange; each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period to discuss any matters in relation to our Company at the request of the Stock Exchange. In the event that any Director expects to travel or otherwise be out of office, he will provide the phone number of the place of his accommodation to the authorised representatives. To facilitate communication with the Stock Exchange, our Company has provided the authorized representatives of our Company and the Stock Exchange with the contact details of each Director, including office phone number, mobile phone number, fax number and e-mail addresses.

We have, in compliance with Rule 3A.19 of the Listing Rules, appointed Somerley Capital Limited to act as our compliance adviser for a period of at least one year from the date of Listing until the date on which our Company has fully complied with Rule 13.46 of the Listing Rules in respect of our first financial year results after Listing. Our compliance adviser will, among other things, act as an additional and alternative channel of communications for our Company with the Stock Exchange and be available to answer enquiries from the Stock Exchange, in addition to our authorized representatives. We will ensure that there are adequate and efficient means of communication among us, our authorized representatives, Directors, other officers, and the compliance adviser.

Our Company's headquarters and principal place of business is at 15/F Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. Both authorized representatives will use this place of business for communication with the Stock Exchange. In addition, most of our Company's management personnel are also based at the same principal place of business in Hong Kong.

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## WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

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### CONNECTED TRANSACTIONS

Members of our Group have entered into certain transactions, which would constitute non-exempt continuing connected transactions of our Company under the Listing Rules after the Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted us: (i) a waiver from strict compliance with the definitions of a connected person; (ii) a waiver from strict compliance with the announcement requirements; (iii) a waiver from strict compliance with the independent shareholders' approval and announcement requirements; and (iv) a waiver from strict compliance with the duration of a continuing connected transaction set out in Chapter 14A of the Listing Rules for such non-exempt continuing connected transactions. Further details of such non-exempt continuing connected transactions and the waivers are set out in the section headed "*Connected Transactions*" in this prospectus.

### BUSINESS OR SUBSIDIARY PROPOSED TO BE ACQUIRED AFTER THE TRACK RECORD PERIOD

According to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, the accountants' report to be included in a listing document must include the results and balance sheet, respectively, of any business or subsidiary acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited accounts of the issuer have been made up, in respect of each of the three financial years immediately preceding the issue of the listing document (the "**Target Historical Financial Information**").

On December 22, 2011, our Company entered into a joint development agreement (the "**Joint Development Agreement**") with two independent third parties, being the vendor (the "**Vendor**") and an individual who is an indirect shareholder of, and director at, both the Vendor and the target company (the "**Target Company**") (collectively, the "**Parties**"). Pursuant to the Joint Development Agreement, upon the satisfaction of certain conditions, our Company will acquire 100% interest of the Target Company from the Vendor (the "**Proposed Acquisition**").

The Target Company, through its 93% shareholding in the project company (the "**Project Company**"), owns the right to develop a wind farm project in the north eastern part of Xinjiang Uyghur Autonomous Region of the PRC with a potential to expand to 300 MW (the "**Xinjiang Project**"). The other 7% interest in the Project Company is owned by an independent third party. The Joint Development Agreement also provides that the Parties will cooperate in the development of the Xinjiang Project, including the obtaining of all requisite regulatory approvals, and the design, ownership, construction and operation of the Xinjiang Project.

As of the Latest Practicable Date, the Proposed Acquisition is still pending and has not yet proceeded to completion as the Parties are still undertaking steps to obtain all of the requisite regulatory approvals for the development and construction of the Xinjiang Project and final commercial negotiation. The requisite regulatory approvals for the development and construction of the Xinjiang Project have not been obtained for more than two years following the signing of the Joint Development Agreement in 2011 because of transmission grid congestions resulting from the limited capacity of the existing transmission infrastructures in absorbing current generations and new power projects being commissioned in Xinjiang Uyghur Autonomous Region. As of the Latest Practicable Date, we understand that the Xinjiang Project has obtained the preliminary grid connection opinion from the grid company which is a critical step for the Xinjiang Project to obtain the other necessary project approvals.

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## WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

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Under the Joint Development Agreement, the total consideration payable by our Company for the acquisition of 100% interest in the Target Company under the Joint Development Agreement is RMB10 million. In addition, our Company has agreed that, for a period of 10 years from the commercial operation of the Xinjiang Project, it will share with the Vendor 50% of the dividend that it will receive from the Project Company after retaining that part of the dividend that allows our Company to derive a 15% return on equity from its investment in the Project Company. The above consideration was determined based on arm's length negotiation between the parties, taking into consideration of industry average construction costs, project return and corporate strategy. The expected 15% return on equity is higher than our asset acquisition policy which requires a target equity internal rate of return of 10.0% for PRC projects. Accordingly, we consider that the future profitability of this project, should it be successful, would satisfy our investment criteria. In view of the development in the attainment of the project approval as mentioned above, the Parties are currently proceeding with the commercial negotiations on the final terms and conditions for the Proposed Acquisition by our Company. Accordingly, time may be required for the Parties to reach an agreement on the final terms and conditions and there may be uncertainty involved in terms of reaching the final agreement. Even if the final terms and conditions for the Proposed Acquisition could be agreed, they may be different from the original terms of the Joint Development Agreement. Based on the current terms of the Proposed Acquisition under the Joint Development Agreement, we intend to use our internal cash to satisfy the cash consideration payable by our Company.

Our Company understands that both the Target Company and the Project Company are merely investment holding vehicles with no business or operation, other than holding the (direct or indirect) investment in the Xinjiang Project. In addition, as the Parties are still undertaking steps to obtain all of the requisite regulatory approvals for the development and construction of the Xinjiang Project, the Xinjiang Project is not yet in operation and development and construction activities have yet to commence. Accordingly, other than the necessary administrative costs and expenses of the Project Company, no material investment has been made by the Project Company for the construction or operation of the Xinjiang Project.

Based on the following reasons, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules:

- (i) **Ordinary and usual course of business:** We have entered into the Joint Development Agreement in our ordinary and usual course of business as this is part of our principal business strategy in acquiring greenfield clean and renewable power generation projects or development rights.
- (ii) **Target Historical Financial Information not meaningful:** As both the Target Company and the Project Company are merely investment holding vehicles with no business activity, other than its investment in the Xinjiang Project, and that the Xinjiang Project is only at a preliminary stage with no material investment being made for the construction or operation of the project, the historical financial information of both the Target Company and the Project Company will not contain any substantial or meaningful information. More importantly, we understand that the Target Company and the Project Company have not yet prepared any audited financial statements or accounts, and therefore currently there is no sufficient information available for us to prepare the Target Historical Financial Information for inclusion in this prospectus.

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## WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

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Furthermore, the substance of the Proposed Acquisition is for our Company to acquire the development right of the Xinjiang Project. As the development right of the Xinjiang Project is held by the Project Company and the Target Company, the Parties have structured the Proposed Acquisition by way of the sale and purchase of interest in the Target Company, instead of the direct interest in the development right of the Xinjiang Project. It was only by reason of such acquisition structure, the Proposed Acquisition comes within the ambit of Rules 4.04(2) and 4.04(4)(a) of the Listing Rules.

Accordingly, in view that the Target Historical Financial Information would not provide any meaningful information for investors to consider a potential investment in our Shares, that given the unavailability of sufficient information for preparing the Target Historical Financial Information, it would be impracticable for our Company to include the Target Historical Financial Information in the prospectus and any effort spent in this regard will not create any value in terms of enhancing disclosures in this prospectus. We believe the alternative disclosures contained in this prospectus will provide more meaningful information in this prospectus for investors to consider a potential investment in our Shares.

- (iii) **Immateriality:** The Proposed Acquisition is insignificant to our Company. As the Xinjiang Project is only at a preliminary stage with no material investment being made for the construction or operation of the project, the Xinjiang Project, the Project Company and the Target Company have not derived any revenue or profit from holding the interest in the Xinjiang Project. On the basis of the cash consideration of RMB10 million, this only represents approximately 0.053% of the total assets of our Group (excluding the Disposal Group) as of April 30, 2014. Even if we take the estimated total investment cost of RMB430 million for developing this project (if we were successful in acquiring the development rights), it only represents approximately 2.29% of the total assets of our Group (excluding the Disposal Group) as of April 30, 2014.

Accordingly, the size of the Proposed Acquisition is substantially below the threshold for triggering the discloseable transaction requirements under Chapter 14 of the Listing Rules. We therefore consider that the Proposed Acquisition is immaterial and does not expect it to have any material effect on its business, financial conditions and operations.

- (iv) **Detrimental to our Company and the investors:** Given that the Target Historical Financial Information will not provide any meaningful information to investors and due to the immaterial nature of the Proposed Acquisition, and the unavailability of sufficient information for preparing the Target Historical Financial Information, to require our Company to prepare the accounts required by Rules 4.04 (2) and 4.04(4)(a) of the Listing Rules for inclusion in this prospectus would be impracticable and detrimental to us and our Shareholders as a whole.
- (v) **Not meaningful to investors' investment decision:** Given that the Target Historical Financial Information will not provide any meaningful information to investors and due to the immaterial nature of the Proposed Acquisition, and that the Proposed Acquisition has not yet proceeded to completion, to require our Company to prepare the Target Historical Financial Information will not provide any meaningful information to the investors and such financial information would be unlikely to affect potential investors' investment decision in our Shares.

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## WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

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- (vi) **Alternative Disclosure:** We have provided in this prospectus alternative information in connection with the Proposed Acquisition which relates to the proposed acquisition of interest in the Target Company in order to compensate for the non-inclusion of the Target Historical Financial Information. Please see the paragraph headed “*Financial Information – Proposed Acquisition*” of this prospectus for more details.

### **WAIVER IN RESPECT OF SASAC UNDER RULES 1.01 AND 8.10**

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 1.01 of the Listing Rules so that SASAC (or any PRC governmental body as defined in Rule 19A.04 of the Listing Rules) would not be considered as a controlling shareholder of our Company for the purpose of the Listing Rules, and as a result, a waiver has also been granted by the Stock Exchange for strict compliance with Rule 8.10 of the Listing Rules so that this prospectus does not have to disclose information regarding SASAC’s interest in a business, apart from our Company’s business, which competes or is likely to compete, either directly or indirectly, with our Company’s business. This waiver has been granted on the basis that SASAC is a PRC governmental body within the definition of Rule 19A.04 of the Listing Rules, and if our Company were incorporated in the PRC, SASAC (or any PRC governmental body) would have been automatically excluded from the definition of controlling shareholder under Rule 1.01 of the Listing Rules and our Company would not have been required to comply with Rule 8.10 of the Listing Rules in respect of SASAC’s interest.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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### DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors collectively, having made all reasonable enquiries, confirm that to the best of their knowledge and belief that the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive and there are no other matters, the omission of which would make any statement in this prospectus misleading.

### THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain all the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Public Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus. No person is authorized in connection with the Hong Kong Public Offering to give any information or to make any representation not contained in this prospectus. Any information or representation not contained in this prospectus must not be relied upon as having been authorized by our Company, the Sole Sponsor, any Underwriter, any of their respective directors, agents, employees or advisors or any other person involved in the Global Offering.

Neither the delivery of this prospectus nor any offering, subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information in it is correct as of any date subsequent to the date of this prospectus.

### UNDERWRITING

The Hong Kong Public Offering is part of the Global Offering comprising the Hong Kong Public Offering of initially 103,396,000 Hong Kong Public Offer Shares and the International Offering of initially 930,538,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "*Structure of the Global Offering*" in this prospectus and, in case of the International Offering, additionally to any exercise of the Over-allotment Option.

The application for the listing of our Shares is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators, on behalf of the Underwriters, agreeing on the Offer Price. An International Underwriting Agreement relating to the International Offering is expected to be entered into on or about September 25, 2014, subject to us and the Joint Global Coordinators, on behalf of the International Underwriters, agreeing on the Offer Price.

The Global Offering is managed by the Joint Global Coordinators.

We expect that the Offer Price will be fixed by agreement among us and the Joint Global Coordinators on the Price Determination Date, which is expected to be on or around Thursday, September 25, 2014 and in any event no later than Monday, September 29, 2014. If, for whatever



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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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reason, the Offer Price is not agreed by Monday, September 29, 2014 between the Joint Global Coordinators and us, the Global Offering will not become unconditional and will lapse immediately. Further information about the Underwriters and the underwriting arrangements is set out in the section headed “*Underwriting*” in this prospectus.

### RESTRICTIONS ON THE OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Public Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Hong Kong Public Offer Shares to, confirm that he is aware of the restrictions on offers of the Hong Kong Public Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in the PRC.

### APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option).

### COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Offer Shares are expected to commence on Friday, October 3, 2014. The Offer Shares will be traded in board lots of 2,000 Offer Shares each. The stock code of the Offer Shares is 1811.

### SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second trading day after any trading day. You should seek the advice of your stockbroker or other professional advisor for details of those settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

### HONG KONG REGISTER

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our Hong Kong register of members to be maintained by the Hong Kong Share Registrar in Hong Kong. Our principal register of members will be maintained by the Principal Share Registrar in Bermuda.

### STAMP DUTY

Dealings in our Shares registered on our Hong Kong register will be subject to Hong Kong stamp duty. See “*Appendix VIII – Statutory and General Information – D. Other Information – 7. Taxation of Holders of Shares*”.

### PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in, our Shares, you should consult an expert.

We emphasize that none of the Joint Global Coordinators, the Underwriters, or us, any of our or their respective directors, officers or any other person or party involved in the Global Offering accepts responsibility for your tax effects or liability resulting from your subscription for, purchase, holding or disposing of, or dealing in, our Shares or your exercise of any rights attaching to our Shares.

### STABILIZATION AND OVER-ALLOTMENT

Further details with respect to stabilization and the Over-allotment Option are set out in “*Structure of the Global Offering – Stabilization*” and “*Structure of the Global Offering – Over-allotment Option*” in this prospectus, respectively.

### PROCEDURE FOR APPLICATION

The application procedure for the Hong Kong Public Offer Shares is set out in the section headed “*How to Apply for Hong Kong Public Offer Shares*” in this prospectus and on the relevant Application Forms.

### STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Hong Kong Public Offering and the International Offering, including their respective conditions, and the Over-allotment Option, are set out in the section headed “*Structure of the Global Offering*” in this prospectus.

### CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Details of the conditions of the Hong Kong Public Offering are set out in the section headed “*Structure of the Global Offering – The Hong Kong Public Offering – Conditions of the Hong Kong Public Offering*” in this prospectus.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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### ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

### EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Hong Kong dollars and U.S. dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all. Unless indicated otherwise, the translations between U.S. dollars and Hong Kong dollars were made at the rate of U.S.\$1.00 to HK\$7.7500, and the translations between U.S. dollars and RMB were made at the rate of U.S.\$1.00 to RMB6.1400, being the noon buying rates as set forth in the H.10 statistical release of the United States Federal Reserve Board on September 5, 2014. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

For the conversion of financial figures for the Track Record Period, please see the foreign currency exchange rates against the U.S. dollar set out in the section headed “*Financial Information – Quantitative and Qualitative Disclosure of Market Risk – Foreign currency exchange risk*”.

### LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese and Korean laws and regulations, governmental authorities, institutions, natural persons or other entities included in this prospectus for which no official English translation exists are unofficial translations and for reference only.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### DIRECTORS

| Name                                       | Residential address   | Nationality |
|--|---|-------------|
| <b>Chairman and non-executive Director</b> |   |             |
| Mr. Chen Sui (陳遂)                          | Room 801, 8/F., Unit 1, Block 2<br>Landehuating, Changqianyuan<br>35 Fushi Road, Tiancun<br>Beijing<br>PRC        | Chinese     |
| <b>Executive Director</b>                  |   |             |
| Mr. Lin Jian (林堅)                          | Unit 1608, Block A<br>Causeway Centre<br>28 Harbour Road<br>Wanchai, Hong Kong                                    | Chinese     |
| <b>Non-executive Directors</b>             |   |             |
| Mr. Chen Qiming (陳啓明)                      | 2-1711, Guocheng Garden<br>Futian District,<br>Shenzhen, Guangdong Province, PRC                                  | Chinese     |
| Mr. Chen Huijiang (陳惠江)                    | 2-1202, Guocheng Garden<br>Futian District,<br>Shenzhen, Guangdong Province, PRC                                  | Chinese     |
| Mr. Dai Honggang (戴洪剛)                     | Room 10F, Building C4<br>Cui Hai Hua Yuan, Qiao Xiang Lu<br>Futian District, Shenzhen,<br>Guangdong Province, PRC | Chinese     |
| Mr. Lin Beijing (林北京)                      | Room 7E, Building 1<br>Junyou Yuan, Huang Pu Ya Yuan<br>No. 316 Fuzhong Road<br>Shenzhen, Guangdong Province, PRC | Chinese     |
| Mr. Xing Ping (邢平)                         | Room 203, Unit C, Building 9<br>Chang Cheng Mansion<br>Futian District<br>Shenzhen, Guangdong Province, PRC       | Chinese     |

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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| Name                                       | Residential address  | Nationality |
|--|--|-------------|
| <b>Independent Non-executive Directors</b> |  |             |
| Mr. Shen Zhongmin (沈忠民)                    | Room 502, Unit 3, Building No. 3<br>Yangguangshangdong Housing Estate,<br>6 East 4 <sup>th</sup> Ring Road North,<br>Chaoyang District, Beijing, PRC | Chinese     |
| Mr. Leung Chi Ching Frederick<br>(梁子正)     | 8/F, Flat H,<br>Yee Fai Court (Tower 13A),<br>South Horizons Phase II,<br>13A South Horizon Drive,<br>Hong Kong                                      | Chinese     |
| Mr. Fan Ren Da Anthony (范仁達)               | Room B, 8/F, Tregunter Tower 1,<br>14 Tregunter Path, Central Mid-levels,<br>Hong Kong   | Chinese     |
| Mr. Wang Susheng (王蘇生)                     | 5/F, Block 6, Parc Roma, Le Parc,<br>318 Fuzhong Road, Futian District,<br>Shenzhen, Guangdong Province, PRC   | Chinese     |

Further information of our Directors is disclosed in the section headed “*Directors and Senior Management*” in this prospectus.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### PARTIES INVOLVED IN THE GLOBAL OFFERING

**Sole Sponsor**

Morgan Stanley Asia Limited  
46/F, International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

**Joint Global Coordinators**

Morgan Stanley Asia Limited  
46/F, International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

Guotai Junan Securities (Hong Kong) Limited  
27th Floor, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

J.P. Morgan Securities (Asia Pacific) Limited  
28/F Chater House  
8 Connaught Road  
Central  
Hong Kong

**Joint Bookrunners and Joint  
Lead Managers**

Morgan Stanley Asia Limited  
(in relation to the Hong Kong Public Offering)  
46/F, International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

Morgan Stanley & Co. International plc  
(in relation to the International Offering)  
25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

Guotai Junan Securities (Hong Kong) Limited  
27th Floor, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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J.P. Morgan Securities (Asia Pacific) Limited  
(in relation to the Hong Kong Public Offering)  
28/F Chater House  
8 Connaught Road  
Central  
Hong Kong

J.P. Morgan Securities plc  
(in relation to the International Offering)  
25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

BOCI Asia Limited  
26/F, Bank of China Tower  
1 Garden Road  
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited  
1 Queen's Road Central  
Hong Kong

ICBC International Capital Limited  
(in the capacity as a Joint Bookrunner in relation  
to the Global Offering)  
37/F, ICBC Tower  
3 Garden Road  
Hong Kong

ICBC International Securities Limited  
(in the capacity as a Joint Lead Manager in relation  
to the Global Offering)  
37/F, ICBC Tower  
3 Garden Road  
Hong Kong

**Legal advisers to our Company**

*as to Hong Kong and U.S. law:*

Clifford Chance  
27th Floor, Jardine House  
One Connaught Place  
Central  
Hong Kong



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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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*as to PRC law:*

Grandall Law Firm (Shenzhen)  
22/24F, Special Zone Press Tower  
Shennan Ave.  
Shenzhen  
Guangdong Province  
PRC

*as to Bermuda law:*

Conyers Dill & Pearman  
2901 One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

*as to Korean law:*

Kim & Chang  
39, Sajik-ro 8-gil  
Jongno-gu  
Seoul 110-720  
Korea

**Legal advisers to the  
Underwriters**

*as to Hong Kong and U.S. law:*

Linklaters  
10th Floor, Alexandra House  
Chater Road  
Hong Kong

*as to PRC law:*

Jiayuan Law Offices  
158 Fuxing Men Nei Street  
Xicheng District  
Beijing 100031  
China

**Auditors and reporting  
accountants**

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
35th Floor, One Pacific Place  
88 Queensway  
Admiralty  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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|   |  |
|---|--|
| <b>Independent Technical Consultant</b> | Black & Veatch Hong Kong Limited<br>25/F, Millennium City 6<br>392 Kwun Tong Road<br>Kowloon, Hong Kong            |
| <b>Compliance Adviser</b>               | Somerley Capital Limited<br>20/F, China Building<br>29 Queen's Road Central<br>Hong Kong                           |
| <b>Receiving Bank</b>                   | Industrial and Commercial Bank of China (Asia) Limited<br>33/F., ICBC Tower<br>3 Garden Road<br>Central, Hong Kong |

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## CORPORATE INFORMATION

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| <b>Registered office</b>   | Victoria Place<br>31 Victoria Street<br>Hamilton<br>HM10, Bermuda  |
| <b>Headquarters and principal place of business in Hong Kong</b> | 15th Floor<br>Harbour Centre<br>25 Harbour Road<br>Wanchai, Hong Kong  |
| <b>Company's website</b>   | www.cgnmeiyapower.com<br><i>(contents of this website do not form part of this prospectus)</i>   |
| <b>Company secretary</b>   | Mr. Wat Chi Ping Isaac<br><i>Solicitor, Hong Kong</i><br>Flat A, 11/F., Tower 2, Scenecliff, 33 Conduit Road, Mid-Levels<br>Hong Kong  |
| <b>Authorized representatives</b>                                | Mr. Lin Jian<br>Unit 1608, Block A<br>Causeway Centre<br>28 Harbour Road<br>Wanchai, Hong Kong<br>(with Mr. William Dunn as his alternate)<br><br>Mr. Wat Chi Ping Isaac<br>Flat A, 11/F., Tower 2, Scenecliff, 33 Conduit Road, Mid-Levels<br>Hong Kong |
| <b>Members of the Audit Committee</b>                            | Mr. Leung Chi Ching Frederick ( <i>Chairman</i> )<br>Mr. Fan Ren Da Anthony<br>Mr. Chen Huijiang   |
| <b>Members of the Remuneration Committee</b>                     | Mr. Shen Zhongmin ( <i>Chairman</i> )<br>Mr. Fan Ren Da Anthony<br>Mr. Dai Honggang  |
| <b>Members of the Nomination Committee</b>                       | Mr. Chen Sui ( <i>Chairman</i> )<br>Mr. Shen Zhongmin<br>Mr. Fan Ren Da Anthony  |
| <b>Members of the Investment and Risk Management Committee</b>   | Mr. Dai Honggang ( <i>Chairman</i> )<br>Mr. Xing Ping<br>Mr. Chen Huijiang   |
| <b>Members of the Strategy Development Committee</b>             | Mr. Chen Sui ( <i>Chairman</i> )<br>Mr. Lin Jian<br>Mr. Wang Susheng<br>Mr. Chen Qiming<br>Mr. Dai Honggang  |

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## CORPORATE INFORMATION

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**Principal Share Registrar and  
transfer office**

MUFG Fund Services (Bermuda) Limited  
26 Burnaby Street  
Hamilton HM11, Bermuda

**Hong Kong Share Registrar**

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

**Principal bankers**

Bank of China (Hong Kong) Limited  
9/F, Bank of China Tower  
1 Garden Road  
Hong Kong

China Development Bank Corporation, Hong Kong Branch  
Suite 3307-3315  
33/F One International Finance Center  
1 Harbour View Street  
Central, Hong Kong

Standard Chartered Bank (Hong Kong) Limited  
13/F, Standard Chartered Bank Building  
4-4A Des Voeux Road Central  
Hong Kong

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## INDUSTRY OVERVIEW

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*The information in this section is derived from various independent publications or communications with various government agencies unless otherwise indicated. We believe that the sources of the information in this section are appropriate and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading or that any fact has been omitted that would render the information false or misleading. While we have taken reasonable care in the extracting, compiling and reproducing of the information and statistics, neither we, nor the Sole Sponsor, the Underwriters nor any of our or their respective affiliates or advisors, nor any other party involved in this Global Offering commissioned the preparation of or independently verified the information and statistics directly or indirectly derived from those official government publications or make any representation as to their accuracy. The information may not be consistent with other information compiled within or outside the PRC and Korea.*

### SOURCE OF INFORMATION

This prospectus has cited materials prepared by International Monetary Fund, World Economic Outlook Database, National Bureau of Statistics of the People's Republic of China, National Energy Administration of the People's Republic of China, China Electric Power Year Book, State Electricity Regulatory Commission, China Electricity Council, BP Statistical Review of World Energy, Bloomberg, China Statistics Yearbook 2013, Electric Power Statistics Information System, KEPCO, and other research sources. None of our Company, our Directors, the Sole Sponsor or the Underwriters have commissioned any of the materials prepared by these research sources for use as citations in this prospectus. The materials we have used are widely available periodic publications and/or data compilations by the respective research sources. The parameters and assumptions used by researchers in compiling the reports are based on their own in-house standards.

Our Directors confirm that, after due enquiry, there is no adverse change in the market information since the issue date of the above mentioned sources which may qualify, contradict or may have adverse impact on the information of this section.

### OVERVIEW OF THE PRC ECONOMY

The PRC experienced significant economic growth between 2001 and 2013 with its real GDP increasing at a CAGR of 10.1% during the period, making the PRC one of the fastest growing economies in the world. Although the global financial crisis in 2008 negatively impacted the PRC's economy, it began to show signs of recovery and growth in early 2009 in part due to strong stimulus support from the PRC government. In particular, the PRC's real GDP increased by 9.6% in 2008. Similarly, in 2009 and 2010, the PRC's real GDP grew 9.2% and 10.4%, respectively, partially helped by the significant government spending and record lending. Due to the decline in global demand and the PRC's economic "soft landing" policy, the PRC's real GDP growth slowed to 9.3% in 2011 and further slowed to 7.7% in 2012 and 2013. In the Twelfth Five-Year Plan for National Economy and Social Development (the "**Twelfth Five-Year Plan**") published in 2011, the PRC government announced its expectation of achieving an average annual GDP growth rate of 7.0% between 2011 and 2015.

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## INDUSTRY OVERVIEW

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### THE PRC POWER INDUSTRY

#### Overview

The PRC power market is the second largest in the world after that of the United States, with installed capacity of 1,247 GW at year-end 2013. The growth rate of the power industry generally reflected the PRC's economic growth rate in the 1990s. However, between 2001 and 2007, electricity consumption in the PRC grew at a higher rate than real GDP, driven by rapid industrialization and by rising demand in residential power resulting from an increase in per capita income. In 2008 and 2009, the growth of industrial power consumption in the PRC declined, mainly due to the sluggish global economic environment and changes in the PRC economic structure. In 2010 and 2011, however, the power consumption growth in the PRC rebounded and exceeded that of the PRC's real GDP, signaling a recovering economy. In 2012, the PRC's growth rate of electricity consumption was lower than the PRC's growth rate of real GDP due to a decline in heavy industrial power consumption, reflecting a decrease in investment in the infrastructure and real estate as well as the improved efficiency in energy consumption. In 2013, the PRC's growth rate of electricity consumption increased by 2 percentage points to 7.5% and was essentially flat with real GDP growth rate, mainly due to the stable recovery of macroeconomics.

| Year       | Real GDP Growth Rate<br>Over Preceding Year | Electricity Consumption<br>Growth Rate Over<br>Preceding Year |
|------------|---|---|
|            | (%)   | (%)   |
| 2001 ..... | 8.3   | 9.3   |
| 2002 ..... | 9.1   | 11.8  |
| 2003 ..... | 10.0  | 15.6  |
| 2004 ..... | 10.1  | 15.4  |
| 2005 ..... | 11.3  | 13.5  |
| 2006 ..... | 12.7  | 14.6  |
| 2007 ..... | 14.2  | 14.4  |
| 2008 ..... | 9.6   | 5.6   |
| 2009 ..... | 9.2   | 7.2   |
| 2010 ..... | 10.4  | 13.2  |
| 2011 ..... | 9.3   | 12.1  |
| 2012 ..... | 7.7   | 5.5   |
| 2013 ..... | 7.7   | 7.5   |

*Source:* International Monetary Fund, World Economic Outlook Database, October 2013, National Bureau of Statistics of the People's Republic of China

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## INDUSTRY OVERVIEW

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As shown in the table below, even though the PRC had a higher economic growth rate than the industrialized countries and regions presented, it had, in 2013, the lowest per capita electricity consumption among the group presented.

| Year                    | 2013 Per<br>Capita<br>Electricity<br>Consumption<br>(kWh) | Real GDP Growth Rate |       |      |                    |
|-------------------------|---|----------------------|-------|------|--------------------|
|                         |   | 2010                 | 2011  | 2012 | 2013               |
| United States . . . . . | 12,391  | 2.5                  | 1.8   | 2.8  | 1.9                |
| Korea . . . . .         | 9,314   | 6.3                  | 3.7   | 2.0  | 2.8 <sup>(1)</sup> |
| Singapore . . . . .     | 7,696   | 15.1                 | 6.0   | 1.9  | 4.1                |
| Japan . . . . .         | 6,750   | 4.7                  | (0.5) | 1.4  | 1.5                |
| Hong Kong . . . . .     | 6,031   | 6.8                  | 4.8   | 1.6  | 2.9                |
| China . . . . .         | 3,494   | 10.4                 | 9.3   | 7.7  | 7.7                |

*Sources:* International Monetary Fund, World Economic Outlook Database, April 2014, National Energy Administration of the People’s Republic of China, National Bureau of Statistics of the People’s Republic of China.

*Note:*

(1) 2013 GDP data for Korea as estimated by the IMF in April 2014.

### Background and restructuring of the PRC power industry

In January 1997, the State Power Corporation was established to take ownership of state owned power generation assets and virtually all of the high voltage power transmission grids and local electricity distribution networks in the PRC. The State Power Corporation was responsible for the investment, development, construction, management, operation and ownership of power projects, the inter-connections of interprovincial and interregional electricity grids and the transmission of electricity across regions.

In March 1998, the State Economic and Trade Commission of the PRC (“**SETC**”) was established to assume the governmental and administrative functions relating to the power industry. The Electric Power Bureau was established within the SETC and given the responsibility of promoting reform policies and regulations, formulating development strategies, specifying technical requirements and industry practice and supervising the operation of the power industry.

As a result of further restructuring of the PRC power industry, in December 2002, the State Power Corporation was reorganized into two power grid companies and five large independent power generation groups (the National Gencos). The two power grid companies are the State Grid Corporation of China (“**State Grid**”) and the China Southern Power Grid Company (“**Southern Grid**”). See “*Appendix V – Summary of Principal Legal and Regulatory Provisions in the PRC and Korea*” for further details regarding key laws and regulations that affect the PRC power industry.



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## INDUSTRY OVERVIEW

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### Competition

#### *Competitive landscape and advantages*

As of December 31, 2013, the National Gencos owned and managed nearly half of the total installed electricity generation capacity available in the PRC. The remainder was primarily owned by provincial, local and other power companies. The Company's gross installed capacity accounted for 0.2% of China's total installed capacity. The table below sets out the approximate installed electricity generation capacity in the PRC controlled by large independent power generation groups including the National Gencos:

| Power Generation Groups <sup>(1)</sup>                              | 2013 Total<br>Installed<br>Capacity<br>(GW) |
|---|---|
| China Huaneng Group <sup>(2)</sup> .....                            | 143   |
| China Guodian Corporation <sup>(2)</sup> .....                      | 122   |
| China Datang Corporation <sup>(3)</sup> .....                       | 115   |
| China Huadian Corporation <sup>(3)</sup> .....                      | 113   |
| China Power Investment Corporation <sup>(3)</sup> .....             | 90  |
| China Resources Power Holdings Company Limited <sup>(4)</sup> ..... | 27  |
| Others .....  | 637   |
| Total .....   | 1,247                                       |

*Sources:* Filings by the relevant companies, websites of the relevant companies, National Energy Administration of the People's Republic of China.

*Notes:*

- (1) Installed capacity of the IPPs may include the capacity of their projects outside the PRC
- (2) Total consolidated installed capacity
- (3) It is not specified whether it is total or consolidated or attributable installed capacity
- (4) Attributable installed capacity; includes capacity of China Resources Power Holdings Company Limited only; does not include capacity of other members of the China Resources group

One of our main competitive advantages is that our projects are strategically located in regional markets with solid economic fundamentals and favorable supply and demand dynamics. Furthermore, our offtake arrangements benefit from minimum take and capacity charge arrangements, which together accounted for 86.1% of our total revenue for the year ended December 31, 2013. Finally, certain of our power projects in the PRC benefit from the dispatch priority policy implemented by the PRC government. For further details, please see "*Business – Principal Strengths*".

#### ***Barriers to entry***

Please see "*Business - Competition*" for details of the keys barriers to entry into the power industry in the PRC.

## INDUSTRY OVERVIEW

### Supply and demand for power in the PRC

Electricity generation in the PRC has grown rapidly in recent years. From 2001 to 2013, electricity generation in the PRC grew at a CAGR of 11.4%, which exceeded the rate of the PRC's real GDP CAGR of 10.1% over the same period. In 2013, industrial consumption accounted for 72.3% of the PRC's electricity consumption.

The PRC had an aggregate installed capacity of approximately 1,247 GW at the end of 2013. As shown in the following table, the PRC's total electricity generation has grown faster than its installed capacity since 2001, resulting in an increase in utilization hours from 2001 to 2004. However, with the rapid build-up of installed capacity from 2005 to 2009, the growth in available power supply surpassed demand for power and consequently there was a decrease in utilization hours. In 2010, utilization hours reached 4,572 hours, an increase of 115 hours from the previous year, representing the first rebound in utilization hours since 2004. In 2011, utilization hours continued to increase due to strong demand for power, and utilization hours reached 4,661 hours, an increase of 90 hours from 2010. In 2012, utilization hours decreased to 4,489 hours due to the slowdown of the economy in the PRC, as reflected by the decrease in the PRC's real GDP growth rate. In 2013, utilization hours further decreased to 4,514 hours.

| Year | Total<br>Installed<br>Capacity<br>(GW) | Total<br>Electricity<br>Generation<br>(TWh) | Utilization<br>Hours <sup>(1)</sup><br>(Hours) |
|------|--|---|--|
| 2001 | 338.6                                  | 1,480.8                                     | 4,501.6  |
| 2002 | 356.6                                  | 1,654.0                                     | 4,758.3  |
| 2003 | 391.4                                  | 1,910.6                                     | 5,108.5  |
| 2004 | 442.4                                  | 2,203.3                                     | 5,285.0  |
| 2005 | 517.2                                  | 2,500.3                                     | 5,211.0  |
| 2006 | 623.7                                  | 2,865.7                                     | 5,023.6  |
| 2007 | 718.2                                  | 3,281.6                                     | 4,890.9  |
| 2008 | 792.7                                  | 3,466.9                                     | 4,589.2  |
| 2009 | 874.1                                  | 3,714.7                                     | 4,457.2  |
| 2010 | 966.4                                  | 4,207.2                                     | 4,571.8  |
| 2011 | 1,055.8                                | 4,713.0                                     | 4,661.3  |
| 2012 | 1,144.0                                | 4,937.8                                     | 4,489.3  |
| 2013 | 1,247.4                                | 5,397.6                                     | 4,514.2  |

*Sources:* China Electric Power Year Book; State Electricity Regulatory Commission; China Electricity Council; BP Statistical Review of World Energy June 2013

*Note:*

(1) Total electricity generation divided by average total installed capacity (i.e. average of year start and year end) multiplied by 1,000

### Fuel sources and supply

The PRC is a coal-rich country, but it has relatively limited oil and gas resources. Consequently, coal-fired electricity generation units have generally accounted for most electricity generation installed capacity in the PRC. Coal, like other fossil fuels, is subject to significant price volatility. For example, according to Bloomberg, the average Qinhuangdao 5,800 kcal/kg steam coal spot price in the PRC

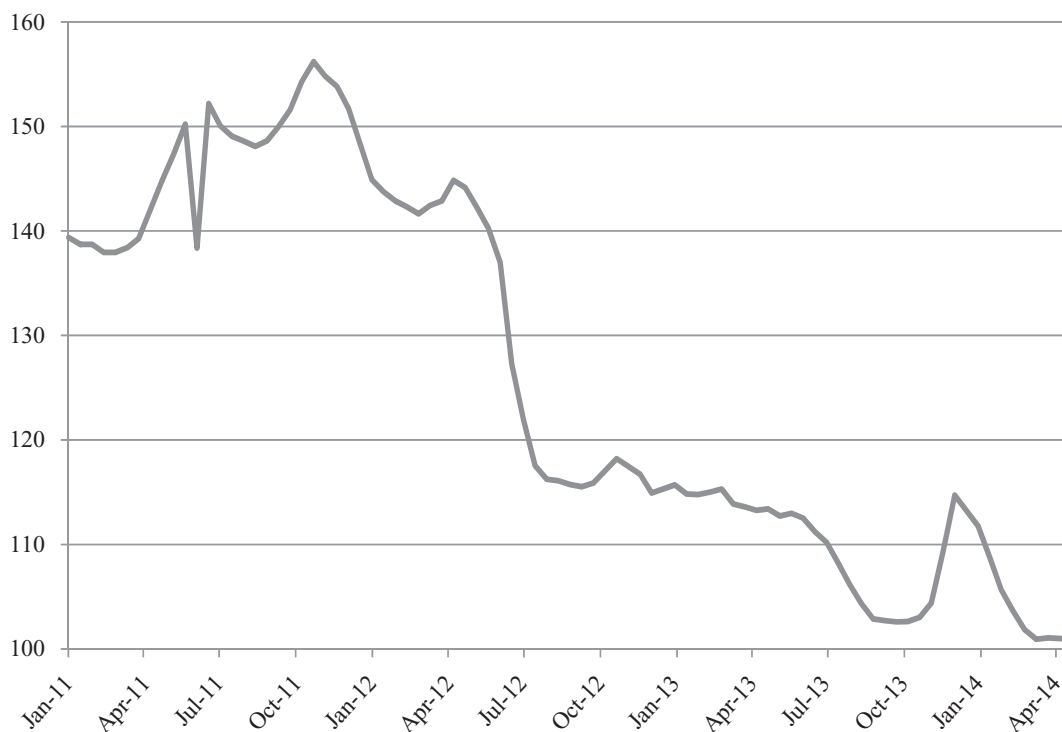
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## INDUSTRY OVERVIEW

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increased by 46% from 2006 to 2007, increased further by 75% from 2007 to 2008, decreased by 29% from 2008 to 2009, increased by 25% from 2009 to 2010, increased by 28% from 2010 to 2011 and decreased by 11% from 2011 to 2012, further decreased by 18% from 2012 to 2013 and further decreased by 12% from 2013 to April 30, 2014. The following chart shows the historical trend of the Qinhuangdao 5,800 kcal/kg steam coal spot price during the Track Record Period.

Unit: USD/ton



Source: Bloomberg

In addition to coal power generation, significant new electricity generation projects that utilize hydro, natural gas, wind and nuclear energy as fuel sources are under development. Gas, in most cases, is supplied to the power plants via pipelines. The end user gas tariffs in the PRC are strictly regulated by the central and local governments. Components of the end user gas tariff include i) wellhead price, which is approved by the NDRC; ii) transportation and transmission costs and related margins, which are approved by NDRC and provincial Development and Reform Commissions; and iii) distribution costs and relevant margins, which are set by local Pricing Bureaus. Components i) and ii) together form the city gate price, which is an indicative ceiling price and vary for different locations depending on factors including the source of gas supply and the length of the transmission line. During the Track Record Period, the NDRC issued a directive requiring relevant government bodies to increase city gate prices by no greater than RMB 0.4 per m<sup>3</sup> in June 2013. Some of the new power project types such as hydro and wind do not use fossil fuels and effectively protect the generation companies utilizing those

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## INDUSTRY OVERVIEW

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technologies against any adverse impact of fuel cost fluctuation. The following table sets forth the percentage of total installed electricity generation capacity in the PRC by fuel type as of December 31, 2013.

|                            | Thermal <sup>(1)(2)</sup> | Hydro <sup>(2)</sup> | Wind <sup>(2)</sup> | Nuclear | Others | Total |
|----------------------------|---------------------------|----------------------|---------------------|---------|--------|-------|
|                            | (%)                       |                      |                     |         |        |       |
| As of December 31, 2013    |                           |                      |                     |         |        |       |
| Installed Capacity by Fuel |                           |                      |                     |         |        |       |
| Type . . . . .             | 69.1                      | 22.4                 | 6.1                 | 1.2     | 1.2    | 100.0 |

*Source:* National Energy Administration of the People's Republic of China

*Notes:*

- (1) Thermal includes coal-fired, oil-fired and gas-fired power projects
- (2) Grid connected installed capacity

### Electricity Dispatch

In the PRC, the dispatch priority of power generation units is determined in the following sequence pursuant to regulations issued in 1993 and a provisional State Council measure issued in 2007: (i) non-adjustable power generation units utilizing renewable sources, including wind, solar, marine energy and run-of-the-river hydro; (ii) adjustable power generation units utilizing renewable sources, including adjustable hydro, biomass and geothermal energy, as well as waste incineration power generation units meeting certain environmental standards; (iii) nuclear power generation units; (iv) cogen units that meet certain heat to power ratio requirements; (v) gas-fired power generation units; (vi) coal-fired power generation units, including cogen units (other than those included in (iv) above); and (vii) oil-fired power generation units.

### Electricity Tariffs

#### *On-grid Tariff for Coal-fired Power Projects*

In December 2004, the NDRC issued a power pricing reform plan to address the adverse effects increased coal costs had on IPPs. Under this plan, electricity tariffs may be adjusted upwards as coal prices increase. In essence, IPPs are allowed to pass through 70% of increases in coal prices to power grids through increases in on-grid tariffs. However, the actual tariff adjustment is calculated by a more complicated formula using factors such as net standard coal consumption rate and coal calorific value. If average coal prices increase by 5% or more within a six-month period, 70% of that increase may be passed through to power grids through an increase in on-grid tariffs, with IPPs bearing the remaining 30% of the increased coal costs. If average coal prices increase or decrease by less than 5% within a six-month period over the previous six-month period, on-grid tariffs are to remain unchanged, but that price increase will be passed through to the next six-month period until the aggregate increase reaches 5% when the on-grid tariffs will be adjusted. This policy uses the sale prices of thermal coal as of the end of May 2004 as the base for calculating the fluctuation of the average coal prices during the following six-month period.

On December 31, 2012, NDRC announced an amendment to the policy of adjusting on-grid tariff according to the increase in the coal price. If average coal prices increase by 5% or more within a year, 90% of such increase may be passed through to power grids through an increase in on-grid tariffs, with IPPs bearing the remaining 10% of the increased coal costs.

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## INDUSTRY OVERVIEW

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In response to coal price and electricity consumption changes, the NDRC has made multiple rounds of tariff adjustments for coal-fired power projects since then. For details, please see “*Appendix V – Summary of Principal Legal and Regulatory Provisions in the PRC and Korea – PRC Regulatory Overview – Business Operation – On-grid tariffs*”.

As of the Latest Practicable Date, the benchmark on-grid tariffs (including VAT) for coal-fired power plants<sup>(1)</sup> with FGD facilities in the provinces in which the Group operates are set below:

| RMB/kWh                            | Henan  | Hubei  |
|------------------------------------|--------|--------|
| Benchmark on-grid tariff . . . . . | 0.4071 | 0.4472 |

*Note:*

- (1) The tariffs for cogen power plants in Jiangsu province where our cogen projects are located are set by the provincial pricing bureau and are generally higher than the benchmark on-grid tariffs for coal-fired power plants.

### ***On-grid Tariff for Gas-fired Power Projects***

According to the Provisional Measures for the Administration of On-grid Tariff (上網電價管理暫行辦法) issued by the NDRC in 2005, the on-grid tariffs for each gas-fired power project are determined by relevant pricing bureaus. These tariffs should reflect the production costs plus a reasonable investment return. Factors used by the pricing bureaus include cost structure, economic life of the facilities and applicable tax rates.

Gas-fired power projects are generally entitled to a higher on-grid tariff than coal-fired power projects because of the different cost structures and the government policies to stimulate the use of fuels that are more environmentally friendly. Relevant governmental pricing bureaus retain the discretion to adjust the tariff in the occurrence of material changes, such as a dramatic fluctuation in the price of natural gas.

On May 27, 2011, the NDRC announced a tariff increase for gas-fired power projects in provinces other than Qinghai, Guangdong and Fujian. On November 29, 2011, the NDRC announced a further tariff increase for gas-fired power projects in Beijing and the adjustment of the temporary on-grid tariffs for gas-fired power projects in Henan. On September 30, 2013, the NDRC announced the increase of on-grid tariffs for gas-fired power projects in Shanghai, Jiangsu, Zhejiang, Guangdong, Hainan, Henan, Hubei, Ningxia, in order to address the cost increases due to gas price hike.

As of the Latest Practicable Date, the tariff for each gas-fired power plant is set individually by the relevant pricing bureaus and as a result, there is no benchmark on-grid tariff for gas-fired power plants of the provinces in which the Group operates in.

### ***On-grid Tariff for Hydro Power Projects***

The on-grid tariff of the hydro power project is determined based on both the fixed cost and the operating cost of each power project on a “one price for one unit” tariff setting scheme. A benchmark on-grid tariff is set for newly built hydro power projects and provides adjustment standards for hydro power projects already in operation. The PRC is seeking to have the same tariff applied to all types of electricity dispatched on the same grid in the long term.

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## INDUSTRY OVERVIEW

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Currently, hydro tariffs are typically lower than coal-fired tariffs. In general on-grid tariff is determined by the government to compensate power producers on i) capital cost over the life of the plant, including construction cost and maintenance capex over the life of the plant; and ii) variable operating expenses, which primarily comprise fuel costs. The tariff for hydro power plants is lower because: a) while the unit construction cost for hydro powers plants is higher than coal-fired power plants, its operating life is significantly longer than that of a coal-fired power plant; and b) hydro power plants require lower maintenance capital expenditures; and iii) hydro power plants do not incur any fuel costs.

As of the Latest Practicable Date, the benchmark on-grid tariffs (including VAT) for hydro power plants of the provinces in which the Group operates are set below:

| <u>RMB/kWh</u>                 | <u>Guangxi</u>                             | <u>Sichuan</u>       |
|--------------------------------|--|----------------------|
| Benchmark on-grid tariff . . . | N/A, one price for one unit system applied | 0.288 <sup>(1)</sup> |

*Note:*

- (1) Represents the base tariff. Actual tariff is adjusted on the base tariff depending on wet, normal and dry seasons of the year, as well as on peak, normal and trough periods of the day.

### The PRC's Energy and Environment Related Targets

Energy scarcity and environmental deterioration are major global concerns. Due to rapid economic development, rising living standards and continuous increase in per capita energy consumption in the PRC, energy shortage has been a limiting factor for the PRC's economic development. In order to speed up the development of renewable energy, promote energy conservation and reduce pollution, mitigate climate change, and better meet the requirements of sustainable social and economic development, the PRC government set a binding target to increase the non-fossil fuel contribution to primary energy consumption to 11.4% by the end of 2015, as compared to 8.6% at the end of 2010 and to reduce China's carbon dioxide emissions per unit GDP by 17% from its 2010 level by 2015. In addition, according to the meeting minutes of the 1st plenary session of the National Energy Council, the PRC government targets to increase the non-fossil fuel contribution to primary energy consumption to 15.0% by 2020. Moreover, a resolution from the State Council Standing Committee meeting on November 25, 2009, targets a further reduction in China's carbon dioxide emissions per unit GDP by 40-45% from its 2005 level by 2020.

In September 2013, the State Council unveiled the "Atmospheric Pollution Prevention Action Plan" (《大氣污染防治行動》). The Plan pledged to increase non-fossil fuel (wind, solar) from 9.1% in 2012 to 13% by 2017 and increase shale-gas production and reduce the proportion of coal in the energy consumption mix to 65% by 2017.

## INDUSTRY OVERVIEW

### Power supply and demand by province/region/municipality

The supply and demand for electricity in the PRC varies significantly in different regions within the country. The table below sets forth both aggregate and per capita supply of and demand for electricity in each province, region and municipality in the PRC. The demand for electricity is higher than supply in many of the more developed regions, such as Beijing, Shanghai, Guangdong, Jiangsu, Zhejiang, Hebei, Chongqing, Tianjin and Hunan.

| Province/region/<br>municipality | 2012 Aggregate     |                       |                       |                                | 2012 Per Capita       |                       |                                |
|----------------------------------|--------------------|-----------------------|-----------------------|--------------------------------|-----------------------|-----------------------|--------------------------------|
|                                  | 2012<br>Population | Electricity<br>Supply | Electricity<br>Demand | Supply<br>Demand<br>Difference | Electricity<br>Supply | Electricity<br>Demand | Supply<br>Demand<br>Difference |
|                                  | (millions)         | (TWh)                 | (TWh)                 | (TWh)                          | (kWh)                 | (kWh)                 | (kWh)                          |
| Anhui . . . . .                  | 59.9               | 176.8                 | 136.1                 | 40.6                           | 2,951.8               | 2,273.0               | 678.7                          |
| Beijing . . . . .                | 20.7               | 29.1                  | 87.4                  | (58.3)                         | 1,405.4               | 4,225.0               | (2,819.6)                      |
| Chongqing . . . . .              | 29.5               | 53.7                  | 72.3                  | (18.6)                         | 1,821.8               | 2,455.1               | (633.3)                        |
| Fujian . . . . .                 | 37.5               | 162.3                 | 157.9                 | 4.3                            | 4,329.3               | 4,214.2               | 115.1                          |
| Gansu . . . . .                  | 25.8               | 108.3                 | 99.5                  | 8.9                            | 4,202.6               | 3,858.5               | 344.1                          |
| Guangdong . . . . .              | 105.9              | 359.3                 | 461.9                 | (102.6)                        | 3,391.8               | 4,360.4               | (968.6)                        |
| Guangxi . . . . .                | 46.8               | 113.3                 | 115.3                 | (2.0)                          | 2,420.0               | 2,463.5               | (43.5)                         |
| Guizhou . . . . .                | 34.8               | 154.8                 | 104.7                 | 50.2                           | 4,444.3               | 3,004.3               | 1,440.0                        |
| Hainan . . . . .                 | 8.9                | 19.2                  | 20.8                  | (1.6)                          | 2,165.4               | 2,347.1               | (181.6)                        |
| Hebei . . . . .                  | 72.9               | 237.1                 | 307.8                 | (70.7)                         | 3,253.3               | 4,223.3               | (970.0)                        |
| Heilongjiang . . . . .           | 38.3               | 84.3                  | 82.8                  | 1.5                            | 2,199.0               | 2,159.4               | 39.7                           |
| Henan . . . . .                  | 94.1               | 262.7                 | 274.8                 | (12.1)                         | 2,792.8               | 2,921.3               | (128.5)                        |
| Hubei . . . . .                  | 57.8               | 217.4                 | 150.8                 | 66.6                           | 3,762.0               | 2,609.2               | 1,152.8                        |
| Hunan . . . . .                  | 66.4               | 126.0                 | 134.5                 | (8.5)                          | 1,898.0               | 2,026.3               | (128.2)                        |
| Inner Mongolia . . . . .         | 24.9               | 311.7                 | 201.7                 | 110.0                          | 12,518.3              | 8,099.9               | 4,418.4                        |
| Jiangsu . . . . .                | 79.2               | 392.8                 | 458.1                 | (65.3)                         | 4,960.1               | 5,784.0               | (823.9)                        |
| Jiangxi . . . . .                | 45.0               | 66.5                  | 86.8                  | (20.3)                         | 1,475.8               | 1,926.5               | (450.6)                        |
| Jilin . . . . .                  | 27.5               | 68.4                  | 63.7                  | 4.7                            | 2,488.2               | 2,316.0               | 172.2                          |
| Liaoning . . . . .               | 43.9               | 141.5                 | 190.0                 | (48.5)                         | 3,223.2               | 4,328.7               | (1,105.5)                      |
| Ningxia . . . . .                | 6.5                | 100.6                 | 74.2                  | 26.4                           | 15,542.7              | 11,461.7              | 4,080.9                        |
| Qinghai . . . . .                | 5.7                | 55.6                  | 60.2                  | (4.6)                          | 9,706.0               | 10,506.8              | (800.8)                        |
| Shaanxi . . . . .                | 37.5               | 133.1                 | 106.7                 | 26.4                           | 3,545.1               | 2,842.3               | 702.8                          |
| Shandong . . . . .               | 96.8               | 319.5                 | 379.5                 | (59.9)                         | 3,299.2               | 3,918.0               | (618.8)                        |
| Shanghai . . . . .               | 23.8               | 88.6                  | 135.3                 | (46.7)                         | 3,722.8               | 5,685.7               | (1,962.9)                      |
| Shanxi . . . . .                 | 36.1               | 245.5                 | 176.6                 | 68.9                           | 6,798.6               | 4,890.2               | 1,908.3                        |
| Sichuan . . . . .                | 80.8               | 200.2                 | 183.1                 | 17.2                           | 2,479.4               | 2,266.8               | 212.6                          |
| Tianjin . . . . .                | 14.1               | 59.0                  | 72.2                  | (13.3)                         | 4,172.8               | 5,112.6               | (939.7)                        |
| Tibet . . . . .                  | 3.1                | 2.0                   | 2.8                   | (0.8)                          | 636.3                 | 902.3                 | (266.0)                        |
| Xinjiang . . . . .               | 22.3               | 105.2                 | 109.1                 | (3.9)                          | 4,710.0               | 4,885.4               | (175.4)                        |
| Yunnan . . . . .                 | 46.6               | 153.4                 | 131.6                 | 21.8                           | 3,292.4               | 2,824.3               | 468.1                          |
| Zhejiang . . . . .               | 54.8               | 271.0                 | 321.1                 | (50.1)                         | 4,948.0               | 5,861.9               | (913.9)                        |

Sources: National Bureau of Statistics of the People's Republic of China, China Statistics Yearbook 2013



## INDUSTRY OVERVIEW

### OVERVIEW OF THE KOREAN ECONOMY

Korea experienced stable economic growth between 2001 and 2013, with its real GDP increasing at a CAGR of 3.8% during that period. Although the global financial crisis in 2008 negatively impacted the Korean economy, it began to show signs of recovery and marginal growth in early 2009 in part as a result of strong stimulus support from the Korean government. Korea's real GDP increased moderately by 2.8% in 2013, reaching approximately U.S.\$1.1 trillion.

### THE KOREAN POWER INDUSTRY

#### Overview

The power generation market in Korea is dominated by the government controlled entity, KEPCO, which had total installed capacity of 70.8 GW as of year-end 2013 (as compared to 50.9 GW as of year-end 2001). KEPCO has six power generation subsidiaries and is the sole electricity transmission and distribution company in Korea. While a vast majority of the electricity generating capacity is still controlled by KEPCO, a few IPPs exist, including GS EPS Co., Ltd., POSCO Energy Co., Ltd., and our Company. Korea's installed capacity and electricity generation reached 82.3 GW and 517.2 TWh respectively, as of the end of 2013, representing a CAGR of 4.1% and 5.1%, respectively, from the end of 2001.

The table below sets out information regarding the installed capacity and available capacity at the end of the year during 2001 to 2013, as well as the gross generation, utilization hours, peak demand and reserve margin in the Korean market for the years 2001 through 2013.

| Year          | Total<br>Installed<br>Capacity <sup>(1)</sup><br>(GW) | Total<br>Electricity<br>Generation <sup>(1)</sup><br>(TWh) | Utilization<br>Hours <sup>(2)</sup><br>(Hours) | Available<br>Capacity<br>(GW) | Peak<br>Demand<br>(GW) | Reserve<br>(GW) | Reserve<br>Margin<br>(%) |
|---------------|---|--|--|-------------------------------|------------------------|-----------------|--------------------------|
| 2001. . . . . | 50.9  | 285.2  | 5,738.4  | 48.7                          | 43.1                   | 5.6             | 12.9%                    |
| 2002. . . . . | 53.8  | 306.5  | 5,854.8  | 52.1                          | 45.8                   | 6.3             | 13.9%                    |
| 2003. . . . . | 56.1  | 322.5  | 5,869.0  | 55.5                          | 47.4                   | 8.1             | 17.1%                    |
| 2004. . . . . | 60.0  | 342.1  | 5,893.2  | 57.5                          | 51.3                   | 6.3             | 12.2%                    |
| 2005. . . . . | 62.3  | 364.6  | 5,962.4  | 60.8                          | 54.6                   | 6.2             | 11.3%                    |
| 2006. . . . . | 65.5  | 381.2  | 5,965.6  | 65.2                          | 59.0                   | 6.2             | 10.5%                    |
| 2007. . . . . | 68.3  | 403.1  | 6,025.4  | 66.8                          | 62.3                   | 4.5             | 7.2%                     |
| 2008. . . . . | 72.5  | 422.4  | 6,000.0  | 68.5                          | 62.8                   | 5.7             | 9.1%                     |
| 2009. . . . . | 73.5  | 433.6  | 5,939.7  | 72.1                          | 66.8                   | 5.3             | 7.9%                     |
| 2010. . . . . | 76.1  | 474.7  | 6,346.3  | 75.7                          | 71.3                   | 4.4             | 6.2%                     |
| 2011. . . . . | 79.3  | 496.9  | 6,395.1  | 77.2                          | 73.1                   | 4.0             | 5.5%                     |
| 2012. . . . . | 81.8  | 509.6  | 6,326.3  | 80.0                          | 76.0                   | 4.0             | 5.2%                     |
| 2013. . . . . | 82.3  | 517.2  | 6,302.6  | 80.7                          | 76.5                   | 4.2             | 5.5%                     |

Sources: Electric Power Statistics Information System, KEPCO

Notes:

- (1) Excludes self-generation
- (2) Total electricity generation divided by average total installed capacity (i.e. average of year start and year end) multiplied by 1,000.

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## INDUSTRY OVERVIEW

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### Competition

#### *Competitive landscape*

KEPCO is by far the most important participant in the Korean power generation market. As of December 31, 2013 KEPCO's power generation subsidiaries had installed capacity of 70.8 GW, including nuclear, thermal, hydro and internal combustion units. The balance of the generation market consists of a number of IPPs as well as various private companies and government-affiliated entities. As of April 30, 2014, the gross installed capacity of our companies in Korea accounted for 2.3% of Korea's total installed capacity.

KEPCO was partially privatized in 1989 when 21% of its common stock was sold to the public. As of February 17, 2014, the Korean government, directly or indirectly, owned a majority stake of KEPCO's issued and outstanding common stock. Under relevant laws of Korea, the Korean government is required to directly or indirectly own at least 51% of KEPCO's capital. The MOTIE, previously known as the Ministry of Knowledge Economy supervises KEPCO and oversees the Korean electricity industry in general. See "*Appendix V – Summary of Principal Legal and Regulatory Provisions in the PRC and Korea*" for further details regarding key laws and regulations that affect the Korean power industry.

#### *Barriers to entry*

Please see "*Business – Competition*" for details of the keys barriers to entry into the power industry in the Korea.

### Supply and demand for power in Korea

Korea's share of total Asia Pacific regional electricity generation in 2013 was 5.5%. Demand for electricity in Korea has historically increased steadily, and consumption per capita grew at a CAGR of 5.1% from 2001 to 2012. The Korean government estimates that its electricity demand will increase at an average annual rate of approximately 4.0% through to 2015.

## INDUSTRY OVERVIEW

The table below sets out the annual growth rate of Korea's real GDP and the annual growth rate of electricity consumption in Korea for the years 2001 through 2013:

| <u>Year</u> | <u>Real<br/>GDP</u> | <u>Electricity<br/>Consumption</u> |
|-------------|---------------------|------------------------------------|
|             | (%)                 | (%)                                |
| 2001 .....  | 4.0                 | 7.6                                |
| 2002 .....  | 7.2                 | 8.0                                |
| 2003 .....  | 2.8                 | 5.4                                |
| 2004 .....  | 4.6                 | 6.3                                |
| 2005 .....  | 4.0                 | 6.5                                |
| 2006 .....  | 5.2                 | 4.9                                |
| 2007 .....  | 5.1                 | 5.7                                |
| 2008 .....  | 2.3                 | 4.5                                |
| 2009 .....  | 0.3                 | 2.4                                |
| 2010 .....  | 6.3                 | 10.1                               |
| 2011 .....  | 3.6                 | 4.8                                |
| 2012 .....  | 2.0                 | 2.5                                |
| 2013 .....  | 2.8                 | N/A                                |

*Sources:* Electric Power Statistics Information System, International Monetary Fund, World Economic Outlook Database, October 2013, KEPCO

### Fuel sources and supply

Since the 1970s, Korea has relied heavily on the construction of nuclear power projects to reduce its reliance on oil-fired power generation. While nuclear power meets base load demand, coal-fired, hydro and LNG generation units primarily meet intermediate and peak demand.

Korea Hydro & Nuclear Power currently operates Korea's four nuclear power stations, with 23 individual reactors. The country aimed to increase its contribution of nuclear power generation to 29% by 2035. Nuclear capacity is expected to increase to 43 GW in 2035 from 21 GW at the end of 2012.

The table below sets forth the percentage of total installed capacity in Korea by fuel type as of year-end 2001 and 2012:

| <u>Year</u> | <u>Hydro</u> | <u>Coal</u> | <u>Oil</u> | <u>Gas</u> | <u>Nuclear</u> | <u>Others</u> |
|-------------|--------------|-------------|------------|------------|----------------|---------------|
|             | (%)          | (%)         | (%)        | (%)        | (%)            | (%)           |
| 2001 .....  | 7.6%         | 30.5%       | 9.6%       | 25.3%      | 27.0%          | 0.0%          |
| 2012 .....  | 7.9%         | 30.0%       | 4.2%       | 26.1%      | 25.3%          | 6.5%          |

*Sources:* Electric Power Statistics Information System, KEPCO

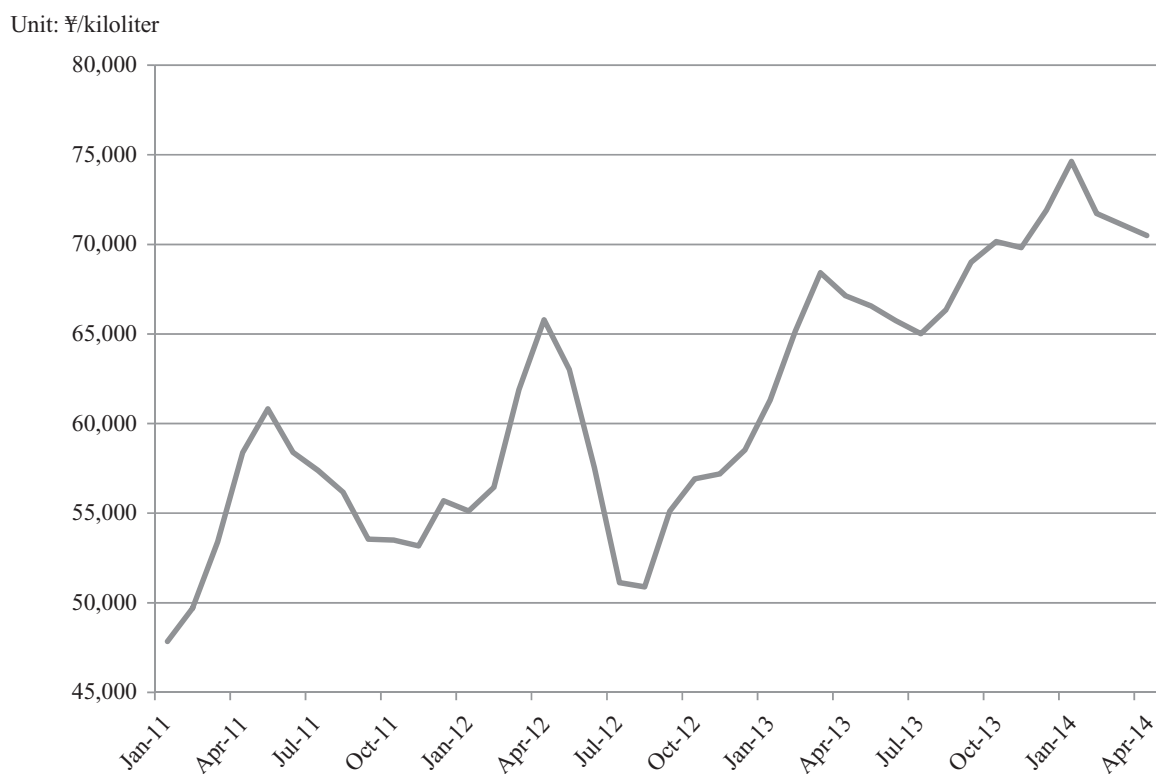
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## INDUSTRY OVERVIEW

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Korea is heavily dependent on fuel imports, with extremely limited domestic resources and a growing appetite for gas, oil and coal. In 2013, the country was the second largest importer of LNG in the world, (importing approximately 2.0 tcf), the fourth largest importer of coal, and the fifth largest importer of crude oil (2.5 million bbl/d of crude oil). Korea has no international oil or natural gas pipelines, and relies exclusively on tanker shipments of LNG and crude oil.

The Japanese Crude Cocktail, a measurement of average prices of crude oil imported into Japan, is an important determinant of natural gas prices in Korean markets. According to Bloomberg, the average Japanese Crude Cocktail prices were ¥54,835/kiloliter, ¥57,463/kiloliter, ¥67,218/kiloliter and ¥72,284/kiloliter, respectively, for the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014. The following chart shows the historical trend of the Japanese Crude Cocktail price during the Track Record Period.



Source: Bloomberg

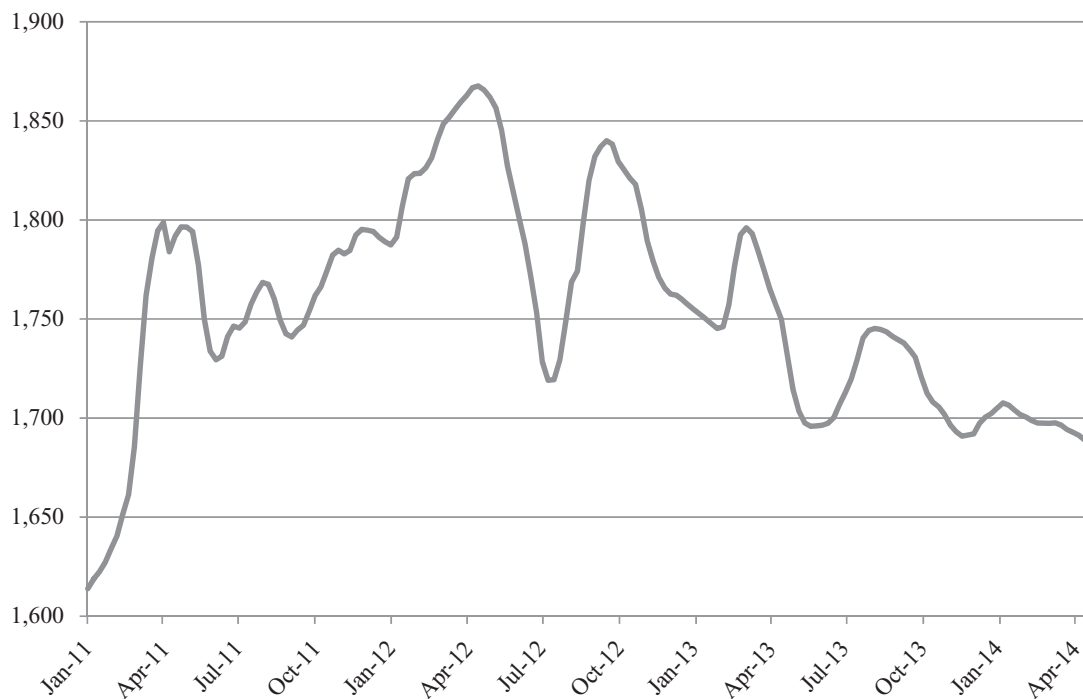
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## INDUSTRY OVERVIEW

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The KNOC South Korea Gas Station Diesel Price Index is an indicator of diesel prices in Korea. According to Bloomberg, the average pre-tax price of the KNOC South Korea Gas Station Diesel Price Index were 1,748 KRW/liter, 1,807 KRW/liter, 1,731 KRW/liter and 1,698 KRW/liter, respectively, for the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014. The following chart shows the historical trend of the pre-tax KNOC South Korea Gas Station Diesel Price Index during the Track Record Period.

Unit: KRW/liter



Source: Bloomberg

Korea has the fifth-highest nuclear generation capacity in the world as of December 31, 2013 and the government plans to dramatically increase nuclear's contribution to the total electricity generation in the near future as planned reactors come online.

### Electricity On-Grid Tariffs

#### *Cost-based Pool System*

Since April 2001, the purchase and sale of electricity in Korea is required to be made through the KPX, the sole electricity exchange market in Korea per the terms and conditions set forth under KPX regulations (unless a power producer has a PPA with KEPCO in which case it would sell such electricity in accordance with the terms and conditions of such PPA).

The price of electricity in the Korean electricity market is determined principally based on the cost of generating electricity using a system known as the "cost-based pool" system. Under the cost-based pool system, the price of electricity has two principal components, namely the system marginal price (representing, in principle, the variable cost of generating electricity) and the capacity price (representing, in principle, the fixed cost of generating electricity).

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## INDUSTRY OVERVIEW

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### *System Marginal Price*

The system marginal price was introduced on May 1, 2008. It represents, in effect, the marginal price of electricity at a given hour at which the projected demand for electricity and the projected supply of electricity for such hour intersect, as determined by the merit order system, which is a system used by the KPX to allocate which generation units will supply electricity for which hour and at what price. To elaborate, the projected demand for electricity for a given hour is determined by the KPX based on a forecast made one day prior to trading, and such forecast takes into account, among others, historical statistics relating to demand for electricity nationwide by day and by hour, after taking into account, among others, seasonality and peak-hour versus non-peak hour demand analysis. The projected supply of electricity at a given hour is determined as the aggregate of the available capacity of all generation units that have submitted bids to supply electricity for such hour. These bids are submitted to the KPX one day prior to trading.

Under the merit order system, the generation unit with the lowest variable cost of producing electricity among all the generation units that have submitted a bid for a given hour is first awarded a purchase order for electricity up to the available capacity of such unit as indicated in its bid. The generation unit with the next lowest variable cost is then awarded a purchase order up to its available capacity in its bid, and so forth, until the projected demand for electricity for such hour is met. The variable cost of the generation unit that is the last to receive the purchase order for such hour, among the generation units qualified to be reflected in such calculation pursuant to the Power Market Operation Rules, is referred to as the system marginal price, which also generally represents the most expensive price at which electricity can be supplied at a given hour based on the demand and supply for such hour. The main components of the variable cost of each generation unit is determined on a monthly basis by the Cost Evaluation Committee established within the KPX (the “**Cost Evaluation Committee**”), taking into account fuel costs either one or two months prior to the price determination, depending on the type of fuel, and is implemented in the subsequent month. The adjusted static transmission loss factor applicable to the relevant generation unit, which is also determined on an annual basis by the Cost Evaluation Committee, is also reflected when calculating the variable of cost of such generation unit. Usually, generation units whose variable costs exceed the system marginal price for a given hour do not receive purchase orders to supply electricity for such hour. The final allocation of electricity supply, however, is further adjusted on the basis of other factors, including the proximity of a generation unit to the geographical area to which power is being supplied, network and fuel constraints and the amount of power loss.

The purpose of the merit order system is to encourage generating units to reduce its electricity generation costs by making its generation process more efficient, sourcing fuels from most cost-effective sources or adopting other cost savings programs. The additional adjustment mechanism is designed to improve the overall cost-efficiency in the distribution and transmission of electricity to consumers by adjusting for losses arising from the distribution and transmission process.

From March 1, 2013, however, the KPX has implemented a settlement price capping scheme for a two year period, according to which an amount of the system marginal price for a power plant determined for the purpose of calculating the tariff for each hour is capped at the higher of the amount of variable cost of a designated standard power plant in Korea (as of February 22, 2013, the New Incheon Combined Cycle Gas Turbine was designated as the standard power plant) or the generation unit price of such power plant for that hour.

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## INDUSTRY OVERVIEW

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### *Capacity price*

In addition to payment in respect of the variable cost of generating electricity, the power producers receive payment in the form of capacity price, the purpose of which is to compensate them for the costs of constructing generation facilities and to provide incentives for new construction. The capacity price is determined annually by the Cost Evaluation Committee based on the construction costs and maintenance costs of a standard generation unit and is paid to each generation company for the amount of available capacity indicated in the bids submitted the day before trading. From time to time, the capacity price is adjusted in ways to soften the impact of changes in the marginal price over time based on the expected rate of return for the power producers. Currently, the capacity price is KRW7.46/kWh and since January 1, 2013 has applied equally to all central dispatch generators, regardless of fuel types used.

Effective from January 1, 2007, a regionally differentiated capacity price system was introduced by setting a standard capacity reserve margin in the range of 12.0% to 20.0% in order to prevent excessive capacity build-up as well as induce optimal capacity investment at the regional level. The capacity reserve margin is the ratio of available generation capacity minus peak demand level to the peak demand level. Under this system, generation units in a region where available capacity is insufficient to meet demand for electricity as evidenced by a failure to meet the standard capacity reserve margin receive increased capacity price. Conversely, generation units in a region where available capacity exceeds demand for electricity as evidenced by satisfaction of the standard capacity reserve ratio receive reduced capacity price. Other than the foregoing region-based variations, the capacity price generally applies uniformly to all central dispatch generation units regardless of fuel types used.

### **Transmission and distribution**

Korea is served by a single integrated transmission and distribution system operated by KEPCO. As of December 31, 2013, KEPCO had in operation 790 substations with an installed transformer capacity of 279,520 megavolt amperes. The transmission system comprised approximately 32,249 circuit km of power grid that operates at 765 kV and other currents including high voltage direct currents. The distribution system covers 105,740 megavolt amperes of transformer capacity and 8.7 million units of support with a total line length of 449,683 km.

### **Renewable energy subsidies and Renewable Portfolio Standard**

Under the Renewable Energy Act, power companies generating new or renewable energy, such as fuel cell energy, photovoltaic energy or wind energy are eligible to receive subsidies for a certain period based on a standard price set by MOTIE. This subsidy system was abolished on December 31, 2011, although companies which were already receiving such subsidies before such date will still be able to receive the aforementioned subsidy during the period in which MOTIE originally committed to do so. Additionally, since January 1, 2012, generation companies in Korea with power generating capacity over 500 MW measured at 30 degrees Celsius have been subject to the RPS. Under the RPS, covered generation companies are required to generate a certain proportion of their gross electricity generated through renewable energy sources, or purchase and submit the equivalent in RECs. In 2012, the renewable energy generation requirement was 2% of the gross electricity generated. This percentage will increase to 10% by 2022.



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## INDUSTRY OVERVIEW

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If companies subject to the RPS are not able to generate renewable energy up to the required amount, such companies can purchase RECs from other renewable energy power producers. Companies may be subject to pecuniary charges proportional to the volume of RECs that such companies fail to submit. Compliance with the RPS is measured on a yearly basis, and Yulchon Company has been in compliance since its introduction in 2012. Daesan Company is not subject to the regulations of the RPS given that the installed capacity of Daesan I Power Project is 465.8 MW measured at 30 degrees Celsius<sup>(1)</sup>, which is lower than the RPS threshold of 500 MW measured at 30 degrees Celsius.

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(1) The Daesan I Power Project has a rated installed capacity of 507.0 MW measured at 15 degrees Celsius. The industry common practice is to quote the rated installed capacity measure at 15 degrees Celsius. However, for the Korean government's purposes, installed capacities are measured at 30 degrees Celsius to better indicate the power generation capacity during the summer peak demand period.

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## OUR HISTORY AND DEVELOPMENT

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### OUR HISTORY

#### Our establishment and early history

Our Company was incorporated in Bermuda on September 28, 1995 as an indirect wholly-owned subsidiary of Public Service Enterprise Group Inc., an energy company listed on the New York Stock Exchange, to develop, invest in and operate power and energy projects in Asia. In October 1995, AIF Energy Limited was brought in as an additional investor so that Public Service Enterprise Group Inc. (through its wholly-owned subsidiary, PSEG China L.L.C.) and AIF Energy Limited each held 50% interest in our Company. In June 1999, PSEG China L.L.C. and HQI China Limited, an affiliate of Hydro-Québec International Inc., a company which generates, transmits and distributes electricity, mainly using renewable energy sources, in particular hydroelectricity, subscribed for new shares in our Company. As a result, HQI China Limited held 20% interest, AIF Energy Limited held 30% interest and PSEG China L.L.C. held 50% interest in our Company. In July 2004, HQI China Limited sold its 20% interest in our Company to Asia Energy Investment Holding Ltd and in December 2004, PSEG China L.L.C. sold its 50% interest in our Company to BTU Power Company II (“**BTU**”).

In October 2005, our Company issued an aggregate of 533 common shares, representing approximately 0.5% of the then issued share capital of our Company, to ten senior management of our Company at that time as employee incentive. These shares were subsequently repurchased by our Company in May 2006 at the par value of U.S.\$0.4 per share when the incentive scheme was terminated.

On May 11, 2007, AIF Energy Limited and Asia Energy Investment Holding Ltd sold their interests in our Company to BTU and, on the same date, MPC Hold Co Cayman (formerly BTU MPC Hold Co Limited), a wholly-owned subsidiary of Standard Chartered Private Equity Limited, became our sole shareholder by acquiring all of the issued shares in our Company from BTU. On June 29, 2007, Standard Chartered Private Equity Limited transferred 50% indirect interest in our Company to MPC Investors Limited, an investment holding company which is owned by MPC Holdco Limited and investment funds managed by Noonday Asset Management and Farallon Capital Management. Subsequently on December 22, 2008, Standard Chartered Private Equity Limited transferred 6.82% indirect interest in our Company to Standard Chartered IL & FS Asia Infrastructure Growth Fund Company Pte. Limited (“**SCI Asia Fund**”). SCI Asia Fund is an Asian infrastructure investment fund.

As far as our Directors are aware, each of Public Service Enterprise Group Inc., PSEG China L.L.C., AIF Energy Limited, HQI China Limited, BTU, Asia Energy Investment Holding Ltd, Standard Chartered Private Equity Limited, MPC Investors Limited, MPC Holdco Limited and SCI Asia Fund is independent from our Controlling Shareholders.

#### CGN’s acquisition of our Company

In April 2010, Standard Chartered Private Equity Limited, SCI Asia Fund and MPC Investors Limited together sold the entire interest in our Company (excluding the 35% minority interest in a gas-fired power project in Taiwan which was held by our Group through an associated company but including a call option for acquiring the same 35% minority interest) to CGNPC Huamei, an indirect wholly-owned subsidiary of CGN, for a total consideration of approximately U.S.\$1,085 million, which was fully settled on November 5, 2010. The consideration was determined after arm’s length negotiations between the parties and represented the fair value of our Group (including the Disposal Group but excluding the 35% minority interest in the abovementioned gas-fired power project in Taiwan) and the consideration for the said call option for the abovementioned 35% minority interest. As

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## OUR HISTORY AND DEVELOPMENT

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a result, we became an indirect wholly-owned subsidiary of CGN. CGN's acquisition of our Company was part of its plan and development strategy to create a platform for the development and operation of non-nuclear clean and renewable power generation projects. CGNPC Huamei did not exercise the said call option in respect of the abovementioned 35% minority interest in the gas-fired power project in Taiwan and subsequently sold such call option to an independent third party.

On July 25, 2011, CGNPC Huamei issued new shares to Gold Sky Capital Limited, a wholly-owned subsidiary of Silver Grant International Industries Limited, a company whose shares are listed on the main board of the Stock Exchange, for a consideration of approximately HK\$776.4 million. The consideration was arrived at after arm's length negotiations between the parties after taking into account, among other things, the business prospects of our Group at that time as well as the original purchase price of the entire issued share capital of our Company by CGNPC Huamei. As a result, Silver Grant International Industries Limited became a 29.41% shareholder of CGNPC Huamei and the remaining 70.59% interest of CGNPC Huamei was directly held by CGNPC International Limited, a subsidiary of CGN. CGNPC International Limited was at that time a substantial shareholder of Silver Grant International Industries Limited holding approximately 15.8% of its interest. As part of the corporate structuring of CGNPC Huamei and its shareholders, additional capital was required to be injected into CGNPC Huamei. Silver Grant International Industries Limited did not have additional budget to participate in the intended restructuring at that time and it sold its 29.41% indirect interest in CGNPC Huamei to CGNPC International Limited at a consideration of approximately HK\$776.4 million in May 2012. CGN became again our 100% indirect Shareholder and since then, CGN had remained our 100% indirect Shareholder.

CGN is a wholly state-owned company, established on September 29, 1994 under the laws of the PRC. Authorized by the State Council in accordance with the PRC Company Law and other administrative regulations, SASAC has investor's rights and responsibilities in CGN. As of the Latest Practicable Date, SASAC and Guangdong Hengjian Investment Holding Co., Ltd. (on behalf of the People's Government of Guangdong Province) held 90% and 10%, respectively, of the equity interest in CGN.

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## OUR HISTORY AND DEVELOPMENT

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### CORPORATE MILESTONES

The following table sets forth a summary of the key development milestones of our business (which includes the development of the business of the Disposal Group):

| <u>Year</u>    | <u>Milestone development<sup>(1)</sup></u>  |
|----------------|---|
| 1995 . . . . . | <p>We invested in a 30.0% interest in Jingyuan Second Power Co. Ltd. (靖遠第二發電有限公司), which holds the 660.0 MW Jingyuan coal power project (phase II) (which is part of the Disposal Group).</p> <p>We invested in a 60.0% interest in Jinqiao JV, which was established in 1995 as an EJV expiring in 2025, which holds the Jinqiao Steam Project. Jinqiao Steam Project was commissioned in 1995.</p>  |
| 1998 . . . . . | <p>We invested in a 32.5% interest in Weigang JV, which was established in 1998 as a CJV expiring in 2020, which holds the 50.0 MW Weigang Power Project. Weigang Power Project was commissioned in 2000.</p> <p>We invested in a 60.0% interest in Zuojiang JV, which was established in 1998 as a CJV expiring 2021, which holds the 72.0 MW Zuojiang Hydro Project. Zuojiang Hydro Project was commissioned in 1999.</p> <p>We acquired a 92.0% interest in Nantong Company, which included the partially-constructed 27.0 MW Nantong Cogen Power Project (phase I) and holds the 21.0 MW Nantong Cogen Power Project (phase II); we acquired the remaining 8.0% interest in Nantong Company in 2003. Nantong Company was established in 1997 and Nantong Cogen Power Project (phase I) and Nantong Cogen Power Project (phase II) was commissioned in 2000 and 2005 respectively.</p> |
| 1999 . . . . . | <p>We invested in the partially-constructed 54.0 MW Fushi I Hydro Project through the acquisition of a 55.0% interest in Fushi Dam JV and 80.0% in Fushi Power JV. Both of these joint ventures were established in 1999 expiring in 2022. Our effective interest in Fushi I Hydro Project is 70.0%, based on our weighted equity interest. Fushi I Hydro Project was commissioned in 2000.</p>   |
| 2000 . . . . . | <p>We invested in a 49.0% interest in Huangshi I JV, which held a 50.0% interest in the 200.0 MW Huangshi I Power Project (Unit 1). The Huangshi I JV was established in 2000 as a CJV expiring in 2023. Huangshi I Power Project (Unit 1) was already in production when we made our investment.</p>   |

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## OUR HISTORY AND DEVELOPMENT

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| Year           | Milestone development <sup>(1)</sup>  |
|----------------|---|
| 2002 . . . . . | <p>We invested in a 100.0% interest in Haian WFOE, which was established in 2002 as a WFOE, which holds the 27.0 MW Haian Cogen Power Project. Haian Cogen Power Project was commissioned in 2005.</p> <p>We invested in a 75.0% interest in Mianyang JV, which was established in 2002 as a CJV expiring in 2032, which holds the 45.0 MW Mianyang Hydro Project (updated to 51.0 MW in 2008). Mianyang Hydro Project was commissioned in 2003.</p> <p>We acquired a 100.0% interest in MPC Korea which was developing the 577.4 MW Yulchon I Power Project. Yulchon I Power Project was commissioned in 2005.</p> <p>We increased our investment in Weigang JV from 32.5% to 65.0% in 2002.</p> |
| 2003 . . . . . | <p>We acquired a 100.0% interest in Hexie Company, which was originally established in 1998, which included the existing 98.2 MW Hexie Power Project. Hexie Power Project was fully commissioned in 2000.</p> <p>We invested in a 37.0% interest in Dongyuan Qujing Energy Co., Ltd. (東源曲靖能源有限公司) (which is part of the Disposal Group), which included the 600.0 MW Qujing I coal power project and the 600.0 MW Qujing II coal power project.</p>   |
| 2004 . . . . . | <p>Huangshi I JV developed Units 2 and 3 for Huangshi I Power Project of 660.0 MW, which was commissioned in 2004.</p>  |
| 2005 . . . . . | <p>We acquired a 60.0% interest in Hanneng JV, which was established in 1995 as an EJV expiring in 2028, which included the 176.5 MW Hanneng Power Project. Hanneng Power Project was converted to a power project fired with natural gas in July 2005.</p>   |
| 2006 . . . . . | <p>XTI, a joint venture investment holding company, acquired 32.05% and 45.0% interests in Wu Ling Power Corporation (五凌電力有限公司) (“<b>Wuling JV</b>”) and Huaneng Hunan Yueyang Power Generation Co., Ltd. (華能湖南岳陽發電有限責任公司) (which are part of the Disposal Group), respectively, adding about 859.6 MW to our attributable installed capacity at that time. We further invested in Jingyuan JV, which holds the 2 x 330.0 MW Jingyuan Power Project (phase III) by increasing our interest in Jingyuan JV to 30.7% (which is part of the Disposal Group).</p>   |
| 2007 . . . . . | <p>XTI increased its interest in the Wuling JV to 37.0% (which is part of the Disposal Group).</p> <p>XTI invested in a 98.0% interest in Huade County Huide Wind Power Generation Company Limited (化德縣匯德風力發電有限責任公司) (which is part of the Disposal Group).</p>   |

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## OUR HISTORY AND DEVELOPMENT

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| Year           | Milestone development <sup>(1)</sup>   |
|----------------|--|
| 2009 . . . . . | <p>XTI invested in a 90.0% interest in Shangri-la Minhe Hydropower Development Company Limited (香格里拉縣民和水電開發有限責任公司) to develop the 105.7 MW Langdu hydro project in Yunnan Province (which is part of the Disposal Group).</p> <p>We established Yulchon Company, a joint stock company, on July 28, 2009, as a result of a spin-off from MPC Korea.</p> <p>We commenced commercial operation of the 4.8 MW fuel cell project in Korea under the Yulchon Company.</p> <p>We invested in a 100.0% interest in the Daesan Company in August 2009. Daesan Company was a joint stock company established in April 2009 in Korea and acquired the 507.0 MW Daesan I Power Project in August 2009. Daesan I Power Project was commissioned in 1998.</p>   |
| 2010 . . . . . | <p>We invested in the 250.0 MW Puguang Power Project through the acquisition of a 59.5% effective interest in the Puguang JV. Puguang JV was established in 1997 as a CJV. Puguang Power Project was commissioned in 1999.</p> <p>CGNPC Huamei, an indirect wholly-owned subsidiary of CGN, acquired a 100% interest in our Company.</p> <p>We invested in a 49.0% interest in Huangshi II JV which holds the 2 X 680.0 MW Huangshi II Power Project. Huangshi II JV was established in 2007 as an EJV expiring in 2040. Unit 1 of Huangshi II Power Project was commissioned in 2010.</p> <p>In connection with the sale of our entire interest by our then Shareholders to CGNPC Huamei, our 35.0% indirect interest in Kuo Kuang Power Company Limited, a gas-fired project with 450.0 MW facility and located in Taiwan, was retained by our then Shareholders and was not sold to CGNPC Huamei.</p> |
| 2011 . . . . . | <p>We acquired a 51.0% interest in Yunnan Meiya Minrui Power Investment Co., Ltd. (雲南美亞民瑞電力投資有限公司), which holds the 135.0 MW Minrui hydro project (which is part of the Disposal Group).</p> <p>We acquired an 80.0% interest in Weixi Meiya Hengfa Hydropower Company Limited (維西縣美亞恒發水電有限公司) and Weixi Meiya Yongfa Hydropower Company Limited (維西美亞永發水電有限公司), which holds the 74.0 MW Weixi hydro project (which is part of the Disposal Group).</p> <p>We commenced commercial operation of the 5.6 MW fuel cell project in Korea under the Yulchon Company.</p>   |
| 2012 . . . . . | <p>We acquired a 55.0% interest in Diqing Rongshun Maopohe Power Generation Company Limited (迪慶榮順毛坡河發電有限責任公司), which holds the 42.0 MW Maopohe hydro project (which is part of the Disposal Group).</p>  |

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## OUR HISTORY AND DEVELOPMENT

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| <u>Year</u>    | <u>Milestone development<sup>(1)</sup></u>  |
|----------------|---|
| 2013 . . . . . | <p>We invested in the 49.5 MW Xiwu wind power project by acquiring a 91% interest in Xi Wu Zhu Mu Qin Qi International Renewable Energy Wind Power Co., Ltd. (西烏珠穆沁旗國際新能源風電有限責任公司) (which is part of the Disposal Group).</p> <p>We commenced commercial operation of the simple cycle operation of Yulchon II Power Project under the Yulchon Company.</p> <p>We purchased seven parcels of land for the Daesan II Power Project.</p>  |
| 2014 . . . . . | <p>Hexie Power Project ceased power generation in May 2014 and we have commenced winding down the project.</p> <p>We commenced commercial operation of Unit 2 of Huangshi II Power Project.</p> <p>We commenced commercial operation of the combined cycle operation of Yulchon II Power Project under the Yulchon Company in April 2014.</p> <p>We undertook the Reorganization and transferred the Disposal Group to CGNPC Huamei in September 2014 for the purpose of the Listing. Upon completion of the Reorganization, the businesses of the Disposal Group ceased to form a part of our business.</p> <p>We were awarded the “Independent Power Producer of the Year” in the 2014 Asian Power Awards in August 2014.</p> |

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*Note:*

(1) Each date of commission or COD reflects the date of the operation of the first unit in the power project.

The acquisitions of the project companies described above that make up our Group (excluding the Disposal Group) had been properly and legally completed and settled and the relevant transferors and transferee of such acquisitions were, as far as our Directors are aware, independent third parties.



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## OUR HISTORY AND DEVELOPMENT

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### OUR REORGANIZATION

For the purpose of the Listing, we have undergone the Reorganization, which has been properly and legally completed and settled, and the details of which are described below.

#### Transfer of the Disposal Group to CGNPC Huamei

On September 15, 2014, we entered into a restructuring agreement with CGNPC Huamei, our Controlling Shareholder, pursuant to which we agreed to transfer and assign to CGNPC Huamei (i) all of the issued shares of the Disposal Group; and (ii) the net balance of amounts due from certain companies (and their subsidiaries) within the Disposal Group to our Company as of July 1, 2014, and in connection thereof the novation to CGNPC Huamei of our loan owed to CGNPC International Limited with an outstanding principal amount of U.S.\$242.3 million as of July 1, 2014. The Disposal Group comprised 22 investment holding companies which were our subsidiaries and some of these investment holding companies held indirect interests in the following 12 power generation projects and one coal trading company:

|    | Name of power generation project | Fuel type/<br>nature of<br>business | Name of relevant operating entity which holds interest in the power generation project  | Disposal Group's attributable interest in the relevant operating entity |
|----|----------------------------------|-------------------------------------|---|---|
| 1. | Langdu Power Project             | Hydro                               | Shangri-La Minhe Hydropower Development Company Limited <sup>(2)</sup>  | 45.00%  |
| 2. | Maopohe Power Project            | Hydro                               | Diqing Rongshun Maopohe Power Generation Company Limited  | 55.00%  |
| 3. | Minrui Power Project             | Hydro                               | Yunnan Meiya Minrui Power Investment Co. Ltd. <sup>(1)</sup>  | 51.00%  |
| 4. | Weixi Power Project              | Hydro                               | Weixi Meiya Hengfa Hydropower Company Limited and Weixi Meiya Yongfa Hydropower Company Limited   | 80.00%  |
| 5. | Wuling Power Project             | Hydro <sup>(4)</sup>                | Wu Ling Power Corporation <sup>(2)</sup>  | 18.50%  |
| 6. | Zhenkang Power Project           | Hydro                               | Zhenkang Xiangneng Hydropower Development Company Limited and Zhenkang Xiangyuan Hydropower Development Company Limited <sup>(2), (3)</sup> | 50.00%  |
| 7. | Jingyuan Power Project           | Coal-fired                          | Jingyuan Second Power Co. Ltd.  | 30.73%  |
| 8. | Qujing Power Project             | Coal-fired                          | Dongyuan Qujing Energy Co. Ltd.   | 37.00%  |
| 9. | Yueyang Power Project            | Coal-fired                          | Huaneng Hunan Yueyang Power Generation Co., Ltd. <sup>(2)</sup>   | 22.50%  |

## OUR HISTORY AND DEVELOPMENT

|     | Name of power generation project | Fuel type/<br>nature of<br>business | Name of relevant operating entity which holds interest in the power generation project | Disposal Group's attributable interest in the relevant operating entity |
|-----|----------------------------------|-------------------------------------|--|---|
| 10. | Huide Power Project              | Wind                                | Huade County Huide Wind Power Generation Company Limited <sup>(2)</sup>                | 49.00%  |
| 11. | Xiwu Power Project               | Wind                                | Xi Wu Zhu Mu Qin Qi International Renewable Energy Wind Power Co., Ltd.                | 91.00%  |
| 12. | Tongzhou Power Project           | Cogen                               | Tongzhou Meiya Cogeneration Co., Ltd.  | 80.00%  |
| 13. | –                                | Coal trading                        | Suzhou Zhenmei Trading Co., Ltd.   | 100.00%   |

*Notes:*

- (1) Yunnan Meiya Minrui Power Investment Co. Ltd. operates the hydro power projects through three wholly-owned subsidiaries, namely Fugong Fengyuan Hydropower Development Co., Ltd., Gongshan Lanxi Hydropower Development Co., Ltd., and Shangri-La Tangmanhe Hydropower Development Co., Ltd.
- (2) Our Company's interest in each of these operating entities was held through its 50% interest in XTI. The other 50% interest in XTI was held by Hunan Xiangtou Holdings Group Company Limited (湖南湘投控股集团有限公司), an independent third party of our Company.
- (3) Zhenkang Xiangneng Hydropower Development Company Limited and Zhenkang Xiangyuan Hydropower Development Company Limited held interest in five hydro power projects, four of which were under construction at the time of the Reorganization.
- (4) Wuling Power Project includes hydro, wind, and coal-fired power plants in operation with aggregate attributable installed capacities of 856.6 MW, 18.3 MW and 44.4 MW, respectively.

In respect of the transfer by our Company to CGNPC Huamei of 21 of the 22 companies within the Disposal Group and the net balance of amounts due from these 21 companies and certain of their subsidiaries to our Company, it was primarily effected by a distribution in kind by our Company to CGNPC Huamei which is recognized in our Group's contributed surplus and retained earnings directly in the amount of approximately U.S.\$184.9 million, which represented the net book value of the shares of these 21 companies of approximately U.S.\$26.6 million as of July 1, 2014 and the net balance of amounts due from these 21 companies and certain of their subsidiaries to our Company in the total amount of approximately U.S.\$158.3 million as of July 1, 2014.

In respect of the transfer of the remaining one company within the Disposal Group by our Company to CGNPC Huamei, it was effected by way of a sale with a consideration of approximately U.S.\$245.6 million (which comprised U.S.\$161.9 million for the sale of the shares in that company and U.S.\$83.7 million for the sale of the amount due from that company to our Company). CGNPC Huamei settled the consideration by its assumption of all the liabilities of our Company under a loan provided by CGNPC International Limited, a subsidiary of CGN, to us with an outstanding principal amount of U.S.\$242.3 million as of July 1, 2014, and the cash payment in the amount of approximately U.S.\$3.3 million to our Company, which was offset by a special dividend of U.S.\$3.3 million declared by our Company to CGNPC Huamei. The difference between the consideration for the sale of the shares in

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## OUR HISTORY AND DEVELOPMENT

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that company of U.S.\$161.9 million and the net book value of that company of U.S.\$372.4 million as of July 1, 2014 will be accounted for as a deemed distribution from our Group's retained earnings to CGNPC Huamei.

After completion of the Reorganization, our Company ceased to have any interest in the Disposal Group (and the interests in the various power projects and one coal trading company that are held by the Disposal Group) and the Disposal Group became part of the CGN Group. The consolidated profit attributable to the owners of our Company including the Disposal Group before the Reorganization for the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014 is approximately U.S.\$2.8 million, U.S.\$20.2 million, U.S.\$55.8 million and U.S.\$32.0 million, respectively, and the consolidated profit attributable to the owners of our Company excluding the Disposal Group for the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014 is approximately U.S.\$11.3 million, U.S.\$29.0 million, U.S.\$55.3 million and U.S.\$15.8 million, respectively. For details of the financial information of our Group before and after excluding the Disposal Group, please refer to “*B. Subsequent Events*” in the Accountants' Report in Appendix I to this prospectus.

### **Reasons for the Reorganization involving the Disposal Group**

In respect of our previous indirect interests in Maopohe hydro power project, Minrui hydro power project, Weixi hydro power project, Xiwu wind power project, Zhenkang hydro power project and Suzhou Zhenmei Trading Co., Ltd., our interests were held for less than three years prior to our application for the Listing. As advised by our PRC advisers, Grandall Law Firm (Shenzhen), the Circular of the State Council Concerning Further Strengthening the Administration of Share Issuance and Listing Overseas (關於進一步加強在境外發行股票和上市管理的通知) (the “**Red-Chip Guidance**”) prohibits a company from applying for the issuance and listing of shares overseas if its onshore assets have been possessed for less than three years, unless approval from CSRC is obtained. The Red-Chip Guidance is applicable to our Company as we are an offshore subsidiary of CGN, a state-owned enterprise in the PRC. We had, through CGN, orally consulted the CSRC when we prepared for the Listing regarding the possibility of granting an approval under the Red-Chip Guidance in respect of the listing of our Company's shares on the Stock Exchange with onshore assets that have been held for less than three years. CSRC had orally advised that we should only include our onshore assets that originated from the investment made by our Group using its overseas assets and have been within our Group for more than three years. As advised by our PRC legal advisers, Grandall Law Firm (Shenzhen), it is not aware of any approval granted by the CSRC under the Red-Chip Guidance for overseas listing in the one year prior to the date of our application for the Listing. Accordingly, for the purpose of the Listing, we transferred these interests to CGNPC Huamei as part of the Reorganization.

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## OUR HISTORY AND DEVELOPMENT

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In respect of our previous indirect interests in Jingyuan coal power project, Qujing coal power project, Huide wind power project, Yueyang coal power project, Wuling hydro power project and Langdu hydro power project, we held them through associated companies which we had minority interests in. Therefore, we did not have any material involvement or influence in the management and operation of these power projects. Our Directors did not consider that it would be in the best interest of our Company and our Shareholders to include the minority interests in these power projects as part of our Group for the purpose of the Listing because to do so would subject our Group to the following unfavorable business circumstances and risks, which would not be beneficial to our Company and our Shareholders given that we would only have minority interests in such power projects:

- in respect of Jingyuan coal power project: this coal power project is located in the Gansu Province, the PRC. Whilst we own a 30.73% equity interest in the associated company that operates this power project, our veto rights on material matters of this associated company as a minority shareholder (as compared with the rights of the controlling joint venture partner who owns 51.22% majority interest in this associated company) are, in general, of a protective nature only. Whilst we could appoint the chief financial officer of this associated company, we do not appoint any management personnel who is responsible for or involved in the operation or management of this power project. In the past, the financial performance of this associated company has fluctuated significantly. Due to the lack of involvement and influence that we have over the management and operations of this associated company, it has been, and will continue to be, difficult for us to try to improve the operations and hence financial performance of this associated company. It is envisaged that we will need to continue to heavily rely on the controlling joint venture partner to manage the market and operation risks associated with this power project. Accordingly, we may continue to be subject to the risk of fluctuations in financial results of this power project and it may be difficult for us to appropriately manage the risks. Furthermore, due to the dispatch priority of wind and hydro power (as renewable energies) over coal-fired power (as non-renewable energy), the local power grid in the Gansu Province is required to dispatch wind and hydro generated power first before dispatching coal-fired power. Accordingly, the utilization hours of coal-fired power projects in this province have been squeezed substantially because of increased competition generated by wind and hydro power projects. As a result, the total electricity generation by coal-fired power projects in this province has declined in recent years. In view of the competition created by the renewable energy power generation, we believe that the coal-fired power market in this province faces substantial challenges going forward;
- in respect of Qujing coal power project: this coal power project is located in the Yunnan Province, the PRC. Our investment in this power project has been fully written off as of December 31, 2013. Also because of this reason, we do not intend to provide any further equity investment or financial support to this project and this project has been relying on funding and guarantee from the major joint venture partner to continue its operations. Furthermore, due to the dispatch priority of wind and hydro power (as renewable energies) over coal-fired power (as non-renewable energy), the local power grid in the Yunnan Province is required to dispatch the wind and hydro generated power in priority to coal-fired power. Accordingly, the utilization hours of the coal-fired power projects in this province have been squeezed substantially because of increased competition generated by wind and hydro power projects. As a result, the total electricity generation by coal-fired power projects in this province has declined in recent years. In view of the competition created by the renewable energy power generation, we believe that the coal-fired power market in this province faces substantial challenges going forward;

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## OUR HISTORY AND DEVELOPMENT

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- in respect of Huide wind power project, Yueyang coal power project, Wuling hydro power project and Langdu hydro power project: we held our attributable minority interests in these four power projects through our previous 50% interest in XTI. In recent years, the joint venture partner and us have had diverging views on the development strategies and directions of XTI which had made it difficult for XTI to implement its development plans and strategies. It was envisaged that this situation would continue going forward which would create unfavorable circumstances for the development and operation of the power projects in which XTI holds interests and hence our interests in XTI if we had retained such interests in our Group. Furthermore, in the past, the financial performance of these power projects had fluctuated significantly and due to the lack of influence that we had over the management and operations of these power projects, it has been difficult for us to improve the operations and hence financial performance of these associated companies. If we had retained such interests in our Group, it was envisaged that we would have to continue to heavily rely on the joint venture partner to manage the market and operation risks associated with these power projects, and this was considered not the most suitable way for us to appropriately manage the business risks and interests of our Company and our Shareholders in view of the Listing; and
- in respect of Tongzhou cogen power project: as of December 31, 2013, we have impaired a majority of our investment in this project. Prior to the Reorganization, this power project was already winding down its operations because, according to the local government authority, it has been ordered to shut down its operations by the end of 2016. Due to the age and conditions of the environmental protection equipment, this project will not be able to fulfil the new emissions regulations that came into effect in July 2014 even after refitting its environmental protection equipment. Therefore, the local government plans to replace this cogen power project with cleaner gas-fired projects that are equipped with more efficient technology as a part of coal consumption reduction plan of the local government. In view of the impending cessation of operation of this power project, we have already impaired a majority of our investment in this project and as such, it was considered that it would not be in the best commercial interest to make further investment into this project. As a result, it was considered likely that the cessation of operation of this power project would occur prior to 2016.

After the Reorganization, we have retained our 49% interest in two associated companies, namely Huangshi I JV and Huangshi II JV, which operate two phases of a coal power project, namely Huangshi I and Huangshi II. We own a 49% interest in these two associated companies, with the other 50% interest held by Huadian Hubei Power Generation Co., Ltd., an independent third party, and the remaining 1% interest held by the local government. Interests in these two associated companies are the only interests in associated companies (or jointly controlled entities) that we have after the Reorganization.

Our retention of the interests in these two associated companies is because, pursuant to the arrangements with the joint venture partner, Huadian Hubei Power Generation Co., Ltd., we enjoy (whether based on its legal rights or in practice) a high level of involvement in the management and operations of these two associated companies and the coal power project operated by them. Our involvement is through the appointment of four out of nine directors to the board of each of these associated companies and the appointment of the general manager and a deputy general manager of these associated companies. The joint venture arrangements also require the positive vote from us for most major decisions and matters concerning the business and operations of these two associated companies (as those decisions and matters require the approval of two-third majority votes of directors

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## OUR HISTORY AND DEVELOPMENT

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at a board meeting). Therefore, our involvement in the operations and business of these two 49%-held associated companies is to a greater extent (whether as a matter of legal or practical arrangements) than its involvement in other associated companies (or a jointly-controlled entity) within the scope of the Disposal Group. For most of the other associated companies within the Disposal Group, we do not enjoy a veto right over all important business matters as that enjoyed by us with respect to Huangshi I JV and Huangshi II JV. Such arrangements have in the past, in practice, allowed us to have a high degree of influence in the business, operations and management of the power project. Accordingly, we consider that it would be appropriate and in the best interest of our shareholders and potential investors to retain our 49% interest in these two associated companies for the purpose of the Listing.

After the Reorganization, CGN also retains certain other non-nuclear power business primarily because the inclusion of most of such non-nuclear power business into the Listing would trigger the CSRC approval requirements under the Red-Chip Guidance stated above. Please see the paragraph headed “*Relationship with CGN Group – Delineation of Business and Competition*” in this prospectus for details of the Retained Business of CGN and the reasons for retaining such business.

As advised by our PRC legal advisers, Grandall Law Firm (Shenzhen), (i) we have obtained the approval from SASAC for the Reorganization and the Listing; (ii) the Reorganization complies with the relevant laws and regulations in the PRC; and (iii) the Reorganization and the Listing are not subject to SAFE Circular No.37, which came into effect on July 4, 2014 and requires PRC residents to register with the local SAFE branch before paying the capital contribution for the special purpose company outside of the PRC for the purpose of investment and capital financing with enterprise assets or equities inside the PRC or assets and equities outside the PRC owned by PRC residents, or the Regulation on the Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定).

We are of the view, and the Sole Sponsor concurs, that the Reorganization does not affect our Company’s ability to comply with the financial requirements under Rule 8.05 of the Listing Rules and does not contravene the relevant requirements of Practice Note 3 of the Listing Rules.

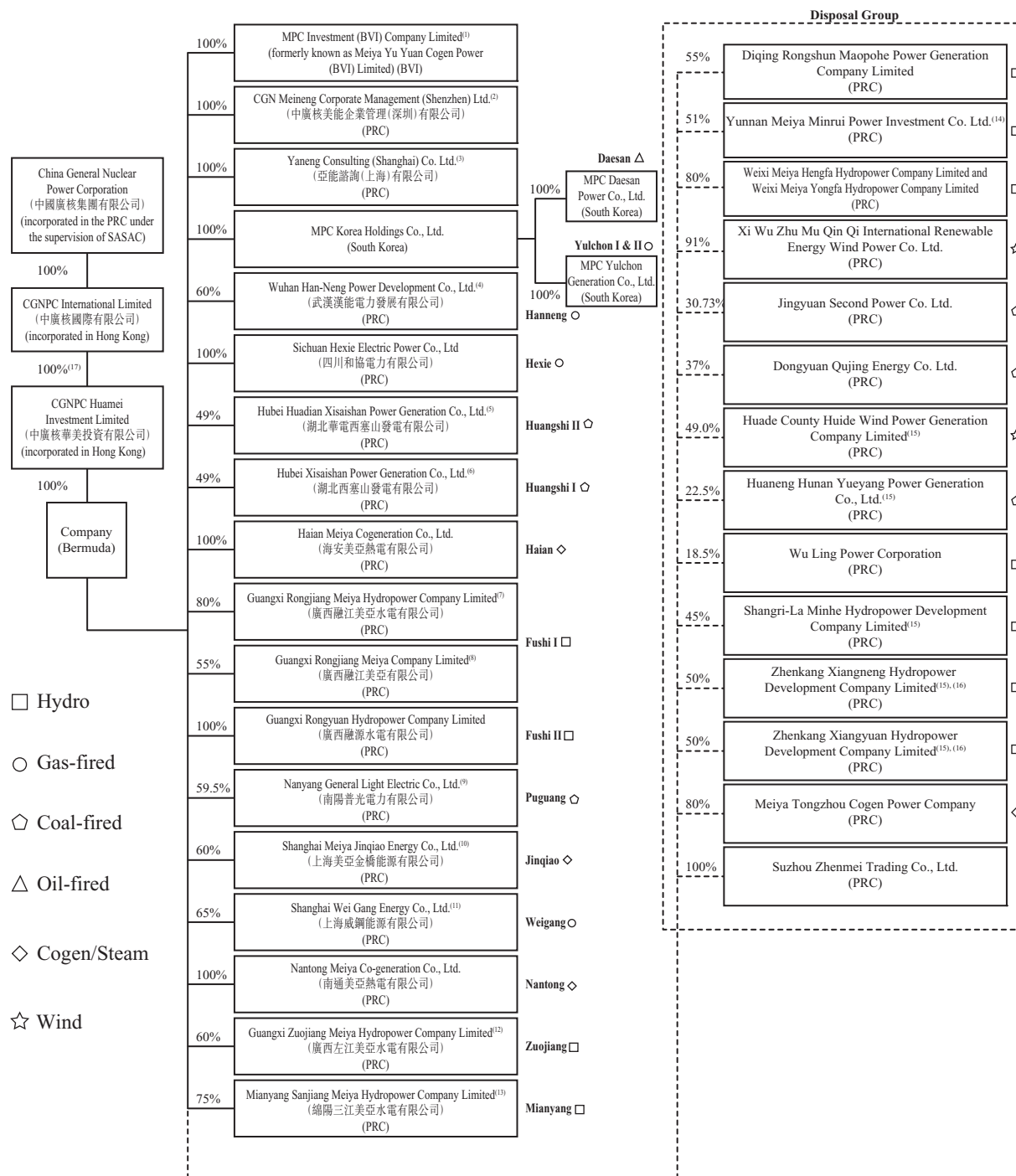
### OUR CORPORATE STRUCTURE

As our Company holds the operating entities through a number of immediate investment holding companies which do not have any substantial operations, the corporate structure of our Group sets forth below only depicts simplified structures showing our effective interests in the key operating entities.

# OUR HISTORY AND DEVELOPMENT

## Our corporate structure prior to the Reorganization

The following chart sets forth the simplified corporate structure of our Group immediately before completion of the Reorganization and prior to the Global Offering:





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## OUR HISTORY AND DEVELOPMENT

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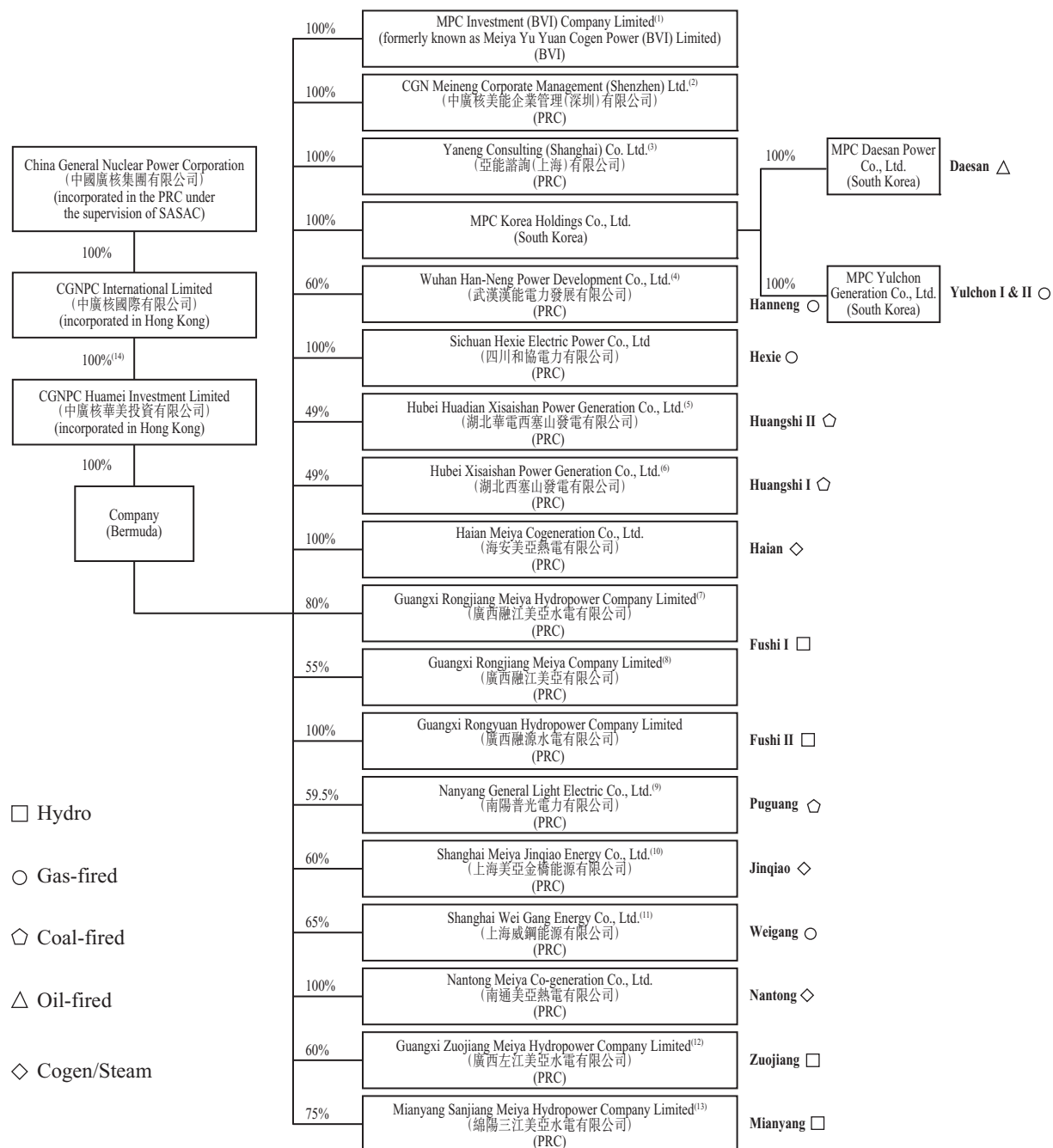
Notes:

- (1) This company is an investment holding company.
- (2) This company is principally engaged in the provision of management services to hydro power projects, including those owned by our Group, and those owned by CGN Energy and Huamei Holding under the Operation and Management Services Framework Agreements. See “*Connected Transactions*” in this prospectus.
- (3) This company is principally engaged in the provision of management services to non-hydro power projects, including those owned by our Group, and those owned by CGN Energy and Huamei Holding under the Operation and Management Services Framework Agreements. See “*Connected Transactions*” in this prospectus.
- (4) Wuhan Hua Yuan Power Group Co., Ltd. (武漢華源電力集團有限公司) (“**Wuhan Power**”), Wuhan Hua Yuan Energy and Material Development Company (武漢華原能源物資開發公司) (“**Wuhan Energy**”) and Wuhan Economic Development and Investment Co., Ltd. (武漢經開投資有限公司) (“**Wuhan Development**”) hold a 15%, 15% and 10% interest in Hanneng JV, respectively. Each of Wuhan Power, Wuhan Energy and Wuhan Development is an independent third party.
- (5) Huangshi II JV is an associate of our Group. We hold a 49.0% interest in Huangshi II JV through our wholly-owned subsidiaries, with Huadian Hubei Power Generation Co., Ltd. (華電湖北發電有限公司) (“**HHPG**”) holding a 50.0% interest and Huangshi City Dingcheng Asset Management Co., Ltd. (黃石市鼎城資產管理有限公司) (“**HCDCAM**”) holding a 1.0% interest. Each of HHPG and HCDCAM is an independent third party.
- (6) Huangshi I JV is an associate of our Group. We hold a 49.0% interest in Huangshi I JV through our wholly-owned subsidiaries, with HHPG holding a 50.0% interest and HCDCAM holding a 1.0% interest. Each of HHPG and HCDCAM is an independent third party.
- (7) Guangxi Investment Group Co., Ltd. (廣西投資集團有限公司) (“**Guangxi Investment**”) and Liuzhou Shuye Electric Equipment Co., Ltd. (柳州市樹燁電器有限公司) (“**Liuzhou Shuye**”), each being an independent third party, hold a 18.7% and 1.3% interest in Fushi Power JV, respectively. The ownership of the approximately 18.7% equity interest in Fushi Power JV was subject of a judgment from the Nanning Intermediate People’s Court in March 2006, according to which such 18.7% equity interest should belong to Guangxi Investment. The registration with the Administration for Industry and Commerce has not been updated and Guangxi Liuzhou Rongjiang Hydropower Development Company Limited (廣西柳州融江水電開發有限責任公司) remains the holder of the said 18.7% of Fushi Power JV in the records of the Administration for Industry and Commerce. Our effective interest in Fushi I Hydro Project is 70.0% based on our equity interest in and the registered capital of Fushi Power JV and Fushi Dam JV, respectively. Please see “*Business – Our Power Projects in the PRC – Our hydro projects in the PRC – Fushi I Hydro Project*” for details on the distribution of profits of the Fushi Power JV.
- (8) Liuzhou Shuye, an independent third party, holds the remaining 45% interest in Fushi Dam JV. Our effective interest in Fushi I Hydro Project is 70.0% based on our equity interest in and the registered capital of Fushi Power JV and Fushi Dam JV, respectively. Please see “*Business – Our Power Projects in the PRC – Our hydro projects in the PRC – Fushi I Hydro Project*” for details on the distribution of profits of the Fushi Dam JV.
- (9) Each of CPI Henan Electric Power Co., Ltd. (中電投河南電力有限公司), an independent third party, and Nanyang City Hengsheng Energy Development Co., Ltd. (南陽市恒升能源開發有限公司), an independent third party, holds a 15% direct interest in Puguang JV. Through In Industries Limited (信原實業有限公司), an independent third party, holds a 10.5% indirect interest in Puguang JV.
- (10) Shanghai Jinqiao Heat Power Co. Ltd. (上海金橋熱力有限公司) (“**SJHP**”), an independent third party, holds the remaining 40% interest in Jinqiao JV.
- (11) Baosteel Group Shanghai No. 1 Iron & Steel Co. Ltd. (寶鋼集團上海第一鋼鐵有限公司) (“**Baosteel**”), an independent third party, holds the remaining 35% interest in Weigang JV.
- (12) Guangxi Chongzuo Huiyuan Hydropower Company (廣西崇左市匯源水電公司) (“**GCHPC**”), an independent third party, holds the remaining 40% interest in Zuojiang JV. Please see “*Business – Our Power Projects in the PRC – Our hydro projects in the PRC – Zuojiang Hydro Project*” for details on the distribution of profits of the Zuojiang JV.
- (13) Mianyang Sanjiang Construction Company Ltd. (綿陽市三江建設有限公司) (“**MSCC**”), an independent third party, holds the remaining 25% interest in Mianyang JV. Please see “*Business – Our Power Projects in the PRC – Our hydro projects in the PRC – Mianyang Hydro Project*” for details on the distribution of profits of the Mianyang JV.
- (14) Yunnan Meiya Minrui Power Investment Co. Ltd. operates the hydro power projects through three wholly-owned subsidiaries, namely Fugong Fengyuan Hydropower Development Co., Ltd., Gongshan Lanxi Hydropower Development Co., Ltd., and Shangri-La Tangmanhe Hydropower Development Co., Ltd. Yunnan Minhe Hydro Power Investment Co., Ltd. (雲南民和水電投資有限公司), who is an independent third party, holds the remaining 49% interest.
- (15) Our Company’s interest in each of these operating entities was held through its 50% interest in XTI. The other 50% interest in XTI was held by Hunan Xiangtong Holdings Group Company Limited, an independent third party of our Company.
- (16) Zhenkang Xiangneng Hydropower Development Company Limited and Zhenkang Xiangyuan Hydropower Development Company Limited held interest in five hydro power projects, four of which were under construction at the time of the Reorganization.
- (17) CGNPC International Limited directly holds a 70.59% interest in CGNPC Huamei and indirectly holds the remaining 29.41% interest in CGNPC Huamei through its wholly-owned subsidiary Gold Sky Capital Ltd.

# OUR HISTORY AND DEVELOPMENT

## Our corporate structure immediately after the Reorganization

The following chart sets forth the simplified corporate structure of our Group immediately upon completion of the Reorganization and prior to the Global Offering:



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## OUR HISTORY AND DEVELOPMENT

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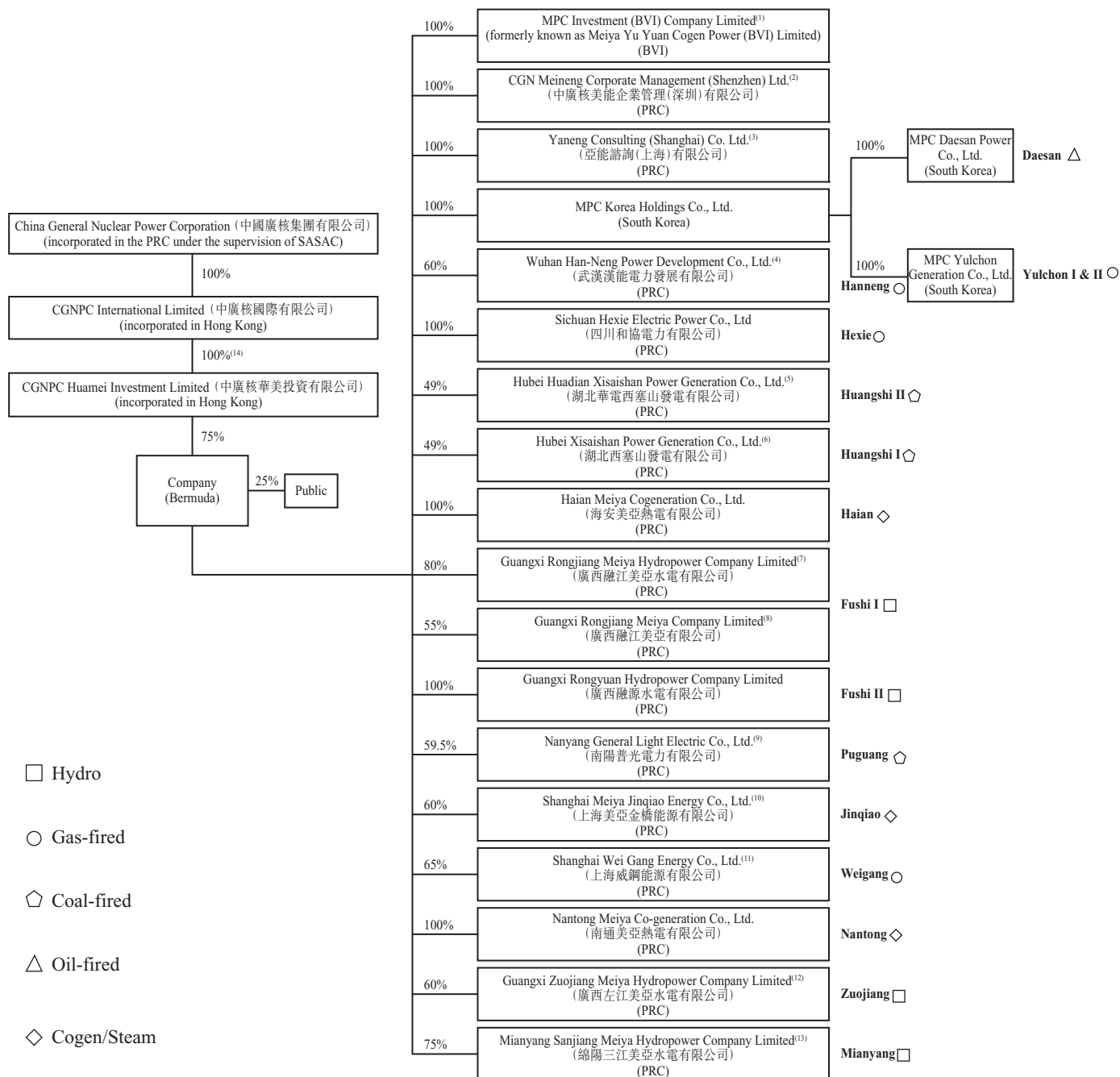
Notes:

- (1) This company is an investment holding company.
- (2) This company is principally engaged in the provision of management services to hydro power projects, including those owned by our Group, and those owned by CGN Energy and Huamei Holding under the Operation and Management Services Framework Agreements. See “*Connected Transactions*” in this prospectus.
- (3) This company is principally engaged in the provision of management services to non-hydro power projects, including those owned by our Group, and those owned by CGN Energy and Huamei Holding under the Operation and Management Services Framework Agreements. See “*Connected Transactions*” in this prospectus.
- (4) Wuhan Power, Wuhan Energy and Wuhan Development hold a 15%, 15% and 10% interest in Hanneng JV, respectively. Each of Wuhan Power, Wuhan Energy and Wuhan Development is an independent third party.
- (5) Huangshi II JV is an associate of our Group. We hold a 49.0% interest in Huangshi II JV through our wholly-owned subsidiaries, with HHPG holding a 50.0% interest and HCDCAM holding a 1.0% interest. Each of HHPG and HCDCAM is an independent third party.
- (6) Huangshi I JV is an associate of our Group. We hold a 49.0% interest in Huangshi I JV through our wholly-owned subsidiaries, with HHPG holding a 50.0% interest and HCDCAM holding a 1.0% interest. Each of HHPG and HCDCAM is an independent third party.
- (7) Guangxi Investment and Liushou Shuye, each being an independent third party, hold a 18.7% and 1.3% interest in Fushi Power JV, respectively. The ownership of the approximately 18.7% equity interest in Fushi Power JV was subject of a judgment from the Nanning Intermediate People’s Court in March 2006, according to which such 18.7% equity interest should belong to Guangxi Investment. The registration with the Administration for Industry and Commerce has not been updated and Guangxi Liuzhou Rongjiang Hydropower Development Company Limited (廣西柳州融江水電開發有限責任公司) remains the holder of the said 18.7% of Fushi Power JV in the records of the Administration for Industry and Commerce. Our effective interest in Fushi I Hydro Project is 70.0% based on our equity interest in and the registered capital of Fushi Power JV and Fushi Dam JV, respectively. Please see “*Business – Our Power Projects in the PRC – Our hydro projects in the PRC – Fushi I Hydro Project*” for details on the distribution of profits of the Fushi Power JV.
- (8) Liuzhou Shuye, an independent third party, holds the remaining 45% interest in Fushi Dam JV. Our effective interest in Fushi I Hydro Project is 70.0% based on our equity interest in and the registered capital of Fushi Power JV and Fushi Dam JV, respectively. Please see “*Business – Our Power Projects in the PRC – Our hydro projects in the PRC – Fushi I Hydro Project*” for details on the distribution of profits of the Fushi Dam JV.
- (9) Each of CPI Henan Electric Power Co., Ltd. (中電投河南電力有限公司), an independent third party, and Nanyang City Hengsheng Energy Development Co., Ltd. (南陽市恒升能源開發有限公司), an independent third party, holds a 15% direct interest in Puguang JV. Through In Industries Limited (信原實業有限公司), an independent third party, holds a 10.5% indirect interest in Puguang JV.
- (10) SJHP, an independent third party, holds the remaining 40% interest in Jinqiao JV.
- (11) Baosteel, an independent third party, holds the remaining 35% interest in Weigang JV.
- (12) GCHPC, an independent third party, holds the remaining 40% interest in Zuojiang JV. Please see “*Business – Our Power Projects in the PRC – Our hydro projects in the PRC – Zuojiang Hydro Project*” for details on the distribution of profits of the Zuojiang JV.
- (13) MSCC, an independent third party, holds the remaining 25% interest in Mianyang JV. Please see “*Business – Our Power Projects in the PRC – Our hydro projects in the PRC – Mianyang Hydro Project*” for details on the distribution of profits of the Mianyang JV.
- (14) CGNPC International Limited directly holds a 70.59% interest in CGNPC Huamei and indirectly holds the remaining 29.41% interest in CGNPC Huamei through its wholly-owned subsidiary Gold Sky Capital Ltd.

## OUR HISTORY AND DEVELOPMENT

### Our corporate structure immediately upon completion of the Global Offering

The following chart sets forth the simplified corporate structure of our Group immediately upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised:



- Hydro
- Gas-fired
- ◊ Coal-fired
- △ Oil-fired
- ◇ Cogen/Steam

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## OUR HISTORY AND DEVELOPMENT

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Notes:

- (1) This company is an investment holding company.
- (2) This company is principally engaged in the provision of management services to hydro power projects including those owned by our Group, and those owned by CGN Energy and Huamei Holding under the Operation and Management Services Framework Agreements. See “*Connected Transactions*” in this prospectus.
- (3) This company is principally engaged in the provision of management services to power projects, including those owned by our Group, and those owned by CGN Energy and Huamei Holding under the Operation and Management Services Framework Agreements. See “*Connected Transactions*” in this prospectus.
- (4) Wuhan Power, Wuhan Energy and Wuhan Development, hold a 15%, 15% and 10% interest in Hanneng JV, respectively. Each of Wuhan Power, Wuhan Energy and Wuhan Development is an independent third party.
- (5) Huangshi II JV is an associate of our Group. We hold a 49.0% interest in Huangshi II JV through our wholly-owned subsidiaries, with HHPG holding a 50.0% interest and HCDCAM holding a 1.0% interest. Each of HHPG and HCDCAM is an independent third party.
- (6) Huangshi I JV is an associate of our Group. We hold a 49.0% interest in Huangshi I JV through our wholly-owned subsidiaries, with HHPG holding a 50.0% interest and HCDCAM holding a 1.0% interest. Each of HHPG and HCDCAM is an independent third party.
- (7) Guangxi Investment and Liushou Shuye, each being an independent third party, hold a 18.7% and 1.3% interest in Fushi Power JV, respectively. The ownership of the approximately 18.7% equity interest in Fushi Power JV was subject of a judgment from the Nanning Intermediate People’s Court in March 2006, according to which such 18.7% equity interest should belong to Guangxi Investment. The registration with the Administration for Industry and Commerce has not been updated and Guangxi Liuzhou Rongjiang Hydropower Development Company Limited (廣西柳州融江水電開發有限責任公司) remains the holder of the said 18.7% of Fushi Power JV in the records of the Administration for Industry and Commerce. Our effective interest in Fushi I Hydro Project is 70.0% based on our weighted equity interest in and the registered capital of Fushi Power JV and Fushi Dam JV, respectively. Please see “*Business – Our Power Projects in the PRC – Our hydro projects in the PRC – Fushi I Hydro Project*” for details on the distribution of profits of the Fushi Power JV.
- (8) Liuzhou Shuye, an independent third party, holds the remaining 45% interest in Fushi Dam JV. Our effective interest in Fushi I Hydro Project is 70.0% based on our weighted equity interest in and the registered capital of Fushi Power JV and Fushi Dam JV, respectively. Please see “*Business – Our Power Projects in the PRC – Our hydro projects in the PRC – Fushi I Hydro Project*” for details on the distribution of profits of the Fushi Dam JV.
- (9) Each of CPI Henan Electric Power Co., Ltd. (中電投河南電力有限公司), an independent third party, and Nanyang City Hengsheng Energy Development Co., Ltd. (南陽市恒升能源開發有限公司), an independent third party, holds a 15% direct interest in Puguang JV. Through In Industries Limited (信原實業有限公司), an independent third party, holds a 10.5% indirect interest in Puguang JV.
- (10) SJHP, an independent third party, holds the remaining 40% interest in Jinqiao JV.
- (11) Baosteel, an independent third party, holds the remaining 35% interest in Weigang JV.
- (12) GCHPC, an independent third party, holds the remaining 40% interest in Zuojiang JV. Please see “*Business – Our Power Projects in the PRC – Our hydro projects in the PRC – Zuojiang Hydro Project*” for details on the distribution of profits of the Zuojiang JV.
- (13) MSCC, an independent third party, holds the remaining 25% interest in Mianyang JV. Please see “*Business – Our Power Projects in the PRC – Our hydro projects in the PRC – Mianyang Hydro Project*” for details on the distribution of profits of the Mianyang JV.
- (14) CGNPC International Limited directly holds a 70.59% interest in CGNPC Huamei and indirectly holds the remaining 29.41% interest in CGNPC Huamei through its wholly-owned subsidiary Gold Sky Capital Ltd.

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## BUSINESS

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### OVERVIEW

We are a diversified IPP in Asia in terms of fuel type and geography, with a portfolio of gas-fired, coal-fired, oil-fired, hydro, cogen and fuel cell power generation projects and a steam project in the PRC and Korea. As of April 30, 2014, our clean and renewable energy projects, namely gas-fired, hydro and fuel cell projects, accounted for approximately 51.6% of our attributable installed capacity, and our conventional power projects, namely coal fired, oil-fired and cogen projects, accounted for approximately 48.4% of our attributable installed capacity. For the four months ended April 30, 2014, our clean and renewable energy projects contributed 71.0% of our revenue and our conventional energy and steam projects contributed 29.0% of our revenue. In addition, on August 20, 2014 and September 15, 2014, we entered into separate Operation and Management Services Framework Agreements with CGN Energy and Huamei Holding, respectively, which outline the terms of the management services we provide to hydro (including pumped storage), coal-fired, cogen and wind power projects in which CGN Energy and Huamei Holding have interests (including the Disposal Group).

As of April 30, 2014, we had 14 operating power generation projects with a consolidated installed capacity of 2,867.8 MW and an attributable installed capacity of 3,659.5 MW and one steam project in our portfolio. For the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, our net electricity generated amounted to 5,618 GWh, 6,225 GWh, 7,116 GWh and 2,020 GWh, respectively. As of the Latest Practicable Date, one power generation project is under construction and is expected to contribute an additional attributable installed capacity of 18.0 MW to our power project portfolio by the end of 2014. In addition, our business includes providing management services to power projects in which the CGN Group has interest. We provide management services to 23 operating power generation projects in which CGN Energy and Huamei Holding have interests with an attributable installed capacity of 5,831.6 MW, three of which are under expansion, which together with an additional four power generation projects that are either under construction or will commence construction, are expected to contribute an additional attributable installed capacity of 454.9 MW to projects under management between 2014 and 2018. We also provide management services to XTI, an investment holding company holding some of the above mentioned projects in which Huamei Holding has interests.

We focus on acquiring clean and renewable power generation projects while continuing our own greenfield and brownfield developments to deliver solid returns and create shareholder value. Positioned as CGN's sole global platform for development and operation of non-nuclear clean and renewable power generation projects, we intend to selectively acquire clean and renewable power generation projects with solid returns from CGN with an aggregate installed capacity of 3.0 GW to 5.0 GW in several batches within the next four years by exercising our acquisition rights under the non-competition deed given by CGN in our favor. We intend to undertake the first batch of acquisition before the end of 2015 and other batches from 2015 to 2018, subject to compliance with applicable regulatory requirements and the Listing Rules. For additional details, see "*Relationship with CGN Group*" and "*– Power Project Pipeline*".

For the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, our revenue was U.S.\$754.7 million, U.S.\$932.4 million, U.S.\$1,037.3 million and U.S.\$311.2 million, respectively, and our profit for the year/period attributable to the owner of our Company was U.S.\$11.3 million, U.S.\$29.0 million, U.S.\$55.3 million and U.S.\$15.8 million, respectively.

## BUSINESS

Since our Company's establishment in 1995, we have grown significantly in the PRC and Korea and intend to continue this growth through additional development and acquisitions both regionally and globally. For details of our power projects in operation, under construction and in our pipeline, see “– Our Power Projects in Operation,” “– Our Power Projects in the PRC”, “– Our Power Projects in Korea”, “– Our Power Projects Under Construction/Expansion” and “– Power Project Pipeline”.

The following table shows the attributable installed capacity for the periods indicated:

|  | Attributable Installed Capacity |                |                |                         | As a percentage<br>of total energy<br>portfolio as of<br>April 30, 2014<br>(%) |
|--|---------------------------------|----------------|----------------|-------------------------|--|
|  | As of December 31,              |                |                | As of April<br>30, 2014 |  |
|  | 2011                            | 2012           | 2013           |                         |  |
|  |                                 | (MW)           |                |                         |  |
| <b>Clean and renewable<br/>energy portfolio</b>            |                                 |                |                |                         |  |
| Gas-fired <sup>(1)</sup> . . . . .                         | 824.4                           | 824.4          | 1,458.6        | 1,770.7                 | 48.4   |
| Hydro . . . . .  | 119.3                           | 119.3          | 119.3          | 119.3                   | 3.3  |
| Subtotal . . . . .   | 943.7                           | 943.7          | 1,577.9        | 1,890.0                 | 51.6   |
| <b>Conventional energy<br/>portfolio</b>                   |                                 |                |                |                         |  |
| Coal-fired . . . . .                                       | 854.4                           | 854.4          | 854.4          | 1,187.6                 | 32.5   |
| Oil-fired . . . . .  | 507.0                           | 507.0          | 507.0          | 507.0                   | 13.9   |
| Cogen . . . . .  | 78.0                            | 75.0           | 75.0           | 75.0                    | 2.0  |
| Subtotal . . . . .   | 1,439.4                         | 1,436.4        | 1,436.4        | 1,769.6                 | 48.4   |
| <b>Total attributable<br/>installed capacity . . . . .</b> | <b>2,383.0</b>                  | <b>2,380.0</b> | <b>3,014.2</b> | <b>3,659.5</b>          | <b>100.0</b>   |

Notes:

- (1) Gas-fired attributable installed capacity includes attributable installed capacity of the 10.4 MW Yulchon I Fuel Cell Project.



## BUSINESS

The following table sets out our operating data from consolidated power generation projects and steam project in operation during the Track Record Period.

| Summary Operating Data   | As of or for the year ended December 31, |         |         | As of or for the four months ended April 30, |         |
|--|--|---------|---------|--|---------|
|  | 2011                                     | 2012    | 2013    | 2013   | 2014    |
| Attributable installed capacity <sup>(1)</sup> .                             | 2,383.0                                  | 2,380.0 | 3,014.2 | 2,380.0                                      | 3,659.5 |
| PRC . . . . .  | 1,288.2                                  | 1,285.2 | 1,285.2 | 1,285.2                                      | 1,618.4 |
| Korea . . . . .  | 1,094.8                                  | 1,094.8 | 1,729.0 | 1,094.8                                      | 2,041.1 |
| Consolidated installed capacity <sup>(2)</sup> . . . . .                     | 1,924.5                                  | 1,921.5 | 2,555.7 | 1,921.5                                      | 2,867.8 |
| PRC . . . . .  | 829.7                                    | 826.7   | 826.7   | 826.7  | 826.7   |
| Korea . . . . .  | 1,094.8                                  | 1,094.8 | 1,729.0 | 1,094.8                                      | 2,041.1 |
| Average installed capacity (MW) <sup>(3)</sup> . . . . .                     | 1,918.9                                  | 1,924.5 | 2,238.6 | 1,921.5                                      | 2,249.1 |
| Gross electricity generated (GWh) . . . . .                                  | 5,923                                    | 6,535   | 7,462   | 2,094  | 2,127   |
| Net electricity generated (GWh) . . . . .                                    | 5,618                                    | 6,225   | 7,116   | 1,990  | 2,020   |
| Steam sold ('000 tons) . . . . .   | 2,676                                    | 2,687   | 2,744   | 1,043  | 1,020   |
| Weighted average equivalent availability factor (%) <sup>(4)</sup> . . . . . | 93.5                                     | 93.2    | 93.6    | 93.2   | 97.4    |
| Utilization hours by fuel type <sup>(5)</sup> .                              |  |         |         |  |         |
| Gas-fired  |  |         |         |  |         |
| PRC . . . . .  | 1,763                                    | 1,130   | 2,004   | 766  | 663     |
| Korea <sup>(6)</sup> . . . . .   | 4,752                                    | 5,400   | 4,258   | 1,719  | 1,157   |
| Coal-fired . . . . .   | 5,586                                    | 5,588   | 5,600   | 1,834  | 2,046   |
| Oil-fired . . . . .  | 331                                      | 720     | 478     | 124  | 19      |
| Hydro . . . . .  | 4,157                                    | 4,669   | 4,784   | 942  | 1,040   |
| Cogen . . . . .  | 3,645                                    | 5,199   | 6,250   | 1,958  | 1,970   |

*Notes:*

- (1) Attributable installed capacity is installed capacity of a power project multiplied by the percentage ownership of an equity owner for all of our projects.
- (2) Consolidated installed capacity is the aggregate installed capacity or capacity under construction (as the case may be) of our power projects that we fully consolidated in our consolidated financial statements only, calculated by including 100% of the installed capacity or capacity under construction of our project companies that we fully consolidated in our consolidated financial statements and are deemed as our subsidiaries, and exclude the installed capacity for our associates, Huangshi I Power Project and Huangshi II Power Project.
- (3) Average installed capacity is the aggregate daily consolidated installed capacity for a period divided by the number of days in the period.
- (4) Calculated as the average of the availability factor of each consolidated power project weighted by each power project's installed capacity.
- (5) Utilization hours is the gross electricity generated in a specified period (in MWh or GWh) divided by the average installed capacity in the same period (in MW or GW).
- (6) Gas-fired utilization hours includes the utilization hours for the 10.4 MW Yulchon I Fuel Cell Project.

## BUSINESS

The following table shows the attributable installed capacity of our operating power generation projects by geographic region as of April 30, 2014:

|                        | Attributable Installed Capacity |              |
|------------------------|---------------------------------|--------------|
|                        | (MW)                            | (%)          |
| <b>Location</b>        |                                 |              |
| Hubei . . . . .        | 1,144.7                         | 31.3         |
| Henan . . . . .        | 148.8                           | 4.1          |
| Sichuan . . . . .      | 136.5                           | 3.7          |
| Guangxi . . . . .      | 81.0                            | 2.2          |
| Jiangsu . . . . .      | 75.0                            | 2.0          |
| Shanghai . . . . .     | 32.5                            | 0.9          |
| <b>PRC</b> . . . . .   | 1,618.4                         | 44.2         |
| <b>Korea</b> . . . . . | 2,041.1                         | 55.8         |
| <b>Total</b> . . . . . | <u>3,659.5</u>                  | <u>100.0</u> |

The following table sets forth the operating results of our power projects by geographic region:

|   | For the year ended December 31, |             |             | For the four months ended April 30, |             |
|---|---------------------------------|-------------|-------------|-------------------------------------|-------------|
|   | 2011                            | 2012        | 2013        | 2013                                | 2014        |
|   | (U.S.\$ millions)               |             |             |                                     |             |
| <b>Project Location</b>   |                                 |             |             |                                     |             |
| <b>PRC</b>  |                                 |             |             |                                     |             |
| Profit for the year/period from subsidiaries attributable to owner of the Company . . . . . | 30.3                            | 30.1        | 40.3        | 13.4                                | 15.5        |
| Share of results of associates . . . . .  | (5.0)                           | 11.3        | 37.4        | 9.9                                 | 9.3         |
| <b>PRC profit for the year/period attributable to owner of the Company</b> . . . . .        | 25.3                            | 41.4        | 77.7        | 23.3                                | 24.8        |
| <b>Korea</b> . . . . .  |                                 |             |             |                                     |             |
| Profit for the year/period from subsidiaries attributable to owner of the Company . . . . . | 30.7                            | 32.1        | 27.9        | 14.1                                | 8.4         |
| Corporate <sup>(1)</sup> . . . . .  | (44.7)                          | (44.5)      | (50.3)      | (13.2)                              | (17.4)      |
| <b>Profit for the year/period attributable to owner of the Company</b> . . . . .            | <u>11.3</u>                     | <u>29.0</u> | <u>55.3</u> | <u>24.2</u>                         | <u>15.8</u> |

Note:

- (1) The Corporate segment primarily comprises head office general and administrative expenses related to the Remaining Group and the Disposal Group. After the Reorganization, the portion of head office general and administrative expenses attributable to the Disposal Group will be reimbursed by the immediate holding company on a "cost-plus" basis. For additional information, see "Connected Transactions – (A) With the CGN Group

## BUSINESS

*(Including the Disposal Group) – Non-exempt Continuing Connected Transactions subject to reporting and announcement requirements – 2(a) Operation and Management Services (CGN Energy) Framework Agreement” and “Connected Transactions – (A) With the CGN Group (Including the Disposal Group) – Non-exempt Continuing Connected Transactions subject to reporting and announcement requirements – 2(b) Operation and Management Services (Huamei Holding) Framework Agreement”.*

We also provide management services for 27 power generation projects (four of which are under construction or will commence construction) in which CGN Energy and Huamei Holding have interests, as well as to XTI, an investment holding company holding some of these power generation projects in which Huamei Holding has interests, and for which we receive a management fee on a “cost-plus” basis in accordance with the management services agreements. See *“Connected Transactions – (A) With the CGN Group (Including the Disposal Group) – Non-exempt Continuing Connected Transactions subject to reporting and announcement requirements – 2(a) Operation and Management Services (CGN Energy) Framework Agreement”* and *“Connected Transactions – (A) With the CGN Group (Including the Disposal Group) – Non-exempt Continuing Connected Transactions subject to reporting and announcement requirements – 2(b) Operation and Management Services (Huamei Holding) Framework Agreement”*.

The following table shows the attributable installed capacity of the 23 operating power generation projects in which CGN Energy and Huamei Holding have interests for which we provide management services by fuel type as of April 30, 2014:

|                          | Attributable Installed Capacity |                      |
|--------------------------|---------------------------------|----------------------|
|                          | (MW)                            | (%)                  |
| <b>Fuel type</b>         |                                 |                      |
| Pumped storage . . . . . | 2,208.0                         | 37.9%                |
| Hydro . . . . .          | 1,925.8                         | 33.0%                |
| Coal-fired . . . . .     | 1,609.4                         | 27.6%                |
| Wind . . . . .           | 66.8                            | 1.1%                 |
| Cogen . . . . .          | 21.6                            | 0.4%                 |
| <b>Total . . . . .</b>   | <b><u>5,831.6</u></b>           | <b><u>100.0%</u></b> |

We follow stringent investment criteria in identifying projects with attractive fundamentals in terms of market dynamics, regulatory environment and potential financial returns. Most of our power generation projects have long-term offtake agreements and/or benefit from government policies establishing dispatch priority to encourage clean and renewable energy. We believe that this diversification by fuel type and geography mitigates single-market and fuel supply risks.

Our strong relationships with offtakers, local governments and regulators as well as our highly experienced regional management team with a long-term commitment to Asia, particularly in the PRC, make us a preferred partner for development opportunities. While we have received many awards in the past, we recently won Standby Power Plant of the Year at the Asian Power Awards in 2012 for our Hanneng Power Project, the “Gold Award – Coal Power Project of the Year” for our Nantong Cogen Power Project in 2012, the “Silver Award – Power Utility of the Year” for our Jinqiao Steam Project and three of the 2013 Asian Power Awards, including the “Gold Award – Environmental Upgrade of the Year,” the “Gold Award – Coal Power Project of the Year” and the “Power Utility of the Year – China”, all for energy efficiency and environmental performance at our Huangshi Power Projects.

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## BUSINESS

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### PRINCIPAL STRENGTHS

We believe that we have the following principal strengths:

***We are positioned as CGN's sole global platform for development and operation of non-nuclear clean and renewable power generation projects***

Our parent company, CGN, our sole shareholder prior to the Global Offering, is a large clean energy group under the supervision of SASAC and one of only three enterprises permitted to have a controlling interest in nuclear power projects in the PRC, and is one of the largest nuclear power producers in the world. As of April 30, 2014, the CGN Group had a total installed capacity of nuclear power in operation of 9.41 GW, representing approximately half of China's total installed capacity of nuclear power.

As of April 30, 2014, we owned and operated 14 power generation projects and one steam project and managed 27 power generation projects (four of which are under construction or will commence construction) in which CGN Energy and Huamei Holding have interests, as well as XTI, an investment holding company holding some of the 27 power generation projects in which Huamei Holding has interests. We focus on acquiring clean and renewable power generation projects while continuing our own greenfield and brownfield developments to deliver solid returns and create shareholder value. Positioned as CGN's sole global platform for development and operation of non-nuclear clean and renewable power generation projects, we intend to selectively acquire clean and renewable power generation projects with solid returns from CGN with an aggregate installed capacity of 3.0 GW to 5.0 GW in several batches within the next four years by exercising our acquisition rights under the non-competition deed given by CGN in our favor. We intend to undertake the first batch of acquisition before the end of 2015 and other batches from 2015 to 2018, subject to compliance with applicable regulatory requirements and the Listing Rules. For additional details, see "*Relationship with CGN Group*" and "*– Power Project Pipeline*". This strategy, coupled with our current asset portfolio, will enable us to become the sole platform for CGN's non-nuclear clean and renewable power generation assets. In support of this strategy, CGN has granted us rights to acquire the equity interests in all of CGN's controlled non-nuclear clean and renewable power generation projects. Furthermore, we believe that our current operation, through the Operation and Management Services Framework Agreements and individual operation and management services agreements, of several of CGN's power generation projects, which includes all of CGN's hydro (including pumped storage) projects, positions us to seamlessly integrate these projects through future acquisitions. We believe future acquisitions will allow us to optimize operational efficiencies and realize synergies created by combining our historical and ongoing success and expertise in non-nuclear clean and renewable power generation with CGN's broad and diverse power generation asset base.

Our acquisition rights under the non-competition deed (please see "*Relationship with CGN Group – Non-competition Deed and Undertakings – Right to Acquire the Retained Business*" for details) in relation to the acquisition of equity interests in all of CGN's controlled non-nuclear clean and renewable power generation projects, which include all of CGN Group's hydro power generation projects we currently operate under the Operation and Management Services Framework Agreements, are detailed below:

- *Wind power.* As of April 30, 2014, the CGN Group owned wind power projects with a consolidated installed capacity of approximately 4.92 GW. In addition, CGN Group has wind power projects under construction or expansion and pipeline projects with consolidated capacity of 1.53 GW and 2.21 GW, respectively.

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## BUSINESS

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- *Hydro power.* As of April 30, 2014, the CGN Group owned hydro power projects with a consolidated installed capacity of 1.30 GW. In addition, CGN Group has hydro projects under construction or expansion and pipeline projects with consolidated capacity of 0.21 GW and 0.40 GW, respectively.
- *Solar power.* As of April 30, 2014, the CGN Group owned solar power projects with a consolidated installed capacity of 0.52 GW. In addition, CGN Group has solar projects under construction or expansion and pipeline projects with consolidated capacity of 0.08 GW and 0.14 GW, respectively.

For additional details, see “*Appendix III – CGN Group Projects*”.

Under the non-competition deed, the nature of our acquisition rights is that we can from time to time request to acquire CGN Group’s interest in the Retained Business or to acquire or invest in any new business or equity investment opportunity in any non-nuclear power project that CGN Group intends to make. The terms and conditions of specific acquisitions of projects are not fixed and will vary depending on the performance of CGN Group’s clean and renewable power generation projects and the projects selected. Accordingly, we will consider all of the above to selectively exercise our acquisition rights to achieve the intended acquisition of aggregated installed capacity of 3.0 GW to 5.0 GW from CGN.

***We have a long track record of successfully acquiring, developing, financing and profitably operating high quality power generation projects in Asia***

We have built, through acquisition and organic development, a large, diversified portfolio of high quality power generation assets over the last 18 years across the PRC and Korea. Our total attributable installed capacity increased from 2,383.0 MW as of December 31, 2011 to 3,014.2 MW as of December 31, 2013, while our profit attributable to the owner of our Company increased from U.S.\$11.3 million to U.S.\$55.3 million, a CAGR of 121.2%, over the same period. As of April 30, 2014, our acquired power generation projects accounted for 24.8% and our self-developed power generation projects accounted for 75.2% of our attributable installed capacity.

We have a proven track record of executing acquisitions and developing power projects. We undertake a stringent diligence process prior to selecting an acquisition target and rely on the expertise of our experienced board members and senior management who have experience in the power industry. We have undertaken several acquisitions since our incorporation, which in many cases resulted in improvement in the acquired entities’ operational and financial performance. For example, after our acquisition of Puguang Power Project in Henan, the net standard coal consumption rate for Puguang Power Project decreased from 0.3884 kg/kWh in 2010 to 0.3811 kg/kWh in 2013 through operational improvements and efficiencies.

We have a strong history and proven capabilities in developing greenfield and brownfield projects, which makes us a preferred partner for future development opportunities. Our current project partners include major Chinese companies such as CPI Group, Baosteel Group Shanghai No. 1 Iron & Steel Co. Ltd. (寶鋼集團上海第一鋼鐵有限公司) (“Baosteel”), SDIC Power and Huadian, among others. Partnerships with such established entities facilitate our growth and help us mitigate risks relating to the development of new projects.

Our solid track record in developing power projects is reflected in the construction of Yulchon II Power Project, which was completed within a short period of 22 months and well within our budget.

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## BUSINESS

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Additionally, our corporate structure permits us to obtain financing through multiple avenues, namely through each of our PRC project companies, each of our Korean project companies as well as at our Company level. This, coupled with our strong relationships with regional and global lenders, position us well to execute our planned expansion strategy.

***Our projects are strategically located in regional markets with solid economic fundamentals and favorable supply and demand dynamics***

In the PRC, our power projects are strategically located in areas that have solid economic fundamentals, such as robust current and growing demand for electricity. Based on statistics published by the National Bureau of Statistics of China, five of the six PRC provinces/autonomous region/municipality in which we operate have a higher electricity consumption per capita growth than the national average, as measured by a five year CAGR from 2007 to 2012. For example, some of our power projects, such as Nantong Cogen Power Project, are located in the National Technological Development Areas, which attract businesses through various government support schemes. Businesses in these areas, in turn, generate high demand for our steam.

Furthermore, all of our coal-fired and gas-fired power projects are located in provinces/autonomous region/municipality with energy-intensive industries, such as steel production, that generate high demand for electricity and in which the per capita industrial real GDP exceeds the national average. Historically, there has been a strong correlation between electricity consumption and real GDP growth in the PRC, with an average elasticity ratio of approximately 1.1 between 2001 and 2013, meaning that on average every 1.0% growth in GDP corresponds to a 1.1% growth in electricity consumption. We believe our business will continue to benefit from the continued steady economic growth and increase in electricity demand in China.

We also benefit from our significant presence in Korea, a mature market with favorable fundamentals such as strong power demand and low reserve margins. According to the KPX's Electric Power Statistics Information System, total electricity generation (excluding self-generation) increased from 306.5 TWh in 2002 to 517.2 TWh in 2013, representing a CAGR of 4.9%, while the electricity reserve margin decreased from 13.9% in 2002 to 5.5% in 2013, indicating that the growth of electricity demand has outpaced the growth of generation capacity.

***We have a diversified portfolio of power projects across various geographies and a wide range of fuel types with long term PPAs, which reduce our operational and financial risks and provide stable cash flows***

*Diversified fuel types provide favorable dispatch and protection from fuel cost volatility*

We operate gas-fired, coal-fired, oil-fired, hydro, cogen and fuel cell power generation projects and a steam project in the PRC and Korea. As of April 30, 2014, the breakdown by percentage of attributable installed capacity for gas-fired, coal-fired, oil-fired, hydro and cogen projects was 48.4%, 32.5%, 13.9%, 3.3% and 2.0%, respectively.

Our diversified generation portfolio enables us to diversify the risks that we would face were we to utilize a single resource for electricity generation. In particular, our exposure to several fuel types mitigates risks such as price increases in or the availability of any particular fuel source. For example, our diversified fuel base limits our exposure to year to year changes of hydro net generation resulting from varying climatic conditions such as rainfall amounts.

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## BUSINESS

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Furthermore, we believe that our diversification into the clean and renewable energy business, including our gas-fired, hydro and fuel cell projects, which represent approximately 51.6% of our attributable installed capacity, positions us to benefit from stricter environmental laws and regulations aimed at reducing carbon emissions from conventional power projects, including preferential dispatch policies which favor dispatch from environmentally friendly power projects, and also reduces our exposure to the fluctuating cost and availability of fuel resources. With respect to the PRC, a resolution from the State Council Standing Committee meeting on November 25, 2009, targets a further reduction in China's carbon dioxide emissions per unit GDP by 40-45% from its 2005 level by 2020. Moreover, according to the 12th Five Year Plan Energy Development, the Chinese government set a binding target to increase the non-fossil fuel contribution to primary energy consumption to 11.4% by the end of 2015, as compared to 8.6% at the end of 2010 and to reduce China's carbon dioxide emissions per unit GDP by 17% from its 2010 level by 2015. In addition, according to the meeting minutes of the 1st plenary session of the National Energy Council, the Chinese government targets to increase the non-fossil fuel contribution to primary energy consumption to 15.0% by 2020.

### *Unique and balanced geographic presence in the PRC and Korea*

We have a significant presence in two of north Asia's key power markets: the PRC and Korea. The PRC and Korea accounted for approximately 44.2% and 55.8%, respectively, of our attributable installed capacity of 3,659.5 MW as of April 30, 2014. Furthermore, our presence in the PRC is spread across four provinces, an autonomous region and a municipality. We believe that our geographical diversification within regional markets across the PRC and Korea reduces our single market risks and contributes to the stability of our earnings and cash flow.

### *Long-term PPAs and dispatch priority arrangements provide stable cash flows*

We believe that our offtake arrangements help us mitigate risks associated with the power generation business, in particular demand risk, and provide us with stable cash flows. Our power projects are primarily subject to three types of offtake arrangements: (i) minimum take arrangements; (ii) capacity charge arrangements, which together with minimum take arrangements accounted for 81.9% and 76.0%, respectively, of our attributable installed capacity as of December 31, 2013 and April 30, 2014, and 86.1% and 84.3%, respectively, of our total revenue for the year ended December 31, 2013 and for the four months ended April 30, 2014, and (iii) annual allocation arrangements, which constitute most of the remainder of our offtake. For most of our projects, these offtake arrangements are governed by a PPA.

The terms of our minimum take PPAs provide that offtakers will purchase a defined minimum volume of electricity from us, and the terms of our capacity charge PPAs generally provide for payments based on the capacity of the power project available for dispatch regardless of its actual output or dispatch.

Annual allocation PPAs establish an annual output volume with the local power grid. The terms of these agreements are based on factors such as the regulatory requirements in place, the demand forecast for the year, the dispatch plan, the historical dispatch volume, and the expected weather conditions (in the case of our hydro projects) and are reviewed and updated annually.



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## BUSINESS

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The average remaining years on our PPAs, weighted by attributable installed capacity, is approximately nine years, which we believe provides long term visibility to the potential revenue stream from our projects. In addition to providing for more predictable revenue streams, some of our PPAs, such as that of Yulchon I Power Project, allow for regular tariff adjustments taking into account various factors such as fluctuations in the cost of financing and fuel costs and are indexed for inflation.

In addition, our hydro and cogen power projects in the PRC that do not have long-term PPAs benefit from the dispatch priority policy implemented by the PRC government. Our cogen power projects in the PRC benefit from favorable dispatch priority since they have met certain heat-to-power ratio requirements.

***We have a highly experienced leadership team with extensive international experience, strong technical expertise and in-depth local knowledge supported by highly skilled employees***

Our senior leadership has extensive international experience and in-depth local knowledge in the development and operation of power projects. Each member of our senior management has a minimum of ten years of experience in their respective fields and has developed a deep understanding of the local markets with respect to operational, financial, business development and regulatory matters. Our chairman, Mr. Chen Sui has more than 26 years of experience in strategic planning, renewable energy development, construction, operation management and energy conservation management. Our President, Mr. Lin Jian, has 13 years of experience in the power industry and was awarded “outstanding manager of the national power industry” (全國電力行業優秀企業家) honors at the 2012 annual meeting of the China Electricity Council.

Our senior management’s experience and skills enable them to work effectively with local management teams to successfully manage our businesses in the PRC and Korea. Moreover, our senior management has expertise on a broad range of power projects in terms of fuel types, and, in our view, is capable of managing the operation of any non-nuclear business which may be acquired in the future. For further details, see “*Directors and Senior Management.*” We have put in place a performance-based compensation schedule, through which, we would engage, cultivate and maintain talents in the industry to support our future development.

### BUSINESS STRATEGY

Our goal is to increase shareholder value and to be one of the most profitable IPPs in Asia in the long-term by strengthening our competitive position in the PRC and Korea while seeking growth opportunities in a disciplined manner both regionally and globally. We intend to achieve this goal by pursuing the following principal strategies:

***By selectively exercising our acquisition rights, we aim to consolidate CGN’s non-nuclear clean and renewable businesses to create value for shareholders***

We will selectively exercise acquisition rights under the non-competition deed to acquire the equity interests in all of CGN’s controlled clean and renewable non-nuclear power generation projects, with the intention of acquiring high quality assets with attractive returns and growth potential. In particular, we will assess future expansion and acquisition opportunities in CGN’s hydro, wind and solar businesses, and selectively exercise our acquisition rights under the non-competition deed to acquire these projects. We plan to acquire projects from CGN in several batches within the next four years with an aggregate installed capacity of 3.0 GW to 5.0 GW. For additional details, see “*Relationship with CGN Group*” and “*Business – Power Project Pipeline*”.

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## BUSINESS

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*We will continue to focus on attractive returns through our development, expansion and acquisition of clean and renewable power projects from third parties*

We will leverage our experience in power projects construction, development and management in order to expand our power project portfolio by developing greenfield projects, expanding existing power projects through brownfield expansions and upgrades, and strategically acquiring power projects from third parties. By expanding our current operations and developing new overseas power projects that satisfy our stringent investment criteria, we intend to increase our competitiveness in the global market and achieve attractive returns from our investments.

*Maintain a well-balanced and diversified portfolio of power projects in terms of fuel and geography, and focus on expanding our clean and renewable energy project portfolio*

We intend to maintain our balanced and diversified portfolio of power projects to protect our stable revenue streams and grow in our core markets in the PRC, where we have extensive experience and expertise, and in Korea, where we have a sound asset base for future development. Additionally, we intend to capitalize on increasing international power demand by expanding our coverage in Asia and in markets outside of Asia with favorable fundamentals in terms of economic growth and power demand.

We expect to further expand our portfolio of clean and renewable energy projects in the PRC to benefit from favorable governmental policies to respond to the government's goal of increasing the percentage of primary energy consumed in the PRC from non-fossil fuel sources from 8.6% in 2010, to 11.4% in 2015 and to 15.0% in 2020. In the future, we will continue to expand our base of clean and renewable energy projects at other global strategic locations.

*Continue to improve our projects' operational efficiency and financial management to achieve greater profitability and stability*

As a diversified IPP in Asia in terms of fuel type and geography, we plan to leverage our significant resources to continue to upgrade our current projects and adopt additional cost effective measures to enhance our production efficiency, including optimizing fuel usage efficiency, improving the availability of our equipment, maintaining efficient communications with grid companies in order to maximize utilization hours and reducing equipment procurement costs. Through continuous improvement of our power generation facilities and enhanced management and operational processes, we plan to improve our processes, procedures and procurement in our power generation and business operations. Additionally, we intend to enhance our focus on risk management, safety and regulatory compliance to maintain sound corporate governance and increase operational and financial transparency.

Our business is capital intensive, and the rapid growth of our project portfolio requires adequate and stable financing. In addition to leveraging our established credit history and close relationships with domestic and foreign financial institutions to obtain competitive terms to finance our projects, we closely monitor financial market trends and identify the most effective and financially prudent sources of financing. We seek to have manageable debt levels to reduce financial risks while ensuring sufficient capital to fund growth.

### **OUR BUSINESS**

We operate the power projects we own, through subsidiaries, and earn revenue from the sale of electricity and steam generated by these power projects. We also hold and manage two coal-fired power projects in which we hold minority interests in, Huangshi I and Huangshi II Power Projects. In

## BUSINESS

addition, we have, since August 2014, provide management services for several power projects owned by the CGN Group and earn a management fee on a “cost-plus” basis in accordance with the Operation and Management Services Framework Agreements and individual operation and management services agreements.

The following table sets out the profit for the year from our subsidiaries attributable to owner of our Company and associates:

|   | For the year ended December 31, |        |        | For the four months ended April 30, |        |
|---|---------------------------------|--------|--------|-------------------------------------|--------|
|   | 2011                            | 2012   | 2013   | 2013                                | 2014   |
|   | (U.S.\$ millions)               |        |        |                                     |        |
| Profit for the year/period from subsidiaries attributable to owner of the Company . . . . . | 61.0                            | 62.2   | 68.2   | 27.5                                | 23.9   |
| Share of results of associates . . . . .  | (5.0)                           | 11.3   | 37.4   | 9.9                                 | 9.3    |
| Corporate . . . . .   | (44.7)                          | (44.5) | (50.3) | (13.2)                              | (17.4) |
| Profit for the year/period attributable to owner of the Company . . . . .                   | 11.3                            | 29.0   | 55.3   | 24.2                                | 15.8   |

*Note:*

- (1) The Corporate segment primarily comprises head office general and administrative expenses related to the Remaining Group and the Disposal Group. After the Reorganization, the portion of head office general and administrative expenses attributable to the Disposal Group will be reimbursed by the immediate holding company on a “cost-plus” basis. For additional information, see “*Connected Transactions – (A) With the CGN Group (Including the Disposal Group) – Non-exempt Continuing Connected Transactions subject to reporting and announcement requirements – 2(a) Operation and Management Services (CGN Energy) Framework Agreement*” and “*Connected Transactions – (A) With the CGN Group (Including the Disposal Group) – Non-exempt Continuing Connected Transactions subject to reporting and announcement requirements – 2(b) Operation and Management Services (Huamei Holding) Framework Agreement*”.

Since August 2014, our other income line item included management fees generated from our provision of management services for several power projects owned by the CGN Group in accordance with the Operation and Management Services Framework Agreements and individual operation and management services agreements. For further details, see “*Connected Transactions – (A) With the CGN Group (Including the Disposal Group) – Non-exempt Continuing Connected Transactions subject to reporting and announcement requirements – 2(a) Operation and Management Services (CGN Energy) Framework Agreement*” and “*Connected Transactions – (A) With the CGN Group (Including the Disposal Group) – Non-exempt Continuing Connected Transactions subject to reporting and announcement requirements – 2(b) Operation and Management Services (Huamei Holding) Framework Agreement*”.

Our profit is driven primarily by the net electricity and steam generated by our power projects, tariffs, fuel costs, depreciation and finance costs and management fees we derive from our managed projects. The net generation of our power projects is determined by the offtake arrangement between each project and its offtaker, which for nearly all of our power projects is the local or national power

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## BUSINESS

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grid operator companies. Fuel costs are affected primarily affected by fluctuations in prices of coal, oil and gas. See “*Financial Information – Key Factors Affecting our Results of Operations and Financial Condition – Fuel costs and fuel supply*” for further information on factors affecting fuel costs.

### **Offtake arrangements**

There are three types of offtake arrangements under which we operate: (i) minimum take; (ii) capacity charge; and (iii) annual allocation. Each of these arrangements is generally agreed upon through PPAs negotiated between the power project company and the respective electricity offtaker.

***Minimum take arrangement.*** A minimum take arrangement provides that offtakers purchase at least a defined minimum volume of electricity generated from a power project in a given period.

***Capacity charge arrangement.*** A capacity charge arrangement, in addition to the payment received for electricity dispatched, provides for defined payments based on the capacity available for dispatch of the power project regardless of its actual generation or dispatch. As such, capacity charge arrangements determine the capacity charge component of the tariff based on various factors including construction cost. For instance, the capacity charge component of the tariff set in our long-term PPA for Yulchon I Power Project was set in 1995 and is adjusted regularly to reflect changes in the Korean producer price index, corporate tax rates and significant changes in the cost of financing. Some of our power projects earn a portion of their revenue through capacity charges. See “*Appendix V – Summary of Principal Legal and Regulatory Provisions in the PRC and Korea – Korea Regulatory Overview – Power Industry in Korea – Electricity Purchase*”.

***Annual allocation arrangements.*** Under annual allocation arrangements, output volume is agreed upon each year with the local provincial power grid companies. Output volume and other terms of these arrangements are based on factors such as the regulatory requirements in place, prevailing market demand, the demand forecast for the year, the dispatch plan, historical dispatch volume and expected weather conditions.

For our PPAs in the PRC that are subject to annual allocation arrangements, the tariffs for the sale of electricity are reviewed and determined by the relevant authorities from time to time. For further details, see “*Appendix V – Summary of Principal Legal and Regulatory Provisions in the PRC and Korea – PRC Regulatory Overview – Business Operation – On-grid tariffs*”.

For a list of the offtake arrangements applicable to each of our power projects, see “– *Our Power Projects in the PRC*” and “– *Our Power Projects in Korea*”.

### **PPAs**

The average remaining years on our long-term PPAs, weighted by attributable installed capacity, of approximately nine years, which we believe provides better long-term visibility to the potential revenue stream from our projects.

Our PPAs are generally structured with minimum take, capacity charge or annual allocation arrangements. There are certain terms that are standard in all of our PPAs, but other terms that vary, such as those related to tariffs. For further details, see “– *Our Power Projects in Operation*”.

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## BUSINESS

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Our PPAs set out certain minimum obligations, such as availability factor and net generation, which we are required to meet in order to comply with the terms of the PPA. While external factors can affect availability and net generation, we have complied with the terms of all of our PPAs during the Track Record Period. We mitigate potential non-performance by considering suitable commercial terms for each customer and considering legal action in the event of a potential customer default. Termination provisions in our PPAs include the ability of our counterparties to terminate the PPA if we fail to provide electricity for a specified number of consecutive days ranging from 30 days to more than one year for reasons attributable to us.

In Korea, very few power projects, such as Yulchon I Power Project, have PPAs set up with grid companies, which were typically given in the past. Currently, the Korean power market is determined principally based on the “cost-based pool” where dispatch order is made based on cost. All centrally dispatched power plants in Korea, including Yulchon II Power Project and Daesan I Power Project, must adhere to the “cost-based pool” concept in accordance with the Power Market Operation Rules. Please see “*Appendix V – Summary of Principal Legal and Regulatory Provisions in the PRC and Korea – Korea Regulatory Overview – Power Industry in Korea – Electricity Purchase*” for further details.

### **Dispatch priority and planned output**

Dispatch priority refers to an offtaker purchasing electricity generated by one power project before that of another. In the PRC, government regulations dictate that dispatch priority for a power project is determined based on the technology employed and type of fuel used, with priority given to clean and/or renewable energies, such as hydro projects, and cogen power projects, if the cogen power projects meet certain heat to power ratio requirements. As a result, our hydro and cogen power projects in the PRC benefit from the dispatch priority system. The dispatch priority system applies to electricity generated after all electricity guaranteed for dispatch through minimum take clauses is purchased. For our projects without long term PPAs, dispatch priority is applicable to all electricity dispatched.

Specifically, in the PRC, the dispatch priority of power generation units is determined in the following sequence pursuant to regulations issued in 1993 and a provisional State Council measure issued in 2007: (i) non-adjustable power generation units utilizing renewable sources; (ii) adjustable power generation units utilizing renewable sources; (iii) nuclear power generation units; (iv) cogen units that meet certain heat to power ratio requirements; (v) gas-fired power generation units; (vi) coal-fired power generation units, including cogen units (other than those included in (iv) above); and (vii) oil-fired power generation units. Dispatch centers of power grid companies determine the amount of electricity to be produced by each power project to ensure an energy efficient and reliable power supply system. For details, see “*Appendix V – Summary of Principal Legal and Regulatory Provisions in the PRC and Korea – PRC Regulatory Overview – Business Operation – Transmission and dispatch*”. The dispatch centers must dispatch electricity in accordance with electricity consumption schedules that are based on expected demand, weather and other factors. Among the factors that are considered in determining planned output, the dispatch centers would seek to promote the environmentally friendly and energy efficient use of resources and technologies to generate electricity in accordance with dispatch priority policies and give preferential dispatch, for example, to renewable energy projects, cogen projects and power projects that have FGD technology as well as deNO<sub>x</sub> technology (equipment and technology used to reduce nitrogen dioxide pollution). Annual planned output guidelines (in terms of utilization hours) for each power project are determined by the respective provincial development and reform commissions and economic and trade commissions which then inform the NDRC national power supply plan.

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## BUSINESS

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Dispatch priority for our three power projects in Korea, Yulchon I, Yulchon II and Daesan I Power Projects, is based on the KPX's merit order mechanism which assigns higher dispatch priority to power projects with lower fuel costs and more efficient operations. While the dispatch priority for our power projects is not guaranteed to be higher than that of other power generators, a portion of our revenue for all of our Korean power projects is based on capacity charge arrangements, which are paid regardless of dispatch or net generation and are calculated based on the capacity that has been made available for dispatch.

### **Tariffs**

Our revenue and profit from electricity and steam sales are directly affected by the tariff rates. In the PRC, we are required to sell our electricity to grid companies at the tariff rates determined by the relevant pricing authorities. In Korea, tariffs for Yulchon I Power Project, Yulchon II Power Project and Daesan I Power Project, in addition to payments received for electricity dispatched, include a capacity charge component which is supplemented by further charges. For instance, Yulchon I Power Project tariff also includes an energy charge and a three-tiered start-up charge. Tariffs for Yulchon II Power Project and Daesan I Power Project include a system marginal price as the primary component, especially for Yulchon II Power Project.

Furthermore, the KPX implemented a settlement price capping scheme, which started on March 1, 2013 for a two year period, in which an amount of the system marginal price for a power plant determined for the purpose of calculating the tariff for each hour is capped at the higher of the amount of unit variable cost of a designated standard power plant in Korea (as of February 22, 2013, the New Incheon Combined Cycle Gas Turbine was designated as the standard power plant) or the generation unit cost of such power plant for that hour.

The settlement price capping scheme did not have significant impact on the Group during the Track Record Period. Due to the nature of the technology and the relative price of oil and gas, Daesan I Power Project, an oil fired power plant, has a higher unit variable cost as compared to that of the designated standard power plant, which is gas fired, and as a result, the system marginal price for Daesan I Power Project was equal to its unit generation cost after the implementation of the settlement price capping scheme.

In addition, the tariff of Yulchon I Power Project is governed by defined terms of its PPA, and is not affected by the system marginal price nor the settlement price capping scheme. Our Yulchon II Power Project commenced simple cycle operation in June 2013 and combined cycle operation in April 2014. As Yulchon II Power Project under simple cycle operation was less efficient and had higher unit variable costs as compared to the designated standard power plant, which is combined cycle, the system marginal price for Yulchon II Power Project was equal to its unit generation cost after the implementation of the settlement price capping scheme.

For further details on the breakdown of the components of our tariffs, see individual power project descriptions in “– *Our Power Projects in Operation*”.

### **Fuel supply**

The operating expenses of our non-renewable power projects mainly consist of fuel supply costs, primarily gas, coal and oil. All of our gas-fired and oil-fired power projects depend on single-source contracts for gas and oil, respectively, that are delivered to the power projects by the suppliers. See “*Risk Factors – Risks Relating to our Business and Industry – All of our gas-fired and oil fired power*”.



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## BUSINESS

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*projects rely on a single fuel supplier. Any interruption or shortage of our fuel supply may have a material adverse effect on our business, financial condition and results of operation*". However, in the event of power shortage, the local government generally allocates gas usage according to its needs, and should there be the need for gas-fired generation, the government would generally allocate gas fuel for the plant. Since mid-2013, our coal-fired power projects have solely sourced coal through the open market at prevailing market rates though prior to this time, we obtained some of our coal supply through medium- to long-term supply agreements as well.

Certain of our projects do not have signed agreements in place to supply fuel. For example, the Hanneng Power Project currently operates in accordance with the terms of a fuel supply agreement that expired in 2009, and in regards to fuel supply uncertainty, the parties to the agreement adhere to the terms of expired contract and no disputes have arisen since 2009. However, given that Hanneng Power Project is a peaking gas-fired plant that enjoys a two-tiered power tariff (capacity charge and energy tariff) and that the energy charge barely covers the variable costs of fuel, it is more beneficial to the Hanneng Power Project from a rate of return perspective to not generate at all since the payments received from capacity charge exceed the project's fixed operating and overhead costs. For the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, Hanneng Power Project had a profit for the year/period of U.S.\$4.6 million, U.S.\$3.1 million, U.S.\$3.5 million and U.S.\$1.2 million, respectively.

The extent to which our profit is ultimately affected by the cost of fuel depends on our ability to pass through fuel costs to offtakers, which is in turn determined by government-set tariffs. In the PRC, regulations govern our ability to pass through increases in fuel costs. In Korea, in relation to Yulchon I Power Project, we are able to pass through our exposure to fuel price fluctuations through fuel cost pass-through provisions in our tariff formula, while we may not be able to fully pass through fuel price fluctuations at the Yulchon II and Daesan Power Projects due to the system marginal price structure.

During the Track Record Period, PRC coal prices fell while Korean gas prices increased. According to Bloomberg, the Qinhuangdao FOB 5,800 kcal/kg coal prices were U.S.\$146.7/ton, U.S.\$130.1/ton, U.S.\$110.0/ton and U.S.\$104.3/ton, respectively, for the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014. The average Japanese Crude Cocktail, a measurement of average prices of crude oil imported into Japan, is an important determinant of natural gas prices in the Korean market. According to Bloomberg, the Japanese Crude Cocktail prices were ¥54,835/kiloliter, ¥57,463/kiloliter, ¥67,218/kiloliter and ¥72,284/kiloliter, respectively, for the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014.



## BUSINESS

The following table sets out the weighted average gas and standard coal and average oil prices applicable to our projects in the PRC and Korea, inclusive of VAT for the periods indicated:

|  | For the year ended December 31, |       |       | For the four months ended April 30, |       |
|--|---------------------------------|-------|-------|-------------------------------------|-------|
|  | 2011                            | 2012  | 2013  | 2013                                | 2014  |
| PRC weighted average gas price (RMB per Nm <sup>3</sup> ) <sup>(1)(2)(3)</sup> . . . . . | 1.786                           | 1.859 | 1.861 | 1.813                               | 2.048 |
| PRC weighted average standard coal price (RMB per ton) <sup>(1)</sup> . . . . .          | 992                             | 905   | 757   | 810                                 | 729   |
| Korea weighted average gas price (KRW per Nm <sup>3</sup> ) <sup>(1)(4)</sup> . . . . .  | 723                             | 802   | 797   | 807                                 | 864   |
| Korea average oil price (KRW per Liter) <sup>(5)</sup> . . . . .                         | 1,345                           | 1,640 | 1,499 | 1,535                               | 1,456 |

*Notes:*

- (1) The weighted average standard coal and weighted average gas prices are weighted based on the consumption of gas or coal in each applicable period.
- (2) The PRC weighted average gas price excludes the gas price for Weigang Power Project, which exclusively uses blast furnace gas.
- (3) Our weighted average gas price in the PRC increased from the four months ended April 30, 2013 to the four months ended April 30, 2014 due to the directive issued by the NDRC requiring relevant government bodies to increase city gate prices by no greater than RMB0.4 per m<sup>3</sup> in June 2013, with effect from July 10, 2013.
- (4) Our weighted average gas price in Korea increased from the four months ended April 30, 2013 to the four months ended April 30, 2014 due to increases in gas prices, as indicated by the Japanese Crude Cocktail, a measurement of average prices of crude oil imported into Japan and an important determinant of natural gas prices in Korean markets. However, the Yulchon I Power Project PPA allows us to contractually incorporate fuel cost fluctuations in the tariff charged to our customer. See “*Business – Our business – Offtake arrangements*”.
- (5) We only purchase oil in Korea to supply Daesan I Power Project.

## BUSINESS

### OUR POWER PROJECTS IN OPERATION

Through our wholly-owned offshore holding companies, we have formed companies or entered into joint ventures to develop, construct, own and operate each of our power projects. Below is a table showing our projects in commercial operation as of April 30, 2014.

| Name (Acquisition/<br>Development date) | Location | COD <sup>(1)</sup>  | Our<br>Ownership<br>Interest <sup>(2)</sup><br>(%) | Gross<br>Installed<br>Capacity<br>(MW) | Gross<br>Installed<br>Capacity<br>(Acquired)<br>(MW) | Gross<br>Installed<br>Capacity<br>(Developed)<br>(MW) | Attributable<br>Installed<br>Capacity<br>(MW) | Offtake Description | Expiration<br>of Offtake<br>Agreement | Offtakers   |
|---|----------|---|--|--|--|---|---|---------------------|---------------------------------------|---|
| <b>Gas-fired</b>                        |          |   |  |  |  |   |   |                     |                                       |   |
| Yulchon I (Dec. 2002) <sup>(3)</sup>    | Korea    | Simple cycle operations: July 2004<br>Combined cycle operations: July 2005<br>Fuel cell: Aug 2009 and Dec. 2011 | 100.0  | 587.8 <sup>(4)</sup>                   | 0.0  | 587.8   | 587.8 <sup>(4)</sup>                          | Capacity charge     | 2025                                  | KEPCO   |
| Yulchon II                              | Korea    | Simple cycle operations: June 2013<br>Combined cycle operations: April 2014                                     | 100.0  | 946.3                                  | 0.0  | 946.3   | 946.3   | Capacity charge     | NA                                    | KPX   |
| Hanneng (Jan. 2005)                     | PRC      | Oct. 1997   | 60.0   | 176.5                                  | 176.5  | 0.0   | 105.9   | Capacity charge     | 2016                                  | Hubei Electric Power Company (湖北省電力公司) ("HEPC") <sup>(6)</sup>              |
| Weigang (Sep. 1998)                     | PRC      | June 2000   | 65.0   | 50.0                                   | 0.0  | 50.0  | 32.5  | Minimum-take        | 2020                                  | Baosteel  |
| Hexie (Jul. 2003) <sup>(5)</sup>        | PRC      | May 2000  | 100.0  | 98.2                                   | 98.2   | 0.0   | 98.2  | Annual allocation   | Annual                                | Sichuan Provincial Electric Power Company (四川省電力公司) ("SEPC") <sup>(6)</sup> |
| <b>Coal-fired</b>                       |          |   |  |  |  |   |   |                     |                                       |   |
| Puguang (Apr. 2010)                     | PRC      | June 1999   | 59.5   | 250.0                                  | 250.0  | 0.0   | 148.8   | Minimum-take        | 2021                                  | Henan Electric Power Company (河南省電力公司) <sup>(6)</sup>                       |
| Huangshi I (Sep. 2000)                  | PRC      | Dec 2004  | 49.0   | 760.0                                  | 100.0  | 660.0   | 372.4   | Minimum-take        | 2023                                  | HEPC <sup>(6)</sup>   |
| Huangshi II                             | PRC      | April 2014  | 49.0   | 1,360.0                                | 0.0  | 1,360.0   | 666.4   | Annual allocation   | Annual                                | HEPC <sup>(6)</sup>   |
| <b>Oil-fired</b>                        |          |   |  |  |  |   |   |                     |                                       |   |
| Daesan I (Aug. 2009)                    | Korea    | Mar. 1998   | 100.0  | 507.0                                  | 507.0  | 0.0   | 507.0   | Capacity charge     | NA                                    | KPX   |
| <b>Hydro</b>                            |          |   |  |  |  |   |   |                     |                                       |   |
| Zuojiang (Oct. 1998)                    | PRC      | Jan. 2000   | 60.0   | 72.0                                   | 0.0  | 72.0  | 43.2  | Minimum-take        | 2021                                  | Guangxi Electric Power Company Limited (廣西電力有限公司) ("GEPC") <sup>(7)</sup>   |
| Fushi I (Sep. 1999)                     | PRC      | June 2001   | 70.0   | 54.0                                   | 0.0  | 54.0  | 37.8  | Minimum-take        | 2022                                  | GEPC <sup>(7)</sup>   |
| Mianyang (Oct. 2002)                    | PRC      | Aug. 2004   | 75.0   | 51.0                                   | 0.0  | 51.0  | 38.3  | Annual allocation   | Annual                                | SEPC <sup>(6)</sup>   |

## BUSINESS

| Name (Acquisition/<br>Development date) | Location | COD <sup>(1)</sup>   | Our<br>Ownership<br>Interest <sup>(2)</sup><br>(%) | Gross<br>Installed<br>Capacity<br>(MW) | Gross<br>Installed<br>Capacity<br>(Acquired)<br>(MW) | Gross<br>Installed<br>Capacity<br>(Developed)<br>(MW) | Attributable<br>Installed<br>Capacity<br>(MW) | Offtake Description  | Expiration<br>of Offtake<br>Agreement | Offtakers  |
|---|----------|--|--|--|--|---|---|--|---------------------------------------|--|
| <b>Cogen</b>                            |          |  |  |  |  |   |   |  |                                       |  |
| Nantong (Aug. 1998)                     | PRC      | Phase I June 2000; Phase IIA Jan. 2005; Phase IIB May 2007 | 100.0  | 48.0                                   | 0.0  | 48.0  | 48.0  | Annual allocation<br><br>Steam supply contracts (multiple) | Annual                                | Jiangsu Electric Power Company (江蘇省電力公司) <sup>(6)</sup><br><br>Tenants of Nantong Economic and Technological Development Zone (南通經濟技術開發區) (the "Nantong ETD Zone") |
| Haian (Dec. 2002)                       | PRC      | Aug. 2005  | 100.0  | 27.0                                   | 0.0  | 27.0  | 27.0  | Annual allocation<br><br>Steam supply contracts (multiple) | Annual                                | Jiangsu Electric Power Company (江蘇省電力公司) <sup>(6)</sup><br><br>Tenants of Haian Economic and Technological Development Zone (海安經濟技術開發區) (the "Haian ETD Zone")     |
| <b>Steam</b>                            |          |  |  |  |  |   |   |  |                                       |  |
| Jinqiao (Jul. 1995)                     | PRC      | June 2008  | 60.0   | N/A                                    | N/A  | N/A   | N/A   | Steam supply contracts (multiple)                          | Annual                                | Tenants of Jinqiao Export Processing Zone (上海金橋出口加工區)  |
|   |          |  |  | <u>4,987.8</u>                         | <u>1,131.7</u>                                       | <u>3,856.1</u>  | <u>3,659.5</u>                                |  |                                       |  |

*Notes:*

- (1) COD represents the commercial operation date of the last unit in operation for that phase of the project. In cases where we acquired interests in existing projects, the COD may not coincide with the date of acquisition of the project.
- (2) We classify our subsidiaries as entities in which we have a 50.0% or more ownership stake and associates as entities in which we have less than a 50.0% ownership stake.
- (3) Burns diesel fuel oil as a back-up fuel.
- (4) Includes attributable installed capacity of the 10.4 MW Yulchon I Fuel Cell Project.
- (5) Hexie Power Project ceased power generation in May 2014 and we have commenced winding down the project.
- (6) A subsidiary of State Grid Corporation of China.
- (7) A subsidiary of China Southern Power Grid Company Limited.

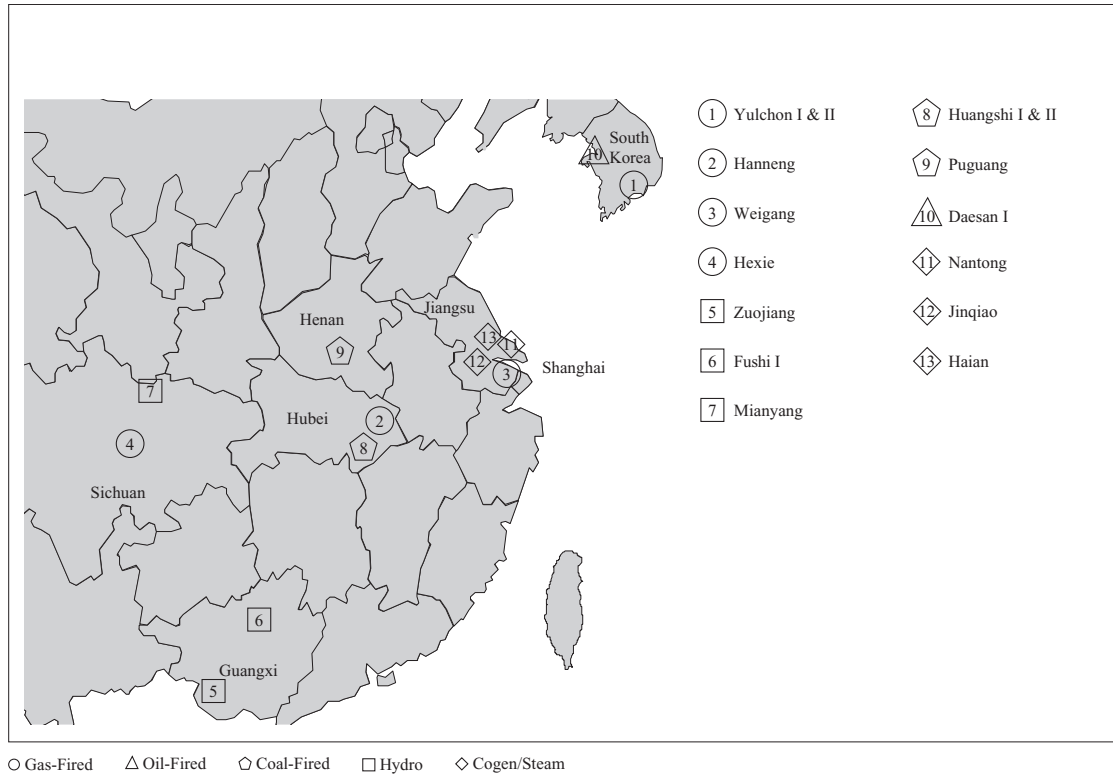
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## BUSINESS

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Below is a map showing the location of our power projects in commercial operation as of April 30, 2014:

### Our Projects in Commercial Operation



### OUR POWER PROJECTS IN THE PRC

#### PRC power project overview

In the PRC, our power projects are located in Hubei, Jiangsu, Sichuan and Henan provinces and in the autonomous region of Guangxi and the municipality of Shanghai. Power generated from our power projects in the PRC is primarily sold to the local power grids to which they are connected, and our power sales for each power project are driven by regional and provincial-level economics and demand. For a description of the power supply and demand markets in these regions, see “*Industry Overview – The PRC Power Industry – Supply and demand for power in the PRC*”.

In the PRC, our power projects are owned by entities that are organized as WFOEs, EJV’s or CJV’s. An EJV is a limited liability company between PRC investors and foreign investors, in which the foreign investors usually contribute not less than 25.0% of the total registered capital, and where the joint venture parties have joint management and share profits proportionate to their equity interest. A CJV differs from an EJV in that (i) profit, risks and losses can be allocated without regard to equity interest; (ii) the forms of capital contribution are generally more diversified; and (iii) the foreign investor in a CJV may recover all of its capital contribution during the early stages of the CJV’s operation subject to approval from fiscal authorities, provided the foreign investor agrees that all fixed assets of the CJV revert to the PRC partner upon termination of the CJV.

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## BUSINESS

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Except for Weigang Power Project, which supplies electricity exclusively to Baosteel, and Jinqiao Steam Project, which supplies steam exclusively within the Jinqiao EPZ (as defined below), power generated from our power projects in the PRC is sold pursuant to PPAs to the local power grids to which they are connected. We have entered into long-term PPAs for five of our power projects in the PRC. Puguang Power Project, Huangshi I Power Project, Weigang Power Project, Zuojiang Hydro Project and Fushi I Hydro Project are subject to a minimum-take arrangement and Hanneng Power Project is subject to a capacity charge arrangement. Our other PPAs in the PRC are subject to annual allocation obligations that fall under the reformed power regulatory framework and do not contain minimum-take or capacity arrangements. See “*Industry Overview – The PRC Power Industry*” and “*Risk Factors – Risks Relating to our Business and Industry – Our revenue and profit are greatly impacted by tariffs and net generation. Any reduction in tariffs or of net electricity generated or net steam generated may result in a decrease in our revenue and have a material adverse effect on our business, financial condition and results of operation*”.

### **Our gas-fired power projects in the PRC**

Gas-fired power projects utilize heat from the burning of gas to generate electricity. Gas-fired power projects are more environmentally friendly than coal-fired projects because they generate lower carbon dioxide emissions and almost no sulfur dioxide emissions. Gas turbine technology is often used in peaking and intermediate dispatch facilities because it takes less time to start the power unit and, when in operation with steam turbines in combined-cycle mode, can generate electricity more efficiently than conventional coal-fired power projects.

As of April 30, 2014, we have three gas-fired power projects in the PRC, namely, Hanneng Power Project, Weigang Power Project and Hexie Power Project.

### ***Hanneng Power Project***

*Background.* Hanneng Power Project is a 176.5 MW facility located in the Wuhan Economic and Technological Development Zone (武漢經濟技術開發區) (the “**Wuhan ETD Zone**”) of Wuhan, Hubei province. The Wuhan ETD Zone has attracted several significant foreign enterprises and manufacturers in the automotive, medical, electrical and food industries. We acquired a 60.0% interest in the project in January 2005. We believe that the principal strengths of the project are: (i) among the two gas-fired projects supplying power in Hubei Province, its present position as the only one gas-fired peaking project; (ii) its proximity to Wuhan city, the major load center of Hubei province; (iii) sufficient land on-site for potential expansion; and (iv) its two-tier tariff structure with a fixed capacity charge.

*Ownership.* The project is owned by Hanneng JV, which was established in 1995 as an EJV expiring in 2028 in which we have an interest through our wholly-owned subsidiary, Meiya Hanneng Power Company Limited in Mauritius. We hold a 60.0% interest, Wuhan Hua Yuan Power Group Co., Ltd. (武漢華源電力集團有限公司) (“**Wuhan Power**”) holds a 15.0% interest, Wuhan Hua Yuan Energy and Material Development Company (武漢華原能源物資開發公司) holds a 15.0% interest and Wuhan Economic Development and Investment Co. Ltd. (武漢經開投資有限公司) holds a 10.0% interest in Hanneng JV.

After the expiration of the joint venture, the assets will be liquidated and after the settlement of all outstanding obligations and liabilities of the joint venture, each party to the joint venture contract will receive liquidated assets of the joint venture in proportion to the ratio of share capital contributed to establish the joint venture.

## BUSINESS

The board of directors of Hanneng JV consists of seven directors, four of whom are appointed by us, and one by each of the other joint venture partners. We nominate the General Manager and the Chief Financial Officer. The joint venture agreement gives Wuhan Power the authority to appoint a Deputy General Manager, but Wuhan Power has never exercised this authority.

*Technical Description.* The project is a 176.5 MW combined-cycle gas turbine facility comprising a 123.0 MW Alstom PG 9171E combustion turbine/generator, a Deltak heat recovery steam generator with a bypass stack and a domestic 53.5 MW steam turbine/generator. The project commenced simple-cycle commercial operation in December 1996 and combined-cycle commercial operation in October 1997. The project units, which were previously fired with heavy fuel oil, were converted to fire with natural gas in July 2005. Power is transmitted at 110 kV to the Hubei provincial grid. Given the peaking operating regime of the project, the efficiency performance of the project is influenced by parameters such as the temperature of the project units at startup and the duration of each dispatch. The following table shows summary historical operating data for Hanneng Power Project:

| Summary Operating Data  | For the year ended December 31, |                     |        | For the four months ended April 30, |        |
|---|---------------------------------|---------------------|--------|-------------------------------------|--------|
|   | 2011                            | 2012                | 2013   | 2013                                | 2014   |
| Average installed capacity (MW) . . .                           | 176.5                           | 176.5               | 176.5  | 176.5                               | 176.5  |
| Gross electricity generated (GWh) . .                           | 101.4                           | 79.3                | 86.2   | 50.9                                | 35.3   |
| Net electricity generated (GWh) . . .                           | 100.9                           | 78.6                | 85.9   | 50.7                                | 35.1   |
| Equivalent availability factor (%) . . .                        | 90.5                            | 84.7 <sup>(1)</sup> | 90.6   | 87.6                                | 100.0  |
| Utilization hours . . . . .                                     | 575                             | 449                 | 488    | 288                                 | 200    |
| Net gas consumption rate (Nm <sup>3</sup> /kWh) . . . . .       | 0.2519                          | 0.2536              | 0.2514 | 0.2500                              | 0.2480 |
| Weighted average energy charge (inclusive of VAT) (RMB/kWh) . . | 0.6308                          | 0.6548              | 0.6553 | 0.6548                              | 0.7430 |

*Note:*

(1) The equivalent availability factor dropped below 90.0% due to a 45-day overhaul carried out in the fourth quarter of 2012.

*Energy Sales.* Power is sold under a long-term PPA that will expire in 2016 and corresponding annual PPAs with HEPC. The tariff set out under the PPA comprises an energy charge and a capacity charge. The offtake capacity charge for Hanneng Power Project was stable at RMB80.5 million (inclusive of VAT) for each of the years ended December 31, 2011, 2012 and 2013 and proportionally for the four months ended April 30, 2014. The annual capacity charge is determined by the relevant local pricing bureau. We expect to commence discussions to renew our long-term PPA two months prior to its expiration on December 31, 2016 as set out under the terms of the contract. If we are unable to renew the long-term PPA, our offtake arrangement will be subject to annual allocation. There have been no claims or penalties for Hanneng Power Project or HEPC under the terms of the PPA during the Track Record Period.

*Fuel Supply.* Hanneng JV entered into a fuel supply agreement with Wuhan Natural Gas Company Ltd. (武漢市天然氣有限公司) under which annual quantities are specified together with take-or-pay provisions. This agreement expired in 2009. Hanneng JV continues to operate in accordance with the terms of this agreement under what we believe is standard industry practice in the PRC (and also required by Wuhan Natural Gas Company Ltd.), whereby a fuel supply agreement that expires at the end of a calendar year continues to be used until a new agreement is executed to replace the previous

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## BUSINESS

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agreement. Under the expired fuel supply agreement, the annual gas quantities match the annual allocated power dispatch volume of HEPC. Hanneng JV commenced discussions with its fuel supplier to renew the contract in 2010 and there was no formal signed contract yet as of the Latest Practicable Date. Hanneng continues to submit its planned annual gas quantity which matches the annual allocation power dispatch volume of HEPC to its fuel supplier, and Hubei Pricing Bureau (湖北省物價局) prescribes and approves the price of gas as well as the power tariff.

*Operations and Maintenance.* Hanneng JV performs its own operations and routine maintenance. Gas turbine maintenance and overhauls and steam turbine major overhauls are outsourced. Major gas turbine overhauls generally take 45 days and are carried out every six to seven years depending on the accumulated running hours and startup times of the gas turbine in accordance with the guidelines of the equipment manufacturer. The last major overhaul of the gas turbine and steam turbine was carried out in 2012 and upgraded gas turbine blades and sealing shrouds were used to improve project units' output and efficiency. Between major overhauls, planned maintenance and inspections are scheduled twice a year and together generally take five weeks. During the Track Record Period, Wuhan Qingyuan Power Group Maintenance and Installation Engineering Co., Ltd. (武漢青源電力集團檢修安裝工程有限公司), an independent third party, has provided steam turbine and auxiliary equipment maintenance, Wuhan Tianlili Composite New Material Co., Ltd. (武漢天立力複合新材料有限公司), an independent third party, has provided non-metallic expansion maintenance, joint gas turbine and boiler maintenance, Hubei Huadu Construction Co. Ltd. (湖北華都建築有限公司), an independent third party, has provided infrastructure maintenance and Nanjing Nangang Power Plant Installation Co., Ltd. (南京南港動力設備安裝有限公司), an independent third party, has provided gas turbine maintenance.

### ***Weigang Power Project***

*Background.* Weigang Power Project is a 50.0 MW facility located within the Baosteel complex in Shanghai, and generates electricity exclusively for Baosteel using waste gas from Baosteel's blast furnace. We believe that the principal strengths of the project, which we commissioned, are: (i) its minimum-take PPA with Baosteel; (ii) its reliable and stable supply of blast furnace gas to operate the project at optimum levels; and (iii) its status as an efficient and environmentally friendly project that turns industrial waste gas into electricity.

*Ownership.* The project is owned by Weigang JV, which was established in 1998 as a CJV expiring in 2020. We hold a 65.0% interest in Weigang JV through a wholly-owned subsidiary, CanAm Energy China Holdings, Ltd., and Baosteel holds the remaining 35.0% interest in Weigang JV.

The board of directors of Weigang JV consists of seven directors, four of whom are appointed by us, and three by Baosteel. We appoint the chairman of the board of directors except for the last five years of the term of the CJV during which Baosteel will appoint the chairman of the board of directors. During the first 15 years of the term of the CJV, we also nominate the general manager, chief financial officer and chief engineer and Baosteel nominates the deputy general manager and deputy chief financial officer, while during the last five years of the CJV, Baosteel will take over all management appointment duties.

Under the CJV structure, profits are distributed according to a ratio that is based on the ownership percentages of the JV partners. We also have the right to receive, for capital repatriation purposes, an amount equivalent to all depreciation charges on the fixed assets of the CJV on an annual basis until our capital investment has been fully recovered. Weigang JV generally distributes 100% of its book profits after payment of taxes and contribution to statutory funds.



## BUSINESS

*Technical Description.* The project comprises a 220 tons/hour blast furnace gas-fired boiler and a 50.0 MW condensing steam turbine generator with a majority of the construction and engineering content of the equipment from the PRC. The project uses waste gas from the blast furnace of Baosteel as primary fuel and light oil as ancillary fuel for start up and flame stability to generate electricity. Weigang Power Project was the first power project in China designed to use 100% blast furnace gas without supplementary fuel. The project is subject to the supervision of the Shanghai Municipal Electric Power Company (上海市電力公司) (“SMEPC”) pursuant to an interconnection and dispatch contract between Baosteel and SMEPC. The EPC was done by China National Machinery Import & Export Corporation (中國機械進出口總公司) and China National Electric Engineering Co., Ltd. (中國電工設備總公司). The following table shows summary historical operating data for Weigang Power Project:

| Summary Operating Data   | For the year ended December 31, |                     |        | For the four months ended April 30, |        |
|--|---------------------------------|---------------------|--------|-------------------------------------|--------|
|  | 2011                            | 2012                | 2013   | 2013                                | 2014   |
| Average installed capacity (MW) . . .                                      | 50.0                            | 50.0                | 50.0   | 50.0                                | 50.0   |
| Gross electricity generated (GWh) . .                                      | 383.1                           | 261.2               | 387.9  | 112.3                               | 127.4  |
| Net electricity generated (GWh) . . .                                      | 356.0                           | 243.4               | 359.7  | 104.8                               | 119.4  |
| Equivalent availability factor (%) . . .                                   | 96.3                            | 75.3 <sup>(1)</sup> | 93.6   | 95.1                                | 98.8   |
| Utilization hours . . . . .  | 7,663                           | 5,223               | 7,757  | 2,246                               | 2,549  |
| Net blast furnace gas consumption<br>rate (Nm <sup>3</sup> /kWh) . . . . . | 3.9536                          | 4.0209              | 3.8859 | 3.8127                              | 3.8308 |
| Weighted average tariff (inclusive of<br>VAT) (RMB/kWh) . . . . .          | 0.5222                          | 0.5297              | 0.5214 | 0.5297                              | 0.5297 |

*Note:*

(1) The equivalent availability factor dropped below 90.0% due to a major overhaul carried out in 2012.

*Energy Sales.* Baosteel purchases power pursuant to a minimum take PPA with a term that matches the 22-year term of the Weigang JV. Pursuant to the PPA, Baosteel must take or pay for 325.5 GWh per annum, with any excess power purchased at RMB0.4420/kWh (inclusive of VAT), which is a discount of RMB0.0878/kWh (inclusive of VAT) from the tariff for the minimum take amount.

*Fuel Supply.* Weigang JV sources blast furnace gas pursuant to a fuel supply agreement under which Baosteel supplies the full blast furnace gas requirements for the project and guarantees a quantity sufficient for minimum annual generation over the 22-year term of the CJV. The price of blast furnace gas is adjusted according to the percentage change in the power tariff payable by Baosteel.

*Operations and Maintenance.* Weigang JV performs its own operations and routine maintenance. Minor overhauls, which are outsourced, are carried out annually and last approximately ten days. Major overhauls, which are also outsourced, are carried out every four years and last approximately 25 days. Major overhauls were carried out in 2001, 2005, 2009 and 2012. During the Track Record Period, Shanghai East Gate Electric Power Engineering Co., Ltd. (上海閘電東海電力工程有限公司), an independent third party, has provided daily and preventative maintenance and Shanghai Electric Power Installation Engineering (No. 1) Company (上海電力安裝第一工程公司), an independent third party, has provided small-scale machinery maintenance.

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## BUSINESS

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### ***Hexie Power Project***

*Background.* Hexie Power Project is a 98.2 MW peaking power generation facility located in Huayang Town, Tianfu New District of Chengdu, the capital of Sichuan province. We acquired 100.0% of the existing power project in July 2003.

*Ownership.* Hexie Company, which owns the project, was originally established in 1998 as a Sino-foreign joint venture and converted into a wholly foreign-owned enterprise before we acquired all of the issued and outstanding shares of Hexie Company's offshore shareholder in July 2003. We hold our interest in Hexie Company through our indirectly wholly-owned subsidiary, Fast Well Investments Limited (Hong Kong) (香港迅和投资有限公司) and Meiya Hexie Power Company Limited in the Cayman Islands. Due to the unfavorable economic outlook for this project, Hexie Power Project ceased power generation in May 2014 and we have commenced winding down the project. We are currently exploring possibilities relating to the transfer of our interest in Hexie Company (or the assets owned by the Hexie Company). For the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, Hexie Power Project had a loss for the year of U.S.\$1.0 million, U.S.\$2.9 million, U.S.\$0.2 million and U.S.\$0.1 million, respectively. As of April 30, 2014, the net assets of Hexie Company was U.S.\$24.1 million. No impairment was recognized in regards to Hexie Power Project for the Track Record Period given that the magnitude of the operating loss was reducing during the period, and no impairment was recognised as of the Latest Practicable Date as we do not expect there to be a negative financial impact on our financials nor any loss upon the disposal of our interest in Hexie Company or its assets in view that the appraised value of the parcel of land on which Hexie Power Project situates is much higher than the aforesaid net assets of Hexie Company.

*Technical Description.* Hexie Power Project is a 98.2 MW gas-fired combined-cycle power generation facility consisting of 2 x 36.6 MW combustion turbines/generators, two heat recovery steam boilers, and 1 x 25.0 MW steam turbine/generator. Natural gas is supplied by PetroChina through a 6.6 kilometer pipeline from its gas offtake station. The project commenced commercial simple-cycle operation in April 1999 and combined-cycle operation in May 2000. Power is transmitted at 110 kV to the Sichuan provincial grid.

### **Our coal-fired power projects in the PRC**

Coal-fired is the most common power generation technology in the PRC. In coal-fired power projects, coal is burned in boilers where purified water is added and the steam generated from this process spins turbines which generate electricity. As of April 30, 2014, we have three coal-fired power projects in the PRC, namely Puguang Power Project, Huangshi I Power Project and Huangshi II Power Project.

Coal prices have had a significant effect on our revenue and profit, particularly because tariffs are set by the NDRC and we have limited scope to pass any increases in the price of coal to our customers. Since mid-2013, all of our coal-fired power projects have sourced coal through the open market at prevailing market rates. We have a regional coal management strategy, which is overseen by a corporate coal manager, who reviews the availability, quality and transportation of coal to our coal-fired projects. We require our coal project asset managers to monitor procurement, consumption and the coal inventory level of each coal-fired power project. Additionally, we have an analyst in our Beijing office that is engaged in coal market research and information gathering and analysis. Furthermore, each of our coal-fired projects has a coal procurement specialist who is familiar with the local market and logistics and is responsible for each individual coal project's coal procurement activities. We have not in the past had issues relating to shortages in the supply of coal. See "*Industry Overview – The PRC Power Industry – Fuel sources and supply*".

## BUSINESS

### *Puguang Power Project*

*Background.* Puguang Power Project has a gross capacity of 250.0 MW and is a base load facility located in Puguang, near Nanyang, Henan province. We acquired our interest in Puguang Power Project in April 2010.

*Ownership.* The project is owned by Puguang JV, which was established in 1997. We hold a 85.0% interest in NGLE Pushan Power (BVI) Limited, which holds a 100.0% interest in NGLE Pushan Power Limited, which holds a 70% interest in Puguang JV. The other shareholder in NGLE Pushan Power (BVI) Limited is Through In Industries Limited, a company incorporated in Hong Kong, which holds the remaining 15% interest in NGLE Pushan Power (BVI) Limited. Other shareholders in Puguang JV are CPI Henan Electric Power Co., Ltd. and Nanyang City Hengsheng Energy Development Co., Ltd., each of which holds a 15.0% interest in the Nanyang General Light Electric Co., Ltd. Our effective interest in Puguang Power Project is 59.5%, based on weighted equity interest.

The board of directors of NGLE Pushan Power (BVI) Limited consists of three directors, two of whom are appointed by us and one by Through In Industries Limited. The board of directors of Nanyang General Light Electric Co., Ltd. consists of seven directors, five of whom are appointed by NGLE Pushan Power (BVI) Limited, one by CPI Henan Electric Power Co., Ltd. and one by Nanyang City Hengsheng Energy Development Co., Ltd. We appoint the chairman of the board of directors and nominate the general manager and the chief financial officer for Nanyang General Light Electric Co., Ltd.

*Technical Description.* The project consists of 2 x 125.0 MW condensing turbines and two 420 tons/hour pulverized boilers. The two 125.0 MW units went into operation in 1999. Both units were installed with FGD equipment in 2008, resulting in improved desulphurization efficiency. Each boiler is equipped with a fabric filter with 99.9% particulates removal efficiency. The EPC was done by Henan Electric Power Company.

The following table shows summary historical operating data for Puguang Power Project:

| <u>Summary Operating Data</u>                                     | <u>For the year ended December 31,</u> |             |                     | <u>For the four months ended April 30,</u> |             |
|---|--|-------------|---------------------|--|-------------|
|   | <u>2011</u>                            | <u>2012</u> | <u>2013</u>         | <u>2013</u>                                | <u>2014</u> |
| Average installed capacity (MW) . . .                             | 250.0                                  | 250.0       | 250.0               | 250.0                                      | 250.0       |
| Gross electricity generated (GWh) . .                             | 1,396.6                                | 1,396.9     | 1,400.0             | 458.4                                      | 511.4       |
| Net electricity generated (GWh) . . .                             | 1,258.1                                | 1,259.3     | 1,262.7             | 414.4                                      | 463.9       |
| Equivalent availability factor (%) . . .                          | 91.0                                   | 90.5        | 89.6 <sup>(1)</sup> | 90.7                                       | 97.7        |
| Utilization hours . . . . .                                       | 5,586                                  | 5,588       | 5,600               | 1,834                                      | 2,046       |
| Net standard coal consumption rate<br>(kg/kWh) . . . . .          | 0.3830                                 | 0.3821      | 0.3811              | 0.3763                                     | 0.3814      |
| Weighted average tariff (inclusive of<br>VAT) (RMB/kWh) . . . . . | 0.5383                                 | 0.5682      | 0.5653              | 0.5682                                     | 0.5552      |

*Note:*

(1) The equivalent availability factor dropped below 90.0% due to machinery and equipment maintenance in 2013.

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## BUSINESS

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*Energy Sales.* Power is purchased by Henan Electric Power Company pursuant to a minimum-take PPA with a 24-year term expiring in November 2020. Under the PPA, Henan Electric Power Company purchases an annual minimum-take of 1,250 GWh from Puguang Power Project. The tariff is adjusted with reference to tariff charged by other power projects in the Henan area from time to time, and such adjustment is approved by the NDRC.

*Fuel Supply.* During the Track Record Period, Puguang JV sourced a majority of its fuel requirements of coal from open market purchases, with the remaining coal sourced from the Pingdingshan coal mine and Yima coal mine, though from mid-2013, all coal purchases have been sourced through the open market.

*Operations and Maintenance.* Nanyang Fangda Power Generation Operation Company. (南陽方達發電運行有限公司), an independent third party, performs operations and routine maintenance for two power generating units at the Puguang Power Project under a long-term contract which is set to expire on December 31, 2015. During the Track Record Period, Chongqing Yixing Zhida Electric Power Technology Services Co., Ltd. (重慶宜興智達電力技術服務有限公司), an independent third party, has provided desulphurization and dust and ash removal system maintenance.

### **Huangshi I Power Project**

*Background.* Huangshi I Power Project is a three unit power project that has a capacity of 760.0 MW consisted of a 50% interest in one 200.0 MW coal-fired power unit and 100% interest in two 330.0 MW coal-fired power units, and is a base load facility located in Huangshi, near Wuhan, the capital of Hubei province. In 2000, we invested in a 49.0% interest in Huangshi I JV. Unit 1 was already in operation when we invested. Unit 2 and 3, located on the outskirts of Huangshi, were commissioned in 2004. We believe that the principal strengths of the project are: (i) its large capacity as compared to most of its competitors; (ii) the governmental support for larger and more efficient projects in Hubei province and a policy to shut down old, low efficiency units that emit more pollutants than newer projects; and (iii) its strategic location in the Central China Power Grid (華中電網) serving two of the largest load centers in Hubei province, Wuhan and Huangshi.

*Ownership.* The project is owned by Huangshi I JV, which was established in 2000 as a CJV expiring in 2023. We hold a 49.0% interest in Huangshi I JV through wholly-owned subsidiaries, with Huadian Hubei Power Generation Co., Ltd. (華電湖北發電有限公司) (“HHPG”) holding a 50.0% interest and Huangshi City Dingcheng Asset Management Co., Ltd. (黃石市鼎城資產管理有限公司) (“HCDCAM”) holding a 1.0% interest. HHPG is majority-owned by China Huadian Group (中國華電集團公司), one of the National Gencos. HCDCAM is an investment company of the Huangshi city government that is mainly engaged in development and investment services for infrastructure projects, as well as acting as the trustee for the infrastructure fund of the Huangshi municipal government.

The profit sharing ratio of the joint venture is proportional to the ratio of share capital contribution. After the expiration of the joint venture contract, the assets shall be liquidated by a liquidation committee appointed by the joint venture board and after the settlement of all outstanding obligations and liabilities of the joint venture, each party of the joint venture contract will receive liquidated assets of the joint venture in proportion to the ratio of share capital contribution to establish the joint venture, provided, however, all fixed assets of Huangshi I JV shall belong to HHPG and HIC upon the expiration of the Huangshi I JV contract.

## BUSINESS

The board of directors of Huangshi I JV consists of nine directors, four of whom are appointed by us, four by HHPG and one by HCDCAM. We appoint the vice chairman of the board of directors and nominate the general manager and one of the deputy general managers.

Under the CJV structure, profits of Huangshi I JV are distributed in accordance with a ratio based on the ownership percentages of the joint venture partners. We are entitled to first priority in the recovery of our registered capital during the term of Huangshi I JV after repayment of loans with any excess cash flow being distributed as profits according to the profit distribution ratio. After the expiry of the CJV, the fixed assets of Huangshi I JV will be transferred to our PRC partners for no additional consideration.

*Technical Description.* Unit 1 consists of a 200.0 MW power unit that commenced commercial operation in July 1993, of which Huangshi I JV owns 100.0 MW as a result of its 50% undivided interest. Units 2 and 3 are both domestically-manufactured 330.0 MW pulverized coal-fired units. Unit 2 commenced commercial operation in July 2004 and Unit 3 in December 2004. Power is transmitted at 220 kV to the Hubei provincial grid. The EPC was done by Hubei Hongyuan Power Engineering Company Limited. The following table shows summary historical operating data for Huangshi I Power Project:

| <u>Summary Operating Data</u>                                     | <u>For the year ended December 31,</u> |             |             | <u>For the four months ended April 30,</u> |             |
|---|--|-------------|-------------|--|-------------|
|   | <u>2011</u>                            | <u>2012</u> | <u>2013</u> | <u>2013</u>                                | <u>2014</u> |
| Average installed capacity (MW) . . .                             | 760.0                                  | 760.0       | 760.0       | 760.0                                      | 760.0       |
| Gross electricity generated (GWh) . .                             | 3,911.9                                | 3,097.2     | 3,352.4     | 1,085.4                                    | 1,094.5     |
| Net electricity generated (GWh) . . .                             | 3,533.2                                | 2,810.9     | 3,053.3     | 989.0                                      | 988.7       |
| Equivalent availability factor (%) . . .                          | 95.4                                   | 99.2        | 94.2        | 100.0                                      | 96.4        |
| Utilization hours . . . . .                                       | 5,147                                  | 4,075       | 4,411       | 1,428                                      | 1,440       |
| Net standard coal consumption rate<br>(kg/kWh) . . . . .          | 0.3372                                 | 0.3372      | 0.3261      | 0.3285                                     | 0.3253      |
| Weighted average tariff (inclusive of<br>VAT) (RMB/kWh) . . . . . | 0.5077                                 | 0.5525      | 0.5353      | 0.5559                                     | 0.5348      |

*Energy Sales.* Power is purchased by HEPC pursuant to a minimum-take PPA with a 24-year term expiring in 2023. Under the PPA, HEPC purchases an annual minimum-take of 423 GWh from the 100.0 MW capacity of Unit 1 and 1,269 GWh for each of Units 2 and 3. The pricing formula under the PPA covers all costs, including adjustments accounting for changes in inflation, foreign exchange fluctuation on profits and return on capital based on an agreed internal rate of return. Under the PPA, the tariff for excess generation is to be approved by the relevant state pricing control department. In addition to electricity sales, Huangshi I JV generates revenue through coal sales to Huangshi II JV.

Utilization hours in 2012 decreased from 2011 due primarily to increased competition from hydro generation projects as a result of higher rain fall. Higher utilization for the year ended December 31, 2013 was due to less competition from hydro generation projects as a result of lower rain fall.

*Fuel Supply.* Unit 1 is operated by HHPG, our joint venture partner, under a long-term operations and maintenance contract that includes the provision of coal for Unit 1. Since commencing operations in 2005, the majority of Unit 2 and 3's coal purchases have been facilitated by the parent of HHPG, China Huadian Group (中國華電集團公司), with the balance purchased on the open market, though from mid-2013 all coal purchases have been sourced through the open market at prevailing market rates.

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## BUSINESS

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*Operations and Maintenance.* During the Track Record Period, Hubei Huangshi Power Generation Company (湖北黃石發電股份有限公司), an independent third party, has performed operation and routine maintenance for Unit 1 under a long term contract and Hubei Huadian Electrical Engineering Power Co., Ltd. (湖北華電電力工程有限公司), an independent third party, has performed operations and routine maintenance for Units 2 and 3. Minor overhauls are generally carried out two to three times every year and last approximately 15 days per overhaul. Major overhauls, which are outsourced, are carried out every four to six years and last approximately 55 days. The last major overhaul was carried out between October 2012 and November 2012.

We initiated an improvement to the Huangshi I Power Project to increase efficiency through the optimization of a furnace combustion system. In addition, we implemented a micro-oil ignition system for boiler cold-starts to use less oil during the start-up process.

### ***Huangshi II Power Project***

*Background.* Huangshi II Power Project has a gross capacity of 1,360.0 MW and is a base load facility located in Huangshi, near Wuhan, the capital of Hubei province. We believe that the principal strengths of the project are: (i) its large capacity as compared to most of its competitors; (ii) the governmental support for larger and more efficient projects in Hubei province and a policy to shut down old, low efficiency units that emit more pollutants than newer projects; and (iii) its strategic location in the Central China Power Grid (華中電網) serving two of the largest load centers in Hubei province, Wuhan and Huangshi.

*Ownership.* The project is owned by Huangshi II JV, which was established in 2007 as a EJV expiring in 2040. We hold a 49.0% interest in Huangshi II JV since 2010. Other shareholders in Huangshi II JV are HHPG which has a 50.0% interest and HCDCAM which has a 1.0% interest.

The board of directors of Huangshi II JV consists of nine directors, four of whom are appointed by us, and five by HHPG.

*Technical Description.* Huangshi II Power Project consists of two domestically manufactured ultra super critical coal fired units with a gross capacity of 680.0 MW. Unit 1 commenced commercial operation in December 2010, and Unit 2 commenced commercial operation in April 2014. Power is transmitted at 220 kV to the Hubei provincial grid. The EPC was done by China Huadian Engineering Co., Ltd.



## BUSINESS

The following table shows summary historical operating data for Huangshi II Power Project:

| Summary Operating Data  | For the year ended December 31, |                     |         | For the four months ended April 30, |         |
|---|---------------------------------|---------------------|---------|-------------------------------------|---------|
|   | 2011                            | 2012                | 2013    | 2013                                | 2014    |
| Average installed capacity (MW) . . .                             | 680.0                           | 680.0               | 680.0   | 680.0                               | 765.0   |
| Gross electricity generated (GWh) . .                             | 3,865.7                         | 3,518.9             | 3,919.7 | 948.2                               | 1,101.1 |
| Net electricity generated (GWh) . . .                             | 3,668.8                         | 3,340.1             | 3,718.4 | 900.7                               | 1,044.2 |
| Equivalent availability factor (%) . . .                          | 92.2                            | 85.3 <sup>(1)</sup> | 100.0   | 100.0                               | 100.0   |
| Utilization hours . . . . .                                       | 5,685                           | 5,175               | 5,764   | 1,394                               | 1,439   |
| Net standard coal consumption rate<br>(kg/kWh) . . . . .          | 0.3062                          | 0.3040              | 0.2915  | 0.2944                              | 0.2909  |
| Weighted average tariff (inclusive of<br>VAT) (RMB/kWh) . . . . . | 0.4393                          | 0.4807              | 0.4786  | 0.4751                              | 0.4570  |

*Note:*

(1) The equivalent availability factor dropped below 90.0% due to a 50-day overhaul carried out on Unit 1.

*Energy Sales.* Power is purchased by HEPC pursuant to a PPA on an annual allocation basis that expires in 2015. Huangshi II JV and HEPC will sign an annual PPA each year that specifies the basic quantity of electricity to be generated and sold by the Huangshi II JV in that year. The basic quantity is determined based on the electricity demand forecast in Hubei province and the power generation capacity of the project in that year. Under the PPA, the tariff is to be approved by the government.

Utilization hours in 2012 decreased from 2011 due to increased competition from hydro generation projects as a result of higher rain fall in 2012. Utilization hours in the year ended December 31, 2013 increased compared with the same period in 2012, primarily due to less competition from hydro generation projects as a result of lower rain fall in 2013.

*Fuel Supply.* Coal is generally purchased by the parent of HHPG, China Huadian Group (中國華電集團公司), with the balance purchased on the open market, though from mid-2013, all coal purchases have been sourced through the open market.

*Operations and Maintenance.* During the Track Record Period, Hubei Huadian Electrical Engineering Power Co., Ltd., an independent third party, has performed operations and routine maintenance for Huangshi II Power Project. Minor overhauls are generally carried out one or two times every year and last approximately 15 days per overhaul. Major overhauls, which are outsourced, are carried out every four years and last approximately 60 days. The last major overhaul was in April to June 2012.

### Our hydro projects in the PRC

Hydro projects use water pressure to operate turbines which in turn generate electricity. In hydro projects built along rivers, electricity generation is subject to seasonal variation of water flow during each year as well as fluctuation of water levels from year to year. Regulations generally require the relevant grid companies to purchase all electricity produced by hydro projects which generally receive priority in dispatch in the PRC.



## BUSINESS

As of April 30, 2014, we have three operational hydro projects in the PRC, namely Zuojiang, Mianyang and Fushi I Hydro Projects as well as one hydro project under construction in the PRC, Fushi II Hydro Project.

### *Zuojiang Hydro Project*

*Background.* Zuojiang Hydro Project is a 72.0 MW facility located along the Zuo River (左江). We believe that the principal strengths of the project are: (i) its long-term minimum-take PPA; and (ii) that, together with Fushi I Hydro Project, it provides us with a diversification of hydrology risk in projects within the Guangxi Zhuang Autonomous Region.

*Ownership.* Zuojiang JV, which owns the project, was established in 1998 as a CJV expiring in 2021. We indirectly hold a 60.0% interest in Zuojiang JV through a wholly-owned subsidiary, Meiya Zuojiang Hydropower Ltd., and Guangxi Chongzuo Huiyuan Hydropower Company (廣西崇左市匯源水電公司) (“GCHPC”) holds the remaining 40.0% interest in the Zuojiang JV.

Under the CJV structure, we retain all annual distributable profits derived under the PPA, and profits from the excess output are distributed 60% to GCHPC and 40% to us. Pursuant to the applicable shareholders’ agreement, GCHPC receives RMB200,000 annually if the project generates the minimum take, or a prorated portion of RMB200,000 if the project does not meet the minimum take. In the event the base component of the tariff is increased to reflect capital costs, GCHPC will receive 100% of the distributable profit derived from amounts in excess of the base component after we make up for the amount short of the minimum-take quantity, if any. We also have the right to receive, for capital repatriation purposes, an amount equivalent to all depreciation charges on the fixed assets of the CJV on an annual basis until our capital investment and shareholder loans have been fully recovered. At the expiration of the CJV, all fixed assets will be transferred to GCHPC for no consideration provided we have fully recouped our investment.

The board of directors of Zuojiang JV consists of five directors, three of whom are appointed by us and two by GCHPC. We nominate the general manager and the chief financial officer, and GCHPC nominates the deputy general manager and deputy chief financial officer.

*Technical Description.* Zuojiang Hydro Project is a 72.0 MW hydro facility consisting of domestically-manufactured 3 x 24.0 MW hydro-turbine generators and an associated dam and other steel and concrete structures. The project commenced commercial operation in July 1999. Power is transmitted at 110 kV to the Guangxi provincial grid. The EPC was done by Guangxi Chongzuo City Hydropower Company (廣西崇左市匯源水電公司). The following table shows summary historical operating data for Zuojiang Hydro Project:

| <u>Summary Operating Data</u>                                  | <u>For the year ended December 31,</u> |             |             | <u>For the four months ended April 30,</u> |                     |
|--|--|-------------|-------------|--|---------------------|
|  | <u>2011</u>                            | <u>2012</u> | <u>2013</u> | <u>2013</u>                                | <u>2014</u>         |
| Average installed capacity (MW) . . .                          | 72.0                                   | 72.0        | 72.0        | 72.0                                       | 72.0                |
| Gross electricity generated (GWh) . .                          | 294.4                                  | 306.3       | 339.0       | 43.3                                       | 69.0                |
| Net electricity generated (GWh) . . .                          | 288.1                                  | 300.1       | 331.9       | 42.5                                       | 67.7                |
| Equivalent availability factor (%) . . .                       | 94.2                                   | 93.3        | 92.3        | 100.0                                      | 86.5 <sup>(1)</sup> |
| Utilization hours . . . . .                                    | 4,090                                  | 4,254       | 4,708       | 602  | 959                 |
| Weighted average tariff (inclusive of VAT) (RMB/kWh) . . . . . | 0.3952                                 | 0.3823      | 0.3593      | 0.3996                                     | 0.3981              |

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## BUSINESS

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*Note:*

- (1) The equivalent availability factor dropped below 90.0% due to machinery and equipment maintenance in the first quarter of 2014.

*Energy Sales.* Power is purchased by Guangxi Power Grid Company (廣西電網公司) (“GPGC”), formerly known as Guangxi Electric Power Industry Bureau (廣西電力工業局) pursuant to a minimum-take PPA with a 23-year term expiring in 2021. Under the PPA, GPGC purchases an annual minimum amount of 280 GWh at a base tariff of 0.4 RMB/kWh (including VAT). All output in excess of the minimum-take is sold at a 65.0% discount to encourage additional purchase by GPGC. From 2011 through 2013, Zuojiang Hydro Project has met the minimum generation obligations set out in its PPA. We have not breached the terms of the PPA during the Track Record Period.

*Operations and Maintenance.* Zuojiang Hydro Project operates at higher capacity levels during the high water level season from May through October and maintains lower partial operations during the rest of the year. Zuojiang JV performs its own operations and routine maintenance. Annual maintenance and repairs are outsourced and generally carried out during periods with low water levels. Major overhauls, which are outsourced, are generally carried out every five or more years and last approximately 50 days. The last major repairs on Zuojiang Hydro Project began in October 2013 on the No. 1 machine group. During the Track Record Period, Chongzuo Guangxin Electric Power Construction Co., Ltd. (崇左廣信電力建設有限公司) and Guangxi Hydro Power Construction Group Co., Ltd. (廣西水利電力建設集團有限公司), each an independent third party, have provided major maintenance services.

We regularly implement technical upgrades that improve our operational reliability. In 2012, we conducted anti-corrosion work on gates at overflow dams and checked and repaired hoisting equipment and replaced fireproof cables. We also installed dispatching equipment exclusively for our production network and conducted tests on certain field systems. These measures were aimed at improving the efficiency of the generator and have improved the project’s overall performance. For example, as a result of our vacuum oil filter upgrade, we have reduced the time it takes to filter oil by 50%.

With regard to safety, in April 2012, we commenced a development project on production safety standardization throughout Zuojiang Hydro Project and completed a series of reforms. Furthermore, in October 2013, the Nanfang Electricity Regulatory Bureau conducted a grid safety assessment in which our No. 1, 2 and 3 machine groups passed expert review.

### ***Fushi I Hydro Project***

*Background.* Fushi I Hydro Project is a 54.0 MW facility located along the Rong River (融江), downstream from the town of Fushi and near Liuzhou, an industrial city in the Guangxi Zhuang Autonomous Region where steel, automobiles and cement are produced. The project, which we commissioned, is connected to the same provincial power grid as Zuojiang Hydro Project. We believe that the principal strengths of the project are: (i) its long-term minimum-take PPA; and (ii) that, together with Zuojiang Hydro Project, it provides us with a diversification of hydrology risk within the Guangxi Zhuang Autonomous Region.

*Ownership.* The project is owned and operated through two CJVs, Fushi Dam JV which manages and operates the dam and Fushi Power JV which operates the turbine generating unit. Each joint venture was established in 1999 and expires in 2022. We hold approximately 80.0% interest in Fushi Power JV. Guangxi Investment and Liuzhou Shuye Electric Equipment Co., Ltd. (柳州市樹燁電器有限公

## BUSINESS

司) (“**Liuzhou Shuye**”) holds the remaining 18.7% and 1.3% interest, respectively, in Fushi Power JV. The ownership of the approximately 18.7% equity interest in Fushi Power JV was subject of a judgment from the Nanning Intermediate People’s Court in March 2006, according to which such 18.7% equity interest shall belong to Guangxi Investment Group Co., Ltd. (廣西投資集團有限公司). Registration with the Administration for Industry and Commerce has not been updated and Guangxi Liuzhou Rongjiang Hydropower Development Company Limited (廣西柳州融江水電開發有限責任公司) remains the holder of the said 18.7% of Fushi Power JV in the records of the Administration for Industry and Commerce. For the purpose of calculating the operating data, we use 70.0% as our effective interest in Fushi I Hydro Project, based on our equity interest in and the registered capital of Fushi Power JV and Fushi Dam JV, respectively.

Under the CJV structures, we retain all annual distributable profits of Fushi Dam JV and those of Fushi Power JV derived from the minimum take. Profits of Fushi Power JV derived from generation in excess of the minimum take are distributed 60% to GPGC and 40% to us. Under the joint venture agreement, we also have the right to receive for capital repatriation purposes an amount equivalent to all depreciation charges on the fixed assets of the CJVs until our capital investment and shareholder loans have been fully recovered. At the expiration of the CJVs, all fixed assets will be transferred to Guangxi Investment and Liuzhou Shuye for no additional consideration provided we have fully recouped our investment.

The terms of the CJVs have been based substantially on the structure of Zuojiang JV. The board of directors of each of Fushi Dam JV and Fushi Power JV consists of five directors, three of Fushi Dam JV’s directors which are appointed by us and two by Guangxi Investment and Liuzhou Shuye, respectively, and three of Fushi Power JV’s directors are appointed by us while two are appointed by Guangxi Investment and Liuzhou Shuye, respectively. We nominate the general manager and chief financial officer of both Fushi Dam JV and Fushi Power JV, while Guangxi Investment and Liuzhou Shuye nominate the deputy general manager of Fushi Dam JV and Fushi Power JV.

*Technical Description.* Fushi I Hydro Project is a 54.0 MW hydro facility consisting of 3 x 18.0 MW domestically-manufactured hydro-turbine generators, an associated dam and other civil structures. The first unit commenced commercial operation in April 2000 and the project commenced full commercial operation in June 2001. Power is transmitted at 110 kV to the Guangxi grid. The EPC was done by Guangxi Liuzhou Rong River Hydropower Development Co., Ltd. (廣西柳州融江水電開發有限責任公司). The following table shows summary historical operating data for Fushi I Hydro Project:

| <u>Summary Operating Data</u>                                  | <u>For the year ended December 31,</u> |             |                     | <u>For the four months ended April 30,</u> |             |
|--|--|-------------|---------------------|--|-------------|
|  | <u>2011</u>                            | <u>2012</u> | <u>2013</u>         | <u>2013</u>                                | <u>2014</u> |
| Average installed capacity (MW) . . .                          | 54.0                                   | 54.0        | 54.0                | 54.0                                       | 54.0        |
| Gross electricity generated (GWh) . .                          | 197.4 <sup>(2)</sup>                   | 258.9       | 254.1               | 81.6                                       | 64.0        |
| Net electricity generated (GWh) . . .                          | 191.7 <sup>(2)</sup>                   | 251.5       | 245.5               | 79.3                                       | 62.1        |
| Equivalent availability factor (%) . . .                       | 91.9                                   | 93.3        | 87.8 <sup>(1)</sup> | 89.5 <sup>(1)</sup>                        | 96.4        |
| Utilization hours . . . . .                                    | 3,656                                  | 4,794       | 4,705               | 1,511                                      | 1,186       |
| Weighted average tariff (inclusive of VAT) (RMB/kWh) . . . . . | 0.3997                                 | 0.3827      | 0.3687              | 0.3998                                     | 0.3993      |

*Note:*

(1) The equivalent availability factor dropped below 90.0% due to machinery and equipment maintenance in 2013.

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## BUSINESS

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- (2) Due to lower amounts of rainfall, Fushi Hydro Project generated less than the minimum amount of electricity to be purchased under the PPA.

*Energy Sales.* GEPC purchases power pursuant to a minimum-take PPA entered into between Fushi Power JV and GEPC with a 23-year term expiring in 2022. Under the PPA, GEPC purchases an annual minimum amount of 216 GWh. The pricing formula under the PPA is derived from a base price which is calculated on the basis of repayment of loan principal and interest, actual costs and expenses as described in the PPA and the derived price as adjusted is approved by government authorities. Pursuant to the PPA, the pricing formula can be adjusted for inflation, exchange rate fluctuations and policy taxes. Adjustments in the tariff can be made if actual costs in the previous year differ substantially from those used to calculate the tariff. All output in excess of the minimum-take is sold at a 65.0% discount to the tariff to encourage additional purchases by GEPC when water conditions permit.

*Operations and Maintenance.* Fushi I Hydro Project operates at higher capacity levels during the high water level season from April through September and maintains lower partial operations during the rest of the year. Fushi Power JV performs minor maintenance. Annual maintenance is outsourced and lasts approximately 20 days. Fushi Dam JV performs dam inspections every year. Major maintenance and overhauls, which are outsourced, are carried out every five years and last approximately 50 days. A major overhaul was last carried out on the No. 2 machine group in October 2013. During the Track Record Period, Guangxi Qinfengyu Environmental Engineering Group Co., Ltd. (廣西勤豐裕環境工程集團有限公司) and Guangxi Hydro Power Construction Group Co., Ltd., each an independent third party, have provided major maintenance services.

The last major repairs conducted on Fushi I Hydro Project were on No. 3 machine group in 2011 and on No. 2 machine group in 2013.

We regularly introduce modifications at Fushi I Hydro Project that have improved our operational reliability. In 2012, we undertook three technical upgrade projects to the monitoring system, direct current system and measuring system of the project and in 2013, we upgraded to high-pressure positive blowers. The recent upgrades increased the hydro energy utilization rate and improved the safety and reliability of our power facilities.

In addition to such upgrades, maintenance and repairs, we believe Fushi I Hydro Project meets all applicable safety standards. For instance, in October 2013, the Southern Grid conducted a grid safety assessment in which our No. 1, 2 and 3 machine groups passed expert review.

### *Mianyang Hydro Project*

*Background.* Mianyang Hydro Project is a 51.0 MW facility located in the Economic Development Zone of Mianyang, the second largest city in Sichuan province and downstream of the confluence of three rivers. The project, which we commissioned, is also located in the Sanjiang Water Control and Conservation complex, a multi-purpose project for irrigation, flood control and power generation. We believe that the principal strengths of the project are: (i) the dispatch priority for a run-of-the-river hydro facility and (ii) its location in Mianyang, a major load center of Sichuan province.

*Ownership.* The project is owned by Mianyang JV, which was established in 2002 as a CJV, expiring in 2032. We hold a 75.0% interest in Mianyang JV through a wholly-owned subsidiary, Meiya Sanjiang Hydropower Company Limited, and Mianyang Sanjiang Construction Company Ltd. (綿陽市三江建設有限公司) (“MSCC”) holds the remaining 25.0% interest in Mianyang JV.

## BUSINESS

Under the CJV structure, for the first 15 years of power generation, we retain all the profits from power sales of up to 150 GWh but from 2017 through 2032, profits from power sales up to 150 GWh are split between us and MSCC at an 80% to 20% ratio, respectively. Profits from power sales in excess of 150 GWh but below 200 GWh will be split between us and MSCC at a 40% to 60% ratio, respectively, and profits derived from power sales in excess of 200 GWh will be split between us and MSCC at a 75% to 25% ratio, respectively. We have the right to receive, for capital repatriation purposes, an amount equivalent to all depreciation charges on the fixed assets of the CJV on an annual basis until our capital investment has been recovered. At the expiry of the CJV, the fixed assets of the project will be transferred to MSCC for no additional consideration provided we have fully recouped our investment.

The board of Mianyang JV consists of five directors, three of whom are appointed by us and two by MSCC. We appoint the chairman of the board of directors and nominate the general manager and the chief financial officer of Mianyang JV while MSCC nominates the deputy general manager and deputy financial officer.

*Technical Description.* Mianyang Hydro Project is a domestically-manufactured 3 x 17.0 MW run-of-the-river hydro facility. The first 15.0 MW unit commenced commercial operation in December 2003 and full commercial operation of the remaining two units commenced in April 2004 and August 2004, respectively. In July 2007, the project was upgraded to operate as a 3 x 17.0 MW project. Power is transmitted at 110 kV to the Sichuan provincial grid. The EPC was done by Sichuan Mianyang Sanjiang Engineering Company. The following table shows summary historical operating data for Mianyang Hydro Project:

| Summary Operating Data   | For the year ended December 31, |                     |        | For the four months ended April 30, |        |
|--|---------------------------------|---------------------|--------|-------------------------------------|--------|
|  | 2011                            | 2012                | 2013   | 2013                                | 2014   |
| Average installed capacity (MW) . . .                          | 51.0                            | 51.0                | 51.0   | 51.0                                | 51.0   |
| Gross electricity generated (GWh) . .                          | 243.9                           | 261.2               | 253.7  | 41.9                                | 51.0   |
| Net electricity generated (GWh) . . .                          | 240.3                           | 257.3               | 250.0  | 41.1                                | 50.0   |
| Equivalent availability factor (%) . . .                       | 91.0                            | 89.3 <sup>(1)</sup> | 95.6   | 93.1                                | 94.4   |
| Utilization hours . . . . .                                    | 4,782                           | 5,121               | 4,975  | 821                                 | 1,001  |
| Weighted average tariff (inclusive of VAT) (RMB/kWh) . . . . . | 0.2605                          | 0.2716              | 0.2616 | 0.3811                              | 0.3792 |

*Note:*

(1) The equivalent availability factor dropped below 90.0% due to repairs made to equipment in 2012

*Energy Sales.* Power is purchased by SEPC under the reformed power regulatory framework under which Mianyang JV enters into annual PPAs with SEPC that reflect its allocated dispatch volume and tariffs. The base tariff is 0.288 RMB/kWh, which is adjusted for factors including the price charged during both peak hours and non-peak hours as well as the overall price index. As a non-adjustable hydro power plant, Mianyang enjoys the highest dispatch priority together with wind and solar power projects.

*Operations and Maintenance.* Mianyang JV performs its own operations and routine maintenance. Annual maintenance and inspections are outsourced, are generally carried out every year during the low water season between November and April and last between two to three weeks per unit. We outsource

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## BUSINESS

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major maintenance and overhauls, and we expect to perform maintenance every five years, at a minimum, depending on the condition of the equipment, with each maintenance cycle scheduled to last approximately 50 days. During the Track Record Period, Sichuan Tatian Electrical Engineering Co., Ltd., (四川拓天電氣工程有限公司), TBEA Xinjiang Transformer Factory (特變電工股份有限公司新疆變壓器廠), Sichuan Shenghui Construction and Installation Engineering Co., Ltd., (四川升輝建築安裝工程有限公司), Mianyang Sanheng Power Engineering Technology Co., Ltd. (綿陽三恒電力工程技術有限公司), Chongqing Zhendan Fire Service LLC (Mianyang Branch) (重慶震旦消防工作有限責任公司綿陽分公司) and Mianyang City Economic Development Zone Management Department (Sanjiang Engineering Hub) (綿陽市綿陽經開區三江工程樞紐管理處), each an independent third party, have provided major maintenance services. Under a facilities services agreement entered into between Mianyang JV and MSCC and a supplemental agreement between Mianyang JV, MSCC and Mianyang City Economic and Technology Development Zone Regulatory Commission (the “**Regulatory Commission**”), operation and maintenance of the associated facilities, including the dam, dykes, reservoir area, river gates and access road, will be provided by the Regulatory Commission for an annual fee of 6.0% of the revenue (exclusive of VAT) derived from power sales of up to 150 GWh. We believe the facility service arrangement is a normal commercial arrangement in the industry.

We regularly make improvements that we believe will increase the efficiency of the project. Between 2010 and 2012, we modified the tail water outlet area to lower the tail water level by 0.4 meters in the wet season and one meter in the dry season. As a result, we have increased the amount of the water head available for power generation.

### **Our cogeneration power projects in the PRC**

Cogeneration involves the production of electricity and steam using coal. The steam is used as a heat source for both industrial and domestic purposes. Cogen projects are required by NDRC Regulation No. 1268 to meet a required heat-to-power ratio to receive dispatch priority and higher allocation by local grids in the PRC. All of our cogen projects meet this requirement.

As of April 30, 2014, we have two cogen power projects in the PRC, namely, Nantong Cogen Power Project and Haian Cogen Power Project.

#### ***Nantong Cogen Power Project***

*Background.* Nantong Cogen Power Project is a 48.0 MW cogen facility located in the Nantong ETD Zone in Jiangsu province. In 1998, we acquired our interest in the then partially-constructed Phase I of Nantong Cogen Power Project, which was commissioned in 2000. In 2005, we commissioned Phase II. We believe that the principal strengths of the project are: (i) the strong and growing steam sales as the project is currently the only supplier of steam for areas in the Nantong ETD Zone where steam heating is used and (ii) the favorable power dispatch for cogen projects.

*Ownership.* The project is owned by Nantong Company, in which we have a 100.0% ownership interest through our wholly-owned subsidiaries. We acquired a 92.0% interest in the project in 1998 and acquired the remaining 8.0% from Nantong Economic and Technological Development Zone Corporation (南通市經濟技術開發區總公司) (“**NETDZC**”) in March 2003, converting Nantong Company into a wholly foreign-owned enterprise.



## BUSINESS

*Technical Description.* Phase I of Nantong Cogen Power Project is a domestically-manufactured 2 x 15.0 MW cogen facility, comprising 3 x 75 tons/hour pulverized coal steam boilers and 2 x 15.0 MW steam extraction condensing turbine generators. Phase I commenced commercial operation in June 2000. In October 2013, the 1 x 15.0 MW extraction condensing turbine of Phase I was converted to a 1 x 12.0 MW back pressure turbine generator to meet the rapid growth in steam demand. In a back pressure turbine, the coal consumption rate for power generation is reduced while the capacity of steam for sale is increased. Phase II comprises a 130 tons/hour pulverized coal steam boiler with a 15.0 MW extraction-condensing turbine generator unit and a 130 tons/hour pulverized coal boiler with a 6.0 MW back pressure turbine generator unit, built on the same location. The two Phase II units commenced commercial operations in January 2005 and May 2007, respectively. Industrial water is obtained from the nearby Yangtze River. Power is transmitted by 110 kV feeders to the Jiangsu provincial grid.

As part of the Nantong Meiya No. 3 Boiler Desulphurization Safety Improvement Project, Nantong Company has modified its No. 3 boiler to a 130 tons/hour CFB to increase its production capacity in order to meet increasing demand for the use of heat in the NETDZC. After its modification, the No. 3 boiler's steam supply capacity increased by 55 tons/hour resulting in an increase in energy savings, lower operating costs, enlargement in load adjustment coverage, reliability in operation and a reduction in nitrogen emissions. The No. 3 boiler project commenced operation in October 2013. The EPC was done by Jiangsu Construction Engineering Group Corporation (江蘇華能建設工程集團有限公司).

The following table shows our summary historical operating data for Nantong Cogen Power Project:

| <u>Summary Operating Data</u>   | <u>For the year ended December 31,</u> |             |             | <u>For the four months ended April 30,</u> |             |
|---|--|-------------|-------------|--|-------------|
|   | <u>2011</u>                            | <u>2012</u> | <u>2013</u> | <u>2013</u>                                | <u>2014</u> |
| Average installed capacity (MW) . . .                                     | 48.0                                   | 48.0        | 48.0        | 48.0                                       | 48.0        |
| Gross electricity generated (GWh) . .                                     | 159.8                                  | 278.0       | 317.2       | 97.7                                       | 99.3        |
| Net electricity generated (GWh) . . .                                     | 120.0                                  | 228.1       | 260.8       | 79.1                                       | 81.6        |
| Net steam generated ('000 tons) . . .                                     | 1,585.6                                | 1,627.2     | 1,717.5     | 648.7                                      | 631.7       |
| Equivalent availability factor (%) . . .                                  | 94.9                                   | 97.7        | 97.6        | 100.0                                      | 100.0       |
| Utilization hours . . . . .   | 3,329                                  | 5,791       | 6,609       | 2,035                                      | 2,069       |
| Net standard coal consumption rate<br>(kg/kWh) . . . . .                  | 0.3207                                 | 0.3433      | 0.3481      | 0.3402                                     | 0.3508      |
| Net coal consumption rate for steam<br>project (kg/ton) . . . . .         | 135.2                                  | 136.8       | 130.0       | 130.0                                      | 131.7       |
| Weighted average tariff – electricity<br>(inclusive of VAT) (RMB/kWh) . . | 0.5117                                 | 0.5325      | 0.5278      | 0.5340                                     | 0.5088      |
| Weighted average tariff – steam<br>(inclusive of VAT) (RMB/ton) . . .     | 213.9                                  | 213.5       | 191.2       | 197.4                                      | 184.6       |

*Energy Sales.* Power is purchased by Jiangsu Electric Power Company (江蘇省電力公司) (“JEPC”) pursuant to a framework PPA on an annual allocation basis that was renewed in March 2013 and that expires in March 2017. The major terms of the framework PPA comprise the following: (i) JEPC and Nantong Cogen Power Project will sign an annual PPA each year that will specify the basic quantity of electricity to be generated and sold by Nantong Cogen Power Project in that year; (ii) JEPC will provide monthly power generation plans to Nantong Cogen Power Project; and (iii) the tariff for the



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## BUSINESS

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basic quantity of electricity is determined by the Jiangsu provincial price administration and JEPC. Under the regulatory requirements for cogen facilities of the PRC, the annual generation allocation is determined with reference to certain steam-to-power ratios.

Steam and soft water are sold to industrial customers of the Nantong ETD Zone. Nantong Company has secured long-term steam supply agreements with major customers in the Nantong ETD Zone.

*Fuel Supply.* All of Nantong Cogen Power Project's coal requirements are purchased on the open market.

*Operations and Maintenance.* Nantong Company performs its own operations and routine maintenance. Major overhauls of the boilers and steam turbines, which are outsourced, are carried out every three to five years and last approximately 15 days. Major overhauls were last carried out in September 2013 for the No. 4 turbine set and are scheduled in 2015 for the No. 3 turbine. During the Track Record Period, Jiangsu Jiangan Group Limited (江蘇江安集團有限公司), Jiangsu Huaneng Construction Engineering Group Limited (江蘇華能建設工程集團有限公司), Xinyang Power Construction Co., Ltd. (新洋電力建設有限公司), Xinzhong Environmental Joint Stock Co., Ltd. (新中環保股份有限公司) and Shanghai Dongfang Electric Installation Company (Nantong Branch) (上海東方電力工程安裝公司南通分公司), each an independent third party, have provided major maintenance services.

In addition, we have made improvements to increase the efficiency of Nantong Cogen Power Project. We converted one of the 15.0 MW turbo-generating units into a back-pressure type, which increased steam production and also converted lowered power generation heat rates and two of the electric-drive boiler feed pumps into steam-turbine drive pumps. We also converted selected industrial electric-drive draft fans into variable speed using frequency modulation techniques. We have also implemented multiple measures to conserve and recycle water including the addition of a de-watering and recycling silo for boiler bottom ash and a direct recycling system for the project's cooling water.

### *Haian Cogen Power Project*

*Background.* Haian Cogen Power Project is a 27.0 MW cogen facility located in the Haian ETD Zone in Jiangsu province. We believe that the principal strengths of the project are: (i) its capability to not only generate power but also to focus on heat supply, thereby serving the purposes of energy saving and emission reduction and (ii) the broader application of its fluidized-bed boilers, which are capable of burning low heat content coal of lesser quality, such as feed slurry, anthracite and lignite, thereby making composite utilization possible and reducing fuel costs.

*Ownership.* The project is wholly-owned by Haian Meiya Cogeneration Co., Ltd. (海安美亞熱電有限公司) ("**Haian Cogen**"), a WFOE established in 2002 in which we hold a 100.0% interest.

*Technical Description.* Haian Cogen Power Project is a domestically-manufactured 2 x 15.0 MW coal-fired cogen project originally comprising 3 x 75 tons/hour CFB boilers and 2 x 15.0 MW condensate extraction steam turbine generator units, with space allocated for future expansion. The project commenced commercial operation in August 2005. In 2012, our Company converted Unit 2 into a back-pressure turbine, modifying the installed capacity to 27.0 MW. The CFB boilers installed at Haian Cogen Power Project can process coal of varying quality, reducing coal costs and reliance on high-quality coal. As for desulphurization, the approach currently adopted by our Company is direct combustion of limestones. In keeping with the emission requirements under the emission standards on atmospheric pollutants from thermal power projects, our Company plans to install and commission a

## BUSINESS

new facility for desulphurization and denitrification and upgrade existing electrostatic precipitators for particulate matter removal by the end of 2014. The EPC was done by Shanghai Machinery Complete Equipment Group Engineering Co., Ltd. (上海市機械設備成套集團工程有限公司) and Shanghai Electric Group Company Limited (上海電氣(集團)總公司). The following table shows our summary historical operating data for Haian Cogen Power Project:

| <u>Summary Operating Data</u>   | <u>For the year ended December 31,</u> |             |             | <u>For the four months ended April 30,</u> |             |
|---|--|-------------|-------------|--|-------------|
|   | <u>2011</u>                            | <u>2012</u> | <u>2013</u> | <u>2013</u>                                | <u>2014</u> |
| Average installed capacity (MW) . . .                                     | 30.0                                   | 30.0        | 27.0        | 27.0                                       | 27.0        |
| Gross electricity generated (GWh) . .                                     | 124.5                                  | 127.6       | 151.5       | 49.2                                       | 48.4        |
| Net electricity generated (GWh) . . . .                                   | 109.4                                  | 112.6       | 133.5       | 43.4                                       | 42.5        |
| Net steam generated ('000 tons) . . . .                                   | 429.2                                  | 427.9       | 454.6       | 143.0                                      | 148.7       |
| Equivalent availability factor (%) . . .                                  | 97.9                                   | 99.9        | 99.8        | 100.0                                      | 100.0       |
| Utilization hours . . . . .   | 4,150                                  | 4,253       | 5,611       | 1,821                                      | 1,793       |
| Net standard coal consumption rate<br>(kg/kWh) . . . . .                  | 0.4261                                 | 0.4149      | 0.4497      | 0.4623                                     | 0.4202      |
| Net coal consumption rate for steam<br>project (kg/ton) . . . . .         | 162.5                                  | 161.2       | 158.7       | 154.1                                      | 160.7       |
| Weighted average tariff – electricity<br>(inclusive of VAT) (RMB/kWh) . . | 0.5103                                 | 0.5340      | 0.5272      | 0.5340                                     | 0.5090      |
| Weighted average – steam tariff<br>(inclusive of VAT) (RMB/ton) . . .     | 209.2                                  | 211.6       | 202.4       | 206.0                                      | 192.5       |

*Energy Sales.* Power generated by Haian Cogen Power Project is purchased by JEPC pursuant to a framework PPA, which expires on November 30, 2017. The major terms of the framework PPA comprise the following: (i) JEPC and Haian Cogen Power Project will sign an annual PPA each year that will specify the basic quantity of electricity to be generated and sold by Haian Cogen Power Project in that year; (ii) JEPC will provide monthly power generation plans to Haian Cogen Power Project; and (iii) the tariff for the basic quantity of electricity shall be approved by the Jiangsu provincial price administration and the tariff for electricity produced in excess of the basic quantity shall be agreed between JEPC and Haian Cogen Power Project.

Steam is sold to the industrial enterprises of the Haian ETD Zone. Haian Cogen has secured long-term supply agreements with various customers in the Haian ETD Zone. Steam tariff adjustments are administered as per the documentation from the Haian county pricing bureau. The latest steam tariff adjustment was on September 16, 2013, with the approved tariff at RMB186 per ton of steam (inclusive of VAT).

*Fuel Supply.* Haian Cogen Power Project's coal requirements are purchased on the open market.

*Operations and Maintenance.* Haian Cogen Power Project performs its own operations and routine maintenance. During the Track Record Period, Jiangsu Yancheng Electric Power Construction Co., Ltd. (江蘇省鹽城市電力建設有限公司) and Shanghai Dongfang Electric Installation Company (Nantong Branch), each an independent third party, have provided major maintenance services.

## BUSINESS

### Our steam project in the PRC

#### *Jinqiao Steam Project*

*Background.* Jinqiao Steam Project is a steam-producing facility located in Shanghai and has franchise rights to supply steam throughout the Jinqiao EPZ in Pudong, Shanghai. The project was our first investment in the PRC. Jinqiao Steam Project has contracts to supply 62 industrial and commercial enterprise customers with a total contracted volume of 361.7 tons/hour of steam as of April 30, 2014. We believe that the principal strengths of the project are: (i) its location in one of the PRC's leading economic development zones; (ii) its exclusive franchise to supply steam to the commercial tenants in Jinqiao EPZ; and (iii) steam tariffs that allow for the pass-through of fuel costs.

*Ownership.* The project is owned by Jinqiao JV, which was established in 1995 as an EJV expiring in 2025. We hold a 60.0% interest in Jinqiao JV through our wholly-owned subsidiaries and Shanghai Jinqiao Heat Power Co. Ltd. (上海金橋熱力有限公司) (“**SJHP**”) holds the remaining 40.0% interest in Jinqiao JV. SJHP is a domestic joint venture that is 40.0% owned by the Shanghai Jinqiao (Group) Company (上海金橋(集團)有限公司) (“**JEGC**”) and 60.0% by the Shanghai Material Trading Co., Ltd. (上海物資貿易股份有限公司) (“**SMTC**”). JEGC is a state-owned company responsible for the development of the Jinqiao EPZ. SMTC is a company listed on the Shanghai Stock Exchange.

The board of directors of Jinqiao JV consists of nine directors, five of whom are appointed by us and four by SJHP. We nominate the general manager and chief financial officer of Jinqiao JV while the two deputy general managers are nominated by SJHP.

After the expiration of the joint venture contract, the assets shall be liquidated and after the settlement of all outstanding obligations and liabilities of the joint venture, each party to the JV contract will receive liquidated assets of the joint venture in proportion to the ratio of share capital contribution.

*Technical Description.* Jinqiao Steam Project has a gross capacity of 295 tons/hour, comprising a 2 x 50 tons/hour oil-fired steam generation facility, 3 x 10 tons/ hour, oil-fired boilers, a 3 x 20-tons/hour coal-fired boiler facility and a 3 x 35 tons/hour coal-fired circulating fluid bed facility. The following table shows our summary historical operating data for Jinqiao Steam Project:

| Summary Operating Data   | For the year ended December 31, |       |       | For the four months ended April 30, |       |
|--|---------------------------------|-------|-------|-------------------------------------|-------|
|  | 2011                            | 2012  | 2013  | 2013                                | 2014  |
| Net steam generated ('000 tons) . . . . .                              | 661.2                           | 631.9 | 572.0 | 251.0                               | 239.9 |
| Net coal consumption rate for steam project (kg/ton) . . . . .         | 143.1                           | 137.7 | 139.7 | 137.0                               | 136.5 |
| Weighted average tariff – steam (inclusive of VAT) (RMB/ton) . . . . . | 264.0                           | 279.2 | 254.8 | 255.5                               | 254.5 |

*Steam Sales.* Jinqiao JV has entered into long-term steam supply agreements with all of its customers of steam energy in the Jinqiao EPZ. The tariff is made up of two components comprising a fixed basic charge, which depends on the contracted value and ranges from RMB6,500 to RMB10,000 per ton per month and a steam tariff. The weighted average steam tariff for the year ended December 31, 2013 was RMB254.8 per ton, which includes a desulphurization fee of RMB10.0 per ton required by the Shanghai government and is adjusted every three months to reflect changes in coal and oil

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## BUSINESS

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prices. In addition, each customer pays a one-time connection charge of RMB0.44 million per ton to initially connect to Jinqiao Steam Project's steam supply network. Customers also pay an additional charge in the event contracted capacity is increased. Steam volume was generally stable and without significant fluctuation over the Track Record Period.

*Fuel Supply.* Jinqiao JV sources its fuel requirements of coal, heavy oil and light oil from market purchases and short-term agreements.

*Operations and Maintenance.* Jinqiao JV performs its own operations and routine maintenance. Minor maintenance is carried out several times each year and lasts approximately 10 to 15 days. Major maintenance, which is outsourced and lasts approximately 20 days, is scheduled to be carried out every three years for coal-fired boilers and every five years for oil-fired boilers. During the Track Record Period, Shanghai Jinwei Environmental Testing Technology Co., Ltd. (上海經威環境檢測技術有限公司), Shanghai Dayu Power Equipment Maintenance and Installation Co., Ltd. (上海大宇電力設備檢修安裝有限公司) and Yixing City Guojiao Furnace Engineering Co., Ltd. (宜興市國窖爐業工程有限公司), each an independent third party, have provided major maintenance services.

We initiated several improvements including water desalination and reusing stoke boiler bottom slag/ash through a slag/ash cycle combination system that we have also patented.

### OUR POWER PROJECTS IN KOREA

#### *Korea Power Project Overview*

As of April 30, 2014, we had three power projects in Korea as well as two fuel cell projects. We have traditionally reinvested our Korean earnings into new developments in Korea, as illustrated by the commencement of combined cycle operations at the Yulchon II Power Project in April 2014.

#### *Yulchon I Power Project and Yulchon I Fuel Cell Project*

*Background.* Yulchon I Power Project is a 577.4 MW gas-fired combined cycle power project with an intermediate to peaking facility located at the Yulchon Industrial Complex, Jeollanam-do, in the southern part of the Korean peninsula. Development of Yulchon I Power Project was initiated in 1996, and we acquired the then partially-developed power project in December 2002.

We believe that the principal strengths of Yulchon I Power Project are its long-term PPA with KEPCO and the addition of the environmentally friendly Yulchon I Fuel Cell Project with full dispatch priority. The Yulchon I Fuel Cell Project consists of 10.4 MW of fuel cell projects. In August 2009, we commenced commercial operation of the 4.8 MW fuel cell project and in December 2011, we commenced commercial operation of the 5.6 MW fuel cell project.

*Ownership.* Yulchon I Power Project and Yulchon I Fuel Cell Project are wholly-owned by the Yulchon Company, a joint-stock company established in Korea on July 28, 2009 as a result of a spin-off from MPC Korea, a company established in 1996.

*Technical Description.* Yulchon I Power Project is a 577.4 MW gas-fired combined-cycle facility. It consists of two Siemens combustion turbines/generators, two heat recovery steam generators and one Siemens steam turbine/generator. The project uses a seawater cooling system. The combustion turbines fire LNG as the primary fuel with diesel oil as a backup fuel. Natural gas is transported to Yulchon I

## BUSINESS

Power Project from an existing KOGAS LNG governor station approximately 2 kilometers away. The project commenced simple-cycle operations in July 2004 and became a combined-cycle operation in July 2005. Hyundai Engineering & Construction Co., Ltd. was the EC contractor.

Yulchon I Fuel Cell Project consists of two DFC3000 2.4 MW fuel cell units and two DFC3000 2.8 MW fuel cell units, all manufactured by an American company, Fuel Cell Energy. A fuel cell is a non-combustion electrochemical device that converts hydrogen and oxygen into electricity and heat. Fuel cell output is DC power that is transformed to AC power through an inverter. After converting the input energy to electrical energy with approximately 47.0% efficiency, the remaining 53.0% of the total input energy discharged to the exhaust in the form of heat. This waste heat is recovered with a heat recovery unit and the steam produced by the heat recovery unit is supplied to the existing combined cycle power project for better energy efficiency and environmental benefits. The EPC for the 4.8 MW fuel cell project was done by Posco Engineering and Construction Co., Ltd. The EPC for the 5.6 MW fuel cell project was done by Posco Energy Co., Ltd.

The following table shows our summary historical operating data for Yulchon I Power Project and Yulchon I Fuel Cell Project on a consolidated basis:

| <u>Summary Operating Data</u>                                  | <u>For the year ended December 31,</u> |             |             | <u>For the four months ended April 30,</u> |             |
|--|--|-------------|-------------|--|-------------|
|  | <u>2011</u>                            | <u>2012</u> | <u>2013</u> | <u>2013</u>                                | <u>2014</u> |
| Average installed capacity (MW) . . .                          | 582.2                                  | 587.8       | 587.8       | 587.8                                      | 587.8       |
| Gross electricity generated (GWh) . .                          | 2,766.6                                | 3,174.3     | 3,469.7     | 1,010.3                                    | 996.1       |
| Net electricity generated (GWh) . . .                          | 2,700.7                                | 3,103.4     | 3,396.0     | 988.4                                      | 976.0       |
| Equivalent availability factor (%) . . .                       | 88.8 <sup>(1)</sup>                    | 92.8        | 93.6        | 93.5                                       | 96.8        |
| Utilization hours . . . . .                                    | 4,752                                  | 5,400       | 5,903       | 1,719                                      | 1,695       |
| Net gas consumption rate (Nm <sup>3</sup> /kWh) . . . . .      | 0.1736                                 | 0.1747      | 0.1725      | 0.1754                                     | 0.1783      |
| Weighted average tariff (inclusive of VAT) (KRW/kWh) . . . . . | 149.3                                  | 166.9       | 162.2       | 170.4                                      | 184.6       |

*Note:*

(1) The equivalent availability factor dropped below 90.0% due to the inspection of two gas turbines in 2011.

*Energy Sales.* Power generated by Yulchon I Power Project's gas-fired project is purchased by KEPCO pursuant to a long-term PPA entered into in September 1996. The PPA has a term of 20 years from the date of combined-cycle commercial operation and expires on June 30, 2025, under which we have not experienced any payment delays.

The tariff is comprised of a capacity charge, an energy charge and a start-up charge. The capacity charge is a fixed charge and is adjusted regularly to reflect changes in the Korean producer price index, corporate tax rates and interest rate. The energy charge references the price at which Yulchon Company purchases gas from KOGAS for that month for the Yulchon I Power Project. The start-up charge is a contracted charge for each start-up of the plant.

In regards to Yulchon I Fuel Cell Project, our aggregate 4.8 MW fuel cell units will receive a fixed price of 274.06 KRW/kWh until August 2024, which is the renewable energy standard price applicable to this project. The tariff for electric power generated from our aggregate 5.6 MW fuel cell

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## BUSINESS

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units is at the system marginal price. See “*Appendix V – Summary of Principal Legal and Regulatory Provisions in the PRC and Korea – Korea Regulatory Overview – Power Industry in Korea – Electricity Purchase*”.

In April 2010, the Korean National Assembly passed an amendment bill to the Renewable Energy Act which went into effect in January 2012 and introduced the RPS. According to the Renewable Energy Act, power projects in Korea which have a capacity over 500 MW measured at 30 degrees Celsius are required to supply a minimum percentage of power generated through new and renewable energy, as defined in the Renewable Energy Act. As a result, to meet the requirements of the Renewable Energy Act, Yulchon Company is required to submit RECs which can be acquired by either operating new or renewable energy projects or purchasing RECs from the open market. New and renewable power projects receiving subsidies from the Korean government under the renewable energy standard price scheme, such as our existing 4.8 MW fuel cell project, are not eligible to receive the RECs generated, whereas our 5.6 MW fuel cell project is eligible. Instead, RECs generated by our 4.8 MW project will be issued to the Korean government. Until now, we have been able to meet the renewable energy generation requirements pursuant to the Renewable Energy Act with the RECs issued from our 5.6 MW fuel cell project.

*Fuel Supply.* The Yulchon Company has fuel supply agreements for Yulchon I Power Project, Yulchon I Fuel Cell Project and Yulchon II Power Project with KOGAS which are take-or-pay agreements with a defined monthly contracted quantity. Gas for Yulchon I Fuel Cell Project is supplied by the fuel supply agreement for Yulchon I Power Project, as the contract volumes provided in the fuel supply agreement are inclusive of gas required for the Yulchon I Fuel Cell Project, although the agreement itself does not explicitly refer to Yulchon I Fuel Cell Project. The fuel supply agreement for Yulchon I Power Project commenced on September 30, 2009 and expires on June 30, 2025. The fluctuation in gas price is largely absorbed by KEPCO, the offtaker for Yulchon I Power Project, through the monthly energy charge pass through provisions built into the tariff governed by the PPA.

*Operations and Maintenance.* During the Track Record Period, planned maintenance for the gas turbines and steam turbines of Yulchon I Power Project was generally carried out at every 900 equivalent starts or at every 24,000 equivalent base hours, whichever came earlier, and took 14 days for hot gas path inspection (“**HGPI**”) and 28 days for major inspection under a long term service agreement (“**LTSA**”) with ALSTOM Korea Ltd, an independent third party. Planned maintenance for steam turbine was most recently carried out in October 2011.

LTSAAs for the entire fuel cell facilities of Yulchon I Fuel Cell Project, except the transmission line, have been executed by POSCO Energy. As such, POSCO Energy has agreed to provide all routine and planned maintenance for both the 4.8 MW and 5.6 MW fuel cell projects for 15 years under each LTSA. No separate operations and maintenance staff for the fuel cell projects are required as our existing operations and maintenance staff for Yulchon Power Projects are capable of handling operations and maintenance for the fuel cell projects.

### ***Yulchon II Power Project***

*Background.* Yulchon II Power Project is a 946.3 MW gas-fired combined cycle power project located adjacent to Yulchon I Power Project at the Yulchon Industrial Complex, Jeollanam-do, in the southern part of the Korean peninsula. Development of Yulchon II Power Project was initiated in 2011. The total capital investment was approximately U.S.\$805.8 million which we funded with loans of U.S.\$602.2 million and cash of U.S.\$203.6 million.



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## BUSINESS

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Yulchon II Power Project achieved simple cycle COD in June 2013 and combined cycle COD in April 2014. We incurred interest expense, depreciation and other expenses but did not generate a significant amount of revenue in relation to Yulchon II Power Project for the four months ended April 30, 2014 due to the construction of the combined cycle operations for Yulchon II Power Project.

We believe that the principal strength of the project is its use of highly efficient equipment which we expect will provide the project with a competitive advantage.

*Ownership.* The project is wholly-owned by Yulchon Company, a joint stock company established in Korea on July 28, 2009.

*Technical Description.* Yulchon II Power Project is a 946.3 MW gas-fired combined-cycle facility. It consists of two combustion turbines/generators, two heat recovery steam generators and one steam turbine/generator. The project uses a seawater cooling system and the combustion turbines fire liquefied natural gas. Natural gas is transported to Yulchon II Power Project from an existing KOGAS LNG governor station approximately 2 kilometers away. Yulchon II Power Project commenced simple cycle operations in June 2013 and combined-cycle operations in April 2014. The EPC was done by Hyundai Engineering & Construction Co., Ltd.

The following table shows our summary historical operating data for Yulchon II Power Project:

| <u>Summary Operating Data</u>                                  | <b>For the year<br/>ended<br/>December 31,<br/>2013</b> | <b>For the four<br/>months<br/>ended April 30,<br/>2014</b> |
|--|---|---|
| Average installed capacity (MW) . . . . .                      | 317.1 <sup>(1)</sup>                                    | 327.6 <sup>(1)</sup>  |
| Gross electricity generated (GWh) . . . . .                    | 383.6   | 62.6  |
| Net electricity generated (GWh). . . . .                       | 376.1   | 61.1  |
| Equivalent availability factor (%). . . . .                    | 94.5  | 98.5  |
| Utilization hours . . . . .                                    | 1,210   | 191   |
| Net gas consumption rate (Nm <sup>3</sup> /kWh). . . . .       | 0.2615  | 0.3566  |
| Weighted average tariff (inclusive of VAT) (KRW/kWh) . . . . . | 234.7   | 206.9   |

*Note:*

- (1) The average installed capacity, which is the aggregate daily consolidated installed capacity for a period divided by the number of days in the period, increased from the year ended December 31, 2013 to the four months ended April 30, 2014. Simple cycle operation commenced in June 2013 and continued through February 2014, shutting down in March 2014 for construction until the commencement of combined cycle operations on April 29, 2014. As a result, the average installed capacity for the year ended December 31, 2013 is lower than that for the four months ended April 30, 2014.

*Energy Sales.* Power generated by Yulchon II Power Project is purchased by the KPX pursuant to the Power Market Operation Rules. In accordance with the Electricity Business Act in Korea, power market and power grid operation and trade of electricity are delegated to the KPX and all detail procedures are stipulated in the Power Market Operation Rules. Yulchon II Power Project tariff is comprised of capacity payment and the system marginal price. System marginal price is the variable cost of the generation unit that is the last to receive the dispatch order for such hour, which also generally represents the most expensive price at which electricity can be supplied at a given our based



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## BUSINESS

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on the demand and supply for such hour. The capacity payment is dependent on whether the project is available for generation regardless of actual generation and the system marginal price is determined by the KPX by surveying the generation cost of all power generators.

*Fuel Supply.* The Yulchon Company has a fuel supply agreement for Yulchon II Power Project with KOGAS which are take-or-pay agreements with a defined monthly contracted quantity. The fuel supply agreement for Yulchon II Power Project was executed on January 28, 2013 and expires on December 31, 2033.

*Operations and Maintenance.* During the Track Record Period, planned maintenance for the gas turbines at the Yulchon II Power Project was generally carried out at approximately every 450 equivalent starts or at every 12,000 actual operating hours, whichever came earlier, and took 12 days for combustion inspection, 21 days for HGPI and 34 days for major inspection under our LTSA with Mitsubishi Hitachi Power Systems, Ltd. (“MHPS”), an independent third party. Maintenance for steam turbines, which is not part of the work scope under the LTSA with MHPS, is expected to be carried out in accordance with the general practice of the power industry for this kind of steam turbine.

### *Daesan I Power Project*

*Background.* Daesan I Power Project is a 507.0 MW oil-fired combined cycle facility located in the Daesan industrial complex in the western part of Korea approximately 150 kilometers from Seoul. Daesan I Power Project began commercial operation in 1998, although we acquired the project from Hyundai Heavy Industries in August 2009. The project, consisting of four gas turbines and a steam turbine, supplies electricity to the Korean power grid. The project switched to diesel oil from low sulfur waxy residue as its main fuel on August 5, 2009 to meet new environmental requirements that became effective on January 1, 2010. We believe that the principal strengths of the project are: (i) stable revenue from capacity payments; (ii) operations and maintenance synergy by sharing of management expertise with Yulchon Company; and (iii) potential for a future gas-fired power combined-cycle power project.

*Ownership.* The project is wholly-owned by Daesan Company, a joint stock company established in April 2009 and incorporated under the laws of Korea. We own Daesan Company through our wholly-owned subsidiary, MPC Korea Holdings Co., Ltd.

*Technical Description.* The project includes four Westinghouse 501D5 combustion turbines, four dual pressure, non-reheat duct fired heat recovery steam generators and one axial exhaust steam turbine with water cooled generator. The project, which was originally designed and constructed to produce both heat and electricity, has been operated and maintained in accordance with the guidelines of the equipment manufacturer and industry standards. Recently, however, Daesan I Power Project has become less competitive as the cost of its fuel, diesel oil, has increased substantially.

## BUSINESS

The following table shows summary historical operating data for Daesan I Power Project:

| Summary Operating Data   | For the year ended December 31, |        |        | For the four months ended April 30, |                    |
|--|---------------------------------|--------|--------|-------------------------------------|--------------------|
|  | 2011                            | 2012   | 2013   | 2013                                | 2014               |
| Average installed capacity (MW) . . .                          | 507.0                           | 507.0  | 507.0  | 507.0                               | 507.0              |
| Gross electricity generated (GWh) . .                          | 167.7                           | 365.2  | 242.3  | 62.8 <sup>(1)</sup>                 | 9.8 <sup>(1)</sup> |
| Net electricity generated (GWh) . . .                          | 167.7                           | 365.2  | 242.3  | 62.8 <sup>(1)</sup>                 | 9.8 <sup>(1)</sup> |
| Equivalent availability factor (%) . . .                       | 100.0                           | 97.8   | 96.8   | 93.0                                | 97.3               |
| Utilization hours . . . . .                                    | 331                             | 720    | 478    | 124                                 | 19                 |
| Oil consumption rate (liters/kWh) . .                          | 0.3013                          | 0.2767 | 0.2798 | 0.2831                              | 0.2904             |
| Weighted average tariff (inclusive of VAT) (KRW/kWh) . . . . . | 453.2                           | 495.9  | 458.5  | 485.5                               | 452.8              |

*Note:*

- (1) Gross and net electricity generated decreased for the four months ended April 30, 2013 as compared to the four months ended April 30, 2014 as the Daesan I Power Project generated less electricity between January 2014 and April 2014 due to a lack of demand for electricity and low dispatch priority.

*Energy Sales.* The project receives system marginal price and capacity payments as its tariffs according to the Power Market Operation Rules. System marginal price is the variable cost of the generation unit that is the last to receive the dispatch order for such hour, which also generally represents the most expensive price at which electricity can be supplied at a given hour based on the demand and supply for such hour. Capacity payments are determined in accordance with Power Market Operation Rules, dependent on whether the generator is available for dispatch, regardless of actual dispatch. The total capacity payment for the year ended December 31, 2013 and for the four months ended April 30, 2014 was approximately KRW32 billion and approximately KRW11 billion, respectively.

Daesan Company is not subject to the regulations of the RPS given that the installed capacity of Daesan I Power Project is 465.8 MW measured at 30 degrees Celsius<sup>(1)</sup>, which is lower than the RPS threshold of 500 MW measured at 30 degrees Celsius.

*Fuel Supply.* We have a diesel oil supply agreement with Hyundai Oilbank and purchase diesel oil at a price based on the average sales price of four major domestic refinery companies in Korea.

*Operations and Maintenance.* Our staff operates and maintains the entire project. Routine maintenance is performed with the support of an outsourcing company. Planned maintenance may be outsourced as necessary. During recent years, the project has been dispatched frequently to meet power demand during peak times and peak seasons due to the tight reserve margin in Korea. However, it is expected that utilization hours will decrease due to improved reserve margin in the future.

(1) The Daesan I Power Project has a rated installed capacity of 507.0 MW measured at 15 degrees Celsius. The industry common practice is to quote the rated installed capacity measure at 15 degrees Celsius. However, for the Korean government's purposes, installed capacities are measured at 30 degrees Celsius to better indicate the power generation capacity during the summer peak demand period.

## BUSINESS

### OUR POWER PROJECTS UNDER CONSTRUCTION/EXPANSION

We consider our project investments or acquisitions carefully. Each project must be consistent with our strategy to develop power projects with strong fundamentals in markets with opportunities for growth. The process of identifying potential opportunities, obtaining government approvals, completing construction and commencing commercial operation is lengthy. We believe that we have the expertise required to identify promising projects and to secure the required government approvals.

We have a dedicated team that identifies investment opportunities. When we identify an opportunity to develop a new power project or acquire an existing one, we conduct a study to determine if the opportunity is consistent with our overall business strategy. We may also consider undertaking development of a potential project with a partner if doing so would result in more efficient use of our capital resources or would facilitate its development. In addition, we consider the following factors, among others: the growth of electricity demand in the region where the proposed power project is located; the increase in supply of electricity in the local area, including the addition of new generation capacity; the average tariff of power projects of similar types and capacity; sources of fuel supply; the related transportation channels and the respective costs; and the proximity of the local load center and connection to the local power grid. Based on a preliminary analysis, the senior management prepare and submit initial project investment proposals to our Investment and Risk Management Committee for project evaluation, being a sub-group of our Directors, and thereafter an in-depth feasibility study and final investment proposal is prepared and submitted to our Board for their approval.

#### Our power projects under construction/expansion

The following table sets forth a summary of our power project under construction/expansion as of April 30, 2014:

| Name  | Location     | Projected<br>COD <sup>(1)</sup> | Project<br>Description  | Planned<br>Total<br>Installed<br>Capacity<br>(MW) | Ownership<br>(%) | Incremental<br>Gross<br>Installed<br>Capacity<br>Upon COD<br>(MW) | Incremental<br>Attributable<br>Installed<br>Capacity<br>Upon COD<br>(MW) |
|---|--------------|---------------------------------|---|---|------------------|---|--|
| <b>Hydro</b>  |              |                                 |   |   |                  |   |  |
| Fushi II . . . . .  | Guangxi, PRC | December<br>2014                | 18.0 MW<br>hydro facility<br>adjacent to<br>existing Fushi I<br>Hydro Project<br>site | 18.0  | 100.0            | 18.0  | 100.0  |
| <b>Total</b>  |              |                                 |   |   |                  | <u>18.0</u>   | <u>18.0</u>  |
| <b>Total projects in commercial operation and projects under construction/expansion . . . . .</b> |              |                                 |   |   |                  | <u>5,005.8</u>  | <u>3,677.5</u>   |

*Note:*

(1) COD represents the commercial operation date.

In addition to the projects set forth in the table above, we have recently purchased seven parcels of land adjacent to Daesan I Power Project on which we intend to develop Daesan II Power Project. We are currently in preliminary stages of the development of the proposed Daesan II Power Project and

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## BUSINESS

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expect to finance the equity portion of the project with profits generated by and to be generated by our Korean operations. Furthermore, we intend to expand our Nantong Power Project by adding a coal-fired boiler and back-pressure steam turbine, which is expected to begin construction in 2016.

### POWER PROJECT PIPELINE

Our asset acquisition policy is generally structured with the intention to maximize shareholder value by focusing on acquisitions that have a record of positive growth and cash flow and will complement our existing asset portfolio. In support of this strategy, we intend to acquire non-nuclear clean and renewable power projects from CGN with an aggregate installed capacity of 3.0 GW to 5.0 GW in several batches within the next four years. For details regarding CGN's non-nuclear clean and renewable power projects for which we have acquisition rights, see "*Appendix III – CGN Group Projects*". See "*Risk Factors – Risks Relating to our Business and Industry – We may not be able to expand our business effectively through acquisitions, investments and alliances and there can be no assurance that all or any of our proposed acquisitions, investments or alliances will be consummated on commercially acceptable terms, if at all*" and "*Risk Factors – Risks Relating to our Business and Industry – Development and acquisition of new power projects may be subject to various regulatory approvals and there can be no assurance that these regulatory approvals will be obtained in time or at all*".

When implementing our plan to acquire non-nuclear clean and renewable power projects from CGN with an aggregate installed capacity of 3.0 GW to 5.0 GW in several batches in the next four years, we intend to select projects from CGN that meet our investment criteria and we may acquire a combination of project development rights, projects under construction or operational projects from CGN. Specifically, our asset acquisition policy requires a target equity internal rate of return of 12.0% for overseas projects and 10.0% for PRC projects. We intend to undertake the first batch of acquisition before the end of 2015 and other batches from 2015 to 2018, subject to compliance with applicable regulatory requirements and the Listing Rules. When making the acquisitions, we may acquire the relevant assets as well as the relevant management personnel, or we may initially entrust the management of the acquired projects with management personnel from the CGN Group. We intend to support the funding required to make such acquisitions from a combination of equity fundraising (such as rights issue and new share placements), debt financing (such as bank loan financing and bond issuance), issue of consideration Shares to the CGN Group and our internal cashflow and resources, depending on the prevailing market terms for these fundraising options and capital market activities. Whilst our high level of indebtedness with a net debt/equity ratio of 3.06 as of April 30, 2014 may initially reduce our ability to incur further debts to fund the acquisitions, when we acquire operational power generation projects from CGN, as these projects would be generating cashflow and earnings, this is expected to increase our overall cashflow and earnings potential and therefore enabling us to take on more debts. Moreover, we will raise fund and pay the acquisition consideration with the various methods mentioned in order to achieve an optimal mix of sources of funding and a healthy and sustainable indebtedness level.

As we plan to achieve the above expansion in installed capacity within four years, we would exercise our acquisition rights to acquire projects from CGN in several batches and accordingly we will incur costs for such acquisitions during this period. The unit capital expenditure for wind, solar and hydro projects are approximately RMB7,500 (equivalent to approximately US\$1,220) to RMB10,000 (equivalent to approximately US\$1,630) per kW. Assuming the weighted average unit capital expenditure is approximately RMB8,500 (equivalent to approximately US\$1,380) per kW and the total asset value of 3.0 GW to 5.0 GW of renewable power projects from CGN amounts to approximately US\$4 billion to US\$7 billion. In addition, assuming that the projects are financed 70% through debt

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## BUSINESS

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and 30% through equity, the equity consideration to acquire such projects is approximately US\$1 billion to US\$2 billion. The actual total acquisition costs to be incurred by us would ultimately depend on the mix of power projects that we acquire from CGN to achieve the expansion in the aggregate installed capacity of 3.0 GW to 5.0 GW, the negotiations between CGN and us on the terms for each acquisition which will be conducted on an arm's length basis, and compliance with applicable regulatory requirements including requirements under the Listing Rules and the requirements of SASAC on disposal of state-owned assets.

In addition to our strategy of selectively exercising acquisition rights to acquire the equity interests in all of CGN's controlled non-nuclear clean and renewable power projects, we are also in the preliminary stage of the proposed acquisition of a third party owned pipeline project.

As in the case with the acquisition of CGN non-nuclear clean and renewable power projects, the consummation of third party acquisitions is subject to a variety of factors including market conditions, business and financial needs, relevant regulatory approvals and independent Shareholders approval, as required under the Listing Rules, if applicable. Below is a summary of the status of our current proposed acquisition pipeline project, which is subject to change or be eliminated at our management's discretion.

- We have entered into a joint development agreement with an independent third party to jointly develop, subject to relevant regulatory approvals, certain wind power assets in Xinjiang Uyghur Autonomous Region of the PRC. The total planned installed capacity is 300 MW, of which the 49.5 MW Phase I is in its final stage of obtaining the relevant permit. We expect this Xinjiang Project, if consummated, would require a total investment of approximately RMB430 million for Phase I. Based on our experience in similar projects, we expect that the total investment will be financed by a mixture of debt and equity, in the approximate ratio of 60:40. For details, please see the section headed "*Financial Information – Proposed Acquisition*" of this prospectus.

For all of our potential third party acquisitions, we generally work with local companies to assist with various aspects of the acquisition including, identification of potential projects, obtaining local and regional regulatory approvals, execution of the acquisition, efficient integration of the new business and training and retention of qualified personnel to facilitate a smooth transition.

In addition to our current pipeline project, we are continually reviewing investment opportunities both regionally and globally and may replace or supplement any projected pipeline investment with another, or even entirely terminate any potential acquisition opportunity, pending market conditions and management review.

We currently expect that funding to support our intended acquisition strategy will come from a combination of the sale of equity shares and cash on hand.

### **POWER PROJECTS UNDER MANAGEMENT**

After the Reorganization, we started to provide management services to 27 power generation projects (four of which are either under construction or will commence construction) in which CGN Energy and CGNPC Huamei have interests, including hydro (including pumped storage), coal-fired, wind and cogen power projects, as well as to XTI, an investment holding company holding some of the 27 power generation projects in which Huamei Holding has interests.

## BUSINESS

The following table sets forth a summary of the power generation projects for which we provide management services:

| Name                         | Location            | CGN ownership | Gross installed capacity in operation <sup>(5)</sup> | Attributable installed capacity in operation <sup>(5)</sup> | Gross installed capacity under construction or to be constructed <sup>(5)</sup> | Attributable installed capacity under construction or to be constructed <sup>(5)</sup> |
|------------------------------|---------------------|---------------|--|---|---|--|
|                              |                     |               | (MW)   | (MW)  | (MW)  | (MW)   |
| <b>Hydro</b>                 |                     |               |  |   |   |  |
| Langdu <sup>(1)</sup>        | Yunnan, PRC         | 45.00%        | 105.7  | 47.6  | –   | –  |
| Minrui <sup>(1)(2)(3)</sup>  | Yunnan, PRC         | 51.00%        | 10.3   | 5.3   | 164.9   | 84.1   |
| Weixi <sup>(1)(2)</sup>      | Yunnan, PRC         | 80.00%        | 10.0   | 8.0   | 64.0  | 51.2   |
| Maopohe <sup>(1)(2)(3)</sup> | Yunnan, PRC         | 55.00%        | –  | –   | 42.0  | 23.1   |
| Zhenkang <sup>(1)(2)</sup>   | Yunnan, PRC         | 50.00%        | –  | –   | 63.7  | 31.9   |
| Gaofengshan                  | Sichuan, PRC        | 100.00%       | 75.0   | 75.0  | –   | –  |
| Jiaojiping                   | Sichuan, PRC        | 100.00%       | 72.0   | 72.0  | –   | –  |
| Xianshuihe                   | Sichuan, PRC        | 100.00%       | 7.5  | 7.5   | –   | –  |
| Baihe                        | Shaanxi, PRC        | 100.00%       | –  | –   | 180.0   | 180.0  |
| Honghua                      | Guangxi, PRC        | 96.50%        | 228.0  | 220.0   | –   | –  |
| Dapu (Guiliu)                | Guangxi, PRC        | 84.50%        | 90.0   | 76.1  | –   | –  |
| Guoding                      | Guangxi, PRC        | 95.40%        | 80.0   | 76.3  | –   | –  |
| Baihuatan                    | Sichuan, PRC        | 60.00%        | 120.0  | 72.0  | –   | –  |
| Shawan                       | Sichuan, PRC        | 50.00%        | 280.0  | 140.0   | –   | –  |
| Niruhe                       | Yunnan, PRC         | 97.00%        | 184.0  | 178.5   | –   | –  |
| Changbai (Yongninghe)        | Sichuan, PRC        | 50.00%        | 50.0   | 25.0  | –   | –  |
| Yutian                       | Sichuan, PRC        | 71.00%        | 93.0   | 66.0  | –   | –  |
| Wuling <sup>(1)(2)(4)</sup>  | Hunan, PRC          | 18.50%        | 5,457.0  | 919.4   | 241.1   | 39.6   |
| <b>Pumped storage</b>        |                     |               |  |   |   |  |
| Guangxu                      | Guangdong, PRC      | 46.00%        | 2,400.0  | 1,104.0   | –   | –  |
| Huineng                      | Huizhou, PRC        | 46.00%        | 2,400.0  | 1,104.0   | –   | –  |
| <b>Coal-fired</b>            |                     |               |  |   |   |  |
| Jingyuan <sup>(1)</sup>      | Gansu, PRC          | 30.73%        | 1,320.0  | 405.6   | –   | –  |
| Qijing <sup>(1)</sup>        | Yunnan, PRC         | 37.00%        | 1,200.0  | 444.0   | –   | –  |
| Yueyang <sup>(1)</sup>       | Hunan, PRC          | 22.50%        | 2,525.0  | 568.1   | –   | –  |
| Mawan                        | Guangdong, PRC      | 8.00%         | 1,840.0  | 147.2   | –   | –  |
| <b>Wind</b>                  |                     |               |  |   |   |  |
| Xiwu <sup>(1)(3)</sup>       | Inner Mongolia, PRC | 91.00%        | –  | –   | 49.5  | 45.0   |
| Huide <sup>(1)</sup>         | Inner Mongolia, PRC | 49.00%        | 99.0   | 48.5  | –   | –  |
| <b>Cogen</b>                 |                     |               |  |   |   |  |
| Tongzhou <sup>(1)</sup>      | Jiangsu, PRC        | 80.00%        | 27.0   | 21.6  | –   | –  |

**Notes:**

- (1) Part of the Disposal Group.
- (2) Power project under construction.
- (3) Power project in preparation stage prior to construction.
- (4) Wuling Power Project includes hydro, wind, and coal-fired power projects in operation with aggregate attributable installed capacities of 856.6 MW, 18.3 MW and 44.4 MW, respectively.
- (5) As of April 30, 2014

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## BUSINESS

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### Hydro Projects Under Management

- *Langdu Hydro Project* – Langdu Hydro Project, in operation since 2010, is a diversion type of hydro project consisting of six cascade hydro stations with an attributable installed capacity of 47.6 MW. This project is located along the Langdu River, northeast of Shangri-la in Yunnan province. This power project is owned and operated by Shangri-La County Minhe Hydropower Development Company (香格里拉縣民和水電開發有限公司).
- *Minrui Hydro Project* – Minrui Hydro Project consists of four hydro stations located in Fugong County, Nujiang prefecture, Yunnan province and Shangri La County, Diqing prefecture, Yunnan province, with an aggregate attributable installed capacity of 89.4 MW. One hydro station with an installed capacity of 10.3 MW commenced full commercial operation in the third quarter of 2011 with the remaining hydro stations expected to commence operations in 2014. This power project is owned and operated by Yunnan Meiya Minrui Power Investment Company (雲南美亞民瑞電力投資有限公司).
- *Weixi Hydro Project* – Weixi Hydro Project is located in Weixi County, Diqing prefecture in the Yunnan province, which consists of four hydro stations with an aggregate attributable installed capacity of 59.4 MW. Only one hydro station with an installed capacity of 10.0 MW commenced full commercial operations in the third quarter of 2013 with the remaining hydro stations expected to commence operations in 2014. This power project is owned and operated by Weixi County Meiya Hengfa Hydropower Company (維西縣美亞恆發水電有限公司) and Weixi County Meiya Yongfa Hydropower Company (維西縣美亞永發水電有限公司).
- *Maopohe Hydro Project* – Maopohe Hydro Project is located in the Shangri-la County, Diqing prefecture in the Yunnan province. It consists of Maopohe Station I and Maopohe Station II, which are situated along the Jinsha River, and have an aggregate attributable installed capacity of 23.1 MW. Maopohe Station II is expected to commence operations in 2015 while Maopohe Station I is expected to commence operations in 2014. This power project is owned and operated by Diqing Rongshun Maopohe Power Generation Company (迪慶榮順毛坡河發電有限責任公司).
- *Zhenkang Hydro Project* – Zhenkang Hydro Project consists of five diversion type hydro stations located on the tributaries of Nanpian River and Mengsa River in Yunnan. The project is a greenfield development with aggregate attributable installed capacity of 31.9 MW and the first unit is expected to enter into COD in 2014. This power project is owned and operated by Zhenkang Xiangneng Hydropower Company (鎮康湘能水電開發有限公司) and Zhenkang Xiangyuan Hydropower Company (鎮康湘源水電開發有限公司).
- *Gaofengshan Hydro Project* – Gaofengshan Hydro Project is located in Hongya County, Meishan City, Sichuan province and consists of three 25.0 MW hydro stations with an attributable installed capacity of 75.0 MW. This power project is operated by CGNPC Hongya Gaofengshan Hydropower Co., Ltd. (中廣核洪雅高鳳山水力發電有限公司).
- *Jiaojiping Hydro Project* – Jiaojiping Hydro Project is located in Tianquan County, Yaan City, Sichuan province and consists of three 24.0 MW hydro stations with an attributable installed capacity of 72.0 MW. This project is operated by Sichuan Tianquan Jiaojiping Hydropower Co., Ltd. (四川天全腳基坪水力發電有限公司).



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## BUSINESS

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- *Xianshuihe Hydro Project* – Xianshuihe Hydro Project is located in Luhuo County, Ganzi City, Sichuan province and consists of a hydro station with an attributable installed capacity of 7.5 MW. This project operated by CGNPC Luhuo Xianshuihe Hydropower Co., Ltd. (中廣核蘆霍鮮水河水電開發有限公司).
- *Baihe (Hanjiang) Hydro Project* – Baihe Hydro Project is located in Baihe County, Shaanxi province and consists of hydro stations with an attributable installed capacity of 180.0 MW. This project is operated by CGNPC Hanjiang Hydropower Co., Ltd. (中廣核漢江水電開發有限公司).
- *Honghua Hydro Project* – Honghua Hydro Project is located in Liujiang County, Guangxi and consists of six 38.0 MW hydro stations with an attributable installed capacity of 220.0 MW. This project is operated by CGNPC Honghua Hydropower Co., Ltd. (中廣核紅花水電有限公司).
- *Dapu (Guiliu) Hydro Project* – Dapu Hydro Project is located in Tai Po Town, Liucheng County, Guangxi and consists of three 30.0 MW hydro stations with an attributable installed capacity of 76.1 MW. This project is operated by CGNPC Guiliu Hydropower Co., Ltd. (中廣核桂柳水電有限公司).
- *Guding Hydro Project* – Guding Hydro Project is located in Shang Youzha Village, Hemu Town, Rongshui County, Guangxi and consists of four 20.0 MW hydro stations with an attributable installed capacity of 76.3 MW. This project is operated by CGNPC Guding Hydropower Co., Ltd. (中廣核古頂水電有限公司).
- *Baihuatan Hydro Project* – Baihuatan Hydro Project is located in Hongya County, Meishan City, Sichuan province and consists of three 40.0 MW hydro stations with an attributable installed capacity of 72.0 MW. This project is operated by Sichuan Hongya Baihuatan Hydropower Co., Ltd. (四川洪雅百花灘水力發電有限公司).
- *Shawan Hydro Project* – Shawan Hydro Project is located in Shawan Xiang, Muli County, Sichuan and consists of four 70.0 MW hydro stations with an attributable installed capacity of 140.0 MW. This project is operated by CGNPC Yawang Muli County Shawan Power Co., Ltd. (中廣核亞王木裏縣沙灣電力有限責任公司).
- *Niruhe Hydro Project* – Niruhe Hydro Project is located in Shangri-La County, Diqingzhou, Yunnan province and consists of three hydro stations of 120.0 MW, 58.0 MW and 6.0 MW, respectively, with an attributable installed capacity of 178.5 MW. This project is operated by Zhejiang Ouneng Group Shangri-La County Niruhe Valley Hydropower Co., Ltd. (浙江甌能集團香格里拉縣尼汝河流域水電開發有限公司).
- *Changbai Hydro Project* – Changbai Hydro Project is located in Yanyuan County, Sichuan province and consists of two 25.0 MW hydro stations with an attributable installed capacity of 25.0 MW. This project is operated by CGNPC Yawang Yanyuan County Changbai Power Co., Ltd. (中廣核亞王鹽源縣長柏電力有限責任公司).
- *Yutian Hydro Project* – Yutian Hydro Project is located in Ganluo County, Liangshanzhou and consists of three 31.0 MW hydro stations with an attributable installed capacity of 66.0 MW. This project is operated by Sichuan Yutian Energy Development Co., Ltd. (四川玉田能源發展有限公司).

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## BUSINESS

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- *Wuling Power Project* – Wuling Power Project is comprised of power projects located in Hunan and Guizhou provinces, including 21 hydro power projects and two wind power projects in operation, with another wind power project under construction. The project has an aggregate attributable installed capacity of 919.4 MW in operation as of April 30, 2014. This power project is owned and operated by Wuling Electricity Company (五凌電力有限公司).

### **Pumped Storage Projects Under Management**

- *Guangxu Hydro Project* – Guangxu Hydro Project is located in Tianhe District, Guangzhou City and consists of eight 300.0 MW hydro stations with an attributable installed capacity of 1,104.0 MW. This project is operated by Guangdong Power Storage and Generation Co., Ltd. (廣東蓄能發電有限公司).
- *Huineng Hydro Project* – Huineng Hydro Project is located in Boluo, Huizhou, Guangdong province, and consists of eight 300.0 MW hydro stations with an attributable installed capacity of 1,104.0 MW. This project is operated by Huizhou Power Storage and Generation Co., Ltd. (惠州蓄能發電有限公司).

### **Coal-fired Power Projects Under Management**

- *Jingyuan Coal-fired Power Project* – Jingyuan Coal-fired Power Project is a coal-fired, base load and mine-mouth power project located in Baiyin City near Lanzhou, the capital of Gansu province. This power project is owned and operated by Jinyuan Second Power Generation Company (靖遠第二發電有限公司). This power project has an aggregate attributable installed capacity of 405.6 MW which consists of four 330.0 MW units.
- *Qujing Coal-fired Power Project* – Qujing Coal-fired Power Project is a coal-fired, base load and mine-mouth power project located in Qujing City near Kunming, the capital of Yunnan province. This power project is owned and operated by Dongyuan Qujing Energy Co. Limited (東源曲靖能源有限公司). This power project has an aggregate attributable installed capacity of 444.0 MW which consists of four 300.0 MW units.
- *Yueyang Coal-fired Power Project* – Yueyang Coal-fired Power Project is a base load facility located in Yueyang City. This power project is owned and operated by Huaneng Hunan Yueyang Power Generation Company (華能湖南嶽陽發電有限責任公司) and was established in December 2003. The project has an aggregate attributable installed capacity of 568.1 MW which consists of two 362.5 MW units, two 300.0 MW units and two 600.0 MW units with pulverized coal boilers.
- *Mawan Coal-fired Power Project* – Mawan Coal-fired Power Project is a coal-fired project located in the Nanshan District in Shenzhen city in the Guangdong province. This power project is owned by Shenzhen Energy Group Co., Ltd. (深圳能源集團股份有限公司) and operated by Shenzhen Mawan Power Co., Ltd. (深圳媽灣電力有限公司). The project has an attributable installed capacity of 147.2 MW, which consists of six coal-fired units.

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## BUSINESS

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### Wind Power Projects Under Management

- *Xiwu Wind Power Project* – Xiwu Wind Power Project is owned and operated by Global Green Energy Hong Kong Limited (丹麥環球綠色能源有限公司). Located in Xiwuzhumuqin Flag, Xinlinqol League, Inner Mongolia, PRC, this project consists of six phases of development. Phase I of the project will enter into full commercial operation by 2015. It consists of 33 sets of 1.5 MW wind turbine/generator with an aggregate attributable installed capacity of 45.0 MW when all six phases are fully completed.
- *Huide Wind Power Project* – Huide Wind Power Project, located in Huide County in Wulanchabu City of Inner Mongolia, PRC, currently consists of six phases of development. This power project is owned and operated by Huade County Huide Wind Power Generation Company (化德縣匯德風力發電有限責任公司). Phase I of the project entered into full commercial operation in March 2009. It consists of 33 sets of 1.5 MW wind turbine/generator with an aggregate attributable installed capacity of 24.3 MW. Phase II of the project, which entered into COD in 2010, also has an aggregate attributable installed capacity of 24.3 MW. XTI is currently considering an additional expansion of this facility.

### Cogen Power Projects Under Management

- *Tongzhou Cogen Power Project* – Tongzhou Cogen Power Project is a cogen facility with an aggregate attributable installed capacity of 21.6 MW located in the Tongzhou Development Zone in Jiangsu province. This power project is owned and operated by Meiya Tongzhou Cogen Power Company (美亞通州熱電有限公司) and was established in March 1997 as a CJV with a term of 25 years expiring in 2022.

### Operation and Management Services Framework Agreements

On September 15, 2014, we began providing management services for the power projects owned by the Disposal Group (through Huamei Holding), in addition to certain other projects owned by CGN Energy. The terms of our management services arrangements are governed by the Operation and Management Services Framework Agreements and individual operation and management services agreements which we have entered into with counterparties in relation to individual projects. The operation and management services arrangements provide for management fees to be paid to us in exchange for these management services. The management fees are determined on a “cost-plus” basis meaning that our expenses incurred relating to the power projects for which we provide management services will be offset entirely by the management fee. See “*Connected Transactions – (A) With the CGN Group (Including the Disposal Group) – Non-exempt Continuing Connected Transactions subject to reporting and announcement requirements – 2(a) Operation and Management Services (CGN Energy) Framework Agreement*” and “*Connected Transactions – (A) With the CGN Group (Including the Disposal Group) – Non-exempt Continuing Connected Transactions subject to reporting and announcement requirements – 2(b) Operation and Management Services (Huamei Holding) Framework Agreement*”.

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## BUSINESS

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### MAJOR SUPPLIERS AND CUSTOMERS

#### Overview

Our primary suppliers are the fuel providers for our projects. Our primary customers are the electricity offtakers for our projects. Due to the variety of fuel sources for our projects and the varying locations, we have set forth under the descriptions of each of our projects the relevant suppliers and customers. Our single largest supplier is KOGAS and our largest customer is KEPCO.

During the Track Record Period, one of our projects had a fuel supply shortage, Hexie Power Project. The fuel supply shortage was primarily due to lack of a consistent gas supply coupled with particularly cold weather conditions in the region that caused the local government authorities to prioritize and redirect a portion of gas resources directly to domestic heating use, rather than for electricity generation and to other companies and businesses. These project companies do not have any claim against, and are not involved in any dispute with, their fuel suppliers for the failure to deliver contracted fuel quantities under the terms of the fuel supply agreements between the parties as a result of government intervention. We have not been, and do not expect to be, compensated for this shortfall given the circumstances.

#### Major suppliers

For the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, our five largest suppliers in aggregate accounted for 81.2%, 92.2%, 85.5% and 84.1%, respectively, of our total aggregate cost of coal, oil and gas consumed, excluding our associate companies. For the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, our largest supplier was KOGAS, an independent third party supplier of gas for Yulchon I Power Project, Yulchon I Fuel Cell Project and Yulchon II Power Project in Korea, which accounted for 57.5%, 56.7%, 67.6% and 73.7%, respectively, of total aggregate cost of coal, oil and gas consumed for the relevant periods. KOGAS is a publicly listed company on the Korean Exchange that engages in the production and distribution of gas in Korea. KOGAS was incorporated by the Korean government in 1983 and is the sole wholesale supplier of natural gas in Korea, and as a result, is currently the only source of gas. KOGAS has been our major supplier since we entered into a long-term fuel supply agreement with KOGAS in 2009. Our long-term fuel supply agreement with KOGAS for Yulchon I Power Project expires in 2025 and our long-term fuel supply agreement with KOGAS for Yulchon II Power Project expires in 2033. Each fuel supply agreement is a take-or-pay agreement with a defined annual contracted quantity. See “– *Our Power Projects in Korea – Yulchon I Power Project and Yulchon I Fuel Cell Project*” and “– *Our Power Projects in Korea – Yulchon II Power Project.*” Hyundai Oilbank, an independent third party is the only other supplier that accounted for more than 10.0% of our aggregate purchases for each period in the Track Record Period. Our inventory primarily comprise of coal and oil and our inventory policy is to keep appropriate levels of fuel based on market conditions. For further details on our fuel supply agreements for each of our projects, please see “– *Our Power Projects in Korea*” and “– *Our Power Projects in the PRC*”. We have not suffered any shortage of fuel supply from KOGAS during the Track Record Period and we have no reason to believe that we will be unable to fulfill our obligations under our supply contracts.

None of our Directors or their respective close associates (as defined at the Listing Rules), or our existing Shareholders who, to the knowledge of our Directors, own more than 5.0% of our issued share capital, has any interest in any of our five largest suppliers.

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## BUSINESS

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### Major customers

For each of the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, our five largest customers in aggregate accounted for 80.0%, 85.0%, 84.5% and 82.4%, respectively, of our total aggregate sales based on our revenue and excludes our associate companies. For the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, our largest customer was KEPCO, an independent third party and the offtaker for our projects in Korea, who accounted for 50.7%, 50.3%, 47.1% and 55.2% of our total aggregate sales for the relevant periods. KEPCO is a publicly listed company on the Korean Exchange and the New York Stock Exchange and was incorporated by the Korean government in 1982. KEPCO is an integrated electric utility company engaged in the transmission and distribution of substantially all of the electricity in Korea. KEPCO has been our major purchaser since Yulchon I Power Project commenced operations and we have maintained a business relationship with KEPCO since 1996. We have a long-term PPA with KEPCO that expires in 2025. We have no reason to believe that we will be unable to fulfill our contractual obligations under our PPAs with our customers, and over the Track Record Period, our customers have not terminated their contracts with us. For the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, our other customers that accounted for more than 10.0% of our aggregate sales each were the KPX and Henan Electric Power Company. Each of KPX and Henan Electric Power Company is an independent third party. See “*Risk Factors – Risks Relating to our Business and Industry – The majority of our power generation projects rely on a single customer to purchase the power we generated from each respective power generation project which may expose us to operating and financial risks*”.

We conduct customary sales and marketing efforts in line with other power producers within the markets in which we operate in order to maintain strong customer relationships.

None of our Directors or their respective close associates (as defined in the Listing Rules), or our existing Shareholders who, to the knowledge of our Directors, own more than 5.0% of our issued share capital, or has any interest in any of our five largest customers.

### COMPETITION

Our power projects are rarely the sole source of electricity to the grid to which they are connected. Therefore, nearly all of our power projects compete with other power projects to provide electricity to the relevant grid on the basis of proximity to load centers, installed capacity and favorable regulatory dispatch treatment. In the PRC, in particular, dispatch priority for several of our projects is subject to annual negotiation and is dependent on fuel type and the number and capacity of projects in the local areas in which we operate. In addition, we compete to acquire existing power projects or greenfield projects that we believe will receive favorable dispatch treatment and secure a reliable income stream. For additional information on the competitive landscape in the PRC and Korea, see “*Industry Overview*”.

We believe the key barriers to entry into the power industry in the PRC and Korea are: (i) industry operational and management experience; (ii) the ability to identify and obtain power projects and the relevant regulatory approvals; (iii) financial capability; and (iv) the ability to secure a steady supply of fuel. We have demonstrated, during the Track Record Period, that given our industry experience, financial capability and operational efficiencies, we have been able to compete successfully on a recurring basis for opportunities to develop and acquire new power projects.

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## BUSINESS

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### CGN's non-compete undertakings

CGN has entered into a non-competition deed with us under which CGN has (i) granted us the right to acquire, at an arm's length basis and at a fair value, any of CGN Group's Retained Business, including but not limited to hydro, wind power and solar energy projects and (ii) granted us the right to have new business or equity investment opportunities of the CGN Group in any non-nuclear power project directed to us. See the section headed "*Relationship with CGN Group*" in this prospectus for further details.

### EMPLOYEES

The following tables show the number of our employees by function and location as of the Latest Practicable Date:

|  | <u>As of the Latest<br/>Practicable<br/>Date</u> |
|--|--|
| <b>By function</b>   |  |
| Senior management . . . . .  | 82   |
| Asset management, technical and engineering . . . . .                          | 1,075  |
| Business development, finance, accounting, administration and others . . . . . | <u>312</u>                                       |
| <b>Total</b> . . . . .   | <u><u>1,469</u></u>                              |
| <b>By location</b>   |  |
| PRC . . . . .  | 1,298  |
| Korea . . . . .  | 115  |
| Hong Kong . . . . .  | <u>56</u>  |
| <b>Total</b> . . . . .   | <u><u>1,469</u></u>                              |

We do not employ a significant number of temporary staff. Certain of our subsidiaries in the PRC have labor unions. We did not have any labor disputes with our employees during the Track Record Period and we believe that our management has a favorable relationship with our staff.

### Employee Benefits

We provide our employees with salaries and bonuses, as well as employee benefits, including retirement schemes, medical and life insurance schemes.

Our employees located in China are covered by the mandatory social security schemes defined by PRC local practice and regulations, which are essentially defined contribution schemes. We are required by PRC law to contribute a certain percentage of the average salaries of our employees to various schemes in accordance with the respective regulatory requirements of each city. The PRC government is directly responsible for the payment of the benefits to these employees.

In Korea, we are required by law to contribute 4.5% of the employees' monthly salaries for the national pension, 2.995% for national health insurance (6.55% of the national health insurance contribution for long term care insurance), 0.9% for unemployment insurance, 1.0% (Seoul Office)/ 0.9% (Yulchon/Daesan I Power Projects) for the industrial accident compensation insurance and 0.08% for a wage claim guarantee fund.



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## BUSINESS

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In Hong Kong, we participate in a mandatory provident fund scheme established under the Mandatory Provident Fund Schemes Ordinance. Employees contribute 5.0% of their relevant income to the mandatory provident fund scheme and we contribute 10.0% of the each employees' monthly base salary. See “– *Employees – Welfare Contributions*”.

### **Training and Development**

We are committed to providing training to all employees to equip them with the necessary skills to perform their jobs competently and to give them the opportunities to realize their personal career goals and aspirations. We are also committed to providing individuals with management and leadership training that will improve our capability to achieve our vision, mission and growth objectives. We realize the importance of developing individual career paths that will help people develop their full potential. Development opportunities are provided as a result of on-the-job experiences and formal training programs.

### **Welfare Contributions**

#### ***PRC***

Under the relevant PRC laws and regulations, we are required to contribute to social insurance funds, including social security funds and housing funds, for our employees.

#### ***Korea***

In Korea, employees who have been with us for more than one year are entitled to severance payments based on (i) the average wage paid for the three-month period before the occurrence of separation and (ii) their period of continuous service.

#### ***Hong Kong***

Upon completion of 60 days of service with us, our employees in Hong Kong are eligible to participate in the mandatory provident fund scheme (the “**MPF Scheme**”). We contributes 10.0% of the employee's monthly base salary into the MPF Scheme. It consists of the mandatory and voluntary portions. The mandatory portion equals to a maximum HK\$1,250 per month or up to 5.0% of the employee's relevant income, subject to a maximum relevant income cap of HK\$25,000. The voluntary portion equals to the 10.0% of monthly base salary minus the mandatory portion (i.e., maximum HK\$1,250).

Employees contribute an amount equal to 5.0% of the relevant income. Employees choose to make monthly voluntary contribution in excess of the mandatory portion (i.e., HK\$1,250) to the voluntary portion.

Mandatory contributions from us and our employees to the MPF Scheme are fully vested as accrued benefits. Employees are entitled to receive all benefits accrued under the scheme when the employee attains the normal retirement age of 65 subject to exceptions such as early retirement between the ages of 60 and 64 by statutory declaration; death, total incapacity or permanent departure from Hong Kong.

Voluntary contributions from us are payable in accordance with the vesting schedule provisions.



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## BUSINESS

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### HEALTH AND SAFETY COMPLIANCE

All power projects within our Group and among our associates have implemented EHS policies and various procedures to control health and safety risks. We have the necessary structure in our Group and in each project company to oversee health and safety management and have materially complied with all laws and regulations on workplace safety which are applicable to our Group. For details of the health and safety regulations applicable to our projects, see “*Appendix V – Summary of Principal Legal and Regulatory Provisions in the PRC and Korea*”.

Generally, project companies are required to approach management of safety and health using a structured management system comprising, amongst other things, a system for continually identifying legal and other requirements, a planned and documented approach to safety and health; and the monitoring of safety and health management issues, auditing of performance and review of the policies and objectives. All project companies, with the exception of Huangshi I and Huangshi II Power Projects, under the operational control of our Company (both of which are currently being renewed), have been implementing OHSAS 18000 standards (safety management system) and/or NOSA (National Occupational Safety Association) system since 2008.

We have not suffered any material occupational health hazards nor have we paid for any material claims for personal or property damage or compensation to employees during the Track Record Period.

### ENVIRONMENTAL COMPLIANCE

We believe that the environmental protection systems and facilities of our power projects comply with applicable national and local environmental protection regulations. Environmental management in all of our project companies, with the exception Huangshi I and Huangshi II Power Projects, under operational control (both of which are currently being renewed), met the relevant international standards and have been accredited with ISO14001 (environmental management system) certification. Also, most of our power projects has its own environment protection office and staff responsible for monitoring and operating its environmental protection equipment. We do not believe that we are in material breach of any environmental laws or regulations applicable to us.

Our fossil fuel-based power projects discharge pollutants into the environment and are subject to environmental protection laws and regulations in the PRC which currently impose base-level discharge fees for various pollutants and for the discharge of waste substances.

Air emissions of all existing thermal (coal-fired, oil-fired, gas-fired including cogen) power plants in China have to meet a more stringent new national emission regulation, which became effective on July 1, 2014. As at the Latest Practicable Date, the upgrade of Huangshi I Power Project, Nantong Cogen Power Project and Puguang Power Project has not been completed due to the tightness of the emission control equipment supply chain. The Company has obtained an extension of time from the relevant local authorities and will pay the relevant charges for not meeting the emission requirements in accordance with local regulations, if applicable. According to the PRC Air Pollution Prevention Law (中華人民共和國大氣污染防治法), we may face a penalty of up to RMB100,000 if the required facilities are non-compliant or have not been completed. Furthermore, according to the PRC Environmental Protection Law (中華人民共和國環境保護法), we may face a penalty of up to RMB100,000 if we exceed the relevant pollutant emission standards.

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## BUSINESS

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Our attributable annual cost of compliance with environmental rules and regulations for the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014 was U.S.\$2.3 million, U.S.\$2.3 million, U.S.\$2.1 million and U.S.\$0.4 million, respectively. PRC environmental regulations and mandatory industry standards have set phased-in restrictions on the amount of sulfur dioxide, particulate matter, NOx and other emissions permitted in connection with the fossil fuel power projects developed in different time periods. To comply with these stricter, we have installed FGD, deNOx and particulate matter removal equipment at a number of our coal-fired projects and are in the process of installing similar equipment at several coal-fired projects to reduce emissions. We expect our ongoing compliance to cost approximately U.S.\$2.6 million in 2014.

These environmental laws and regulations also impose fines for violations of such laws, regulations or decrees and provide for other sanctions including the possible closure by the PRC government of any power project which fails to comply with orders requiring it to cease operations or to rectify activities that cause environmental damage. See *“Industry Overview – The PRC Power Industry – Background and restructuring of the PRC power industry”*.

### INTELLECTUAL PROPERTY RIGHTS

We are not aware of any material infringement of our intellectual property rights during the Track Record Period, and we will consider if any action is required upon becoming aware of any potential infringement of our trademarks. As of April 30, 2014, we have registered four trademarks in the PRC, four trademarks in Hong Kong and four trademarks in South Korea all of which we consider to be or may be material to our business. As of April 30, 2014, we are not aware of any pending or threatened claims against us or any of our subsidiaries relating to the infringement of any intellectual property rights owned by third parties. We do not have any intellectual property registrations pending which are material to our operations. For additional information about our intellectual property rights see *“Appendix VIII – Statutory and General Information – B. Further Information About our Business – 2. Intellectual Property Rights of our Group – (a) Trademarks”*.

### INSURANCE

Our Directors confirm that our Group’s assets and operations over which we have operational control are adequately covered by insurance. All of our projects over which we have operational control, in operation and under construction, have acquired the standard insurance policies that are generally required in the PRC and Korea. In addition, for most of our power projects in the PRC, we maintain property all risks insurance, machinery breakdown insurance and business interruption insurance and where necessary, have supplemented such insurance with construction and erection all-risks insurance and delayed start-up insurance. Furthermore, we maintain public liability and third party liability insurance to cover claims in respect of personal injury, property or environmental damages arising from accidents on our property or relating to our construction and operations. We believe that the insurance coverage of our power projects is consistent with industry standards in the markets in which we operate, and we typically use the services of a qualified insurance advisor/broker to support us in the establishment of the scope of coverage. See *“Risk Factors – Risks Relating to our Business and Industry – We may not have adequate insurance to cover all potential liabilities or losses”*.

### LEGAL PROCEEDINGS

As of the Latest Practicable Date, we believe that we are not currently a defendant in any material litigation, claim, administrative action or arbitration and we confirm, by making due inquiries, that there is no pending or threatened proceeding which we believe would have a material adverse effect on our operation or financial condition.

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## BUSINESS

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### LICENSES, REGULATORY APPROVALS AND COMPLIANCE

#### Regulatory Approvals

The table below sets forth the information with respect to the current Power Business License (電力業務許可證) of our power-generating subsidiaries and associates in the PRC, which our Directors consider crucial to our production and business operations:

| <u>Name of Subsidiary</u> | <u>Current Term</u>                      |
|---------------------------|--|
| Zuojiang JV . . . . .     | September 22, 2006 to September 22, 2026 |
| Fushi Power JV . . . . .  | September 22, 2006 to September 21, 2026 |
| Mianyang JV . . . . .     | November 1, 2006 to October 31, 2026     |
| Hanneng JV . . . . .      | August 19, 2008 to August 28, 2028       |
| Weigang JV . . . . .      | September 18, 2007 to September 17, 2027 |
| Nantong Company . . . . . | June 21, 2007 to June 20, 2027           |
| Jinqiao JV . . . . .      | December 7, 2010 to December 6, 2030     |
| Puguang JV . . . . .      | December 31, 2013 to December 30, 2033   |
| Haian Cogen . . . . .     | September 27, 2006 to September 26, 2026 |
| Hexie Company . . . . .   | July 30, 2010 to July 29, 2030           |
| Huangshi I JV . . . . .   | May 8, 2007 to May 7, 2027               |
| Huangshi II JV . . . . .  | May 4, 2011 to May 3, 2031               |

The table below sets forth with respect to the current power generation business licenses (*baljun sa-up heuga-jeung*) of our power-generating subsidiaries in Korea which are in effect as of the Latest Practicable Date, which our Directors consider crucial to our production and business operations:

| <u>Name of Subsidiary/Relevant Power Source</u> |
|---|
|---|

|  |
|--|
| Yulchon Company  |
| Combined cycle license for 2 gas turbines and a steam turbine (for Yulchon I Power Project)  |
| Combined cycle license for 2 gas turbines and a steam turbine (for Yulchon II Power Project) |
| Fuel-cell license for 2 fuel cell units (for Yulchon I Fuel Cell Project)                    |
| Daesan Company   |
| Combined cycle license for 4 gas turbines and a steam turbine                                |

Our Directors, based on the advice from our legal advisers in the PRC, except for the matters disclosed in the sub-section headed “– *Properties*” below, confirm that as of the Latest Practicable Date, we have complied with laws and regulations in the PRC that are relevant to our operations and business in all material respects and have obtained the licenses, approvals and permits from relevant regulatory authorities which are material to our operations.

## BUSINESS

### Systematic non-compliances in Hong Kong, Mauritius and Malta

We had the following systematic non-compliances of applicable laws in Hong Kong, Mauritius and Malta regarding the laying of audited financial statements at annual general meetings or filings of audited financial statements with the relevant authorities, which we believe do not have any material financial or operational impact on our Group:

| Relevant jurisdiction | Relevant legislation and section  | Particulars of the non-compliance  | Reasons for the non-compliance and any director(s)/senior management involved   | Remedial actions  | Potential maximum penalty or fine   |
|-----------------------|---|--|---|---|---|
| 1. Hong Kong          | Section 122 of the then Companies Ordinance (Chapter 32 of the laws of Hong Kong) | <p>10 of Hong Kong incorporated members of our Group (the “<b>Relevant Members</b>”) failed to lay certain profit and loss accounts and balance sheets before annual general meetings (or approved by their relevant shareholders by written resolutions) within the prescribed time limit, contrary to section 122(1A) of the then Companies Ordinance of Hong Kong.</p> <p>For five of the Relevant Members, the delay in the laying of the profit and loss accounts and balance sheets was more than six weeks (“<b>Type 1 Non-compliances</b>”) and for the remaining five Relevant Members, the delay in the laying of the profit and loss accounts and balance sheets was less than six weeks.</p> | <p>The reasons for the non-compliance were as follows:</p> <p>(i) the delay was not intentional and was due to the absence of timely and professional advice to the Relevant Members to ensure proper compliance with applicable requirements of the then Companies Ordinance of Hong Kong;</p> <p>(ii) the directors of the Relevant Members entrusted matters in relation to the preparation of audited financial statements and annual general meeting documents to the respective accounting officers and company secretarial officers who were qualified in their roles; and</p> <p>(iii) the Relevant Members are only investment holding companies and did not have any active operations/trading.</p> <p>None of our current Directors or senior management of our Company was involved in the non-compliances at the relevant times.</p> | <p>We have noted from recent court cases that the Hong Kong court has dismissed similar applications for an order to rectify breaches of the same section of the then Companies Ordinance of Hong Kong on the basis that such breaches were considered to be minimal or artificial. Whilst it is not entirely clear as to how substantial the breaches have to be before they are considered by the court to be not minimal or artificial (and hence an application for a rectification order may be entertained by the court), we have been advised by counsel that delays that were less than six weeks in duration could be considered to be breaches that are benign in nature, there would be no realistic prospect of prosecution and the court is likely to dismiss an application for a rectification order of such benign breaches. In view of the above advice from counsel, we will apply to the court for an order to rectify the Type 1 Non-compliances. However, we cannot guarantee that the court will not dismiss our applications on the basis that the breaches were minimal or artificial in nature or on the basis of other factual circumstances of the breaches.</p> | <p>The directors who fail to take all reasonable steps to comply with this requirement at the relevant time should be liable to a maximum fine of HK\$300,000 and 12 months imprisonment.</p> |

## BUSINESS

| Relevant jurisdiction | Relevant legislation and section                             | Particulars of the non-compliance   | Reasons for the non-compliance and any director(s)/senior management involved  | Remedial actions  | Potential maximum penalty or fine  |
|-----------------------|--|---|--|---|--|
| 2. Mauritius          | Section 30(3) of the Financial Services Act                  | Four of our Mauritius incorporated subsidiaries failed to file 2012 audited financial statements with the Financial Services Commission of Mauritius within six months from the balance sheet date, contrary to the relevant requirements of the Financial Services Act.  | <p>The reasons for the non-compliance were as follows:</p> <p>(i) the delay was not intentional and was due to the absence of timely and professional advice to the relevant subsidiaries to ensure proper compliance with applicable requirements in Mauritius; and</p> <p>(ii) the audited financial statements were not yet available at the relevant time.</p> <p>None of our current Directors or senior management of our Company was involved in the non-compliances at the relevant times.</p> | The audited financial statements dated 11 March 2014 have been approved by way of written shareholder's resolution of the relevant subsidiaries dated 20 March 2014 and filed with the Financial Services Commission of Mauritius on 14 March 2014. | 500,000 Mauritius Rupees (for the relevant Mauritius subsidiaries and their directors) and five years' imprisonment (for directors of the relevant Mauritius subsidiaries).            |
| 3. Malta              | 181(3) and 183(10) of Companies Act 1995 (Cap. 386) of Malta | Our Maltese subsidiary, Meiya Yulchon Power Company Limited, failed to deliver for registration with the Registry of Companies a copy of the audited financial statements within 42 days from 10 months after the end of the relevant accounting reference period for the years ended 31 December 2010, 2011 and 2012, contrary to the relevant requirements under Companies Act 1995 (Cap. 386). | <p>The reasons for the non-compliance were as follows:</p> <p>(i) the delay was not intentional and was due to the absence of timely and professional advice to the relevant subsidiary to ensure proper compliance with applicable requirements in Malta; and</p> <p>(ii) the audited financial statements were not yet available at the relevant time.</p> <p>None of our current Directors or senior management of our Company was involved in the non-compliances at the relevant times.</p>       | The audited financial statements will be delivered for registration with the Registry of Companies by the end of 2014.  | EUR 2,329.37 plus a daily penalty of EUR 46.59 (for the relevant subsidiary and every officer (including director, manager or company secretary) of the subsidiary who is in default). |

Our Directors are of the view that the above systematic non-compliances, individually or in the aggregate, do not and will not have any material financial or operational impact on our Group. In view that the above non-compliances were unintentional, the relevant subsidiaries are not aware that the relevant regulators intend to issue any prosecution proceeding against them for the breaches, and that the potential financial exposure of our Group is immaterial, no provision was made in our consolidated financial statements.

In order to prevent occurrence the above non-compliance in the future, we have implemented the following measures:

- (a) engaging legal advisers to advise our Group on, inter alia, compliance matters in Hong Kong where necessary;

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## BUSINESS

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- (b) engaging legal advisers to advise our Group on, inter alia, compliance matters in Mauritius and Malta where necessary; and
- (c) establishing an audit committee under the Board to oversee the financial reporting and internal control procedures of our Group to enhance corporate governance and ensure the compliance with statutory requirements.

The Directors and the Sole Sponsor are of the view that, as the non-compliances were mainly caused by the lack of knowledge of officers of the relevant subsidiaries of the applicable legal requirements, and did not involve any of our Directors or senior management or any issue in the integrity, character or competence of our employees:

- (i) the above measures, in particular the appointment of the various advisers which would help ensure that our Group would be aware of the relevant legal requirements in the future, are adequate and effective; and
- (ii) the above non-compliances do not affect the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules or our suitability for listing under Rule 8.04 of the Listing Rules.

### **Internal Audit and Quality Control**

#### ***Internal Audit***

The responsibility for establishing and maintaining a system of internal controls rests with our Group's Board of Directors and management. Currently, our Group has established an internal control system including policies and procedures at both our Group and project company level. Our management is responsible for the design, implementation and maintenance of internal controls, while the Board of Directors monitor the effectiveness of the controls through internal audit reviews performed by the Internal Audit Department ("**IA Department**") which directly reports to the Board of Directors. An annual risk-based internal audit plan, which focuses on higher risk areas and is formulated by the IA Department and approved by the Board of Directors. Additionally, the IA Department reviews the processes and conducts testing of key controls to ensure operating activities and transactions are in compliance with established policies and procedures. All instances of material non-compliance identified during the course of an internal audit review are reported directly to our Board as well as the management of the relevant project company. These reports also include recommended actions on how to rectify such deficiencies.

Similar to the audits conducted by our IA Department, we also regularly undergo legal audits, which are conducted by in-house legal counsels qualified to practice in the jurisdictions in which such project companies operate. Results of these audits, together with recommended actions, are then reported to the Board and senior management of our Group, as necessary.

#### ***Quality Control***

All of our power projects have ISO 14001 and OHSAS 18001 certification, with the exception of Huangshi I and Huangshi II Power Projects, both of which are currently being renewed, and seven of our projects currently have ISO 9001 certification, with the certification for Weigang Power Project currently being renewed. Management encourages all of our subsidiaries to obtain ISO 9001 certification for its respective power projects. The ISO 9001 is an international standard on quality

## BUSINESS

system, which provides guidance to organizations that want to ensure their products and service consistently meet customers’ requirements and that quality is consistently improved. We believe that our ISO 9001 certifications and our intention to obtain further certifications demonstrates our commitment to quality control.

In advancement of our quality control commitment, we have an experienced team overseeing our quality control procedures and policies in selecting and hiring our suppliers and contractors, particularly in relation to contracting with third parties for construction projects.

### PROPERTIES

Our real properties primarily consisted of owned and leased land and buildings, including power projects, other production-related buildings, offices and staff quarters.

#### Owned Properties

##### *Owned properties in the PRC*

As of the Latest Practicable Date, we owned 50 parcels of land with an aggregate site area of approximately 3,504,213 square meters in the PRC. The title of 21 parcels of land owned by us with an aggregate site area of approximately 67,136.4 square meters is subject to the title defects. See “– *Properties – Properties in the PRC with title defects*” below.

As of the Latest Practicable Date, we owned 76 buildings with an aggregate GFA of approximately 190,733.4 square meters in the PRC. We did not obtain the building ownership certificates for 53 of our owned buildings with an aggregate GFA of approximately 78,057.7 square meters in the PRC. See “– *Properties – Properties in the PRC with title defects*” below.

##### *Properties in the PRC with title defects*

As of the Latest Practicable Date, we owned and occupied certain land and properties with title defects in the PRC, the details of which are set out in the table below. Our Directors, based on the legal advice of our PRC legal adviser, are of the view that (i) except certain main production buildings, for which we did not obtain the building ownership certificates as disclosed below, the properties with title defects, individually or collectively, are not crucial to our production and business operations; (ii) save as disclosed below, there is no difference in land or rental cost, which we would have to pay if the properties disclosed below did not have title defects; and (iii) all of the buildings for which we did not obtain the building ownership certificates are in a safe condition. Our PRC legal adviser, Grandall Law Firm (Shenzhen), advised that the existence of title defects will prevent our properties with title defects from being bought, sold or accepted by banks as security for mortgage.

| Subsidiary involved   | Details of properties and nature of the title defect   | Maximum penalty and potential legal impact   | Views of our PRC legal adviser   | Remedial actions taken or to be taken  |
|-----------------------|--|--|--|--|
| Mianyang JV . . . . . | <ul style="list-style-type: none"> <li>We own a parcel of land under Mianyang JV, which has been idle for more than two years. We currently do not use such parcel of land.</li> </ul> | We may be subject to the risk of confiscation of such parcel of idle land by PRC government authorities. | We confirm that such parcel of idle land is not crucial to our production. Our PRC legal adviser is of the view that the idle land of Mianyang JV will not subject us to any potential penalty or fine and will not materially and adversely impact our business operations. | We are taking steps to develop plans for utilising this parcel of land for purpose that is ancillary to production |



## BUSINESS

| Subsidiary involved               | Details of properties and nature of the title defect   | Maximum penalty and potential legal impact   | Views of our PRC legal adviser  | Remedial actions taken or to be taken  |
|-----------------------------------|--|--|---|--|
| <b>Puguang JV</b><br>(See Note 1) | <ul style="list-style-type: none"> <li>● We did not obtain the building ownership certificates to our main production buildings with a gross floor area of approximately 11,700 square meters, which represent approximately 6.2% of our total owned and leased properties in the PRC.</li> <li>● We did not obtain the building ownership certificates to certain buildings, which are used as main production buildings (of 22,526.05 square meters), office buildings, utilities distribution house and coal storage, with a total gross floor area of approximately 55,054.3 square meters, which represent approximately 29.01% of our total owned and leased properties in the PRC.</li> <li>● We have obtained the land use rights to use certain parcels of land as state-allocated land. However, our rights to continue to use such parcels of land without paying any consideration may be deemed invalid under the relevant PRC land regulations upon the Listing (See Note 1). In addition, we may not have completed all of the approval procedures when we obtained such land use rights. We currently use these parcels of land for ancillary facilities and total site area of these parcels of land is 30,831.39 square meters, representing 0.86% of our total owned and leased land in the PRC.</li> </ul> | <p>We cannot transfer, lease, pledge or otherwise dispose of any of the buildings with title defects.</p> <p>We may be subject to a maximum monetary penalty of RMB27.3 million, which represents 10% of the total construction costs of these buildings with title defects.</p> <p>We cannot transfer, lease, pledge or otherwise dispose of any of the buildings with title defects. We may also be required to vacate from or demolish these buildings.</p> <p>We cannot transfer, lease, pledge or otherwise dispose of the buildings erected on such state-allocated land.</p> <p>We estimate that we may incur an additional cost of RMB9 million if we were to change the nature from a state-allocated land to a granted land. Our PRC legal adviser advised that we will not be subject to any fine or penalty as it is caused by the Listing but not a breach of the relevant PRC laws and regulations that would result in a fine or penalty.</p> <p>Whilst we have obtained the land use right certificates, as we are unable to locate documents evidencing that the relevant approvals for our use have been obtained, our PRC legal adviser advised that we are subject to the risk of request from the relevant PRC land authorities for the return of state-allocated land.</p> | <p>On the basis that (i) we have obtained the relevant Construction Land Planning Permit (建設用地規劃許可) and Construction Project Planning Permit (建設工程規劃許可) from the competent PRC land authorities; and (ii) the construction of the power project buildings was in compliance with the urban planning requirement, our PRC legal adviser is of the view that (a) our use of the power project buildings will not be affected by the lack of building ownership certificates; and (b) there is no risk of being subject to any penalty or confiscation nor we would be required to vacate from or demolish these buildings.</p> <p>According to discussions with the Nanyang City Urban &amp; Rural Planning Department, Housing and Urban &amp; Rural Construction Commission and Buildings Management Department, all of which our PRC legal adviser advised that are the competent authorities, such properties have not been deemed to be illegal structures and no penalty has been imposed, and the power project has completed construction according to local planning requirements. On this basis, our PRC legal adviser is of the view that the risk of penalty and confiscation or demolition of the relevant buildings is remote.</p> <p>On the basis that (i) we have obtained the land use rights certificates from the competent PRC land authorities; (ii) we have obtained a confirmation letter from the Nanyang City Land Resources Department, which our PRC legal adviser advised that is the competent authority, that no breach was discovered for the past three years; (iii) as of the Latest Practicable Date, our use and possession of the state-allocated land had never been challenged; (iv) Puguang Power Project, for which we use the state-allocated land, falls under "Construction Land Project" (建設用地項目) in the Allocation Land Catalogue (《劃撥用地目錄》) promulgated by the State Administration for Land and Resources on October 22, 2001 pursuant to which state-allocated land being used for the said "Construction Land Projects" will not be subject to confiscation by PRC government authorities; and (v) buildings and facilities erected on the state-allocated land are not crucial to our production, our PRC legal adviser is of the view that (a) the risk of confiscation of the state-allocated land by the PRC government authorities is remote; and (b) the defects in our rights to the state-allocated land will not materially and adversely impact our business operations.</p> | <p>Based on the view of the PRC legal adviser, we consider that no remedial action is necessary.</p> <p>Based on the view of our PRC legal adviser, we believe that no remedial action is necessary.</p> <p>Based on the view of the PRC legal adviser, and that the properties are used as ancillary facilities, we believe that no remedial action is necessary.</p> |

## BUSINESS

| Subsidiary involved  | Details of properties and nature of the title defect  | Maximum penalty and potential legal impact   | Views of our PRC legal adviser  | Remedial actions taken or to be taken   |
|--|---|--|---|---|
| <p><b>Weigang JV</b><br/>(See Note 2)</p>                          | <ul style="list-style-type: none"> <li>We have obtained the land use rights to use certain parcels of land as state-allocated land. However, our rights to continue to use such parcels of land without paying any consideration, may be deemed invalid under the relevant PRC land regulations upon the Listing (See Note 3). We currently use these parcels of land as our power project site and the total site area is 36,305 square meters, representing approximately 1.68% of our total owned and leased land in the PRC.</li> </ul> | <p>We cannot transfer, lease, pledge or otherwise dispose the state-allocated land or any of the buildings erected on such state-allocated land.</p> <p>We estimate that we may incur an additional cost of RMB19 million if we were to change the nature from a state-allocated land to a granted land. Our PRC legal adviser advised that we will not be subject to any fine or penalty as it is caused by the Listing but not a breach of the relevant PRC laws and regulations that would result in a fine or penalty.</p> | <p>On the basis that (i) we had obtained the relevant approvals and certificates for land use rights from the competent PRC land authorities; and (ii) that Weigang Power Project, for which we use the state-allocated land, falls under “Construction Land Project” (建設用地項目) in the Allocation Land Catalogue (《劃撥用地目錄》) promulgated by the State Administration for Land and Resources on October 22, 2001 pursuant to which state-allocated land being used for the said “Construction Land Projects” will not be subject to confiscation by PRC government authorities, Our PRC legal adviser is of the view that we are not subject to risk of the confiscation of these parcels of land by the PRC government authorities.</p>   | <p>Since there is no risk of confiscation of these parcels of land, we consider that no remedial action is necessary.</p>   |
| <p><b>Zuojiang JV</b> . . . . .</p>                                | <ul style="list-style-type: none"> <li>We did not obtain the building ownership certificates to certain buildings, which are used for non-production purposes including dormitory, cafeteria and warehouse, with a gross floor area of approximately 6,030 square meters, which represent approximately 3.2% of our total owned and leased properties in the PRC. However, the overall project has passed the completion inspection.</li> </ul>   | <p>Pursuant to the relevant PRC laws and regulations, we may be subject to a maximum monetary penalty of RMB454,500, which represents 15% of the total construction costs of these buildings with title defects.</p> <p>We may also be required to vacate from or demolish these buildings.</p>  | <p>We have submitted the relevant applications for building ownership certificates to the local government authority. On the basis that (i) the local government authority has confirmed the receipt of our applications for building ownership certificates; and (ii) these buildings are ancillary facilities and not crucial to our production, our PRC legal adviser is of the view that our lack of building ownership certificates will not materially and adversely impact our business operations.</p>  | <p>We estimate we can obtain the relevant building ownership certificates by December 2014. While there may be a risk that we cannot obtain the certificates, in view that those buildings are not used for production, we are of the view that the relocation or demolition of these buildings and as per communications with the local authority to date, the related cost will not have any material negative impact on our business operations or financial condition.</p>                                      |
| <p><b>Huangshi I JV</b><br/>(Our associated company) . . . . .</p> | <ul style="list-style-type: none"> <li>Huangshi I JV did not obtain the building ownership certificates to certain buildings, which are used as steam turbine room, office building, laboratory building and cafeteria, with a total gross floor area of approximately 52,417.3 square meters</li> </ul>  | <p>Pursuant to the relevant PRC laws and regulations, Huangshi I JV may be subject to a maximum monetary penalty of RMB49.9 million, which represents 20% of the total construction costs of these buildings with title defects.</p> <p>Huangshi I JV cannot transfer, lease, pledge or otherwise dispose of any of the buildings with title defects. Huangshi I JV may also be required to vacate from or demolish these buildings.</p>   | <p>Huangshi I JV is preparing for the relevant applications for building ownership certificates to the local government authority in June 2014. On the basis (i) of our discussion with the Huangshi Planning Bureau Municipal Administration Branch (黃石市規劃局市政科), which our PRC legal adviser considers a competent authority, such properties have not been deemed to be illegal structures, no penalty has been imposed and the likelihood of being demolished or penalized is low; and (ii) that these buildings are ancillary facilities and not crucial to the production of Huangshi I JV, our PRC legal adviser is of the view that the lack of building ownership certificates will not materially and adversely impact the business operations of Huangshi I JV.</p> | <p>Huangshi JV expects to submit the application for the relevant building ownership certificates by the end of 2014. While there may be a risk that Huangshi I JV cannot obtain the certificates, in view that those buildings are not used for production, we are of the view that the relocation or demolition of these buildings and as per communications with the local authority to date, the related cost will not have any material negative impact on our business operations or financial condition.</p> |

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## BUSINESS

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*Note:*

1. (i) For the years ended December 31, 2011, 2012 and 2013 and the four months ended April 30, 2014, the revenue of Puguang JV represented approximately 11.9%, 10.4%, 9.5% and 11.6%, respectively, of the consolidated revenue of our Group; and (ii) for the years ended December 31, 2012 and 2013 and the four months ended April 30, 2014, the profit of Puguang JV represented approximately 13.4%, 15.3% and 24.9%, respectively, of the consolidated profits attributable to our Shareholders. Puguang JV recorded a loss in 2011 and did not attribute to the profit of our Group in 2011.
2. For the years ended December 31, 2011, 2012 and 2013 and the four months ended April 30, 2014, (i) the revenue of Weigang JV represented approximately 3.3%, 1.9%, 2.5% and 2.8%, respectively, of the consolidated revenue of our Group; and (ii) the profit of Weigang JV represents approximately 57.4%, 16.0%, 12.5% and 15.2%, respectively, of the consolidated profits attributable to our Shareholders. When calculating profits attributable to shareholders, corporate expenses were excluded.
3. According to the Interim Rules on the Management of Allocated State-owned Land Use Right Involving Reform of State-owned Enterprise (the “**Interim Rules**”), in the circumstances where a state-owned enterprise (“**SOE**”) is to be restructured (“**Restructured SOE**”), the policy of allowing the use of allocated land without any consideration from the SOE shall be adjusted gradually so that such use shall only be allowed subject to the payment of certain consideration through, depending on the type of restructuring and the circumstances, (i) the Restructured SOE applying for the change from allocated land to granted land; (ii) the Restructured SOE leasing the allocated land from the government; (iii) the Restructured SOE accepting the allocated land as capital contribution made by the government. Alternatively, if approved by the relevant land authorities, the land may remain as allocated land after the restructuring. In determining the price to be paid for the change from allocated land to granted land, the allocated land shall firstly be evaluated by an independent evaluation institution. The government will determine the grant price based on the evaluated price and the market value of the land of similar conditions. The price to be paid by the applicant for such change shall be the grant price minus the costs incurred by the applicant for developing the land (including the costs of confiscation, compensation for original dwellers, necessary infrastructure, etc.). As a result of the Listing, our PRC subsidiaries will become partly held by the public indirectly and such PRC subsidiaries may be deemed as Restructured SOEs. As advised by our PRC legal adviser, the Interim Rules will then apply to the allocated land used by Puguang JV and Weigang JV. As a result, the rights of Puguang JV and Weigang JV to the relevant land may be deemed invalid and the continued use of the allocated land by these joint venture companies without charge after the Listing may be in violation of the relevant PRC regulations.

Our Directors understand that the property title defects disclosed above were primarily due to historical failure to comply with the relevant PRC laws and regulations of the then employees and staff of the project companies involved as they were not fully appraised of all the requisite approval requirements. In particular, the Puguang power plant was built before the year of 2000. It was the practice in the power generation industry in the PRC at that time that a power plant would only obtain the overall planning for the power plant but not the planning approval for individual buildings in the power plant, and could commence operation once it had passed the acceptance tests for power generation units even though the relevant building ownership certificates for the buildings have not been obtained. As a result, power plant operators often chose not to apply for planning approval and building ownership certificates for all of the buildings as there is valid title to the land on which the plant and the buildings are situated. In line with such historical industry practice, Puguang JV had obtained the planning approval for the overall power plant but not the planning approval for individual buildings in the power plant. Such planning approval for individual buildings in the power plant would be required if Puguang JV were to apply for the building ownership certificates and therefore, it is currently not possible for Puguang JV to obtain the building ownership certificates.

Our Directors are of the view that the above title defects (considering the likely impact, PRC legal advice and the remedial action), individually or in the aggregate, do not and will not have any material financial or operational impact on our Group. Considering the advice of our PRC legal adviser and in view that either our use of the above properties would not be affected or the risk of our Group being subject to penalty or the risk of forced confiscation of or vacation from the relevant properties is remote, no provision was made in our consolidated financial statements.

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## BUSINESS

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### *Owned properties in Korea*

Based on the relevant real property registries issued by the relevant Korean authorities, as of the Latest Practicable Date, we owned ten parcels of land with an aggregate site area of approximately 335,561.60 square meters in Korea, and pursuant to relevant Korean laws, we have the right to occupy, use, transfer, lease, pledge or otherwise dispose of such land.

Based on the relevant real property registries issued by the relevant Korean authorities, as of the Latest Practicable Date, we owned 32 buildings with an aggregate GFA of approximately 39,836.4 square meters in Korea, and pursuant to relevant Korean laws, we have the right to occupy, use, transfer, lease, pledge or otherwise dispose of such buildings. In addition, based on the relevant real property registries issued by the relevant Korean authorities, as of the Latest Practicable Date, 13 of the 31 buildings for Yulchon I Power Project with an aggregate GFA of approximately 10,105.5 square meters in Korea have been entrusted for the purpose of provision as security to a third party company in relation to certain bank financing of Yulchon I Power Project.

We believe that there are no material title defects with respect to our owned properties in Korea.

### **Leased Properties**

#### *Leased properties in the PRC*

As of the Latest Practicable Date, we leased four parcels of land in the PRC from three independent third parties, namely Shanghai Jinqiao Export Processing Zone Development Co., Ltd., Shanghai Jinqiao Export Processing Zone Development United Development Co., Ltd. and Shanghai Perfect Jinqiao United Development Co., Ltd. These parcels of land are occupied by the Jinqiao Steam Project and are used as power plant sites. We understand the lessors of these parcels of land have obtained proper land use rights to these parcels of land.

During the Track Record Period, we leased certain parcels of collectively-owned rural land from the nearby village as our waste dump site, which was in violation of the relevant PRC land laws and regulations. We no longer leased such waste dump site since December 31, 2013. Notwithstanding that, as advised by our PRC legal adviser, Grandall Law Firm (Shenzhen), we may be subject to a maximum penalty of RMB159,900. Our PRC legal adviser is of the view that our business operations will not be materially and adversely affected by the non-compliant leasing of collectively-owned rural land during the Track Record Period.

As of the Latest Practicable Date, we leased 13 building units in the PRC. The lessors have not obtained or delivered to us the relevant building ownership certificates of three of our leased building units with an aggregate GFA of approximately 376.8 square meters, which are used as employee residence. Our PRC legal adviser, Grandall Law Firm (Shenzhen), is of the view that lessors who do not have ownership certificates for the relevant building units will not materially and adversely affect our business operations.

As of the Latest Practicable Date, the lease agreement for 11 of our leased building units have not been registered with the relevant PRC authorities by the lessors. These leased properties are primarily used as offices and residences for employees and senior management of Zuojiang JV, Hanneng JV, Fushi Power JV and Puguang JV and office space for Yaneng Consulting in Beijing and Shanghai. As advised by our PRC legal adviser, Grandall Law Firm (Shenzhen), we may be subject to a maximum administrative penalty of RMB10,000 according to the relevant PRC laws and regulations for each of

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## BUSINESS

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our unregistered leases. Our PRC legal adviser is of the view that the non-registration of the lease agreements will not affect (i) the validity of the lease agreements or (ii) the possession and use of the leased properties by us according to the lease agreements and PRC laws and regulations.

Our Directors understand that the leased property title defects disclosed above were primarily due to historical failure to comply with the relevant PRC laws and regulations of our employees and staff as they were not fully appraised of all of the requisite legal requirements. In view that the relevant leased properties have been or are being used for ancillary purposes, our Directors are of the view that the above non-compliances, individually or in the aggregate, do not and will not have any material financial or operational impact on our Group and therefore no provision was made in our consolidated financial statements in relation to such non-compliances.

As of the Latest Practicable Date, one of our associates, Huangshi I JV leased certain parcels of state-allocated land owned by Huadian Hubei Power Generation Co., Ltd., our joint partner of Huangshi I JV, with an gross site area of approximately 82,101 square meters. HHPG did not obtain the approval from the relevant PRC land authorities when it entered into a lease agreement with Huangshi I JV, which was required pursuant to the relevant PRC laws and regulations. As advised by our PRC legal adviser, Grandall Law Firm (Shenzhen), the lease agreement between Huangshi I JV and Huadian Hubei Power Generation Co., Ltd. may be deemed invalid.

### *Leased properties in Korea*

As of the Latest Practicable Date, we leased two office units in Korea with an aggregate GFA of approximately 1,107.9 square meters and one parcel of land on which the power project buildings of Daesan Company are situated, with an aggregate GFA of approximately 53,569 square meters.

We believe that there are no material title defects with respect to our leased properties in Korea.

### *Leased properties in Hong Kong*

As of the Latest Practicable Date, we leased one property in Hong Kong, which is located at 15th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong with an aggregate GFA of approximately 1,310.6 square meters as our headquarters.

### **Property Valuation**

As of April 30, 2014, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include in this prospectus any property valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

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## BUSINESS

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### INTERNAL CONTROL AND RISK MANAGEMENT MEASURES

We have implemented and will continue to enhance the following on-going measures for the purpose of setting up monitoring controls and reporting mechanism in respect of regulatory compliance of our projects, prevent any future property title defects, and continuously enhance our corporate governance:

- (i) since 2010, with the support of in-house and external legal counsels, the internal auditor and outside consultants and other advisors as necessary, a quarterly general, legal and compliance review on the project companies covering different areas of compliance, in particular non-compliance issues (including property title issues), has been required by us for updating the operations of the project companies (especially the status of the relevant non-compliance issues). Since July 2014, we have increased the frequency of the review to a monthly basis, so that we can closely monitor the operations of the project companies and take appropriate (rectification) actions accordingly;
- (ii) since 2010, we have adopted a practice of consolidating the list of non-compliance issues of all the projects regularly, to keep track of the non-compliance issues. Since July 2014, we have further requested that the non-compliance issues be reported to the senior management of our Company on a monthly basis, in order to ensure that any non-compliance issues are given prompt and due attention and properly escalated to our senior management and to our Board (for significant non-compliance matters) and that resources are being appropriately dedicated to rectifying such non-compliance in a timely manner;
- (iii) since March 2014, we have, based on the type and nature of the property title defects, set out timetables and rectification plans for implementation purposes. We will closely follow up and monitor the progress of the implementation of the plans from time to time, to ensure that the rectification actions are taken in schedule;
- (iv) it has been a long term practice of our Company to require all relevant responsible officers assigned by us to oversee the business of the project companies are kept current with developments in applicable legal, regulatory, environmental and industry requirements which are relevant to the operation of the project companies for which they are responsible. We will also, from time to time, enhance our documentation system at the project company level to ensure that our project approval documents are properly maintained by our project companies and are kept up-to-date;
- (v) we will, after listing, provide staff training on a regular basis to increase their awareness of the risk exposure of our Group in instances of non-compliance;
- (vi) it has also been our long term practice to conduct due diligence against any property involved in any of our new projects and immediately report to the relevant business development team and senior management of any property title defects identified during the due diligence process. Since August, 2014, we have further required the relevant business development team to prepare a timetable and rectification plan(s) before such project will be taken up, in the cases where we take a commercial view and decide to proceed with such project notwithstanding the existence of the title defects. The aforesaid general, legal and compliance review, as well as the monthly reporting will also take place, with a view to closely monitor the status of the rectifications; and



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## BUSINESS

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- (vii) we will also continue to review and strengthen our internal control and compliance system measures to ensure that they will continue to be adequate and effective in light of our business expansion, and provide a stronger basis for detecting potential breaches in the future.

We believe that the enhanced internal measures described above are adequate in identifying and preventing (to the extent possible) future property title defects. We have also established an Investment and Risk Management committee to continuously monitor our risk management system and risk exposure. Please see “*Directors and Senior Management – Investment and Risk Management Committee*” for details. On the basis of the Sole Sponsor’s review of the current and enhanced internal control procedures of our Group, the due diligence discussions carried out with our Company and our PRC legal adviser on the reasons for and remedial measures that our Company has taken in relation to identifying and preventing (to the extent possible) the recurrence of similar property title defects, our Directors believe, and the Sole Sponsor have no reason to doubt, that the current and enhanced internal control measures are adequate and effective to address the non-compliances as set out above, and they are not aware of any facts or circumstances that might affect the suitability of our Directors and our suitability for listing.

### HEDGING

During the Track Record Period, some of our financing arrangements have floating rates, and as such, we are exposed to risks arising from interest rate fluctuations. To minimize our interest rate risk, we have entered into interest rate swap arrangements which exchange floating rates for fixed rates. As of April 30, 2014, we had one interest rate swap in place in relation to a U.S.\$398.0 million senior secured term loan drawn down in October 2010 which has been fully repaid, of which the aggregate notional amount was U.S.\$150.0 million. The interest rate swap has a term of four years and will expire in October 2014. Under the terms of the contract, we pay the bank at a fixed annual interest rate of 1.99% and the bank pays us at an interest rate that is indexed to the 3-month LIBOR, and the payment is settled every three months. The 3-month LIBOR was approximately 0.22% as of April 30, 2014. If the LIBOR drops to 0% for the remaining settlement periods until October 2014, when the contract expires, the maximum amount that we will pay the bank would be U.S.\$1.5 million. We do not participate in hedging activities for speculative purposes.

In accordance with our treasury policy, we have established a thorough review process to monitor our hedging activities to mitigate financial risks related to fluctuations in foreign exchange rates, interest rates and fuel cost. Based on the potential hedging requirements of the Group, our Chief Financial Officer, and our Director of Corporate Finance, will prepare a hedging plan based on market research, which is reviewed by members of the senior management before passing on to the Board for approval. Approvals from the Board must be obtained before a hedging arrangement may be entered into, terminated or modified. We have checks and balances implemented in administering, monitoring and reporting our hedging activities, including preparing a monthly management report on existing hedged products, reconciliation of executed trades and preparing a quarterly hedging report. All personnel responsible for our hedging activities have a minimum of three-year work experience and related professional qualifications in areas such as finance, financial affairs or risk management.

Please see the section headed “*Financial Information – Quantitative and Qualitative Disclosure of Market Risk – Interest rate risk*”, “*Financial Information – Quantitative and Qualitative Disclosure of Market Risk – Foreign currency exchange risk*”, “*Financial Information – Quantitative and Qualitative Disclosure of Market Risk – Commodity risk*” and “*Financial Information – Quantitative and Qualitative Disclosure of Market Risk – Treasury Policy*” for further details.



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## DIRECTORS AND SENIOR MANAGEMENT

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### BOARD OF DIRECTORS

Our Board consists of eleven Directors, comprising of one executive Director, six non-executive Directors and four independent non-executive Directors. The functions and duties of our Board include, but are not limited to, convening Shareholders' meetings, reporting the Board's work at the Shareholders' meetings, implementing the resolutions passed at the Shareholders' meetings, setting strategic directions for our Group, determining our business plans and investment plans, formulating our annual budget and final accounts, as well as exercising other powers, functions and duties as conferred by the Bye-laws of our Company. The following table sets forth certain information in respect of our Directors.

| <u>Name</u>                       | <u>Age</u> | <u>Position</u>                     | <u>Date of Appointment as Director</u> | <u>Principal Roles and Responsibilities</u>   |
|-----------------------------------|------------|-------------------------------------|--|---|
| Mr. CHEN Sui (陳遂) . . . . .       | 50         | Chairman and non-executive Director | January 3, 2014                        | Overall corporate strategies planning and business development  |
| Mr. LIN Jian (林堅) . . . . .       | 50         | Executive Director and President    | October 9, 2012                        | Formulation, management and execution of overall business strategies  |
| Mr. CHEN Qiming (陳啓明) . . . . .   | 51         | Non-executive Director              | March 9, 2012                          | Formulate strategic directions and carry out the high level oversight of the management and operations of our Group |
| Mr. CHEN Huijiang (陳惠江) . . . . . | 43         | Non-executive Director              | November 22, 2013                      | Formulate strategic directions and carry out the high level oversight of the management and operations of our Group |
| Mr. DAI Honggang (戴洪剛) . . . . .  | 43         | Non-executive Director              | March 7, 2011                          | Formulate strategic directions and carry out the high level oversight of the management and operations of our Group |

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## DIRECTORS AND SENIOR MANAGEMENT

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| <u>Name</u>                                   | <u>Age</u> | <u>Position</u>                    | <u>Date of Appointment as Director</u> | <u>Principal Roles and Responsibilities</u>   |
|---|------------|------------------------------------|--|---|
| Mr. LIN Beijing (林北京) . . . . .               | 60         | Non-executive Director             | March 7, 2011                          | Formulate strategic directions and carry out the high level oversight of the management and operations of our Group |
| Mr. XING Ping (邢平) . . . . .                  | 49         | Non-executive Director             | April 9, 2013                          | Formulate strategic directions and carry out the high level oversight of the management and operations of our Group |
| Mr. SHEN Zhongmin (沈忠民) . . . . .             | 51         | Independent non-executive Director | September 17, 2014                     | Provide independent opinions and advice to our Board  |
| Mr. LEUNG Chi Ching Frederick (梁子正) . . . . . | 56         | Independent non-executive Director | September 17, 2014                     | Provide independent opinions and advice to our Board  |
| Mr. FAN Ren Da Anthony (范仁達) . . . . .        | 54         | Independent non-executive Director | September 17, 2014                     | Provide independent opinions and advice to our Board  |
| Mr. WANG Susheng (王蘇生) . . . . .              | 45         | Independent non-executive Director | September 17, 2014                     | Provide independent opinions and advice to our Board  |

### Chairman

**Mr. CHEN Sui (陳遂)**, aged 50, is our Chairman and non-executive Director. Mr. Chen has been our Chairman and a Director since January 3, 2014. He is principally responsible for overall corporate strategies planning and business development of our Group. Mr. Chen concurrently serves as the Chairman of CGN Wind Energy Ltd. (中廣核風電有限公司), CGN Solar Energy Development Co., Ltd. (中廣核太陽能開發有限公司) and CGN Energy Service Co., Ltd. (中廣核節能產業發展有限公司) and supervisor of CGN Power Co., Ltd. (中國廣核電力股份有限公司). Mr. Chen has more than 26 years of experience in strategic planning, renewable energy development, construction, operation management and energy conservation management. He has previously served as assistant to the head of infrastructure planning division of the planning department of CGN, Party Committee member, deputy general manager and manager of new energy development department of CGN Energy Development Co., Ltd. (中廣核能源開發有限責任公司), general manager of CGN Wind Energy Ltd. Prior to joining CGN, Mr. Chen worked as project manager and department manager of the business enterprise

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## DIRECTORS AND SENIOR MANAGEMENT

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department of China Energy Conservation Investment Corporation (中國節能投資公司), general manager of Beijing Guotou Energy Conservation Company (北京國投節能公司) under China Energy Conservation Investment Corporation. Mr. Chen received the qualification of Senior Engineer from the Senior Specialized Technical Services Qualification Committee for China Energy Conservation Investment Corporation (中國節能投資公司高級專業技術服務評審委員會) in December 2000. Mr. Chen obtained a bachelor's degree in engineering with a concentration in liquid rocket engine from National University of Defense Technology (國防科學技術大學) in July 1987 and a master's degree in management engineering from Shanghai Jiao Tong University (上海交通大學) in November 1996.

### Executive Director

**Mr. LIN Jian** (林堅), aged 50, is our executive Director and President. Mr. Lin has been a Director and Chief Executive Officer (title changed to “President” with effect from January 2014) since October 9, 2012. He is principally responsible for leading and managing all the activities of our Group to achieve the goals and objectives set by our Board, identifying and recommending the short, medium and long-term business strategies, directing and executing our plans and budgets, directing and organizing our material, human and economic resources to deliver the corporate results, identifying and developing business opportunities to grow our Group. Mr. Lin has over 13 years of experience in the power industry. Mr. Lin was the general manager and a director of CGN Energy Development Co., Ltd. (中廣核能源開發有限責任公司) from September 2012 to May 2014. He served as the general manager of Guangdong Nuclear Power Joint Venture Co., Ltd. (廣東核電合營有限公司) from February 2006 to September 2012, and the general manager of Lingao Nuclear Power Co., Ltd. (嶺澳核電有限公司) and Lingdong Nuclear Power Co., Ltd. (嶺東核電有限公司) from April 2010 to September 2012. Mr. Lin also held various positions with China Guangdong Nuclear Power Group Co., Ltd. (中國廣東核電集團有限公司) (former name of CGN) from November 1999 to February 2006, including positions in the finance department and the business enterprise department, the financial business manager of assets operations department and deputy secretary of finance and economic committee. Mr. Lin obtained a bachelor's degree in engineering with a concentration in industrial automation from Huazhong University of Science and Technology (華中科技大學) (formerly known as Huazhong Institute of Science and Technology (華中工學院)) in July 1984 and a master's degree in engineering with a concentration in electronic precision machinery (電子精密機械專業) from the University of Electro-Communications in Japan (日本電氣通信大學) in March 1988.

### Non-executive Directors

**Mr. CHEN Qiming** (陳啓明), aged 51, is our non-executive Director and has been a Director since March 9, 2012. Mr. Chen is also a director of CGN Energy Development Co., Ltd. (中廣核能源開發有限責任公司), Shenzhen Neng Zhi Hui Investment Co., Ltd. (深圳市能之匯有限公司), CGNPC Uranium Resources Co., Ltd. (中廣核鈾業發展有限公司), the vice chairman and non-executive director of Silver Grant International Industries Limited (銀建國際實業有限公司) (a company listed on the Stock Exchange, Stock Code: 171), a non-executive director of CGN Mining Company Limited (中廣核礦業有限公司) (a company listed on the Stock Exchange, Stock Code: 1164) and the general manager of asset management department of CGN Power Co., Ltd. (中國廣核電力股份有限公司). Mr. Chen has over 17 years of experience in commercial contract negotiations and execution. He has served as the general manager of asset management department (formerly known as “capital operation and property right management department” and “capital operation department”) of CGN since October 2011, previously served as the deputy general manager of the same department from June 2011 to October 2011, the deputy general manager of capital operation department of China Guangdong Nuclear Power Group Co., Ltd. (中國廣東核電集團有限公司) (former name of CGN) from November 2009 to June 2011, the manager of contract and procurement department of China Nuclear Power Engineering Co., Ltd. (中廣核

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## DIRECTORS AND SENIOR MANAGEMENT

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工程有限公司) from December 2007 to November 2009, the manager of contract purchasing department of Liaoning Hongyanhe Nuclear Power Co., Ltd. (遼寧紅沿河核電有限公司) from September 2006 to December 2007, the sub-division leader of the contract procurement team of the same company's preparatory office from January 2006 to September 2006, the head of contract business division under the capital operation department of China Guangdong Nuclear Power Group Co., Ltd. (中國廣東核電集團有限公司)(former name of CGN) from June 2003 to January 2006. He held various positions with Lingao Nuclear Power Co., Ltd. (嶺澳核電有限公司) from January 1996 to June 2003, including the manager of nuclear island installation contract in the construction contract division and the assistant to the head of construction contract division of engineering department. Prior to that, Mr. Chen was the manager of sales department of Fengjie Digital Network (Shenzhen) Co., Ltd. (峰杰數字網絡(深圳)有限公司) from August 1993 to January 1996. He also worked at the technology department of Framatome-Spie Batignolles Joint Venture Co., Ltd. (大亞灣核電站法馬通斯比公司) from November 1989 to August 1993 and the steelmaking laboratory of Maanshan Iron & Steel Research Institute (安徽馬鋼鋼鐵研究所煉鋼研究室), a subsidiary of Maanshan Iron & Steel Company Limited, from July 1984 to November 1989. Mr. Chen received the qualification of Senior Engineer from Senior Engineer Positions Qualification Committee for CGN Group Engineering Services (中國廣東核電集團工程系列高級工程師職務資格評審委員會) in August 2002. Mr. Chen obtained a bachelor's degree in engineering with a concentration in metallurgy of iron and steel from the East China University of Metallurgy (華東冶金學院) in July 1984 and a master's degree in economics with a concentration in international trade from the University of International Business and Economics (對外經濟貿易大學) in June 2003.

**Mr. CHEN Huijiang (陳惠江)**, aged 43, is our non-executive Director and has been a Director since November 22, 2013. Mr. Chen also serves as a director of CGN Energy Development Co., Ltd. (中廣核能源開發有限責任公司), China Nuclear Power Technology Research Institute Co., Ltd. (中核華核電技術研究院有限公司), China Nuclear Power Engineering Co., Ltd. (中核工程有限公司) and CGN Lufeng Nuclear Power Co., Ltd (中核陸豐核電有限公司). Mr. Chen has over 16 years of experience in finance and fund management: he has served as the assistant to the general manager of the finance department of CGN since December 2012, deputy officer at the cost division of the finance department of Guangdong Nuclear Power Joint Venture Co., Ltd. (廣東核電合營有限公司), officer at the cost division of the finance department of Lingao Nuclear Power Co., Ltd. (嶺澳核電有限公司), deputy head at the capital division of the finance department of Daya Bay Nuclear Power Operations and Management Co., Ltd. (大亞灣核電運營管理有限責任公司), head of investment control division and deputy manager of the finance department of Fujian Ningde Nuclear Power Co., Ltd. (福建寧德核電有限公司). Mr. Chen obtained a bachelor's degree in economics with a concentration in financial accounting from Guangdong University of Finance & Economics (廣東財經大學)(formerly known as Guangdong University of Business Studies (廣東商學院)) in June 1993.

**Mr. DAI Honggang (戴洪剛)**, aged 43, is our non-executive Director and has been a Director since March 7, 2011. Mr. Dai also serves as a director of CGN Energy Development Co., Ltd. (中廣核能源開發有限責任公司)and the deputy general manager of strategies and planning department of CGN Power Co., Ltd. (中國廣核電力股份有限公司). Mr. Dai has over 11 years of experience in business planning and management. He has served as the assistant to general manager of strategies and planning department of CGN since August 2011, and held various senior positions in the strategies and planning department and the assets operations department of CGN from December 2002 to August 2011, including the head of evaluation and statistics division, senior manager of operations and evaluation, the deputy head of operation and evaluation division of strategies and planning department, the deputy head of operation and management division and the investment management officer of assets operations department. Mr. Dai worked at the business development department of Guangdong Nuclear Power Industrial Development Co., Ltd. (廣東核電實業開發有限公司) from January 2002 to May 2002, the engineering department of CGN Datang Real Estate Co., Ltd. (中廣核電大唐置業有限公司) from February

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## DIRECTORS AND SENIOR MANAGEMENT

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1996 to September 1999, and the operation division of the production department of Guangdong Nuclear Power Joint Venture Co., Ltd. (廣東核電合營有限公司) from July 1990 to December 1994. Mr. Dai received the qualification of Economist from the Ministry of Personnel (國家人事部) in November 2004. Mr. Dai obtained a university diploma in nuclear reactor engineering from Shanghai Jiao Tong University (上海交通大學) in July 1990, a bachelor's degree in monetary banking from Shanghai Jiao Tong University (上海交通大學) in July 1997, a master's degree in business administration from the Maastricht School of Management in the Netherlands in August 2000 and a master's degree in computer based information systems from the University of Sunderland in the United Kingdom in November 2001.

**Mr. LIN Beijing** (林北京), aged 60, is our non-executive Director and has been a Director since March 7, 2011. Mr. Lin concurrently serves as a director of CGN Energy Development Co., Ltd (中廣核能源開發有限責任公司). Mr. Lin has over 18 years of experience in corporate administration management and human resources management. He has previously worked as assistant to general manager of the human resources department of CGN with a concurrent position as the office manager of CGN Nuclear Power Institute (中國廣東核電集團核電學院) during part of his tenure in office from October 2006 to December 2010. He also participated in administration management and human resources management at Guangdong Nuclear Power Joint Venture Co., Ltd. (廣東核電合營有限公司) and Yangjiang Nuclear Power Co., Ltd. (陽江核電有限公司) from December 1995 to October 2006. Mr. Lin worked for more than 16 years in Changjiang Shipping and Telecom Navigation Bureau under the Ministry of Transport (國家交通部長江航運通訊導航局) from April 1976 to February 1993 and, prior to joining CGN, he served as the deputy manager of the microwave laboratory of the same bureau. Mr. Lin graduated from Changjiang Shipping Vocational University under the Ministry of Transport (國家交通部長江航運職工大學), majoring in corporate management in July 1987.

**Mr. XING Ping** (邢平), aged 49, is our non-executive Director and has been a Director since April 9, 2013. Mr. Xing also serves as a director of the board of several subsidiaries of CGN, including CGN Energy Development Co., Ltd. (中廣核能源開發有限責任公司), CGN Solar Energy Development Co., Ltd. (中廣核太陽能開發有限公司) and CGN Wind Energy Ltd. (中廣核風電有限公司), as well as chairman (convener) of the investment and risk management committee on the board of directors of CGN Solar Energy Development Co., Ltd. (中廣核太陽能開發有限公司) and CGN Wind Energy Ltd. (中廣核風電有限公司). Mr. Xing has over 27 years of experience in corporate governance, investment and risk management, having previously served as the senior audit director and chief engineer of China Nuclear Power Engineering Co., Ltd. (中廣核工程有限公司) and senior engineer at Lingao Nuclear Power Co., Ltd. (嶺澳核電有限公司). Mr. Xing graduated from China Three Gorges University (三峽大學) (formerly known as Gezhou Ba Hydro Power Engineering Institute (葛洲壩水電工程學院)) in July 1986, majoring in power automation.

### Independent Non-Executive Directors

**Mr. SHEN Zhongmin** (沈忠民), aged 51, has been our independent non-executive Director since September 17, 2014. He is currently a partner of Hudson Clean Energy Partners, a leading global private equity fund focusing on clean energy investments. He was a member of senior management of CLP Holdings Limited (中電控股有限公司) (SEHK: 00002) from August 2006 to August 2008 and China Resources Power Holdings Company Limited (華潤電力控股有限公司) (SEHK: 00836) from March 2003 to July 2006. Mr. Shen obtained a master of business administration degree from Guanghua School of Management of Peking University (北京大學光華管理學院) in January 2007, a master's degree in arts majoring in economics from The University of Tennessee in May 1994, a master of laws degree from Peking University in July 1988 and a bachelor's degree in science from Peking University (北京大學) in July 1985.



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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. LEUNG Chi Ching Frederick** (梁子正), aged 56, has been our independent non-executive Director since September 17, 2014. Mr. Leung has over 30 years of professional and industrial experience in management, corporate governance, corporate finance, banking and accounting. He was previously an executive director, chief finance officer and company secretary of Skyworth Digital Holdings Limited (“**Skyworth**”), a company listed on the Stock Exchange (SEHK: 00751). In his almost nine years of services in Skyworth, he was mainly responsible for the company’s successful resumption of trading of its shares and strengthening of its internal controls, accounting system, corporate governance and investor relations management. In 2011 and 2013, Skyworth was awarded by Asia Money as the Best Managed Medium Cap Company in China and by Forbes as Asia’s Fabulous 50, respectively. Furthermore, Mr. Leung accumulated 14 years’ working experience in Deloitte Touche Tohmatsu. He left Deloitte Touche Tohmatsu in June 1999 as a principal of corporate finance. Mr. Leung obtained a bachelor’s degree of science in business administration (major in accounting) from the University of The East in the Philippines in November 1981. He became an associate member of the Hong Kong Institute of Certified Public Accountants in April 1997 and has been its fellow member since October 2013. He has also been a member of the American Institute of Certified Public Accountants since December 1996 and the Hong Kong Securities Institute since April 1999.

Mr. Leung was previously a non-executive director of Richly Field China Development Limited (“**Richly Field**”), a company listed on the Stock Exchange (SEHK: 00313). He joined Richly Field as an independent non-executive director on May 2, 2003 and was appointed as an executive director on March 3, 2004. He was re-designated as a non-executive director on May 1, 2005 and he resigned from the directorship on March 4, 2006. Since his resignation as a non-executive director of Richly Field on March 4, 2006, Mr. Leung has no involvement in any matters relating to Richly Field. During Mr. Leung’s tenure of directorship with Richly Field, Richly Field and its then subsidiaries were engaged in the building construction and maintenance industry including building work, design and construction and building maintenance in Hong Kong. As disclosed in the public announcements made by Richly Field, a winding up petition was served on it on June 30, 2006 by a public accounting firm for an unpaid service fee of approximately HK\$593,000. On December 18, 2006, the winding up petition for Richly Field was heard in the High Court of Hong Kong and winding up order was made against Richly Field. On May 29, 2007, the High Court of Hong Kong made an order to appoint joint and several liquidators and committee of inspection of Richly Field. The winding up order against Richly Field was permanently stayed effective on July 23, 2008 and the joint and several liquidators were discharged with effect from July 23, 2008.

**Mr. FAN Ren Da Anthony** (范仁達), aged 54, has been our independent non-executive Director since September 17, 2014. He has been the managing director of AsiaLink Capital Limited (東源資本) since October, 2003. He is also an independent non-executive director of over ten public companies listed on the Stock Exchange, including Raymond Industrial Ltd. (利民實業有限公司) (SEHK: 0229), CITIC Resources Holdings Limited (中信資源控股有限公司) (SEHK: 01205), Uni-President China Holdings Ltd. (統一企業中國控股有限公司) (SEHK: 00220); Renhe Commercial Holdings Company Limited (人和商業控股有限公司) (SEHK: 01387); Shanghai Industrial Urban Development Group Limited (上海實業城市開發集團有限公司) (SEHK: 00563), Hong Kong Resources Holdings Company Limited (香港資源控股有限公司) (SEHK: 02882), China Development Bank International Investment Limited (國開國際投資有限公司) (SEHK: 01062), Guodian Technology & Environment Group Corporation Limited (國電科技環保集團股份有限公司) (SEHK: 01296), LT Commercial Real Estate Limited (勒泰商業地產有限公司) (SEHK: 00112), Technovator International Limited (同方泰德國際科技有限公司) (SEHK: 01206); Tenfu (Cayman) Holdings Company Limited (天福(開曼)控股有限公司) (SEHK: 06868) and Neo-Neon Holdings Limited (真明麗控股有限公司) (SEHK: 1868). Mr. Fan obtained a master’s degree in business administration from the University of Dallas in the U.S. in December 1986.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. WANG Susheng** (王蘇生), aged 45, has been our independent non-executive Director since September 17, 2014. He is currently a professor and supervisor for doctoral students at the Urban Planning and Management School under Shenzhen Graduate School of Harbin Institute of Technology (哈爾濱工業大學) and president of Shenzhen Public Administration Institute (深圳市公共管理學會). He is also currently an independent non-executive director of several listed companies, including Guangzhou Automobile Group Co., Ltd. (廣州汽車集團股份有限公司) (SEHK: 02238), Shenzhen Pellet Technology Co., Ltd. (深圳雷柏科技股份有限公司) (SZSE: 002577) and Shenzhen Terca Technology Co., Ltd. (深圳市特爾佳科技股份有限公司) (SZSE: 002213). His prior experience includes financial engineering, investment management, taxation, accounting management, corporate finance, public administration and venture capital management. He has previously worked at various companies, including Weishen Securities Co., Ltd. (蔚深證券有限責任公司). Mr. Wang obtained a Chartered Public Accountants (註冊會計師) qualification from The Chinese Institute of Certified Public Accountants in May 1997 and Chartered Financial Analyst (註冊金融分析師) qualification from CFA Institute in September 2004. He was admitted as an attorney in the PRC in June 1997. Mr. Wang obtained a master's degree in economics from Renmin University of China (中國人民大學) in June 1994, a doctoral degree in law from Peking University (北京大學) in July 2000, a post-doctoral degree in management from Tsinghua University (清華大學) in September 2002 and master of business administration degree from University of Chicago in the U.S. in March 2004.

Save as disclosed herein, there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no other material matters relating to each of our Directors that need to be brought to the attention of our Shareholders.

### SENIOR MANAGEMENT

The following table sets forth certain information regarding our senior management:

| <u>Name</u>                           | <u>Age</u> | <u>Position</u>         | <u>Date of Joining our Group</u> | <u>Date of Appointment as part of Senior Management</u> | <u>Roles and Responsibilities</u>                                     |
|---------------------------------------|------------|-------------------------|----------------------------------|---|---|
| Mr. LIN Jian (林堅) . . .               | 50         | President               | October 9, 2012                  | October 9, 2012   | Formulation, management and execution of overall corporate strategies |
| Mr. DUNN William. . . .               | 48         | Chief Financial Officer | July 12, 2012                    | July 12, 2012   | Overseeing the finance and accounting activities                      |
| Mr. CHEA Man Yin Nigel (謝文彥). . . . . | 52         | Senior Vice President   | December 1, 1995                 | January 1, 2005   | Overseeing the Conventional Energy Business Unit                      |
| Mr. LEUNG Hok Luen (梁鶴鑾) . . . . .    | 64         | Senior Vice President   | May 30, 1995                     | May 14, 2007  | Overseeing the International Business Unit                            |



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## DIRECTORS AND SENIOR MANAGEMENT

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| <u>Name</u>                                 | <u>Age</u> | <u>Position</u>  | <u>Date of<br/>Joining our<br/>Group</u> | <u>Date of<br/>Appointment<br/>as part of<br/>Senior<br/>Management</u> | <u>Roles and Responsibilities</u>   |
|---|------------|--|--|---|---|
| Mr. MYUNG Jinsung . .                       | 46         | Head of<br>Korea   | January 1,<br>2003                       | November<br>5, 2010   | Overseeing Korean<br>operations   |
| Mr. CHU Heng Kung<br>Henry (朱恒功) . . . . .  | 60         | General<br>Manager –<br>Conventional<br>Energy<br>Business<br>Unit | November<br>22, 1999                     | September<br>1, 2007  | Managing the<br>Conventional Energy<br>Business Unit  |
| Dr. WONG Yao Chee<br>Albert (黃祐慈) . . . . . | 68         | Director –<br>Safety and<br>Technical<br>Department                | September<br>10, 2007                    | September<br>10, 2007   | Managing the Safety<br>and Technical<br>Department  |
| Mr. SUN Yi (孫毅) . . . . .                   | 57         | Senior<br>Vice<br>President  | January 3,<br>2014                       | January 3,<br>2014  | Overseeing the Safety<br>and Technical<br>Department, the<br>Internal Audit<br>Department and the<br>Office Administration<br>and Corporate<br>Culture Department |
| Mr. LIU Luping<br>(劉路平) . . . . .           | 50         | Senior<br>Vice<br>President  | January 3,<br>2014                       | January 3,<br>2014  | Overseeing the Hydro<br>Power Business Unit   |
| Mr. HU Dongming<br>(胡冬明) . . . . .          | 40         | Vice<br>President  | January 3,<br>2014                       | January 3,<br>2014  | Overseeing the<br>Strategy and<br>Investment<br>Department and Asset<br>Management<br>Department  |
| Mr. YANG Linghao<br>(楊凌浩) . . . . .         | 40         | Chief<br>Accountant  | January 3,<br>2014                       | January 3,<br>2014  | Overseeing Finance<br>and Accounting<br>Department  |
| Mr. WAT Chi Ping Isaac<br>(屈治平) . . . . .   | 43         | Company<br>Secretary<br>and<br>General<br>Counsel                  | March 20,<br>2014                        | March 20,<br>2014   | Legal compliance and<br>Company Secretary   |

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. LIN Jian** (林堅) is our President. See “– *Board of Directors – Executive Director*” for details of Mr. Lin’s biography.

**Mr. DUNN William**, aged 48, joined our Company on July 12, 2012 as the Chief Financial Officer. Mr. Dunn is primarily responsible for all corporate financial activities including capital raising, financial reporting, managing lender and shareholder relations and providing financial and analytical support to the business development and asset management teams. Mr. Dunn has over 20 years of experience in financial management and planning. Prior to joining our Company, he worked for several large multinational corporations including Honeywell International Inc., American Standard Companies, Inc. and Pentair Inc. Mr. Dunn obtained a MBA (corporate finance) from the Columbia Business School in February 1998 and a bachelor’s degree in economics from the Wharton School at the University of Pennsylvania in May 1988.

**Mr. CHEA Man Yin Nigel** (謝文彥), aged 52, joined our Company on December 1, 1995 as Controller, responsible for overseeing our Group and our projects’ accounting, taxation and financial management activities in the region. Mr. Chea was also the key developer and senior asset manager for several key projects of our Group. Mr. Chea was promoted to Vice President – Controller in 1999 and later promoted to Senior Vice President of Asset Management in 2005. He was promoted to Chief Operating Officer in 2009 (title changed to “Senior Vice President” with effect from January 3, 2014). He is currently responsible for overseeing the Conventional Energy Business Unit. He also leads the portfolio’s overall operational and key growth initiatives. He is also the lead person in maintaining contacts and relationships in key provinces where our projects are located and in the relevant State Departments and being our Company’s representative in national industry and related associations in the PRC. Prior to joining our Company, Mr. Chea had over ten years of experience in finance, accounting and auditing and participated in a number of major pioneer infrastructural projects in the PRC, such as Guangdong Shajiao C Power Project 3 x 660 MW and Guangzhou-Shenzhen Superhighway, while he was working at Hopewell Holdings Limited. He had also worked for large US multinational companies including Pepsi Cola International and Digital Equipment International. Mr. Chea obtained a bachelor’s degree in business administration from The Chinese University of Hong Kong in July 1985 and a master’s degree in commerce from the University of New South Wales, Australia in August 1988. He became a fellow member of CPA Australia and Hong Kong Institute of Certified Public Accountants in June 2007 and July 1998, respectively.

**Mr. LEUNG Hok Luen** (梁鶴鑾), aged 64, joined our Company on May 30, 1995 as Director of Business Development and was promoted to his current position of Senior Vice President on May 14, 2007. Mr. Leung is currently responsible for overseeing the International Business Unit. He identifies new opportunities and formulates business strategies for power project business, involving joint ventures, strategic investments, government relations, strategic partnering and alliances in the overseas market. Prior to joining our Company, Mr. Leung worked at ABB Lummus Global, a division of Combustion Engineering Inc., now Asea Brown Boveri, for 22 years. At ABB Lummus Global, he oversaw all commercial activities in China including project development, contract negotiation, bidding strategy and project financing. Mr. Leung obtained a bachelor’s degree and a master’s degree in chemical engineering from the Polytechnic University (formerly known as Polytechnic Institute of Brooklyn) in May 1973 and June 1975, respectively (the latter obtained through part-time study). He also earned an MBA from the University of Houston in December 1985. Mr. Leung has been a member of the American Institute of Chemical Engineers (AIChE) since 1973 and a licensed Professional Engineer in New Jersey since February 1980.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. MYUNG Jinsung**, aged 46, joined our Group on January 1, 2003 and has been the country head of Korea since then. Mr. Myung became part of the senior management team of our company since November 2010. Mr. Myung is primarily responsible for managing the operations in Korea to achieve business goals including financial, commercial, operational and organizational targets of the Korean project companies. He is also responsible for business development in Korea. Since he joined our Group in 2003, he had successfully completed construction of Yulchon I power project, Fuel Cell I power project, Fuel Cell II power project, and Yulchon II power project, and also acquired Daesan II power project, resulting in reaching over 2,000 MW power project capacity in Korea for our Group. He has more than 15 years of experience in power and gas industries covering all aspects of power business spanning from mergers and acquisitions, project financing, construction management, power purchase agreement, gas supply agreement to business development and asset management. Prior to joining our Group, Mr. Myung worked in Mirant Corporation in Hong Kong and Enron Corporation in the United States of America, where he was in charge of mergers and acquisitions, business development and international investment. Mr. Myung obtained an MBA with a concentration in finance from the Vanderbilt University in the United States of America in May 1998.

**Mr. CHU Heng Kung Henry** (朱恒功), aged 60, joined our Company on November 22, 1999 and has been part of the senior management team of our Company since 2007 through his appointment as vice president (title changed to General Manager of Conventional Energy Business Unit on April 4, 2014). Mr. Chu is responsible for managing important assets portfolio and power project investments of our Group, including those with majority or minority investments. Mr. Chu works together with the local management such as power project managers in the management of these assets and projects. Prior to his current role, Mr. Chu was the General Manager of XTI in PRC and Kuo Kuang Power Project in Taiwan. Mr. Chu had over 30 years of experience in technical and general management in the power industry and he participated in a number of power projects in different countries, including Taiwan, Indonesia, Dominican Republic, and the United States. Mr. Chu held various senior positions in large companies including Formosa Plastic Group which is the largest private business group in Taiwan. Mr. Chu obtained a bachelor's degree in marine engineering from the National Marine and Oceanic Technology University in Taiwan (台灣國立海洋大學) in May 1977.

**Dr. WONG Yao Chee, Albert** (黃祐慈), aged 68, joined our Company on September 10, 2007 and has been part of the senior management team of our Company since 2007 through his appointment as General Manager of Kuo Kuang Power Project in Taiwan. Dr. Wong was appointed to the current position of Director of Safety and Technical Department on September 14, 2011. He is primarily responsible for providing policy and procedural guidance to technical team members, leading the technical services team to provide support to projects development and asset management and overseeing the EHS function to ensure the strict compliance with the regulatory requirements and standards. Dr. Wong has over 40 years of experience in technical services and project management. Prior to joining our Company, Dr. Wong worked in Stone & Webster / Shaw Group for approximately 34 years. He had involved in many power project assignments in various countries including U.S.A, China, and Taiwan. He also provided power project consulting services for US, European, Japan and Chinese utility companies. Dr. Wong obtained a doctor of philosophy degree in civil engineering from the University of Illinois at Champaign Urbana in February 1973, an MBA from Boston College in May 1981, and a bachelor degree in civil engineering from the University of Hong Kong in November 1968. He has also been the registered Professional Engineer in Massachusetts since July 1976, Pennsylvania from July 1986 to September 2011, Texas since June 1990, and Arizona since August 2001.

**Mr. SUN Yi** (孫毅), aged 57, joined our Company on January 3, 2014 as the Senior Vice President. Mr. Sun is primarily responsible for overseeing the Safety and Technical Department, the Internal Audit Department and the Office Administration and Corporate Culture Department. Mr. Sun

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## DIRECTORS AND SENIOR MANAGEMENT

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has over 22 years of experience in engineering and management of power project. Prior to joining our Company, he worked in various subsidiaries of CGN, which he held managerial positions such as Deputy General Manager, Director, and Safety Technical Adviser (STA) from July 2003 to December 2013. Prior to that, he worked at the Production and Nuclear Safety Department, and Engineer Department of CGN and its subsidiaries. He began his career in the power industry in Jiangxi Electric Power Design Institute, where he worked as an engineer from February 1982 to June 1991. Mr. Sun obtained the Nuclear Power Plant Senior Reactor Operator License (核電站反應堆高級操縱員執照) in October 1998, was qualified as Nuclear Safety Engineer (註冊核安全工程師) in June 2004 and awarded as Professor Level Senior Engineer by CGN in December 2008. He also obtained the qualification of certified Senior Enterprise Risk Manager in April 2010. Mr. Sun obtained a bachelor's degree in thermal energy and power engineering from Zhejiang University (浙江大學) in January 1982 and a master's degree in business management from the Renmin University of China (中國人民大學) in July 1996.

**Mr. LIU Luping** (劉路平), aged 50, joined our Company on January 3, 2014 as the Senior Vice President. He is primarily responsible for managing the Hydro Power Business Unit. Mr. Liu has approximately 30 years of work experience. Prior to that, Mr. Liu worked at Hydrochina Corporation Zhongnan Engineering Corporation (中國水電顧問集團中南勘測設計研究院) for 29 years, where he started as a Technician in July 1984 and his last role held was Vice Director. Mr. Liu obtained the Senior Economist (高級經濟師) qualification from Zhongnan Engineering Corporation (國家電力公司中南勘測設計研究院) in December 1998, the State Registered Supervision Engineer (國家註冊監理工程師) qualification from the Ministry of Personnel and the Ministry of Construction of the PRC (中華人民共和國人事部和建設部) in May 1998, the Professor Level Senior Engineer (教授級高級工程師) qualification from Hydrochina Corporation (中國水電工程顧問集團公司) in December 2003 and the Senior Project Manager (高級項目管理師) qualification from Occupational Skills Testing Authority of the Ministry of Labour and Social Security (勞動和社會保障部職業技能鑒定中心) in July 2006. He has also won several Provincial Science and Technology Progress Awards (省部級科技進步獎). Mr. Liu obtained a bachelor's degree in solid mechanics from Central Institute of Technology (華中工學院) (currently known as Huazhong University of Science and Technology (華中科技大學)) in July 1984 and an EMBA degree from Huazhong University of Science and Technology in December 2008.

**Mr. HU Dongming** (胡冬明), aged 40, joined our Company on January 3, 2014 as the Vice President. He is primarily responsible for overseeing the Strategy and Investment Department and Asset Management Department. Mr. Hu has approximately 15 years of experience in contract commerce and investment management. Prior to joining our Company, Mr. Hu had worked in CGN and various subsidiaries of CGN, including CGN Energy Development Co., Ltd. (中廣核能源開發有限責任公司), China General Nuclear Power Group Co., Ltd. (中國廣核集團有限公司), CGN Uranium Industry Company (中廣核鈾業有限公司), Daya Bay Nuclear Power Operation and Management Co., Ltd. (大亞灣核電運營管理責任公司) and Guangdong Nuclear Power Joint Venture Co., Ltd. (廣東核電合營有限公司). He held various managerial positions, such as General Manager Assistant, General Legal Counsel, Senior Manager of Commercial Contract and Deputy Director of Investment and Legal Affairs in these organizations. Mr. Hu obtained a bachelor's degree in economic management from the South China Normal University (華南師範大學) in June 2002 and an MBA from the Nankai University (南開大學) and the University of Denver, the United States in July 2005 and March 2007, respectively.

**Mr. YANG Linghao** (楊凌浩), aged 40, joined our Company on January 3, 2014 as the Chief Accountant. He is primarily responsible for overseeing the Finance and Accounting Department. Mr. Yang has approximately 15 years of experience in accounting and finance. Prior to joining our Company, he worked at the accounting department and finance department of CGN (中廣核集團有限公司) and various subsidiaries of CGN, including CGN (中廣核集團有限公司), CGN Energy Development

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## DIRECTORS AND SENIOR MANAGEMENT

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Co., Ltd. (中廣核能源開發有限責任公司) and Daya Bay Nuclear Power Finance Co., Ltd. (大亞灣核電財務有限公司) He was promoted to the Chief Accountant of CGN Energy Development Co., Ltd. (中廣核能源開發有限責任公司) in October 2008. Mr. Yang obtained a bachelor's degree in accounting from the Renmin University of China (中國人民大學) in July 1998

**Mr. WAT Chi Ping Isaac** (屈治平), aged 43, joined our Company on March 20, 2014 as the General Counsel. Mr. Wat is primarily responsible for the management and supervision of all legal and compliance matters and corporate governance of our Company, as well as managing our company secretarial functions. Mr. Wat has over 15 years of legal and compliance experience, and his exposure covers corporate finance transactions, public and private merger and acquisitions, private equity, investment funds, corporate restructuring and regulatory compliance works. Prior to joining our Company, Mr. Wat served as the Director – Legal Counsel of CITIC Securities International Company Limited. He also worked at major international law firms such as Baker & McKenzie and Fried, Frank, Harris, Shriver & Jacobson LLP. Mr. Wat became a qualified solicitor in Hong Kong and in England and Wales in November 1998 and March 1999, respectively. He obtained a bachelor's degree in pharmacy from the University of Toronto in June 1993 and a post-graduate certificate in laws from University of Hong Kong in June 1996.

None of our members of senior management above has been a director of any listed companies in the three years before the date of this prospectus.

### COMPLIANCE WITH THE MANAGEMENT CONTINUITY REQUIREMENT UNDER THE LISTING RULES

Our Company complies with the management continuity requirement under Rule 8.05(1)(b) on the principal basis that a majority of the core senior management of our Company has been with our Group during the Track Record Period and these members of senior management cover key functions within our Group, including operations, business development, Korean operations, asset management, technical and safety.

Notwithstanding that there were changes to our President and Chief Financial Officer during the Track Record Period, we have put in place various arrangements to ensure a smooth transition and to ensure that the incoming personnel could be fully appraised of the circumstances of our Group quickly and would have adequate support and assistance to execute their management work effectively. For example, we organized orientation sessions and one-on-one internal meetings between the new President and Chief Financial Officer and other senior management members and department heads to assist the new President and Chief Financial Officer to understand the business and operational issues, challenges, developments and strategies of our Group quickly. The fact that the general managers who are closely involved in and are responsible for the day-to-day operations and management of our power projects have remained the same throughout the Track Record Period also helped to ensure that our new President and Chief Financial Officer are supported by managers who are most familiar with the operations of the power projects and who are able to utilise their knowledge and experience to effectively implement the operational and development plans formulated by our senior management team. In respect of the changes to our Chief Financial Officer, the fact that our accounting and finance functions are supported respectively by two separate teams comprising of experienced and qualified individuals who have been with our Group throughout the Track Record Period and by our well-established accounting and finance systems also assisted the new Chief Financial Officer to transit into his new role quickly and effectively and ensured that there was the necessary consistency in the performance and execution of the accounting and finance functions.



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## DIRECTORS AND SENIOR MANAGEMENT

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### COMPANY SECRETARY

Mr. WAT Chi Ping Isaac (屈治平) was appointed as the Company Secretary of our Company on March 21, 2014. See “– *Senior management*” for details of his biography.

### BOARD COMMITTEES

We have established the following committees of our Board, namely an audit committee, a nomination committee, a remuneration committee, an investment and risk management committee and a strategy development committee. The committees operate in accordance with terms of reference established by our Board.

#### Audit Committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. The audit committee consists of three Directors, being Mr. Leung Chi Ching Frederick, Mr. Fan Ren Da Anthony and Mr. Chen Huijiang. The chairman of the audit committee is Mr. Leung Chi Ching Frederick, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the audit committee include, but are not limited to, the following: (i) to propose the appointment or removal of the external auditor of our Company and to review and supervise the independence and objectivity of the external auditors and the effectiveness of the audit process; (ii) to discuss with the external auditor on the nature and scope of the audit work prior to the commencement of the audit work; (iii) to review our Group’s financial and accounting policies and practices; (iv) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within our Company, and to review and monitor its effectiveness; (v) to review our financial information and disclosure thereof, and to consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts; (vi) to oversee our financial controls, internal control and risk management systems and their implementation; and (vii) to review the arrangements for employees to raise concerns about financial reporting improprieties.

#### Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with paragraph B1 of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. The remuneration committee consists of three Directors, being Mr. Shen Zhongmin, Mr. Fan Ren Da Anthony and Mr. Dai Honggang. The chairman of the remuneration committee is Mr. Shen Zhongmin. The primary duties of the remuneration committee include, but are not limited to, the following: (i) to make recommendations to our Board on our policy and structure for all Directors’ and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) to review and approve senior management’s remuneration proposals with reference to our Board’s corporate goals and objectives; (iii) to make recommendations to the Board on the remuneration packages of individual executive directors and senior management; (iv) to assess, review and make recommendations once a year or as and when required, to our Board in respect of the remuneration packages and overall benefits for the Directors; and (v) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment; to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct.

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## DIRECTORS AND SENIOR MANAGEMENT

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### **Nomination Committee**

We have established a nomination committee with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. The nomination committee consists of three Directors, being Mr. Chen Sui, Mr. Shen Zhongmin and Mr. Fan Ren Da Anthony. The chairman of the nomination committee is Mr. Chen Sui. The primary duties of the nomination committee include, but are not limited to, the following: (i) to review the diversity, structure, size and composition (including the sexes, education background, skills, knowledge and experience) of our Board at least annually and make recommendations on any proposed changes to our Board to complement our corporate strategy; (ii) to identify individuals suitably qualified to become members of our Board and select or make recommendations to our Board on the selection of individuals nominated for directorships; (iii) to assess the independence of independent non-executive Directors; and (iv) to make recommendations to the Board on the re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer.

### **Investment and Risk Management Committee**

We have established an investment and risk management committee with written terms of reference. The investment and risk management committee consists of three Directors, being Mr. Xing Ping, Mr. Dai Honggang and Mr. Chen Huijiang. The chairman of the investment and risk management committee is Mr. Dai Honggang. The primary duties of the investment and risk management committee include, but are not limited to, the following: (i) to review major investment and strategy and objectives of project financing; (ii) to review any major investment, financing proposal and operating project matters; (iii) to review the development and objectives of the risk management system; (iv) to supervise the soundness, reasonableness and effectiveness of the risk management system, and instruct the comprehensive risk management of our Company; (v) to study the risks of significant matters in major investment and financing activities and operation management and make necessary recommendations to the Board; and (vi) to study the significant investigation results and feedbacks from the management concerning the risk management of our Company.

### **Strategy Development Committee**

We have established a strategy development committee with written terms of reference. The strategy development committee consists of five Directors, being Mr. Chen Sui, Mr. Lin Jian, Mr. Wang Susheng, Mr. Chen Qiming and Mr. Dai Honggang. The chairman of the strategy development committee is Mr. Chen Sui. The primary duties of the strategy development committee include, but are not limited to, the following: (i) study and review the business objective and mid to long term development strategy of our Company; (ii) study and make recommendations on major issues that will have an impact on the development of our Company; and (iii) monitor and supervise the implementation of the matters mentioned above.



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## DIRECTORS AND SENIOR MANAGEMENT

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### COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

We offer our executive Director and senior management members, who are also employees of our Company, various compensation in the form of fees, salaries, contributions to pension scheme, discretionary bonuses, housing and other benefits in kind. Our independent non-executive Directors receive compensation based on their responsibilities (including being members or chairman of Board committees).

The aggregate amount of remuneration which was paid to our Directors for the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014 was approximately U.S.\$988,000, U.S.\$183,000, U.S.\$368,000 and U.S.\$271,000, respectively. For further details, see “*Appendix I – Accountants’ Report*” to this prospectus. None of our Directors waived any emoluments during the same period.

The aggregate amount of remuneration which was paid by us to our five highest paid individuals for the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014 was approximately U.S.\$2.28 million, U.S.\$2.88 million, U.S.\$2.94 million and U.S.\$1.40 million, respectively. For further details, see “*Appendix I – Accountants’ Report*” to this prospectus.

It is estimated that remuneration equivalent to approximately U.S.\$345,000 in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2014 under arrangements in force at the date of this prospectus.

Please see “*Appendix I – Accountants’ Report*” for details of remuneration (if any) paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group and for compensation (if any) paid to our past senior management members during the Track Record Period for the loss of office.

Save as disclosed above, no other payments have been paid or are payable, in respect of the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, by us or any of our subsidiaries to our Directors.

### EMPLOYEE INCENTIVE SCHEMES

We intend to adopt employee incentive scheme(s) after the Listing in order to incentivize our Directors, senior management and other employees of our Group and other relevant participants of such scheme(s) who may have good performance or made contributions to our Group, and to attract and retain personnel who are important to the performance, development and success of our Group. The adoption of such employee incentive scheme(s) has been approved in principal by SASAC and we will formulate details of such employee incentive scheme(s) for the approval of SASAC and our Shareholders in accordance with the applicable requirements under the Listing Rules and applicable laws after the Listing.

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## DIRECTORS AND SENIOR MANAGEMENT

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### COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following matters:

- (i) ensure our Company is properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines;
- (ii) accompany our Company to any meetings with the Stock Exchange, unless otherwise requested by the Stock Exchange;
- (iii) review and advise on the listing documents and waivers of our Company;
- (iv) if required by the Stock Exchange, deal with the Stock Exchange in respect of any or all matters listed in Rule 3A.23 of the Listing Rules;
- (v) in relation to an application by our Company for a waiver from any of the requirements in Chapter 14A of the Listing Rules, advise our Company on its obligations and in particular, the requirement to appoint an independent financial adviser; and
- (vi) assess the understanding of all new appointees to the Board regarding the nature of their responsibilities and fiduciary duties as a Director, and make recommendations to the Board regarding the Directors.

The terms of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be extended by mutual agreement.

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## RELATIONSHIP WITH CGN GROUP

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### OVERVIEW

CGN acquired the entire share capital of our Company through its indirectly wholly-owned subsidiary, CGNPC Huamei, in November 2010 and became our Controlling Shareholder. Please see the paragraph headed “*Our History and Development – Our History – CGN’s acquisition of our Company*” in this prospectus for further details. Immediately upon completion of the Global Offering, CGN will own, through CGNPC Huamei, 75% of our enlarged share capital (assuming the Over-allotment Option is not exercised) and remain as our Controlling Shareholder.

As part of the Reorganization, we transferred to CGNPC Huamei our interests in the Disposal Group pursuant to a restructuring agreement dated September 15, 2014. For details of the Reorganization, please see the section headed “*Our History and Development – Our Reorganization*” in this prospectus.

### DELINEATION OF BUSINESS AND COMPETITION

#### Business of our Group

We are a diversified IPP in Asia in terms of fuel type and geography, with a portfolio of gas-fired, coal-fired, oil-fired, hydro, cogen and fuel cell power generation projects and a steam project in the PRC and Korea. As of April 30, 2014, our clean and renewable energy projects, namely gas-fired, hydro and fuel cell projects, accounted for approximately 51.6% of our attributable installed capacity, and our conventional power projects, namely coal fired, oil-fired and cogen projects, accounted for approximately 48.4% of our attributable installed capacity. As of April 30, 2014, we had 14 operating power generation projects with a consolidated installed capacity of 2,867.8 MW and an attributable installed capacity of 3,659.5 MW and one steam project in our portfolio. In addition, our business includes providing management services to certain power projects in which the CGN Group has interests. We provide management services to 23 operating power generation projects in which CGN Energy and Huamei Holding have interests with an attributable installed capacity of 5,831.6 MW, three of which are under expansion, and four power generation projects that are either under construction or will commence construction which are expected to contribute an additional attributable installed capacity of 454.9 MW to projects under our management between 2014 and 2018. We also provide management services to an investment holding company (namely, XTI) holding some of the power generation projects in which Huamei Holding has interests.

As of the Latest Practicable Date, all of our power projects (in operation or under expansion or construction) are located in the PRC and Korea, and those power projects that are within the PRC are located in the Guangxi Zhuang Autonomous Region, Sichuan Province, Hubei Province, Jiangsu Province, Henan Province and the Shanghai Municipality.

#### Business of the CGN Group (including the Disposal Group)

Established on September 29, 1994, CGN is a large clean energy group under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC government. The CGN Group is principally engaged in the generation and sale of power, construction, operation and management of nuclear, clean and renewable power projects. As of April 30, 2014, CGN Group’s total assets amounted to approximately RMB340.99 billion (including our Group and the Disposal Group). As of April 30, 2014, CGN Group’s total installed capacity of nuclear power in

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## RELATIONSHIP WITH CGN GROUP

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operation was approximately 9.41 GW, and its consolidated installed capacity of wind power, hydro power and solar power in operation were approximately 4.92 GW, 1.30 GW and 0.52 GW, respectively (excluding our Group but including the Disposal Group).

One key distinguishing feature of the business of the CGN Group and the business of our Group is that a principal business of the CGN Group is nuclear power generation, whilst our Group does not currently, and does not intend to in the future, own, operate or manage any nuclear power project.

### **Retained Business of the CGN Group (excluding our Group but including the Disposal Group)**

Apart from its controlling interest in our Group, CGN, through interests in its subsidiaries (excluding our Group but including the Disposal Group), has retained certain existing Retained Business, namely, controlling interests in certain non-nuclear power generation businesses in operation and under construction which compete or are likely to compete with our business and will continue to own and/or operate such existing Retained Business after the Global Offering. The existing Retained Business includes:

- 64 wind power projects in operation, with a consolidated installed capacity of approximately 4.92 GW as of April 30, 2014;
- 13 hydro power projects in operation, with a consolidated installed capacity of approximately 1.30 GW as of April 30, 2014;
- 15 solar power projects in operation, with a consolidated installed capacity of approximately 0.52 GW as of April 30, 2014;
- one cogen power projects in operation, with a consolidated installed capacity of approximately 0.03 GW as of April 30, 2014;<sup>(1)</sup>
- 23 wind power projects under construction or expansion, with a consolidated capacity under construction or expansion of approximately 1.53 GW as of April 30, 2014;
- three hydro power projects under construction or expansion, with a consolidated capacity under construction or expansion of approximately 0.21 GW as of April 30, 2014; and
- five solar power projects under construction or expansion, with a consolidated capacity under construction or expansion of approximately 0.08 GW as of April 30, 2014.

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*(1) The CGN Group also owns another cogen power project located in Jiangsu Province, the PRC, but, as of April 30, 2014, such power project has ceased operation and the CGN Group intended to dispose of its interest in such project.*

## RELATIONSHIP WITH CGN GROUP

The table below sets out the locations of the non-nuclear power projects in operation or under construction or expansion of our Group and the CGN Group (excluding our Group but including the Disposal Group), respectively as of April 30, 2014:

| Province/ Region/ Country  | Our Group's<br>(including associated<br>companies) power<br>projects in operation  | Approximate<br>consolidated<br>installed<br>capacity as of<br>April 30, 2014 | Our Group's<br>(including<br>associated<br>companies)<br>power projects<br>under<br>expansion or<br>construction | Approximate<br>consolidated<br>capacity under<br>construction as<br>of April 30,<br>2014 | CGN Group's<br>controlling<br>non-nuclear<br>power projects<br>in operation | Approximate<br>consolidated<br>installed<br>capacity as of<br>April 30, 2014 | CGN Group's<br>controlling<br>non-nuclear<br>power projects<br>under<br>construction | Approximate<br>consolidated<br>capacity under<br>construction as<br>of April 30,<br>2014 |
|--|--|--|--|--|---|--|--|--|
| Guangxi Zhuang Autonomous Region, the PRC . . . . .                  | Two hydro power projects (Zuojiang Hydro Project and Fushi I Hydro Project)  | 126.0 MW   | One hydro power project (Fushi II Power Project)   | 18.0 MW  | Three hydro power projects  | 398.0 MW   | –  | –  |
| Sichuan Province, the PRC . . . . .                                  | One hydro power project (Mianyang Hydro Project) and one gas-fired power project (Hexie Power Project)                                       | 149.2 MW   | –  | –  | Seven hydro power projects  | 697.5 MW   | –  | –  |
| Hubei Province, the PRC . . . . .                                    | Two coal-fired power projects (Huangshi I Power Project and Huangshi II Power Project), one gas-fired power project (Hanneng Power Project)  | 176.5 <sup>(1)</sup> MW  | –  | –  | Two wind power projects   | 147.2 MW   | One wind power project   | 48.0 MW  |
| Jiangsu Province, the PRC . . . . .                                  | Two cogen power projects (Haian Cogen Power Project and Nantong Cogen Power Project) and one steam project (Jinqiao Steam Project)           | 75.0 MW  | –  | –  | One cogen power project <sup>(2)</sup>                                      | 27.0 MW  | –  | –  |
| Shanghai Municipality, the PRC . . . . .                             | One gas-fired power project (Weigang Power Project)  | 50.0 MW  | –  | –  | –   | –  | –  | –  |
| Henan Province, the PRC . . . . .                                    | One coal-fired power project (Puguang Power Project)   | 250.0 MW   | –  | –  | –   | –  | –  | –  |
| Korea . . . . .  | Two gas-fired power projects (Yulchon I Power Project and Yulchon II Power Project) and one oil-fired power project (Daesan I Power Project) | 2,041.1 MW   | –  | –  | –   | –  | –  | –  |
| Other provinces and regions in the PRC and other countries . . . . . | –  | –  | –  | –  | 88 other non-nuclear power projects   | 5,472.9 MW is located in the PRC and 19.5 MW is located outside the PRC      | All remaining non-nuclear power projects   | 1,762.6 MW is located in the PRC and 10.0 MW is located outside the PRC                  |
| <b>Total . . . . .</b>   |  | <b>2,867.8 MW</b>  |  | <b>18.0 MW</b>   |   | <b>6,762.1 MW</b>  |  | <b>1,820.6 MW</b>  |

**Notes:**

- (1) The consolidated installed capacity does not include the gross installed capacity of Huangshi I Power Project of 760.0 MW and the Huangshi II Power Project of 1,360.0 MW as of April 30, 2014.
- (2) The CGN Group also owns another cogen power project in Jiangsu Province, the PRC, but, as of April 30, 2014, such power project has ceased operation and the CGN Group intended to dispose of its interest in such project.

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## RELATIONSHIP WITH CGN GROUP

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As of April 30, 2014, the existing Retained Business of the CGN Group comprised 93 non-nuclear power projects in operation and these projects have a consolidated installed capacity of 6.76 GW. Save for certain overlapping of the existing Retained Business of 13 non-nuclear operational power projects of the CGN Group in the Guangxi Zhuang Autonomous Region, Sichuan Province, Hubei Province and Jiangsu Province with our power projects in operation, all other non-nuclear operational power projects of the CGN Group are located in provinces of the PRC and overseas that do not overlap with our power projects in operation.

As of April 30, 2014, the CGN Group had a total of 31 non-nuclear power projects under construction or expansion and these projects, in aggregate, are expected to contribute an additional consolidated installed capacity of approximately 1.82 GW to its non-nuclear energy portfolio. CGN Group's non-nuclear power projects under construction are located in different parts of China. Save for one power project under construction with a consolidated capacity under construction of 48.0 MW which is located in the Hubei Province, which is in the same province as two of our coal-fired operational power projects and one gas-fired operational power project, CGN Group's non-nuclear power projects under construction are all located in provinces in China where we do not currently have any operations.

As of the Latest Practicable Date, we had one project located in Guangxi Zhuang Autonomous Region of the PRC under construction, which is expected to contribute an additional attributable installed capacity of 18.0 MW (and consolidated installed capacity of 18.0 MW) to our portfolio by the end of 2014.

In view that no part of the existing Retained Business of the CGN Group is located in Korea, our Directors are of the view that there is currently no competition of the business of the CGN Group and the business of our Group in Korea. Similarly, where the existing Retained Business of the CGN Group is located outside the PRC and Korea, our Directors are of the view that there is currently no competition of such business of the CGN Group and the business of our Group in view that our Group's business is currently only located in the PRC and Korea.

In terms of the potential competition of the existing Retained Business of the CGN Group and the business of our Group in the PRC, due to the unique features of the power industry in the PRC, our Directors believe that potential competition only exists where the existing Retained Business is located in the same province as the province in which our business is located. This is because electricity sales by power generation companies in the PRC are highly localized. Pursuant to the Regulations on the Administration of Electric Power Dispatch to Networks and Grids (電網調度管理條例) issued by the State Council of the PRC, every power project in the PRC is required to sell the electricity it generates within its respective provincial grid company such that it is not possible to sell the electricity it generates directly to grid companies of other provinces. Further, every power project connected to the grid company in the PRC is required to transmit its electricity according to the dispatch allocations determined by the grid company. Accordingly, in general, potential competition only exists amongst the power projects that are located within the same province and supply power to the same provincial grid company. If competition does exist, no specific power project has the authority to determine the volume of the power generation to be dispatched to the grid company, as the grid company is the entity which determines the electricity dispatch allocations among the supplying power projects. Further, as the PRC government regulates the on-grid tariffs of electricity generated by power projects, in general, the on-grid tariffs are determined by the standards set by the PRC government, instead of by negotiations between the grid companies and the power projects. As a result, in general, there is no competition among power projects located in the same province in terms of on-grid tariff.

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## RELATIONSHIP WITH CGN GROUP

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### *Existing Retained Business of the CGN Group in the Guangxi Zhuang Autonomous Region, the PRC*

Whilst certain of the existing Retained Business of the CGN Group is located in the Guangxi Zhuang Autonomous Region, the PRC, and therefore overlaps with our hydro power business in this region in terms of geographical coverage, our Directors consider that any potential competition in this region is very limited, if any, because pursuant to the PRC Renewable Energy Law and its implementation rules, grid companies are required to purchase the full amount of electricity generated from renewable power projects that are located in the area covered by the grid company. Accordingly, the PRC government assigns the highest priority dispatch to renewable power projects. As a result, the full amount of electricity generated by the hydro power projects of the CGN Group and the hydro power projects in operation and under construction of our Group in this region, namely Zuojiang Power Project, Fushi I Power Project and Fushi II Power Project, are required to be purchased by the local grid company in full.

In addition, our operational hydro power projects located in this region, namely Zuojiang Power Project and Fushi I Power Project, have entered into long term PPAs with the local grid company which have a duration of up to 2021 and 2022, respectively. Under these long term PPAs, the local grid company has guaranteed the minimum offtake amounts of electricity that it is required to purchase from our power projects and therefore our power projects would be able to secure a minimum amount of revenue income which would not be impacted by the level of power generation by other power projects within this region. For details of these long term PPAs, please see the section headed “*Business – Our Power Projects in the PRC*” of this prospectus.

### *Existing Retained Business of the CGN Group in Sichuan Province, the PRC*

Whilst certain of the existing Retained Business of the CGN Group is located in Sichuan Province, the PRC, and therefore overlaps with our hydro power business in this region in terms of geographical coverage, our Directors consider that any potential competition in this province is very limited, if any, because of the requirements of the PRC Renewable Energy Law and its implementation rules described above, which require that the full amount of electricity generated by the hydro power projects of the CGN Group and the hydro power project of our Group in this province, namely Mianyang Power Project, be purchased by the local grid company in full.

Further, our Directors consider that our gas-fired power project located in Sichuan Province, namely Hexie Power Project, is not in competition with the hydro power projects of the CGN Group in this province because the relevant grid companies are required to purchase the renewable energy generated by the hydro power projects with priority over gas-fired power projects pursuant to the PRC Renewable Energy Law. This priority enjoyed by the hydro power projects of the CGN Group over other projects (including Hexie Power Project) does not impact us specifically but impacts all non-renewable power projects in the same province as a matter of PRC regulatory requirements. Even though the requirements of the PRC Renewable Energy Law require Hexie Power Project to be at a level below the renewable power projects of the CGN Group in terms of dispatch priority, we believe that given CGN Group’s limited market share in Sichuan Province (which is less than 1% of the total power generation in this province in 2012), we will experience minimal competition from its hydro business in this province. We are currently exploring possibilities relating to the transfer of our interest in Hexie Power Project. Therefore, any competition that may be created by the existing Retained Business in this province will have very limited impact on our Group and it will not be relevant in the near term if we proceed with the sale of Hexie Power Project. Please see the section headed “*Business – Our Power Projects in the PRC*” of this prospectus for the reason for the potential transfer of our interest in Hexie Power Project.



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## RELATIONSHIP WITH CGN GROUP

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### *Existing Retained Business of the CGN Group in Hubei Province, the PRC*

Whilst certain of the existing Retained Business of the CGN Group is located in Hubei Province, the PRC, and therefore overlaps with our associated companies' coal-fired power business and our gas-fired power business in this province in terms of geographical coverage, our Directors consider that our business in this province does not compete with the existing Retained Business of the CGN Group in this province, because the relevant grid companies are required to purchase the renewable energy generated by the wind projects with priority over the coal-fired and gas-fired power projects pursuant to the PRC Renewable Energy Law and its implementation rules. This priority enjoyed by the two operational wind power projects and the wind power project under construction of the CGN Group over other projects (including our associated companies' Huangshi I Power Project and Huangshi II Power Project and our Hanneng Power Project) does not impact us specifically but impacts all non-renewable power projects in the same province as a matter of PRC regulatory requirements. As of December 31, 2013, CGN's wind power projects in operation and under construction in Hubei Province have a consolidated installed capacity of 195.2 MW in aggregate, representing approximately 0.3% of the total installed capacity of approximately 58.96 GW of all power plants in Hubei Province. As of December 31, 2013, our Group's power projects in operation have a consolidated installed capacity of 176.5 MW, and if including our associate power projects, namely Huangshi I and Huangshi II, a total installed capacity in operation or under expansion of 2,296.5 MW in aggregate, representing 0.3% and 3.9% of the total installed capacity of all power plants in Hubei Province, respectively. As of April 30, 2014, the consolidated installed capacity of CGN's wind power projects in operation and under construction remained at 195.2 MW but one of the projects with a consolidated installed capacity of 49.6 MW which was under construction as of December 31, 2013 had become operational as of April 30, 2014. As of April 30, 2014, our Group's consolidated installed capacity in operation remained at 176.5 MW, and given the Huangshi II expansion project has commenced operation in April 2014, the total installed capacity in operation amounted to 2,296.5 MW. Our Group did not have any projects under construction or expansion within Hubei Province as of April 30, 2014. Even though the requirements of the PRC Renewable Energy Law require our associated companies' Huangshi I Power Project and Huangshi II Power Project and our Hanneng Power Project to be at a level below the wind power projects of the CGN Group in terms of dispatch priority, we believe that, given the scale of CGN Group's wind power business in this province is relatively small, we experience very limited competition from these wind power projects in this province.

In addition, one of our associated companies' coal-fired power projects in this province, namely Huangshi I Power Project, has entered into a long term PPA with the local grid company which have a duration of up to 2023. Under this long term PPA, the local grid company has guaranteed the minimum offtake amount of electricity that it is required to purchase from Huangshi I Power Project and therefore Huangshi I Power Project would be able to secure a minimum amount of revenue income which would not be impacted by the level of power generation by other power projects (including CGN Group's power projects within this province. For details of this long term PPA, please see the section headed "*Business – Our Power Projects in the PRC*" of this prospectus.

### *Existing Retained Business of the CGN Group in Jiangsu Province, the PRC*

Whilst certain of the existing Retained Business of the CGN Group is located in Jiangsu Province, the PRC, and therefore overlaps with our cogen power business in this province in terms of geographical coverage, our Directors consider that any potential competition in this region is very limited, if any, because the operational cogen power project of the CGN Group in this province is very small with a total installed capacity of approximately 27.0 MW as of April 30, 2014. We believe this scale of power generation of the CGN does not create any material competition with our business in

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## RELATIONSHIP WITH CGN GROUP

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this province. In addition, such cogen power project of the CGN Group (namely, Tongzhou Power Project) will be compulsorily shutdown by the end of 2016, as requested by the local governmental authority. Due to the age and conditions of the environmental protection equipment, the Tongzhou Power Project will not be able to fulfil the new emissions regulations that came into effect in July 2014 even after refitting its environmental protection equipment. Therefore, the local government plans to replace this cogen power project with cleaner gas-fired projects that are equipped with more efficient technology as a part of coal consumption reduction plan of the local government. In view of the impending cessation of operation of this power project and as such, it was considered that it would not be in the best commercial interest to make further investment into this project. As a result, it was considered likely that the cessation of operation of this project would occur prior to 2016.

In view of the above circumstances, our Directors consider that any potential competition of the existing Retained Business of the CGN Group and the business of our Group is very limited. In addition to the limited competitive nature of the existing Retained Business of the CGN Group, the following circumstances also support the reason why it is not appropriate to include any of the existing Retained Business of the CGN Group into our Group to mitigate the potential competition of the existing Retained Business of the CGN Group:

- the Disposal Group was specifically excluded from our Group for the purpose of the Listing and therefore it was considered not appropriate to include the Disposal Group in our Group. For details of the reasons for the exclusion of the Disposal Group, please see the section headed “*Our History and Development – Our Reorganization*” of this prospectus; and
- if any part of the existing Retained Business of the CGN Group in the PRC were to be included in our Group for the purpose of the Listing, CGN and our Company would be required to obtain the approval of the CSRC pursuant to the requirement of the Red-Chip Guidance as described in the section headed “*Our History and Development – Our Reorganization*” of this prospectus. Therefore, without approval of the CSRC, it would not be possible to include any part of the existing Retained Business of the CGN Group in our Group for the purpose of the Listing.

The Sole Sponsor is of the view that the limited potential competition between the existing Retained Business and the business of our Group does not affect our suitability for listing on the Stock Exchange.

### **CGN Group’s nuclear power projects**

In addition to the existing Retained Business, the CGN Group owns nuclear power projects that are in operation, under construction and in the pipeline. We believe the competition between the CGN Group’s nuclear power projects and the power projects of our Group, if any, is very limited because:

- (i) the nuclear power projects of the CGN Group (including projects in operation, under construction or in the pipeline) are located in Guangdong province, Liaoning province, Fujian province and Guangxi Zhuang Autonomous Region where, except for Guangxi Zhuang Autonomous Region, our Group does not currently have any power projects (whether projects in operation, under construction or in the pipeline); and
- (ii) while the CGN Group has a nuclear power project under construction in Guangxi Zhuang Autonomous Region and our Group has three hydro power projects in Guangxi Zhuang Autonomous Region, namely Zuojiang Power Project, Fushi I Power Project and Fushi II

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## RELATIONSHIP WITH CGN GROUP

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Power Project, (a) pursuant to the PRC Renewable Energy Law and its implementation rules, grid companies are required to purchase the full amount of electricity generated from renewable power projects that are located in the area covered by the grid company. As a result, the full amount of electricity generated by all of our hydro power projects of the Group are required to be purchased by the local grid company in full; (b) pursuant to the requirements of the PRC Renewable Energy Law, CGN Group's nuclear power projects in this region are at a level below our hydro power projects in terms of dispatch priority; and (c) both operational power projects of our Group in Guangxi Zhuang Autonomous Region, namely Zuojiang Power Project and Fushi I Power Project, have entered into long term PPAs with the local grid company which have a duration of up to 2021 and 2022, respectively. Under these long term PPAs, the local grid company has guaranteed the minimum offtake amounts of electricity that it is required to purchase from Zuojiang Power Project and Fushi I Power Project respectively.

### NON-COMPETITION DEED AND UNDERTAKINGS

#### Non-Competition Deed

We have entered into a non-competition deed (the “**Non-Competition Deed**”) with CGN on September 15, 2014, under which CGN agreed not to, and agreed to procure its subsidiaries (other than our Company and its subsidiaries) not to, compete with us in our non-nuclear power business (save for the retention of the existing Retained Business of the CGN Group or any future business which the CGN Group has carried on pursuant to the terms of the Non-Competition Deed) and granted us with a right to acquire the Retained Business of the CGN Group and a right to acquire a new business or equity investment opportunity directed to us according to the terms of the Non-Competition Deed. For the avoidance of doubt, the Non-Competition Deed does not cover any existing or future nuclear power business of the CGN Group and new nuclear business or equity investment as our power business does not include any nuclear power business and we do not have any intention to develop nuclear power business in the future.

The above restrictions do not apply to the holding of securities in a company that is or may be engaged in a competing business, provided that CGN or its subsidiary does not own or control more than 50% of the equity interest in such company and does not otherwise control the management or operation of such company. In addition, the application of the above restrictions to any interest of the CGN Group in such companies would be subject to the terms of the joint venture agreement, shareholder agreement or articles of association of such companies to the extent that such terms include transfer restrictions, pre-emptive rights to the other shareholder(s), or drag-along or tag-along provisions which would make a transfer of such interest by the CGN Group to us not feasible or practicable without breaching the terms of such joint venture agreement, shareholder agreement or articles of association, or to the extent that such terms include the requirement that we have to purchase an interest in the companies that is greater than the actual interest held by the CGN Group in such companies. In view that we primarily focus on developing or acquiring power generation projects for which we own majority interests, we consider that the above exceptions to the Non-Competition Deed are reasonable and consistent with our main business expansion strategy.

#### Right to Acquire the Retained Business

CGN has granted us a right, which is exercisable during the term of the Non-Competition Deed, to acquire any of the CGN Group's interest in the Retained Business. We could exercise such right to acquire any Retained Business from the CGN Group at any time whether or not the CGN Group intends

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## RELATIONSHIP WITH CGN GROUP

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to dispose of its interest in such Retained Business. Through arrangements such as the operation and management services framework agreements with CGN Energy and Huamei Holding, we will be able to track the status and performance of the power projects of the CGN Group that are being managed by us on a regular basis and therefore will be in a position to know whether such power projects meet our investment criteria or whether the CGN Group has any plans to dispose of its interest in such power projects. Our exercise of such right is subject to compliance by us and the CGN Group of all applicable laws (particularly those in the PRC) as well as the applicable requirements of the Listing Rules. The terms and conditions of specific acquisitions of projects are not fixed in the Non-Competition Deed and will vary depending on the performance of CGN Group's projects and the projects selected for acquisition. If we decide to exercise our right, the terms and conditions for the acquisition from the CGN Group will be determined after arm's length negotiation between us and the CGN Group. In determining the consideration for acquiring the power projects, we will comply with our asset acquisition policy which requires a target equity internal rate of return of 12.0% for overseas projects and 10.0% for PRC projects, the appraised value of the target projects, and requirements of relevant regulatory requirements including the requirements of the SASAC regarding the disposal of state-owned assets.

### **Right to acquire or invest in the New Business or Equity Investment Opportunity**

CGN has undertaken that (and has agreed that it will procure its subsidiaries to comply with the following) during the term of the Non-Competition Deed, if the CGN Group is offered by a third party to participate, acquire or take on any new business or equity investment opportunity in any non-nuclear power project and the CGN Group intends to take on such new business or equity investment opportunity, CGN will notify us in writing and provide us with all information which may be reasonably required by us to assess and make a decision (and which is reasonably available to the CGN Group) on whether or not to exercise our right. We are entitled to decide whether or not to invest in such new business or equity investment opportunity, and if so, to request that such new business or equity investment opportunity be directed to us within seven business days (or any other period as agreed to between CGN and us) after receiving the written notice from CGN. If we decide to exercise our right, the CGN Group is obliged to use its best efforts to procure that such new business or equity investment opportunity be directed to us by the third party on terms that are no less favorable than the terms that were offered to the CGN Group. The terms and conditions for us taking on such new business or equity investment opportunity with the third party will be determined after arm's length negotiation between us and the third party, and the compliance with all applicable laws (particularly those in the PRC) as well as the applicable requirements of the Listing Rules by us. If we decide not to or fail to exercise our right to have such new business or equity investment opportunity directed to us or our Group cannot reach agreement with the relevant third party on the terms of the investment, in accordance with the terms of the Non-Competition Deed, the CGN Group would be free to take on such new business or equity investment opportunity with the third party on terms no more favourable than those offered to our Group.

We believe that having the right to acquire any Retained Business of the CGN Group and the right to acquire or invest in new business or equity investment directed to us by the CGN Group under the Non-Competition Deed will give us sufficient protection in terms of monitoring and reducing, where necessary, the extent of the potential competition of business of the CGN Group.

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## RELATIONSHIP WITH CGN GROUP

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When deciding whether or not to exercise the above right to acquire the Retained Business or the right to acquire or invest in new business or equity investment opportunity, we envisage that we will take into account the following considerations:

- (i) whether the business would create or would likely create competition with the principal business of our Group;
- (ii) the business and financial performance and potential of the subject business or investment opportunity;
- (iii) the feasibility and viability for us to acquire, invest or take on the subject business or investment opportunity (in terms of the availability of management, financial and business resources and expertise);
- (iv) the terms and conditions of the acquisition of or taking on the subject business or investment opportunity;
- (v) the financial budget and business plan of our Group for undertaking acquisitions or the new investment opportunities in the relevant year;
- (vi) result of a cost-benefit analysis for us to acquire, invest or take on the subject business or investment opportunity, and whether the subject business or investment opportunity is consistent with the business development strategy of our Group, and whether it is likely to create any strategic or synergy value to our existing business;
- (vii) the likely risks associated with the subject business or investment opportunity should we acquire, take on, operate or participate in such subject business or business investment opportunity; and/or
- (viii) any other factors that our Board and management of our Company consider appropriate in the circumstances on a case-by-case basis.

Our Directors (other than those Directors who are also directors and senior management personnel of the CGN Group) will be responsible for reviewing and considering the reasonableness on our decision on whether or not to exercise the above right to acquire the Retained Business or right to have a new business or equity investment opportunity directed to us.

Considering the current composition of our Board, it is expected that such Directors who will perform the review will comprise all of our four independent non-executive Directors as well as our executive Director. The independent non-executive Directors will be able to represent the views of the independent Shareholders and contribute their respective expertise in assessing whether we should exercise any right under the Non-Competition Deed, whilst our executive Director will be able to contribute his views on whether any synergies will be created by acquiring any Retained Business or investing in a new business or equity investment and whether we have adequate resources to pursue such an investment, as well as provide analysis on the performance or likely performance of the business to be acquired. Where it is considered necessary, third party professional advisers, such as financial advisers, will be engaged to assist in assessing any particular acquisition or new business or investment opportunity.

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## RELATIONSHIP WITH CGN GROUP

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### CGN's Further Undertaking

In addition, CGN has undertaken that:

- (i) when requested by our Directors (other than those Directors who are also directors and senior management personnel of the CGN Group), it will provide us with all information necessary for us to review CGN's compliance with and enforcement of the Non-Competition Deed (subject to our undertaking that we will keep such information confidential), to disclose the decision made by the above-mentioned directors in our annual report or to comply with applicable requirements of the Listing Rules (to the extent that CGN is not under any obligation to any third party to keep such information strictly confidential); and
- (ii) it will make an annual declaration confirming to us on its compliance with the Non-Competition Deed in our annual report.

We will also adopt the following procedures to monitor whether the undertakings under the Non-Competition Deed are being observed:

- (i) we will provide to our Directors (other than those Directors who are also directors and senior management personnel of the CGN Group) the written notice provided to us by CGN pursuant to the right to have a new business or equity investment opportunity directed to us within three business days of receipt; and
- (ii) our Directors (other than those Directors who are also directors and senior management personnel of the CGN Group) will report their findings on the compliance by CGN of the Non-Competition Deed and their decisions on matters reviewed in respect of the Non-Competition Deed in our annual report.

The Non-Competition Deed will remain in full force until it is terminated upon the earlier of:

- (i) CGN and its subsidiaries, directly or indirectly, holding less than 30% of our total share capital; or
- (ii) our Shares are no longer listed on the Stock Exchange or another internationally recognized stock exchange.

Our PRC legal counsel is of the view that the Non-Competition Deed and CGN's undertakings pursuant to the Non-Competition Deed are valid and binding obligations of CGN under PRC law and may be enforced by us in the courts of the PRC.

Based on (a) the above arrangements which demonstrate CGN's support to the development of our principal business, (b) the legally binding obligations of CGN as set out in the Non-Competition Deed and the rights granted to us under the Non-Competition Deed, and (c) the information-sharing and other mechanisms in place as described above to monitor compliance by CGN of its obligations in the Non-Competition Deed, our Directors are of the view that we have taken all appropriate and practicable steps to ensure compliance by CGN with its obligations under the Non-Competition Deed.



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## RELATIONSHIP WITH CGN GROUP

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### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we can conduct our business independently from our Controlling Shareholders upon Listing.

#### Management Independence

Upon Listing, our Board of Directors will consist of eleven Directors. Our six non-executive Directors, namely Mr. Chen Sui, Mr. Chen Qiming, Mr. Chen Huijiang, Mr. Dai Honggang, Mr. Lin Beijing and Mr. Xing Ping will continue to hold directorship and/or senior management positions with the CGN Group after the Listing.

Whilst these non-executive Directors also hold and will continue to hold directorship and/or senior management positions with the CGN Group, they do not hold any executive position within our Group and therefore they are not responsible for the day-to-day operation and management of our Group. Accordingly, we believe that such overlapping will not affect our management independence.

None of our executive Director, independent non-executive Directors and senior management holds any directorship or senior management position in the CGN Group. Therefore, there are sufficient non-overlapping directors and senior management members who have relevant expertise and experience to allow the proper functioning of our Board and who are dedicated to managing the business and operations of our Group.

Please see below a table summarizing the directorship and senior management positions held by some of our non-executive Directors with the CGN Group:

| <u>Name of our Director</u> | <u>Position with our Group</u>      | <u>Position with the CGN Group</u>  |
|-----------------------------|-------------------------------------|---|
| Mr. Chen Sui . . . . .      | Chairman and Non-executive Director | Chairman of CGN Wind Energy Ltd., CGN Solar Energy Development Co., Ltd. and CGN Energy Service Co., Ltd. and supervisor of CGN Power Co., Ltd.   |
| Mr. Chen Qiming . . . . .   | Non-executive Director              | General manager of asset management department of CGN and general manager of asset management department of CGN Power Co., Ltd.<br><br>Director of CGN Energy Development Co., Ltd., Shenzhen Neng Zhi Hui Investment Co., Ltd. and CGNPC Uranium Resources Co., Ltd. |
| Mr. Chen Huijiang . . . . . | Non-executive Director              | Assistant to the general manager of the finance department of CGN   |



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## RELATIONSHIP WITH CGN GROUP

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| Name of our Director       | Position with our Group | Position with the CGN Group  |
|----------------------------|-------------------------|--|
|                            |                         | Director of CGN Energy Development Co., Ltd., China Nuclear Power Technology Research Institute Co., Ltd., China Nuclear Power Engineering Co., Ltd. and CGN Lufeng Nuclear Power Co., Ltd.  |
| Mr. Dai Honggang . . . . . | Non-executive Director  | Assistant to general manager of strategies and planning department of CGN, Director of CGN Energy Development Co., Ltd. and deputy general manager of strategies and planning department of CGN Power Co., Ltd.  |
| Mr. Lin Beijing . . . . .  | Non-executive Director  | Director of CGN Energy Development Co., Ltd.   |
| Mr. Xing Ping . . . . .    | Non-executive Director  | Director of CGN Energy Development Co., Ltd., CGN Solar Energy Development Co., Ltd. and CGN Wind Energy Ltd. and chairman (convener) of the investment and risk management committee on the board of directors of CGN Solar Energy Development Co., Ltd. and CGN Wind Energy Ltd. |

We believe that our Directors and senior management will be able to perform their roles in our Company independently and our Company is capable of managing its business independently after the Listing for the following reasons:

- the decision-making mechanism of our Board set out in the Bye-laws includes provisions to avoid conflicts of interest by providing, among other things, that in the event of a conflict of interest, such as a consideration of resolutions in relation to transactions with the CGN Group, the relevant Director who is connected with our Controlling Shareholders shall abstain from voting and not be counted in the quorum. Therefore, directors who are not connected with the CGN Group, including our independent non-executive Directors, will review the relevant transactions;
- the day-to-day operation of our Group is managed by our senior management, none of whom holds any senior position in our Controlling Shareholders, and are our full-time employees;
- our executive Director and senior management have abundant experience and expertise in managing the assets and businesses that form our Group. In particular, a majority of our core senior management members have been with our Group for a long period of time and

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## RELATIONSHIP WITH CGN GROUP

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throughout the Track Record Period. They have demonstrated their ability to manage the assets and businesses of our Group effectively by directing our Group to achieve the sound financial performance during the Track Record Period, independently from our Controlling Shareholders. Whilst during the Track Record Period there have been changes in the constituents of our core senior management team, various arrangements were put in place to ensure a smooth transition and to ensure that the incoming senior management members could be fully appraised of the circumstances of our Group quickly and would have adequate support and assistance to execute their management work effectively. Indeed, the growth trends in the revenue and profit during the Track Record Period have demonstrated that the changes did not affect the ability of our management team to bring profit and success to our Group and our Shareholders;

- the delegation of authorities to our President, the Chief Financial Officer, other senior management members and other management personnel (including department heads) are clear and appropriate and is commensurate to the autonomy and power that such management personnel requires in the management of the day-to-day business and operations of our Group. Such delegation is reviewed from time to time to ensure that the scope of the delegated authorities is sufficient and appropriate for the management personnel to manage our business independently and effectively;
- our management personnel has clear reporting lines and ultimately the management team reports to our executive Director who is responsible for reporting to the Board. The Board supervises and monitors the performance of our management team generally through the regular reports made by our executive Director to the Board, regular meetings of the Board, ad hoc meetings of the Board to consider, deliberate and approve material matters which exceed the delegated authorities of management team, as well as the regular updates of operational and financial data and information that are provided to our Directors;
- we have established a management strategy committee and a management investment committee which comprised certain of our senior management members and department heads. Such committees are dedicated to and responsible for making detailed proposals on strategic developments and investment opportunities for recommendation to the Board, as well as formulating and executing detailed business and development plans to implement the strategies and deliver the operation targets and improvements that have been set by the Board. We believe that these committees operate to ensure that our management personnel have an independent platform to discuss, formulate, implement and execute our detailed business and operational plans and are the drivers to implement and deliver the strategies and targets that have been set by the Board;
- none of our Directors or members of the senior management has any shareholding interest in our Controlling Shareholders;
- each of our Directors is aware of his fiduciary duties as a Director, which requires among other things, that he acts for the benefit and in the best interests of our Company and the Shareholders; and
- we have appointed four independent non-executive Directors, comprising of more than one-third of the total members of our Board, to provide a balance of the number of potentially interested and independent Directors with a view to promote the interests of our Company and the Shareholders as a whole.

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## RELATIONSHIP WITH CGN GROUP


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Based on the above, our Directors believe that our Company is capable of maintaining management independence from our Controlling Shareholders.

### **Operational Independence**

We are in possession of all production and operating facilities and technology relating to our business. Currently, we engage in our business independently, with the independent right to make operational decisions and implement such decisions. We have independent access to customers and suppliers and are not dependent on our Controlling Shareholders with respect to suppliers for our business operations. We have sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders.

We have our own organizational structure with independent departments, each with specific areas of responsibility. We also maintain a set of comprehensive internal control measures to facilitate the effective operation of our business. We have adopted protective measures to ensure enforceability of the Non-Competition Deed with CGN. See “– *Non-Competition Deed and Undertakings*” in this section for details.

We have entered into certain continuing connected transactions with the CGN Group, pursuant to which the CGN Group may provide certain financial services, entrustment loan services, loan risk management advisory services, insurance brokerage services and financial advisory services to our Group, as well as license its trademark “CGN” for our use, share a network data line with our Group and lease an office premise in Shenzhen for our use. The financial services (the use of such services is at our sole discretion) are primarily for the purpose of more effective use of available cash resources and such services do not mean that we rely on our Controlling Shareholders to manage how we use our cash resources. In terms of the other services provided by members of the CGN Group, there are many financial institutions, commercial banks or service providers which offer similar services charging fees that are comparable to those that are being charged by the CGN Group in the provision of such services to us. Accordingly, we do not believe that we rely on our Controlling Shareholders in this regard. Please see the section headed “*Connected Transactions*” in this prospectus for further details.

In addition, we have entered into separate Operation and Management Services Framework Agreements with CGN Energy and Huamei Holding, pursuant to which our Company has agreed to provide, or procure a member of our Group to provide, operation and management services to power projects (whether in operation or under construction) in which (i) CGN Energy has an interest; or (ii) a member of the Disposal Group under Huamei Holding has an interest. Such arrangements have been entered into as a form of internal control measure which help us monitor the status and performance of some of the existing Retained Business of the CGN Group and as a result, would help to mitigate the concern of the existing Retained Business of the CGN Group to some degree. This is because, whilst we do not own such projects, we would have some degree of control and involvement in them which will enable our Group to understand and monitor the managed projects of the CGN and thereby help us to assess whether it would make commercial sense to exercise our option to acquire such projects under the Non-Competition Deed given by CGN in favour of our Company, and if so, when it would be an appropriate time to do so. As we are the service provider, such arrangements do not create any operational dependence on our part on the CGN Group. The Operation and Management Services Framework Agreement has been entered into in relation to power projects in which a member of the Disposal Group under Huamei Holding has interest to help the CGN Group to get familiar with such projects after the Reorganization.

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## RELATIONSHIP WITH CGN GROUP

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The projects managed by us under the Operation and Management Services Framework Agreements primarily include power projects within the Disposal Group held by Huamei Holding which belonged to and had been managed by our Group before the Reorganization, as well as the hydro (including pumped storage) power projects of the CGN Group as the management team of our Group possesses expertise primarily in hydro power projects. Therefore, it was considered appropriate to commence the management services with the above scope in order to minimize the extent of such continuing connected transactions immediately upon the Listing. If our Company and the CGN Group intend to increase the scope of the services and, therefore, the size of the transactions in the future, we will comply with the relevant requirements of the Listing Rules applicable to continuing connected transactions and, if required, seek the approval of the independent Shareholders of our Company.

In view of the above, despite the continuation of the above continuing connected transactions with the CGN Group, we believe we will be able to function and operate independently from the CGN Group as we do not place undue reliance on the CGN Group in respect of the continuing connected transactions after the Listing. For further details of the continuing connected transactions with the CGN Group mentioned above, please see the section headed “*Connected Transactions – Continuing Connected Transactions*” in this prospectus.

### **Financial Independence**

We have our own finance department responsible for discharging treasury, accounting, reporting, group credit and internal control functions independent from the CGN Group.

We had received a shareholder loan in the principal amount of U.S.\$242.3 million from a subsidiary of CGN which is unsecured and with an annual interest rate of 2.3%. As part of the Reorganization, the total outstanding amount of this shareholder loan has been transferred out of our Group.

As of the Latest Practicable Date, we have the following financing arrangements which involve the support of CGN which will remain after the Listing:

- U.S.\$350,000,000 unsecured bonds due in 2018 which we issued to international professional and institutional investors in August 2013, which are supported by a keepwell deed and purchase undertaking provided by CGN. As is typical for a bond of this nature and for a bond that is issued by a private company to international professional and institutional investors, the USD bonds are supported by a keepwell deed provided by the holding company of the issuer, namely CGN. Under the keepwell deed, CGN has agreed, among others (i) not to cease to, directly or indirectly, control our Group; (ii) not to, directly or indirectly, pledge or in any way encumber or otherwise dispose of any interests in such shares of our Group (unless CGN ceases to continue to directly or indirectly control our Group); (iii) to ensure that our Company has sufficient liquidity to meet payment obligations under the USD bonds; and (iv) not to, and will ensure that our Group not to, create any security interest over any assets or revenue to secure other relevant indebtedness (unless the same security is also accorded to the USD bonds). In addition, CGN has also undertaken that it will purchase from us the equity interest in certain of our Group’s PRC incorporated subsidiaries or associates at a purchase price not lower than the amount sufficient to enable our Company to discharge all of its obligations under the USD bonds; and

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## RELATIONSHIP WITH CGN GROUP

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- U.S.\$240,000,000 bank loan from China Development Bank Corporation, Hong Kong Branch, which has a term of three years until 2015, which is secured by a corporate guarantee from CGN. As of April 30, 2014, U.S.\$140,000,000 of this bank loan remains outstanding.

We have obtained commitment from two entities of a major independent commercial banking group in Hong Kong to offer separate bank loan facilities to our Company in the amount of U.S.\$350,000,000 and U.S.\$140,000,000 (being the outstanding balance of the U.S.\$240,000,000 loan from China Development Bank Corporation, Hong Kong Branch as of April 30, 2014) respectively and we have accepted the terms of such offer. Such bank loan facilities, if were to be drawn down by us, will have the usual financial covenants for a loan facility of this nature but not require the support of any guarantee from our Controlling Shareholders after the Listing.

If we are required to refinance all or any part of the U.S.\$350,000,000 unsecured bonds and/or the outstanding balance of the U.S.\$240,000,000 loan from China Development Bank Corporation, Hong Kong Branch, we will be able to utilize the above available loan facilities as well as internal cash resources at our Company level, which amounted to approximately U.S.\$0.5 million as of April 30, 2014. However, we currently do not intend to draw down such bank loan facilities to refinance the above mentioned U.S.\$350,000,000 unsecured bonds or the outstanding balance of the U.S.\$240,000,000 loan from China Development Bank Corporation, Hong Kong Branch prior to their maturity dates as we will incur unnecessary additional costs, expenses and time in doing so which we believe will not be in the interest of our Shareholders.

In addition, we have a strong track record of obtaining loan facilities from independent third parties without any financial assistance from our Controlling Shareholders. All of our existing project loan financings at the project company level have been obtained from independent third parties without any guarantee support from our Controlling Shareholders. As of April 30, 2014, the consolidated debt of our Group without financial assistance from our Controlling Shareholders amounted to approximately U.S.\$925.6 million.

In view of the above circumstances and arrangements, our Directors believe that we are able to operate independently from our Controlling Shareholders from a financial perspective. Accordingly, our Directors believe, and the Sole Sponsor concurs, that the continuation of the above financing arrangements after the Listing will not significantly impact our ability to operate independently from our Controlling Shareholders from a financial perspective.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 1.01 of the Listing Rules so that SASAC (or any PRC governmental body as defined in Rule 19A.04 of the Listing Rules) would not be considered as a controlling shareholder of our Company for the purpose of the Listing Rules, and as a result, a waiver has also been granted by the Stock Exchange for strict compliance with Rule 8.10 of the Listing Rules so that this prospectus does not have to disclose information regarding SASAC's interest in a business, apart from our Company's business, which competes or is likely to compete, either directly or indirectly, with our Company's business. This waiver has been granted on the basis that SASAC is a PRC governmental body within the definition of Rule 19A.04 of the Listing Rules, and if our Company were incorporated in the PRC, SASAC (or any PRC governmental body) would have been automatically excluded from the definition of controlling shareholder under Rule 1.01 of the Listing Rules and our Company would not have been required to comply with Rule 8.10 of the Listing Rules in respect of SASAC's interest.

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## CONNECTED TRANSACTIONS

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### CONTINUING CONNECTED TRANSACTIONS

#### Overview

The following transactions between members of our Group and our connected persons will, upon Listing, constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules:

| Description of transaction   | Service provider/<br>supplier/ licensor/<br>lessor | Service recipient/<br>purchaser/ licensee/<br>lessee                 | Term  |
|--|--|--|---|
| <b>(A) With the CGN Group</b>  |  |  |   |
| <i>Non-exempt continuing connected transactions subject to reporting, announcement and independent shareholders' approval requirements</i> |  |  |   |
| 1(a). Financial Services (CGNPC Huasheng) Framework Agreement  | CGNPC Huasheng                                     | Our Company (including our Group)                                    | From September 12, 2014 to the date of our first annual general meeting after the Listing |
| 1(b). Financial Services (CGN Finance) Framework Agreement   | CGN Finance  | Our Company (including our Group)                                    | From September 12, 2014 to the date of our first annual general meeting after the Listing |
| <i>Non-exempt continuing connected transactions subject to reporting and announcement requirements</i>                                     |  |  |   |
| 2(a). Operation and Management Services (CGN Energy) Framework Agreement   | Our Company (including our Group)                  | CGN Energy (including its subsidiaries and associated companies)     | From May 1, 2014 to December 31, 2016   |
| 2(b). Operation and Management Services (Huamei Holding) Framework Agreement   | Our Company (including our Group)                  | Huamei Holding (including its subsidiaries and associated companies) | From September 15, 2014 to December 31, 2016  |
| 2(c). Hami Coal Consultancy Services Agreement   | Yaneng Consulting                                  | CGN Hami Coal Project Preparatory Office                             | From January 1, 2014 to December 31, 2016   |

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## CONNECTED TRANSACTIONS

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| Description of transaction                             | Service provider/<br>supplier/ licensor/<br>lessor | Service recipient/<br>purchaser/ licensee/<br>lessee | Term   |
|--|--|--|--|
| <i>Exempt continuing connected transactions</i>        |  |  |  |
| 3(a). Entrustment Loan Services Framework Agreement    | CGN Finance  | Our Company (including our Group)                    | From January 1, 2014 to December 31, 2016  |
| 3(b). Loan Risk Management Advisory Services Agreement | CGN Finance  | Our Company  | From January 1, 2014 to December 31, 2016  |
| 4. Insurance Brokerage Services Agreement              | CGN Insurance Broker                               | Our Company (including our Group)                    | One year from December 15, 2012 and automatically renewable annually unless objected by both parties |
| 5. Trademark Licensing Agreement                       | CGN  | Our Company (including our Group)                    | Perpetual until terminated   |
| 6. Data Line Sharing Agreement                         | Our Company  | CGN Mining   | Perpetual until terminated   |
| 7. Meineng Lease Agreement                             | Shenzhen Nuclear Property                          | CGN Meineng  | From December 15, 2013 to November 14, 2014  |

**(B) *With connected persons of our Company at the subsidiary level***

***Non-exempt continuing connected transactions subject to reporting and announcement requirements***

|                                     |                            |          |  |
|-------------------------------------|----------------------------|----------|--|
| 1. Weigang Power Purchase Agreement | Weigang JV, our subsidiary | Baosteel | From August 10, 1998 until the expiration of the operation term of Weigang JV (namely, May 31, 2020) |
|-------------------------------------|----------------------------|----------|--|



## CONNECTED TRANSACTIONS

| Description of transaction  | Service provider/<br>supplier/ licensor/<br>lessor | Service recipient/<br>purchaser/ licensee/<br>lessee | Term  |
|---|--|--|---|
| <i>Exempt continuing connected transactions</i>                           |  |  |   |
| 2. Weigang Fuel Supply Agreement  | Baosteel   | Weigang JV, our subsidiary                           | From August 10, 1998 until the expiration of the operation term of Weigang JV (namely, May 31, 2020)  |
| 3. Weigang Public Utility Services Supply Agreement                       | Baosteel   | Weigang JV, our subsidiary                           | From March 9, 2000 until the expiration of the operation term of Weigang JV (namely, May 31, 2020)    |
| 4(a). Weigang Wastewater Discharge Agreement                              | Baosteel<br>Stainless Steel                        | Weigang JV, our subsidiary                           | Two years from January 1, 2014 to December 31, 2015   |
| 4(b). Weigang Inspection, Protection and Emergency Aid Services Agreement | Baosteel<br>Stainless Steel                        | Weigang JV, our subsidiary                           | Two years from January 1, 2014 to December 31, 2015   |
| 4(c). Weigang Fire Protection Services Agreement                          | Baosteel<br>Stainless Steel                        | Weigang JV, our subsidiary                           | Three years from January 1, 2013 to December 31, 2015   |
| 4(d). Weigang Security Services Agreement                                 | Baosteel<br>Stainless Steel                        | Weigang JV, our subsidiary                           | Three years from January 1, 2013 to December 31, 2015   |
| 4(e). Weigang Telecommunication Line Services Agreement                   | Baosteel<br>Stainless Steel                        | Weigang JV, our subsidiary                           | January 1, 2008 to December 31, 2008, renewable automatically every year                              |
| 5. Puguang Operation and Maintenance Services Agreement                   | Nanyang Fangda Electric                            | Puguang JV, our subsidiary                           | Three years from January 1, 2013 to December 31, 2015   |
| 6. Fushi Secondment Agreement   | Liuzhou Rongjiang                                  | Fushi JV, our subsidiary                             | From June 8, 2007 until the expiration of the operation term of Fushi JV (namely, September 15, 2022) |

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## CONNECTED TRANSACTIONS

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### Connected Persons

Upon Listing, the following persons, with whom we have entered into certain transactions in our ordinary course of business, will become our connected persons:

- CGN, immediately following the completion of the Global Offering, will indirectly own 75% of our issued share capital (assuming that the Over-allotment Option is not exercised) and will remain our Controlling Shareholder;
- CGN's subsidiaries and associates, namely the Disposal Group, CGN Energy Development Co., Ltd. (中廣核能源開發有限責任公司) (“**CGN Energy**”), CGNPC Huasheng Investment Limited (中廣核華盛投資有限公司) (“**CGNPC Huasheng**”), Huamei Holding Company Limited (“**Huamei Holding**”), CGN Finance Co., Ltd. (中廣核財務有限責任公司) (“**CGN Finance**”), CGN and China Coal Energy Hami Coal-fired Power Project Preparatory Office (中廣核中煤能源哈密煤電項目籌建處) (“**CGN Hami Coal Project Preparatory Office**”), CGN Insurance Broker Co., Ltd. (中廣核保險經紀有限責任公司) (“**CGN Insurance Broker**”), CGN Mining Company Limited (“**CGN Mining**”) and Shenzhen Nuclear Property Co., Ltd (深圳市核電物業有限公司) (“**Shenzhen Nuclear Property**”); and
- substantial shareholders of our non-wholly owned subsidiaries and their respective associates, namely Baosteel Group Shanghai No. 1 Iron & Steel Co., Ltd. (寶鋼集團上海第一鋼鐵有限公司) (“**Baosteel**”), Baosteel Stainless Steel Co., Ltd (“**Baosteel Stainless Steel**”) (a wholly-owned subsidiary of Baosteel), Nanyang Fangda Electric Operation Co., Ltd. (南陽方達發電運行有限公司) (“**Nanyang Fangda Electric**”) and Guangxi Liuzhou Rongjiang Hydropower Development Company Limited (廣西柳州融江水電開發有限責任公司) (“**Liuzhou Rongjiang**”).

Pursuant to Rule 14A.10 of the Listing Rules, we will not need to treat (i) SASAC (which holds 90% equity interest in CGN as of the Latest Practicable Date) as a connected person of our Company under Rule 14A.06(7) of the Listing Rules; and (ii) any company which falls within the definition of sub-paragraph (b)(iv) of “associate” under Rule 14A.06(2) of the Listing Rules in respect of SASAC as an associate of CGN, and hence a connected person of our Company, for the purpose of the relevant requirements of the Listing Rules including Chapter 14A of the Listing Rules.

Whilst we will have several continuing connected transactions with the CGN Group and our connected persons at the subsidiary level after the Listing, a majority of such continuing connected transactions are exempt from compliance with the Listing Rules due to the size of the transactions and the insignificance to our Group.

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## CONNECTED TRANSACTIONS

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### (A) WITH THE CGN GROUP (INCLUDING THE DISPOSAL GROUP)

**Non-exempt Continuing Connected Transactions subject to reporting, announcement and independent shareholders' approval requirements**

#### 1(a). Financial Services (CGNPC Huasheng) Framework Agreement

**Parties:** (i) CGNPC Huasheng; and

(ii) Our Company.

**Term:** Effective from September 12, 2014 to the date of our first annual general meeting after the Listing.

**Principal terms:** we have entered into a financial services framework agreement on September 12, 2014 with CGNPC Huasheng (the “**Financial Services (CGNPC Huasheng) Framework Agreement**”) pursuant to which our Group may from time to time deposit money with CGNPC Huasheng, a wholly-owned subsidiary of CGN incorporated in Hong Kong with limited liability and a licensed money lender in Hong Kong, through arrangements set up with third party commercial bank(s). CGNPC Huasheng shall accept deposits from our Group at an interest rate not less than the highest interest rate for the same type of deposit as may be offered in Hong Kong by (i) major independent third party commercial banks to our Group; and (ii) CGNPC Huasheng to other offshore subsidiaries, associates or affiliated companies of CGN. As CGNPC Huasheng is not a licensed deposit-taking company in Hong Kong, such deposit arrangements between our Group and CGNPC Huasheng in Hong Kong will be arranged through commercial bank(s) or other licensed financial institution(s) with which the deposit placing company within our Group and CGNPC Huasheng have opened and maintained depositary accounts.

Subject to the compliance with applicable laws and regulations, money deposited by our Group with CGNPC Huasheng may be deployed by CGNPC Huasheng for other purposes including the provision of loans or other credit facilities to our Group and other subsidiaries, associates or affiliated companies of CGN in the ordinary course of its business. We may early withdraw our deposits, together with any interest accrued and other receivables, before the deposit maturity after a reasonable written notice is given to CGNPC Huasheng.

Related to the above deposit services arrangements, our Group may from time to time request CGNPC Huasheng to provide loan services, including the provision of loan facilities, credit lines, revolving facilities, guarantees, bill acceptance and bill discount services, and finance leasing services. CGNPC Huasheng shall provide such loan services to our Group at an interest rate not higher than (i) the lowest interest rate as may be offered by any major third party commercial bank or financial institution to our Group, and (ii) the lowest interest rate as may be offered by CGNPC Huasheng to other subsidiaries, associates or affiliated companies of CGN, for the same type of loan services. The relevant subsidiary of our Group will not be required to provide any security for such loan services provided that the amount of the loans does not exceed the maximum amount of deposits placed by such subsidiary of our Group with CGNPC Huasheng. Accordingly, provided that no security over the assets of our Group will be provided for the loan services, such loan services are exempt from compliance with the Listing Rules pursuant to Rule 14A.90 of the Listing Rules. Historically, we have not obtained such loan services from CGNPC Huasheng and such loan transactions are only intended to occur after the Listing (if any).

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## CONNECTED TRANSACTIONS

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Our Group may from time to time request CGNPC Huasheng to provide intra-group or external settlement, transmittance or foreign exchange services outside the PRC or from Hong Kong to the PRC with deposits that have been placed by our Group with CGNPC Huasheng. CGNPC Huasheng shall provide such services to our Group at a service charge not higher than (i) the lowest service charge as may be offered by major independent third party commercial banks to our Group, and (ii) the lowest service charge that may be offered by CGNPC Huasheng to other subsidiaries, associates or affiliated companies of CGN outside the PRC for the same type of services.

CGNPC Huasheng shall provide the requisite services to the relevant subsidiary of our Group which places deposits with it respectively to allow such relevant subsidiary to choose to automatically rollover time deposits arrangements on the same terms and for the same duration without further instructions and authorization, unless and until CGNPC Huasheng receives instructions to terminate such automatic rollover arrangements.

The Financial Services (CGNPC Huasheng) Framework Agreement does not prevent our Group from utilizing the depository services and other financial services set out therein provided by third party financial institutions or commercial banks. Our Group has no obligation or responsibility, and it is our Group's absolute discretion as to whether, to utilize the depository services and the financial services provided by CGNPC Huasheng as set out in the Financial Services (CGNPC Huasheng) Framework Agreement. At the same time, it is the sole discretion of CGNPC Huasheng as to whether to accept deposits from or provide other financial services to our Group as set out in the Financial Services (CGNPC Huasheng) Framework Agreement.

As described above, the role of CGNPC Huasheng is similar to a cash pooling centre via which funds from different subsidiary companies within our Group and the CGN Group outside the PRC are concentrated into the accounts maintained by CGNPC Huasheng in Hong Kong which, in return, will pay interest on deposits received or charge interest on the loans provided. Through CGNPC Huasheng (and thereby centralized fund management), our Group and the CGN Group can enjoy the benefit of efficiency enhancement in fund deployment between subsidiaries of its group. The centralized cash management exercise primarily aims to enable cash surpluses of some members of our Group and the CGN Group to cover the funding requirements of others, which can reduce or remove the need for external financing. Ultimately, the primary aim is to optimize the efficient use of cash resources among the members of our Group and the CGN Group.

CGNPC Huasheng was incorporated in Hong Kong in January 2010 by the CGN Group for providing financial related services to members of the CGN Group outside the PRC including Hong Kong. CGNPC Huasheng is not a licensed deposit-taking company or an authorised institution under the Banking Ordinance in Hong Kong. CGNPC Huasheng has not yet obtained any credit rating. CGNPC Huasheng had total assets of approximately HK\$2,247.3 million as of December 31, 2013 and profits after tax of HK\$12.2 million for the year ended December 31, 2013.

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## CONNECTED TRANSACTIONS

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Similar financial services arrangements were entered into by our Group with CGNPC Huasheng during part of the Track Record Period and the 12-month average outstanding balance of deposits placed by our Group with CGNPC Huasheng, together with the relevant interest received, during the Track Record Period were as follows:

| For the year ended December 31,<br>2011 | For the year ended December 31,<br>2012 | For the year ended December 31,<br>2013 |
|---|---|---|
| (U.S.\$ million)                        | (U.S.\$ million)                        | (U.S.\$ million)                        |
| N/A                                     | 11.6                                    | 83.2                                    |

### 1(b). Financial Services (CGN Finance) Framework Agreement

**Parties:** (i) CGN Finance; and  
(ii) Our Company.

**Term:** Effective from September 12, 2014 to the date of our first annual general meeting after the Listing.

**Principal terms:** we have entered into a financial services framework agreement on September 12, 2014 with CGN Finance (the “**Financial Services (CGN Finance) Framework Agreement**”) pursuant to which our Group may from time to time deposit money with CGN Finance, a wholly-owned subsidiary of CGN established in the PRC with limited liability and a non-banking financial institution subject to the regulations of the PBOC and the China Banking Regulatory Commission (the “**CBRC**”), in the PRC. CGN Finance shall accept deposits from our Group at an interest rate not less than the highest interest rate for the same type of deposit as may be offered in the PRC by (i) major independent third party commercial banks to our Group; and (ii) CGN Finance to other onshore subsidiaries, associates or affiliated companies of CGN. Such deposit placing company within our Group will open and maintain Renminbi depository accounts with CGN Finance.

Subject to the compliance with applicable laws and regulations, money deposited by our Group with CGN Finance may be deployed by CGN Finance for the provision of loans or other credit facilities to our Group and other subsidiaries, associates and affiliated companies of CGN Group in the PRC similar to those provided by the PBOC or one or more other commercial banks in the PRC in the ordinary course of its business. We may withdraw our deposits, together with any interest accrued and other receivables, before the deposit maturity after a reasonable written notice is given to CGN Finance.

Related to the above deposit services arrangements, our Group may from time to time request CGN Finance to provide loan services, including the provision of loan facilities, credit lines, revolving facilities, guarantees, bill acceptance and bill discount services, and finance leasing services. CGN Finance shall provide such loan services to our Group at an interest rate not higher than (i) the lowest interest rate as may be offered by any major third party commercial bank or financial institution to our Group; and (ii) the lowest interest rate as may be offered by CGN Finance to other subsidiaries, associates or affiliated companies of CGN, for the same type of loan services. The relevant subsidiary of our Group will not be required to provide any security for such loan services provided that the amount of the loans does not exceed the maximum amount of deposits placed by such subsidiary of our Group with CGN Finance. Accordingly, provided that no security over the assets of our Group will be

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## CONNECTED TRANSACTIONS

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provided for the loan services, such loan services are exempt from compliance with the Listing Rules pursuant to Rule 14A.90 of the Listing Rules. Historically, we have not obtained such loan services from CGN Finance and such loan transactions are only intended to occur after the Listing (if any).

Our Group may from time to time request CGN Finance to provide intra-group or external settlement, transmittance or foreign exchange services within the PRC or from the PRC to Hong Kong, with deposits that have been placed by our Group with CGN Finance. CGN Finance shall provide such services to our Group at a service charge not higher than (i) the lowest service charge as may be offered by major independent third party commercial banks to our Group, and (ii) the lowest service charge that may be offered by CGN Finance to other subsidiaries, associates or affiliated companies of CGN within the PRC for the same type of services.

The Financial Services (CGN Finance) Framework Agreement does not prevent our Group from utilizing the depository services and other financial services set out therein provided by third party financial institutions or commercial banks. Our Group has no obligation or responsibility, and it is our Group's absolute discretion as to whether, to utilize the depository services and the financial services provided by CGN Finance as set out in the Financial Services (CGN Finance) Framework Agreement. At the same time, it is the sole discretion of CGN Finance as to whether to accept deposits from or provide other financial services to our Group as set out in the Financial Services (CGN Finance) Framework Agreement.

As described above, the role of CGN Finance is similar to a cash pooling centre via which funds from different members within our Group and the CGN Group (and its affiliates) in the PRC are concentrated into the accounts maintained by CGN Finance in the PRC which, in return, will pay interest on deposits received or charge interest on the loans provided. Through CGN Finance (and thereby centralized fund management), our Group and the CGN Group can enjoy the benefit of efficiency enhancement in fund deployment between subsidiaries of its group in the PRC. The centralized cash management exercise primarily aims to enable cash surpluses of some members of our Group and the CGN Group to cover the funding requirements of others in the PRC, which can reduce or remove the need for external financing. Ultimately, the primary aim is to optimize the efficient use of cash resources among the members of our Group and the CGN Group (and its affiliates) in the PRC.

CGN Finance was established in the PRC in July 1997 by the CGN Group for providing financial related services to members of the CGN Group in the PRC. CGN Finance is a non-banking financial institution subject to the regulations of the PBOC and the CBRC in the PRC. CGN Finance has not yet obtained any credit rating. CGN Finance had total assets of approximately RMB20,010.9 million as of December 31, 2013 and profits after tax of RMB309.9 million for the year ended December 31, 2013.

Similar financial services arrangements were entered into by our Group with CGN Finance during part of the Track Record Period and the 12-month average outstanding balance of deposits placed by our Group with CGN Finance, together with the relevant interest received, during the Track Record Period were as follows:

| <b>For the year ended<br/>December 31, 2011</b> | <b>For the year ended<br/>December 31, 2012</b> | <b>For the year ended<br/>December 31, 2013</b> |
|---|---|---|
| (U.S.\$ million)                                | (U.S.\$ million)                                | (U.S.\$ million)                                |
| N/A   | 26.3  | 32.1  |

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## CONNECTED TRANSACTIONS

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### Annual caps for transactions under the Financial Services Framework Agreements

As the nature of the services to be provided to our Group under the Financial Services (CGNPC Huasheng) Framework Agreement and the Financial Services (CGN Finance) Framework Agreement (the “**Financial Services Framework Agreements**”) are similar, the estimated annual caps for the maximum outstanding balance of deposits to be placed by our Group with CGNPC Huasheng and CGN Finance under the Financial Services Framework Agreement, together with the relevant interest received, during the year ending December 31, 2014 and the period from January 1, 2015 to and including the date of our first annual general meeting after the Listing (the “**First AGM Date**”) have been aggregated and are as follows:

| <b>For the year ending<br/>December 31, 2014</b> | <b>For the period from January 1, 2015<br/>to and including the First AGM Date</b> |
|--|--|
| (U.S.\$ million)                                 | (U.S.\$ million)   |
| 161.0  | 172.0  |

In arriving at the above proposed annual caps, we have considered the following factors:

- (i) the total amount of deposits that our Group has placed with CGNPC Huasheng and CGN Finance during the Track Record Period and our available free cash for the period after the Listing and before the First AGM Date;
- (ii) the utilization of the depository services when considered in the context of the other financial services (including the loan services and the settlement services) that are available to our Group can greatly facilitate deployment of surplus funds within our Group which can have a material impact as the business of our Group grows and its cash resources increase;
- (iii) the strategies for treasury management of our Group, taking into account the business development plans and the financial need of our Group; and
- (iv) the possible favorable interest rate to be obtained by our Group from CGNPC Huasheng and CGN Finance compared with interest rate that could otherwise be obtained by placing deposits with independent commercial bank(s) or financial institution(s).

Given that each of the applicable percentage ratios (other than the profit ratio) under Chapter 14A of the Listing Rules in relation to the above annual caps is more than 5%, the transactions under the Financial Services Framework Agreements will be subject to the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

### Internal controls measures for transactions under the Financial Services Framework Agreements

In order to safeguard the interests of our Group, each of the Financial Services Framework Agreements provides for the following monitoring and internal controls measures:

- (i) before our Company or any of its subsidiaries enters into any deposit services with CGNPC Huasheng or CGN Finance, our Group will obtain quotes from other independent financial institutions for similar deposit services for the same duration. Such quotes, together with the



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## CONNECTED TRANSACTIONS

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offer from CGNPC Huasheng or CGN Finance (as the case may be), will be reviewed and the offer from CGNPC Huasheng or CGN Finance (as the case may be) has to pass our internal approval process before it could be accepted;

- (ii) each of CGNPC Huasheng and CGN Finance shall during the regular business hours on each business day provide our Company with a daily report on the status of our Group's deposits with CGNPC Huasheng and CGN Finance (as the case may be) to allow our Group to monitor and ensure that the aggregate daily deposit balance (including interests accrued thereon) with CGNPC Huasheng and CGN Finance would not exceed the annual caps;
- (iii) CGNPC Huasheng and CGN Finance shall set up and maintain, or procure the setting up and maintenance of, a secured and stable on-line systems through which the relevant subsidiary of our Group which deposits money with them respectively can view the balance of such deposits at any time on any day;
- (iv) CGNPC Huasheng and CGN Finance shall, in taking the deposits from our Group, not affect the normal use of the deposits by our Group. By no later than the seventh business day of each month, the relevant subsidiary of our Group which deposits money with CGNPC Huasheng and CGN Finance (as the case may be) will submit a report to CGNPC Huasheng and CGN Finance (as the case may be) on its funding requirements for the month to ensure that deployment by CGNPC Huasheng and CGN Finance of the funds deposited with them respectively will not inhibit or restrict the ability of the relevant subsidiary of our Group from utilizing its funds, and if the relevant subsidiary of our Group informs CGNPC Huasheng and CGN Finance of any fund utilization exceeding the reported funding requirement at any time, CGNPC Huasheng and CGN Finance (as the case may be) shall use its best efforts to procure that there will be sufficient fund for the relevant subsidiary of our Group to withdraw from and shall respond within one business day to confirm whether the requested utilization amount is available for withdrawal;
- (v) CGNPC Huasheng and CGN Finance shall facilitate any annual inspection by our Group of the management of the deposits placed by our Group with CGNPC Huasheng and CGN Finance respectively, including inspection of records of fund flows, interest rates and payments provided to our deposits, the balances of our deposits placed, and other information and records that may be required by our auditors for the purpose of reporting on the relevant continuing connected transactions;
- (vi) each of CGNPC Huasheng and CGN Finance will provide its annual financial report and other documents and information to our Company at our request.

### **Non-exempt Continuing Connected Transactions subject to reporting and announcement requirements**

#### **2(a). Operation and Management Services (CGN Energy) Framework Agreement**

- Parties:**
- (i) Our Company; and
  - (ii) CGN Energy.

**Term:** Effective from May 1, 2014 to December 31, 2016.

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## CONNECTED TRANSACTIONS

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**Principal terms:** we have entered into an operation and management services framework agreement (the “**Operation and Management Services (CGN Energy) Framework Agreement**”) with CGN Energy on August 20, 2014 pursuant to which our Company has agreed to provide, or procure a subsidiary of our Group to provide, operation and management services to power projects (whether in operation or under construction) in which CGN Energy has interest.

CGN Energy is a wholly-owned subsidiary of CGN and is therefore a connected person of our Company.

The relevant subsidiaries of our Group will provide comprehensive operation and management services according to the requirements of the service recipient, and may appoint personnel to be responsible for or to be involved in the operations management, financial management, human resources management, technical management, information management, and/or safety management of the relevant power project or company which holds interest in the relevant power project. The operation and management services may include assets and equity interest management, developing grid connection plans and strategies, developing pricing strategies, fuel procurement, equipment procurement, maintenance and overhaul of equipment, capital and other financial management, provision of accounting and internal audit management services, provision of technical training, project planning and budgeting, budget management, costs management, performance targets management and setting of incentive schemes, etc. We envisage that the extent of the services to be provided by the relevant subsidiaries of our Group would depend on the percentage of interest the service recipient holds in a particular power project (for example, whether it is a majority interest or minority interest), and whether the services will be provided at the project company level or at the shareholder company level.

Each service provider and each service recipient will enter into an operation and management services agreement for the services to be provided to each particular power project, or the company which holds interest in a power project, which will provide for detailed terms of each operation and management services arrangement, and the terms of which shall be consistent with the terms provided in the Operation and Management Services (CGN Energy) Framework Agreement. The management fees payable by the service recipient to the service provider will be determined on a “cost-plus” basis, namely the service provider will charge a service fee that represents a 5% margin over the expenses that will be incurred by the service provider in providing the operation and management services to the service recipient. The 5% margin was determined by the parties based on arm’s length negotiation with reference to the margin charged for similar services in the market and the PBOC benchmark lending and deposit interest rates.

### **2(b). Operation and Management Services (Huamei Holding) Framework Agreement**

**Parties:** (i) Our Company; and  
(ii) Huamei Holding.

**Term:** Effective from September 15, 2014 to December 31, 2016.

**Principal terms:** we have entered into an operation and management services framework agreement (the “**Operation and Management Services (Huamei Holding) Framework Agreement**”) with Huamei Holding on September 15, 2014 pursuant to which our Company has agreed to provide, or

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## CONNECTED TRANSACTIONS

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procure a subsidiary of our Group to provide, operation and management services to power projects (whether in operation or under construction) in which a subsidiary of the Disposal Group under Huamei Holding has interest.

Huamei Holding is a wholly-owned subsidiary of CGN and is therefore a connected person of our Company.

The relevant subsidiaries of our Group will provide comprehensive operation and management services according to the requirements of the service recipient, and may appoint personnel to be responsible for or to be involved in the operations management, financial management, human resources management, technical management, information management, and/or safety management of the relevant power project or the company which holds interest in the relevant power project. The operation and management services may include assets and equity interest management, developing grid connection plans and strategies, developing pricing strategies, fuel procurement, equipment procurement, maintenance and overhaul of equipment, capital and other financial management, provision of accounting and internal audit management services, provision of technical training, project planning and budgeting, budget management, costs management, performance targets management and setting of incentive schemes, etc. We envisage that the extent of the services to be provided by the relevant subsidiaries of our Group would depend on the percentage of interest the service recipient holds in a particular power project (for example, whether it is a majority interest or minority interest), and whether the services will be provided at the project company level or at the shareholder company level.

Each service provider and each service recipient will enter into an operation and management services agreement for the services to be provided to each particular power project, or the company which holds interest in a power project, which will provide for detailed terms of each operation and management services arrangement, and the terms of which shall be consistent with the terms provided in the Operation and Management Services (Huamei Holding) Framework Agreement. The management fees payable by the service recipient to the service provider will be determined on a “cost-plus” basis, namely the service provider will charge a service fee that represents a 5% margin over the expenses that will be incurred by the service provider in providing the operation and management services to the service recipient. The 5% margin was agreed by the parties based on arm’s length negotiation with reference to the margin charged for similar services in the market and the PBOC benchmark lending and deposit interest rates.

No similar operation and management services to those to be provided under the Operation and Management Services (CGN Energy) Framework Agreement and the Operation and Management Services (Huamei Holding) Framework Agreement (together, the “**Operation and Management Services Framework Agreements**”) was provided by our Group to the subsidiaries and associated companies of CGN prior to January 1, 2014 as such operation and management services have been put in place in preparation of the Listing and to address some of the concerns relating to potential competition of the Retained Business of the CGN Group with the business of our Group.

### **Projects subject to the Operation and Management Services Framework Agreements**

We envisage that during the current term of the Operation and Management Services Framework Agreements, we will provide operation and management services to the following 27 power projects (four of which are either under construction or will commence construction) in which CGN Energy and

## CONNECTED TRANSACTIONS

Huamei Holding have interests, as well as to XTI, an investment holding company holding some of these 27 power generation projects in which Huamei Holding has interests, or other projects in which CGN Energy and Huamei Holding may have interests in the future.

|     | Name of power project          | Fuel type            | Project held under | Attributable interest of CGN Energy or Huamei Holding in power project |
|-----|--------------------------------|----------------------|--------------------|--|
| 1.  | Langdu Power Project           | Hydro                | Huamei Holding     | 45.00%   |
| 2.  | Minrui Power Project           | Hydro                | Huamei Holding     | 51.00%   |
| 3.  | Weixi Power Project            | Hydro                | Huamei Holding     | 80.00%   |
| 4.  | Maopohe Power Project          | Hydro                | Huamei Holding     | 55.00%   |
| 5.  | Zhenkang Power Project         | Hydro                | Huamei Holding     | 50.00%   |
| 6.  | Gaofengshan Power Project      | Hydro                | CGN Energy         | 100.00%  |
| 7.  | Jiaojiping Power Project       | Hydro                | CGN Energy         | 100.00%  |
| 8.  | Xianshuihe Power Project       | Hydro                | CGN Energy         | 100.00%  |
| 9.  | Baihe (Hanjiang) Power Project | Hydro                | CGN Energy         | 100.00%  |
| 10. | Honghua Power Project          | Hydro                | CGN Energy         | 96.50%   |
| 11. | Dapu (Guiliu) Power Project    | Hydro                | CGN Energy         | 84.50%   |
| 12. | Guding Power Project           | Hydro                | CGN Energy         | 95.40%   |
| 13. | Baihuatan Power Project        | Hydro                | CGN Energy         | 60.00%   |
| 14. | Shawan Power Project           | Hydro                | CGN Energy         | 50.00%   |
| 15. | Niruhe Power Project           | Hydro                | CGN Energy         | 97.00%   |
| 16. | Changbai Hydro Project         | Hydro                | CGN Energy         | 50.00%   |
| 17. | Yutian Hydro Project           | Hydro                | CGN Energy         | 71.00%   |
| 18. | Wuling Power Project           | Hydro <sup>(1)</sup> | Huamei Holding     | 18.50%   |
| 19. | Guangxu Power Project          | Pumped storage       | CGN Energy         | 46.00%   |
| 20. | Huineng Power Project          | Pumped storage       | CGN Energy         | 46.00%   |
| 21. | Jingyuan Power Project         | Coal-fired           | Huamei Holding     | 30.73%   |
| 22. | Qujing Power Project           | Coal-fired           | Huamei Holding     | 37.00%   |
| 23. | Yueyang Power Project          | Coal-fired           | Huamei Holding     | 22.50%   |
| 24. | Mawan Power Project            | Coal-fired           | CGN Energy         | 8.00%  |
| 25. | Xiwu Power Project             | Wind                 | Huamei Holding     | 91.00%   |
| 26. | Huide Power Project            | Wind                 | Huamei Holding     | 49.00%   |
| 27. | Tongzhou Power Project         | Cogen                | Huamei Holding     | 80.00%   |

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## CONNECTED TRANSACTIONS

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*Note:*

- (1) Wuling Power Project includes hydro, wind, and coal-fired power projects in operation with aggregate attributable installed capacities of 856.6 MW, 18.3 MW and 44.4 MW, respectively.

For further details of the above power projects, please see the section headed “*Business – Power Projects Under Management*” in this prospectus.

### **2(c). Hami Coal Consultancy Services Agreement**

**Parties:** (i) Yaneng Consulting; and  
(ii) CGN Hami Coal Project Preparatory Office.

**Term:** From January 1, 2014 to December 31, 2016.

**Principal terms:** our wholly-owned subsidiary, Yaneng Consulting, has entered into an advisory consultancy services agreement on September 30, 2012 (the “**Hami Coal Consultancy Services Agreement**”) with CGN Hami Coal Project Preparatory Office which has an initial term from April 1, 2012 to December 31, 2012. Pursuant to a supplemental agreement dated June 1, 2013, the Hami Coal Consultancy Services Agreement was renewed for one year and covered the period from January 1, 2013 to December 31, 2013, which term has been renewed for another three years covering the period from January 1, 2014 to December 31, 2016. CGN Hami Coal Project Preparatory Office is a temporary office established by CGN to be responsible for the project development relating to a coal power project, which is located in Hami City, Xinjiang Uyghur Autonomous Region, the PRC. CGN proposes to hold, through CGN Energy Development Co., Ltd., 70% interest in such coal power project.

Pursuant to the Hami Coal Consultancy Services Agreement, Yaneng Consulting has agreed to provide advisory services to CGN Hami Coal Project Preparatory Office in relation to corporate management, project development and power related technical, legal and commercial issues. Yaneng Consulting has also agreed to deploy designated management personnel to CGN Hami Coal Project Preparatory Office to perform such services.

During the initial term from April 1, 2012 to December 31, 2012, CGN Hami Coal Project Preparatory Office paid an annual advisory fee of RMB1,350,000 to Yaneng Consulting. During the term from January 1, 2013 to December 31, 2013, CGN Hami Coal Project Preparatory Office paid an annual advisory fee of RMB2,410,000 to Yaneng Consulting. The parties have agreed that, for the year ending December 31, 2014, CGN Hami Coal Project Preparatory Office will pay an annual advisory fee of RMB2,400,000 to Yaneng Consulting. The annual advisory fee after 2014 will be increased by 10% each year, subject to any other adjustments as may be agreed by the parties for any increase or reduction in personnel and the scope of services.

### **Annual caps for transactions under the Operation and Management Services Framework Agreements and Hami Coal Consultancy Services Agreement**

As the nature of the services to be provided by Yaneng Consulting to CGN Hami Coal Project Preparatory Office under the Hami Coal Consultancy Services Agreement is similar to the nature of the services to be provided under the two Operation and Management Services Framework Agreements, the annual cap for the advisory fee payable by CGN Hami Coal Project Preparatory Office to Yaneng

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## CONNECTED TRANSACTIONS

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Consulting and the management fees payable under the Operation and Management Services Framework Agreements for the years ending December 31, 2014, 2015 and 2016 were determined on an aggregate basis, as set out below:

|  | <u>For the year ending<br/>December 31, 2014</u> | <u>For the year ending<br/>December 31, 2015</u> | <u>For the year ending<br/>December 31, 2016</u> |
|--|--|--|--|
|  | (U.S.\$ million)                                 | (U.S.\$ million)                                 | (U.S.\$ million)                                 |
| Aggregate management fees payable<br>by the service recipients to the<br>service providers . . . . . | 12.0   | 23.0   | 25.0   |

In arriving at the above proposed annual caps, we have considered the following factors:

- (i) the gross installed capacity, COD and the expected installed capacity of the relevant power projects to be managed under the Operation and Management Services Framework Agreements for 2014 to 2016;
- (ii) CGN Energy’s and Huamei Holding’s interest in each of the relevant power projects; and
- (iii) the historical and estimated costs and expenses, including staff costs, general and administrative expenses and overheads, for the operation of the relevant power projects.

Given that each of the applicable percentage ratios (other than the profit ratio) under Chapter 14A of the Listing Rules in relation to the above annual caps is, on an annual and aggregated basis, more than 0.1% but less than 5%, the transactions under the Operation and Management Services Framework Agreements and the Hami Coal Consultancy Services Agreement will be subject to the reporting, annual review and announcement requirements but is exempt from independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

### Exempt Continuing Connected Transactions

#### 3(a). Entrustment Loan Services Framework Agreement

- Parties:**
- (i) CGN Finance; and
  - (ii) Our Company.

**Term:** Effective from January 1, 2014 to December 31, 2016.

**Principal terms:** we have entered into an entrustment loan services framework agreement on September 12, 2014 with CGN Finance (the “**Entrustment Loan Services Framework Agreement**”) pursuant to which CGN Finance will facilitate to provide loans to other subsidiaries of our Group in the PRC by acting as a financial agent and providing entrustment loans services to facilitate such entrustment loans. Under such arrangements, CGN Finance will advance an entrustment loan to a subsidiary of our Group upon the placement of a deposit in the same amount from another subsidiary of our Group, which essentially is acting as the lender, for the purpose of the provision of the entrustment loan to such subsidiary of our Group, which is acting as the borrower. The interest rate for such entrustment loan will be determined by the relevant subsidiary of our Group which essentially is acting as the lender, and the relevant subsidiary of our Group which is acting as the borrower.

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## CONNECTED TRANSACTIONS

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For each entrustment loan transaction, the relevant subsidiary of our Group will enter into a specific entrustment loan services agreement with CGN Finance which will provide for detailed terms of each entrustment loan transaction which shall be consistent with the terms provided in the Entrustment Loan Services Framework Agreement. The handling fee to be charged by CGN Finance shall be a percentage of the amount of the entrustment loan advanced for the particular entrustment loan transaction, and such percentage shall be determined by the relevant subsidiaries of our Group and CGN Finance with reference to the prevailing market terms and conditions and, in any event, shall not be higher than the rate as may be changed by other third party financial institutions for similar services. In addition, CGN Finance shall use its best efforts to provide such entrustment loan services to us upon obtaining the relevant internal approval and ensure that the time period for completing its internal approval and set up procedures for each entrustment loan transaction shall not take more than seven business days.

The Entrustment Loan Services Framework Agreement does not prevent our Group from using the entrustment loan services set out therein provided by third party financial institutions or commercial banks. Our Group has no obligation or responsibility, and it is our Group's absolute discretion as to whether, to use the entrustment loan services provided by CGN Finance as set out in the Entrustment Loan Services Framework Agreement.

PRC laws do not permit companies, including subsidiaries and associates, other than regulated financial institutions, to extend intra-group loans directly. Any such loans must be directed through a regulated financial institution or agency. CGN Finance is a non-banking financial institution subject to the regulation of the PBOC and CBRC, and is authorized to provide various kinds of financial services to our Group, including deposit-taking and loan services. The main reasons for and benefits of the transactions under the Entrustment Loan Framework Agreement are as follows:

- (i) the use of CGN Finance as a vehicle through which intra-group intercompany loans could be arranged allow for the more efficient deployment of funds between our Group and the CGN Group;
- (ii) the arrangements would allow the greater utilisation of available funds, utilize the collected funds to repay the external commercial loans of the subsidiaries of our Group and optimize our Group's funds; and
- (iii) the arrangements would save financial costs, thereby increasing the profitability of our Group and benefitting the Shareholders, including the minority shareholders.

Similar entrustment loan services were provided by CGN Finance to our Group during the Track Record Period and the aggregate service fees paid by our Group to CGN Finance during the Track Record Period were as follows:

|   | <b>For the year ended<br/>December 31, 2011</b> | <b>For the year ended<br/>December 31, 2012</b> | <b>For the year ended<br/>December 31, 2013</b> |
|---|---|---|---|
|   | (U.S.\$)  | (U.S.\$)  | (U.S.\$)  |
| Entrustment loan service fees paid by<br>our Group to CGN Finance . . . . . | 5,664.0   | 3,605.0   | 5,312.0   |



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## CONNECTED TRANSACTIONS

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### 3(b). Loan Risk Management Advisory Services Agreement

- Parties:**
- (i) CGN Finance, as service provider; and
  - (ii) Our Company, as service recipient.

**Term:** Effective from January 1, 2014 to December 31, 2016.

**Principal terms:** we have entered into a loan risk management advisory services agreement on September 12, 2014 with CGN Finance (the “**Loan Risk Management Advisory Services Agreement**”) pursuant to which CGN Finance will provide loan risk management advisory services to our Company. Such services include, among other things, assisting our Company in formulating and regulating loan risk management systems and procedures, assessing the effectiveness of such systems and procedures, assessing the loan risks of our Company, making proposals in loan risk management (such as interest rate and exchange rate risk management and loan restructuring), and identifying and negotiating with financial institutions for transactions according to the loan risk management proposals as approved by our Company. CGN Finance will also collect, analyse and provide our Company with, on a regular basis, updated information on the financial market, laws and government policies relevant to the loan risk management of our Company.

No loan risk management advisory services were provided by CGN Finance to our Group prior to the execution of the Loan Risk Management Advisory Services Agreement. During the term from January 1, 2014 to December 31, 2016, our Company will pay CGN Finance an annual advisory fee of RMB600,000. Our Company believes that, with the professional knowledge and expertise of CGN Finance in the financial and capital markets and the credit and loan industry, the loan risk management advisory services provided by CGN Finance will help reduce the loan risk (including but not limited to interest rate and exchange rate risks) of our Company and our potential exposure to fluctuations and uncertainties in the fast-changing economic conditions.

As the services provided by CGN Finance under the Loan Risk Management Advisory Services Agreement are similar in nature to the services provided by CGN Finance under the Entrustment Loan Services Framework Agreement and each of the applicable percentage ratios (other than the profit ratio) under Chapter 14A of the Listing Rules is, on an annual basis and an aggregate basis together with the fees payable by our Company to CGN Finance under the Entrustment Loan Services Framework Agreement, less than 0.1%, the transactions under the Loan Risk Management Advisory Services Agreement and the Entrustment Loan Services Framework Agreement will be exempt from the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

### 4. Insurance Brokerage Services Agreement

- Parties:**
- (i) CGN Insurance Broker; and
  - (ii) Our Company.

**Term:** One year from December 15, 2012 and automatically renewable annually in the absence of a written objection from the parties.

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## CONNECTED TRANSACTIONS

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**Principal terms:** we have entered into an insurance brokerage services agreement in December 2012 with CGN Finance (the “**Insurance Brokerage Services Agreement**”), pursuant to which CGN Finance has agreed to provide insurance advisory and brokerage services to our Group in China, which include, among other things, insurance need analysis, insurance planning and sourcing, and provision of support in our Group’s insurance claims under insurance policies. Pursuant to an agreement dated July 16, 2013, CGN Finance has assigned its rights and obligations under the Insurance Brokerage Services Agreement to its wholly-owned subsidiary, CGN Insurance Broker, which has agreed to perform the services under the Insurance Brokerage Services Agreement to our Group.

The Insurance Brokerage Services Agreement has an initial term of one year from December 15, 2012, which is automatically renewable annually in the absence of a written objection from the parties. No fee is payable by our Company under the agreement but CGN Insurance Broker may receive reasonable commission from insurance companies for insurance policies for our Group which has been sourced by CGN Insurance Broker.


The Insurance Brokerage Services Agreement does not contain terms and conditions that specifically prevent us from using other third party service providers.

Pursuant to Rule 14A.76(1) of the Listing Rules, as no consideration is payable by our Company to CGN Insurance Broker under the Insurance Brokerage Services Agreement, the transactions under such agreement will constitute continuing connected transactions which are exempt from reporting, annual review, announcement and independent shareholders’ approval requirements.

### 5. Trademark Licensing Agreement

**Parties:** (i) CGN, as licensor; and  
(ii) Our Company, as licensee.

**Term:** Perpetual, until terminated by both parties.

**Principal terms:** we have entered into a trademark licensing agreement on May 27, 2014 with CGN (the “**Trademark Licensing Agreement**”), pursuant to which CGN has agreed to grant our Group a non-exclusive license for the use of the trademark “**中广核**  **CGN**” owned by CGN which CGN has applied for registration in the PRC and Hong Kong for a nominal consideration of U.S.\$1. For details of the licensed trademark, see “*Appendix VIII – Statutory and General Information – B. Further Information About our Business – 2. Intellectual Property Rights of our Group – (a) Trademarks – iv. Trademarks under the Trade Mark Licensing Agreement*” to this prospectus.

The Trademark Licensing Agreement has a perpetual term from May 27, 2014 and may be terminated (i) if our Company ceases to be a subsidiary of CGN; (ii) by either party at will by giving the other three months prior notice in writing; or (iii) by notice from CGN if our Group has used the licensed trademark in a manner inconsistent with the terms and conditions of the agreement or by notice from our Company if the agreement, in our opinion, results in or will result in any non-compliance with the Listing Rules or any requirements of the Stock Exchange.

We are a subsidiary of CGN, operating a portfolio of gas-fired, coal-fired, oil-fired, hydro, cogen and fuel cell power generation projects in the PRC and Korea. To use the trademark of CGN, together with our own trademarks, would help us identify ourselves as platform of CGN for non-nuclear clean and renewable power generation project operations and development.

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## CONNECTED TRANSACTIONS

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Pursuant to Rule 14A.76(1) of the Listing Rules, as only nominal consideration is payable by our Company to CGN under the Trademark Licensing Agreement, the transactions under such agreement will constitute continuing connected transactions which are exempt from reporting, annual review, announcement and independent shareholders' approval requirements.

### 6. Data Line Sharing Agreement

**Parties:** (i) CGN Mining; and  
(ii) Our Company.

**Term:** Perpetual, until terminated by both parties.

**Principal terms:** we have entered into a data line sharing agreement on September 2, 2014 with CGN Mining, a subsidiary of CGN whose shares are listed on the main board of the Stock Exchange (the "**Data Line Sharing Agreement**"), pursuant to which CGN Mining and our Company have agreed to share a data line provided by a third party service provider on a cost basis. Each of CGN Mining and our Company has agreed to bear 50% of the costs charged by the service provider which is providing the data line service. The agreement for the provision of the data line with the third party service provider has been entered into by our Company.

Pursuant to Rule 14A.98 of the Listing Rules, as the sharing of the data line between our Company and CGN Mining represents the sharing of administrative services between the parties at cost on a fair and equitable basis, the transactions under such agreement will constitute continuing connected transactions which are exempt from reporting, annual review, announcement and independent shareholders' approval requirements.

### 7. Meineng Lease Agreement

**Parties:** (i) Shenzhen Nuclear Property, as lessor; and  
(ii) CGN Meineng Corporate Management (Shenzhen) Ltd., as lessee.

**Term:** From December 15, 2013 to November 14, 2014.

**Principal terms:** our subsidiary, CGN Meineng Corporate Management (Shenzhen) Ltd. (中廣核美能企業管理(深圳)有限公司) ("**CGN Meineng**"), had entered into a lease agreement with Shenzhen Nuclear Property on December 15, 2013 (the "**Meineng Lease Agreement**"). Pursuant to the Meineng Lease Agreement, CGN Meineng will lease an office premise in Shenzhen with a GFA of approximately 33.16 square metres from Shenzhen Nuclear Property for a monthly rent of approximately RMB2,000 until November 14, 2014.

Shenzhen Nuclear Property is a wholly-owned subsidiary of CGN, our Controlling Shareholder, and therefore a connected person of our Company.

As we entered into the Meineng Lease Agreement on December 15, 2013, no rent was paid under the Meineng Lease Agreement for the years ended December 31, 2011 and 2012. For the year ended December 31, 2013, the rent payable to Shenzhen Nuclear Property under the Meineng Leasing Agreement amounted to approximately RMB1,000.

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## CONNECTED TRANSACTIONS

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Given each of the applicable percentage ratios (other than the profit ratio) under Chapter 14A of the Listing Rules is, on an annual basis, less than 0.1%, the transactions under the Meineng Lease Agreement will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### (B) WITH CONNECTED PERSONS OF OUR COMPANY AT THE SUBSIDIARY LEVEL

#### Non-exempt Continuing Connected Transactions subject to reporting and announcement requirements

##### 1. Weigang Power Purchase Agreement

**Parties:** (i) Weigang JV, as supplier; and  
(ii) Baosteel, as purchaser.

**Term:** Since August 10, 1998 until the expiration of the operation term of Weigang JV (namely, May 31, 2020).

**Principal terms:** our subsidiary, Weigang JV, has entered into a power purchase agreement on August 10, 1998 (which has been amended on March 2, 2005 and March 16, 2009) with Baosteel (the "Weigang Power Purchase Agreement") pursuant to which Baosteel has agreed to purchase all electricity power generated by the power project operated by Weigang JV for a term expiring on the expiration date of the operation term of Weigang JV (namely, May 31, 2020). The Weigang Power Purchase Agreement has been entered into in respect of Weigang gas-fired power project operated by Weigang JV.

Baosteel is a substantial shareholder of our subsidiary, Weigang JV, holding 35% interest in Weigang and is therefore a connected person of our Company.

Pursuant to the Weigang Power Purchase Agreement, the price for the electricity purchased by Baosteel shall be determined based on a formula specified in the agreement and the pricing structure is set out below:

- RMB0.45276 per kWh (excluding value added tax) for the first 325,500,000 kWh of power purchased; and
- RMB0.37776 per kWh (excluding value added tax) for any power purchased in excess of 325,500,000 kWh.

Under the Weigang Power Purchase Agreement, Baosteel must take or pay 325,500,000 kWh of power per year. Such take-or-pay agreement is favorable to the operations of Weigang JV because it effectively guarantees the minimum dispatch volume, thus providing visibility and stability of Weigang JV's cashflow. On the above basis, the Sole Sponsor is satisfied that the pricing terms is a normal commercial arrangement. Pursuant to the Weigang Power Purchase Agreement, such price shall be adjusted to 99.1% of the market price for power because power is purchased by Baosteel pursuant to a take-or-pay Weigang Power Purchase Agreement with a term of 22 years. The power price under the Weigang Power Purchase Agreement has not been adjusted during the Track Record Period and is not expected to be adjusted before December 31, 2016 pursuant to the parties' understanding.

## CONNECTED TRANSACTIONS

The pricing formula for blast furnace gas price under the Weigang Fuel Supply Agreement is not determined based on market price as there is no market for blast furnace gas. Blast furnace gas is the waste gas generated in the steel-making process and there is no market price for such waste gas, which, if not used for power generation, would be emitted to the atmosphere as waste gas. According to the Weigang Power Purchase Agreement, the price of the blast furnace gas is pegged to price of power, which means that power price and the price of the blast furnace gas would increase by the same percentage in any given year. This was negotiated commercially between Baosteel and Weigang JV in order to ensure Weigang JV earns a mid-teens return. As there is no benchmark market price for blast furnace gas and due to the fuel cost pass-through mechanism, the Sole Sponsor is satisfied that the arrangements are on normal commercial terms.

During the Track Record Period, the amount of the power purchased by Baosteel from Weigang JV under the Weigang Power Purchase Agreement was as follows:

|   | <b>For the year ended<br/>December 31, 2011</b> | <b>For the year ended<br/>December 31, 2012</b> | <b>For the year ended<br/>December 31, 2013</b> |
|---|---|---|---|
|   | (RMB million)                                   | (RMB million)                                   | (RMB million)                                   |
| Power purchased by Baosteel from Weigang JV . . . . . | 158.9   | 110.2   | 160.3   |

For the purpose of determining the proposed annual caps for the transactions under the Weigang Power Purchase Agreement for each of the six years ending December 31, 2014 to December 31, 2019 and for the five months ending May 31, 2020, our Directors considered the following factors: (i) the minimum power that Baosteel has agreed to purchase under the Weigang Power Purchase Agreement; and (ii) the estimated production volume of Baosteel, which in turn affects the amount of blast furnace gas produced by Baosteel and, in turn, the amount of power to be generated by Weigang JV using the blast furnace gas from Baosteel (to be supplied under the Weigang Fuel Supply Agreement described below) and sold to Baosteel.

On the basis of the above, our Directors have determined that the annual caps for the power to be purchased by Baosteel from Weigang JV under the Weigang Power Purchase Agreement for each of the six years ending December 31, 2014 to December 31, 2019 and for the five months ending May 31, 2020 will be as follows:

|   | <b>For the year ending December 31</b> |             |             |             |             |             | <b>For the five<br/>months ending<br/>May 31, 2020</b> |
|---|--|-------------|-------------|-------------|-------------|-------------|--|
|   | <b>2014</b>                            | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> |  |
| Power to be purchased by Baosteel from Weigang JV (RMB million) . . . . . | 176.0                                  | 176.0       | 176.0       | 176.0       | 176.0       | 176.0       | 75.0   |

Given that Baosteel is a connected person of our Company only by virtue of its relationship with our subsidiary and the applicable percentage ratios (other than the profit ratio) under Chapter 14A of the Listing Rules in relation to the above annual caps is, on an annual basis, more than 1% but less than 5%, the transactions under the Weigang Power Purchase Agreement will be exempt from the independent Shareholders' approval requirement but will be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

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## CONNECTED TRANSACTIONS

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Whilst the Weigang Power Purchase Agreement has been entered into for a duration of more than three years, the duration has been determined after arm's length negotiations between Weigang JV and Baosteel and is primarily for the purpose of securing Baosteel's long-term power purchase from the power plant operated by Weigang JV throughout the life of the joint venture. Further, our Directors consider that the tying of the duration of a designated power purchase agreement with the operation duration of a joint venture is very common in the power industry in the PRC, especially in relation to power projects that are being operated through joint venture and the power purchaser is one of the joint venture parties. Accordingly, our Directors (including the independent non-executive Directors) are of the view that it is fair and reasonable and in the interests of the Shareholders as a whole for Weigang JV to continue to have the benefit of the remaining duration of the Weigang Power Purchase Agreement of approximately six years until May 31, 2020, without the need to re-comply with the requirements of Chapter 14A of the Listing Rules upon the beginning of 2017.

Accordingly, we have applied for, and have been granted, a waiver from the Stock Exchange from strict compliance with Rule 14A.52 of the Listing Rules to allow the Weigang Power Purchase Agreement to continue to run for approximately six years after the Listing until May 31, 2020 without the need to re-comply with the requirements of Chapter 14A of the Listing Rules for a period of approximately six years up to December 31, 2020.

### Exempt Continuing Connected Transactions

#### 2. Weigang Fuel Supply Agreement

**Parties:** (i) Baosteel, as supplier; and  
(ii) Weigang JV, as purchaser.

**Term:** Since August 10, 1998 until the expiration of the operation term of Weigang JV (namely, May 31, 2020).

**Principal terms:** our subsidiary, Weigang JV, has entered into a fuel supply agreement on August 10, 1998 with Baosteel (the "**Weigang Fuel Supply Agreement**") pursuant to which Weigang JV has agreed to purchase fuel from Baosteel in the form of blast furnace gas and heavy fuel oil for a term expiring on the expiration date of the operation term of Weigang JV (namely, May 31, 2020). The Weigang Fuel Supply Agreement has been entered into in respect of Weigang gas-fired power project operated by Weigang JV.

Pursuant to the Weigang Fuel Supply Agreement, the purchase price for the fuel is payable by Weigang JV to Baosteel on a monthly basis. The price of blast furnace gas for the year ended December 31, 1996 shall be RMB7.042 per GJ or RMB0.023 per cubic meter and shall be increased at a rate of 4% per year until the commencement of commercial operation of Weigang Power Project which took place in the year of 2000. According to the Weigang Power Purchase Agreement, the annual percentage adjustment in the price of blast furnace gas after the commencement of commercial operation of Weigang Power Project shall be equal to the annual percentage adjustment in the price of electricity power.

The price of the heavy fuel oil shall be equivalent to the price paid by Baosteel to its supplier for the heavy fuel oil, excluding any value added tax paid by Baosteel in connection therewith. Weigang JV did not purchase any heavy fuel oil from Baosteel during the Track Record Period.

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## CONNECTED TRANSACTIONS

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During the Track Record Period, the fuel purchase price paid by Weigang JV to Baosteel under the Weigang Fuel Supply Agreement was as follows:

|   | <u>For the year ended<br/>December 31, 2011</u> | <u>For the year ended<br/>December 31, 2012</u> | <u>For the year ended<br/>December 31, 2013</u> |
|---|---|---|---|
|   | (RMB million)                                   | (RMB million)                                   | (RMB million)                                   |
| Fuel purchased by Weigang JV to Baosteel. . . . . | 37.9  | 26.3  | 37.6  |

Given that Baosteel is a connected person of our Company only by virtue of its relationship with our subsidiary and the applicable percentage ratios (other than the profit ratio) under Chapter 14A of the Listing Rules is, on an annual basis, less than 1%, the transactions under the Weigang Fuel Supply Agreement will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### 3. Weigang Public Utility Services Supply Agreement

**Parties:** (i) Baosteel, as supplier; and  
(ii) Weigang JV, as purchaser.

**Term:** Since March 9, 2000 until the expiration of the operation term of Weigang JV (namely, May 31, 2020).

**Principal terms:** our subsidiary, Weigang JV, has entered into a public utility services supply agreement on March 9, 2000 with Baosteel (the "**Weigang Public Utility Services Supply Agreement**") pursuant to which Baosteel has agreed to supply Weigang JV with public utility services for the operation of the Weigang power project for a term expiring on the expiration date of the operation term of Weigang JV (namely, May 31, 2020). The Weigang Public Utility Services Supply Agreement has been entered into in respect of Weigang gas-fired power project operated by Weigang JV.

Pursuant to the Weigang Public Utility Services Supply Agreement, the fees for the supply of public utility services are payable to Baosteel on a monthly basis. The public utility services provided include nitrogen, supplemental steam, electro-osmotic dismantle salt water, industrial supplemental water, recycle supplemental water, water, drainage, drainage facilities, 6KV reserve power and 380V security power.

The Weigang Public Utility Services Supply Agreement sets out the price for each public utility service, which is calculated based on a cost plus management fee basis.



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## CONNECTED TRANSACTIONS

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During the Track Record Period, the utility services supply fees paid by Weigang JV to Baosteel under the Weigang Fuel Supply Agreement was as follows:

|   | <u>For the year ended<br/>December 31, 2011</u> | <u>For the year ended<br/>December 31, 2012</u> | <u>For the year ended<br/>December 31, 2013</u> |
|---|---|---|---|
|   | (RMB million)                                   | (RMB million)                                   | (RMB million)                                   |
| Utility services supply fees paid by Weigang JV to Baosteel . . . . . | 2.4   | 2.2   | 2.5   |

Given that Baosteel is a connected person of our Company only by virtue of its relationship with our subsidiary and each of the applicable percentage ratios (other than the profit ratio) under Chapter 14A of the Listing Rules is, on an annual basis, less than 1%, the transactions under the Weigang Fuel Supply Agreement will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### 4(a). Weigang Wastewater Discharge Agreement

- Parties:**
- (i) Baosteel Stainless Steel, as service provider; and
  - (ii) Weigang JV, as service recipient.

**Term:** From January 1, 2014 to December 31, 2015.

**Principal terms:** our subsidiary, Weigang JV, has entered into a wastewater discharge agreement on December 21, 2009 (which has been amended on December 25, 2011 and December 25, 2013) with Baosteel Stainless Steel (the "**Weigang Wastewater Discharge Agreement**") pursuant to which Baosteel Stainless Steel has agreed to allow Weigang JV to discharge its drainage, including industrial water, recycle supplemental water and water for daily living, to the drainage pool of Baosteel Stainless Steel for a term of two years ending December 31, 2015. The Weigang Wastewater Discharge Agreement has been entered into in respect of Weigang gas-fired power project operated by Weigang JV.

Baosteel Stainless Steel is a wholly-owned subsidiary of Baosteel and is therefore an associate of a substantial shareholder of our subsidiary, Weigang JV. Accordingly, Baosteel Stainless Steel is a connected person of our Company for the purpose of Chapter 14A of the Listing Rules.

The services fee for the discharge of wastewater is payable by Weigang JV to Baosteel Stainless Steel on a monthly basis, at a rate of RMB2.11 per cubic meter. Weigang JV has also agreed to pay a fixed environmental protection management fee of RMB5,500 and a fixed supervisory fee of RMB1,000 to Baosteel Stainless Steel on a monthly basis.

#### 4(b). Weigang Inspection, Protection and Emergency Aid Services Agreement

- Parties:**
- (i) Baosteel Stainless Steel, as service provider; and
  - (ii) Weigang JV, as service recipient.

**Term:** From January 1, 2014 to December 31, 2015.

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## CONNECTED TRANSACTIONS

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**Principal terms:** our subsidiary, Weigang JV, has entered into an inspection, protection and emergency aid services agreement for blast furnace gas on December 21, 2009 (which has been amended on December 25, 2011 and December 25, 2013) with Baosteel Stainless Steel (the “**Weigang Inspection, Protection and Emergency Aid Services Agreement**”) pursuant to which Baosteel Stainless Steel has agreed to provide inspection, protection and remedial services for the blast furnace gas pipes of Weigang JV for a term of two years ending December 31, 2015. The Weigang Inspection, Protection and Emergency Aid Services Agreement has been entered into in respect of Weigang gas-fired power project operated by Weigang JV.

The services fee for the inspection, protection and emergency aid services is RMB20,000 per month and is payable by Weigang JV to Baosteel Stainless Steel on a monthly basis. The services fee was determined after arm’s length negotiations between Weigang JV and Baosteel Stainless Steel based on the cost of the services incurred by Baosteel Stainless Steel.

### 4(c). Weigang Fire Protection Services Agreement

**Parties:** (i) Baosteel Stainless Steel, as service provider; and  
(ii) Weigang JV, as service recipient.

**Term:** From January 1, 2013 to December 31, 2015.

**Principal terms:** our subsidiary, Weigang JV, has entered into a fire protection and fire control services agreement on February 22, 2010 (which has been amended on December 14, 2012) with Baosteel Stainless Steel (the “**Weigang Fire Protection Services Agreement**”) pursuant to which Baosteel Stainless Steel has agreed to provide daily fire protection and fire control services to Weigang JV from January 1, 2013 to December 31, 2015. The Weigang Fire Protection Services Agreement has been entered into in respect of Weigang gas-fired power project operated by Weigang JV.

The services fee for fire protection and fire control services is RMB120,000 per year and is payable by Weigang JV to Baosteel Stainless Steel on a yearly basis. The services fee was determined after arm’s length negotiations between Weigang JV and Baosteel Stainless Steel based on the cost of the services incurred by Baosteel Stainless Steel.

### 4(d). Weigang Security Services Agreement

**Parties:** (i) Baosteel Stainless Steel, as service provider; and  
(ii) Weigang JV, as service recipient.

**Term:** From January 1, 2013 to December 31, 2015.

**Principal terms:** our subsidiary, Weigang JV, has entered into a security services agreement on February 22, 2010 (which has been amended on December 14, 2012) with Baosteel Stainless Steel (the “**Weigang Security Services Agreement**”) pursuant to which Baosteel Stainless Steel has agreed to provide security and protection services to Weigang JV from January 1, 2013 to December 31, 2015. The Weigang Security Services Agreement has been entered into in respect of Weigang gas-fired power project operated by Weigang JV.

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## CONNECTED TRANSACTIONS

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The service fee for the security services is RMB60,000 per year and is payable by Weigang JV to Baosteel Stainless Steel on a semi-year basis. The services fee was determined after arm's length negotiations between Weigang JV and Baosteel Stainless Steel based on the cost of the services incurred by Baosteel Stainless Steel.

### 4(e). Weigang Telecommunication Line Services Agreement

**Parties:** (i) Baosteel Stainless Steel, as service provider; and  
(ii) Weigang JV, as service recipient.

**Term:** January 1, 2008 to December 31, 2008, renewable automatically annually unless objected by both parties.

**Principal terms:** our subsidiary, Weigang JV, has entered into a telecommunication line services agreement on January 30, 2008 with Baosteel Stainless Steel (the "**Weigang Telecommunication Line Services Agreement**") pursuant to which Baosteel Stainless Steel has agreed to provide six telecommunication lines and four extensions for usage by Weigang JV and to provide daily maintenance services for these telecommunication lines for a term of one year ended December 31, 2008, renewable automatically annually unless objected by both parties. The Weigang Telecommunication Line Services Agreement has been entered into in respect of Weigang gas-fired power project operated by Weigang JV.

The service fee for the telecommunication line services is RMB2,820 per month and is payable by Weigang JV to Baosteel Stainless Steel on a semi-year basis.

In view that the services to be provided by Baosteel Stainless Steel to Weigang JV under the Weigang Wastewater Discharge Agreement, the Weigang Inspection, Protection and Emergency Aid Services Agreement, the Weigang Fire Protection Services Agreement, the Weigang Security Services Agreement and the Weigang Telecommunication Line Services Agreement are all ancillary services which support the operation of the same power project, namely Weigang gas-fired power project, and are all provided by the same service provider, namely Baosteel Stainless Steel, our Directors consider that these services should be aggregated for the purpose of determining the annual caps for compliance with Chapter 14A of the Listing Rules.

During the Track Record Period, the aggregate service fees paid by Weigang JV to Baosteel Stainless Steel under these five agreements were as follows:

|   | <b>For the year ended<br/>December 31, 2011</b> | <b>For the year ended<br/>December 31, 2012</b> | <b>For the year ended<br/>December 31, 2013</b> |
|---|---|---|---|
|   | (RMB)   | (RMB)   | (RMB)   |
| Aggregate service fees paid by<br>Weigang JV to Baosteel Stainless<br>Steel . . . . . | 291,900   | 230,300   | 324,400   |

Given that Baosteel is a connected person of our Company only by virtue of its relationship with our subsidiary and each of the applicable percentage ratios (other than the profit ratio) under Chapter 14A of the Listing Rules is, on an annual basis, less than 1%, the transactions under the Weigang Wastewater Discharge Agreement, the Weigang Inspection, Protection and Emergency Aid Services

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## CONNECTED TRANSACTIONS

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Agreement, the Weigang Fire Protection Services Agreement, the Weigang Security Services Agreement and the Weigang Telecommunication Line Services Agreement will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### 5. Puguang Operation and Maintenance Services Agreement

**Parties:** (i) Nanyang Fangda Electric, as service provider; and  
(ii) Puguang JV, as service recipient.

**Term:** From January 1, 2013 to December 31, 2015.

**Principal terms:** our subsidiary, Puguang JV, has entered into an operation and maintenance services agreement on October 25, 2013 with Nanyang Fangda Electric (the “**Puguang Operation and Maintenance Services Agreement**”) pursuant to which Nanyang Fangda Electric has agreed to carry out the operations and routine maintenance for certain power generating units of Puguang JV that is used in Puguang coal-fired power project for a term of three years from January 1, 2013 to December 31, 2015.

Nanyang Fangda Electric is a wholly-owned subsidiary of CPI Henan Electric Power Co., Ltd. (中電投河南電力有限公司), which is a substantial shareholder of our subsidiary, Puguang JV, holding 15% interest in Puguang JV. Therefore, Nanyang Fangda Electric is a connected person of our Company for the purpose of Chapter 14A of the Listing Rules.

Under the Puguang Operation and Maintenance Services Agreement, Puguang JV paid service fees in the total amount of RMB24,000,000, payable to Nanyang Fangda Electric on a monthly basis. The fee was determined based on an arm's length basis with reference to the cost incurred by Nanyang Fangda Electric and prevailing market rates for similar services rendered.

During the Track Record Period, the service fees paid by Puguang JV under the Puguang Operation and Maintenance Services Agreement were as follows:

|  | <u>For the year ended<br/>December 31, 2011</u> | <u>For the year ended<br/>December 31, 2012</u> | <u>For the year ended<br/>December 31, 2013</u> |
|--|---|---|---|
|  | (RMB million)                                   | (RMB million)                                   | (RMB million)                                   |
| Service fees paid by Puguang JV to<br>Nanyang Fangda Electric. . . . . | 19.1  | 20.0  | 25.1  |

Given that Nanyang Fangda Electric is a connected person of our Company only by virtue of its relationship with our subsidiary and each of the applicable percentage ratios (other than the profit ratio) under Chapter 14A of the Listing Rules is, on an annual basis, less than 1%, the transactions under the Puguang Operation and Maintenance Services Agreement will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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## CONNECTED TRANSACTIONS

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### 6. Fushi Secondment Agreement

- Parties:**
- (i) Liuzhou Rongjiang, as service provider; and
  - (ii) Fushi Power JV, as service recipient.

**Term:** From February 1, 2007 until the expiration of the operation term of Fushi Power JV (namely, September 15, 2022).

**Principal terms:** our subsidiary, Fushi Power JV, has entered into a secondment agreement on June 8, 2007 (which has been amended on January 17, 2008) with Liuzhou Rongjiang (the “**Fushi Secondment Agreement**”) pursuant to which Liuzhou Rongjiang has agreed to second two employees to Fushi Power JV for a term expiring on the expiration date of the operation term of Fushi Power JV (namely, September 15, 2022).

Liuzhou Rongjiang is a substantial shareholder of our subsidiary, Fushi Power JV, holding 18.7% interest in Fushi Power JV and is therefore a connected person of our Company.

The services fee for secondment by Liuzhou Rongjiang was RMB150,000 per year since February 1, 2007 until December 31, 2007. Pursuant to the amendment agreement dated January 17, 2008, it was agreed that, commencing from January 1, 2008, the service fee shall be adjusted to RMB50,000 per year and Fushi Power JV agreed to pay Liuzhou Rongjiang an advance payment of RMB960,000.

Given that Liuzhou Rongjiang is a connected person of our Company only by virtue of its relationship with our subsidiary and each of the applicable percentage ratios (other than the profit ratio) under Chapter 14A of the Listing Rules is, on an annual basis, less than 1%, the transactions under the Fushi Secondment Agreement will be exempt from the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Whilst the duration of the Fushi Secondment Agreement is longer than three years, the requirements under Rule 14A.52 of the Listing Rules do not apply as the transactions under the Fushi Secondment Agreement will only constitute exempt continuing connected transactions upon Listing.

#### *Directors’ and Sole Sponsor’s Views*

The Directors (including the independent non-executive Directors) and the Sole Sponsor are of the view that (i) the non-exempt continuing connected transactions described above have been entered into in the ordinary and usual course of business of our Group and on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole; (ii) the proposed annual caps for the non-exempt continuing connected transactions described above are fair and reasonable and in the interests of our Company and our Shareholders as a whole; (iii) the tying of the duration of a designated power purchase agreement with the operation duration of a joint venture, similar to the Weigang Power Purchase Agreement, is very common in the power industry in the PRC, especially in relation to power projects that are being operated through joint venture and the power purchaser is one of the joint venture parties; and (iv) the proposed duration of the Weigang Power Purchase Agreement is fair and reasonable and in the interests of our Company and our Shareholders as a whole.

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## CONNECTED TRANSACTIONS

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### *Waivers from the Stock Exchange*

We have applied to the Stock Exchange for, and the Stock Exchange has granted:

- (i) a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the Operation and Management Services Framework Agreements and the Hami Coal Consultancy Services Agreement for a period up to December 31, 2016, and in respect of the Weigang Power Purchase Agreement for a period of approximately six years up to December 31, 2020, subject to the condition that the annual transaction value should not exceed the relevant proposed annual caps set out above. We will comply with the applicable requirements under the Listing Rules if any of the proposed annual caps set out above are exceeded, or when there is a material change in the terms of these transactions;
- (ii) a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the Financial Services Framework Agreements for a period up to the first annual general meeting of the Company after the Listing subject to the condition that the annual transaction value should not exceed the relevant proposed annual caps set out above. We will comply with the applicable requirements under the Listing Rules if any of the proposed annual caps set out above are exceeded, or when there is a material change in the terms of the Financial Services Framework Agreements; and
- (iii) a waiver from strict compliance with Rule 14A.52 of the Listing Rules so that the duration of the Weigang Power Purchase Agreement can be longer than three years.

## SUBSTANTIAL SHAREHOLDERS

The table below sets forth the information regarding our substantial shareholders as of the date of this prospectus:

| Name   | Capacity / Nature of Interest        | Number of Shares | % of Shareholding |
|--|--------------------------------------|------------------|-------------------|
| CGN <sup>(1) (2)</sup> . . . . .                     | Interested in controlled corporation | 3,101,800,000    | 100%              |
| CGNPC International Limited <sup>(2)</sup> . . . . . | Interested in controlled corporation | 3,101,800,000    | 100%              |
| CGNPC Huamei . . . . .                               | Beneficial owner                     | 3,101,800,000    | 100%              |

*Notes:*

- (1) CGN, through its wholly-owned subsidiary CGNPC International Limited, indirectly holds 100% of the total issued share capital of CGNPC Huamei, which directly holds 100% of the issued share capital of our Company. Accordingly, CGN is deemed to have an interest in all Shares held by CGNPC Huamei.
- (2) CGNPC International Limited directly holds 70.59% of the total issued share capital of CGNPC Huamei, which directly holds 100% of the issued share capital of our Company, and indirectly holds the remaining 29.41% of the total issued share capital of CGNPC Huamei, through its wholly-owned subsidiary Gold Sky Capital Limited. Accordingly, CGNPC International Limited is deemed to have an interest in all Shares held by CGNPC Huamei.

So far as our Directors are aware, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), the following persons will have an interest or short position in our Shares or underlying Shares, which are required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital of our Company carrying rights to vote in all circumstances at general meeting of our Company :

| Name   | Capacity / Nature of Interest        | Number of Shares | % of Shareholding |
|--|--------------------------------------|------------------|-------------------|
| CGN <sup>(1) (2)</sup> . . . . .                     | Interested in controlled corporation | 3,101,800,000    | 75%               |
| CGNPC International Limited <sup>(2)</sup> . . . . . | Interested in controlled corporation | 3,101,800,000    | 75%               |
| CGNPC Huamei . . . . .                               | Beneficial owner                     | 3,101,800,000    | 75%               |

*Notes:*

- (1) CGN, through its wholly-owned subsidiary CGNPC International Limited, indirectly holds 100% of the total issued share capital of CGNPC Huamei, which will directly hold 75% of the issued share capital of our Company upon the Listing. Accordingly, CGN is deemed to have an interest in all Shares held by CGNPC Huamei.
- (2) CGNPC International Limited directly holds 70.59% of the total issued share capital of CGNPC Huamei, which will directly hold 75% of the issued share capital of our Company upon the Listing, and indirectly holds the remaining 29.41% of the total issued share capital of CGNPC Huamei, through its wholly-owned subsidiary Gold Sky Capital Limited. Accordingly, CGNPC International Limited is deemed to have an interest in all Shares held by CGNPC Huamei.



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## SUBSTANTIAL SHAREHOLDERS

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Save as disclosed above, our Directors are not aware of any person who will, immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised) have interests in our Offer Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital of our Company carrying rights to vote in all circumstances at general meeting of our Company.

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## SHARE CAPITAL

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### AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of our authorized and issued share capital as of the date of this prospectus and immediately after completion of the Global Offering:

|   | HK\$       |
|---|------------|
| <b>Authorized Share capital:</b>  |            |
| 250,000,000,000 Shares at HK\$0.0001 each. . . . .  | 25,000,000 |
| <b>Issued Share capital as of the date of this prospectus:</b>  |            |
| 3,101,800,000 Shares . . . . .  | 310,180    |
| <b>Shares to be issued pursuant to the Global Offering (assuming that the Over-allotment Option is not exercised):</b>                      |            |
| 1,033,934,000 Shares . . . . .  | 103,393.4  |
| <b>Total issued and to be issued Shares on completion of the Global Offering (assuming that the Over-allotment Option is not exercised)</b> |            |
| 4,135,734,000 Shares . . . . .  | 413,573.4  |
| <b>Shares to be issued on exercise of the Over-allotment Option in full:</b>  |            |
| 155,090,000 Shares . . . . .  | 15,509     |
| <b>Total issued and to be issued Shares on completion of the Global Offering (assuming the Over-allotment Option is exercised in full)</b>  |            |
| 4,290,824,000 Shares . . . . .  | 429,082.4  |

The table above assumes the Global Offering becomes unconditional and is completed in accordance with the relevant terms and conditions. It takes no account of (a) any Shares which may be issued under the general mandate given to our Directors for the issue and allotment of Shares; or (b) any Shares which may be repurchased by us pursuant to the general mandate given to our Directors for the repurchase of Shares.

Other than the Global Offering, we do not propose to carry out a public or private issue or to place securities simultaneously with the Global Offering or within the next six months. We have not approved any Share issue plan other than the Global Offering.

We have given certain undertakings in respect of the issue of our Shares and other securities. See the section entitled “*Underwriting – Underwriting Arrangements and Expenses – Undertakings to the Stock Exchange pursuant to the Listing Rules*” and “*Underwriting – Underwriting Arrangements and Expenses – Undertakings by our Company pursuant to the Hong Kong Underwriting Agreement*” in this prospectus.

### RANKING

The Offer Shares, including the Shares to be issued pursuant to the exercise of the Over-allotment Option, are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

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## SHARE CAPITAL

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### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

Pursuant to the Bermuda Companies Act and the terms of the Memorandum of Association and Bye-laws, our Company may from time to time by ordinary resolution of our Shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; (v) change the currency denomination of its share capital, (vi) make provision for the issue of shares without voting rights, and (vii) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Bermuda Companies Act reduce its share capital or share premium account by its shareholders passing a special resolution.

Further, under the Bye-laws, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class.

For details of circumstances under which our shareholders' general meeting and class shareholders' meeting are required, please see the paragraphs headed "2. Bye-laws – (c) Alteration of capital" and "2. Bye-laws – (d) Variation of rights of existing shares or classes of shares" in "Appendix VII – Summary of the Constitution of the Company and Bermuda Company Law" to this prospectus.

### **GENERAL MANDATE TO ISSUE SHARES**

Subject to the conditions stated in the section headed "*Structure of the Global Offering – The Hong Kong Public Offering – Conditions of the Hong Kong Public Offering*" in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants, or similar rights to subscribe for any Shares or convertible securities and to make or grant offers, agreements and options which would or might require the exercise of such powers with an aggregate nominal value of not more than the sum of: (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering, excluding Shares which may be issued upon the exercise of the Over-allotment Option; and (ii) the aggregate nominal value of our share capital repurchased by us (if any).

The general mandate is in addition to the powers of our Directors to allot, issue or deal with Shares under any rights issue, scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend in accordance with our Memorandum and Bye-laws, or pursuant to the exercise of any subscription rights attached to any warrants which may be issued by us from time to time.

This general mandate to issue Shares or securities convertible into Shares or options, warrants, or similar rights to subscribe for any Shares or convertible securities and to make or grant offers, agreements and options which would or might require the exercise of such powers will expire:

- (i) at the conclusion of our next annual general meeting unless renewed by an ordinary resolution of our Shareholders in general meeting; or
- (ii) when revoked or varied by an ordinary resolution of our Shareholders in general meeting,

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## SHARE CAPITAL

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whichever is the earliest.

You may find further information relating to this general mandate in “*Appendix VIII – Statutory and General Information – A. Further Information About our Company and our Subsidiaries – 3. Resolutions in writing of the shareholder of our Company*” in this prospectus.

### **GENERAL MANDATE TO REPURCHASE SHARES**

Subject to the conditions stated in the section headed “*Structure of the Global Offering – Hong Kong Public Offering – Conditions of the Hong Kong Public Offering*” in this prospectus, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of our Company’s share capital in issue immediately following the completion of the Global Offering (excluding Shares which may be issued upon the exercise of the Over-allotment Option).

This general mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “*Statutory and General Information – A. Further Information About our Company and our Subsidiaries – 3. Resolutions in writing of the shareholder of our Company*” in Appendix VIII to this prospectus.

The general mandate to repurchase Shares will expire:

- (i) at the conclusion of our next annual general meeting unless renewed by an ordinary resolution of our Shareholders in general meeting;
- (ii) when revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed “*Statutory and General Information – A. Further Information about our Company and our Subsidiaries – 3. Resolutions in writing of the shareholder of our Company*” in Appendix VIII to this prospectus.

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## CORNERSTONE PLACING

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### THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with the following cornerstone investors, who agreed to (subject to certain condition) subscribe at the Offer Price for such number of Shares with certain investment amounts. Assuming an Offer Price of HK\$1.65, the mid-point of the Offer Price range set forth in this prospectus, the total number of Shares to be subscribed for by such cornerstone investors would be 391,206,000 Shares, representing approximately 9.5% of our total issued share capital after the Global Offering (not taking into account Shares to be offered under the Over-allotment Option). The cornerstone placing forms part of the International Offering and none of such cornerstone investors will subscribe for any Offer Share under the Global Offering (other than and pursuant to the respective cornerstone investment agreements). The Shares to be subscribed for by such cornerstone investors will not be affected by any reallocation of the Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section entitled “*Structure of the Global Offering – The Hong Kong Public Offering*” in this prospectus. Details of the allocations to such cornerstone investors will be disclosed in the announcement of results of allocations in the Hong Kong Public Offering to be published on or about September 30, 2014.

The subscription obligation of each of the below cornerstone investors is conditional upon the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into by, inter alia, our Company and the Joint Bookrunners and having become unconditional and not having been terminated by no later than the time and date as specified in those underwriting agreements in accordance with their respective original terms, or as subsequently varied by agreement of the parties thereto or waived, to the extent it may be waived, by the relevant parties.

### OUR CORNERSTONE INVESTORS

#### CSG HK

China Southern Power Grid International (HK) Co., Limited (“**CSG HK**”) has agreed to subscribe for 100,000,000 Shares in the International Offering at the Offer Price, which would represent approximately 2.4% of the total issued Shares of our Company immediately upon completion of the Global Offering (not taking into account Shares to be offered under the Over-allotment Option). Assuming an Offer Price of HK\$1.65, being the mid-point of the Offer Price range set forth in this prospectus, CSG HK’s subscription will amount to approximately HK\$165 million (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee).

CSG HK is a wholly-owned subsidiary of Southern Grid and acts as the foreign investment and finance platform for Southern Grid to conduct overseas business investments in accordance with Southern Grid’s strategy on foreign investment projects. Southern Grid was established on December 29, 2002 after the power sector de-regulatory reform in China. Southern Grid is a state-owned enterprise, with SASAC acting as the equity provider. Southern Grid invests, constructs and operates power networks in Guangdong, Guangxi, Yunnan, Guizhou and Hainan provinces and regions. The service area is of one million square kilometers, with a population of 230 million. Southern Grid is a joint venture partner of CGN as CGN currently holds minority interests in two pumped storage hydro power plants of Southern Grid.

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## CORNERSTONE PLACING

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### **Value Partners**

Value Partners Hong Kong Limited (“**Value Partners**”) has agreed to procure certain investment funds or managed accounts that Value Partners or its subsidiary directly or indirectly has actual discretionary investment management power over, to subscribe for, and failing which Value Partners will subscribe for, such number of Shares which may be purchased with an aggregate amount of U.S.\$20 million (exclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and other related expenses) at the Offer Price. Assuming an Offer Price of HK\$1.65, being the mid-point of the Offer Price range set forth in this prospectus, such investment funds or management accounts and/or Value Partners will subscribe for approximately 93,938,000 Shares, representing approximately 2.3% of the total issued Shares of our Company immediately upon completion of the Global Offering (not taking into account Shares to be offered under the Over-allotment Option).

Value Partners (together with other subsidiaries under Value Partners Group Limited (“**Value Partners Group**”)) was established in 1999. It acts as investment manager or investment advisor to certain investment funds. It is a wholly-owned subsidiary of Value Partners Group Limited, a company listed on the Stock Exchange (stock code: 806). Value Partners Group is one of Asia’s largest independent asset management firms headquartered in Hong Kong. Value Partners Group manages absolute return long-biased funds, long-short hedge funds, exchange-traded funds, quantitative funds, as well as fixed income products for institutional and individual clients in Asia Pacific, Europe and the United States.

### **Hengjian Investment**

Hengjian International Investment Holding (Hong Kong) Limited (“**Hengjian Investment**”) has agreed to subscribe for such number of Shares which may be purchased with an aggregate amount of U.S.\$22 million (exclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and other related expenses) at the Offer Price. Assuming an Offer Price of HK\$1.65, being the mid-point of the Offer Price range set forth in this prospectus, Hengjian Investment will subscribe for 103,332,000 Shares, representing approximately 2.5% of the total issued Shares of our Company immediately upon completion of the Global Offering (not taking into account Shares to be offered under the Over-allotment Option).

Hengjian Investment is a company incorporated in Hong Kong, and is wholly-owned by and the only overseas investment vehicle under Guangdong Hengjian Investment Holding Co., Ltd (“**GD Hengjian**”). GD Hengjian is a solely state-owned enterprise established by the Guangdong State-owned Assets Supervision and Administration Commission in 2007, with the support of the People’s Government of Guangdong Province. GD Hengjian undertakes four major functionalities which include fund-raising, investment, assets management and capital deployment in respect of assets held by the People’s Government of Guangdong Province. As of the Latest Practicable Date, GD Hengjian holds 10% equity interest in CGN (on behalf of the People’s Government of Guangdong Province).

### **Chow Tai Fook**

Chow Tai Fook Nominee Limited (“**Chow Tai Fook**”) has agreed to subscribe for such number of Shares which may be purchased with an aggregate amount of U.S.\$10 million (exclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and other related expenses) at the Offer Price. Assuming an Offer Price of HK\$1.65, being the mid-point of the Offer Price range set forth in this

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## CORNERSTONE PLACING

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prospectus, Chow Tai Fook will subscribe for 46,968,000 Shares, representing approximately 1.1% of the total issued Shares of our Company immediately upon completion of the Global Offering (not taking into account Shares to be offered under the Over-allotment Option).

Chow Tai Fook is a company incorporated in Hong Kong, which is wholly-owned and controlled by Dato' Dr. Cheng Yu Tung. Its principal activities include investment holdings.

### **Cinda HK**

China Cinda (HK) Asset Management Co., Limited (“**Cinda HK**”) has agreed to subscribe for such number of Shares which may be purchased with an aggregate amount of U.S.\$10 million (not exclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and other related expenses) at the Offer Price. Assuming an Offer Price of HK\$1.65, being the mid-point of the Offer Price range set forth in this prospectus, Cinda HK will subscribe for 46,968,000 Shares, representing approximately 1.1% of the total issued Shares of our Company immediately upon completion of the Global Offering (not taking into account Shares to be offered under the Over-allotment Option).

Cinda HK is a company incorporated in Hong Kong whose businesses include investment holdings. Cinda HK is a wholly-owned subsidiary of China Cinda Asset Management Co., Ltd., a joint stock company incorporated in the PRC with limited liability and the H-shares of which are listed on the Stock Exchange (stock code: 1359).

To the best knowledge of our Company, each of the above cornerstone investors is an independent third party of our Company, independent of each other, not our connected person, and not an existing Shareholder of our Company. Accordingly, the shareholdings of such cornerstone investors in our Company will be counted towards the public float of our Shares. Immediately following completion of the Global Offering, none of the above cornerstone investors will have any board representation in our Company, nor will any of them become a substantial Shareholder of our Company.

### **RESTRICTIONS ON THE CORNERSTONE INVESTORS' INVESTMENT**

Each of the above cornerstone investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the respective cornerstone investment agreements) any of the Shares subscribed for by it pursuant to the relevant cornerstone investment agreement (save in some cases, the cornerstone investors could, during such six months lock-up period, transfer the Shares that they subscribed in the International Offering to their respective wholly-owned subsidiary(ies), and in the case of Value Partners, to investment funds or managed accounts that it or its subsidiary directly or indirectly has actual discretionary investment management power over). In terms of Value Partners, it has agreed to procure the investment funds or managed accounts that it or its subsidiary directly or indirectly has actual discretionary investment management power over and which subscribed for Shares in the International Offering pursuant to the cornerstone placing to comply with the above restrictions for disposal of Shares subscribed in the International Offering.



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## FINANCIAL INFORMATION

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*The following discussion and analysis of our financial condition and results of operations is based upon and should be read in conjunction with our audited consolidated financial information together with the accompanying notes as of and for the years ended December 31, 2011, 2012 and 2013 and as of and for the four months ended April 30, 2013 and 2014 included in “Appendix I – Accountants’ Report”. Our consolidated financial information has been prepared in accordance with IFRS.*

*This discussion contains forward-looking statements about our business and financial performance which are subject to risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future development, as well as other factors we believe are appropriate under the circumstances. However, our future results may differ significantly from those projected in the forward-looking statements. Factors that may cause our future results to differ significantly from those projected include, but are not limited to, those discussed elsewhere in this prospectus, particularly in “Risk Factors” and “Forward-Looking Statements”.*

### BASIS OF PRESENTATION

As part of the Reorganization pursuant to the restructuring agreement dated September 15, 2014, our Group transferred the equity interests together with the net balances of amounts due from certain subsidiaries within the Disposal Group; and the sale of our equity interest in a joint venture within the Disposal Group, to its immediate holding company, CGNPC Huamei. Upon the completion of the Reorganization, the carrying value of the subsidiaries and the amounts due from certain subsidiaries within the Disposal Group was accounted for as a distribution in kind and recognized in the Group’s contributed surplus and retained earnings directly. The difference between the consideration for the sale of equity interest in a joint venture within the Disposal Group and the carrying amount of that joint venture was accounted for as a deemed distribution and recognized in the Group’s retained earnings directly, while the translation reserve related to all companies within the Disposal Group was recognized in the consolidated statement of profit or loss and other comprehensive income. For additional information, see “*Our History and Development*”.

Our historical financial statements as of and for the years ended December 31, 2011, 2012 and 2013 and as of and for the four months ended April 30, 2013 and 2014 present the consolidated statements of financial position, profit and loss and other comprehensive income, changes in equity and cash flows of our Group, including the Disposal Group, throughout the Track Record Period. The financial statements of the Disposal Group are included in our Group financial statements as the Disposal Group formed an integral part of the business of our Group prior to the Reorganization.

Our financial statements also include statements of financial position, profit and loss and other comprehensive income and cash flows of our Group, excluding the Disposal Group (the “**Remaining Group**”) for the Track Record Period on a combined basis without elimination of transactions and balances between the Disposal Group and the Remaining Group. Our financial information set forth in “*Summary – Summary Historical Consolidated Financial Information,*” “*Financial Information*” and “*Business*” reflect the financial information of the Remaining Group. See Section B, Subsequent Events, of the Accountants’ Report included as Appendix I to this prospectus for a presentation of the financial information of the Remaining Group. The following discussion and analysis pertains to the financial information of the Remaining Group.

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## FINANCIAL INFORMATION

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### OVERVIEW

We are a diversified IPP in Asia in terms of fuel type and geography, with a portfolio of gas-fired, coal-fired, oil-fired, hydro, cogen and fuel cell power generation projects and a steam project in the PRC and Korea. As of April 30, 2014, our clean and renewable energy projects, namely gas-fired, hydro and fuel cell projects, accounted for approximately 51.6% of our attributable installed capacity, and our conventional power projects, namely coal fired, oil-fired and cogen projects, accounted for approximately 48.4% of our attributable installed capacity. For the four months ended April 30, 2014, our clean and renewable energy projects contributed 71.0% of our revenue and our conventional energy and steam projects contributed 29.0% of our revenue. In addition, on August 20, 2014 and September 15, 2014, we entered into separate Operation and Management Services Framework Agreements with CGN Energy and Huamei Holding, respectively, which outline the terms of the management services we provide to hydro (including pumped storage), coal-fired, cogen and wind power projects in which the CGN Energy and Huamei Holding have interests (including the Disposal Group).

As of April 30, 2014, we had 14 operating power generation projects with a consolidated installed capacity of 2,867.8 MW and an attributable installed capacity of 3,659.5 MW and one steam project in our portfolio. For the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, our net electricity generated amounted to 5,618 GWh, 6,225 GWh, 7,116 GWh and 2,020 GWh, respectively. As of the Latest Practicable Date, one power generation project is under construction and is expected to contribute an additional attributable installed capacity of 18.0 MW to our power project portfolio by the end of 2014. In addition, our business includes providing management services to power projects owned by CGN. We provide management services to 23 operating power generation projects in which CGN Energy and Huamei Holding have interests with an attributable installed capacity of 5,831.6 MW, three of which are under expansion, which together with an additional four power generation projects that are either under construction or will commence construction, are expected to contribute an additional attributable installed capacity of 454.9 MW to projects under management between 2014 and 2018. We also provide management services to XTI, an investment holding company holding some of the above mentioned projects in which Huamei Holding has interests.

We focus on acquiring clean and renewable power generation projects while continuing our own greenfield and brownfield developments to deliver solid returns and create shareholder value. Positioned as CGN's sole global platform for development and operation of non-nuclear clean and renewable power generation projects, we intend to selectively acquire clean and renewable power generation projects with solid returns from CGN with an aggregate installed capacity of 3.0 GW to 5.0 GW in several batches within the next four years by exercising our acquisition rights under the non-competition deed given by CGN in our favor. We intend to undertake the first batch of acquisition before the end of 2015 and other batches from 2015 to 2018, subject to compliance with applicable regulatory requirements and the Listing Rules. For additional details, see "*Relationship with CGN Group*" and "*Business – Power Project Pipeline*".

For the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, our revenue was U.S.\$754.7 million U.S.\$932.4 million, U.S.\$1,037.3 million and U.S.\$311.2 million, respectively, and our profit for the year/period attributable to the owner of our Company was U.S.\$11.3 million, U.S.\$29.0 million, U.S.\$55.3 million and U.S.\$15.8 million, respectively.

Since our Company's establishment in 1995, we have grown significantly in the PRC and Korea and intend to continue this growth through additional development and acquisitions. Our pipeline comprises the proposed acquisition of a wind project in the PRC as well as clean and renewable energy

## FINANCIAL INFORMATION

projects for which we are currently in preliminary stages of negotiations. For details of our power projects in operation, under construction and in our pipeline, see “*Business – Our Power Projects in Operation*,” “*Business – Our Power Projects in the PRC*,” “*Business – Our Power Projects in Korea*,” “*Business – Our Power Projects Under Construction/Expansion*” and “*Business – Power Project Pipeline*”.

### KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

*Our results of operations, financial condition and future prospects have been and will continue to be, affected by a number of factors, including those set out below.*

#### Fuel costs and fuel supply

Our non-renewable energy power projects require supplies of coal, oil and gas as fuel. Fuel costs represent a significant portion of our operating expenses and the operating expenses of our associates. The amount of our fuel costs corresponded to 69.3%, 73.2%, 71.0% and 66.1% of our revenue for the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, respectively, and 57.8%, 56.7%, 48.6% and 39.7% of the revenue of our associates for the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, respectively. The extent to which our profit is ultimately affected by the cost of fuel depends on our ability to pass through fuel costs to our customers as set out under the relevant regulatory guidelines and the terms of our PPA for a particular project, as we currently do not hedge our exposure to fuel price fluctuations. Our fuel costs are also affected by the volume of electricity generated because the coal consumption rate of coal-fired and cogen power projects decrease when we generate more electricity as a result of economies of scale. In the PRC, government tariff regulations limit our ability to pass through changes in fuel costs. For a discussion of PRC tariff regulations, see “– *Tariffs*” and “*Appendix V – Summary of Principal Legal and Regulatory Provisions in the PRC and Korea – PRC Regulatory Overview – Business Operation – On-grid tariffs*” and “*Appendix V – Summary of Principal Legal and Regulatory Provisions in the PRC and Korea*”. In Korea, however, the Yulchon I Power Project PPA allows us to contractually incorporate fuel cost fluctuations in the tariff charged to our customer. See “*Business – Our business – Offtake arrangements*”. In addition, any shortage of fuel supply for a particular power project may decrease our utilization hours, and as a result, our net generation and results of operations.

The following table sets out the weighted average gas and standard coal and average oil prices applicable to our projects in the PRC and Korea, exclusive of VAT for the periods indicated:

|   | For the year ended December 31, |       |       | For the four months ended April 30, |       |
|---|---------------------------------|-------|-------|-------------------------------------|-------|
|   | 2011                            | 2012  | 2013  | 2013                                | 2014  |
| PRC weighted average gas price<br>(RMB per Nm <sup>3</sup> ) <sup>(1)(2)(3)</sup> . . . . . | 1,786                           | 1,859 | 1,861 | 1,813                               | 2,048 |
| PRC weighted average standard coal<br>price (RMB per ton) <sup>(1)</sup> . . . . .          | 992                             | 905   | 757   | 810                                 | 729   |
| Korea weighted average gas price<br>(KRW per Nm <sup>3</sup> ) <sup>(1)(4)</sup> . . . . .  | 723                             | 802   | 797   | 807                                 | 864   |
| Korea average oil price (KRW per<br>Liter) <sup>(5)</sup> . . . . .                         | 1,345                           | 1,640 | 1,499 | 1,535                               | 1,456 |

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## FINANCIAL INFORMATION

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*Notes:*

- (1) The weighted average standard coal and the weighted average gas prices are weighted based on the consumption of gas or coal in each applicable period.
- (2) The PRC weighted average gas price excludes the gas price for Weigang Power Project, which exclusively uses blast furnace gas.
- (3) Our weighted average gas price in the PRC increased from the four months ended April 30, 2013 to the four months ended April 30, 2014 due to the NDRC issuing a directive requiring relevant government bodies to increase city gate prices by no greater than RMB0.4 per m<sup>3</sup> in June 2013 with effect from July 10, 2013.
- (4) Our weighted average gas price in Korea increased from the four months ended April 30, 2013 to the four months ended April 30, 2014 due to increases in gas prices, as indicated by the Japanese Crude Cocktail, a measurement of average prices of crude oil imported into Japan and an important determinant of natural gas prices in Korean markets. However, the Yulchon I Power Project PPA allows us to contractually incorporate fuel cost fluctuations in the tariff charged to our customer. See “*Business – Our business – Offtake arrangements*”.
- (5) We only purchase oil in Korea to supply Daesan I Power Project.

### ***Fuel costs and supply related to our projects in the PRC***

All of our coal-fired, cogen power projects and our steam project are located in the PRC, where fluctuations in coal prices, which include the cost of transporting coal, as well as any disruptions in coal supply and the sufficiency of transportation resources available to us, could affect our results of operations and the results of our associates. While decreases in fuel costs, such as the decrease in average standard coal prices from 2011 to 2012, may increase our profit margins, conversely increases in fuel costs may negatively impact our profit margin. In the PRC, government tariff regulations limit our ability to pass through changes in fuel costs. See “– *Tariffs*” and “*Appendix V – Summary of Principal Legal and Regulatory Provisions in the PRC and Korea – PRC Regulatory Overview – Business Operation – On-grid tariffs*” for a further discussion of PRC tariff regulations and fuel costs.

Since the liberalization of the PRC coal market in 2013, we have purchased all of our coal in the open market. Prior to that, we purchased coal under medium- to long-term fuel supply agreements with local mines and coal trading companies at negotiated prices, as well as on the open market.

Historically, coal prices in the PRC have fluctuated from year to year and vary from province to province based on the proximity of coal resources and the cost of transportation. The weighted average standard coal price for our PRC projects decreased from RMB992 per ton in 2011 to RMB905 per ton in 2012, and further decreased to RMB757 per ton in 2013 due to a general weakness in demand.

In the past, due to a shortage in the supply of coal in certain regions of the PRC, the NDRC has issued policy notices and directives to alleviate coal shortages in the PRC. For a description of the intervention of the NDRC and local governments with respect to coal supplies, see “– *Quantitative and Qualitative Disclosure of Market Risk – Commodity risk*”. In addition, we may, in the future, consider importing coal from outside the PRC if and when it becomes economical to do so.

Fluctuations in gas prices and tariffs also affect our results of operations in the PRC. Because any adjustments to gas prices and tariffs are subject to the review and approval of the NDRC, we have limited ability to pass on changes in gas prices through tariff increases. Our weighted average tariffs (inclusive of VAT) for our gas-fired projects in the PRC decreased from RMB0.5872 per kWh in 2011 to RMB0.5798 per kWh in 2012. As our weighted average gas price in the PRC (excluding Weigang Power Project) increased from RMB1.786 per Nm<sup>3</sup> in 2011 to RMB1.859 per Nm<sup>3</sup> in 2012, the operating margin of our gas-fired power projects in the PRC decreased from 29.8% in 2011 to 12.5% in

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## FINANCIAL INFORMATION

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2012. Our weighted average gas price (excluding Weigang Power Project) in the PRC increased slightly to RMB1.861 per Nm<sup>3</sup> in 2013 while our weighted average tariffs (inclusive of VAT) for our gas-fired projects in the PRC increased to RMB0.6252 per kWh, and as a result, the operating margin of our PRC gas-fired power business increased in 2013 to 26.3%.

### *Fuel costs and supplies related to our projects in Korea*

In Korea, we have a long-term gas supply agreement with KOGAS for Yulchon I Power Project. Under the terms of the PPA for that project, the Yulchon Company, as the operating project company, charges its customer, KEPCO, tariffs that reflect monthly adjustments to the gas prices at which the Yulchon Company purchases gas for Yulchon I Power Project. As a result, when prices for gas sold by KOGAS for a certain month increase, such increase will be reflected in the tariff that Yulchon Company charges KEPCO for such month.

In Korea, we also have an oil-fired project, Daesan I Power Project, and a second gas-fired project, Yulchon II Power Project, both of which receive capacity payments which are determined under the Power Market Operation Rules so long as the respective generator is available on standby, regardless of whether any power is dispatched. Daesan I Power Project has a long term oil supply agreement under which Daesan Company can request oil supplies within 24 hours while Yulchon II Power Project has a long term gas supply agreement. If either Daesan I Power Project or Yulchon II Power Project is required to generate power, Daesan Company or Yulchon Company, as the respective operating project company, receives the system marginal price under the Power Market Operation Rules, which represents, in effect, the marginal price of electricity at a given hour at which the projected demand for electricity and the projected supply of electricity for such hour intersect, as determined by the merit order system, which is a system used by the KPX to allocate which generation units will supply electricity for which hour and at what price. The variable cost of the generation unit that is the last to receive the purchase order for such hour is referred to as the system marginal price, which also generally represents the most expensive price at which electricity can be supplied at a given hour based on the demand and supply for such hour. Since the main components of the variable cost of each generation unit are determined on a monthly basis by the Cost Evaluation Committee established within the KPX and reflected in the subsequent month, based on the fuel costs at the time of two months prior to such determination, allowing for these costs to be partially passed through to our customer, changes in fuel prices have not had a material effect on our results of operations for these two power projects.

The average oil price for Daesan I Power Project increased from KRW1,345 per liter in 2011 to KRW1,640 per liter in 2012, and decreased to KRW1,499 per liter in 2013. The average gas price in Korea increased from KRW723 per Nm<sup>3</sup> in 2011 to KRW802 per Nm<sup>3</sup> in 2012 and decreased to KRW797 per Nm<sup>3</sup> in 2013.

### *Sensitivity Analysis*

Assuming the same mix of fuel types in our portfolio, the same net generation levels at each of our project companies and no changes to electricity or steam tariffs, if coal prices had been 5% higher, our profit for the year/period ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014 would decrease by approximately U.S.\$13.5 million, U.S.\$9.4 million, U.S.\$8.5 million and U.S.\$2.6 million, respectively, and if gas prices had been 5% higher, our profit for the year/period ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014 would decrease by approximately U.S.\$0.5 million, U.S.\$0.2 million, U.S.\$3.6 million and U.S.\$0.5 million, respectively, resulting in a total decrease of U.S.\$14.1 million, U.S.\$9.7 million, U.S.\$12.1 million and

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## FINANCIAL INFORMATION

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U.S.\$3.2 million, respectively, while if coal prices had been 5% lower, our profit for the year/period ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014 would increase by approximately U.S.\$11.8 million, U.S.\$9.4 million, U.S.\$8.5 million and U.S.\$2.6 million, respectively, and if gas prices had been 5% lower, our profit for the year/period ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014 would increase by approximately U.S.\$0.5 million, U.S.\$0.2 million, U.S.\$3.6 million and U.S.\$0.5 million, respectively, resulting in a total increase of U.S.\$12.4 million, U.S.\$9.7 million, U.S.\$12.1 million and U.S.\$3.2 million, respectively. Since oil-fired facilities are among the lowest in dispatch priority in Korea and the system marginal price is based on the variable cost of the plant that is last to receive a dispatch order, we believe that any changes in oil prices will be substantially reflected in the system marginal price and have no impact on our profit for the year/period. Based on historical experience and the current energy policy in China, we also believe that changes in fuel prices will eventually result in corresponding changes to tariffs which reduces the expected net impact, particularly for any price movements beyond 5%. See *“Industry Overview – The PRC Power Industry – Electricity Tariffs – On-grid Tariff for Coal-fired Power Projects”*.

### **Dispatch output and electricity demand in the PRC and Korea**

The volume of electrical output dispatched from our power projects affects revenue and profit. Under our PPAs, the level of demand for electricity in the regions where we sell our electricity directly influences our total output dispatched. Changes in demand for electricity affect the utilization hours of our projects. Nationwide demand for electricity has shown an overall long-term increase both in the PRC and Korea and generally reflects a positive correlation with economic growth. We expect that our financial results will continue to be affected by the overall growth rates of the economies in the PRC and Korea and, in particular, within the PRC provinces in which we operate. To the extent that demand for electricity decreases, the results of operations of our projects may be adversely affected. See *“Industry Overview”* for further discussion on power supply and demand.

In the PRC, we have PPAs that are subject to annual allocation offtake arrangements for which provincial government authorities for each power project within its jurisdiction make planned output determinations. These determinations are based on the provincial government’s assessment of demand requirements, market conditions and available supply of power in the region. Nearly all of our PPAs that are subject to annual allocation offtake arrangements also benefit from dispatch priority under PRC regulations. However, our dispatch under dispatch priority regulations is still subject to local electricity demand requirements, and under our annual allocation PPAs, we receive lower tariff rates for any excess output above our planned output. For details relating to tariffs, see *“– Tariffs”*. Any significant changes in demand for electricity where our power projects in the PRC are located will have a significant effect on dispatch output and in turn, on our profit and financial condition.

In Korea, only one of our power projects, Yulchon I Power Project, is subject to a PPA for which dispatch and output are determined pursuant to the terms of the PPA and the Power Market Operation Rules. Our remaining two power projects, Daesan I Power Project and Yulchon II Power Project, each of which is, although not subject to a PPA, subject to a capacity charge offtake arrangement pursuant to the Power Market Operation Rules, meaning a certain amount of revenue is generated without regard to the levels of actual generation and dispatch. Any significant changes in demand for electricity where our power projects in Korea are located will have a significant effect on dispatch output and in turn, the system marginal price component of our revenue.



## FINANCIAL INFORMATION

### Tariffs

Our revenue and profit from sales of electricity are directly affected by the tariff rates for our electrical output. Our tariff rates are subject to various adjustments depending on the regulations applicable to a particular project as well as the terms of our PPAs, where applicable. In particular, changes in tariffs have significantly affected our profit during the Track Record Period.

The table below sets out the weighted average tariffs (inclusive of VAT) applicable to each of our projects in the PRC and Korea for the periods indicated:

| Weighted average tariff (inclusive of VAT) <sup>(1)</sup> | For the year ended December 31, |        |        | For the four months ended April 30, |        |
|---|---------------------------------|--------|--------|-------------------------------------|--------|
|   | 2011                            | 2012   | 2013   | 2013                                | 2014   |
| <b>Gas-fired</b>  |                                 |        |        |                                     |        |
| PRC (RMB per kWh) . . . .                                 | 0.5872                          | 0.5798 | 0.6252 | 0.6602                              | 0.6401 |
| Korea (KRW per kWh) <sup>(2)</sup> . . . .                | 149.3                           | 166.9  | 169.4  | 170.4                               | 185.9  |
| <b>Coal-fired</b>   |                                 |        |        |                                     |        |
| PRC (RMB per kWh) . . . .                                 | 0.4826                          | 0.5228 | 0.5138 | 0.5265                              | 0.5060 |
| <b>Oil-fired</b>  |                                 |        |        |                                     |        |
| Korea (KRW per kWh) . . . .                               | 453.2                           | 495.9  | 458.5  | 485.5                               | 452.8  |
| <b>Hydro</b>  |                                 |        |        |                                     |        |
| PRC (RMB per kWh) . . . .                                 | 0.3515                          | 0.3472 | 0.3326 | 0.3950                              | 0.3932 |
| <b>Cogen</b>  |                                 |        |        |                                     |        |
| PRC (RMB per kWh) <sup>(3)</sup> . . . .                  | 0.5110                          | 0.5330 | 0.5276 | 0.5340                              | 0.5089 |

*Notes:*

- (1) Weighted average tariffs are affected not only by a change in the tariff for each project but also a change in net generation for each project.
- (2) Weighted average tariff (inclusive of VAT) for gas-fired power projects includes the tariffs (inclusive of VAT) for the 10.4 MW Yulchon I Fuel Cell Project.
- (3) The weighted average tariffs (inclusive of VAT) for our cogen power projects exclude steam tariffs (inclusive of VAT).

### *Tariffs applicable to our projects in the PRC*

In the PRC, we are generally required to sell our electricity directly to grid companies at the tariffs determined by the provincial price bureaus and the NDRC. The tariffs are determined with reference to the fuel type and/or technological configuration of comparable power projects operating within the same provincial power grid. The tariff approved for any power project remains in force for the next year, subject only to adjustments for material changes, such as a substantial increase in fuel cost. For example, the NDRC allows an adjustment to the tariff to recover up to 70.0% of any increase in the cost of coal if average coal prices increase by at least 5.0% within a six month period, although these tariff adjustments have not always been implemented. For further details on the pricing mechanism and applicable regulations for tariffs, see “*Industry Overview – The PRC Power Industry – Electricity Tariffs*” and “*Appendix V – Summary of Principal Legal and Regulatory Provisions in the PRC and Korea – PRC Regulatory Overview – Business Operation – On-grid tariffs*”. For a list of the offtake arrangements applicable to our PRC power projects, see “*Business – Our Power Projects in the PRC*”.



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## FINANCIAL INFORMATION

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### *Tariffs applicable to our projects in Korea*

The tariffs applicable to Yulchon I Power Project in Korea are comprised of a capacity charge, an energy charge and a start-up charge. The capacity charge is a fixed charge, regardless of actual electricity generation, and is adjusted regularly to reflect changes in the Korean producer price index, corporate tax rates and significant changes in the rate of return of corporate debentures. The energy charge incorporates the price at which Yulchon Company purchases gas from KOGAS for Yulchon I Power Project and is paid based on a rate set out in our PPA, subject to the dispatch and output regulations provided in the Power Market Operation Rules. The start-up charge is a contracted charge based on the actual number of start-ups and is also adjusted based on the project's actual monthly gas price. Fluctuations in tariffs related to our gas-fired projects primarily reflect adjustments for gas prices primarily due to the pass through of our gas costs for Yulchon I Power Project.

In regards to Yulchon I Fuel Cell Project, the tariffs of our 4.8 MW fuel cell project will be the greater of the system marginal price and 274.06 KRW/kWh until August 2024, which is the renewable energy standard price applicable to this project as stipulated in the Renewable Energy Act, while the tariff for electric power generated from our 5.6 MW fuel cell project is at the system marginal price. For further details on the pricing mechanism and applicable regulations for tariffs, see *"Industry Overview – The Korean Power Industry – Electricity On-Grid Tariffs"* and *"Appendix V – Summary of Principal Legal and Regulatory Provisions in the PRC and Korea – Korea Regulatory Overview – Power Industry in Korea – Electricity Purchase"*. In addition, the Yulchon Company can receive RECs from the Korean government, and sell these RECs to third parties or submit the RECs to the Korean government to meet its renewable energy generation requirements under the Renewable Energy Act. The KPX purchases power generated by Yulchon I Fuel Cell Project based on the KPX's merit order mechanism. See *"Business – Our Business – Dispatch priority and planned output"*.

Daesan I Power Project and Yulchon II Power Project in Korea each receives a tariff based on system marginal price and capacity payments in accordance with the Power Market Operation Rules. The system marginal price is the variable cost of the generation unit that is the last to receive the dispatch order for such hour, which also generally represents the most expensive price at which electricity can be supplied at a given hour based on the demand and supply for such hour. We receive capacity payments in accordance with the Power Market Operation Rules as long as our projects are available to generate electricity, regardless of actual dispatch. For a list of the offtake arrangements applicable to our Korean power projects, see *"Business – Our Power Projects in Korea"*.

### **Results of Associates**

Our revenue, operating expenses and operating profit do not include the results of our associates, which solely comprise project companies which operate Huangshi I and Huangshi II Power Projects. For the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, our share of results of associates were a loss of U.S.\$5.0 million, a profit of U.S.\$11.3 million, a profit of U.S.\$37.4 million and a profit of U.S.\$9.3 million, respectively. Our share of results of associates accounted for (26.0%), 29.5%, 53.7% and 43.2% of our profit for the year/period ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, respectively. As a result, although any significant changes in the aggregate results of our associates will not affect our operating revenue, operating expenses or operating profit, these changes could ultimately have a significant effect on our profit for the year/period and financial condition.

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## FINANCIAL INFORMATION

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### **Timing and cost of commercial operation of new projects and new acquisitions**

Our results of operations are affected by the timing of new power projects commencing commercial operations and new acquisitions. Any delay in the construction and the commencement of commercial operations of any of our power projects could adversely affect our results of operations.

In addition, construction costs are another factor affecting our results of operations. All of the construction costs of a power project are capitalized and no depreciation expenses are recorded until the commencement of commercial operations. Depreciation expenses are recorded over the economic useful life of the asset. Thus, any increases in construction costs will result in an increase in depreciation expenses once the project begins commercial operations.

### **Availability and operational efficiency**

The net power generation of our generation facilities is a function of the consolidated installed capacity, utilization hours and auxiliary electricity usage. Our consolidated installed capacity increases as we expand, and the utilization hours are calculated by dividing the gross power generation in a specific period by the average consolidated installed capacity in such period.

Assuming that a project operates at full capacity 24 hours per day throughout a year, its theoretical maximum utilization hours are 8,760 hours per year (365 days x 24 hours). However, in practice the utilization hours of power generation facilities in the PRC are primarily determined by demand and the planned output assigned by the local government. In addition, utilization hours are also influenced by repairs and maintenance, performance of equipment and grid constraints. For instance, any slowdown or stoppage in operations of any of our projects without minimum-take offtake arrangements due to maintenance and repairs, whether planned or unplanned, will result in a decrease in our utilization hours as well as our revenue and increase in repair and maintenance expenses. Coal, cogen, oil and gas power projects, unlike hydro power generation facilities, are largely unaffected by weather conditions, and are therefore generally able to operate continuously (subject to planned output and other restrictions).

Utilization hours of our facilities is also a function of their availability and operational efficiency. By reducing unplanned outages and optimizing planned outages, availability is maximized which increases potential utilization hours from the project. The level of operational efficiency that each facility is able to attain depends on a variety of factors, including normal degradation of the generating units and the quality of repairs and operations and maintenance services performed on the projects. If our utilization hours decrease significantly with other factors remaining the same, then our revenue will also decrease. Over the Track Record Period, our projects have maintained availability levels to accommodate for potential increases in utilization hours and demand above planned output levels. However, the effect of the availability and utilization hours of our projects on our results of operations was limited by demand. For details of the availability and efficiency of our projects, see the summary operating data for each project in “*Business – Our Power Projects in Operation*”.

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## FINANCIAL INFORMATION

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### **Taxation**

Changes in tax rates, including tax rate incentives, applicable to our power projects affect our profit and financial condition. Set out below is a discussion of the tax rates applicable to our projects in the PRC, Korea and certain other countries where our off-shore vehicles are based. As of the Latest Practicable Date and during the Track Record Period, we had fulfilled all our tax obligations and did not have any unresolved tax dispute.

#### ***PRC taxes and tax incentives***

Pursuant to the relevant laws and regulations in the PRC, certain of our PRC subsidiaries were exempt from PRC Enterprise Income Tax (“EIT”) for two years starting from their first profit making year, followed by a 50% reduction on income tax for the next three years. The 50% exemption period ended on December 31, 2012. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax, certain of our PRC subsidiaries that previously enjoyed tax incentive rate below 25% have had their applicable tax rate progressively increased to 25% over a five-year transitional period commencing on January 1, 2008. The tax exemption and deduction from EIT for these entities expired at the end of the five-year transitional period in 2012.

Certain subsidiaries operating in the PRC have been accredited as a “High and New Technology Enterprise” by the Science and Technology Bureau and other authorities of relevant provinces for a term of three years, and have been registered with the local tax authorities to be eligible to the reduced 15% enterprise income tax rate in 2011. In 2012, these subsidiaries were no longer qualified as “High and New Technology Enterprise” after annual review by the relevant government authorities in the PRC.

Dividends from our PRC subsidiaries and associates are subject to withholding taxes ranging from 5% to 10% for those non-PRC tax resident immediate holding companies incorporated in Hong Kong and other jurisdictions, when and if undistributed earnings are declared to be paid as dividends out of profits that arose on or after January 1, 2008.

#### ***Korean taxes***

Pursuant to Korean corporate income tax law, the statutory income tax rate of our Korean subsidiaries was 24.2% for the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014. From January 1, 2011 to April 30, 2014, dividends paid by our subsidiaries that were tax residents in Korea were subject to a 10% Korean withholding tax pursuant to the PRC-Korea Tax Treaty. Upon completion of the Global Offering, dividends paid by such subsidiaries in Korea may not be eligible for the 10% Korean dividend withholding tax based on the PRC-Korea tax treaty. If no reduction of the withholding tax rate applies under an applicable tax treaty, the full Korean withholding tax rate of 22% would apply to such dividends when and if undistributed earnings are declared to be paid as dividends out of profits. There is currently no tax treaty in effect between Korea and Bermuda or between Korea and Hong Kong (although the Korean Ministry of Strategy and Finance has recently announced that Korea and Hong Kong has initiated tax treaty terms, which are subject to official signing and ratification by the legislatures of the two countries).

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## FINANCIAL INFORMATION

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### *Other*

We hold shares in our project companies through offshore vehicles that are based in jurisdictions such as Hong Kong and Mauritius that allow us to benefit from favorable tax rates on dividends paid by our project companies. We organize our project company holdings through offshore vehicles for several reasons, including greater transparency and favorable corporate governance regulations, a suitable business environment and to benefit from existing tax treaties for tax planning purposes. These and other considerations factor into our decisions for organizing our corporate structure in a manner that we believe is beneficial and appropriate for our business. However, if there are changes to the tax treaties or other regulations that allow us to benefit from preferential withholding tax rates, or if those offshore vehicles are deemed not to be resident for tax purposes in the jurisdictions in which they are incorporated, we could be subject to significantly higher withholding tax rates on dividends from our project companies.

### **Finance costs**

Our finance costs are dependent on the amount of debt outstanding and the applicable interest rates. We undertake debt obligations to support general corporate purposes including capital expenditures and working capital needs, and may incur additional debt in connection with the acquisition or construction of additional power projects and upgrades or expansions to our existing power projects. As of December 31, 2011, 2012 and 2013 and April 30, 2014, our total interest-bearing bank borrowings, bond payables and loan from an intermediate holding company amounted to U.S.\$812.6 million, U.S.\$1,298.4 million, U.S.\$1,654.7 million and U.S.\$1,659.0 million, respectively, and the weighted average interest rate with respect to our total interest-bearing loans as of December 31, 2011, 2012 and 2013 and April 30, 2014 was 4.46%, 4.54%, 4.25% and 4.18%, respectively. As of April 30, 2014, 46.6% of our outstanding consolidated debt has floating rates. Any significant increase in the interest rates for our bank borrowings will affect our finance costs.

### **Foreign currency exchange rate fluctuations**

Our functional currency is U.S. dollars. Our profit is affected by fluctuations in foreign currency exchange rates. We collect all of our revenue from our projects in Renminbi and Korean Won, some of which are converted into foreign currencies to (i) purchase foreign-made equipment and parts for repair and maintenance, (ii) make investments in certain joint ventures or acquire interests from other companies, (iii) pay out dividends to the shareholders of our project companies, and (iv) to service our outstanding debt. While our Directors confirm that we currently do not hedge our exchange rate exposure, we have in the past and may in the future enter into foreign currency hedges if and when it becomes economical to do so. See “– *Quantitative and Qualitative Disclosure on Market Risk – Foreign currency exchange risk*” for further details.

### ***Power project portfolio***

Our project mix impacts our results of operations. Over the Track Record Period, our clean and renewable energy projects, namely gas-fired, hydro and fuel cell projects, have gradually increased. As of December 31, 2011, gas-fired, coal-fired, oil-fired, hydro and cogen power generation projects accounted for 34.6%, 35.9%, 21.3%, 5.0% and 3.3% of our total energy portfolio in terms of attributable installed capacity, while as of April 30, 2014, gas-fired, coal-fired, oil-fired, hydro and cogen power generation projects accounted for 48.4%, 32.5%, 13.9%, 3.3% and 2.0% of our total energy portfolio in terms of attributable installed capacity. Furthermore, our clean and renewable energy projects contributed 71.0% of our revenue for the four months ended April 30, 2014 as compared to

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## FINANCIAL INFORMATION

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62.2% of our revenue for the year ended December 31, 2011. Positioned as CGN's sole global platform for development and operation of non-nuclear clean and renewable power generation projects, we intend to selectively acquire clean and renewable power generation projects with solid returns from CGN with an aggregate installed capacity of 3.0 GW to 5.0 GW in several batches within the next four years by exercising our acquisition rights under the non-competition deed given by CGN in our favour, and continue growing our clean and renewable power generation project portfolio. For additional details, see "*Relationship with CGN Group*" and "*Business – Power Project Pipeline*".

### RECENT DEVELOPMENTS

On January 10, 2014, we submitted our letter of intent of investment to local officials in Korea with respect to the proposed Daesan II Power Project as an initial step to the application for change in land use. We submitted the official application for change in land use and held a public hearing in June 2014, and we expect to receive approval for change in land use for Daesan II Power Project by December 2014. We target to commence construction for Daesan II Power Project by the end of 2016, and the total estimated capital investment for Daesan II Power Project is approximately KRW1,000.0 billion. Based on our plans, we expect Daesan II Power Project to contribute an additional installed capacity of 946.0 MW, which will further enhance our project portfolio.

Based on our unaudited management accounts, we continued to experience stable growth in our revenue and operating profit for the three months ended July 31, 2014 as compared to the three months ended July 31, 2013, primarily as a result of the commencement of the combined cycle operations for Yulchon II Power Project in April 2014.

Hexie Power Project ceased power generation in May 2014 and we have commenced winding down the project. For the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, Hexie Power Project had a loss for the year of U.S.\$1.0 million, U.S.\$2.9 million, U.S.\$0.2 million and U.S.\$0.1 million, respectively. As of April 30, 2014, the net assets of Hexie Company was U.S.\$24.1 million. No impairment was recognized in regards to Hexie Power Project for the Track Record Period given that the magnitude of the operating loss was reducing during the period, and no impairment was recognised as of the Latest Practicable Date as we do not expect there to be a negative financial impact on our financials nor any loss upon the disposal of our interest in Hexie Company or its assets in view that the appraised value of the parcel of land on which Hexie Power Project situates is much higher than the aforesaid net assets of the Hexie Company.

The Directors confirm that, since April 30, 2014 to the date of this prospectus, there has not been any material adverse change relating to our operations, financial performance, expectations of financial performance or financial condition as a result of recent changes in economic conditions.

### CRITICAL ACCOUNTING POLICIES

The preparation of our Accountants' Report requires management to select and apply significant accounting policies and to make estimates and judgments that affect our reported financial condition and results of operations. These judgments, estimates and assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and actual results could differ significantly. Our Directors confirm that the relevant estimates or underlying assumptions made in the past have been generally in line with actual results during the Track Record Period and that we have consistently applied these estimates or underlying assumptions during the Track Record Period. We will continuously assess our assumptions and estimates going forward. Notwithstanding the presentation of our critical accounting judgments and

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## FINANCIAL INFORMATION

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key sources of estimation uncertainty in note 4 and note 5 of our Accountants' Report presented in Appendix I of this prospectus, we believe that the following are the most critical accounting policies in presenting our Accountants' Report.

### **Connection charges**

It is our policy to recognize connection charges, which are one-off charges to new customers for connecting into a heat supply network, on a straight-line basis over the estimated service life of the customers. In estimating the average service life of the customers of five years, we consider the historical data of service life of the customers and future expectations.

### **Useful lives and impairment assessment of property, plant and equipment**

Property, plant, and equipment are stated in the statements of financial position at cost less accumulated depreciation and identified impairment losses. The estimation of their useful lives impacts the level of annual depreciation expense recorded. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the appropriate asset's carrying values are written down to the recoverable amount and the amount of the write-down is charged against the results of operations.

### **Impairment of goodwill and interests in associates**

Determining whether goodwill and interests in associates are impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated and entire carrying amounts of the investments in associates, respectively. The value in use calculation requires us to estimate the future cash flows expected to arise from the cash-generating unit and associates and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than previously estimated, a material impairment loss may arise. Details of the recoverable amount calculation are disclosed in notes 18 and 21 in our Accountants' Report, respectively, presented in Appendix I of this prospectus.

### **Other financial asset**

The Directors use their judgment in selecting an appropriate valuation technique for assessment of the fair value of the Minimum Guaranteed Return (as defined in note 24 in our Accountants' Report) granted by the vendor in the acquisition of subsidiaries in 2011, which is not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The estimation of fair value of the Minimum Guaranteed Return may include some assumptions not supported by observable market prices or rates, including the budgeted sales and gross margin, which is determined based on the management's past performance and expectations for the market development. Any change of these assumptions would impact the assessment of the fair value of the Minimum Guaranteed Return. Details are set out in note 24 in our Accountants' Report.

## FINANCIAL INFORMATION

### Fair value of derivatives and other financial instruments

The Directors use their judgment in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Details are set out in note 23 in our Accountants' Report.

### PRINCIPAL INCOME STATEMENT ITEMS

The following table sets out selected items from our results of operations by fuel type and on a consolidated basis for each of the periods indicated.

|   | Gas-fired<br>projects <sup>(1)</sup> | Coal-fired,<br>cogen and<br>steam<br>projects | Oil-fired<br>projects | Hydro<br>projects | Corporate <sup>(2)</sup> | Consolidated |
|---|--------------------------------------|---|-----------------------|-------------------|--------------------------|--------------|
|   | (U.S.\$ millions)                    |   |                       |                   |                          |              |
| <b>For the four months ended April 30, 2014</b>                     |                                      |   |                       |                   |                          |              |
| Revenue . . . . .   | 211.2                                | 76.3  | 13.9                  | 9.8               | –                        | 311.2        |
| Operating expenses . . . . .  | (188.9)                              | (59.1)  | (8.8)                 | (6.0)             | (9.7)                    | (272.5)      |
| Of which fuel costs . . . . .                                       | (161.2)                              | (40.7)  | (3.9)                 | –                 | –                        | (205.8)      |
| Of which depreciation . . . . .                                     | (14.5)                               | (6.9)   | (1.9)                 | (3.5)             | (0.1)                    | (26.9)       |
| Operating profit (loss) . . . . .                                   | 22.3                                 | 17.2  | 5.1                   | 3.8               | (9.7)                    | 38.7         |
| Operating margin . . . . .  | 10.6%                                | 22.5%   | 36.7%                 | 38.8%             | N/A                      | 12.4%        |
| Profit (loss) for the period . . . . .                              | 10.4                                 | 22.2  | 3.1                   | 3.2               | (17.4)                   | 21.5         |
| Profit (loss) attributable to the owner of the<br>Company . . . . . | 8.5                                  | 18.4  | 3.1                   | 3.2               | (17.4)                   | 15.8         |
| <b>For the four months ended April 30, 2013</b>                     |                                      |   |                       |                   |                          |              |
| Revenue . . . . .   | 181.7                                | 74.1  | 34.8                  | 8.9               | –                        | 299.5        |
| Operating expenses . . . . .  | (158.2)                              | (60.8)  | (28.9)                | (6.0)             | (8.9)                    | (262.8)      |
| Of which fuel costs . . . . .                                       | (139.7)                              | (43.8)  | (24.9)                | –                 | –                        | (208.4)      |
| Of which depreciation . . . . .                                     | (7.6)                                | (6.6)   | (1.8)                 | (3.4)             | (0.5)                    | (19.9)       |
| Operating profit (loss) . . . . .                                   | 23.5                                 | 13.3  | 5.9                   | 2.9               | (8.9)                    | 36.7         |
| Operating margin . . . . .  | 12.9%                                | 17.9%   | 17.0%                 | 32.6%             | N/A                      | 12.3%        |
| Profit (loss) for the period . . . . .                              | 16.2                                 | 19.5  | 3.7                   | 2.4               | (13.2)                   | 28.6         |
| Profit (loss) attributable to the owner of the<br>Company . . . . . | 14.5                                 | 16.8  | 3.7                   | 2.4               | (13.2)                   | 24.2         |
| <b>For the year ended December 31, 2013</b>                         |                                      |   |                       |                   |                          |              |
| Revenue . . . . .   | 660.1                                | 213.9   | 125.3                 | 38.0              | –                        | 1,037.3      |
| Operating expenses . . . . .  | (588.4)                              | (174.3)                                       | (113.2)               | (19.9)            | (26.3)                   | (922.1)      |
| Of which fuel costs . . . . .                                       | (520.3)                              | (119.3)                                       | (97.1)                | –                 | –                        | (736.7)      |
| Of which depreciation . . . . .                                     | (32.8)                               | (19.9)  | (5.5)                 | (10.1)            | (0.3)                    | (68.6)       |
| Operating profit (loss) . . . . .                                   | 71.7                                 | 39.6  | 12.1                  | 18.1              | (26.3)                   | 115.2        |
| Operating margin . . . . .  | 10.9%                                | 18.5%   | 9.7%                  | 47.6%             | N/A                      | 11.1%        |
| Profit (loss) for the year . . . . .                                | 35.4                                 | 64.7  | 6.7                   | 13.1              | (50.3)                   | 69.6         |
| Profit (loss) attributable to the owner of the<br>Company . . . . . | 30.0                                 | 56.6  | 6.7                   | 12.3              | (50.3)                   | 55.3         |
| <b>For the year ended December 31, 2012</b>                         |                                      |   |                       |                   |                          |              |
| Revenue . . . . .   | 507.2                                | 213.5   | 174.3                 | 37.4              | –                        | 932.4        |
| Operating expenses . . . . .  | (456.3)                              | (189.1)                                       | (162.0)               | (20.2)            | (24.6)                   | (852.2)      |
| Of which fuel costs . . . . .                                       | (398.9)                              | (136.2)                                       | (147.3)               | –                 | –                        | (682.4)      |
| Of which depreciation . . . . .                                     | (22.3)                               | (19.4)  | (5.1)                 | (9.9)             | (2.2)                    | (58.9)       |
| Operating profit (loss) . . . . .                                   | 50.9                                 | 24.4  | 12.3                  | 17.2              | (24.6)                   | 80.2         |



## FINANCIAL INFORMATION

|   | Gas-fired<br>projects <sup>(1)</sup> | Coal-fired,<br>cogen and<br>steam<br>projects | Oil-fired<br>projects | Hydro<br>projects | Corporate <sup>(2)</sup> | Consolidated |
|---|--------------------------------------|---|-----------------------|-------------------|--------------------------|--------------|
|   | (U.S.\$ millions)                    |   |                       |                   |                          |              |
| Operating margin . . . . .  | 10.0%                                | 11.4%   | 7.1%                  | 46.0%             | N/A                      | 8.6%         |
| Profit (loss) for the year . . . . .                                | 34.5                                 | 29.9  | 6.2                   | 12.3              | (44.5)                   | 38.4         |
| Profit (loss) attributable to the owner of the<br>Company . . . . . | 30.4                                 | 25.3  | 6.2                   | 11.6              | (44.5)                   | 29.0         |
| <b>For the year ended December 31, 2011</b>                         |                                      |   |                       |                   |                          |              |
| Revenue . . . . .   | 435.8                                | 195.0   | 90.5                  | 33.4              | –                        | 754.7        |
| Operating expenses . . . . .  | (377.9)                              | (185.3)                                       | (76.3)                | (17.9)            | (19.0)                   | (676.4)      |
| Of which fuel costs . . . . .                                       | (320.4)                              | (138.0)                                       | (64.6)                | –                 | –                        | (523.0)      |
| Of which depreciation . . . . .                                     | (21.0)                               | (18.0)  | (5.0)                 | (9.7)             | (0.6)                    | (54.3)       |
| Operating profit (loss) . . . . .                                   | 57.9                                 | 9.7   | 14.2                  | 15.5              | (19.0)                   | 78.3         |
| Operating margin . . . . .  | 13.3%                                | 5.0%  | 15.7%                 | 46.4%             | N/A                      | 10.4%        |
| Profit (loss) for the year . . . . .                                | 41.3                                 | 5.6   | 4.3                   | 12.9              | (44.7)                   | 19.4         |
| Profit (loss) attributable to the owner of the<br>Company . . . . . | 35.6                                 | 3.9   | 4.3                   | 12.2              | (44.7)                   | 11.3         |

*Notes:*

- (1) Gas-fired project revenue includes the revenue from the 10.4 MW Yulchon I Fuel Cell Project.
- (2) The Corporate segment primarily comprises head office general and administrative expenses related to the Remaining Group and the Disposal Group. After the Reorganization, the portion of head office general and administrative expenses attributable to the Disposal Group will be reimbursed by the immediate holding company on a “cost-plus” basis. For additional information, see “*Connected Transactions – (A) With the CGN Group (Including the Disposal Group) – Non-exempt Continuing Connected Transactions subject to reporting and announcement requirements – 2(a) Operation and Management Services (CGN Energy) Framework Agreement*” and “*Connected Transactions – (A) With the CGN Group (Including the Disposal Group) – Non-exempt Continuing Connected Transactions subject to reporting and announcement requirements – 2(b) Operation and Management Services (Huamei Holding) Framework Agreement*”.

Set out below is a reconciliation of our operating profit to EBITDA:

### Reconciliation of operating profit to EBITDA

|  | For the year ended December 31, |              |              | For the four months<br>ended April 30, |             |
|--|---------------------------------|--------------|--------------|--|-------------|
|  | 2011                            | 2012         | 2013         | 2013                                   | 2014        |
|  | (U.S.\$ millions)               |              |              |  |             |
| Operating profit . . . . .                                 | 78.3                            | 80.2         | 115.2        | 36.7                                   | 38.7        |
| Add:   |                                 |              |              |  |             |
| Depreciation of property, plant<br>and equipment . . . . . | 54.3                            | 58.9         | 68.6         | 19.9                                   | 26.9        |
| Amortization of prepaid lease<br>payments . . . . .        | 1.0                             | 2.0          | 2.0          | 0.7                                    | 0.7         |
| EBITDA . . . . .   | <u>133.6</u>                    | <u>141.1</u> | <u>185.8</u> | <u>57.3</u>                            | <u>66.3</u> |

*Note:*

- (1) EBITDA is calculated by adding depreciation and amortization to the operating profit. We present EBITDA in certain tables and discussions in this prospectus in addition to other financial information because we consider EBITDA to be an important performance measure and we believe that EBITDA is used by many industries and investors as one measure of gross cash flow

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## FINANCIAL INFORMATION

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generation. EBITDA should not be considered by an investor as an alternative to cash flow as determined in accordance with generally accepted accounting principles, and is not a standard measure under IFRS. Our calculation of EBITDA may differ from similarly titled computations of other companies.

### Revenue

Our revenue includes revenue from sales of electricity, sales of steam, connection charges received by our subsidiaries, capacity charges for our projects in Korea and Hanneng Power Project and start-up charges for Yulchon I Power Project. Revenue from the sales of electricity and steam are recorded based upon net power and steam generated and tariffs specified under contract terms or regulations or as approved by relevant government bodies. Capacity charges are charges based on the capacity made available regardless of actual electricity generation. The capacity charge of Yulchon I Power Project is a fixed charge and is adjusted regularly to reflect changes in the Korean producer price index, corporate tax rates and significant changes in the rate of return of corporate debentures. The capacity charge of Yulchon II Power Project and Daesan I Power Project is determined in accordance with the Power Market Operation Rules, which is calculated using the time of day coefficient factor and a regional capacity factor. Revenue from connection charges from Jinqiao Steam Project are one-off charges to new customers for connecting into a heat supply network, and are recognized on a straight-line basis over the estimated service life of the customers.

On a fuel type basis, our revenue is divided into revenue from our subsidiaries engaged in: (i) gas-fired projects; (ii) hydro projects; (iii) coal-fired, cogen and steam projects and (iv) an oil-fired projects.

### Operating Expenses

Our operating expenses mainly include costs of fuel, namely coal, oil and gas costs, depreciation of property, plant and equipment, repair and maintenance costs, staff costs and other operating expenses. We account for costs of fuel used in our generation of electricity over any accounting period on a weighted average basis. However, our hydro projects do not have any fuel costs. Operating expenses also include: (i) depreciation, which relates primarily to the plant and equipment that we own and is calculated on a straight-line basis over the estimated useful life of the asset; (ii) repair and maintenance charges, which consist of costs of spare parts and expenses relating to the upkeep and repair of our plant and equipment, recorded upon receipt of the services; (iii) staff costs, which include wages, bonuses and other compensation-related costs for employees involved in operating our power projects; and (iv) others, which primarily consist of general corporate and administrative expenses for corporate development.

### Operating Profit

Our operating profit is calculated by deducting operating expenses from our revenue.

### Other Income

Our other income consists of government grants, income on sales of scrap materials, VAT refund, interest income, equipment rental income, consultancy fee income from Disposal Group and other miscellaneous income. The government grants represent subsidies given by the PRC government to certain of our subsidiaries in the PRC for operating costs and environmental protection efforts. There were no specific conditions attached to the government grants and, therefore we recognize these government grants upon receipt.

## FINANCIAL INFORMATION

### Other Gains and Losses

Our other gains and losses mainly consist of fair value gain and loss on derivative financial instruments, net foreign exchange gains, loss on disposal of property, plant and equipment and the change in fair value of other financial assets.

### Finance Costs

Our finance costs mainly consist of interest expenses for bank borrowings, bonds and other borrowings. We capitalize interest expenses directly attributable to construction in respect of a particular financing until such time as the relevant assets are substantially ready for their intended use.

### Share of Results of Associates

Our share of results of associates consists of our share of profits of our associate companies, which solely comprise project companies which operate Huangshi I Power Project and Huangshi II Power Project. The following table sets out certain financial and operational information of our associates as of and for the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2013 and 2014:

| Power Project Facility/<br>Name                 | Attributable<br>Installed<br>Capacity | Revenue <sup>(1)</sup> | Fuel Costs | Depreciation | Operating<br>Profit | Interest<br>Expense | Profit (loss)<br>for the year |
|---|---------------------------------------|------------------------|------------|--------------|---------------------|---------------------|-------------------------------|
|   | (MW)                                  |                        |            |              |                     |                     |                               |
|   |                                       |                        |            |              | (U.S.\$ millions)   |                     |                               |
| <b>For the four months ended April 30, 2014</b> |                                       |                        |            |              |                     |                     |                               |
| Huangshi I . . . . .                            | 372.4                                 | 97.5                   | (38.6)     | (8.4)        | 16.7                | (3.5)               | 10.0                          |
| Huangshi II . . . . .                           | 666.4                                 | 97.8                   | (39.1)     | (4.1)        | 18.5                | (7.3)               | 9.5                           |
| <b>For the four months ended April 30, 2013</b> |                                       |                        |            |              |                     |                     |                               |
| Huangshi I . . . . .                            | 372.4                                 | 75.1                   | (44.2)     | (8.2)        | 14.0                | (4.5)               | 7.2                           |
| Huangshi II . . . . .                           | 333.2                                 | 60.0                   | (32.9)     | (3.8)        | 17.5                | (5.8)               | 13.2                          |
| <b>For the year ended 2013</b>                  |                                       |                        |            |              |                     |                     |                               |
| Huangshi I . . . . .                            | 372.4                                 | 259.5                  | (128.0)    | (24.7)       | 45.9                | (12.4)              | 27.8                          |
| Huangshi II . . . . .                           | 333.2                                 | 280.0                  | (134.2)    | (11.6)       | 89.0                | (19.0)              | 61.2                          |
| <b>For the year ended 2012</b>                  |                                       |                        |            |              |                     |                     |                               |
| Huangshi I . . . . .                            | 372.4                                 | 350.6                  | (140.6)    | (24.1)       | 19.9                | (13.7)              | 11.9                          |
| Huangshi II . . . . .                           | 333.2                                 | 216.9                  | (181.3)    | (11.2)       | 37.7                | (23.1)              | 17.9                          |
| <b>For the year ended 2011</b>                  |                                       |                        |            |              |                     |                     |                               |
| Huangshi I . . . . .                            | 372.4                                 | 420.1                  | (188.7)    | (23.5)       | 1.8                 | (13.3)              | (6.9)                         |
| Huangshi II . . . . .                           | 333.2                                 | 213.9                  | (177.6)    | (11.0)       | 15.9                | (18.9)              | (1.0)                         |

*Note:*

- (1) Revenue includes sales of coal between Huangshi I Power Project and Huangshi II Power Project, which is made at cost with no markup.

### Income Tax Expense

Our income tax expense consists of current tax provision (which comprises provisions for PRC enterprise income tax and Korean corporate income tax less overprovision in the prior year), dividend withholding tax and deferred tax.

## FINANCIAL INFORMATION

### Profit for the year/period Attributable to Owner of the Company

Profit for the year/period attributable to owner of the Company represents the profit for the year/period, less non-controlling interests.

### RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain items derived from our consolidated statements of profit and loss:

|   | For the year ended December 31, |             |             | For the four months ended April 30, |             |
|---|---------------------------------|-------------|-------------|-------------------------------------|-------------|
|   | 2011                            | 2012        | 2013        | 2013                                | 2014        |
|   | (U.S.\$ millions)               |             |             |                                     |             |
| Revenue . . . . .                                       | 754.7                           | 932.4       | 1,037.3     | 299.5                               | 311.2       |
| Operating expenses:                                     |                                 |             |             |                                     |             |
| Coal, oil and gas . . . . .                             | (523.0)                         | (682.4)     | (736.7)     | (208.4)                             | (205.8)     |
| Depreciation of property, plant and equipment . . . . . | (54.3)                          | (58.9)      | (68.6)      | (19.9)                              | (26.9)      |
| Repair and maintenance . . . . .                        | (24.9)                          | (23.2)      | (22.1)      | (6.5)                               | (7.1)       |
| Staff costs . . . . .                                   | (33.9)                          | (39.1)      | (43.4)      | (13.8)                              | (16.9)      |
| Others . . . . .  | (40.3)                          | (48.6)      | (51.3)      | (14.2)                              | (15.8)      |
| Total operating expenses . . . . .                      | (676.4)                         | (852.2)     | (922.1)     | (262.8)                             | (272.5)     |
| Operating profit . . . . .                              | 78.3                            | 80.2        | 115.2       | 36.7                                | 38.7        |
| Other income . . . . .                                  | 8.5                             | 13.6        | 12.1        | 3.0                                 | 3.6         |
| Other gains and losses . . . . .                        | (5.0)                           | 0.2         | 3.0         | 0.6                                 | 1.7         |
| Finance costs . . . . .                                 | (43.5)                          | (40.4)      | (51.1)      | (11.1)                              | (19.6)      |
| Share of results of associates . . . . .                | (5.0)                           | 11.3        | 37.4        | 9.9                                 | 9.3         |
| Listing expenses . . . . .                              | –                               | –           | (6.9)       | –                                   | (1.2)       |
| Profit before tax . . . . .                             | 33.3                            | 64.9        | 109.7       | 39.1                                | 32.5        |
| Income tax expense . . . . .                            | (13.9)                          | (26.5)      | (40.1)      | (10.5)                              | (11.0)      |
| Profit for the year/period . . . . .                    | <u>19.4</u>                     | <u>38.4</u> | <u>69.6</u> | <u>28.6</u>                         | <u>21.5</u> |
| Profit for the year/period attributable to:             |                                 |             |             |                                     |             |
| Owner of the Company . . . . .                          | 11.3                            | 29.0        | 55.3        | 24.2                                | 15.8        |
| Non-controlling interests . . . . .                     | <u>8.1</u>                      | <u>9.4</u>  | <u>14.3</u> | <u>4.4</u>                          | <u>5.7</u>  |
|   | <u>19.4</u>                     | <u>38.4</u> | <u>69.6</u> | <u>28.6</u>                         | <u>21.5</u> |

### Four months ended April 30, 2014 compared to the four months ended April 30, 2013

*Revenue.* Our revenue increased by 3.9% to U.S.\$311.2 million for the four months ended April 30, 2014 from U.S.\$299.5 million for the four months ended April 30, 2013, mainly due to an increase in revenue from Yulchon I Power Project, offset by a decrease in revenue from Daesan I Power Project.

Revenue from our gas projects increased by 16.2% to U.S.\$211.2 million for the four months ended April 30, 2014 from U.S.\$181.7 million for the four months ended April 30, 2013 due to an increase in tariffs of Yulchon I Power Project. The overall net generation of our gas-fired projects increased by 1.3% to 1,243 GWh for the four months ended April 30, 2014 from 1,227 GWh for the four months ended April 30, 2013.

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## FINANCIAL INFORMATION

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Revenue from coal-fired, cogen and steam projects increased by 3.0% to U.S.\$76.3 million for the four months ended April 30, 2014 from U.S.\$74.1 million for the four months ended April 30, 2013 due to an increase in net electricity generation for Puguang Power Project and Nantong Cogen Power Project, partially offset by a decrease in net electricity generation and steam generation for Haiian Cogen Power Project and Jinqiao Steam Project and a decrease in coal-fired power tariffs and steam tariffs in the PRC due to a national tariff reduction in September 2013 for all PRC coal-fired plants. The net generation for coal-fired and cogen projects (excluding Huangshi I Power Project and Huangshi II Power Project) increased by 9.5% to 588 GWh in the four months ended April 30, 2014 from 537 GWh for the four months ended April 30, 2013.

Revenue from the oil-fired project decreased by 60.1% to U.S.\$13.9 million for the four months ended April 30, 2014 from U.S.\$34.8 million for the four months ended April 30, 2013, primarily due to a decrease in net generation and decrease in tariffs for Daesan I Power Project. The net generation of Daesan I Power Project decreased to 10 GWh for the four months ended April 30, 2014 from 63 GWh for the four months ended April 30, 2013.

Revenue from hydro projects increased by 10.1% to U.S.\$9.8 million for the four months ended April 30, 2014 from U.S.\$8.9 million for the four months ended April 30, 2013 due to an increase in net generation from Mianyang Hydro Project and Zuojiang Hydro Project, offset by a decrease in net generation for Fushi I Hydro Project. Overall, the net generation of our hydro projects increased by 10.3% to 180 GWh for the four months ended April 30, 2014 from 163 GWh for the four months ended April 30, 2013.

For the four months ended April 30, 2014, we derived 34.8% and 65.2% of our revenue from the PRC and Korea, respectively, compared to 36.1% and 63.9% for the four months ended April 30, 2013.

*Operating Expenses.* Our operating expenses increased by 3.7% to U.S.\$272.5 million for the four months ended April 30, 2014 from U.S.\$262.8 million for the four months ended April 30, 2013. This was driven by an increase in gas prices in Korea, higher depreciation expenses in relation to the simple cycle operations of Yulchon II Power Project, offset by a decrease in oil consumption for Daesan I Power Project.

Operating expenses of our gas-fired projects increased by 19.4% to U.S.\$188.9 million for the four months ended April 30, 2014 from U.S.\$158.2 million for the four months ended April 30, 2013, primarily due to an increase in gas prices in Korea and higher depreciation expenses in relation to the simple cycle operations of Yulchon II Power Project.

Operating expenses of our coal-fired, cogen and steam projects decreased by 2.8% to U.S.\$59.1 million for the four months ended April 30, 2014 from U.S.\$60.8 million for the four months ended April 30, 2013, mainly due to lower fuel costs due to a decrease in coal prices in the PRC and a decrease in coal consumption for Nantong Cogen Power Project and Jinqiao Steam Project, partially offset by an increase in coal consumption for Puguang Power Project.

Operating expenses of our oil-fired project decreased by 69.6% to U.S.\$8.8 million for the four months ended April 30, 2014 from U.S.\$28.9 million for the four months ended April 30, 2013, mainly due to a decrease in oil consumption for Daesan I Power Project.

Operating expenses of hydro projects remained stable at U.S.\$6.0 million for the four months ended April 30, 2014 and for the four months ended April 30, 2013.

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## FINANCIAL INFORMATION

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*Operating Profit.* Our operating profit increased by 5.4% to U.S.\$38.7 million for the four months ended April 30, 2014 from U.S.\$36.7 million for the four months ended April 30, 2013. Our total operating margin increased slightly to 12.4% for the four months ended April 30, 2014 from 12.3% for the four months ended April 30, 2013.

*Other Income.* Our other income increased by 20.0% to U.S.\$3.6 million for the four months ended April 30, 2014 from U.S.\$3.0 million for the four months ended April 30, 2013. The increase was primarily due to an increase in VAT refunds from Weigang Power Project.

*Other Gains and Losses.* Our other gains and losses increased to a gain of U.S.\$1.7 million for the four months ended April 30, 2014 from a gain of U.S.\$0.6 million for the four months ended April 30, 2013, primarily due to an exchange gain recognized in the four months ended April 30, 2014 as compared to an exchange loss recognized in the four months ended April 30, 2013, both in relation to our Korean power projects.

*Finance Costs.* Our finance costs increased by 76.6% to U.S.\$19.6 million for the four months ended April 30, 2014 from U.S.\$11.1 million for the four months ended April 30, 2013. The increase in finance costs was primarily due to increased loans for Yulchon II Power Project and borrowing costs for the simple cycle operations of Yulchon II Power Project that were capitalised in the four months ended April 30, 2013 that were not capitalised in the four months ended April 30, 2014.

*Share of Results of Associates.* Our share of results of associates decreased by 6.1% to U.S.\$9.3 million for the four months ended April 30, 2014 from U.S.\$9.9 million for the four months ended April 30, 2013, primarily due to a decrease in profit for the period for Huangshi II Power Project primarily due to a decrease in coal-fired power tariffs in the PRC due to a national tariff reduction in September 2013 for all PRC coal-fired plants.

*Listing Expenses.* We recognized listing expenses in relation to the Global Offering of U.S.\$1.2 million for the four months ended April 30, 2014 while none were recognized for the four months ended April 30, 2013.

*Income Tax Expense.* Our income tax expense increased by 4.8% to U.S.\$11.0 million for the four months ended April 30, 2014 from U.S.\$10.5 million for the corresponding period in 2013. The increase in income tax expense was primarily attributable to an increase in taxable income and an increase in effective income tax rate due to an increase in withholding tax in Korea in December 2013. Our effective income tax rate increased to 33.8% for the four months ended April 30, 2014 from 26.9% for the four months ended April 30, 2013.

*Profit for the Period.* As a result of the above, profit for the period decreased by 24.8% to U.S.\$21.5 million for the four months ended April 30, 2014 from U.S.\$28.6 million for the four months ended April 30, 2013. Profit for the period attributable to the owner of the Company decreased by 34.7% to U.S.\$15.8 million for the four months ended April 30, 2014 from U.S.\$24.2 million for the four months ended April 30, 2013.

### **Year ended December 31, 2013 compared to the year ended December 31, 2012**

*Revenue.* Our revenue increased by 11.3% to U.S.\$1,037.3 million for the year ended December 31, 2013 from U.S.\$932.4 million for the year ended December 31, 2012, mainly due to an increase in revenue from our gas-fired projects, partially offset by a decrease in revenue from Daesan I Power Project and cogen projects.

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## FINANCIAL INFORMATION

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Revenue from our gas-fired projects increased by 30.1% to U.S.\$660.1 million for the year ended December 31, 2013 from U.S.\$507.2 million for the year ended December 31, 2012 due to the commencement of the simple cycle operations of Yulchon II Power Project in June 2013 and an increase in net generation from Yulchon I Power Project and Hexie Power Project, partially offset by a decrease in tariffs of Yulchon I Power Project. The overall net generation of our gas-fired projects increased by 27.2% to 4,390 GWh for the year ended December 31, 2013 from 3,451 GWh for the year ended December 31, 2012.

Revenue from coal-fired, cogen and steam projects increased slightly by 0.2% to U.S.\$213.9 million for the year ended December 31, 2013 from U.S.\$213.5 million for the year ended December 31, 2012 due to an increase in net electricity generation for Haian Cogen Project and Puguang Power Project, partially offset by a decrease in steam tariff and net steam generation for Jinqiao Steam Project. The net generation for coal-fired and cogen projects (excluding Huangshi I Power Project and Huangshi II Power Project) increased by 3.6% to 1,657 GWh in the year ended December 31, 2013 from 1,600 GWh for the year ended December 31, 2012.

Revenue from the oil-fired project decreased by 28.1% to U.S.\$125.3 million for the year ended December 31, 2013 from U.S.\$174.3 million for the year ended December 31, 2012, primarily due to a decrease in net generation and decrease in tariffs for Daesan I Power Project. The net generation of Daesan I Power Project decreased by 33.7% to 242 GWh for the year ended December 31, 2013 from 365 GWh for the year ended December 31, 2012.

Revenue from hydro projects increased slightly by 1.6% to U.S.\$38.0 million for the year ended December 31, 2013 from U.S.\$37.4 million for the year ended December 31, 2012 due to an increase in net generation from Zuojiang Hydro Project, offset by a decrease in net generation and tariffs for Mianyang Hydro Project. Overall, the net generation of our hydro projects increased by 2.3% to 827 GWh for the year ended December 31, 2013 from 809 GWh for the year ended December 31, 2012.

For the year ended December 31, 2013, we derived 30.5% and 69.5% of our revenue from the PRC and Korea, respectively, compared to 31.0% and 69.0% for the year ended December 31, 2012.

*Operating Expenses.* Our operating expenses increased by 8.2% to U.S.\$922.1 million for the year ended December 31, 2013 from U.S.\$852.2 million for the year ended December 31, 2012. This was driven by an increase in coal, oil and gas expenses of U.S.\$54.3 million, or 8.0%, mainly due to an increase in fuel expenses primarily related to our increased gas consumption for our gas-fired projects.

Operating expenses of our gas-fired projects increased by 29.0% to U.S.\$588.4 million for the year ended December 31, 2013 from U.S.\$456.3 million for the year ended December 31, 2012, primarily due to an increase in fuel costs in relation to the commencement of Yulchon II Power Project and an increase in net generation for Yulchon I Power Project and Hexie Power Project.

Operating expenses of our coal-fired, cogen and steam projects decreased by 7.8% to U.S.\$174.3 million for the year ended December 31, 2013 from U.S.\$189.1 million for the year ended December 31, 2012, mainly due to lower fuel costs due to a decrease in coal price across all of our coal-fired, cogen and steam projects and a decrease in net steam generation from Jinqiao Steam Project, partially offset by an increase in net electricity generation for Nantong Cogen Power Project and Haian Cogen Power Project.



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## FINANCIAL INFORMATION

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Operating expenses of our oil-fired project decreased by 30.1% to U.S.\$113.2 million for the year ended December 31, 2013 from U.S.\$162.0 million for the year ended December 31, 2012, mainly due to lower fuel costs as a result of a decrease in net generation at Daesan I Power Project and lower oil prices.

Operating expenses of hydro projects decreased slightly by 1.5% to U.S.\$19.9 million for the year ended December 31, 2013 from U.S.\$20.2 million for the year ended December 31, 2012, mainly due to a decrease in repair and maintenance expenses for Mianyang Hydro Project.

*Operating Profit.* Our operating profit increased by 43.6% to U.S.\$115.2 million for the year ended December 31, 2013 from U.S.\$80.2 million for the year ended December 31, 2012. Our total operating margin increased to 11.1% in 2013 from 8.6% in 2012.

*Other Income.* Our other income decreased by 11.0% to U.S.\$12.1 million for the year ended December 31, 2013 from U.S.\$13.6 million for the year ended December 31, 2012. The decrease was primarily due to a decrease in VAT refunds received and a fair value gain on amount due from a non-controlling interest in 2012, partially offset by an increase in interest income.

*Other Gains and Losses.* Our other gains and losses increased to a gain of U.S.\$3.0 million for the year ended December 31, 2013 from a gain of U.S.\$0.2 million for the year ended December 31, 2012, primarily due to mark-to-market gain on interest rate swaps.

*Finance Costs.* Our finance costs increased by 26.5% to U.S.\$51.1 million for the year ended December 31, 2013 from U.S.\$40.4 million for the year ended December 31, 2012. The increase in finance costs was primarily due to an increase in Korean bank borrowings and interest rates in relation Yulchon II Power Project as well as an increase in corporate debt.

*Share of Results of Associates.* Our share of results of associates increased to U.S.\$37.4 million for the year ended December 31, 2013 from U.S.\$11.3 million for the year ended December 31, 2012, primarily due to an increase in profit for the year for both Huangshi I Power Project and Huangshi II Power Project as a result of lower coal prices and increased net generation for both Huangshi I Power Project and Huangshi II Power Project and increased utilization hours for both projects due to lower competition from hydro generation projects as a result of lower water levels.

*Listing Expenses.* We recognized listing expenses in relation to the Global Offering of U.S.\$6.9 million for the year ended December 31, 2013 while none were recognized for the year ended December 31, 2012.

*Income Tax Expense.* Our income tax expense increased by 51.3% to U.S.\$40.1 million for the year ended December 31, 2013 from U.S.\$26.5 million for the corresponding period in 2012. The increase in income tax expense was primarily attributable to an increase in taxable income, offset by a decrease in effective income tax rate. Our effective income tax rate decreased to 36.6% for the year ended December 31, 2013 from 40.8% for the year ended December 31, 2012.

*Profit for the Year.* As a result of the above, profit for the year increased by 81.3% to U.S.\$69.6 million for the year ended December 31, 2013 from U.S.\$38.4 million for the year ended December 31, 2012. Profit for the year attributable to the owner of the Company increased by 90.7% to U.S.\$55.3 million for the year ended December 31, 2013 from U.S.\$29.0 million for the year ended December 31, 2012.

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## FINANCIAL INFORMATION

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### Year ended December 31, 2012 compared to the year ended December 31, 2011

*Revenue.* Our revenue increased by 23.5% to U.S.\$932.4 million for the year ended December 31, 2012 from U.S.\$754.7 million for the year ended December 31, 2011 mainly due to an increase in revenue from Yulchon I Power Project and Daesan I Power Project.

The increase in revenue was primarily due to a 16.4% increase in revenue from our gas-fired projects to U.S.\$507.2 million in 2012 from U.S.\$435.8 million in 2011, primarily due to an increase in net generation and tariffs at Yulchon I Power Project. The overall net generation for our gas-fired projects increased by 6.4% to 3,451 GWh for the year ended December 31, 2012 from 3,243 GWh for the year ended December 31, 2011.

Revenue from coal-fired and cogen projects increased by 9.5% to U.S.\$213.5 million in 2012 from U.S.\$195.0 million in 2011 mainly due to an increase in net generation of electricity and steam and an increase in tariffs for Nantong Cogen Power Project as well an increase in tariffs for Puguang Power Project. The overall net generation for our coal-fired and cogen projects (excluding Huangshi I Power Project and Huangshi II Power Project) increased to 1,600 GWh for the year ended December 31, 2012 from 1,488 GWh for the year ended December 31, 2011.

Revenue from our oil-fired project increased by 92.6% to U.S.\$174.3 million for the year ended December 31, 2012 from U.S.\$90.5 million for the year ended December 31, 2011, mainly due to an increase in the tariff and net generation for Daesan I Power Project. The net generation of Daesan I Power Project increased by 117.3% to 365 GWh for the year ended December 31, 2012 from 168 GWh for the year ended December 31, 2011.

Revenue from hydro projects increased by 12.0% to U.S.\$37.4 million for the year ended December 31, 2012 from U.S.\$33.4 million for the year ended December 31, 2011, mainly due to an increase in net generation for Mianyang Hydro Project and Fushi I Hydro Project, offset by a decrease in tariffs for Fushi I Hydro Project as its net generation exceeded the minimum-take threshold and was therefore charged at a lower tariff rate. The overall net generation for our hydro projects increased by 12.4% to 809 GWh for the year ended December 31, 2012 from 720 GWh for the year ended December 31, 2011.

During the year ended December 31, 2012, we derived 31.0% and 69.0% of our revenue from the PRC and Korea, respectively, compared to 37.3% and 62.7% for the year ended December 31, 2011.

*Operating Expenses.* Operating expenses increased by 26.0% to U.S.\$852.2 million for the year ended December 31, 2012, compared to U.S.\$676.4 million for the year ended December 31, 2011. This was driven by an increase in coal, oil and gas expenses of U.S.\$159.4 million, or 30.5%, mainly due to an increase in fuel expenses primarily related to our increased gas consumption for our gas-fired projects.

Operating expenses of our gas-fired projects, primarily Yulchon I Power Project, increased by 20.7% to U.S.\$456.3 million for the year ended December 31, 2012 from U.S.\$377.9 million for the year ended December 31, 2011 primarily due to an increase in gas consumption, resulting from increased power generation, and an increase in gas prices from KOGAS.

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## FINANCIAL INFORMATION

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Operating expenses of our coal-fired, cogen and steam projects increased by 2.1% to U.S.\$189.1 million for the year ended December 31, 2012 from U.S.\$185.3 million for the year ended December 31, 2011 primarily due to an increase in fuel costs in relation to increased net generation at Nantong Cogen Power Project and other expenses, offset by a decrease in coal price.

Operating expenses of our oil-fired project increased by 112.3% to U.S.\$162.0 million for the year ended December 31, 2012 from U.S.\$76.3 million for the year ended December 31, 2011 primarily due to an increase in fuel costs in relation to an increase in net generation at Daesan I Power Project.

Operating expenses of our hydro projects increased by 12.8% to U.S.\$20.2 million for the year ended December 31, 2012 from U.S.\$17.9 million for the year ended December 31, 2011 primarily due to increases in staff costs and repair and maintenance costs across all of our hydro projects.

*Operating Profit.* Our operating profit increased slightly to U.S.\$80.2 million for the year ended December 31, 2012 from U.S.\$78.3 million for the year ended December 31, 2011. Our total operating margin decreased to 8.6% in 2012 from 10.4% in 2011, primarily due to a decrease in margins for Yulchon I Power Project and Daesan I Power Project.

*Other Income.* Our other income increased by 60.0% to U.S.\$13.6 million for the year ended December 31, 2012 from U.S.\$8.5 million for the year ended December 31, 2011. This increase was primarily due to a VAT refund of U.S.\$3.7 million recognized in 2012.

*Other Gains and Losses.* Our other gains and losses changed to a gain of U.S.\$0.2 million for the year ended December 31, 2012 from a loss of U.S.\$5.0 million for the year ended December 31, 2011, primarily due to mark-to-market gains on interest rate swaps.

*Finance Costs.* Our finance costs decreased by 7.1% to U.S.\$40.4 million for the year ended December 31, 2012, compared to U.S.\$43.5 million for the year ended December 31, 2011. The decrease in finance costs was primarily due to write-offs of arrangement costs recognized in 2011 in relation to loan refinancing at Daesan I Power Project.

*Share of Results of Associates.* Our share of results of associates changed to a profit of U.S.\$11.3 million for the year ended December 31, 2012 from a loss of U.S.\$5.0 million for the year ended December 31, 2011, primarily due to an increase in profit for the year for both Huangshi I Power Project and Huangshi II Power Project as a result of an increase in tariffs and a decrease in coal price, offset by a decrease in net generation for both Huangshi I Power Project and Huangshi II Power Project.

*Income Tax Expense.* Our income tax expense increased by 90.6% to U.S.\$26.5 million for the year ended December 31, 2012 from U.S.\$13.9 million for the year ended December 31, 2011. This increase is mainly attributable to an increase in taxable income as well as an increase in deferred tax related to dividends withholding tax on distributable profits of subsidiaries and associates. The effective income tax rate slightly decreased to 40.8% in 2012 from 41.7% in 2011.

*Profit for the Year.* As a result of the above, profit for the year increased by 97.9% to U.S.\$38.4 million for the year ended December 31, 2012 from U.S.\$19.4 million for the year ended December 31, 2011. Profit for the year attributable to the owner of the Company increased by 156.6% to U.S.\$29.0 million for the year ended December 31, 2012, compared to U.S.\$11.3 million for the year ended December 31, 2011.

## FINANCIAL INFORMATION

### NET CURRENT ASSETS AND LIABILITIES

The following table sets out our current assets and current liabilities for the periods indicated:

|  | As of December 31, |              |              | As of             | As of                           |
|--|--------------------|--------------|--------------|-------------------|---------------------------------|
|  | 2011               | 2012         | 2013         | April 30,<br>2014 | July 31,<br>2014 <sup>(1)</sup> |
|  | (U.S.\$ millions)  |              |              |                   |                                 |
| <b>Current assets</b>  |                    |              |              |                   |                                 |
| Inventories . . . . .  | 29.1               | 25.7         | 28.1         | 28.9              | 29.6                            |
| Prepaid lease payments . . . . .   | 1.9                | 1.9          | 2.0          | 2.0               | 2.0                             |
| Trade receivables . . . . .  | 132.4              | 125.6        | 97.2         | 144.1             | 164.9                           |
| Other receivables and prepayments . .  | 12.9               | 36.9         | 15.9         | 17.6              | 25.0                            |
| Amounts due from a non-controlling<br>shareholder . . . . .                      | 1.5                | –            | 1.6          | –                 | –                               |
| Amounts due from Disposal Group .  | 188.4              | 221.3        | 253.1        | 246.0             | 3.3                             |
| Amounts due from associates . . . . .  | 8.7                | –            | 32.5         | 32.3              | 32.6                            |
| Amounts due from fellow<br>subsidiaries . . . . .                                | 8.0                | 10.4         | 0.1          | 13.7              | 16.6                            |
| Tax recoverable . . . . .  | 0.6                | 0.3          | 0.2          | 0.1               | 0.1                             |
| Derivative assets . . . . .  | 0.6                | –            | –            | –                 | –                               |
| Pledged bank deposits and restricted<br>cash . . . . .                           | 22.4               | 224.4        | 109.6        | 100.8             | 91.7                            |
| Bank balances and cash . . . . .   | 112.8              | 83.7         | 167.6        | 103.9             | 109.7                           |
| <b>Total current assets . . . . .</b>  | <b>519.3</b>       | <b>730.2</b> | <b>707.9</b> | <b>689.4</b>      | <b>475.5</b>                    |
| <b>Current liabilities</b>   |                    |              |              |                   |                                 |
| Trade payables . . . . .   | 106.3              | 129.0        | 104.7        | 139.8             | 142.7                           |
| Other payables and accruals . . . . .  | 38.6               | 95.2         | 51.3         | 96.4              | 79.8                            |
| Amounts due to immediate holding<br>company . . . . .                            | 50.5               | 50.5         | –            | –                 | –                               |
| Amounts due to non-controlling<br>shareholders . . . . .                         | 11.4               | 5.2          | 5.3          | 7.6               | 7.2                             |
| Dividend payable to immediate<br>holding company . . . . .                       | 33.0               | 33.0         | –            | –                 | –                               |
| Advances from non-controlling<br>shareholders – due within one<br>year . . . . . | 9.5                | 7.3          | 7.6          | 7.4               | 7.4                             |
| Amount due to a fellow subsidiary . .  | –                  | –            | –            | 1.4               | 1.1                             |
| Amounts due to Disposal Group . . .  | 0.1                | 1.3          | 3.4          | 0.1               | –                               |
| Bank borrowings – due within one<br>year . . . . .                               | 48.6               | 126.3        | 23.0         | 26.3              | 159.3                           |
| Bond payables – due within one<br>year . . . . .                                 | –                  | –            | 4.8          | 2.4               | 5.9                             |
| Deferred connection charges . . . . .  | 0.7                | 0.5          | 0.1          | 0.2               | 0.3                             |
| Tax payable . . . . .  | 3.8                | 8.1          | 8.9          | 7.4               | 4.3                             |
| Derivative liabilities . . . . .   | 2.5                | 5.5          | 2.6          | 1.3               | 0.7                             |
| <b>Total current liabilities . . . . .</b>                                       | <b>305.0</b>       | <b>461.9</b> | <b>211.7</b> | <b>290.3</b>      | <b>408.7</b>                    |
| <b>Net current assets . . . . .</b>  | <b>214.3</b>       | <b>268.3</b> | <b>496.2</b> | <b>399.1</b>      | <b>66.8</b>                     |

*Note:*

(1) Figures are post Reorganization.

## FINANCIAL INFORMATION

Our current assets primarily consist of pledged bank deposits and restricted cash, amounts due from the Disposal Group and trade receivables. Our current liabilities primarily consist of trade payables, bank borrowings due within one year and other payables and accruals. We had a net current asset position of approximately U.S.\$214.3 million, U.S.\$268.3 million, U.S.\$496.2 million, U.S.\$399.1 million and U.S.\$66.8 million as of December 31, 2011, 2012 and 2013, April 30, 2014 and July 31, 2014, respectively. Our net current assets increased from U.S.\$214.3 million as of December 31, 2011 to U.S.\$268.3 million as of December 31, 2012 due to an increase in pledged bank deposits and restricted cash and an increase in amounts due from Disposal Group, offset by an increase in bank borrowings due within one year, other payables and accruals, trade payables and a decrease in bank balances and cash. Our net current assets increased from U.S.\$268.3 million as of December 31, 2012 to U.S.\$496.2 million as of December 31, 2013 due to a decrease in bank borrowings due within one year and an increase in bank balances and cash, offset by a decrease in pledged bank deposits and restricted cash. Our net current assets decreased from U.S.\$496.2 million as of December 31, 2013 to U.S.\$399.1 million as of April 30, 2014 primarily due to a decrease in bank balances and cash in relation to an early repayment on a China Development Bank Corporation, Hong Kong Branch loan made in January 2014 and an increase in other payables and accruals in relation to construction payables for Yulchon II Power Project upon the completion of construction for combined cycle operation and an increase in trade payables, offset by an increase in trade receivables in relation to the combined cycle power generation of Yulchon II Power Project during the commissioning period. Our net current assets decreased from U.S.\$399.1 million as of April 30, 2014 to U.S.\$66.8 million as of July 31, 2014 due to a decrease in amounts due from Disposal Group pursuant to the Reorganization, offset by an increase in bank borrowings due within one year in relation to the U.S.\$140.0 million term loan with China Development Bank Corporation, Hong Kong Branch.

### LIQUIDITY AND CAPITAL RESOURCES

For the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2013 and 2014, our principal sources of liquidity have been cash generated from operations, bank borrowings and a bond issuance.

The table below sets out a summary of our cash flows for the periods indicated:

|  | For the year ended December 31, |             |              | For the four months ended April 30, |              |
|--|---------------------------------|-------------|--------------|-------------------------------------|--------------|
|  | 2011                            | 2012        | 2013         | 2013                                | 2014         |
|  | (U.S.\$ millions)               |             |              |                                     |              |
| Net cash from operating activities . .   | 85.4                            | 145.4       | 184.8        | 40.8                                | 51.4         |
| Net cash used in investing activities .  | (140.1)                         | (572.4)     | (286.1)      | (106.3)                             | (81.0)       |
| Net cash from (used in) financing activities . . . . .   | 78.8                            | 397.2       | 182.5        | 71.2                                | (32.7)       |
| Net increase (decrease) in cash and cash equivalents . . . . .                                 | 24.1                            | (29.8)      | 81.2         | 5.7                                 | (62.3)       |
| Cash and cash equivalents at beginning of year/period . . . . .                                | 87.8                            | 112.8       | 83.7         | 83.7                                | 167.6        |
| Effect of foreign exchange rate changes . . . . .  | 0.9                             | 0.7         | 2.7          | 4.3                                 | (1.4)        |
| Cash and cash equivalents at end of year/period, representing bank balances and cash . . . . . | <u>112.8</u>                    | <u>83.7</u> | <u>167.6</u> | <u>93.7</u>                         | <u>103.9</u> |

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## FINANCIAL INFORMATION

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### Operating activities

Net cash generated from operating activities increased from U.S.\$40.8 million for the four months ended April 30, 2013 to U.S.\$51.4 million for the four months ended April 30, 2014, primarily due to an increase in operating profit.

Net cash generated from operating activities increased from U.S.\$145.4 million for the year ended December 31, 2012 to U.S.\$184.8 million for the year ended December 31, 2013, primarily due to an increase in profit before taxes, offset by an increase in income taxes.

Net cash generated from operating activities increased from U.S.\$85.4 million for the year ended December 31, 2011 to U.S.\$145.4 million for the year ended December 31, 2012 primarily due to the receipt of December 2011 revenue from our Korea operations in 2012 as December 31, 2011 was not a business day. See “– *Net Current Assets and Liabilities*” for further information on movements in working capital.

### Investing activities

Net cash used in investing activities decreased from U.S.\$106.3 million for the four months ended April 30, 2013 to U.S.\$81.0 million for the four months ended April 30, 2014, primarily due to a decrease in capital expenditures, offset by a decrease in pledged bank deposits and restricted cash in the four months ended April 30, 2013 by Yulchon Company that was used for the payment of capital expenditures related to the Yulchon II Power Project and an advance made to CGNPC Huasheng in relation to cash pooling arrangements in the four months ended April 30, 2013.

Net cash used in investing activities decreased from U.S.\$572.4 million for the year ended December 31, 2012 to U.S.\$286.1 million for the year ended December 31, 2013, primarily due to a decrease in pledged bank deposits and restricted cash in 2013 as compared to an increase in 2012, offset by an increase in investments to Huangshi II Power Project.

Net cash used in investing activities increased from U.S.\$140.1 million for the year ended December 31, 2011 to U.S.\$572.4 million for the year ended December 31, 2012 due to the purchase of property, plant and equipment, mainly for the construction of Yulchon II Power Project, as well as a net increase in pledged bank deposits and restricted cash in 2012 due to the drawdown of loans by our Korean projects, offset by capital contributions made to XTI in 2011.

### Financing activities

Net cash from financing activities changed from U.S.\$71.2 million generated for the four months ended April 30, 2013 to U.S.\$32.7 million used for the four months ended April 30, 2014, primarily due to a loan provided by CGNPC International Limited of U.S.\$242.3 million in January 2013 and a decrease in bank borrowings, offset by a decrease in repayments of bank borrowings.

Net cash generated from financing activities decreased from U.S.\$397.2 million for the year ended December 31, 2012 to U.S.\$182.5 million for the year ended December 31, 2013 due to an increase in repayments of bank borrowings and a decrease in bank borrowings, offset by the issuance of U.S.\$350.0 million in bonds in August 2013 and a loan provided by CGNPC International Limited of U.S.\$242.3 million in January 2013.

## FINANCIAL INFORMATION

Net cash generated from financing activities increased from U.S.\$78.8 million for the year ended December 31, 2011 to U.S.\$397.2 million for the year ended December 31, 2012 due to an increase in new bank borrowings primarily for Yulchon II Power Project and a decrease in repayment of borrowings.

### Indebtedness

We have historically financed the development of our projects and other capital expenditures from bank borrowings, bonds and shareholder loans.

Any borrowings we undertake to finance our power projects are done through debt financing by the relevant project company and are non-recourse to our Company. We intend to continue to seek, where possible, non-recourse debt financing in connection with the power projects that we may develop, construct or acquire. We generally provide funding to our subsidiaries and associates through equity investments and shareholder loans.

### Bank borrowings

All bank borrowings at the end of the reporting period are denominated in the functional currency of the respective group entities. The bank borrowings carry interest rates which ranged from 1.75% to 6.62% per annum during the year ended December 31, 2013. As of July 31, 2014, our bank borrowings were U.S.\$1,089.3 million and our committed unutilized banking facilities were U.S.\$76.2 million.

Our consolidated bank borrowings (excluding bonds) as of December 31, 2011, 2012 and 2013 and April 30, 2014 and July 31, 2014, reflecting both our borrowings and non-recourse financing for our projects and unamortized loan raising costs, are set out below:

|   | As of December 31,                    |                |                | As of             | As of            |
|---|---------------------------------------|----------------|----------------|-------------------|------------------|
|   | 2011                                  | 2012           | 2013           | April 30,<br>2014 | July 31,<br>2014 |
|   | (U.S.\$ millions, except percentages) |                |                |                   |                  |
| Secured . . . . .   | 807.9                                 | 1,304.9        | 1,068.5        | 1,073.8           | 1,093.4          |
| Unsecured . . . . .   | 10.3                                  | 4.8            | –              | 1.6               | 1.6              |
| Less: Deferred finance costs . . . . .  | (5.6)                                 | (11.3)         | (9.6)          | (9.8)             | (5.7)            |
|   | <u>812.6</u>                          | <u>1,298.4</u> | <u>1,058.9</u> | <u>1,065.6</u>    | <u>1,089.3</u>   |
| Bank borrowings by currency:  |                                       |                |                |                   |                  |
| Denominated in U.S. dollars . . . . .   | 470.7                                 | 561.5          | 190.0          | 140.0             | 140.0            |
| Denominated in Renminbi . . . . .   | 64.3                                  | 36.5           | 23.2           | 21.7              | 23.1             |
| Denominated in Korean Won . . . . .   | 277.6                                 | 700.4          | 845.7          | 903.9             | 926.2            |
|   | <u>812.6</u>                          | <u>1,298.4</u> | <u>1,058.9</u> | <u>1,065.6</u>    | <u>1,089.3</u>   |
| Bank borrowings by type:  |                                       |                |                |                   |                  |
| Corporate . . . . .   | 470.7                                 | 561.5          | 190.0          | 140.0             | 140.0            |
| Bank borrowings held by project companies without recourse . . . . .          | 341.9                                 | 736.9          | 868.9          | 925.6             | 949.3            |
|   | <u>812.6</u>                          | <u>1,298.4</u> | <u>1,058.9</u> | <u>1,065.6</u>    | <u>1,089.3</u>   |
| Weighted average interest rates with respect to our bank borrowings . . . . . | 4.46%                                 | 4.54%          | 4.78%          | 4.66%             | 4.37%            |



## FINANCIAL INFORMATION

The maturity profile of our consolidated bank borrowings, reflecting both our borrowings and non-recourse financing for our projects and unamortized loan raising costs, is as follows:

|  | As of December 31, |         |         | As of             | As of            |
|--|--------------------|---------|---------|-------------------|------------------|
|  | 2011               | 2012    | 2013    | April 30,<br>2014 | July 31,<br>2014 |
|  | (U.S.\$ millions)  |         |         |                   |                  |
| Within one year . . . . .  | 48.6               | 126.3   | 23.0    | 26.3              | 159.3            |
| More than one year but not<br>exceeding two years . . . . .                                      | 114.4              | 338.2   | 92.0    | 189.7             | 80.8             |
| More than two years but not<br>more than five years . . . . .                                    | 447.4              | 289.3   | 350.3   | 212.3             | 218.1            |
| Over five years . . . . .  | 202.2              | 544.6   | 593.6   | 637.3             | 631.1            |
|  | 812.6              | 1,298.4 | 1,058.9 | 1,065.6           | 1,089.3          |
| Less: Amounts due for settlement<br>within one year shown under<br>current liabilities . . . . . | 48.6               | 126.3   | 23.0    | 26.3              | 159.3            |
| Amounts due for settlement after<br>one year. . . . .  | 764.0              | 1,172.1 | 1,035.9 | 1,039.3           | 930.0            |

### ***U.S. Dollar bond***

In August 2013, we completed the issuance of U.S.\$350.0 million 4.0% bonds due 2018 listed on the Stock Exchange (stock code: 5964). The investment grade bonds, which were issued to institutional investors, are backed by a keepwell deed and a deed of equity interest purchase undertaking entered into by us and CGN in favor of the trustee. In addition to the equity interest purchase undertaking, we are subject to additional customary investment grade bond restrictive covenants such as a negative pledge. The outstanding amount of such bond payables as at July 31, 2014 was U.S.\$354.7 million. For details, see “*Relationship with CGN Group – Independence from our Controlling Shareholder – Financial Independence*”.

### ***Term loan***

In June 2012, we entered into a senior term loan facility with China Development Bank Corporation, Hong Kong Branch, amounting to U.S.\$240.0 million, to finance operating working capital. The loan facility is guaranteed by CGN and bears interest at U.S. LIBOR rate plus 3.0%. The amount outstanding of such facility as of July 31, 2014 amounted to U.S.\$140.0 million. We are subject to certain restrictive covenants under this facility, such as restrictions on dividends, indebtedness and other matters.

### ***Shareholder loan***

We recognized a loan from an intermediate holding company of U.S.\$242.3 million for the year ended December 31, 2013 in relation to a loan received from CGNPC International Limited. As of December 31, 2013 and April 30, 2014, we had U.S.\$242.3 million in loan from an intermediate holding company. As part of the Reorganization, we have transferred to CGNPC Huamei and CGNPC Huamei agreed to assume all of the liabilities of our Company under a loan facility provided by

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## FINANCIAL INFORMATION

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CGNPC International Limited to us with an outstanding amount of U.S.\$242.3 million as of July 1, 2014. See “*Our History and Development – Our Reorganization – Transfer of the Disposal Group to CGNPC Huamei*”.

### *Yulchon Company Loan*

On November 15, 2011, Yulchon Company entered into a loan agreement with Shinhan Bank as the arranger and agent for a syndicated loan facility in the aggregate principal amount of up to KRW274.0 billion in relation to Yulchon I Power Project (the “**Yulchon Company Loan**”). The loan agreement requires the Yulchon Company to maintain an equity ratio, which is calculated by dividing total shareholder’s equity by total assets, that does not fall below 20%; and to maintain a minimum debt service coverage ratio, which is calculated by dividing the i) aggregate of the opening cash balance and operating cash flow and financial interest on cash balances by ii) the aggregate of the interest and principal repayment on certain loans, of 1.05 commencing on the last day of each fiscal year. The term loan agreement also contains other customary conditions, restrictive covenants and events of default as well as restrictions prohibiting the Yulchon Company, unless otherwise having obtained prior consent of the agent, from acquiring any additional indebtedness; incurring fundamental changes to its material assets; or amending or modifying its articles of incorporation. As collateral to secure this loan, Meiya Yulchon Power Company Limited pledged certain of its cash accounts and its outstanding shares of Yulchon Company in favor of the lenders, respectively. As of July 31, 2014, we had KRW200.3 billion outstanding for the Yulchon Company Loan.

### *Yulchon Company Loan II*

On November 15, 2011, the Yulchon Company entered into a loan agreement with Shinhan Bank as the arranger and agent for a syndicated loan facility in the aggregate principal amount of up to KRW17.0 billion in relation to the 4.8 MW fuel cell from Yulchon I Fuel Cell Project of the Yulchon Company (the “**Yulchon Company Loan II**”). The loan agreement requires the Yulchon Company to maintain an equity ratio, which is calculated by dividing total shareholder’s equity by total assets, that does not fall below 20%; and to maintain a minimum debt service coverage ratio, which is calculated by dividing the i) aggregate of the opening cash balance and operating cash flow and financial interest on cash balances by ii) the aggregate of the interest and principal repayment on certain loans, of 1.05 commencing on the last day of each fiscal year. The term loan agreement also contains other customary conditions, restrictive covenants and events of default as well as restrictions prohibiting Yulchon Company, unless otherwise having obtained prior consent of the agent, from acquiring any additional indebtedness, incurring fundamental changes to its material assets, or amending or modifying its articles of incorporation. As collateral to secure this loan, the Yulchon Company pledged substantially all of its cash accounts in favor of the lenders. As of July 31, 2014, we had KRW13.2 billion outstanding for the Yulchon Company Loan II.

### *Yulchon Company Loan III*

On November 15, 2011, Yulchon Company entered into a loan agreement with Shinhan Bank as the arranger and agent for a syndicated loan facility in the aggregate principal amount of up to KRW672.0 billion in relation to Yulchon II Power Project (the “**Yulchon Company Loan III**”). The loan agreement requires the Yulchon Company to maintain an equity ratio, which is calculated by dividing total shareholder’s equity by total assets, that does not fall below 20%; and to maintain a minimum debt service coverage ratio, which is calculated by dividing the i) aggregate of the opening cash balance and operating cash flow and financial interest on cash balances by ii) the aggregate of the interest and principal repayment on certain loans, of 1.05 commencing on the last day of each fiscal

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## FINANCIAL INFORMATION

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year. The term loan agreement also contains other customary conditions, restrictive covenants and events of default as well as restrictions prohibiting Yulchon Company, unless otherwise having obtained prior consent of the agent, from acquiring any additional indebtedness; incurring fundamental changes to its material assets; or amending or modifying its articles of incorporation. As collateral to secure this loan, Yulchon Company pledged substantially all of its cash accounts in favor of the lenders. As of July 31, 2014, we had KRW616.3 billion outstanding for Yulchon Company Loan III.

### *Yulchon Company Loan IV*

On November 15, 2011, Yulchon Company entered into a loan agreement with Yulchon Green 1st Co., Ltd., lender for a loan facility in the aggregate principal amount of up to KRW25.0 billion in relation to the 5.6 MW fuel cell power project of the Yulchon Company (the “**Yulchon Company Loan IV**”). The loan facility bears interest at an average of a base yield rate of certain corporate bonds plus 1.9%. The loan agreement requires the Yulchon Company to maintain an equity ratio, which is calculated by dividing total shareholder’s equity by total assets, that does not fall below 20%; and to maintain a minimum debt service coverage ratio, which is calculated by dividing the i) aggregate of the opening cash balance and operating cash flow and financial interest on cash balances by ii) the aggregate of the interest and principal repayment on certain loans, of 1.05 commencing on the last day of each fiscal year. The term loan agreement also contains other customary conditions, restrictive covenants and events of default as well as restrictions prohibiting Yulchon Company, unless otherwise having obtained prior consent of the agent, Shinhan Bank, from acquiring any additional indebtedness; incurring fundamental changes to its material assets; or amending or modifying its articles of incorporation. As collateral to secure this loan, Yulchon Company pledged substantially all of its cash accounts in favor of the lenders. As of July 31, 2014, we had KRW18.6 billion outstanding for Yulchon Company Loan IV.

### *Daesan Company Loan*

On November 15, 2011, Daesan Company entered into a loan agreement with Shinhan Bank as the arranger and agent for a syndicated loan facility in the aggregate principal amount of KRW80.0 billion in relation to Daesan I Power Project (the “**Daesan Loan**”). The loan agreement requires the Daesan Company to maintain a debt to equity ratio, which is calculated by dividing i) total liabilities minus trade payables, accounts payable and the aggregate outstanding principal amount of any accrued and unpaid interest or capitalized interest on borrowings provided by MPC Korea to Daesan Company by ii) the aggregate amount of shareholder’s equity plus the aggregate outstanding principal amount on borrowings provided by MPC Korea to Daesan Company (excluding any accrued and unpaid interest or capitalized interest on borrowings provided by MPC Korea to Daesan Company) that does not exceed 2.50; and to maintain a minimum debt service coverage ratio, which is calculated by dividing i) the aggregate of the opening cash balance including reserves and operating cash flow and financial interest on cash balances by ii) the aggregate of the interest and principal repayment of the loan, of 1.10 commencing on the last day of each fiscal year. The term loan agreement also contains other customary conditions, restrictive covenants and events of default. The Daesan Company provided substantially all of its major assets as collateral for the lenders, including a mortgage on its plants and buildings. As of July 31, 2014, we had KRW64.1 billion outstanding for the Daesan Company Loan.

### *MPC Korea Loan*

On July 1, 2013, MPC Korea entered into a loan agreement with Kookmin Bank and Hana Bank as the co-arrangers and Kookmin Bank as agent for a syndicated loan facility in the aggregate principal amount of up to KRW57.0 billion (the “**MPC Korea Loan**”). The loan facility bears interest at an

## FINANCIAL INFORMATION

average of a base yield rate of certain corporate bonds plus 1.45% or 1.95%, depending on the tranche of the facility from which the loan is drawn. The term loan agreement also contains other customary conditions, restrictive covenants and events of default as well as restrictions prohibiting MPC Korea, unless otherwise having obtained prior consent of the agent, from acquiring any additional indebtedness; incurring fundamental changes to its material assets; or amending or modifying its articles of incorporation. As collateral to secure this loan, MPC Korea pledged substantially all of its cash accounts in favor of the lenders. As of July 31, 2014, we had KRW34.5 billion outstanding for the MPC Korea Loan.

### *Pledged assets for bank borrowings*

In addition to the pledge of our interests in our subsidiaries to secure the above-mentioned loans, we also pledged the following assets to banks under certain of our credit facilities:

|   | As of December 31, |              |              | As of<br>April 30,<br>2014 |
|---|--------------------|--------------|--------------|----------------------------|
|   | 2011               | 2012         | 2013         |                            |
|   | (U.S.\$ millions)  |              |              |                            |
| Property, plant and equipment . . . . .       | 436.8              | 365.3        | 843.2        | 1,215.4                    |
| Pledged bank deposits and restricted cash . . | 30.6               | 233.0        | 109.6        | 100.8                      |
| Land use rights . . . . .                     | 6.5                | 4.1          | 2.6          | 2.6                        |
| Other receivables . . . . .                   | 0.8                | 1.1          | –            | –                          |
| Trade receivables . . . . .                   | 1.8                | –            | –            | –                          |
| <b>Total . . . . .</b>                        | <b>476.5</b>       | <b>603.5</b> | <b>955.4</b> | <b>1,318.8</b>             |

The Directors confirm that our Group has not experienced any material delay or default in the repayment of any bank or other borrowings during the Track Record Period, and confirm that our Group did not breach any finance covenants during the Track Record Period and up to the Latest Practicable Date.

### **CAPITAL COMMITMENTS AND MAJOR EXPENDITURES**

Our capital expenditures principally relate to the acquisition, development, maintenance and upgrade of projects. Our capital expenditures, which is addition to property, plant and equipment, for the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014 were U.S.\$69.8 million, U.S.\$442.0 million, U.S.\$304.8 million and U.S.\$114.2 million, which were primarily used for acquisition, development, maintenance and equipment upgrades in compliance with environmental standards for our projects. Our planned committed capital expenditure for 2014 and 2015 is expected to be U.S.\$132.9 million and U.S.\$21.1 million, respectively, and will primarily be used for developing Fushi II Hydro Project and the combined cycle operation for Yulchon II Power Project as well as investment and development in other projects and upgrading equipment in compliance with environmental standards for our coal-fired, gas-fired and cogen projects. For further information in relation to loans related to Yulchon I Power Project and Yulchon II Power Project, please see “– Liquidity and Capital Resources – Indebtedness – Yulchon Company Loan”, “– Liquidity and Capital Resources – Indebtedness – Yulchon Company Loan II”, “– Liquidity and Capital Resources – Indebtedness – Yulchon Company Loan III” and “– Liquidity and Capital Resources – Indebtedness – Yulchon Company Loan IV”.

## FINANCIAL INFORMATION

We expect to fund our budgeted capital expenditures through cash from operations and non-recourse loan facilities that we already have in place. Our capital expenditure plans are subject to a number of variables, including: possible cost overruns; construction/development delays; the receipt of critical government approvals; availability of financing on acceptable terms; changes in management's views of the desirability of current plans; the identification of new projects and potential acquisitions; and macroeconomic factors such as economic performance and interest rates in the PRC and Korea. There can be no assurance that we will execute our capital expenditure plans as contemplated at or below estimated costs or that we will choose to execute such plans at all. See "*Risk Factors – Risks Relating to our Business and Industry – We require substantial capital for investing in or acquiring new power projects and failure to obtain capital on terms acceptable to us may increase our financing costs and cause delays in our expansion plans*".

### Working Capital

We had a net current asset position of U.S.\$66.8 million as of July 31, 2014. We require cash primarily for our business operation and capital expenditures for the construction and acquisition of new power projects and the expansion and upgrade of existing power projects. Our Directors confirm that, after due and careful inquiry, we have sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus, after taking into account our cash flow and cash position as of the date of this prospectus, and the availability of banking facilities and expected cash generated from our operations.

After due consideration and discussions with our Company's management and based on the above, the Sole Sponsor has no reason to believe that our Company cannot meet the working capital requirements for the 12 month period from the date of this prospectus.

## CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

### Contractual obligations and commitments

Our contractual obligations as of April 30, 2014 were as follows:

|  | Payments Due by Period |                     |                |              |
|--|------------------------|---------------------|----------------|--------------|
|  | Total                  | Less than 1<br>Year | 1 to 5 Years   |              |
|  |                        | (U.S.\$ millions)   |                |              |
| Bank borrowings . . . . .                                | 1,065.6                | 26.3                | 402.0          | 637.3        |
| Bond payables . . . . .                                  | 351.1                  | 2.4                 | 348.7          | –            |
| Loan from an intermediate holding<br>company . . . . .   | 242.3                  | –                   | 242.3          | –            |
| Advances from non-controlling<br>shareholders . . . . .  | 8.1                    | 7.4                 | 0.7            | –            |
| Operating lease obligations <sup>(1)</sup> . . . . .     | 12.5                   | 3.2                 | 6.5            | 2.8          |
| Amounts due to non-controlling<br>shareholders . . . . . | 7.6                    | 7.6                 | –              | –            |
| Amounts due to Disposal Group . . . . .                  | 0.1                    | 0.1                 | –              | –            |
| Amount due to a fellow subsidiary . . . . .              | 1.4                    | 1.4                 | –              | –            |
| <b>Total</b> . . . . .                                   | <b>1,688.7</b>         | <b>48.4</b>         | <b>1,000.2</b> | <b>640.1</b> |

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## FINANCIAL INFORMATION

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*Note:*

- (1) Operating lease obligations are future minimum lease payments that we were committed to make under non-cancellable operating leases for the periods indicated, and related to rentals payable for certain of our premises.

For the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, our contractual obligations were U.S.\$897.7 million, U.S.\$1,373.5 million, U.S.\$1,678.8 million and U.S.\$1,688.7 million, respectively. For the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, our capital expenditure contracted for but not provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment were U.S.\$607.3 million, U.S.\$395.7 million, U.S.\$241.3 million and U.S.\$120.1 million, respectively, and decreased over the Track Record Period in relation to construction costs for Yulchon II Power Project.

### Other commitments

In November 2007, our Company, through a wholly-owned subsidiary, became a 26% shareholder of Indiabulls Power Generation Limited (“**IBPGL**”), a joint venture company established in India to bid for a coal power project in Bhaiyathan, India (the “**Bhaiyathan Project**”). The remaining 74% of the shares of IBPGL was then held by Indiabulls Power Services Limited (“**IPSL**”). In December 2008, pursuant to a scheme of amalgamation, IPSL was amalgamated into Indiabulls Power Limited (then known as Sophia Power Company Limited) (“**IPL**”), whereupon the interests of IPSL in IBPGL were held by IPL.

In December 2007, IBPGL submitted a bid to the Chhattisgarh State Electricity Board (“**CSEB**”) in India to develop the Bhaiyathan Project. Pursuant to the requirements of the bid documents, as IBPGL relied on the technical and financial qualifications of our Company, our Company was required to provide an equity undertaking (the “**Equity Undertaking**”) to CSEB under which we have undertaken that, in the event that IBPGL fails to invest all or part of the amount proposed to be invested by IBPGL into the project under the bid documents, we will invest by way of equity contribution the amount not invested by IBPGL. As part of this arrangement, Indiabulls Real Estate Limited (“**IBREL**”), the then parent company of IPL, provided an indemnity in favour of our Company pursuant to which IBREL has undertaken that, in the event that our Company is called upon to invest more than our 26% equity interest in the Bhaiyathan Project under the Equity Undertaking, it will invest that part of the additional equity not invested by IBPGL so as to ensure that our Company’s total obligations towards the Bhaiyathan Project will not exceed our 26% equity interest in IBPGL. IBPGL was awarded the right to develop the Bhaiyathan Project in 2008.

However, in early 2009, in view of the deteriorating condition of the global financial markets, our Company decided not to proceed with the investment in the Bhaiyathan Project. As a result, IPL proceeded with the Bhaiyathan Project on its own through a new project company, Indiabulls CSEB Bhaiyathan Power Limited (the “**New ProjectCo**”). Accordingly, IBREL provided a new indemnity in favour of our Company pursuant to which IBREL has undertaken that, in the event that our Company is called upon to make any investment in the Bhaiyathan Project under the Equity Undertaking, our Company may require IBREL to make such investment or otherwise perform any obligation in relation to the Bhaiyathan Project (the “**Counter Indemnity**”). Under the Counter Indemnity, IBREL has also agreed to indemnify us against any and all costs, losses, liabilities, claims, actions, damages, fees and expenses arising out of or in connection with the Bhaiyathan Project.



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## FINANCIAL INFORMATION

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In preparation for undertaking the Bhaiyathan Project, the New ProjectCo entered into a number of agreements with CSEB (or its successor) (the “**Project Agreements**”). Under the bid documents, CSEB was required to obtain the clearance from the Ministry of Environment and Forests of India for the fuel linkage allocated to the Bhaiyathan Project by way of captive coal blocks. However, CSEB’s application for the Ministry’s clearance was rejected due to the unsuitability of the site for such use. Since the fuel linkage became unavailable, the undertaking of the Bhaiyathan Project became impossible. As a result, a settlement agreement (the “**Settlement Agreement**”) was entered into between the relevant parties which provide, among others, for the termination of the Project Agreements, payment of certain sums by CSEB to the New ProjectCo as reimbursement of expenses incurred by it and the dissolution of the New ProjectCo.

Whilst the Equity Undertaking was not terminated, our Company is of the view that (i) given the Equity Undertaking was provided in the context of execution of the Bhaiyathan Project, and in light of the subsequent termination of the Bhaiyathan Project and the Project Agreements, there is a strong argument that the Equity Undertaking is infructuous as the fundamental premise upon which the Equity Undertaking was provided has ceased to exist, (ii) the agreed liquidation of the New ProjectCo and the termination of the Bhaiyathan Project further support the argument that our Company’s obligation pursuant to the Equity Undertaking is unlikely to be effective, and (iii) since the Settlement Agreement releases the relevant parties thereto from performing all their obligations under the Project Agreements, including the obligation to undertake the Bhaiyathan Project, it is highly unlikely that our Company would be compelled to perform our obligations under the Equity Undertaking. Our Company has also received Indian legal advice to this effect. The total project cost for the Bhaiyathan Project, had it proceeded, was estimated to be US\$1.6 billion, of which US\$400 million were expected to be funded by equity contribution. In the highly unlikely event that our Company is compelled to perform our obligations under the Equity Undertaking to make any part of this equity contribution, our Company will enforce the Counter Indemnity and request IBREL to perform the obligations so that our Company would be protected. On the basis of the above legal position and the protection under the Counter Indemnity, we consider it is highly unlikely that our Company will incur any actual liability in respect of the Equity Undertaking or the Bhaiyathan Project and hence there will not be any material adverse impact on our business or financial condition. To the knowledge of our Company, the Bhaiyathan Project was not proceeded as of the Latest Practicable Date.

### **Contingent liabilities**

Except as described in the section “*Off-balance Sheet Commitments and Arrangements*” below, as of the Latest Practicable Date, we did not have any contingent liabilities. Save as otherwise disclosed in this prospectus, we are currently not involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us.



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## FINANCIAL INFORMATION

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### RELATED PARTY TRANSACTIONS

Our Company is ultimately controlled by CGN, which is a state-owned enterprise under the direct supervision of the State Council of the PRC, and we enter into various transactions with PRC government-related entities including deposit placements, borrowings, general banking facilities and sales of electricity. With respect to the related parties transactions set out in the Accountants' Report, including those as described in “– *Certain Balance Sheet Items – Amounts due from the Disposal Group, fellow subsidiaries, associates and from a non-controlling shareholder*” and “– *Certain Balance Sheet Items – Amounts due to immediate holding company, non-controlling shareholders, Disposal Group and a fellow subsidiary, dividend payable to immediate holding company, loan from an intermediate holding company and advances from non-controlling shareholders*”, our Directors confirm that these transactions were conducted on an arm's length basis, normal commercial terms and/or terms that are no less favorable than terms available from independent third parties which are considered fair and reasonable and in the interest of our Shareholders as a whole and would not distort our results of operations during the Track Record Period or make the results of operations not reflective of our future performance.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the operating lease obligations, capital expenditure commitments and other commitments set forth above, we have not entered into any material off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

### SUMMARY OF FINANCIAL RATIOS

The following table sets out certain financial ratios and other information derived from the Accountants' Report in Appendix I to this prospectus.

|   | As of and for the year ended December 31, |       |       | As of and<br>for the four<br>months<br>ended<br>April 30, |
|---|---|-------|-------|---|
|   | 2011                                      | 2012  | 2013  | 2014  |
| EBITDA (U.S.\$ millions) <sup>(1)</sup> . . . . . | 133.6                                     | 141.1 | 185.8 | 66.3  |
| Current ratio <sup>(2)</sup> . . . . .            | 1.70                                      | 1.58  | 3.34  | 2.37  |
| Net debt/equity <sup>(3)</sup> . . . . .          | 2.09                                      | 2.90  | 3.01  | 3.06  |
| Operating margin (%) <sup>(4)</sup> . . . . .     | 10.4                                      | 8.6   | 11.1  | 12.4  |
| Net margin (%) <sup>(5)</sup> . . . . .           | 2.6                                       | 4.1   | 6.7   | 6.9   |

*Notes:*

- (1) EBITDA is calculated by adding depreciation and amortization to the operating profit. We present EBITDA in certain tables and discussions in this prospectus in addition to other financial information because we consider EBITDA to be an important performance measure and we believe that EBITDA is used by many industries and investors as one measure of gross cash flow generation. EBITDA should not be considered by an investor as an alternative to cash flow as determined in accordance with generally accepted accounting principles, and is not a standard measure under IFRS. Our calculation of EBITDA may differ from similarly titled computations of other companies.
- (2) Current ratio is calculated by dividing current assets by current liabilities.
- (3) Net debt/equity is calculated as net debt, which is an aggregate of bank borrowings, bond payables and loan from an intermediate holding company less bank balances and cash (including cash under cash-pooling arrangements), divided by total equity, representing the net assets of the Remaining Group.

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## FINANCIAL INFORMATION

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- (4) Operating margin is calculated by dividing operating profit by revenue.
- (5) Net margin is calculated by dividing profit for the year/period by revenue.

### ***Current ratio***

Our current ratio reflects our current assets divided by our current liabilities. Our current ratio decreased from 1.70 as of December 31, 2011 to 1.58 as of December 31, 2012, and increased to 3.34 as of December 31, 2013, and decreased to 2.37 as of April 30, 2014.

### ***Net debt/equity ratio***

Our net debt/equity ratio increased from 2.09 as of December 31, 2011 to 2.90 as of December 31, 2012, primarily due to an increase in new bank borrowings primarily for Yulchon II Power Project, and increased to 3.01 as of December 31, 2013 due to the issuance of U.S.\$350.0 million in bonds in August 2013 and a loan facility provided by CGNPC International Limited of U.S.\$242.3 million, and increased to 3.06 as of April 30, 2014 due to additional project loans drawn for payments in relation to the combined cycle operation for Yulchon II Power Project.

## **QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISK**

We believe that our principal risks arising from our financial instruments are interest rate risk, exchange rate risk and commodity risk from fluctuations in coal prices.

### **Interest rate risk**

We are exposed to interest rate risk resulting from fluctuations in interest rates on our debt with floating interest rates based on market prevailing rates. The weighted average interest rate with respect to our outstanding loans (including bond payables and loan from an intermediate holding company) as of December 31, 2011, 2012 and 2013 and April 30, 2014 was 4.46%, 4.54%, 4.25% and 4.18%, respectively. We undertake debt obligations to support general corporate purposes including capital expenditures and working capital needs. A portion of our indebtedness is subject to floating interest rates or interest rates that are subject to adjustment by our lenders as further described in “*Key Factors Affecting our Results of Operations and Financial Condition – Finance costs*”. We periodically review the ratio of debt with floating interest rates to debt with fixed rates, taking into account the potential impact on our profit, interest coverage and cash flows. We use interest rate swaps to reduce exposure to interest rate fluctuations associated with floating-rate debt as described in “*Business – Hedging*”. We may incur additional floating rate indebtedness as we continue to incur debt financing in connection with the acquisition or construction of additional power projects and upgrades or expansions to our existing power projects. Upward fluctuations in interest rates will increase the cost of new debt. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of our debt obligations.

If interest rates had been 10 basis points higher or lower for pledged bank deposits and restricted cash, and bank balances (excluding bank balances carrying interest rate below 0.1%) of the Group (including the Disposal Group), with all other variables held constant, our profit for the year/period ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014 would increase or decrease by approximately U.S.\$0.1 million, U.S.\$0.2 million, U.S.\$0.2 million and U.S.\$0.1 million, respectively.

## FINANCIAL INFORMATION

If interest rates had been 50 basis points higher or lower for variable-rate bank borrowings of the Group (including the Disposal Group), with all other variables held constant, and taking into account the capitalization effect, our profit for the year/period ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014 would decrease or increase by approximately U.S.\$2.1 million, U.S.\$2.4 million, U.S.\$1.4 million and U.S.\$0.5 million, respectively.

### Foreign currency exchange risk

Our functional currency is U.S. dollars. Our profit is affected by fluctuations in foreign currency exchange rates. We collect substantially all of our revenue from our projects in Renminbi and Korean Won, some of which are converted into foreign currencies to (i) purchase foreign-made equipment and parts for repair and maintenance, (ii) make investments in certain joint ventures or acquire interests from other companies, (iii) pay out dividends to the shareholders of our project companies, and (iv) to service our outstanding debt. We manage and monitor our exposure to foreign currencies to ensure approximate measures are implemented in a timely and effective manner. While our Directors confirm that we currently do not hedge our exchange rate exposure, we have in the past and may in the future enter into foreign currency hedges if and when it becomes economical to do so. Our results for any single period may not be comparable with those of other periods or future periods.

The Renminbi is not a freely convertible currency. The PRC government may take actions that could cause future exchange rates to vary significantly from current or historical exchange rates. Fluctuations in exchange rates may adversely affect the value, translated or converted into U.S. dollars, of our net assets, earnings and any dividends we or our associates declare.

The following table sets out certain foreign currency exchange rates against the U.S. dollar used for the conversion of financial figures for the periods indicated.

|                      | For the year ended December 31, |         |         | For the four months ended April 30, |         |
|----------------------|---------------------------------|---------|---------|-------------------------------------|---------|
|                      | 2011                            | 2012    | 2013    | 2013                                | 2014    |
| Renminbi . . . . .   | 6.445                           | 6.311   | 6.190   | 6.254                               | 6.135   |
| Korean Won . . . . . | 1,110.6                         | 1,125.1 | 1,094.7 | 1,097.0                             | 1,062.5 |

Our foreign exchange (losses) gains in the periods indicated are as follows:

|   | For the year ended December 31, |      |      | For the four months ended April 30, |      |
|---|---------------------------------|------|------|-------------------------------------|------|
|   | 2011                            | 2012 | 2013 | 2013                                | 2014 |
| Foreign exchange (losses) gains<br>(U.S.\$ millions). . . . .             | (0.6)                           | 1.3  | 0.4  | (0.8)                               | 0.5  |
| As a percentage of revenue for the<br>financial year/period (%) . . . . . | (0.1)                           | 0.1  | 0.0  | (0.3)                               | 0.2  |

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## FINANCIAL INFORMATION

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Our foreign currency translation gains (losses), which are recorded as part of shareholders' equity, for the periods indicated are as follows:

|  | For the year ended December 31, |      |      | For the four months ended April 30, |       |
|--|---------------------------------|------|------|-------------------------------------|-------|
|  | 2011                            | 2012 | 2013 | 2013                                | 2014  |
| Foreign currency translation gains<br>(losses)<br>(U.S.\$ millions) . . . . .                          | 16.0                            | 18.8 | 20.1 | (5.2)                               | (3.4) |
| As a percentage of shareholders'<br>equity as of the end of the<br>relevant financial year/period (%). | 6.7                             | 6.0  | 5.2  | (1.6)                               | (0.9) |

### Commodity risk

We are exposed to fluctuations in the prices of the raw materials we require for the production of power, namely coal, oil and gas. The price of coal used in power generation in the PRC has become increasingly subject to shortages in supply and rising prices. The cost of coal, oil and gas accounted for 77.3%, 80.1%, 79.9% and 75.5% of our operating expenses for the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, respectively, and 59.4%, 63.1%, 64.8% and 48.5% of the operating expenses of our associates for the years ended December 31, 2011, 2012 and 2013 and for the four months ended April 30, 2014, respectively. However, fluctuations in the prices of our fuel costs are typically reflected in the corresponding adjustments to tariffs for our projects. We currently do not hedge against fluctuations in the price of our raw materials.

### Treasury policy

Our Board and management set treasury policies that are subject to periodic internal review. Our treasury policies are intended to mitigate financial risks related to fluctuations in foreign exchange rates, interest rates, fuel costs and liquidity. Under our treasury policies, we may use forward contracts and derivatives for hedging transactions and for managing our Group's assets and liabilities. For every hedging transaction, we perform a detailed review of the costs and benefits. The review is submitted to the Board for review and approval. No hedging contracts are signed without Board approval. We control our exposure to potential losses from hedging activities by identifying and limiting our maximum potential losses up to a capped amount. For interest rate hedging, the capped amount is determined as the difference between the market floating rate and the fixed rate that we secured, multiplied by the notional amount under the hedging contract. For fuel cost hedging and foreign exchange rate hedging, the capped amount is the value of the option we purchased at a certain strike price. We have not, and have no plans to, use any derivative financial instrument for any speculative purpose.

### Internal controls and cash management

We maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business. We have a cash management system involving our management team responsible for functions in the treasury cycle, including cash receipts, cash disbursements, reconciliation of balances, investment management, debt management, among others. Authorization controls are important due to the magnitude of many of the transactions in the treasury cycle and often reflect major decisions by our management. Appropriate authorization must be obtained for all activities

## FINANCIAL INFORMATION

in our treasury cycle, including opening and use of bank accounts, payment, purchase and sale, among others. We have also established substantiation and evaluation controls because they are effective tools in the detection of misstatements. Reconciliation of detail records for cash, advance and expense accounts with bank statements occurs on a regular basis.

### CERTAIN BALANCE SHEET ITEMS

#### Trade receivables

Set out below are certain details of our trade receivables and trade receivable turnover days during the periods indicated:

|   | As of December 31, |              |             | As of<br>April 30,<br>2014 <sup>(1)</sup> |
|---|--------------------|--------------|-------------|---|
|   | 2011               | 2012         | 2013        |   |
|   | (U.S.\$ millions)  |              |             |   |
| Trade receivables . . . . .                             | 132.6              | 125.9        | 97.3        | 144.2                                     |
| Less: allowance for doubtful debts . . . . .            | (0.2)              | (0.3)        | (0.1)       | (0.1)                                     |
| <b>Total</b> . . . . .                                  | <b>132.4</b>       | <b>125.6</b> | <b>97.2</b> | <b>144.1</b>                              |
|   | As of December 31, |              |             | As of<br>April 30,<br>2014                |
|   | 2011               | 2012         | 2013        |   |
| Trade receivable turnover days <sup>(2)</sup> . . . . . | 64.0               | 49.2         | 34.2        | 55.6                                      |

*Notes:*

- (1) As of April 30, 2014, our trade receivables amounted to U.S.\$144.1 million, of which U.S.\$143.3 million had been collected as of July 31, 2014.
- (2) The trade receivable turnover days is calculated by dividing the closing trade receivable balance for the period by revenue for that period, multiplied by 365 days for the years ended December 31, 2011, 2012 and 2013 and multiplied by 120 days for the four months ended April 30, 2014.

Trade receivables mainly comprise amounts receivable from the sales of electricity and steam. The decrease in trade receivables from U.S.\$132.4 million as of December 31, 2011 to U.S.\$125.6 million as of December 31, 2012 was primarily attributable to a decrease in trade receivables in relation to our Korean projects as a portion of receivables for November 2011, which are typically settled at the end of the month, were settled in January 2012 as December 31, 2011 was a Saturday. Trade receivables further decreased to U.S.\$97.2 million as of December 31, 2013 primarily due to lower net generation of Daesan I Power Project during December 2013 as compared to December 2012, and increased to U.S.\$144.1 million as of April 30, 2014 due to an increase in trade receivables in relation to the combined cycle power generation of Yulchon II Power Project during the commissioning period.

## FINANCIAL INFORMATION

The following table sets out an aging analysis of our trade receivables that are past due but not impaired:

|                         | As of December 31, |          |            | As of                            |
|-------------------------|--------------------|----------|------------|----------------------------------|
|                         | 2011               | 2012     | 2013       | April 30,<br>2014 <sup>(1)</sup> |
|                         | (U.S.\$ millions)  |          |            |                                  |
| 1-90 days . . . . .     | 0.3                | –        | 3.7        | 1.6                              |
| 91-180 days . . . . .   | –                  | –        | –          | –                                |
| Over 181 days . . . . . | –                  | –        | –          | –                                |
| <b>Total</b> . . . . .  | <b>0.3</b>         | <b>–</b> | <b>3.7</b> | <b>1.6</b>                       |

*Note:*

- (1) As of April 30, 2014, our trade receivables that were past due but not impaired amounted to U.S.\$1.6 million, of which U.S.\$0.8 million had been collected as of July 31, 2014.

As a result of the foregoing and an increase in revenue during the Track Record Period, our trade receivable turnover days decreased from 64.0 days in 2011 to 49.2 days in 2012, further decreased to 34.2 days in 2013, and increased to 55.6 days for the four months ended April 30, 2014.

As of April 30, 2014, 1.2% of the trade receivables were either past due or impaired, which had all been collected as of July 31, 2014. In principal, we do not foresee significant credit risk for our electricity customers. For steam customers, we assess the potential customer's credit quality before accepting any new customer, and require long-term deposits equivalent to about 15 to 30 days of the customer steam sales as collateral. Thereafter, customer credit worthiness is assessed on a continuing basis, and the deposits are refundable at the end of the steam supply contract.

Trade receivables also include receivables with a carrying amount of approximately U.S.\$0.5 million, U.S.\$0.3 million, U.S.\$3.8 million and U.S.\$1.7 million that are past due as of December 31, 2011, 2012 and 2013 and April 30, 2014, respectively. We have made provisions for such receivables that amounted to U.S.\$0.2 million, U.S.\$0.3 million, U.S.\$0.1 million and U.S.\$0.1 million as of December 31, 2011, 2012 and 2013 and April 30, 2014, respectively, that we consider to be impaired. In determining the recoverability of a trade receivable, we consider any change in the credit quality of the trade receivable from the date credit was initially granted up to the balance sheet date. Our credit period is normally 30 to 90 days from the billing date.

To minimize credit risk, our management has a dedicated team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. We review the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. Accordingly, our Directors believe that no further allowance is required in excess of the allowance for bad and doubtful debt.

## FINANCIAL INFORMATION

### Other receivables and prepayments

|                                    | As of December 31, |             |             | As of             |
|------------------------------------|--------------------|-------------|-------------|-------------------|
|                                    | 2011               | 2012        | 2013        | April 30,<br>2014 |
|                                    | (U.S.\$ millions)  |             |             |                   |
| Prepayments and deposits . . . . . | 10.6               | 17.1        | 8.1         | 10.5              |
| Other receivables . . . . .        | 2.3                | 19.8        | 7.8         | 7.1               |
| <b>Total . . . . .</b>             | <b>12.9</b>        | <b>36.9</b> | <b>15.9</b> | <b>17.6</b>       |

Other receivables and payments primarily include prepayments and deposits paid to suppliers and VAT receivables. Our other receivables and prepayments increased from U.S.\$12.9 million as of December 31, 2011 to U.S.\$36.9 million as of December 31, 2012 primarily due to a VAT refund relating to construction costs for Yulchon II Power Project and an increase in prepayments relating to maintenance costs and decreased to U.S.\$15.9 million as of December 31, 2013 due to a decrease in VAT refund and a decrease in prepayments to suppliers, and increased to U.S.\$17.6 million as of April 30, 2014 due to an increase in prepayments to suppliers by Yulchon I Power Project, Yulchon II Power Project and Nantong Cogen Power Project.

Prepayments mainly consist of prepayments paid to our suppliers for the purchase of coal, oil and gas and prepaid repair and maintenance fees, which are consistent with industry practice. The increases in prepayments during the Track Record Period primarily resulted from higher repair and maintenance prepayments.

### Trade payables

The following tables set out an aging analysis of trade payables and trade payable turnover days for the periods indicated:

|                        | As of December 31, |              |              | As of                            |
|------------------------|--------------------|--------------|--------------|----------------------------------|
|                        | 2011               | 2012         | 2013         | April 30,<br>2014 <sup>(1)</sup> |
|                        | (U.S.\$ millions)  |              |              |                                  |
| 0 – 60 days . . . . .  | 99.1               | 123.1        | 101.7        | 138.1                            |
| 61 – 90 days . . . . . | 6.5                | 3.6          | 1.3          | 0.7                              |
| Over 90 days . . . . . | 0.7                | 2.3          | 1.7          | 1.0                              |
| <b>Total . . . . .</b> | <b>106.3</b>       | <b>129.0</b> | <b>104.7</b> | <b>139.8</b>                     |

|  | As of December 31, |      |      | As of             |
|--|--------------------|------|------|-------------------|
|  | 2011               | 2012 | 2013 | April 30,<br>2014 |
| Trade payable turnover days <sup>(2)</sup> . . . . . | 74.2               | 69.0 | 51.9 | 81.5              |

Notes:

(1) As of April 30, 2014, our trade payables amounted to U.S.\$139.8 million, of which U.S.\$138.1 million had been settled as of July 31, 2014.



## FINANCIAL INFORMATION

- (2) Trade payable turnover days is calculated by dividing the closing trade payable balance for the period by coal, oil and gas expenses for that period, multiplied by 365 days for the years ended December 31, 2011, 2012 and 2013 and multiplied by 120 days for the four months ended April 30, 2014.

Trade payables principally comprise amounts outstanding for trade purchases, including for procurement of fuel. Our trade payables increased from U.S.\$106.3 million as of December 31, 2011 to U.S.\$129.0 million as of December 31, 2012 due to an increase in payables related to fuel for Daesan I Power Project as a result of increased power generation in December 2012 as compared to December 2011, offset by a decrease in trade payables related to our PRC projects as a result of faster settlements of payables. Trade payables decreased to U.S.\$104.7 million as of December 31, 2013 primarily due to a decrease in trade payables relating to fuel costs for Daesan I Power Project due to lower net generation in December 2013 as compared to December 2012, and increased to U.S.\$139.8 million as of April 30, 2014 due to an increase in trade payables in relation to the combined cycle power generation of Yulchon II Power Project during the commissioning period. The average credit period on our trade payables is within 90 days.

As a result of the foregoing, our trade payable turnover days decreased from 74.2 days in 2011 to 69.0 days in 2012, decreased to 51.9 days in 2013 and increased to 81.5 days for the four months ended April 30, 2014.

### Other payables and accruals

|  | As of December 31, |             |             | As of             |
|--|--------------------|-------------|-------------|-------------------|
|  | 2011               | 2012        | 2013        | April 30,<br>2014 |
|  | (U.S.\$ millions)  |             |             |                   |
| Other payables and accruals                      |                    |             |             |                   |
| Construction payable . . . . .                   | 10.1               | 66.6        | 10.0        | 47.5              |
| Staff costs payable . . . . .                    | 6.6                | 8.1         | 10.1        | 7.4               |
| Accrued listing expenses . . . . .               | –                  | –           | 6.9         | 5.9               |
| Accrued interest expense on borrowings . . . . . | 3.9                | 4.2         | 1.2         | 0.7               |
| VAT payable . . . . .                            | 3.6                | 1.9         | 5.7         | 14.4              |
| Others . . . . .                                 | 14.4               | 14.4        | 17.4        | 20.5              |
| <b>Total . . . . .</b>                           | <b>38.6</b>        | <b>95.2</b> | <b>51.3</b> | <b>96.4</b>       |

Other payables and other accruals increased from U.S.\$38.6 million as of December 31, 2011 to U.S.\$95.2 million as of December 31, 2012 primarily due to an increase in construction costs related to Yulchon II Power Project, and decreased to U.S.\$51.3 million as of December 31, 2013 primarily due to settlement of construction costs payables in relation to Yulchon II Power Project, and increased to U.S.\$96.4 million as of April 30, 2014 due to accrued construction costs related to the combined cycle operation of Yulchon II Power Project.

## FINANCIAL INFORMATION

### Inventories

The following table sets out a breakdown of our inventories and the average inventory turnover days during the Track Record Period:

|                                    | As of December 31, |             |                     | As of                            |
|------------------------------------|--------------------|-------------|---------------------|----------------------------------|
|                                    | 2011               | 2012        | 2013                | April 30,<br>2014 <sup>(1)</sup> |
|                                    | (U.S.\$ millions)  |             |                     |                                  |
| Coal and oil . . . . .             | 17.2               | 14.7        | 16.4                | 15.0                             |
| Spare parts and supplies . . . . . | 11.9               | 11.0        | 11.7 <sup>(2)</sup> | 13.9                             |
| <b>Total . . . . .</b>             | <b>29.1</b>        | <b>25.7</b> | <b>28.1</b>         | <b>28.9</b>                      |

|   | As of December 31, |      |      | As of             |
|---|--------------------|------|------|-------------------|
|   | 2011               | 2012 | 2013 | April 30,<br>2014 |
| Fuel inventory turnover days <sup>(3)</sup> . . . . . | 31.0               | 18.9 | 27.7 | 40.4              |

*Notes:*

- (1) As of April 30, 2014, our inventories amounted to U.S.\$28.9 million, of which U.S.\$9.8 million had been subsequently used as of July 31, 2014.
- (2) Includes a provision of U.S.\$0.2 million in relation to obsolete materials.
- (3) The average fuel inventory turnover days is calculated by dividing the closing inventory balance of coal and oil for the period by the fuel costs for our coal-fired, cogen, steam and oil projects for that period, multiplied by 365 days for the years ended December 31, 2011, 2012 and 2013 and multiplied by 120 days for the four months ended April 30, 2014.

Our inventories as of December 31, 2011, 2012 and 2013 and April 30, 2014 were U.S.\$29.1 million, U.S.\$25.7 million, U.S.\$28.1 million and U.S.\$28.9 million, respectively. Inventories decreased from December 31, 2011 to December 31, 2012 was primarily due to a decrease in coal prices as well as the destocking of coal inventory and increased to U.S.\$28.1 million as of December 31, 2013 due to a delay in delivery of oil to Daesan I Power Project that was supposed to be delivered at the end of December 2012, and increased slightly to U.S.\$28.9 million as of April 30, 2014 due to an increase in spare parts and supplies for Yulchon II Power Project.

As a result of the foregoing, our fuel inventory turnover days decreased from 31.0 days in 2011 to 18.9 days in 2012, and increased to 27.7 days for the year ended December 31, 2013, and increased to 40.4 days for the four months ended April 30, 2014. Our inventory policy is to keep appropriate levels of spare parts and supplies for expected usage and fuel based on market conditions.

### Interests in associates

Our interests in associates as of December 31, 2011, 2012 and 2013 and April 30, 2014 were U.S.\$119.6 million, U.S.\$131.3 million, U.S.\$174.6 million and U.S.\$179.0 million, respectively. Interests in associates increased from December 31, 2011 to December 31, 2012, primarily due to the share in profits of Huangshi I Power Project and Huangshi II Power Project, and further increased to

## FINANCIAL INFORMATION

December 31, 2013 primarily due to further capital investments in Huangshi II JV as well as the share in profits of Huangshi I Power Project and Huangshi II Power Project, and increased to April 30, 2014 due to the share in profits of Huangshi I Power Project and Huangshi II Power Project.

### Other assets

Our other assets which include prepayments for maintenance, insurance and usage rights of electricity transmission facilities and deposits for acquisition of property, plant and equipment, amounted to U.S.\$13.1 million, U.S.\$11.6 million, U.S.\$24.8 million and U.S.\$27.4 million as of December 31, 2011, 2012 and 2013 and April 30, 2014, respectively.

### Amounts due from the Disposal Group, fellow subsidiaries, associates and from a non-controlling shareholder

|  | As of December 31, |              |              | As of<br>April 30,<br>2014 |
|--|--------------------|--------------|--------------|----------------------------|
|  | 2011               | 2012         | 2013         |                            |
|  | (U.S.\$ millions)  |              |              |                            |
| Trade related:   |                    |              |              |                            |
| Amounts due from a non-controlling shareholder . . . . . | 1.5                | –            | 1.6          | –                          |
| Non-trade related:                                       |                    |              |              |                            |
| Amounts due from the Disposal Group . . . . .            | 188.4              | 221.3        | 253.1        | 246.0                      |
| Amounts due from fellow subsidiaries . . . . .           | 8.0                | 10.4         | 0.1          | 13.7                       |
| Amounts due from associates . . . . .                    | 8.7                | –            | 32.5         | 32.3                       |
| Amounts due from a non-controlling shareholder . . . . . | 1.3                | 1.0          | 1.0          | 0.9                        |
| <b>Total</b> . . . . .                                   | <b>207.9</b>       | <b>232.7</b> | <b>288.3</b> | <b>293.0</b>               |

Amounts due from the Disposal Group represent intercompany balances due from the subsidiaries under the Disposal Group. The amounts due from the Disposal Group has been transferred to CGNPC Huamei upon Reorganization prior to the Listing Date. As of December 31, 2011, 2012 and 2013 and April 30, 2014, we had U.S.\$188.4 million, U.S.\$221.3 million, U.S.\$253.1 million and U.S.\$246.0 million, respectively, due from the Disposal Group.

Amounts due from fellow subsidiaries represent amounts due from CGNPC Huasheng and CGN Finance in regards to cash-pool arrangements. As of December 31, 2011, 2012 and 2013 and April 30, 2014, we had U.S.\$8.0 million, U.S.\$10.4 million, U.S.\$0.1 million and U.S.\$13.7 million, respectively, due from fellow subsidiaries.

Amounts due from associates mainly represent dividend receivables from Huangshi I Power Project and Huangshi II Power Project. As of December 31, 2011 and 2013 and April 30, 2014, we had U.S.\$8.7 million, U.S.\$32.5 million and U.S.\$32.3 million, respectively, due from associates. We expect the amounts due from associates to be settled by the end of 2014.

After the Listing Date, we will continue having amounts due from associates which primarily consist of dividend receivables, while we believe there will be no additional advances to our related companies.

## FINANCIAL INFORMATION

### Amounts due to immediate holding company, non-controlling shareholders, Disposal Group and a fellow subsidiary, dividend payable to immediate holding company, loan from an intermediate holding company and advances from non-controlling shareholders

Set out below are details of the amounts due to related companies:

|   | As of December 31,  |                    |                     | As of               |
|---|---------------------|--------------------|---------------------|---------------------|
|   | 2011                | 2012               | 2013                | April 30,<br>2014   |
|   | (U.S.\$ millions)   |                    |                     |                     |
| Non-trade related:                                      |                     |                    |                     |                     |
| Amounts due to immediate holding company . . . . .      | 50.5                | 50.5               | –                   | –                   |
| Dividend payable to immediate holding company . . . . . | 33.0                | 33.0               | –                   | –                   |
| Advances from non-controlling shareholders . . . . .    | 9.5                 | 8.0                | 8.3                 | 8.1                 |
| Amounts due to non-controlling shareholders . . . . .   | 11.4                | 5.2                | 5.3                 | 7.6                 |
| Loan from an intermediate holding company . . . . .     | –                   | –                  | 242.3               | 242.3               |
| Amounts due to Disposal Group . . . . .                 | 0.1                 | 1.3                | 3.4                 | 0.1                 |
| Amount due to a fellow subsidiary . . . . .             | –                   | –                  | –                   | 1.4                 |
| <b>Total . . . . .</b>                                  | <b><u>104.5</u></b> | <b><u>98.0</u></b> | <b><u>259.3</u></b> | <b><u>259.5</u></b> |

Amounts due to immediate holding company represent intercompany balances due to CGNPC Huamei. Amounts due to immediate holding company decreased from U.S.\$50.5 million as of December 31, 2012 to none as of December 31 2013 due to the settlement of the amounts due to CGNPC Huamei.

Dividend payable to immediate holding company represents dividends owed to CGNPC Huamei. Dividend payable to immediate holding company decreased from U.S.\$33.0 million as of December 31, 2012 to none as of December 31, 2013 due to the settlement of dividends owed to CGNPC Huamei.

Advances from non-controlling shareholders primarily represent advances from Guangxi Chongzuo Huiyuan Hydropower Company in relation to plant construction costs payable. As of December 31, 2011, 2012 and 2013 and April 30, 2014, we had U.S.\$9.5 million, U.S.\$8.0 million, U.S.\$8.3 million and U.S.\$8.1 million, respectively, in advances from non-controlling shareholders.

We believe there will be no additional advances from these non-controlling shareholders after the Listing Date. However, the balances are not expected to be fully repaid before the Listing Date.

Amounts due to non-controlling shareholders primarily represent amounts due to Guangxi Chongzuo Huiyuan Hydropower Company, Baosteel, Mianyang Sanjiang Engineering Company and Through In Industries Limited that mainly represent construction cost payable. Amounts due to non-controlling shareholders decreased from U.S.\$11.4 million as of December 31, 2011 to U.S.\$5.2 million as of December 31, 2012 mainly due to a reversal of an investment commitment by Puguang Power Project, and remained stable at U.S.\$5.3 million as of December 31, 2013, and increased to U.S.\$7.6 million as of April 30, 2014 due to an increase in dividend payable to Baosteel.

## FINANCIAL INFORMATION

We recognized a loan from an intermediate holding company of U.S.\$242.3 million for the year ended December 31, 2013 in relation to a loan received from CGNPC International Limited, which remained the same as of April 30, 2014. The loan from an intermediate holding company has been transferred to CGNPC Huamei upon Reorganization prior to the Listing Date. See “*Our History and Development – Our Reorganization – Transfer of the Disposal Group to CGNPC Huamei*”.

Amounts due to Disposal Group represent intercompany balances due to subsidiaries under the Disposal Group. The amounts due to Disposal Group has been transferred to CGNPC Huamei upon Reorganization prior to the Listing Date. As of December 31, 2011, 2012 and 2013 and April 30, 2014, we had U.S.\$0.1 million, U.S.\$1.3 million, U.S.\$3.4 million and U.S.\$0.1 million, respectively, due to the Disposal Group.

We recognized an amount due to a fellow subsidiary of U.S.\$1.4 million as at April 30, 2014 in relation to an amount due to CGN Energy. The amount due to a fellow subsidiary has been settled prior to the Listing Date.

### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted consolidated net tangible assets of our Group which has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if the Global Offering had taken place on April 30, 2014 and based on the audited consolidated net tangible assets of the Group attributable to owner of the Company as of April 30, 2014 as shown in the Accountants’ Report set out in Appendix I of this prospectus and adjusted as described below.

|  | Audited<br>consolidated net<br>tangible assets<br>of the Group<br>attributable to<br>owner of the<br>Company as of<br>April 30, 2014 | Estimated net<br>proceeds from<br>the Global<br>Offering | Unaudited pro<br>forma adjusted<br>consolidated net<br>tangible assets<br>of the Group<br>attributable to<br>owners of the<br>Company | Unaudited pro forma adjusted<br>consolidated net tangible assets of<br>the Group attributable to owners of<br>the Company per Share |                                     |
|--|--|--|---|---|-------------------------------------|
|  | (U.S.\$ '000) <sup>(1)</sup>   | (U.S.\$ '000) <sup>(2)</sup>                             | (U.S.\$ '000)   | (U.S.\$) <sup>(3)</sup>   | (Equivalent to HK\$) <sup>(4)</sup> |
| Based on an Offer Price of<br>HK\$1.57 per Share . . . . . | 791,530  | 195,511  | 987,041   | 0.2387  | 1.85                                |
| Based on an Offer Price of<br>HK\$1.73 per Share . . . . . | 791,530  | 216,152  | 1,007,682   | 0.2437  | 1.89                                |

*Notes:*

- (1) The amount is calculated based on audited consolidated net assets of the Group attributable to owner of the Company as at April 30, 2014 amounting to US\$793,965,000, extracted from the Accountants’ Report of the Group set out in Appendix I of this prospectus and adjusted for goodwill of a subsidiary and an associate of approximately US\$844,000 and US\$1,591,000, respectively.
- (2) The estimated net proceeds from the Global Offering are based on 1,033,934,000 Shares at the Offer Price of HK\$1.57 and HK\$1.73 per Share, respectively, after deduction of the estimated underwriting fees and other related expenses expected to be incurred by the Group subsequent to April 30, 2014 and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option, or any Shares which may be issued or repurchased pursuant to the Company’s general mandate. The estimated net proceeds from the Global Offering are

## FINANCIAL INFORMATION

converted from Hong Kong dollars into United States dollars at an exchange rate of HK\$7.75 to US\$1, which was the rate prevailing on September 5, 2014. No representation is made that Hong Kong dollars have been, could have been or may be converted to United States dollars amounts, or vice versa, at that rate or at all.

- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 4,135,734,000 Shares, assuming 1,033,934,000 Shares expected to be issued pursuant to the Global Offering and 3,101,800,000 Shares issued pursuant to the shareholder resolutions of the Company dated September 15, 2014 and repurchase of 100,000 ordinary shares of US\$0.4 each had been taken place as at April 30, 2014. It is without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, or any Shares which may be issued or repurchased pursuant to the Company's general mandate.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted from United States dollars to Hong Kong Dollars at an exchange rate of HK\$7.75 to US\$1, which was the rate prevailing on September 5, 2014. No representation is made that United States dollars amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.
- (5) The financial information of the Group as at April 30, 2014 set out in the Accountants' Report included net tangible assets of the Disposal Group as they formed an integral part of the Group's business as at April 30, 2014. Pursuant to the Reorganisation, the equity interest in the Disposal Group has been transferred to the immediate holding company subsequent to April 30, 2014. In addition, the Group has declared a special dividend to set off against the net amounts due from Disposal Group held in the book of the Company at the date of the Disposal. Taking into account of the transfer of the Disposal Group and the special dividend declared, the unaudited pro forma adjusted consolidated net tangible assets of the Group after completion of the transfer of the Disposal Group and the special dividend attributable to owners of the Company per Share would be as follows:

|   | <b>Unaudited pro forma adjusted<br/>consolidated net tangible assets<br/>of the Group excluding the Disposal<br/>Group and after the special dividend<br/>attributable to owners of the<br/>Company per Share</b> |                             |
|---|---|-----------------------------|
|   | <b>U.S.\$</b>   | <b>(Equivalent to HK\$)</b> |
| Based on an Offer Price of HK\$1.57 per Share . . . . . | 0.1431  | 1.11                        |
| Based on an Offer Price of HK\$1.73 per Share . . . . . | 0.1481  | 1.15                        |

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## FINANCIAL INFORMATION

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### DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

#### Dividend Policy

In 2011, we declared a dividend of U.S.\$33.0 million which we paid in 2013. Such dividends were paid in cash and out of our distributable profits. In 2014, we declared and paid a dividend of U.S.\$3.3 million to CGNPC Huamei, which was offset by a cash payment payable by CGNPC Huamei in 2014 pursuant to the Reorganization. Our Directors consider the dividend payments made not to be indicative of our future dividend policy. We expect to distribute no less than 15% of our annual distributable earnings as dividends. The declaration and payment of dividends may be limited by certain covenants of our loans. Our Directors are of the opinion that the amount of dividends to be declared in the future, if any, will depend on, among other things, our results of operations, general financial condition and cash flows, operating and capital requirements, the amount of distributable profits based on the generally accepted accounting principles of Hong Kong, the PRC and Korea, the laws and regulations of Hong Kong, the PRC and Korea with respect to repatriation and withholding tax of dividends and distributions, other applicable laws and regulations and other factors that our Directors deem relevant. Investors should consider the risks affecting our Group contained in the section headed “*Risk Factors*” in this prospectus.

#### Distributable Reserves

The aggregate amount of reserves available for distribution to equity shareholders of our Company as of April 30, 2014 was approximately U.S.\$545.9 million. As part of our Reorganization, we made a distribution in kind and deemed distribution from our Company’s contributed surplus and retained earnings to CGNPC Huamei in the amount of approximately U.S.\$184.9 million and U.S.\$210.5 million, respectively, on July 1, 2014. A portion of the contributed surplus for distribution to CGNPC Huamei was from the proceeds of our share premium reduction prior to the Reorganization. Please see the section headed “*Our History and Development – Our Reorganization*” in this prospectus.

### DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

Other than the CGN keepwell deed and deed of equity interest purchase undertaking in relation to our U.S.\$350.0 million unsecured bonds due in 2018 as described in “*Financial Information – Liquidity and Capital Resources – Indebtedness*,” our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure obligation pursuant to Rules 13.13 to 13.19 of the Listing Rules upon the listing of our Shares on the Stock Exchange.

### NO OTHER OUTSTANDING INDEBTEDNESS

Save as disclosed in this prospectus, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities as of April 30, 2014, being our indebtedness statement date. Our Directors confirm that, as of the Latest Practicable Date, there is no material change in our Company’s indebtedness since April 30, 2014, and there are no external financing plans save as disclosed in the prospectus.



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## FINANCIAL INFORMATION

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### NO MATERIAL ADVERSE CHANGE

We confirm that there has not been any material adverse change in our financial or trading position since April 30, 2014 to the date of the prospectus.

### PROPOSED ACQUISITION

#### The Xinjiang Project

On December 22, 2011, our Company entered into a joint development agreement (the “**Joint Development Agreement**”) with two independent third parties, being the vendor (the “**Vendor**”) and an individual who is an indirect shareholder of, and director at, both the Vendor and the target company (the “**Target Company**”) (collectively, the “**Parties**”). Pursuant to the Joint Development Agreement, upon the satisfaction of certain conditions, our Company will acquire 100% interest of the Target Company from the Vendor (the “**Proposed Acquisition**”).

The Target Company, through its 93% shareholding in the project company (the “**Project Company**”), owns the right to develop a wind farm project in the north eastern part of Xinjiang Uyghur Autonomous Region of the PRC with a potential to expand to 300 MW (the “**Xinjiang Project**”). The other 7% interest in the Project Company is owned by an independent third party. The Joint Development Agreement also provides that the Parties will cooperate in the development of the Xinjiang Project, including the obtaining of all requisite regulatory approvals, and the design, ownership, construction and operation of the Xinjiang Project.

As of the Latest Practicable Date, the Proposed Acquisition is still pending and has not yet proceeded to completion as the Parties are still undertaking steps to obtain all of the requisite regulatory approvals for the development and construction of the Xinjiang Project and final commercial negotiation. The requisite regulatory approvals for the development and construction of the Xinjiang Project have not been obtained for more than two years following the signing of the Joint Development Agreement in 2011 because of transmission grid congestions resulting from the limited capacity of the existing transmission infrastructures in absorbing current generations and new power projects being commissioned in Xinjiang Uyghur Autonomous Region. As of the Latest Practicable Date, we understand that the Xinjiang Project has obtained the preliminary grid connection opinion from the grid company which is a critical step for the Xinjiang Project to obtain the other necessary project approvals.

#### Project Information

The Xinjiang Project site covers a gross area of 36 sq.km, which will be developed in six phases of not more than 50 MW each with a total planned installed capacity of 300 MW. It is located in a region where average wind speed at 70m height is 9.1m/sec. The estimated gross annual average full load operation hours are 3,538 hours. We expect the Xinjiang Project, if consummated, would require a total investment of approximately RMB430 million for Phase I of the project.

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## FINANCIAL INFORMATION

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### **Key Terms of the Joint Development Agreement**

#### *Consideration*

Under the Joint Development Agreement, the total consideration payable by our Company for the acquisition of 100% interest in the Target Company is RMB10 million. In addition, our Company has agreed that, for a period of 10 years from the commercial operation of the Xinjiang Project, it will share with the Vendor 50% of the dividend that it will receive from the Project Company after retaining that part of the dividend that allows our Company to derive a 15% return on equity from its investment in the Project Company. The above consideration for the acquisition of 100% interest in the Target Company was determined based on arm's length negotiation between the parties, taking into consideration of industry average construction costs, project return and corporate strategy. The expected 15% return on equity is higher than our asset acquisition policy which requires a target equity internal rate of return of 10.0% for PRC projects. Accordingly, we consider that the future profitability of this project, should it be successful, would satisfy our investment criteria. Based on the current terms of the Proposed Acquisition under the Joint Development Agreement, we intend to use our internal cash to satisfy the cash consideration payable by our Company.

#### *Reason for entering into the Joint Development Agreement*

The Xinjiang Project is a potential expansion for our Group to develop wind power project that is in line with our Group's business focus on acquiring clean and renewable power generation projects.

#### *Definitive Documentation*

Under the Joint Development Agreement, the Parties shall agree to negotiate and agree to detailed terms and conditions of the definitive documentation for the transaction. The completion is subject to the issuance and signing of all relevant reports, approvals and agreements for the Xinjiang Project in the name of the Project Company, and the satisfactory audit of the actual paid-up capital in the Project Company. In view of the development in the attainment of the project approval as mentioned above, the Parties are currently proceeding with the commercial negotiations on the final terms and conditions for the Proposed Acquisition by our Company. Accordingly, time may be required for the Parties to reach an agreement on the final terms and conditions and there may be uncertainty involved in terms of reaching the final agreement. Even if the final terms and conditions for the Proposed Acquisition could be agreed, they may be different from the original terms of the Joint Development Agreement.

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## FUTURE PLANS AND USE OF PROCEEDS FROM THE GLOBAL OFFERING

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### FUTURE PLANS

See the section headed “*Business – Business Strategy*” in this prospectus for a detailed description of our future plans.

### USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$1,532 million (assuming an Offer Price of HK\$1.65 per Offer Share, being the mid-point of the Offer Price range), after deducting the underwriting fees and commissions and estimated expenses payable by us in relation to the Global Offering and assuming that the Over-allotment Option is not exercised.

We intend to use the net proceeds we will receive from the Global Offering for the following purposes:

- approximately HK\$1,072 million representing approximately 70% of the net proceeds will be used to selectively acquire clean and renewable power projects from CGN. See “*Business – Power Project Pipeline.*” Subject to market conditions, regulatory approval and independent Shareholders approval, as required under the Listing Rules, if applicable, we expect to use these proceeds in the near term and in any event by the end of 2015; and
- approximately HK\$460 million representing approximately 30% of the net proceeds will be used for acquisition of operational power projects and development of greenfield projects acquired from independent third parties. Subject to market conditions, regulatory approval and Shareholders approval, as required under the Listing Rules, if applicable, we expect to use these proceeds in the near term and in any event by the end of 2015. In particular, we intend to apply part of the net proceeds to satisfy the equity portion for the development of a greenfield wind power project if we are successful in purchasing the requisite development rights for such project from an independent third party. See “*Business – Power Project Pipeline.*”

The above allocation of proceeds will be adjusted on a pro rata basis in the event the Offer Price is fixed at a higher or lower level compared to the mid-point of the Offer Price range or if the Over-allotment Option is exercised.

If the Over-allotment Option is exercised in full, we estimate that we will receive an additional HK\$247 million from the Global Offering (assuming an Offer Price of HK\$1.65 per Offer Share, being the mid-point of the Offer Price range), after deducting the underwriting fees and commissions and estimated expenses payable by us in relation to the Global Offering.

If the Offer Price is fixed at HK\$1.73 per Offer Share (being the high end of the Offer Price range), we will receive additional net proceeds of approximately HK\$80 million (assuming that the Over-allotment Option is not exercised) or HK\$92 million (assuming that the Over-allotment Option is exercised in full).

If the Offer Price is fixed at HK\$1.57 per Offer Share (being the low end of the Offer Price range), the net proceeds we receive will be reduced by approximately HK\$80 million (assuming that the Over-allotment Option is not exercised) or HK\$92 million (assuming that the Over-allotment Option is exercised in full).

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## FUTURE PLANS AND USE OF PROCEEDS FROM THE GLOBAL OFFERING

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As at the Latest Practicable Date, we have not identified the projects that we intend to acquire from the CGN Group by exercising our acquisition rights under the non-competition deed (please see “*Relationship with CGN Group – Non-competition Deed and Undertakings – Right to Acquire the Retained Business*” for details). The CGN Group is required to obtain requisite PRC regulatory approvals prior to the transfer of any part of the Retained Business to us. The process for seeking such approvals will only commence after the Listing when the Non-competition Deed becomes effective. In addition, as many of the operational clean and renewable power projects of the CGN Group have only been in operation for less than three years, it would be more advantageous to us if we can consider (i) the latest financial and operational data of the projects of the CGN Group; and (ii) the latest regulatory and business development in the relevant sub-sectors of the industry before we select the projects to be acquired from the CGN Group in order for us to ascertain which of the projects is able to meet the target equity internal rate of return under our asset acquisition policy and to make an informed assessment and evaluation of the performance and potential of such projects for the benefit of the Shareholders. Our asset acquisition policy requires a target equity internal rate of return of 12.0% for overseas projects and 10.0% for PRC projects. See “*Business – Power Project Pipeline*” for details.

Currently, we estimate that the first batch of acquisitions from the CGN Group would be undertaken by the end of 2015 as we believe the CGN Group can obtain the relevant PRC regulatory approvals by that time.

We have not as of the Latest Practicable Date determined the exact breakdown of the proceeds to be applied towards the various power projects in the pipeline. The application of proceeds towards these projects depends on the acquisition of these projects which is in turn dependent on many factors, such as the receptiveness of the seller or joint venture party, the progress in the obtaining of governmental approvals and permits and whether other more favorable opportunities arise. We are continually reviewing our current and prospective opportunities and may replace or supplement any pipeline projects with others, pending market conditions.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws, rules and regulations, we intend to deposit the net proceeds into short-term deposits and/or money market instruments.

In the event that there is any change in our acquisition and development plans, including events and circumstances such as failure to obtain requisite approvals, changes in governmental policies which would render any of the above projects not commercially viable, events of force majeure, or the emergence of new acquisition or development opportunities comparable or superior to the projects currently contemplated in the above use of proceeds, our Directors will carefully evaluate the situation and may reallocate the intended funding to other existing or new projects and/or hold such funds on short-term deposits as our Directors consider to be in our interests and those of our shareholders taken as a whole. In the event of any material variation to the use of proceeds as described above, we will issue an announcement and make a disclosure in our annual report for the relevant year as required by the Stock Exchange.

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## UNDERWRITING

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### HONG KONG UNDERWRITER(S)

Morgan Stanley Asia Limited  
Guotai Junan Securities (Hong Kong) Limited  
J.P. Morgan Securities (Asia Pacific) Limited  
BOCI Asia Limited  
The Hongkong and Shanghai Banking Corporation Limited  
ICBC International Securities Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

The Hong Kong Underwriting Agreement was entered into on September 18, 2014. As described in the Hong Kong Underwriting Agreement, we are offering the Hong Kong Public Offer Shares for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein, and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for the Hong Kong Public Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus and the Application Forms.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

##### *Grounds for Termination*

The respective obligations of the Hong Kong Underwriters to subscribe or to procure subscribers for the Hong Kong Public Offer Shares will be subject to termination by notice in writing from the Joint Global Coordinators, for themselves and on behalf of the Hong Kong Underwriters, after consultation with our Company to the extent reasonably practicable, at any time prior to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
  - (i) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, Korea, the United States, the United Kingdom, the European Union (or any member thereof) or Japan (each a “**Relevant Jurisdiction**”);
  - (ii) any change or development involving a prospective change or development, or any event or series of events likely to result in a change or development involving a prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory

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## UNDERWRITING

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- or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any Relevant Jurisdiction; or
- (iii) any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities, acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, outbreaks of diseases pandemics or epidemics, in each case beyond the control of the Hong Kong Underwriters; or
  - (iv) any moratorium, suspension or limitation on trading in shares or securities generally on the Stock Exchange, the Korean Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange; or
  - (v) any (A) change or prospective change in exchange controls, currency exchange rates or foreign investment regulations or (B) any change or prospective change in taxation in any Relevant Jurisdiction adversely affecting an investment in our Shares; or
  - (vi) the issue or requirement to issue by our Company of a supplemental or amendment to the prospectus, Application Forms, preliminary offering circular or offering circular or other documents in connection with the offer and sale of our Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange or the SFC, in circumstances where the matter to be disclosed could, in the opinion of the Joint Global Coordinators, adversely affect the marketing for or implementation of the Global Offering; or
  - (vii) any litigation or claim that has or is likely to give rise to a material adverse change being threatened or instigated against any member of our Group (“**Group Company**”); or
  - (viii) a governmental authority or a regulatory body or organisation in any Relevant Jurisdiction commencing any investigation or other proceedings, or announcing an intention to investigate or take other proceedings, against any Group Company; or
  - (ix) any executive Director being charged with an indictable offence or prohibited by operation of laws or otherwise disqualified from taking part in the management of the Group; or
  - (x) any material adverse change in the earnings, business, business prospects, financial or trading position or financial conditions of our Group taken as a whole; or
  - (xi) any petition being presented for the winding-up or liquidation of any Group Company or any Group Company making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or

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## UNDERWRITING

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which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

- (A) is or will or may be likely give rise to material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities business, affairs, management prospects, shareholders' equity, results of operations, position or financial condition, or performance of our Company and the other members of our Group taken as a whole; or
  - (B) has or will have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for under the Hong Kong Public Offering or the International Offering; or
  - (C) makes or will make it impracticable or inadvisable or incapable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms and the formal notice; or
  - (D) would have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) there has come to the notice of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):
- (i) a prohibition on our Company for whatever reason from allotting or selling our Shares (including the Shares to be issued upon the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
  - (ii) that any written statement contained in this prospectus and the Application Forms (the "**Hong Kong Public Offering Documents**") and/or any notices, announcements, advertisements, communications issued by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become untrue, incomplete, incorrect or misleading in any material respect or any forecasts, estimate, expressions of opinion, intention or expectation expressed in the Hong Kong Public Offering Documents and/or any notices, announcements, advertisements, communications so issued are not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or
  - (iii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes a material omission therefrom; or
  - (iv) either (a) there has been a material breach of any of the representations, warranties, undertakings or provisions of the Hong Kong Underwriting Agreement by our Company or (b) any of the representations, warranties and undertakings given by our Company in the Hong Kong Underwriting Agreement is (or would when repeated be) untrue, incorrect, incomplete or misleading in any material respect; or



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## UNDERWRITING

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- (v) any of the reporting accountant, the PRC legal adviser or the technical consultant of our Company has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports or legal opinions (as the case may be); or
- (vi) any event, act or omission which gives or is likely to give rise to any liability of our Company pursuant to the indemnities given by our Company under the Hong Kong Underwriting Agreement if such liability materially and adversely affect the business or financial position of our Group taken as a whole; or
- (vii) our Company has withdrawn this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

### **Undertakings to the Stock Exchange pursuant to the Listing Rules**

#### *Undertakings by our Company*

Pursuant to Rule 10.08 of the Listing Rules, except pursuant to the Global Offering or any issue of shares or securities in compliance with Rules 10.08(1) to (4) of the Listing Rules, our Company will not, at any time within six months from the Listing Date, issue any shares or other securities convertible into equity securities of our Company or enter into any agreement or arrangement to issue such shares or securities (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering (including the exercise of the Over-allotment Option) or the circumstances prescribed by Rule 10.08 of the Listing Rules.

#### *Undertakings by the Controlling Shareholders*

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange, except pursuant to the Global Offering (including pursuant to the Over-allotment Option or, if applicable, the stock borrowing arrangement that may be entered into with the Stabilizing Manager or any of its associates or any person acting for it), that it will not, and shall procure that any other registered holder(s) (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

- (i) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the “**Parent Shares**”); or
- (ii) during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Parent Shares if, immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that, during the First Six-month Period and the Second Six-month Period, it will:

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## UNDERWRITING

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- (i) if it pledges or charges any of our securities beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and
- (ii) if it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities will be disposed of, immediately inform us of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters, if any, by the Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

### **Undertakings by our Company pursuant to the Hong Kong Underwriting Agreement**

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to the Sole Sponsor, Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters, and CGNPC Huamei has agreed to procure that, except pursuant to the Global Offering (including for the offer, allotment and issue of the Offer Shares pursuant to the Global Offering including pursuant to the exercise of the Over-allotment Option), at any time after the date of the Hong Kong Underwriting Agreement and until the expiry of the First Six-month Period, our Company will not, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities convertible into equity securities of our Company (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares or any other securities of our Company);
- (b) enter into any transaction with the same economic effect as any transaction specified in (a) above; or
- (c) offer to or agree to or announce any intention to effect any transaction specified in (a) or (b) above,

in each case, whether the transaction is to be settled by delivery of Shares or such other securities of our Company (whether or not the allotment or issue of Shares or such other securities of the Company will be completed within the First Six-Month Period).

### **Undertakings by CGNPC Huamei**

CGNPC Huamei has undertaken to us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, it will not (save as pursuant to the Global Offering, including pursuant to any exercise of the Over-Allotment Option and

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## UNDERWRITING

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to the Stock Borrowing Agreement), at any time during the First Six-Month Period, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of our Company), or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or any other securities of our Company or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of our Company), or
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether the transaction is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise.

During the Second Six-Month Period, CGNPC Huamei will not enter into any of the transactions specified in sub-paragraphs (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a controlling shareholder of our Company.

### **The International Offering**

In connection with the International Offering, it is expected that our Company and CGNPC Huamei will enter into the International Underwriting Agreement with the Joint Global Coordinators and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Offer Shares being offered pursuant to the International Offering or procure purchasers for such International Offer Shares.

Our Company will grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until Friday, October 24, 2014, being the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require our Company to allot and issue, up to an aggregate of 155,090,000 additional Shares, together representing 15% of the number of Shares initially being offered under the Global Offering, at the Offer Price to solely cover over-allocations in the International Offering, if any.

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## UNDERWRITING

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It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

### **Commission and Expenses**

Under the terms and conditions of the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive a gross underwriting commission of 2.8% on the aggregate Offer Price payable for the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission. For unsubscribed Hong Kong Public Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters (but not the Hong Kong Underwriters). Our Company may also in our sole discretion pay the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) an additional incentive fee of up to 0.5% in the aggregate of the sale proceeds of the Shares offered by us under the Hong Kong Public Offering.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK\$1.65 per Share (being the mid-point of the indicative Offer Price range of HK\$1.57 to HK\$1.73 per Share), the aggregate commissions and fees, together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering to be borne by our Company are estimated to amount to approximately U.S.\$22.3 million in aggregate.

### **Indemnity**

We and CGNPC Huamei have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from the performance of their respective obligations under the Hong Kong Underwriting Agreement and any breach by us or CGNPC Huamei, respectively, of the Hong Kong Underwriting Agreement.

### **Hong Kong Underwriters Interests in our Company**

Save for their respective obligations under the Hong Kong Underwriting Agreement or as otherwise disclosed in this prospectus, and, if applicable, the stock borrowing arrangement that may be entered into between the Stabilizing Manager or any of its affiliates or any person acting for it with CGNPC Huamei, none of the Hong Kong Underwriters is interested legally or beneficially in any shares of any of our members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members in the Global Offering.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

### **Sole Sponsor's Independence**

Morgan Stanley Asia Limited satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

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## UNDERWRITING

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### RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

### ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the relevant rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed “*Structure of the Global Offering*” in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the

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## UNDERWRITING

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Offer Shares) whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Morgan Stanley Asia Limited is the Sole Sponsor of the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offering of 103,396,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the section headed “*The Hong Kong Public Offering*”; and
- (ii) the International Offering of an aggregate of 930,538,000 Offer Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, and in the United States to QIBs in reliance on Rule 144A or another exemption from the registration requirements under the U.S. Securities Act.

Up to 155,090,000 Offer Shares may be offered pursuant to the exercise of the Over-allotment Option constituting approximately 15% of the number of Offer Shares initially being offered under the Global Offering.

Investors may apply for Hong Kong Public Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 25.0% of the enlarged issued share capital of our Company immediately after completion of the Global Offering, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraphs headed “*Over-allotment Option*” below.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

### THE HONG KONG PUBLIC OFFERING

#### Number of Shares initially offered

We are initially offering 103,396,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Public Offer Shares will represent approximately 2.5% of our Company’s enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.



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## STRUCTURE OF THE GLOBAL OFFERING

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Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraphs headed “*Conditions of the Hong Kong Public Offering*” below.

### **Applications**

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant’s application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$1.73 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraphs headed “*Pricing and Allocation*” below, is less than the maximum Offer Price of HK\$1.73 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed “*How to Apply for Hong Kong Public Offer Shares*” in this prospectus.

### **Conditions of the Hong Kong Public Offering**

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (i) the Listing Committee granting approval for the listing of, and permission to deal in, our Shares in issue (including the Shares that may be allocated pursuant to the exercise of the Over-allotment Option) and our Shares to be issued pursuant to the Global Offering (subject only to allotment);
- (ii) the Offer Price being duly determined;
- (iii) the execution and delivery of the International Underwriting Agreement on the Price Determination Date; and
- (iv) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional (including, if relevant, as a result of the waiver of any condition by the Joint Global Coordinators for and on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 8:00 a.m. on Friday, October 3, 2014.

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## STRUCTURE OF THE GLOBAL OFFERING

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If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters) on or before Monday, September 29, 2014, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “*How to Apply for Hong Kong Public Offer Shares – 14. Dispatch/Collection of Share Certificates and Refund Monies*” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

### THE INTERNATIONAL OFFERING

The International Offering will consist of an initial offering of 930,538,000 Offer Shares, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering and approximately 22.5% of our Company’s enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Stabilizing Manager or its affiliates or any person acting for it may over-allocate up to and not more than an aggregate of 155,090,000 additional Shares, which is approximately 15% of the Shares initially available under the Global Offering, and cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part or by using Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangement (as detailed below) or a combination of these means.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

### OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of

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## STRUCTURE OF THE GLOBAL OFFERING

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155,090,000 additional Offer Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering, to solely cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of our enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

### STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, the Stabilizing Manager has been or will be appointed as stabilizing manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules, as amended, under the SFO and hence, there is no obligation on the Stabilizing Manager, its affiliates or any persons acting for it, to conduct any such stabilizing action. Such stabilizing action, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilization actions permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, include (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in our Shares;

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## STRUCTURE OF THE GLOBAL OFFERING

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- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager, its affiliates or any person acting for it, will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of our Shares;
- no stabilizing action can be taken to support the price of our Shares for longer than the stabilization period which will begin on the Listing Date, and is expected to expire on Friday, October 24, 2014, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, acquiring the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilization period.

### STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager or any of its affiliates or any person acting for it may choose to borrow up to 155,090,000 Shares (being the maximum number of Shares which may be issued upon exercise of the Over-allotment Option) from CGNPC Huamei pursuant to the Stock Borrowing Agreement expected to be entered into between the Stabilizing Manager or its affiliates or any person acting for it and CGNPC Huamei on or about September 25, 2014, or acquire Shares from other sources, including exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price.

If such Stock Borrowing Agreement with CGNPC Huamei is entered into, it will only be effected by the Stabilizing Manager or any of its affiliates or any person acting for it for settlement of over-allocations in the International Offering and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with, being that (i) the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering; (ii) the maximum number of Shares to be borrowed from CGNPC Huamei pursuant to the Stock Borrowing Agreement is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option; (iii) the same number of Shares so borrowed must be returned to CGNPC Huamei or its nominees, as the case may be, on or before the third business day following the earlier of (x) the last day for exercising the Over-allotment Option, and (y) the day on which the Over-allotment Option is exercised in full; (iv) the stock borrowing arrangement

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## STRUCTURE OF THE GLOBAL OFFERING

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will be effected in compliance with all applicable laws, rules and regulatory requirements; and (v) no payments will be made to CGNPC Huamei by the Stabilizing Manager or its affiliates or any person acting for it in relation to such stock borrowing arrangement.

### PRICING AND ALLOCATION

#### Pricing

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Thursday, September 25, 2014 and in any event on or before Monday, September 29, 2014, by agreement between the Joint Global Coordinators, on behalf of the Underwriters, and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per Offer Share under the International Offering based on the Hong Kong dollar price per Offer Share under the International Offering, as determined by the Joint Global Coordinators, on behalf of the Underwriters, and our Company. The Offer Price per Offer Share under the Hong Kong Public Offering will be fixed at the Hong Kong dollar amount which, when increased by the 1.0% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee payable thereon, is (subject to any necessary rounding) effectively equivalent to the Hong Kong dollar price per Offer Share under the International Offering. The SFC transaction levy and the Stock Exchange trading fee otherwise payable by investors in the International Offering on Offer Shares purchased by them will be paid by us.

The Offer Price will not be more than HK\$1.73 per Offer Share and is expected to be not less than HK\$1.57 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators, on behalf of the Underwriters, and our Company, will be fixed within such revised offer price range. Before submitting applications for the Hong Kong Public Offer Shares, applicants should have regard to the possibility

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## STRUCTURE OF THE GLOBAL OFFERING

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that any announcement of a reduction in the number of Offer Shares and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include such information as agreed with the Stock Exchange which may change materially as a result of any such reduction. In the absence of any such notice of reduction published as described in this paragraph, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon with our Company and the Joint Global Coordinators, will under no circumstances be set outside the offer price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised).

### **Allocation**

#### ***Allocation under the Hong Kong Public Offering***

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Offer Shares, and those applicants who are not successful in the ballot may not receive any Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (subject to the reallocation of the Offer Shares between the Hong Kong Public Offering and the International Offering referred to below) is to be divided into two pools for allocation purposes: pool A and pool B. The Offer Shares in pool A will consist of 51,698,000 Offer Shares and will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Offer Shares in pool B will consist of 51,698,000 Offer Shares and will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value of pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 51,698,000 Offer Shares, being the number of Offer Shares initially allocated to each pool, are to be rejected.

#### ***Allocation under the International Offering***

The International Offering will include selective marketing of Offer Shares to QIBs in the United States in reliance on Rule 144A, as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Allocation of Offer Shares pursuant to the



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## STRUCTURE OF THE GLOBAL OFFERING

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International Offering will be effected in accordance with the “book-building” process described in the paragraphs headed “*Pricing and Allocation*” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base for the benefit of our Company and its shareholders as a whole.

### ***Reallocation***

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, or (iii) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 310,184,000 Offer Shares (in the case of (i)), 413,576,000 Offer Shares (in the case of (ii)) or 516,968,000 Offer Shares (in the case of (iii)), representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may, in their discretion, reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators will have the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

### **DEALING**

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, October 3, 2014, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, October 3, 2014. Our Shares will be traded in board lots of 2,000 Shares each.

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Friday, October 3, 2014 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “*Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination*” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or prior to the Share certificates bearing valid certificates of title do so entirely at their own risk.



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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### 1 HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at [www.hkeipo.hk](http://www.hkeipo.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the HK eIPO White Form Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2 WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (within the meaning of Regulation S under the U.S. Securities Act) or are a person described in paragraph h(3) of Rule 902 of Regulation S; and
- are not a legal or natural person of the PRC.

If you apply online through the HK eIPO White Form Service Provider, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the HK eIPO White Form service for the Hong Kong Public Offer Shares.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for or indicated an interest in any Offer Shares under the International Offering.

### 3 APPLYING FOR HONG KONG PUBLIC OFFER SHARES

#### Which Application Channel to Use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through [www.hkeipo.hk](http://www.hkeipo.hk).

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, September 19, 2014 until 12:00 noon on Wednesday, September 24, 2014 from:

- (i) any of the following offices of the Hong Kong Underwriters:

|  |  |
|--|--|
| <b>Morgan Stanley Asia Limited</b>                   | 46/F, International Commerce Centre<br>1 Austin Road West<br>Kowloon<br>Hong Kong        |
| <b>Guotai Junan Securities (Hong Kong) Limited</b>   | 27th Floor, Low Block<br>Grand Millennium Plaza<br>181 Queen's Road Central<br>Hong Kong |
| <b>J.P. Morgan Securities (Asia Pacific) Limited</b> | 28/F Chater House<br>8 Connaught Road<br>Central<br>Hong Kong                            |

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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|  |   |
|--|---|
| <b>BOCI Asia Limited</b>   | 26/F, Bank of China Tower<br>1 Garden Road<br>Hong Kong |
| <b>The Hongkong and Shanghai<br/>Banking Corporation Limited</b> | 1 Queen's Road Central<br>Hong Kong                     |
| <b>ICBC International Securities<br/>Limited</b>                 | 37/F, ICBC Tower<br>3 Garden Road<br>Hong Kong          |

(ii) any of the branches of the following receiving bank:

### **Industrial and Commercial Bank of China (Asia) Limited**

|                             | <b>Branch Name</b>                           | <b>Address</b>  |
|-----------------------------|--|---|
| <b>Hong Kong<br/>Island</b> | Queen's Road Central<br>Branch               | 122-126 Queen's Road Central, Central   |
|                             | West Point Branch<br>Wan Chai Road<br>Branch | 242-244 Queen's Road West, Sai Ying Pun<br>G/F Times Media Centre, No.133 Wan Chai Road |
|                             | North Point Branch                           | G/F, 436-438 King's Road, North Point   |
|                             | <b>Kowloon</b>                               | Tsimshatsui Branch  |
|                             | Mongkok Branch                               | G/F., Belgian Bank Building,<br>721-725 Nathan Road, Mongkok                            |
|                             | Hung Hom Branch                              | Shop 2A, G/F, Hung Hom Shopping Mall,<br>2-34E Tak Man Street, Hung Hom                 |
|                             | Kwun Tong Branch                             | Shop 5 & 6, 1/F, Crocodile Center,<br>79 Hoi Yuen Road, Kwun Tong                       |
| <b>New Territories</b>      | Tseung Kwan O<br>Branch                      | Shop Nos. 2011-2012, Level 2, Metro City,<br>Plaza II, 8 Yan King Road, Tseung Kwan O   |
|                             | Tai Po Branch                                | Shop F, G/F, Mee Fat Building,<br>No 34-38 Tai Wing Lane, Tai Po                        |

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, September 19, 2014 until 12:00 noon on Wednesday, September 24, 2014 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited – CGN Meiya Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Friday, September 19, 2014 – 9:00 a.m. to 5:00 p.m.
- Saturday, September 20, 2014 – 9:00 a.m. to 1:00 p.m.
- Monday, September 22, 2014 – 9:00 a.m. to 5:00 p.m.
- Tuesday, September 23, 2014 – 9:00 a.m. to 5:00 p.m.
- Wednesday, September 24, 2014 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, September 24, 2014, the last application day or such later time as described in "*Effect of Bad Weather on the Opening of the Applications Lists*" in this section.

#### 4 TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the HK eIPO White Form service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Bye-laws;
- (ii) agree to comply with the Hong Kong Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Bye-laws;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- (vi) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund check(s) in person;

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the HK eIPO White Form Service Provider by you or by anyone as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
  - (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and
  - (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional Instructions for YELLOW Application Form**

You may refer to the **YELLOW** Application Form for details.

## **5 APPLYING THROUGH HK EIPO WHITE FORM SERVICE**

### **General**

Individuals who meet the criteria in the “*Who Can Apply*” section above may apply through the HK eIPO White Form service for the Offer Shares to be allotted and registered in their own names through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

Detailed instructions for application through the HK eIPO White Form service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the HK eIPO White Form Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the HK eIPO White Form service.

### **Time for Submitting Applications under the HK eIPO White Form**

You may submit your application to the HK eIPO White Form Service Provider at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, September 19, 2014 until 11:30 a.m. on Wednesday, September 24, 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, September 24, 2014 or such later time under the “*Effect of Bad Weather on the Opening of the Applications Lists*” in this section.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### No Multiple Applications

If you apply by means of HK eIPO White Form, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the HK eIPO White Form service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the HK eIPO White Form more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the HK eIPO White Form service or by any other means, all of your applications are liable to be rejected.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

## 6 APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

### General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited  
Customer Service Center  
2/F, Infinitus Plaza  
199 Des Voeux Road Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.



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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

### **Giving Electronic Application Instructions to HKSCC via CCASS**

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
  - (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
  - confirm that you understand that our Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Joint Global Coordinators, the Underwriters and their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, the receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving of **electronic application instructions** to apply for Hong Kong Public Offer Shares;

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Hong Kong Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Bye-laws; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

### Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Public Offer Shares. Instructions for more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- (i) Friday, September 19, 2014 – 9:00 a.m. to 8:30 p.m.<sup>(1)</sup>

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- (ii) Saturday, September 20, 2014 – 8:00 a.m. to 1:00 p.m.<sup>(1)</sup>
- (iii) Monday, September 22, 2014 – 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- (iv) Tuesday, September 23, 2014 – 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- (v) Wednesday, September 24, 2014 – 8:00 a.m.<sup>(1)</sup> to 12:00 noon

*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, September 19, 2014 until 12:00 noon on Wednesday, September 24, 2014 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, September 24, 2014, the last application day or such later time as described in “*Effect of Bad Weather on the Opening of the Application Lists*” in this section.

### **No Multiple Applications**

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### **Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### **Personal Data**

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### 7 WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the HK eIPO White Form service is also only a facility provided by the HK eIPO White Form Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the HK eIPO White Form service will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, September 24, 2014.

### 8 HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the HK eIPO White Form service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9 HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the HK eIPO White Form service in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Each application or **electronic application** instruction in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “*Structure of the Global Offering – Pricing and Allocation.*”

### 10 EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, September 24, 2014. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, September 24, 2014 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “*Expected Timetable*”, an announcement will be made in such event.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### 11 PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on Tuesday, September 30, 2014 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese), on our Company's website at [www.cgnmeiyapower.com](http://www.cgnmeiyapower.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner specified below:

- in the announcement to be posted on our Company's website at [www.cgnmeiyapower.com](http://www.cgnmeiyapower.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Tuesday, September 30, 2014;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, September 30, 2014 to 12:00 midnight on Monday, October 6, 2014;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, September 30, 2014 to Tuesday, October 7, 2014 (excluding any day which is Saturday, Sunday or a public holiday in Hong Kong);
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, September 30, 2014 to Saturday, October 4, 2014 at all the receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "*Structure of the Global Offering.*"

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12 CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG PUBLIC OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to HK eIPO White Form Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or



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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Joint Global Coordinators, the HK eIPO White Form Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Hong Kong Public Offer Shares is void:**

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- your **electronic application** instructions through the HK eIPO White Form service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering.

### 13 REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$1.73 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "*Structure of the Global Offering – The Hong Kong Public Offering – Conditions of the Hong Kong Public Offering*" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the check or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, September 30, 2014.

### 14 DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund check(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund checks and share certificates are expected to be posted on or around Tuesday, September 30, 2014. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, October 3, 2014 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### **(i) If you apply using a WHITE Application Form**

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund check(s) and/or share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, September 30, 2014 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund check(s) and/or Share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund check(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, September 30, 2014, by ordinary post and at your own risk.

#### **(ii) If you apply using a YELLOW Application Form**

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund check(s) will be sent to the address on the relevant Application Form on Tuesday, September 30, 2014, by ordinary post and at your own risk.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, September 30, 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

***If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)***

For Hong Kong Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS Participant.

***If you are applying as a CCASS investor participant***

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "*Publication of Results*" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, September 30, 2014, or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

**(iii) If you apply through the HK eIPO White Form service**

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, September 30, 2014, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund checks.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, September 30, 2014 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund check(s) by ordinary post at your own risk.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### (iv) If you apply via Electronic Application Instructions to HKSCC

#### *Allocation of Hong Kong Public Offer Shares*

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

#### *Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, September 30, 2014, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "*Publication of Results*" above on Tuesday, September 30, 2014. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, September 30, 2014 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, September 30, 2014. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, September 30, 2014.

### 15 ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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## **HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES**

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All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from our Company's auditors and independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong. As described in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix IX, a copy of the accountants' report is available for inspection.



德勤·關黃陳方會計師行  
香港金鐘道88號  
太古廣場一座35樓

Deloitte Touche Tohmatsu  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

19 September 2014

The Directors  
CGN Meiya Power Holdings Co., Ltd.  
Morgan Stanley Asia Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to CGN Meiya Power Holdings Co., Ltd. 中國廣核美亞電力控股有限公司 (the "Company", formerly known as CGN Renewable Energy Holdings Company Limited and Meiya Power Company Limited) and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2013 and the four months ended 30 April 2014 (the "Track Record Period") for inclusion in the prospectus of the Company dated 19 September 2014 in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Prospectus").

The Company was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act 1981 on 28 September 1995.

At the end of each reporting period and at the date of this report, the Company has equity interest in the following subsidiaries, associates and a joint venture:

| Name of subsidiaries                                    | Place of establishment/<br>incorporation | Date of establishment/<br>incorporation | Registered capital/<br>issued and fully<br>paid-up share capital        | Attributable equity interest<br>held by the Group |      |          |                                  |                | Principal<br>activities |
|---|--|---|---|---|------|----------|----------------------------------|----------------|-------------------------|
|   |  |   |   | 31 December                                       |      | 30 April | At the date<br>of this<br>report |                |                         |
|   |  |   |   | 2011  | 2012 | 2013     |                                  | 2014           |                         |
| <b>Direct</b>   |  |   |   |   |      |          |                                  |                |                         |
| China U.S. Power Partners I,<br>Ltd. . . . .            | Bermuda                                  | 8 February 1995                         | Issued capital of<br>US\$12,000 and<br>paid-up capital of<br>US\$12,000 | 100%  | 100% | 100%     | 100%                             | - <sup>#</sup> | Inactive                |
| China U.S. Power Partners I<br>(BVI), Limited . . . . . | British Virgin<br>Island ("BVI")         | 16 November 2007                        | Issued capital of US\$1<br>and paid-up capital of<br>US\$1              | 100%  | 100% | 100%     | 100%                             | - <sup>#</sup> | Investment<br>holding   |
| Huamei Holding Company<br>Limited . . . . .             | Bermuda                                  | 29 November 2013                        | Issued capital of<br>US\$10,000 and<br>paid-up capital of<br>US\$10,000 | -   | -    | 100%     | 100%                             | - <sup>#</sup> | Inactive                |



**APPENDIX I**
**ACCOUNTANTS' REPORT**

| Name of subsidiaries                                      | Place of establishment/<br>incorporation | Date of establishment/<br>incorporation | Registered capital/<br>issued and fully<br>paid-up share capital | Attributable equity interest<br>held by the Group |      |      |          |                                  | Principal<br>activities |
|---|--|---|--|---|------|------|----------|----------------------------------|-------------------------|
|   |  |   |  | 31 December                                       |      |      | 30 April | At the date<br>of this<br>report |                         |
|   |  |   |  | 2011  | 2012 | 2013 | 2014     |                                  |                         |
| Meiya Haian Cogen Power (BVI) Limited . . . . .           | BVI                                      | 16 November 2007                        | Issued capital of US\$1 and paid-up capital of US\$1             | 100%  | 100% | 100% | 100%     | 100%                             | Investment holding      |
| Meiya Haian Cogen Power Limited . . . . .                 | Cayman Islands                           | 10 October 2002                         | Issued capital of US\$1 and paid-up capital of US\$1             | 100%  | 100% | 100% | 100%     | –#                               | Inactive                |
| Meiya Huangshi Power (BVI) Limited . . . . .              | BVI                                      | 16 November 2007                        | Issued capital of US\$1 and paid-up capital of US\$1             | 100%  | 100% | 100% | 100%     | 100%                             | Investment holding      |
| Meiya Huangshi Power Ltd. . . . .                         | Bermuda                                  | 13 May 1997                             | Issued capital of US\$12,000 and paid-up capital of US\$12,000   | 100%  | 100% | 100% | 100%     | –#                               | Inactive                |
| Meiya Incheon Power Company Limited . . . . .             | Malta                                    | 8 April 2005                            | Issued capital of US\$2,000 and paid-up capital of US\$2,000     | 100%  | 100% | 100% | 100%     | –#                               | Inactive                |
| MPC Investment (HK) Company Limited . . . . .             | Hong Kong                                | 30 January 2008                         | Issued capital of HK\$1 and paid-up capital of HK\$1             | 100%  | 100% | 100% | 100%     | 100%                             | Investment holding      |
| Meiya Jinqiao Power (BVI) Limited . . . . .               | BVI                                      | 16 November 2007                        | Issued capital of US\$1 and paid-up capital of US\$1             | 100%  | 100% | 100% | 100%     | 100%                             | Investment holding      |
| Meiya Jinqiao Power Ltd. . . . .                          | Bermuda                                  | 7 September 1994                        | Issued capital of US\$12,000 and paid-up capital of US\$12,000   | 100%  | 100% | 100% | 100%     | –#                               | Inactive                |
| Meiya Power China Holdings Limited . . . . .              | Cayman Islands                           | 10 July 1998                            | Issued capital of US\$20 and paid-up capital of US\$20           | 100%  | 100% | 100% | 100%     | 100%                             | Investment holding      |
| Meiya Power Development Company Limited . . . . .         | Hong Kong                                | 13 December 2000                        | Issued capital of HK\$2 and paid-up capital of HK\$2             | 100%  | 100% | 100% | 100%     | 100%                             | Investment holding      |
| Meiya Power (HD) Limited . . . . .                        | BVI                                      | 7 December 2011                         | Issued capital of US\$1 and paid-up capital of US\$1             | 100%  | 100% | 100% | 100%     | –#                               | Inactive                |
| Meiya Power Investment Company Limited . . . . .          | Cayman Islands                           | 16 July 2003                            | Issued capital of US\$1 and paid-up capital of US\$1             | 100%  | 100% | 100% | 100%     | –#                               | Investment holding      |
| Meiya Power (MPH) Limited. . . . .                        | BVI                                      | 28 November 2013                        | Issued capital of US\$1 and paid-up capital of US\$1             | –   | –    | 100% | 100%     | –#                               | Investment holding      |
| Meiya Power Project (BVI) Limited . . . . .               | BVI                                      | 29 October 2008                         | Issued capital of US\$1 and paid-up capital of US\$1             | 100%  | 100% | 100% | 100%     | 100%                             | Investment holding      |
| Meiya Power Project (BVI) I Limited . . . . .             | BVI                                      | 3 December 2007                         | Issued capital of US\$1 and paid-up capital of US\$1             | 100%  | 100% | 100% | 100%     | 100%                             | Investment holding      |
| Meiya Power Project (BVI) II Limited . . . . .            | BVI                                      | 3 December 2007                         | Issued capital of US\$1 and paid-up capital of US\$1             | 100%  | 100% | 100% | 100%     | –#                               | Investment holding      |
| Meiya Power Suzhou (BVI) Limited . . . . .                | BVI                                      | 16 November 2007                        | Issued capital of US\$1 and paid-up capital of US\$1             | 100%  | 100% | 100% | 100%     | –#                               | Investment holding      |
| Meiya Power Xiwu Limited . . . . .                        | BVI                                      | 28 November 2013                        | Issued capital of US\$1 and paid-up capital of US\$1             | –   | –    | 100% | 100%     | –#                               | Investment holding      |
| Meiya Project Development (BVI) Company Limited . . . . . | BVI                                      | 21 January 2008                         | Issued capital of US\$1 and paid-up capital of US\$1             | 100%  | 100% | 100% | 100%     | –#                               | Investment holding      |
| Meiya Project Development Company Limited . . . . .       | Mauritius                                | 20 October 2005                         | Issued capital of US\$10 and paid-up capital of US\$10           | 100%  | 100% | 100% | 100%     | –#                               | Investment holding      |

| Name of subsidiaries   | Place of establishment/<br>incorporation            | Date of establishment/<br>incorporation | Registered capital/<br>issued and fully<br>paid-up share capital                    | Attributable equity interest<br>held by the Group |      |          |                                  | Principal<br>activities |  |
|--|---|---|---|---|------|----------|----------------------------------|-------------------------|--|
|  |   |   |   | 31 December                                       |      | 30 April | At the date<br>of this<br>report |                         |  |
|  |   |   |   | 2011  | 2012 | 2013     |                                  |                         | 2014   |
| Meiya Qujing Power<br>Company Limited . . . . .  | Cayman Islands                                      | 27 January 1998                         | Issued capital of<br>US\$30,000 and<br>paid-up capital of<br>US\$30,000             | 100%  | 100% | 100%     | 100%                             | -#                      | Investment<br>holding  |
| Meiya Rongjiang Hydropower<br>Ltd. . . . .   | Mauritius   | 19 June 1998                            | Issued capital of US\$20<br>and paid-up capital of<br>US\$20                        | 100%  | 100% | 100%     | 100%                             | 100%                    | Investment<br>holding  |
| Meiya Sanjiang Hydropower<br>(BVI) Limited . . . . .                                       | BVI   | 16 November 2007                        | Issued capital of US\$1<br>and paid-up capital of<br>US\$1                          | 100%  | 100% | 100%     | 100%                             | -#                      | Investment<br>holding  |
| Meiya Sanjiang Hydropower<br>Limited . . . . .   | Cayman Islands                                      | 27 June 2000                            | Issued capital of US\$1<br>and paid-up capital of<br>US\$1                          | 100%  | 100% | 100%     | 100%                             | 100%                    | Investment<br>holding  |
| Meiya Shanghai BFG (BVI)<br>Company Limited . . . . .                                      | BVI   | 16 November 2007                        | Issued capital of US\$1<br>and paid-up capital of<br>US\$1                          | 100%  | 100% | 100%     | 100%                             | 100%                    | Investment<br>holding  |
| Meiya Shanghai BFG<br>Company . . . . .  | Cayman Islands                                      | 20 August 1997                          | Issued capital of<br>US\$100 and paid-up<br>capital of US\$100                      | 100%  | 100% | 100%     | 100%                             | -#                      | Investment<br>holding  |
| Meiya Tongzhou Cogen<br>Power (BVI) Limited . . . . .                                      | BVI   | 16 November 2007                        | Issued capital of US\$1<br>and paid-up capital of<br>US\$1                          | 100%  | 100% | 100%     | 100%                             | -#                      | Investment<br>holding  |
| Meiya Tongzhou Cogen<br>Power Ltd. . . . .   | Bermuda   | 6 February 1997                         | Issued capital of<br>US\$12,000 and<br>paid-up capital of<br>US\$12,000             | 100%  | 100% | 100%     | 100%                             | -#                      | Investment<br>holding  |
| Meiya Xiangtuo Power<br>Company Limited . . . . .  | Mauritius   | 28 April 2005                           | Issued capital of US\$10<br>and paid-up capital of<br>US\$10                        | 100%  | 100% | 100%     | 100%                             | -#                      | Investment<br>holding  |
| Meiya Xiangyun (BVI)<br>Limited . . . . .  | BVI   | 30 January 2008                         | Issued capital of US\$1<br>and paid-up capital of<br>US\$1                          | 100%  | 100% | 100%     | 100%                             | -#                      | Investment<br>holding  |
| Meiya Yulchon Power<br>Company Limited . . . . .   | Malta   | 17 December 2002                        | Issued capital of<br>US\$2,000 and<br>paid-up capital of<br>US\$2,000               | 100%  | 100% | 100%     | 100%                             | 100%                    | Investment<br>holding  |
| Meiya Zuojiang Hydropower<br>Ltd. . . . .  | Mauritius   | 8 September 1997                        | Issued capital of US\$20<br>and paid-up capital of<br>US\$20                        | 100%  | 100% | 100%     | 100%                             | 100%                    | Investment<br>holding  |
| MPC Investment (BVI)<br>Company Limited . . . . .  | BVI   | 4 February 2008                         | Issued capital of US\$1<br>and paid-up capital of<br>US\$1                          | 100%  | 100% | 100%     | 100%                             | 100%                    | Inactive   |
| Yaneng Consulting (BVI)<br>Company Limited . . . . .                                       | BVI   | 21 November 2007                        | Issued capital of US\$1<br>and paid-up capital of<br>US\$1                          | 100%  | 100% | 100%     | 100%                             | 100%                    | Investment<br>holding  |
| <b>Indirect</b>  |   |   |   |   |      |          |                                  |                         |  |
| CanAm Energy China<br>Holdings, LLC . . . . .  | The United States<br>of America                     | 30 October 1997                         | Issued capital of<br>US\$2,000 and<br>paid-up capital of<br>US\$2,000               | 100%  | 100% | 100%     | 100%                             | -#                      | Inactive   |
| CGN Meineng Corporate<br>Management (Shenzhen)<br>Ltd. . . . .                             | The People's<br>Republic of<br>China (the<br>"PRC") | 6 December 2013                         | Registered capital of<br>RMB10,000,000 and<br>paid-up capital of nil                | -   | -    | 100%     | 100%                             | 100%                    | Corporate<br>management<br>advisory  |
| Diqing Rongshun Maopohe<br>Power Generation<br>Company Limited*<br>迪慶榮順毛坡河發電有限公司 . . . . . | The PRC   | 28 November 2012                        | Registered capital of<br>RMB48,000,000 and<br>paid-up capital of<br>RMB48,000,000   | -   | 55%  | 55%      | 55%                              | -#                      | Generation and<br>supply of<br>electricity<br>(under<br>construction)        |
| Fugong Fengyuan<br>Hydropower Development<br>Co., Ltd.*<br>福貢豐源水電發展有限公司 . . . . .          | The PRC   | 20 April 2004                           | Registered capital of<br>RMB310,000,000 and<br>paid-up capital of<br>RMB310,000,000 | 51%   | 51%  | 51%      | 51%                              | -#                      | Generation and<br>supply of<br>electricity<br>(partly under<br>construction) |

| Name of subsidiaries  | Place of establishment/<br>incorporation | Date of establishment/<br>incorporation | Registered capital/<br>issued and fully<br>paid-up share capital             | Attributable equity interest<br>held by the Group |      |          |                                  | Principal<br>activities |   |
|---|--|---|--|---|------|----------|----------------------------------|-------------------------|---|
|   |  |   |  | 31 December                                       |      | 30 April | At the date<br>of this<br>report |                         |   |
|   |  |   |  | 2011  | 2012 | 2013     |                                  |                         | 2014  |
| Global Green Energy HK Limited . . . . .                                      | Hong Kong                                | 28 October 2010                         | Issued capital of HK\$100 and paid-up capital of HK\$100                     | –***  | –*** | 100%     | 100%                             | –#                      | Investment holding  |
| Gongshan Lanxi Hydropower Development Co., Ltd.*<br>貢山縣藍溪水力電開發有限公司 . . . . .  | The PRC                                  | 10 August 2006                          | Registered capital of RMB90,000,000 and paid-up capital of RMB90,000,000     | 51%   | 51%  | 51%      | 51%                              | –#                      | Generation and supply of electricity (under construction)                         |
| Guangxi Rongjiang Meiya Company Limited*<br>廣西融江美亞有限公司 . . . . .              | The PRC                                  | 15 September 1999                       | Registered capital of RMB48,000,000 and paid-up capital of RMB48,000,000     | 55%   | 55%  | 55%      | 55%                              | 55%                     | Investment in dam and other associated facilities                                 |
| Guangxi Rongjiang Meiya Hydropower Company Limited*<br>廣西融江美亞水電有限公司 . . . . . | The PRC                                  | 15 September 1999                       | Registered capital of RMB72,000,000 and paid-up capital of RMB72,000,000     | 80%   | 80%  | 80%      | 80%                              | 80%                     | Generation and supply of electricity  |
| Guangxi Rongyuan Hydropower Company Limited*<br>廣西融源水電有限公司 . . . . .          | The PRC                                  | 4 January 2011                          | Registered capital of RMB38,000,000 and paid-up capital of RMB38,000,000     | 100%  | 100% | 100%     | 100%                             | 100%                    | Generation and supply of electricity (under construction)                         |
| Guangxi Zuojiang Meiya Hydropower Company Limited<br>廣西左江美亞水電有限公司 . . . . .   | The PRC                                  | 8 October 1998                          | Registered capital of RMB345,596,455 and paid-up capital of RMB345,596,455   | 60%   | 60%  | 60%      | 60%                              | 60%                     | Generation and supply of electricity  |
| Haian Meiya Cogeneration Co., Ltd.<br>海安美亞熱電有限公司 . . . . .                    | The PRC                                  | 20 December 2002                        | Registered capital of US\$11,920,000 and paid-up capital of US\$11,920,000   | 100%  | 100% | 100%     | 100%                             | 100%                    | Generation and supply of steam, electricity and other related products            |
| Meiya Hexie Power Company Limited . . . . .                                   | Cayman Islands                           | 15 May 2003                             | Issued capital of US\$1 and paid-up capital of US\$1                         | 100%  | 100% | 100%     | 100%                             | 100%                    | Investment holding  |
| Meiya Hanneng Power Company Limited . . . . .                                 | Mauritius                                | 15 March 2004                           | Issued capital of US\$10 and paid-up capital of US\$10                       | 100%  | 100% | 100%     | 100%                             | 100%                    | Investment holding  |
| Meiya Power International Holding I, Limited . . . . .                        | Cayman Islands                           | 7 February 1997                         | Issued capital of US\$20 and paid-up capital of US\$20                       | 100%  | 100% | 100%     | 100%                             | 100%                    | Investment holding  |
| Meiya Electric Asia, Ltd. . . . .   | Mauritius                                | 27 January 1997                         | Issued capital of US\$100 and paid-up capital of US\$100                     | 100%  | 100% | 100%     | 100%                             | 100%                    | Investment holding  |
| Mianyang Sanjiang Meiya Hydropower Company Limited*<br>綿陽三江美亞水電有限公司 . . . . . | The PRC                                  | 25 October 2002                         | Registered capital of RMB100,000,000 and paid-up capital of RMB100,000,000   | 75%   | 75%  | 75%      | 75%                              | 75%                     | Generation and supply of electricity  |
| MPC Daesan Power Co., Ltd. . . . .  | Republic of Korea                        | 8 April 2009                            | Issued capital of KRW3,430,000,000 and paid-up capital of KRW3,430,000,000   | 100%  | 100% | 100%     | 100%                             | 100%                    | Generation and supply of electricity from an oil-fired combined cycle power plant |
| MPC Korea Holdings Co., Ltd. . . . .  | Republic of Korea                        | 22 November 1996                        | Issued capital of KRW37,311,150,000 and paid-up capital of KRW37,311,150,000 | 100%  | 100% | 100%     | 100%                             | 100%                    | Investment holding  |
| MPC Yulchon Generation Co., Ltd. . . . .                                      | Republic of Korea                        | 28 July 2009                            | Issued capital of KRW18,044,400,000 and paid-up capital of KRW18,044,400,000 | 100%  | 100% | 100%     | 100%                             | 100%                    | Generation and supply of electricity from a gas-fired combined cycle power plant  |

| Name of subsidiaries   | Place of establishment/<br>incorporation | Date of establishment/<br>incorporation | Registered capital/<br>issued and fully<br>paid-up share capital           | Attributable equity interest<br>held by the Group |       |          |                                  |       | Principal<br>activities   |
|--|--|---|--|---|-------|----------|----------------------------------|-------|---|
|  |  |   |  | 31 December                                       |       | 30 April | At the date<br>of this<br>report |       |   |
|  |  |   |  | 2011  | 2012  | 2013     |                                  | 2014  |   |
| Nantong Meiya Co-generation Co., Ltd.<br>南通美亞熱電有限公司 . . . . .  | The PRC                                  | 13 March 1997                           | Registered capital of US\$16,800,000 and paid-up capital of US\$16,800,000 | 100%  | 100%  | 100%     | 100%                             | 100%  | Generation and supply of electricity and steam and other related products |
| Nanyang General Light Electric Co., Ltd.<br>南陽普光電力有限公司 . . . . .                                       | The PRC                                  | 1 January 1997                          | Registered capital of RMB476,667,000 and paid-up capital of RMB476,667,000 | 59.5%   | 59.5% | 59.5%    | 59.5%                            | 59.5% | Generation and supply of electricity and other related services           |
| NGLE Pushan Power (BVI) Limited . . . . .  | BVI                                      | 30 March 2009                           | Issued capital of US\$100 and paid-up capital of US\$100                   | 85%   | 85%   | 85%      | 85%                              | 85%   | Investment holding  |
| Shanghai Meiya Jinqiao Energy Co., Ltd.<br>上海美亞金橋能源有限公司 . . . . .                                      | The PRC                                  | 14 July 1995                            | Registered capital of RMB98,000,000 and paid-up capital of RMB98,000,000   | 60%   | 60%   | 60%      | 60%                              | 60%   | Generation and supply of steam  |
| Shanghai Wei Gang Energy Co., Ltd.<br>上海威鋼能源有限公司 . . . . .   | The PRC                                  | 21 January 1998                         | Registered capital of US\$29,800,000 and paid-up capital of US\$29,800,000 | 65%   | 65%   | 65%      | 65%                              | 65%   | Generation and supply of electricity                                      |
| Shangri-La Tangmanhe Hydropower Development Co., Ltd.*<br>香格里拉縣湯滿河水電開發有限責任公司 . . . . .                 | The PRC                                  | 20 September 2007                       | Registered capital of RMB100,000,000 and paid-up capital of RMB100,000,000 | 51%   | 51%   | 51%      | 51%                              | -#    | Generation and supply of electricity (under construction)                 |
| Sichuan Hexie Electric Power Co., Ltd.<br>四川和協電力有限公司 . . . . .   | The PRC                                  | 25 February 1998                        | Registered capital of RMB100,000,000 and paid-up capital of RMB100,000,000 | 100%  | 100%  | 100%     | 100%                             | 100%  | Generation and supply of electricity                                      |
| Suzhou Zhenmei Trading Co., Ltd.<br>蘇州臻美貿易有限公司 . . . . .   | The PRC                                  | 4 November 2011                         | Registered capital of RMB5,000,000 and paid-up capital of RMB5,000,000     | 100%  | 100%  | 100%     | 100%                             | -#    | Trading of coal   |
| Tongzhou Meiya Cogeneration Co., Ltd.<br>通州美亞熱電有限公司 . . . . .  | The PRC                                  | 14 March 1997                           | Registered capital of US\$10,600,000 and paid-up capital of US\$10,600,000 | 80%   | 80%   | 80%      | 80%                              | -#    | Generation and supply of electricity and steam                            |
| Weixi Meiya Hengfa Hydropower Company Limited*<br>維西縣美亞恒發水電有限公司 . . . . .                              | The PRC                                  | 13 August 2010                          | Registered capital of RMB80,000,000 and paid-up capital of RMB80,000,000   | 80%   | 80%   | 80%      | 80%                              | -#    | Generation and supply of electricity (under construction)                 |
| Weixi Meiya Yongfa Hydropower Company Limited*<br>維西縣美亞永發水電有限公司 . . . . .                              | The PRC                                  | 13 August 2010                          | Registered capital of RMB80,000,000 and paid-up capital of RMB80,000,000   | 80%   | 80%   | 80%      | 80%                              | -#    | Generation and supply of electricity (under construction)                 |
| Wuhan Han-Neng Power Development Co., Ltd<br>武漢漢能電力發展有限公司 . . . . .                                    | The PRC                                  | 11 October 1995                         | Registered capital of RMB100,000,000 and paid-up capital of RMB100,000,000 | 60%   | 60%   | 60%      | 60%                              | 60%   | Generation and supply of electricity                                      |
| Xi Wu Zhu Mu Qin Qi International Renewable Energy Wind Power Co., Ltd.<br>西島珠穆沁旗國際新能源風電有限公司 . . . . . | The PRC                                  | 15 July 2008                            | Registered capital of RMB174,710,000 and paid-up capital of RMB174,710,000 | -***  | -***  | 91%      | 91%                              | -#    | Generation and supply of electricity (under construction)                 |
| Yaneng Consulting (Shanghai) Co., Ltd.*<br>亞能諮詢(上海)有限公司 . . . . .                                      | The PRC                                  | 18 January 2000                         | Registered capital of US\$500,000 and paid-up capital of US\$500,000       | 100%  | 100%  | 100%     | 100%                             | 100%  | Provision of consulting services and market research                      |
| Yunnan Meiya Minrui Power Investment Co., Ltd.<br>雲南美亞民瑞電力投資有限公司 . . . . .                             | The PRC                                  | 4 December 2003                         | Registered capital of RMB500,000,000 and paid-up capital of RMB500,000,000 | 51%   | 51%   | 51%      | 51%                              | -#    | Investment holding  |

**APPENDIX I**
**ACCOUNTANTS' REPORT**

| Name of subsidiaries   | Place of establishment/<br>incorporation | Date of establishment/<br>incorporation | Registered capital/<br>issued and fully<br>paid-up share capital              | Attributable equity interest<br>held by the Group |      |          |                                  | Principal<br>activities |                       |
|--|--|---|---|---|------|----------|----------------------------------|-------------------------|-----------------------|
|  |  |   |   | 31 December                                       |      | 30 April | At the date<br>of this<br>report |                         |                       |
|  |  |   |   | 2011  | 2012 | 2013     |                                  |                         | 2014                  |
| Meiya Project Development<br>(Hong Kong) Company<br>Limited. . . . . | Hong Kong                                | 11 January 2008                         | Issued capital of HK\$1<br>and paid-up capital of<br>HK\$1                    | 100%  | 100% | 100%     | 100%                             | -#                      | Inactive              |
| Meiya Sanjiang Hydropower<br>(Hong Kong) Limited. . . . .            | Hong Kong                                | 11 June 2007                            | Issued capital of HK\$1<br>and paid-up capital of<br>HK\$1                    | 100%  | 100% | 100%     | 100%                             | -#                      | Inactive              |
| Meiya Tongzhou Cogen<br>Power Limited . . . . .                      | Hong Kong                                | 15 June 2007                            | Issued capital of HK\$1<br>and paid-up capital of<br>HK\$1                    | 100%  | 100% | 100%     | 100%                             | -#                      | Inactive              |
| Meiya Xiangyun<br>Development Limited. . . . .                       | Hong Kong                                | 11 August 2008                          | Issued capital of HK\$1<br>and paid-up capital of<br>HK\$1                    | 100%  | 100% | 100%     | 100%                             | -#                      | Investment<br>holding |
| Meiya Power Project (HK)<br>Limited. . . . .                         | Hong Kong                                | 22 October 2008                         | Issued capital of HK\$1<br>and paid-up capital of<br>HK\$1                    | 100%  | 100% | 100%     | 100%                             | 100%                    | Investment<br>holding |
| Meiya Haian Cogen Power<br>Limited. . . . .                          | Hong Kong                                | 16 October 2007                         | Issued capital of HK\$1<br>and paid-up capital of<br>HK\$1                    | 100%  | 100% | 100%     | 100%                             | 100%                    | Investment<br>holding |
| China U.S. Power Partners I,<br>Limited. . . . .                     | Hong Kong                                | 26 October 2007                         | Issued capital of HK\$1<br>and paid-up capital of<br>HK\$1                    | 100%  | 100% | 100%     | 100%                             | -#                      | Investment<br>holding |
| Meiya Huangshi Power<br>Limited. . . . .                             | Hong Kong                                | 26 October 2007                         | Issued capital of HK\$1<br>and paid-up capital of<br>HK\$1                    | 100%  | 100% | 100%     | 100%                             | 100%                    | Investment<br>holding |
| NGLE Pushan Power<br>Limited. . . . .                                | Hong Kong                                | 24 March 2009                           | Issued capital of HK\$1<br>and paid-up capital of<br>HK\$1                    | 85%   | 85%  | 85%      | 85%                              | 85%                     | Investment<br>holding |
| Meiya Jinqiao Power Limited.   | Hong Kong                                | 12 October 2007                         | Issued capital of HK\$1<br>and paid-up capital of<br>HK\$1                    | 100%  | 100% | 100%     | 100%                             | 100%                    | Investment<br>holding |
| CanAm Energy China<br>Holdings, Limited . . . . .                    | Hong Kong                                | 2 August 2007                           | Issued capital of HK\$1<br>and paid-up capital of<br>HK\$1                    | 100%  | 100% | 100%     | 100%                             | 100%                    | Investment<br>holding |
| Fast Well Investments<br>Limited. . . . .                            | Hong Kong                                | 3 October 2001                          | Issued capital of<br>HK\$1,000,000 and<br>paid-up capital of<br>HK\$1,000,000 | 100%  | 100% | 100%     | 100%                             | 100%                    | Investment<br>holding |
| Meiya Weixi Power (Hong<br>Kong) Limited . . . . .                   | Hong Kong                                | 10 January 2011                         | Issued capital of HK\$1<br>and paid-up capital of<br>HK\$1                    | 100%  | 100% | 100%     | 100%                             | -#                      | Investment<br>holding |
| Yaneng Consulting (Hong<br>Kong) Company Limited . . . . .           | Hong Kong                                | 30 August 2007                          | Issued capital of HK\$1<br>and paid-up capital of<br>HK\$1                    | 100%  | 100% | 100%     | 100%                             | 100%                    | Investment<br>holding |
| Meiya Power (Maopohe)<br>Limited. . . . .                            | Hong Kong                                | 25 September 2012                       | Issued capital of HK\$1<br>and paid-up capital of<br>HK\$1                    | -   | 100% | 100%     | 100%                             | -#                      | Investment<br>holding |
| Meiya Power (Suzhou)<br>Limited. . . . .                             | Hong Kong                                | 8 November 2007                         | Issued capital of HK\$1<br>and paid-up capital of<br>HK\$1                    | 100%  | 100% | 100%     | 100%                             | -#                      | Investment<br>holding |

| Name of joint venture  | Place of establishment/ incorporation | Date of establishment/ incorporation | Registered capital/ issued and fully paid-up share capital   | Attributable equity interest held by the Group |          |          |          | Principal activities |  |
|--|---------------------------------------|--------------------------------------|--|--|----------|----------|----------|----------------------|--|
|  |                                       |                                      |  | 31 December                                    |          |          | 30 April |                      | At the date of this report                                   |
|  |                                       |                                      |  | 2011   | 2012     | 2013     | 2014     |                      |  |
| Hunan Xiangtou International Investment Company Limited* ("XTI")<br>湖南湘投國際投資有限公司 . . . . . | The PRC                               | 28 September 2005                    | Registered capital of RMB4,000,000,000 and paid-up capital of RMB4,000,000,000   | 50%  | 50%      | 50%      | 50%      | – <sup>#</sup>       | Investment holding and management of power generation plants |
| <b>Interests held by the Group's joint venture</b>   |                                       |                                      |  |  |          |          |          |                      |  |
| Huade County Huide Wind Power Generation Company Limited<br>化德縣滙德風力發電有限責任公司 . . . . .      | The PRC                               | 12 July 2006                         | Registered capital of RMB257,390,000 and paid-up capital of RMB257,390,000   | 49%**  | 49%**    | 49%**    | 49%**    | – <sup>#</sup>       | Generation and supply of electricity                         |
| Huaneng Hunan Yueyang Power Generation Co., Ltd.<br>華能湖南岳陽發電有限責任公司 . . . . .               | The PRC                               | 16 December 2003                     | Registered capital of RMB1,935,000,000 and paid-up capital of RMB1,935,000,000   | 22.50%**                                       | 22.50%** | 22.50%** | 22.50%** | – <sup>#</sup>       | Generation and supply of electricity                         |
| Shangri-La Minhe Hydropower Development Company Limited*<br>香格里拉縣民和水電開發有限責任公司 . . . . .    | The PRC                               | 21 May 2006                          | Registered capital of RMB240,000,000 and paid-up capital of RMB240,000,000   | 45%**  | 45%**    | 45%**    | 45%**    | – <sup>#</sup>       | Generation and supply of electricity                         |
| Wuling Power Corporation<br>五凌電力有限公司 . . . . .   | The PRC                               | 3 May 1995                           | Registered capital of RMB4,242,000,000 and paid-up capital of RMB4,242,000,000   | 18.50%**                                       | 18.50%** | 18.50%** | 18.50%** | – <sup>#</sup>       | Generation and supply of electricity                         |
| Zhenkang Xiangneng Hydropower Development Company Limited<br>鎮康湘能水電開發有限公司 . . . . .        | The PRC                               | 22 June 2011                         | Registered capital of RMB78,850,000 and paid-up capital of RMB57,085,300   | 50%**  | 50%**    | 50%**    | 50%**    | – <sup>#</sup>       | Generation and supply of electricity (under construction)    |
| Zhenkang Xiangyuan Hydropower Development Company Limited<br>鎮康湘源水電開發有限公司 . . . . .        | The PRC                               | 22 June 2011                         | Registered capital of RMB78,850,000 and paid-up capital of RMB55,295,600   | 50%**  | 50%**    | 50%**    | 50%**    | – <sup>#</sup>       | Generation and supply of electricity (under construction)    |
| Name of associates   | Place of establishment/ incorporation | Date of establishment/ incorporation | Registered capital/ issued and fully paid-up share capital   | Attributable equity interest held by the Group |          |          |          | Principal activities |  |
|  |                                       |                                      |  | 31 December                                    |          |          | 30 April |                      | At the date of this report                                   |
|  |                                       |                                      |  | 2011   | 2012     | 2013     | 2014     |                      |  |
| Hubei Huadian Xisaishan Power Generation Co., Ltd.*<br>湖北華電西塞山發電有限公司 . . . . .             | The PRC                               | 15 August 2007                       | Registered capital of RMB950,000,000 and paid-up capital of RMB950,000,000   | 49%  | 49%      | 49%      | 49%      | 49%                  | Generation and supply of electricity                         |
| Hubei Xisaishan Power Generation Co., Ltd.<br>湖北西塞山發電有限公司 . . . . .                        | The PRC                               | 18 October 2000                      | Registered capital of RMB945,000,000 and paid-up capital of RMB945,000,000   | 49%  | 49%      | 49%      | 49%      | 49%                  | Generation and supply  |
| Jingyuan Second Power Co., Ltd.<br>靖遠第二發電有限公司 . . . . .                                    | The PRC                               | 28 November 1995                     | Registered capital of RMB1,305,000,000 and paid-up capital of RMB1,305,000,000   | 30.73%   | 30.73%   | 30.73%   | 30.73%   | – <sup>#</sup>       | Generation and supply of electricity                         |
| Dongyuan Qijing Energy Co., Ltd.<br>東源曲靖能源有限公司 . . . . .                                   | The PRC                               | 27 August 2003                       | Registered capital of RMB1,000,000,000 and paid-up capital of RMB1,000,000,000   | 37%  | 37%      | 37%      | 37%      | – <sup>#</sup>       | Generation and supply of electricity                         |
| Indiabulls Power Generation Limited ("IBPGL") . . . . .                                    | India                                 | 5 September 2007                     | Registered capital of India Rupee 220,000,000 and paid-up capital of India Rupee 215,000,000 including paid-up preference shares | 26%  | 26%      | 26%      | 26%      | – <sup>#</sup>       | Inactive   |

| Name of associates           | Place of establishment/<br>incorporation | Date of establishment/<br>incorporation | Registered capital/<br>issued and fully<br>paid-up share capital   | Attributable equity interest<br>held by the Group |      |          |                                  | Principal<br>activities |          |
|------------------------------|--|---|--|---|------|----------|----------------------------------|-------------------------|----------|
|                              |  |   |  | 31 December                                       |      | 30 April | At the date<br>of this<br>report |                         |          |
|                              |  |   |  | 2011  | 2012 | 2013     |                                  |                         | 2014     |
| Diana Energy Limited . . . . | India                                    | 25 September 2007                       | Registered capital of<br>India Rupee<br>10,000,000 and<br>paid-up capital of<br>India Rupee<br>5,000,000 | 26%   | 26%  | 26%      | 26%                              | -#                      | Inactive |

\* English names are for identification purpose only

\*\* The percentage represents the effective interest holding indirectly held by the Group through XTI.

\*\*\* Global Green Energy HK Limited and Xi Wu Zhu Mu Qin Qi International Renewable Energy Wind Power Co., Ltd. were acquired on 3 September 2013. Details of acquisition are set out in note 43(d).

# These companies have been disposed of at the date of this report and details are set out in Section B(a).

All companies now comprising the Group adopted 31 December as their financial year end date.

The statutory financial statements of the subsidiaries established in the PRC for the Track Record Period, or since their respective dates of establishment, where this is a shorter period, were prepared in accordance with relevant accounting principles and financial regulations applicable to enterprises registered in the PRC and were audited by certified public accountants registered in the PRC referred to as below.

The statutory financial statements of the subsidiaries incorporated in Republic of Korea for the Track Record Period were prepared in accordance with relevant accounting principles and financial regulations applicable to enterprises registered in Republic of Korea and were audited by the certified public accountant registered in Republic of Korea referred to as below.

The statutory financial statements of the subsidiaries incorporated in Hong Kong for the Track Record Period, or since their respective dates of incorporation/acquisition, where this is a shorter period, were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and were audited by Deloitte Touche Tohmatsu.

No statutory financial statements have been prepared for those subsidiaries which were incorporated in Bermuda, BVI, Malta, the United States of America and the Cayman Islands as they were incorporated in jurisdictions where there are no statutory audit requirements.

No audited financial statements have been issued for CGN Meineng Corporate Management (Shenzhen) Ltd. and Meiya Power (Maopohe) Limited as they have not reached the statutory first limit imposed on the issuance of first set of audited financial statements since their date of establishment or incorporation.



No audited financial statements have been issued for Suzhou Zhenmei Trading Co., Ltd. for the period from 4 November 2011 (date of establishment) to 31 December 2011 as it is not required under the statutory requirement.

| Name  | Financial Periods   | Auditors  |
|---|---|---|
| Diqing Rongshun Maopohe Power Generation Company Limited<br>迪慶榮順毛坡河發電有限責任公司 . | For the period from 9 August 2012 (date of establishment) to 31 December 2012 and for the year ended 31 December 2013           | Deloitte Touche Tohmatsu Certified Public Accountants LLP<br>Guangzhou Branch<br>德勤華永會計師事務所(特殊普通合夥)廣州分所   |
| Fugong Fengyuan Hydropower Development Co., Ltd.<br>福貢豐源水電發展有限公司 . . . . .    | For the years ended 31 December 2011 and 2012<br><br>For the year ended 31 December 2013  | Kunming Tianhung Accountant Business Office Co., Ltd<br>昆明天虹會計師事務所有限公司<br>Deloitte Touche Tohmatsu Certified Public Accountants LLP<br>Guangzhou Branch<br>德勤華永會計師事務所(特殊普通合夥)廣州分所 |
| Gongshan Lanxi Hydropower Development Co., Ltd.<br>貢山縣藍溪水電開發有限責任公司 .          | For the years ended 31 December 2011 and 2012<br><br>For the year ended 31 December 2013  | Kunming Tianhung Accountant Business Office Co., Ltd<br>昆明天虹會計師事務所有限公司<br>Deloitte Touche Tohmatsu Certified Public Accountants LLP<br>Guangzhou Branch<br>德勤華永會計師事務所(特殊普通合夥)廣州分所 |
| Guangxi Rongjiang Meiya Company Limited<br>廣西融江美亞有限公司 . . . . .               | For the years ended 31 December 2011, 2012 and 2013   | Deloitte Touche Tohmatsu Certified Public Accountants LLP<br>Guangzhou Branch<br>德勤華永會計師事務所(特殊普通合夥)廣州分所   |
| Guangxi Rongjiang Meiya Hydropower Company Limited<br>廣西融江美亞水電有限公司 . . . . .  | For the years ended 31 December 2011, 2012 and 2013   | Deloitte Touche Tohmatsu Certified Public Accountants LLP<br>Guangzhou Branch<br>德勤華永會計師事務所(特殊普通合夥)廣州分所   |
| Guangxi Rongyuan Hydropower Company Limited<br>廣西融源水電有限公司 . . . . .           | For the period from 4 January 2011 (date of establishment) to 31 December 2011 and for the year ended 31 December 2012 and 2013 | Deloitte Touche Tohmatsu Certified Public Accountants LLP<br>Guangzhou Branch<br>德勤華永會計師事務所(特殊普通合夥)廣州分所   |

| Name   | Financial Periods   | Auditors  |
|--|---|---|
| Guangxi Zuojiang Meiya<br>Hydropower Company<br>Limited<br>廣西左江美亞水電有限公司 . . . . .  | For the years ended 31<br>December 2011, 2012 and<br>2013 | Deloitte Touche Tohmatsu<br>Certified Public<br>Accountants LLP<br>Guangzhou Branch<br>德勤華永會計師事務所(特殊普通<br>合夥) 廣州分所    |
| Haian Meiya Cogeneration Co.,<br>Ltd.<br>海安美亞熱電有限公司 . . . . .                      | For the years ended 31<br>December 2011, 2012 and<br>2013 | Deloitte Touche Tohmatsu<br>Certified Public<br>Accountants LLP<br>德勤華永會計師事務所(特殊普通<br>合夥)                             |
| Mianyang Sanjiang Meiya<br>Hydropower Company<br>Limited<br>綿陽三江美亞水電有限公司 . . . . . | For the years ended 31<br>December 2011, 2012 and<br>2013 | Deloitte Touche Tohmatsu<br>Certified Public<br>Accountants LLP<br>Guangzhou Branch<br>德勤華永會計師事務所(特殊普通<br>合夥)<br>廣州分所 |
| Meiya Electric Asia, Ltd. . . . .  | For the years ended 31<br>December 2011, 2012 and<br>2013 | Deloitte Touche Tohmatsu<br>Limited   |
| Meiya Hanneng Power<br>Company Limited . . . . .                                   | For the years ended 31<br>December 2011, 2012 and<br>2013 | Deloitte Touche Tohmatsu<br>Limited   |
| Meiya Project Development<br>Company Limited . . . . .                             | For the years ended 31<br>December 2011, 2012 and<br>2013 | Deloitte Touche Tohmatsu<br>Limited   |
| Meiya Rongjiang Hydropower<br>Ltd. . . . .   | For the years ended 31<br>December 2011, 2012 and<br>2013 | Deloitte Touche Tohmatsu<br>Limited   |
| Meiya Xiangtou Power<br>Company Limited . . . . .                                  | For the years ended 31<br>December 2011, 2012 and<br>2013 | Deloitte Touche Tohmatsu<br>Limited   |
| Meiya Zuojiang Hydropower<br>Ltd. . . . .  | For the years ended 31<br>December 2011, 2012 and<br>2013 | Deloitte Touche Tohmatsu<br>Limited   |
| MPC Daesan Power Co., Ltd. . .   | For the years ended 31<br>December 2011, 2012 and<br>2013 | Deloitte Anjin LLC  |
| MPC Korea Holdings Co., Ltd. .   | For the years ended 31<br>December 2011, 2012 and<br>2013 | Deloitte Anjin LLC  |
| MPC Yulchon Generation Co.,<br>Ltd. . . . .  | For the years ended 31<br>December 2011, 2012 and<br>2013 | Deloitte Anjin LLC  |

| Name  | Financial Periods   | Auditors   |
|---|---|--|
| Nantong Meiya Co-generation Co., Ltd.<br>南通美亞熱電有限公司 . . . . .                             | For the years ended 31<br>December 2011, 2012 and<br>2013 | Deloitte Touche Tohmatsu<br>Certified Public<br>Accountants LLP<br>德勤華永會計師事務所(特殊普通<br>合夥)                          |
| Nanyang General Light Electric Co., Ltd.<br>南洋普光電力有限公司 . . . . .                          | For the years ended 31<br>December 2011, 2012 and<br>2013 | Deloitte Touche Tohmatsu<br>Certified Public<br>Accountants LLP Beijing<br>Branch<br>德勤華永會計師事務所(特殊普通<br>合夥) 北京分所   |
| Shanghai Meiya Jinqiao Energy Co., Ltd.<br>上海美亞金橋能源有限公司 . . . . .                         | For the years ended 31<br>December 2011, 2012 and<br>2013 | Deloitte Touche Tohmatsu<br>Certified Public<br>Accountants LLP<br>德勤華永會計師事務所(特殊普通<br>合夥)                          |
| Shanghai Wei Gang Energy Co., Ltd.<br>上海威鋼能源有限公司 . . . . .                                | For the years ended 31<br>December 2011, 2012 and<br>2013 | Deloitte Touche Tohmatsu<br>Certified Public<br>Accountants LLP<br>德勤華永會計師事務所(特殊普通<br>合夥)                          |
| Shangri-La Tangmanhe Hydropower Development Co., Ltd.<br>香格里拉縣湯滿河水電開發有限責<br>任公司 . . . . . | For the years ended 31<br>December 2011 and 2012          | Kunming Tianhung<br>Accountant Business Office<br>Co., Ltd<br>昆明天虹會計師事務所有限公司                                       |
|   | For the year ended 31<br>December 2013                    | Deloitte Touche Tohmatsu<br>Certified Public<br>Accountants LLP<br>Guangzhou Branch<br>德勤華永會計師事務所(特殊普通<br>合夥) 廣州分所 |
| Sichuan Hexie Electric Power Co., Ltd.<br>四川和協電力有限公司 . . . . .                            | For the years ended 31<br>December 2011, 2012 and<br>2013 | Deloitte Touche Tohmatsu<br>Certified Public<br>Accountants LLP<br>Guangzhou Branch<br>德勤華永會計師事務所(特殊普通<br>合夥) 廣州分所 |
| Suzhou Zhenmei Trading Co., Ltd.<br>蘇州臻美貿易有限公司 . . . . .                                  | For the year ended 31<br>December 2012 and 2013           | Deloitte Touche Tohmatsu<br>Certified Public<br>Accountants LLP<br>德勤華永會計師事務所(特殊普通<br>合夥)                          |
| Tongzhou Meiya Cogeneration Co., Ltd.<br>通州美亞熱電有限公司 . . . . .                             | For the years ended 31<br>December 2011, 2012 and<br>2013 | Deloitte Touche Tohmatsu<br>Certified Public<br>Accountants LLP<br>德勤華永會計師事務所(特殊普通<br>合夥)                          |

| Name   | Financial Periods   | Auditors   |
|--|---|--|
| Weixi Meiya Hengfa<br>Hydropower Company<br>Limited<br>維西縣美亞恒發水電有限公司 . . . .                                     | For the years ended 31<br>December 2011, 2012 and<br>2013 | Deloitte Touche Tohmatsu<br>Certified Public<br>Accountants LLP<br>Guangzhou Branch<br>德勤華永會計師事務所(特殊普通<br>合夥) 廣州分所 |
| Weixi Meiya Yongfa<br>Hydropower Company<br>Limited<br>維西縣美亞永發水電有限公司 . . . .                                     | For the years ended 31<br>December 2011, 2012 and<br>2013 | Deloitte Touche Tohmatsu<br>Certified Public<br>Accountants LLP<br>Guangzhou Branch<br>德勤華永會計師事務所(特殊普通<br>合夥) 廣州分所 |
| Wuhan Han-Neng Power<br>Development Co., Ltd<br>武漢漢能電力發展有限公司 . . . . .   | For the years ended 31<br>December 2011, 2012 and<br>2013 | Deloitte Touche Tohmatsu<br>Certified Public<br>Accountants LLP<br>Guangzhou Branch<br>德勤華永會計師事務所(特殊普通<br>合夥) 廣州分所 |
| Xi Wu Zhu Mu Qin Qi<br>International Renewable<br>Energy Wind Power Co., Ltd.<br>西烏珠穆沁旗國際新能源<br>風電有限公司 . . . . . | For the year ended 31<br>December 2013                    | Deloitte Touche Tohmatsu<br>Certified Public<br>Accountants LLP<br>Beijing Branch<br>德勤華永會計師事務所(特殊普通<br>合夥)北京分所    |
| Yaneng Consulting (Shanghai)<br>Company Limited<br>亞能諮詢(上海)有限公司 . . . . .  | For the years ended 31<br>December 2011, 2012 and<br>2013 | Deloitte Touche Tohmatsu<br>Certified Public<br>Accountants LLP<br>德勤華永會計師事務所(特殊普通<br>合夥)                          |
| Yunnan Meiya Minrui Power<br>Investment Co., Ltd.<br>雲南美亞民瑞電力投資有限公司 . . .  | For the years ended 31<br>December 2011 and 2012          | Kunming Tianhung<br>Accountant Business Office<br>Co., Ltd<br>昆明天虹會計師事務所有限公司                                       |
|  | For the year ended 31<br>December 2013                    | Deloitte Touche Tohmatsu<br>Certified Public<br>Accountants LLP<br>Guangzhou Branch<br>德勤華永會計師事務所(特殊普通<br>合夥) 廣州分所 |

There are no statutory audit requirements to prepare financial statements for the Company which was incorporated in Bermuda. However, the directors of the Company have prepared the consolidated financial statements of the Group for the years ended 31 December 2011, 2012 and 2013 and four months ended 30 April 2014 in accordance with International Financial Reporting Standards (“IFRSs”) (the “Underlying Financial Statements”). These consolidated financial statements were audited by Deloitte Touche Tohmatsu in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period as set out in this report has been prepared from the Underlying Financial Statements. No adjustments are considered necessary to the Underlying Financial Statements in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approve their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and the Company as at 31 December 2011, 2012 and 2013 and 30 April 2014 and of the consolidated results and cash flows of the Group for the Track Record Period.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group for the four months ended 30 April 2013 together with the notes thereon have been extracted from the Group's unaudited consolidated financial information for the same period (the "April 2013 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We conducted our review on the April 2013 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the April 2013 Financial Information consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the April 2013 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the April 2013 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with IFRSs.

## A. FINANCIAL INFORMATION

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

|   | NOTES | Year ended 31 December |          |           | Four months ended<br>30 April |             |
|---|-------|------------------------|----------|-----------|-------------------------------|-------------|
|   |       | 2011                   | 2012     | 2013      | 2013                          | 2014        |
|   |       | US\$'000               | US\$'000 | US\$'000  | US\$'000                      | US\$'000    |
|   |       |                        |          |           |                               | (unaudited) |
| Revenue . . . . .   | 6     | 768,493                | 948,306  | 1,054,523 | 304,768                       | 317,464     |
| Operating expenses: . . . . .   |       |                        |          |           |                               |             |
| Coal, oil and gas . . . . .   |       | 533,249                | 691,120  | 742,926   | 209,129                       | 210,144     |
| Depreciation of property, plant and equipment . . . . .   |       | 56,932                 | 61,742   | 71,282    | 20,850                        | 27,824      |
| Repair and maintenance . . . . .  |       | 25,259                 | 23,548   | 22,521    | 6,667                         | 7,283       |
| Staff costs . . . . .   |       | 35,114                 | 40,899   | 45,857    | 14,497                        | 17,605      |
| Others . . . . .  |       | 42,134                 | 51,167   | 54,950    | 14,910                        | 16,833      |
| Total operating expenses . . . . .  |       | 692,688                | 868,476  | 937,536   | 266,053                       | 279,689     |
| Operating profit . . . . .  |       | 75,805                 | 79,830   | 116,987   | 38,715                        | 37,775      |
| Other income . . . . .  | 7     | 8,873                  | 14,014   | 12,901    | 3,230                         | 3,811       |
| Other gains and losses . . . . .  | 8     | (4,724)                | 5,262    | 3,127     | 646                           | 1,881       |
| Finance costs . . . . .   | 9     | (43,935)               | (41,065) | (51,704)  | (11,300)                      | (19,772)    |
| Share of results of associates . . . . .  |       | (13,734)               | (12,386) | 28,936    | 8,122                         | 10,877      |
| Share of results of a joint venture . . . . .   |       | (187)                  | 20,082   | 55,946    | 14,225                        | 16,763      |
| Impairment loss on interest in an associate . . . . .   |       | –                      | (7,627)  | (18,758)  | –                             | –           |
| Impairment loss on property, plant and equipment . . . . .  |       | –                      | –        | (24,000)  | –                             | –           |
| Discount on acquisition recognised in a business<br>combination . . . . .                                       | 43(a) | 2,192                  | –        | –         | –                             | –           |
| Listing expenses . . . . .  |       | –                      | –        | (6,866)   | –                             | (1,168)     |
| Profit before tax . . . . .   |       | 24,290                 | 58,110   | 116,569   | 53,638                        | 50,167      |
| Income tax expense . . . . .  | 10    | (13,628)               | (29,213) | (47,242)  | (12,829)                      | (12,681)    |
| Profit for the year/period . . . . .  | 11    | 10,662                 | 28,897   | 69,327    | 40,809                        | 37,486      |
| Other comprehensive income (expense)  |       |                        |          |           |                               |             |
| Items that may be reclassified subsequently to profit or<br>loss:   |       |                        |          |           |                               |             |
| Exchange difference arising on translation of foreign<br>subsidiaries, associates and a joint venture . . . . . |       | 46,230                 | 21,070   | 42,258    | 5,995                         | (20,524)    |
| Fair value loss on hedging investment in cash flow hedge<br>– charge to hedging reserve . . . . .               |       | –                      | (2,227)  | –         | –                             | –           |
| Income tax relating to fair value loss on hedging<br>investment in cash flow hedge . . . . .                    |       | –                      | 539      | –         | –                             | –           |
| Reclassification adjustments for amounts transferred to<br>profit or loss                                       |       |                        |          |           |                               |             |
| – release of hedging reserve . . . . .  |       | (209)                  | (126)    | (158)     | (72)                          | (45)        |
| – deferred tax (charge) credit arising on release of<br>hedging reserve . . . . .                               |       | (55)                   | 30       | 38        | 18                            | 11          |
| Other comprehensive income (expense) for the year/period . . . . .  |       | 45,966                 | 19,286   | 42,138    | 5,941                         | (20,558)    |
| Total comprehensive income for the year/period . . . . .  |       | 56,628                 | 48,183   | 111,465   | 46,750                        | 16,928      |
| Profit for the year/period attributable to:   |       |                        |          |           |                               |             |
| Owner of the Company . . . . .  |       | 2,787                  | 20,159   | 55,817    | 36,601                        | 31,971      |
| Non-controlling interests . . . . .   |       | 7,875                  | 8,738    | 13,510    | 4,208                         | 5,515       |
|   |       | 10,662                 | 28,897   | 69,327    | 40,809                        | 37,486      |

| NOTES   | Year ended 31 December |               |                | Four months ended<br>30 April |               |
|---|------------------------|---------------|----------------|-------------------------------|---------------|
|   | 2011                   | 2012          | 2013           | 2013                          | 2014          |
|   | US\$'000               | US\$'000      | US\$'000       | US\$'000                      | US\$'000      |
|   |                        |               |                | (unaudited)                   |               |
| Total comprehensive income attributable to:       |                        |               |                |                               |               |
| Owner of the Company . . . . .                    | 43,720                 | 39,543        | 93,129         | 40,657                        | 15,424        |
| Non-controlling interests . . . . .               | 12,908                 | 8,640         | 18,336         | 6,093                         | 1,504         |
|   | <u>56,628</u>          | <u>48,183</u> | <u>111,465</u> | <u>46,750</u>                 | <u>16,928</u> |
| Earnings per share, basic (US cents) . . . . . 14 | <u>0.09</u>            | <u>0.65</u>   | <u>1.80</u>    | <u>1.18</u>                   | <u>1.03</u>   |



## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

## THE GROUP

|   | NOTES | At 31 December   |                  |                  | At 30 April      |
|---|-------|------------------|------------------|------------------|------------------|
|   |       | 2011             | 2012             | 2013             | 2014             |
|   |       | US\$'000         | US\$'000         | US\$'000         | US\$'000         |
| <b>NON-CURRENT ASSETS</b>   |       |                  |                  |                  |                  |
| Property, plant and equipment . . . . .                                       | 16    | 915,316          | 1,394,111        | 1,680,963        | 1,785,308        |
| Prepaid lease payments . . . . .  | 17    | 20,377           | 18,345           | 18,966           | 18,176           |
| Goodwill . . . . .  | 18    | 844              | 844              | 844              | 844              |
| Interests in a joint venture . . . . .  | 20    | 364,855          | 386,132          | 455,077          | 462,429          |
| Interests in associates . . . . .   | 21    | 269,658          | 250,231          | 269,359          | 274,421          |
| Amounts due from non-controlling shareholders . .                             | 22    | 1,286            | 1,039            | 2,905            | 3,004            |
| Other financial asset . . . . .   | 24    | 2,192            | 5,120            | –                | –                |
| Deferred tax assets . . . . .   | 25    | 1,556            | 1,436            | 1,495            | 1,599            |
| Other assets . . . . .  | 26    | 15,432           | 11,631           | 26,541           | 35,561           |
| Pledged bank deposits . . . . .   | 30    | 8,172            | 8,562            | –                | –                |
|   |       | <u>1,599,688</u> | <u>2,077,451</u> | <u>2,456,150</u> | <u>2,581,342</u> |
| <b>CURRENT ASSETS</b>   |       |                  |                  |                  |                  |
| Inventories . . . . .   | 27    | 30,459           | 26,861           | 28,587           | 29,530           |
| Prepaid lease payments . . . . .  | 17    | 2,012            | 2,015            | 2,102            | 2,083            |
| Trade receivables . . . . .   | 28    | 135,020          | 127,789          | 100,241          | 146,490          |
| Other receivables and prepayments . . . . .                                   |       | 13,966           | 38,609           | 17,433           | 20,670           |
| Amount due from a non-controlling shareholder . .                             | 22    | 1,454            | –                | 1,573            | –                |
| Amounts due from associates . . . . .   | 29    | 9,156            | 440              | 32,905           | 32,721           |
| Amounts due from fellow subsidiaries . . . . .                                | 29    | 8,000            | 10,373           | 86               | 13,724           |
| Tax recoverable . . . . .   |       | 611              | 289              | 169              | 224              |
| Derivative assets . . . . .   | 23    | 574              | –                | –                | –                |
| Pledged bank deposits and restricted cash . . . . .                           | 30    | 22,382           | 224,404          | 109,635          | 100,812          |
| Bank balances and cash . . . . .  | 30    | 129,116          | 104,751          | 208,708          | 134,159          |
|   |       | <u>352,750</u>   | <u>535,531</u>   | <u>501,439</u>   | <u>480,413</u>   |
| <b>CURRENT LIABILITIES</b>  |       |                  |                  |                  |                  |
| Trade payables . . . . .  | 31    | 109,132          | 132,855          | 107,337          | 140,557          |
| Other payables and accruals . . . . .   | 32    | 56,755           | 106,040          | 65,667           | 110,684          |
| Amount due to immediate holding company . . . .                               | 29    | 50,546           | 50,546           | –                | –                |
| Amount due to a fellow subsidiary . . . . .                                   | 29    | –                | –                | 1,695            | 1,499            |
| Amounts due to non-controlling shareholders . . . .                           | 33    | 15,682           | 15,948           | 26,079           | 24,315           |
| Dividend payable to immediate holding company .                               |       | 33,000           | 33,000           | –                | –                |
| Advances from non-controlling shareholders – due<br>within one year . . . . . | 34    | 11,224           | 7,334            | 7,560            | 7,400            |
| Bank borrowings – due within one year . . . . .                               | 35    | 49,127           | 132,058          | 28,878           | 28,071           |
| Bond payables – due within one year . . . . .                                 | 36    | –                | –                | 4,834            | 2,384            |
| Deferred connection charges . . . . .   |       | 668              | 450              | 145              | 171              |
| Tax payable . . . . .   |       | 4,235            | 8,823            | 9,128            | 7,442            |
| Derivative liabilities . . . . .  | 23    | 2,514            | 5,526            | 2,606            | 1,342            |
|   |       | <u>332,883</u>   | <u>492,580</u>   | <u>253,929</u>   | <u>323,865</u>   |
| NET CURRENT ASSETS . . . . .  |       | <u>19,867</u>    | <u>42,951</u>    | <u>247,510</u>   | <u>156,548</u>   |
| TOTAL ASSETS LESS CURRENT LIABILITIES .                                       |       | <u>1,619,555</u> | <u>2,120,402</u> | <u>2,703,660</u> | <u>2,737,890</u> |

| NOTES   | At 31 December |                       |                       | At 30 April           |                       |
|---|----------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 2011           | 2012                  | 2013                  | 2014                  |                       |
|   | US\$'000       | US\$'000              | US\$'000              | US\$'000              |                       |
| <b>NON-CURRENT LIABILITIES</b>                        |                |                       |                       |                       |                       |
| Advances from non-controlling shareholders            |                |                       |                       |                       |                       |
| – due after one year . . . . .                        | 34             | 3,907                 | 4,593                 | 4,782                 | 4,526                 |
| Loan from a fellow subsidiary . . . . .               | 37             | 3,174                 | 6,364                 | 6,561                 | 6,421                 |
| Loan from an intermediate holding company . . . . .   | 37             | –                     | –                     | 242,300               | 242,300               |
| Bank borrowings – due after one year . . . . .        | 35             | 788,263               | 1,228,948             | 1,110,728             | 1,129,830             |
| Bond payables – due after one year . . . . .          | 36             | –                     | –                     | 348,632               | 348,756               |
| Deferred connection charges . . . . .                 |                | 684                   | 264                   | 179                   | 292                   |
| Derivative liabilities . . . . .                      | 23             | 4,388                 | 2,474                 | –                     | –                     |
| Deferred tax liabilities . . . . .                    | 25             | 29,990                | 36,104                | 52,620                | 55,193                |
|   |                | <u>830,406</u>        | <u>1,278,747</u>      | <u>1,765,802</u>      | <u>1,787,318</u>      |
| <b>NET ASSETS . . . . .</b>                           |                | <b><u>789,149</u></b> | <b><u>841,655</u></b> | <b><u>937,858</u></b> | <b><u>950,572</u></b> |
| <b>CAPITAL AND RESERVES</b>                           |                |                       |                       |                       |                       |
| Share capital . . . . .                               | 38             | 40                    | 40                    | 40                    | 40                    |
| Reserves . . . . .                                    |                | <u>648,742</u>        | <u>685,372</u>        | <u>778,501</u>        | <u>793,925</u>        |
| Equity attributable to owner of the Company . . . . . |                | 648,782               | 685,412               | 778,541               | 793,965               |
| Non-controlling interests . . . . .                   |                | <u>140,367</u>        | <u>156,243</u>        | <u>159,317</u>        | <u>156,607</u>        |
| <b>TOTAL EQUITY . . . . .</b>                         |                | <b><u>789,149</u></b> | <b><u>841,655</u></b> | <b><u>937,858</u></b> | <b><u>950,572</u></b> |

## STATEMENTS OF FINANCIAL POSITION

## THE COMPANY

|   | NOTES | At 31 December  |                  |                | At 30 April     |
|---|-------|-----------------|------------------|----------------|-----------------|
|   |       | 2011            | 2012             | 2013           | 2014            |
|   |       | US\$'000        | US\$'000         | US\$'000       | US\$'000        |
| <b>NON-CURRENT ASSETS</b>                               |       |                 |                  |                |                 |
| Property, plant and equipment . . . . .                 | 16    | 432             | 270              | 271            | 345             |
| Investments in subsidiaries . . . . .                   | 19    | 383,589         | 834,996          | 893,797        | 884,241         |
| Amounts due from subsidiaries . . . . .                 | 19    | 340,958         | –                | –              | –               |
| Pledged bank deposits . . . . .                         | 30    | 8,172           | 8,562            | –              | –               |
|   |       | <u>733,151</u>  | <u>843,828</u>   | <u>894,068</u> | <u>884,586</u>  |
| <b>CURRENT ASSETS</b>                                   |       |                 |                  |                |                 |
| Other receivables and prepayments . . . . .             |       | 873             | 1,005            | 2,072          | 2,113           |
| Amount due from a fellow subsidiary . . . . .           | 29    | 8,000           | 10,373           | –              | 13,608          |
| Bank balances and cash . . . . .                        | 30    | 39,896          | 14,285           | 75,987         | 521             |
|   |       | <u>48,769</u>   | <u>25,663</u>    | <u>78,059</u>  | <u>16,242</u>   |
| <b>CURRENT LIABILITIES</b>                              |       |                 |                  |                |                 |
| Other payables and accruals . . . . .                   | 32    | 7,314           | 9,880            | 15,652         | 11,333          |
| Amounts due to subsidiaries . . . . .                   | 29    | 35,370          | 19,405           | 14,748         | 14,363          |
| Amount due to immediate holding company . . . . .       | 29    | 50,546          | 50,546           | –              | –               |
| Dividend payable to immediate holding company . . . . . |       | 33,000          | 33,000           | –              | –               |
| Bank borrowings – due within one year . . . . .         | 35    | –               | 99,500           | –              | –               |
| Bond payables – due within one year . . . . .           | 36    | –               | –                | 4,834          | 2,384           |
| Derivative liabilities . . . . .                        | 23    | 2,514           | 3,299            | 2,606          | 1,342           |
|   |       | <u>128,744</u>  | <u>215,630</u>   | <u>37,840</u>  | <u>29,422</u>   |
| NET CURRENT (LIABILITIES) ASSETS . . . . .              |       | <u>(79,975)</u> | <u>(189,967)</u> | <u>40,219</u>  | <u>(13,180)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES . . . . .         |       | <u>653,176</u>  | <u>653,861</u>   | <u>934,287</u> | <u>871,406</u>  |
| <b>NON-CURRENT LIABILITIES</b>                          |       |                 |                  |                |                 |
| Loan from an intermediate holding company . . . . .     | 37    | –               | –                | 242,300        | 242,300         |
| Bank borrowings – due after one year . . . . .          | 35    | 470,729         | 462,048          | 190,000        | 140,000         |
| Bond payables – due after one year . . . . .            | 36    | –               | –                | 348,632        | 348,756         |
| Derivative liabilities . . . . .                        | 23    | 4,388           | 2,474            | –              | –               |
|   |       | <u>475,117</u>  | <u>464,522</u>   | <u>780,932</u> | <u>731,056</u>  |
| NET ASSETS . . . . .                                    |       | <u>178,059</u>  | <u>189,339</u>   | <u>153,355</u> | <u>140,350</u>  |
| <b>CAPITAL AND RESERVES</b>                             |       |                 |                  |                |                 |
| Share capital . . . . .                                 | 38    | 40              | 40               | 40             | 40              |
| Reserves . . . . .                                      | 39    | 178,019         | 189,299          | 153,315        | 140,310         |
| TOTAL EQUITY . . . . .                                  |       | <u>178,059</u>  | <u>189,339</u>   | <u>153,355</u> | <u>140,350</u>  |

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

|  | Attributable to owner of the Company |               |                     |                  |                                  |                 |                     |                     |          |                           |              |
|--|--------------------------------------|---------------|---------------------|------------------|----------------------------------|-----------------|---------------------|---------------------|----------|---------------------------|--------------|
|  | Share capital                        | Share premium | Contributed surplus | Special reserves | Other non-distributable reserves | Hedging reserve | Translation reserve | Accumulated profits | Total    | Non-controlling interests | Total equity |
|  | US\$'000                             | US\$'000      | US\$'000            | US\$'000         | US\$'000                         | US\$'000        | US\$'000            | US\$'000            | US\$'000 | US\$'000                  | US\$'000     |
|  |                                      |               | (Note a)            |                  | (Note b)                         |                 |                     |                     |          |                           |              |
| At 1 January 2011 . . . . .  | 40                                   | 17,984        | 156,482             | 2,913            | 17,808                           | 3,387           | 135,088             | 303,179             | 636,881  | 92,232                    | 729,113      |
| Profit for the year . . . . .  | -                                    | -             | -                   | -                | -                                | -               | -                   | 2,787               | 2,787    | 7,875                     | 10,662       |
| Exchange difference arising on translation of foreign subsidiaries, associates and a joint venture . . . . . | -                                    | -             | -                   | -                | -                                | -               | 41,197              | -                   | 41,197   | 5,033                     | 46,230       |
| Release of hedging reserve . . . . .   | -                                    | -             | -                   | -                | -                                | (209)           | -                   | -                   | (209)    | -                         | (209)        |
| Deferred tax charge arising on release of hedging reserve . . . . .  | -                                    | -             | -                   | -                | -                                | (55)            | -                   | -                   | (55)     | -                         | (55)         |
| Total comprehensive (expense) income for the year . . . . .  | -                                    | -             | -                   | -                | -                                | (264)           | 41,197              | 2,787               | 43,720   | 12,908                    | 56,628       |
| Acquisition of subsidiaries (Note 43(a) & (b)) . . . . .   | -                                    | -             | -                   | -                | -                                | -               | -                   | -                   | -        | 42,934                    | 42,934       |
| Exchange difference from return of paid-in capital of a subsidiary (Note c) . . . . .                        | -                                    | -             | -                   | -                | -                                | -               | 1,181               | -                   | 1,181    | -                         | 1,181        |
| Dividend recognised as distribution (Note 13) . . . . .  | -                                    | -             | (33,000)            | -                | -                                | -               | -                   | -                   | (33,000) | -                         | (33,000)     |
| Dividend paid to non-controlling shareholders . . . . .  | -                                    | -             | -                   | -                | -                                | -               | -                   | -                   | -        | (7,707)                   | (7,707)      |
| Transfer of non-distributable reserves . . . . .   | -                                    | -             | -                   | -                | 1,710                            | -               | -                   | (1,710)             | -        | -                         | -            |
| At 31 December 2011 . . . . .  | 40                                   | 17,984        | 123,482             | 2,913            | 19,518                           | 3,123           | 177,466             | 304,256             | 648,782  | 140,367                   | 789,149      |
| Profit for the year . . . . .  | -                                    | -             | -                   | -                | -                                | -               | -                   | 20,159              | 20,159   | 8,738                     | 28,897       |
| Exchange difference arising on translation of foreign subsidiaries, associates and a joint venture . . . . . | -                                    | -             | -                   | -                | -                                | -               | 21,168              | -                   | 21,168   | (98)                      | 21,070       |
| Fair value loss on hedging investment in cash flow hedge . . . . .   | -                                    | -             | -                   | -                | -                                | (2,227)         | -                   | -                   | (2,227)  | -                         | (2,227)      |
| Deferred tax credit arising on fair value loss on hedging investment . . . . .                               | -                                    | -             | -                   | -                | -                                | 539             | -                   | -                   | 539      | -                         | 539          |
| Release of hedging reserve . . . . .   | -                                    | -             | -                   | -                | -                                | (126)           | -                   | -                   | (126)    | -                         | (126)        |
| Deferred tax credit arising on release of hedging reserve . . . . .  | -                                    | -             | -                   | -                | -                                | 30              | -                   | -                   | 30       | -                         | 30           |
| Total comprehensive (expense) income for the year . . . . .  | -                                    | -             | -                   | -                | -                                | (1,784)         | 21,168              | 20,159              | 39,543   | 8,640                     | 48,183       |
| Acquisition of subsidiaries (Note 43(c)) . . . . .   | -                                    | -             | -                   | -                | -                                | -               | -                   | -                   | -        | 3,458                     | 3,458        |
| Decrease due to reversal of acquisition of additional interest in a subsidiary (Note d) . . . . .            | -                                    | -             | -                   | (2,913)          | -                                | -               | -                   | -                   | (2,913)  | 9,063                     | 6,150        |
| Dividend paid to non-controlling shareholders . . . . .  | -                                    | -             | -                   | -                | -                                | -               | -                   | -                   | -        | (5,285)                   | (5,285)      |
| Transfer of non-distributable reserves . . . . .   | -                                    | -             | -                   | -                | 907                              | -               | -                   | (907)               | -        | -                         | -            |
| At 31 December 2012 . . . . .  | 40                                   | 17,984        | 123,482             | -                | 20,425                           | 1,339           | 198,634             | 323,508             | 685,412  | 156,243                   | 841,655      |

|  | Attributable to owner of the Company |               |                     |                  |                                  |                 |                     |                     |          |                           |              |
|--|--------------------------------------|---------------|---------------------|------------------|----------------------------------|-----------------|---------------------|---------------------|----------|---------------------------|--------------|
|  | Share capital                        | Share premium | Contributed surplus | Special reserves | Other non-distributable reserves | Hedging reserve | Translation reserve | Accumulated profits | Total    | Non-controlling interests | Total equity |
|  | US\$'000                             | US\$'000      | US\$'000            | US\$'000         | US\$'000                         | US\$'000        | US\$'000            | US\$'000            | US\$'000 | US\$'000                  | US\$'000     |
|  |                                      |               | (Note a)            |                  | (Note b)                         |                 |                     |                     |          |                           |              |
| Profit for the year . . . . .  | -                                    | -             | -                   | -                | -                                | -               | -                   | 55,817              | 55,817   | 13,510                    | 69,327       |
| Exchange difference arising on translation of foreign subsidiaries, associates and a joint venture . . . . . | -                                    | -             | -                   | -                | -                                | -               | 37,432              | -                   | 37,432   | 4,826                     | 42,258       |
| Release of hedging reserve . . . . .   | -                                    | -             | -                   | -                | -                                | (158)           | -                   | -                   | (158)    | -                         | (158)        |
| Deferred tax credit arising on release of hedging reserve . . . . .  | -                                    | -             | -                   | -                | -                                | 38              | -                   | -                   | 38       | -                         | 38           |
| Total comprehensive (expense) income for the year . . . . .  | -                                    | -             | -                   | -                | -                                | (120)           | 37,432              | 55,817              | 93,129   | 18,336                    | 111,465      |
| Acquisition of subsidiaries (Note 43(d)) . . . . .   | -                                    | -             | -                   | -                | -                                | -               | -                   | -                   | -        | 428                       | 428          |
| Capital contribution from non-controlling shareholders . . . . .   | -                                    | -             | -                   | -                | -                                | -               | -                   | -                   | -        | 1,859                     | 1,859        |
| Dividend paid to non-controlling shareholders . . . . .  | -                                    | -             | -                   | -                | -                                | -               | -                   | -                   | -        | (17,549)                  | (17,549)     |
| Transfer of non-distributable reserves . . . . .   | -                                    | -             | -                   | -                | 6,869                            | -               | -                   | (6,869)             | -        | -                         | -            |
| Reduction of share premium (Note e) . . . . .  | -                                    | (17,984)      | 17,984              | -                | -                                | -               | -                   | -                   | -        | -                         | -            |
| At 31 December 2013 . . . . .  | 40                                   | -             | 141,466             | -                | 27,294                           | 1,219           | 236,066             | 372,456             | 778,541  | 159,317                   | 937,858      |
| Profit for the period . . . . .  | -                                    | -             | -                   | -                | -                                | -               | -                   | 31,971              | 31,971   | 5,515                     | 37,486       |
| Exchange difference arising on translation of foreign subsidiaries, associates and a joint venture . . . . . | -                                    | -             | -                   | -                | -                                | -               | (16,513)            | -                   | (16,513) | (4,011)                   | (20,524)     |
| Release of hedging reserve . . . . .   | -                                    | -             | -                   | -                | -                                | (45)            | -                   | -                   | (45)     | -                         | (45)         |
| Deferred tax credit arising on release of hedging reserve . . . . .  | -                                    | -             | -                   | -                | -                                | 11              | -                   | -                   | 11       | -                         | 11           |
| Total comprehensive (expense) income for the period . . . . .  | -                                    | -             | -                   | -                | -                                | (34)            | (16,513)            | 31,971              | 15,424   | 1,504                     | 16,928       |
| Dividend paid to non-controlling shareholders . . . . .  | -                                    | -             | -                   | -                | -                                | -               | -                   | -                   | -        | (4,214)                   | (4,214)      |
| At 30 April 2014 . . . . .   | 40                                   | -             | 141,466             | -                | 27,294                           | 1,185           | 219,553             | 404,427             | 793,965  | 156,607                   | 950,572      |
| <b>Unaudited</b>   |                                      |               |                     |                  |                                  |                 |                     |                     |          |                           |              |
| At 1 January 2013 . . . . .  | 40                                   | 17,984        | 123,482             | -                | 20,425                           | 1,339           | 198,634             | 323,508             | 685,412  | 156,243                   | 841,655      |
| Profit for the period . . . . .  | -                                    | -             | -                   | -                | -                                | -               | -                   | 36,601              | 36,601   | 4,208                     | 40,809       |
| Exchange difference arising on translation of foreign subsidiaries, associates and a joint venture . . . . . | -                                    | -             | -                   | -                | -                                | -               | 4,110               | -                   | 4,110    | 1,885                     | 5,995        |
| Release of hedging reserve . . . . .   | -                                    | -             | -                   | -                | -                                | (72)            | -                   | -                   | (72)     | -                         | (72)         |
| Deferred tax credit arising on release of hedging reserve . . . . .  | -                                    | -             | -                   | -                | -                                | 18              | -                   | -                   | 18       | -                         | 18           |
| Total comprehensive (expense) income for the period . . . . .  | -                                    | -             | -                   | -                | -                                | (54)            | 4,110               | 36,601              | 40,657   | 6,093                     | 46,750       |
| Dividend declared to non-controlling shareholders . . . . .  | -                                    | -             | -                   | -                | -                                | -               | -                   | -                   | -        | (2,965)                   | (2,965)      |
| At 30 April 2013 . . . . .   | 40                                   | 17,984        | 123,482             | -                | 20,425                           | 1,285           | 202,744             | 360,109             | 726,069  | 159,371                   | 885,440      |

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*Notes:*

- (a) The contributed surplus of the Company represents cash contributions to the Company made by the shareholders other than for subscription of shares, net of dividends declared. In addition to accumulated profits, the contributed surplus of the Company is also available for distribution to shareholders under the Companies Act 1981 of Bermuda. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:
- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
  - (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.
- (b) Other non-distributable reserves principally represent statutory reserves required to be appropriated from profit after income tax of the subsidiaries established in the PRC, under the relevant laws and regulations. Allocation to the statutory reserves shall be approved by the board of directors of the relevant subsidiaries. The appropriation to statutory reserves may cease if the balance of the statutory reserves has reached 50% of the registered capital of the respective subsidiaries. The statutory reserves may be used to make up losses or for conversion into capital. The relevant subsidiaries may, upon the approval by a resolution of shareholders' general meeting/board of directors' meeting, convert their statutory reserves into capital in proportion to their then existing shareholdings. However, when converting the statutory reserves into capital, the balance of such reserve remaining unconverted must not be less than 25% of the registered capital.
- (c) The amount of US\$1,181,000 represents the exchange difference arisen from return of paid-in capital of a subsidiary, denominated in United States Dollars.
- (d) In 2010, the Group acquired 85% equity interest in NGL Power (BVI) Limited ("NGL Power") and accounted for as a subsidiary of the Group which indirectly holds 70% equity interest in Nanyang General Light Electric Co., Ltd., a company established in the PRC and engaged in the operation of coal-fired power plant in the PRC with a right to acquire 15% equity interest in NGL Power within two years. During the year ended 31 December 2012, the right was expired and the previous adjustment to the special reserve of US\$2,913,000 and non-controlling interest of US\$9,063,000 are reversed for the year ended 31 December 2012 accordingly.
- (e) Pursuant to the resolutions of directors and the sole member of the Company, share premium of the Company was reduced by US\$17,984,000, and transferred to its contributed surplus with effect from 30 December 2013.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

|   | Year ended 31 December |                |                | Four months ended<br>30 April |               |
|---|------------------------|----------------|----------------|-------------------------------|---------------|
|   | 2011                   | 2012           | 2013           | 2013                          | 2014          |
|   | US\$'000               | US\$'000       | US\$'000       | US\$'000                      | US\$'000      |
|   |                        |                |                | (unaudited)                   |               |
| <b>OPERATING ACTIVITIES</b>   |                        |                |                |                               |               |
| Profit before tax . . . . .   | 24,290                 | 58,110         | 116,569        | 53,638                        | 50,167        |
| Adjustments for:  |                        |                |                |                               |               |
| Depreciation of property, plant and equipment . . . . .                             | 56,932                 | 61,742         | 71,282         | 20,850                        | 27,824        |
| Release of prepaid lease payments . . . . .   | 1,983                  | 2,063          | 2,096          | 699                           | 711           |
| Loss on disposal of property, plant and equipment . . . . .                         | 42                     | 1,702          | 571            | 29                            | 13            |
| Change in fair value of derivative financial instruments, net . . . . .             | 4,391                  | (555)          | (3,167)        | (1,504)                       | (1,264)       |
| Change in fair value of other financial asset . . . . .                             | –                      | (5,051)        | –              | –                             | –             |
| Discount on acquisition recognised in a business combination . . . . .              | (2,192)                | –              | –              | –                             | –             |
| (Reversal of allowance for) allowance for bad and doubtful<br>receivables . . . . . | (25)                   | 48             | 8              | –                             | –             |
| Amortisation of deferred connection charges . . . . .                               | (837)                  | (673)          | (464)          | (193)                         | (62)          |
| Interest income . . . . .   | (2,305)                | (2,744)        | (3,227)        | (364)                         | (479)         |
| Finance costs . . . . .   | 43,935                 | 41,065         | 51,704         | 11,300                        | 19,772        |
| Share of results of associates . . . . .  | 13,734                 | 12,386         | (28,936)       | (8,122)                       | (10,877)      |
| Share of results of a joint venture . . . . .                                       | 187                    | (20,082)       | (55,946)       | (14,225)                      | (16,763)      |
| Impairment loss on interest in an associate . . . . .                               | –                      | 7,627          | 18,758         | –                             | –             |
| Impairment loss on property, plant and equipment . . . . .                          | –                      | –              | 24,000         | –                             | –             |
| Operating cashflows before movements in working capital . . . . .                   | 140,135                | 155,638        | 193,248        | 62,108                        | 69,042        |
| (Increase) decrease in other assets . . . . .                                       | (1,925)                | 2,344          | (13,999)       | (4,759)                       | (121)         |
| (Increase) decrease in inventories . . . . .  | (6,252)                | 4,672          | (1,175)        | 81                            | (897)         |
| (Increase) decrease in trade receivables . . . . .                                  | (44,323)               | 13,715         | 29,717         | 32,068                        | (45,625)      |
| Decrease (increase) in other receivables and prepayments . . . . .                  | 12,394                 | (23,166)       | 22,714         | (2,963)                       | (3,167)       |
| (Increase) decrease in amount due from a non-controlling shareholder . . . . .      | (65)                   | –              | (1,404)        | –                             | 1,378         |
| (Increase) decrease in amount due from an associate . . . . .                       | (343)                  | 343            | (268)          | –                             | –             |
| Increase (decrease) in trade payables . . . . .                                     | 23,127                 | 15,598         | (26,048)       | (44,135)                      | 31,463        |
| (Decrease) increase in other payables and accruals . . . . .                        | (8,828)                | (5,332)        | 14,775         | 6,849                         | 8,813         |
| Increase in amounts due to non-controlling shareholders . . . . .                   | –                      | 27             | –              | –                             | –             |
| Increase in deferred connection charges . . . . .                                   | 427                    | 42             | 58             | 58                            | 209           |
| Cash generated from operations . . . . .  | 114,347                | 163,881        | 217,618        | 49,307                        | 61,095        |
| Income taxes paid . . . . .   | (25,870)               | (17,768)       | (28,543)       | (9,928)                       | (11,931)      |
| <b>NET CASH FROM OPERATING ACTIVITIES . . . . .</b>                                 | <b>88,477</b>          | <b>146,113</b> | <b>189,075</b> | <b>39,379</b>                 | <b>49,164</b> |



| NOTE   | Year ended 31 December |                  |                  | Four months ended<br>30 April |                  |
|--|------------------------|------------------|------------------|-------------------------------|------------------|
|  | 2011                   | 2012             | 2013             | 2013                          | 2014             |
|  | US\$'000               | US\$'000         | US\$'000         | US\$'000                      | US\$'000         |
|  |                        |                  |                  | (unaudited)                   |                  |
| INVESTING ACTIVITIES   |                        |                  |                  |                               |                  |
|  | (96,765)               | –                | –                | –                             | –                |
|  | (77,169)               | (423,554)        | (390,031)        | (174,314)                     | (89,216)         |
| 43   | (39,410)               | 32               | (3,996)          | –                             | –                |
|  | (19,666)               | –                | (37,523)         | –                             | –                |
|  | (8,000)                | (45,165)         | (419,845)        | (10,620)                      | (85,973)         |
|  | (7)                    | –                | (1,872)          | (379)                         | (213)            |
|  | (3,157)                | –                | –                | –                             | (8,958)          |
|  | –                      | 2,123            | 4,877            | 4,877                         | –                |
|  | –                      | 42,792           | 430,132          | 9,357                         | 72,335           |
|  | 288                    | 136              | –                | –                             | –                |
|  | 577                    | –                | 22               | 19                            | –                |
|  | 2,305                  | 2,744            | 3,227            | 364                           | 479              |
|  | 13,301                 | 8,360            | 3,825            | –                             | –                |
|  | 39,957                 | –                | –                | –                             | –                |
|  | (545,255)              | (659,395)        | (903,064)        | (310,172)                     | (338,941)        |
|  | 604,816                | 467,650          | 1,029,100        | 371,657                       | 349,775          |
|  | <u>(128,185)</u>       | <u>(604,277)</u> | <u>(285,148)</u> | <u>(109,211)</u>              | <u>(100,712)</u> |
| FINANCING ACTIVITIES   |                        |                  |                  |                               |                  |
|  | (172,215)              | (60,569)         | (557,600)        | (251,632)                     | (52,858)         |
|  | (40,986)               | (49,856)         | (66,502)         | (13,563)                      | (23,622)         |
|  | (7,707)                | (5,285)          | (17,549)         | –                             | (4,214)          |
|  | –                      | –                | (33,000)         | (33,000)                      | –                |
|  | –                      | –                | 1,859            | –                             | –                |
|  | –                      | 6,350            | 9,637            | 4,147                         | –                |
|  | (4,604)                | (2,390)          | –                | –                             | (1,210)          |
|  | (94)                   | (5,790)          | (1,750)          | (542)                         | –                |
|  | 3,174                  | 3,190            | –                | –                             | –                |
|  | –                      | –                | 242,300          | 242,300                       | –                |
|  | –                      | –                | 1,695            | –                             | –                |
|  | 50,546                 | –                | –                | –                             | –                |
|  | –                      | –                | (50,546)         | –                             | –                |
|  | 250,464                | 547,478          | 319,945          | 123,944                       | 60,913           |
|  | –                      | –                | 348,901          | –                             | –                |
|  | –                      | –                | (787)            | –                             | –                |
|  | <u>78,578</u>          | <u>433,128</u>   | <u>196,603</u>   | <u>71,654</u>                 | <u>(20,991)</u>  |
| NET INCREASE (DECREASE) IN CASH AND CASH<br>EQUIVALENTS . . . . .                                  |                        |                  |                  |                               |                  |
|  | 38,870                 | (25,036)         | 100,530          | 1,822                         | (72,539)         |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF<br>YEAR/PERIOD . . . . .                                 |                        |                  |                  |                               |                  |
|  | 89,039                 | 129,116          | 104,751          | 104,751                       | 208,708          |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES . . . . .  |                        |                  |                  |                               |                  |
|  | <u>1,207</u>           | <u>671</u>       | <u>3,427</u>     | <u>4,470</u>                  | <u>(2,010)</u>   |
| CASH AND CASH EQUIVALENTS AT END OF YEAR/<br>PERIOD, representing bank balances and cash . . . . . |                        |                  |                  |                               |                  |
|  | <u>129,116</u>         | <u>104,751</u>   | <u>208,708</u>   | <u>111,043</u>                | <u>134,159</u>   |

## NOTES TO THE FINANCIAL INFORMATION

## 1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability with its registered office at Victoria Place, 31 Victoria Street, Hamilton HM 10, Bermuda. The principal place of business is at 15/F., Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. Its immediate holding company is CGNPC Huamei Investment Limited 中廣核華美投資有限公司 (“CGNPC Huamei”), a company incorporated in Hong Kong with limited liability and its ultimate holding company is China General Nuclear Power Corporation 中國廣核集團有限公司 (formerly known as China Guangdong Nuclear Power Holding Co., Ltd. 中國廣東核電集團有限公司) (“CGN”), a state-owned enterprise established in the PRC.

The Company is an investment holding company. The principal activities of its subsidiaries are engaged in the generation and supply of electricity and steam, construction and operation of power stations and other associated facilities in the PRC and Republic of Korea.

The Financial Information is presented in United States dollars (“US\$”), which is also the functional currency of the Company.

## 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has adopted and consistently applied all IFRSs, International Accounting Standards (“IAS”) amendments to standards and the related interpretations (“IFRIC”) which are effective for the Group’s financial period beginning on 1 January 2014 throughout the Track Record Period.

At the date of this report, the following new and revised IFRSs have been issued but are not yet effective. The Group has not early applied these standards, amendments and interpretations.

|                                  |  |
|----------------------------------|--|
| Amendments to IFRS 11            | Accounting for Acquisitions of Interests in Joint Operations <sup>5</sup>                          |
| IFRS 9                           | Financial Instruments <sup>1</sup>   |
| IFRS 14                          | Regulatory Deferral Accounts <sup>4</sup>  |
| IFRS 15                          | Revenue from Contracts with Customers <sup>6</sup>   |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup> |
| Amendments to IAS 16 and IAS 38  | Clarification of Acceptable Methods of Depreciation and Amortisation <sup>5</sup>                  |
| Amendments to IAS 16 and IAS 41  | Agriculture: Bearer Plants <sup>5</sup>  |
| Amendments to IAS 19             | Defined Benefit Plans: Employee Contributions <sup>2</sup>   |
| Amendments to IAS 27             | Equity Method in Separate Financial Statements <sup>5</sup>  |
| Amendments to IFRSs              | Annual Improvements to IFRSs 2010-2012 Cycle <sup>3</sup>  |
| Amendments to IFRSs              | Annual Improvements to IFRSs 2011-2013 Cycle <sup>2</sup>  |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

<sup>4</sup> Effective for first annual IFRS financial statements beginning on or after 1 January 2016.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2017.

The directors of the Company anticipate that the application of the new standards and amendments will have no material impact on the Financial Information of the Group.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance which for the Track Record Period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap.622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 of that Ordinance.

The Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except leasing transactions that are within the scope of IAS 17 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

#### **Basis of consolidation**

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

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

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the Track Record Period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All significant intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity owner of the Company.

#### **Acquisitions of businesses**

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds

the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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

#### **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit on a basis pro rata on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described at "Investments in associates" below.

#### **Investments in subsidiaries**

Investments in subsidiaries included in the Company's statement of financial position are stated at cost less any identified impairment loss.

The results of the subsidiaries are accounted for on the basis of dividends received and receivable during the Track Record Period.

#### **Investments in associates**

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

The results and assets and liabilities of an associate are incorporated in the Financial Information using the equity method of accounting. Under the equity method, investment in an associate are initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its

recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Financial Information only to the extent of interests in the associate that are not related to the Group.

#### **Joint venture**

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

The results and assets and liabilities of a joint venture are incorporated in the Financial Information using the equity method of accounting. Under the equity method, investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture equals or exceeds its interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of a joint venture recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

When a group entity transacts with its joint venture, profits and losses resulting from the transactions with the joint venture are recognised in the Financial Information only to the extent of interests in the joint venture that are not related to the Group.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the sale of electricity and steam are recognised based upon output delivered. Revenue is recognised upon transmission of electricity and steam to the customers.

Capacity charges are payments from independent power purchasers for maintaining availability of some of the Group's power generators for dispatch of electricity, regardless of actual dispatch. The charges are recognised when the relevant dispatch requirements are met.

Connection charges are one-off charges to new customers for connecting into a heat supply network approved by government. The charges are deferred and recognised on a straight-line basis over the estimated service life of the customers which is estimated to be five years.

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

Revenue from sale of scrap materials is recognised when the materials are delivered and title has passed.

**Leasing**

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

***The Group as lessor***

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

In the case of an electricity supply or a power purchase contractual arrangement, where the fulfilment of the arrangement is dependent on the use of specific assets and the arrangement conveys a right to use these assets, such contractual arrangement is accounted for as containing a finance lease or an operating lease, as applicable.

***The Group as lessee***

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

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

***Sale and leaseback arrangements – operating lease***

The Group enters into sale and leaseback arrangements whereby it sells certain assets and leases back of those assets. The Group reviews the substance of each of these transactions to determine whether the leaseback is a finance lease or an operating lease. Where it is determined that the leaseback is an operating lease and (i) the Group does not maintain or maintains only minor continuing involvement in these properties, other than the required lease payments and (ii) these transactions are established at sales price below fair value, and the loss is compensated for future lease payments at below market price, such loss is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used.

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US\$) at the rate of exchange prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the year/period, unless exchange rates fluctuate significantly during the year/period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owner of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

**Government grants**

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

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

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

**Retirement benefit costs**

Payments to defined contribution retirement benefit plans including state-managed retirement benefit schemes in the PRC, national retirement benefit scheme in Korea and the Mandatory Provident Fund Scheme in Hong Kong are recognised as an expense when employees have rendered service entitling them to the contributions.

In accordance with the relevant rules and regulations in Korea, all employees with more than one year of service are entitled to lump-sum severance payments equal to one month's pay of service for each year based on their rate of latest salary and the length of service upon termination of their employment or retirement. The accrual for severance indemnities is determined based on the amount that would be payable assuming all employees were to retire at the end of the reporting period.

**Taxation**

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

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

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

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

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



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

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

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

### **Property, plant and equipment**

Property, plant and equipment, other than freehold land and construction in progress, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

Freehold land is stated in the consolidated statement of financial position at cost less accumulated impairment losses, if any. No amortisation is provided for freehold land.

Construction in progress is carried at cost, less recognised impairment loss, if any. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### **Leasehold land and building**

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is released over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

### **Impairment of assets (other than financial assets)**

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

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

### **Inventories**

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

### **Financial instruments**

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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

### ***Financial assets***

The Group's financial assets are classified into one of the two categories, including financial assets at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

### ***Effective interest method***

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

Interest income is recognised on an effective interest basis for debt instruments.

### ***Financial assets at FVTPL***

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the 'other gains and losses' in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 42.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from non-controlling shareholders, amounts due from fellow subsidiaries and associates, amounts due from subsidiaries, pledged bank deposits and restricted cash and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

#### *Impairment of financial assets*

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

Objective evidence of impairment could include:

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

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

#### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to receive cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

#### *Financial liabilities and equity instruments*

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

*Equity instrument*

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

*Effective interest method*

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

Interest expense is recognised on an effective interest basis.

*Financial liabilities at FVTPL*

Financial liabilities at FVTPL represent financial liabilities held for trading.

A financial liability is classified as held for trading if:

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in the 'other gains and losses' line item in profit or loss and includes any interest paid on the financial liabilities.

*Bond payables*

Bond issued by the Group that contain both liability and early redemption options (which are not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption options components are recognised at fair value.

In subsequent periods, the liability component of the bond is carried at amortised cost using the effective interest method. The early redemption options are measured at fair value with change in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the bond are allocated to the liability and early redemption options components in proportion to their relative fair values. Transaction costs relating to the early redemption options are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the bond using the effective interest method.

*Other financial liabilities*

Other financial liabilities including trade and other payables, dividend payable to immediate holding company, amounts due to non-controlling shareholders, a fellow subsidiary and immediate holding company, advances from non-controlling shareholders, loan from a fellow subsidiary, loan from an intermediate holding company, bank borrowings and bond payables are subsequently measured at amortised cost, using the effective interest method.

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

*Derivative financial instruments*

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

*Hedge accounting*

The Group designates certain derivatives as hedges of the cash flow for the purchase of property, plant and equipment denominated in foreign currency (cash flow hedges).

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

*Cash flow hedge*

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

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognised hedged item.

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

**4. CRITICAL ACCOUNTING JUDGEMENT IN APPLYING THE GROUP'S ACCOUNTING POLICIES**

In the process of applying the Group's accounting policies, management has made the following judgement that has the most significant effect on the amounts recognised in the Financial Information (apart from those involving estimations, which are dealt with in note 5 below).

**Connection charges**

It is the Group's policy to recognise the connection charges, which are one-off charges to new customers for connecting into a heat supply network, on a straight-line basis over the estimated service life of the customers. In making the judgement on the estimation of the average service life of the customers of five years, the Group considered the historical data of service life of the customers and future expectation. As at 31 December 2011, 2012 and 2013 and 30 April 2014, the Group has deferred connection charges amounting to approximately US\$1,352,000, US\$714,000, US\$324,000 and US\$463,000 respectively.

**5. KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

**Useful lives and impairment assessment of property, plant, and equipment**

Property, plant, and equipment are stated in the statements of financial position at cost less accumulated depreciation and identified impairment losses. The estimation of their useful lives impacts the level of annual depreciation expense recorded. Property, plant, and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the appropriate asset's carrying values are written down to the recoverable amount and the amount of the write-down is charged against the results of operations. As at 31 December 2011, 2012 and 2013 and 30 April 2014, the carrying value of property, plant and equipment of the Group is approximately US\$915,316,000, US\$1,394,111,000, US\$1,680,963,000 and US\$1,785,308,000 respectively.

**Impairment of goodwill and interests in associates**

Determining whether goodwill and interests in associates are impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated and entire carrying amounts of the investments in associates, respectively. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and associates and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than previously estimated, a material impairment loss may arise. As at 31 December 2011, 2012 and 2013 and 30 April 2014, the carrying amount of goodwill is US\$844,000, US\$844,000, US\$844,000 and US\$844,000 respectively and the carrying amount of interests in associates is US\$269,658,000, US\$250,231,000, US\$269,359,000 and US\$274,421,000 respectively. Details of the recoverable amount calculation are disclosed in notes 18 and 21, respectively.

**Other financial asset**

As described in note 24, the directors of the Company use their judgement in selecting an appropriate valuation technique for assessment of the fair value of the Minimum Guaranteed Return (as defined in note 24) granted by the vendor in the acquisition of subsidiaries in 2011, which is not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The estimation of fair value of the Minimum Guaranteed Return may include some assumptions not supported by observable market prices or rates, including the budgeted sales and gross margin, which is determined based on the management's past performance and expectations for the market development. Any change of these assumptions would impact the assessment of the fair value of the Minimum Guaranteed Return.

As at 31 December 2011, 2012 and 2013 and 30 April 2014, the fair value of the Minimum Guaranteed Return was approximately US\$2,192,000, US\$5,120,000, nil and nil respectively. Details are set out in note 24.

**Fair value of derivative financial instruments**

As described in note 23, the directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. As at 31 December 2011, 2012 and 2013 and 30 April 2014, the fair value of derivative financial assets is approximately US\$574,000, nil, nil and nil respectively. As at 31 December 2011, 2012 and 2013 and 30 April 2014, the fair value of derivative financial liabilities is approximately US\$6,902,000, US\$8,000,000, US\$2,606,000 and US\$1,342,000 respectively.

**6. REVENUE AND SEGMENT INFORMATION**

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on geographical location are set out below.

**Segment revenue and segment results**

The board of directors of the Company review operating results and financial information of the Group based on individual power plant and on a location basis. Each power plant constitutes an operating segment. For certain operating segments that exhibit similar long-term financial performance as they have similar economic characteristics, produce electricity and/or steam by using similar production processes and all of electricity and/or steam are distributed and sold to similar classes of customers, their segment information is aggregated into a single reportable operating segment. The Group has two reportable segments as follows:

- (1) The PRC; and
- (2) Republic of Korea.

The following is an analysis of the Group's revenue and results by reportable segment:

**For the year ended 31 December 2011**

|  | <u>The PRC</u><br>US\$'000 | <u>Republic<br/>of Korea</u><br>US\$'000 | <u>Total</u><br>US\$'000 |
|--|----------------------------|--|--------------------------|
| Segment revenue – external . . . . .                                   | 295,150                    | 473,343                                  | 768,493                  |
| Segment results . . . . .  | <u>37,006</u>              | <u>39,229</u>                            | 76,235                   |
| Unallocated other income . . . . .                                     |                            |  | 831                      |
| Unallocated operating expenses . . . . .                               |                            |  | (15,636)                 |
| Unallocated finance costs . . . . .                                    |                            |  | (20,360)                 |
| Other gains and losses . . . . .                                       |                            |  | (5,051)                  |
| Share of results of associates . . . . .                               |                            |  | (13,734)                 |
| Share of results of a joint venture . . . . .                          |                            |  | (187)                    |
| Discount on acquisition recognised in a business combination . . . . . |                            |  | 2,192                    |
| Profit before tax . . . . .  |                            |  | <u>24,290</u>            |

**For the year ended 31 December 2012**

|   | <u>The PRC</u><br>US\$'000 | <u>Republic<br/>of Korea</u><br>US\$'000 | <u>Total</u><br>US\$'000 |
|---|----------------------------|--|--------------------------|
| Segment revenue – external . . . . .                  | 305,003                    | 643,303                                  | 948,306                  |
| Segment results . . . . .                             | <u>51,516</u>              | <u>43,702</u>                            | 95,218                   |
| Unallocated other income . . . . .                    |                            |  | 925                      |
| Unallocated operating expenses . . . . .              |                            |  | (19,269)                 |
| Unallocated finance costs . . . . .                   |                            |  | (19,859)                 |
| Other gains and losses . . . . .                      |                            |  | 1,026                    |
| Share of result of associates . . . . .               |                            |  | (12,386)                 |
| Share of result of a joint venture . . . . .          |                            |  | 20,082                   |
| Impairment loss on interest in an associate . . . . . |                            |  | (7,627)                  |
| Profit before tax . . . . .                           |                            |  | <u>58,110</u>            |

**For the year ended 31 December 2013**

|  | <u>The PRC</u><br>US\$'000 | <u>Republic<br/>of Korea</u><br>US\$'000 | <u>Total</u><br>US\$'000 |
|--|----------------------------|--|--------------------------|
| Segment revenue – external . . . . .                       | 333,756                    | 720,767                                  | 1,054,523                |
| Segment results . . . . .                                  | <u>76,889</u>              | <u>44,670</u>                            | 121,559                  |
| Unallocated other income . . . . .                         |                            |  | 868                      |
| Unallocated operating expenses . . . . .                   |                            |  | (19,619)                 |
| Unallocated finance costs . . . . .                        |                            |  | (24,504)                 |
| Other gains and losses . . . . .                           |                            |  | 3,007                    |
| Share of result of associates . . . . .                    |                            |  | 28,936                   |
| Share of result of a joint venture . . . . .               |                            |  | 55,946                   |
| Impairment loss on interest in an associate . . . . .      |                            |  | (18,758)                 |
| Impairment loss on property, plant and equipment . . . . . |                            |  | (24,000)                 |
| Listing expenses . . . . .                                 |                            |  | (6,866)                  |
| Profit before tax . . . . .                                |                            |  | <u>116,569</u>           |



## For the four months ended 30 April 2013 (unaudited)

|  | <u>The PRC</u>  | <u>Republic<br/>of Korea</u> | <u>Total</u>    |
|--|-----------------|------------------------------|-----------------|
|  | <u>US\$'000</u> | <u>US\$'000</u>              | <u>US\$'000</u> |
| Segment revenue – external . . . . .         | 113,541         | 191,227                      | 304,768         |
| Segment results . . . . .                    | 25,501          | 17,940                       | 43,441          |
| Unallocated other income . . . . .           |                 |                              | 227             |
| Unallocated operating expenses . . . . .     |                 |                              | (7,806)         |
| Unallocated finance costs . . . . .          |                 |                              | (6,020)         |
| Other gains and losses . . . . .             |                 |                              | 1,449           |
| Share of result of associates . . . . .      |                 |                              | 8,122           |
| Share of result of a joint venture . . . . . |                 |                              | 14,225          |
| Profit before tax . . . . .                  |                 |                              | <u>53,638</u>   |

## For the four months ended 30 April 2014

|  | <u>The PRC</u>  | <u>Republic<br/>of Korea</u> | <u>Total</u>    |
|--|-----------------|------------------------------|-----------------|
|  | <u>US\$'000</u> | <u>US\$'000</u>              | <u>US\$'000</u> |
| Segment revenue – external . . . . .         | 114,528         | 202,936                      | 317,464         |
| Segment results . . . . .                    | 27,765          | 11,021                       | 38,786          |
| Unallocated other income . . . . .           |                 |                              | 243             |
| Unallocated operating expenses . . . . .     |                 |                              | (8,691)         |
| Unallocated finance costs . . . . .          |                 |                              | (7,900)         |
| Other gains and losses . . . . .             |                 |                              | 1,257           |
| Share of result of associates . . . . .      |                 |                              | 10,877          |
| Share of result of a joint venture . . . . . |                 |                              | 16,763          |
| Listing expenses . . . . .                   |                 |                              | (1,168)         |
| Profit before tax . . . . .                  |                 |                              | <u>50,167</u>   |

The accounting policies of the reportable segments are the same as the Group's accounting policies set out in note 3. Segment results represents the profit earned by each segment without allocation of certain other income, other gains and losses, selling and distribution expenses, general and administrative expenses, finance costs, other expenses, share of result of a joint venture and associates, impairment loss, discount on acquisition and listing expenses. This is the measure reported to the directors of the Company for the purposes of resource allocation and performance assessment.

**Segment assets and liabilities**

The following is an analysis of the Group's assets and liabilities by reportable segment:

|  | <u>At 31 December</u> |                  |                  | <u>At 30 April</u> |
|--|-----------------------|------------------|------------------|--------------------|
|  | <u>2011</u>           | <u>2012</u>      | <u>2013</u>      | <u>2014</u>        |
|  | <u>US\$'000</u>       | <u>US\$'000</u>  | <u>US\$'000</u>  | <u>US\$'000</u>    |
| <b>Segment assets</b>                  |                       |                  |                  |                    |
| The PRC . . . . .                      | 723,420               | 731,283          | 818,339          | 813,018            |
| Republic of Korea . . . . .            | 532,138               | 1,204,356        | 1,328,421        | 1,482,309          |
| Total segment assets . . . . .         | 1,255,558             | 1,935,639        | 2,146,760        | 2,295,327          |
| Interests in a joint venture . . . . . | 364,855               | 386,132          | 455,077          | 462,429            |
| Interests in associates . . . . .      | 269,658               | 250,231          | 269,359          | 274,421            |
| Unallocated . . . . .                  | 62,367                | 40,980           | 86,393           | 29,578             |
| Consolidated assets . . . . .          | <u>1,952,438</u>      | <u>2,612,982</u> | <u>2,957,589</u> | <u>3,061,755</u>   |

|   | At 31 December   |                  |                  | At 30 April      |
|---|------------------|------------------|------------------|------------------|
|   | 2011             | 2012             | 2013             | 2014             |
|   | US\$'000         | US\$'000         | US\$'000         | US\$'000         |
| <b>Segment liabilities</b>  |                  |                  |                  |                  |
| The PRC . . . . .   | 212,680          | 207,911          | 240,968          | 250,752          |
| Republic of Korea . . . . .   | 381,276          | 903,996          | 977,487          | 1,116,276        |
| Total segment liabilities . . . . .   | 593,956          | 1,111,907        | 1,218,455        | 1,367,028        |
| Unallocated   |                  |                  |                  |                  |
| – Amount due to and dividend payable to immediate holding company . . . . . | 83,546           | 83,546           | –                | –                |
| – Derivative liabilities . . . . .  | 6,902            | 5,773            | 2,606            | 1,342            |
| – Bank borrowings . . . . .   | 470,729          | 561,548          | 190,000          | 140,000          |
| – Bond payables . . . . .   | –                | –                | 353,466          | 351,140          |
| – Loan from an intermediate holding company . . . . .                       | –                | –                | 242,300          | 242,300          |
| – Others . . . . .  | 8,156            | 8,553            | 12,904           | 9,373            |
| Consolidated liabilities . . . . .  | <u>1,163,289</u> | <u>1,771,327</u> | <u>2,019,731</u> | <u>2,111,183</u> |

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than interests in associates, interests in a joint venture, corporate assets of management companies and investment holding companies; and
- all liabilities are allocated to operating segments other than payables and corporate loans of the Company, derivative liabilities and other payables of management companies and investment holding companies.

#### Other segment information

##### For the year ended 31 December 2011

|   | The PRC  | Republic of Korea | Unallocated | Total    |
|---|----------|-------------------|-------------|----------|
|   | US\$'000 | US\$'000          | US\$'000    | US\$'000 |
| Amounts included in the measure of segment profit or loss or segment assets:  |          |                   |             |          |
| Addition to non-current assets ( <i>Note</i> ) . . . . .  | 260,442  | 69,274            | –           | 329,716  |
| Depreciation . . . . .  | 40,249   | 16,683            | –           | 56,932   |
| Release of prepaid lease payments . . . . .   | 1,983    | –                 | –           | 1,983    |
| Loss on disposal of property, plant and equipment . . . . .   | 29       | 13                | –           | 42       |
| Interest income . . . . .   | 901      | 1,394             | –           | 2,295    |
| Interest expense . . . . .  | 4,660    | 18,915            | –           | 23,575   |
| Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets: |          |                   |             |          |
| Interests in associates . . . . .   | 269,658  | –                 | –           | 269,658  |
| Interests in a joint venture . . . . .  | 364,855  | –                 | –           | 364,855  |
| Share of results of associates . . . . .  | (13,734) | –                 | –           | (13,734) |
| Share of results of a joint venture . . . . .   | (187)    | –                 | –           | (187)    |
| Discount on acquisition recognised in a business combination . . . . .  | 2,192    | –                 | –           | 2,192    |
| Interest income . . . . .   | –        | –                 | 10          | 10       |
| Interest expense . . . . .  | –        | –                 | 20,360      | 20,360   |
| Income tax expense . . . . .  | 4,633    | 9,149             | (154)       | 13,628   |

## For the year ended 31 December 2012

|  | <u>The PRC</u> | <u>Republic<br/>of Korea</u> | <u>Unallocated</u> | <u>Total</u> |
|--|----------------|------------------------------|--------------------|--------------|
|  | US\$'000       | US\$'000                     | US\$'000           | US\$'000     |
| Amounts included in the measure of segment profit or loss or segment assets:   |                |                              |                    |              |
| Addition to non-current assets ( <i>Note</i> ) . . . . .   | 66,656         | 424,125                      | –                  | 490,781      |
| Depreciation . . . . .   | 43,790         | 17,952                       | –                  | 61,742       |
| Release of prepaid lease payments . . . . .  | 2,063          | –                            | –                  | 2,063        |
| Loss on disposal of property, plant and equipment . . . . .  | 1,531          | 171                          | –                  | 1,702        |
| Interest income . . . . .  | 2,211          | 526                          | –                  | 2,737        |
| Interest expense . . . . .   | 5,491          | 15,715                       | –                  | 21,206       |
| Change in fair value of other financial assets . . . . .   | 5,051          | –                            | –                  | 5,051        |
| Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss or segment assets: . . . . . |                |                              |                    |              |
| Interests in associates . . . . .  | 250,231        | –                            | –                  | 250,231      |
| Interests in a joint venture . . . . .   | 386,132        | –                            | –                  | 386,132      |
| Share of results of associates . . . . .   | (12,386)       | –                            | –                  | (12,386)     |
| Share of results of a joint venture . . . . .  | 20,082         | –                            | –                  | 20,082       |
| Impairment loss on interest in an associate . . . . .  | 7,627          | –                            | –                  | 7,627        |
| Interest income . . . . .  | –              | –                            | 7                  | 7            |
| Interest expense . . . . .   | –              | –                            | 19,859             | 19,859       |
| Income tax expense . . . . .   | 17,606         | 11,585                       | 22                 | 29,213       |

## For the year ended 31 December 2013

|  | <u>The PRC</u> | <u>Republic<br/>of Korea</u> | <u>Unallocated</u> | <u>Total</u> |
|--|----------------|------------------------------|--------------------|--------------|
|  | US\$'000       | US\$'000                     | US\$'000           | US\$'000     |
| Amounts included in the measure of segment profit or loss or segment assets:   |                |                              |                    |              |
| Addition to non-current assets ( <i>Note</i> ) . . . . .   | 114,206        | 296,100                      | –                  | 410,306      |
| Depreciation . . . . .   | 42,922         | 28,360                       | –                  | 71,282       |
| Release of prepaid lease payments . . . . .  | 2,096          | –                            | –                  | 2,096        |
| Loss on disposal of property, plant and equipment . . . . .  | 571            | –                            | –                  | 571          |
| Interest income . . . . .  | 2,210          | 983                          | –                  | 3,193        |
| Interest expense . . . . .   | 3,146          | 24,054                       | –                  | 27,200       |
| Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss or segment assets: |                |                              |                    |              |
| Interests in associates . . . . .  | 269,359        | –                            | –                  | 269,359      |
| Interests in a joint venture . . . . .   | 455,077        | –                            | –                  | 455,077      |
| Share of results of associates . . . . .   | 28,936         | –                            | –                  | 28,936       |
| Share of results of a joint venture . . . . .  | 55,946         | –                            | –                  | 55,946       |
| Impairment loss on interest in an associate . . . . .  | 18,758         | –                            | –                  | 18,758       |
| Impairment loss on property, plant and equipment . . . . .   | 24,000         | –                            | –                  | 24,000       |
| Interest income . . . . .  | –              | –                            | 34                 | 34           |
| Interest expense . . . . .   | –              | –                            | 24,504             | 24,504       |
| Income tax expense . . . . .   | 30,345         | 16,757                       | 140                | 47,242       |
| Listing expenses . . . . .   | –              | –                            | 6,866              | 6,866        |

## For the four months ended 30 April 2013 (unaudited)

|  | <u>The PRC</u><br>US\$'000 | <u>Republic<br/>of Korea</u><br>US\$'000 | <u>Unallocated</u><br>US\$'000 | <u>Total</u><br>US\$'000 |
|--|----------------------------|--|--------------------------------|--------------------------|
| Amounts included in the measure of segment profit or loss:   |                            |  |                                |                          |
| Depreciation . . . . .   | 14,720                     | 6,130                                    | –                              | 20,850                   |
| Release of prepaid lease payments . . . . .  | 699                        | –  | –                              | 699                      |
| Loss on disposal of property, plant and equipment . . . . .  | 29                         | –  | –                              | 29                       |
| Interest income . . . . .  | 230                        | 130                                      | –                              | 360                      |
| Interest expense . . . . .   | 816                        | 4,464                                    | –                              | 5,280                    |
| Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss: |                            |  |                                |                          |
| Share of results of associates . . . . .   | 8,122                      | –  | –                              | 8,122                    |
| Share of results of a joint venture . . . . .  | 14,225                     | –  | –                              | 14,225                   |
| Interest income . . . . .  | –                          | –  | 4                              | 4                        |
| Interest expense . . . . .   | –                          | –  | 6,020                          | 6,020                    |
| Income tax expense . . . . .   | 8,969                      | 3,860                                    | –                              | 12,829                   |

## For the four months ended 30 April 2014

|  | <u>The PRC</u><br>US\$'000 | <u>Republic<br/>of Korea</u><br>US\$'000 | <u>Unallocated</u><br>US\$'000 | <u>Total</u><br>US\$'000 |
|--|----------------------------|--|--------------------------------|--------------------------|
| Amounts included in the measure of segment profit or loss or segment assets:   |                            |  |                                |                          |
| Addition to non-current assets ( <i>Note</i> ) . . . . .   | 20,592                     | 107,570                                  | –                              | 128,162                  |
| Depreciation . . . . .   | 14,838                     | 12,986                                   | –                              | 27,824                   |
| Release of prepaid lease payments . . . . .  | 711                        | –  | –                              | 711                      |
| Loss on disposal of property, plant and equipment . . . . .  | 13                         | –  | –                              | 13                       |
| Interest income . . . . .  | 340                        | 122                                      | –                              | 462                      |
| Interest expense . . . . .   | 469                        | 11,403                                   | –                              | 11,872                   |
| Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss or segment assets: |                            |  |                                |                          |
| Interests in associates . . . . .  | 274,421                    | –  | –                              | 274,421                  |
| Interests in a joint venture . . . . .   | 462,429                    | –  | –                              | 462,429                  |
| Share of results of associates . . . . .   | 10,877                     | –  | –                              | 10,877                   |
| Share of results of a joint venture . . . . .  | 16,763                     | –  | –                              | 16,763                   |
| Interest income . . . . .  | –                          | –  | 17                             | 17                       |
| Interest expense . . . . .   | –                          | –  | 7,900                          | 7,900                    |
| Income tax expense . . . . .   | 10,045                     | 2,636                                    | –                              | 12,681                   |
| Listing expenses . . . . .   | –                          | –  | 1,168                          | 1,168                    |

*Note:* Non-current assets excluded financial assets and deferred tax assets.

**Information about major customers**

Revenue from customers of the corresponding years/periods contributing over 10% of the total sales of the Group is as follows:

|  | Year ended 31 December |          |          | Four months ended 30 April |          |
|--|------------------------|----------|----------|----------------------------|----------|
|  | 2011                   | 2012     | 2013     | 2013                       | 2014     |
|  | US\$'000               | US\$'000 | US\$'000 | US\$'000                   | US\$'000 |
|  |                        |          |          | (unaudited)                |          |
| Korea Electric Power Corporation ("KEPCO") . . . | 382,847                | 468,987  | 488,717  | 150,722                    | 165,755  |
| Korea Power Exchange . . . . .                   | 90,496                 | 174,316  | 232,050  | 40,505                     | 37,181   |
| Henan Electric Power Company (河南省電力公司) .         | 90,168                 | 96,895   | N/A*     | 31,799                     | 35,984   |

\* The corresponding revenue does not contribute over 10% of the total sales of the Group.

**Non-current assets by geographical location**

The Group operates in three principal geographical areas – the PRC, Republic of Korea and Hong Kong. The Group's information about its non-current assets\*\* by location of assets and its joint venture and associates by location of their business operations are detailed below:

|                             | At 31 December   |                  |                  | At 30 April      |
|-----------------------------|------------------|------------------|------------------|------------------|
|                             | 2011             | 2012             | 2013             | 2014             |
|                             | US\$'000         | US\$'000         | US\$'000         | US\$'000         |
| The PRC . . . . .           | 1,204,960        | 1,222,315        | 1,317,828        | 1,321,379        |
| Republic of Korea . . . . . | 378,080          | 834,226          | 1,124,989        | 1,244,899        |
| Hong Kong . . . . .         | 3,442            | 4,753            | 8,933            | 10,461           |
|                             | <u>1,586,482</u> | <u>2,061,294</u> | <u>2,451,750</u> | <u>2,576,739</u> |

\*\* Non-current assets excluded financial assets and deferred tax assets.

**Revenue from major products and services**

The following is an analysis of the Group's revenue from its major products and services:

|   | Year ended 31 December |                |                  | Four months ended 30 April |                |
|---|------------------------|----------------|------------------|----------------------------|----------------|
|   | 2011                   | 2012           | 2013             | 2013                       | 2014           |
|   | US\$'000               | US\$'000       | US\$'000         | US\$'000                   | US\$'000       |
|   |                        |                |                  | (unaudited)                |                |
| Sales of electricity . . . . .          | 578,206                | 754,447        | 846,994          | 237,414                    | 244,736        |
| Sales of steam . . . . .                | 100,354                | 104,515        | 97,854           | 37,092                     | 35,279         |
| Capacity charges . . . . .              | 88,928                 | 88,547         | 109,086          | 30,023                     | 37,329         |
| Connection charges and others . . . . . | 1,005                  | 797            | 589              | 239                        | 120            |
|   | <u>768,493</u>         | <u>948,306</u> | <u>1,054,523</u> | <u>304,768</u>             | <u>317,464</u> |

## 7. OTHER INCOME

|  | Year ended 31 December |               |               | Four months ended 30 April |              |
|--|------------------------|---------------|---------------|----------------------------|--------------|
|  | 2011                   | 2012          | 2013          | 2013                       | 2014         |
|  | US\$'000               | US\$'000      | US\$'000      | US\$'000                   | US\$'000     |
|  |                        |               |               | (unaudited)                |              |
| Government grant (Note) . . . . .      | 2,664                  | 1,492         | 1,071         | 386                        | 342          |
| Income on sales of scrap materials . . | 2,352                  | 2,403         | 3,618         | 1,205                      | 1,299        |
| Value added tax refund . . . . .       | –                      | 3,689         | 2,713         | 770                        | 1,054        |
| Interest income . . . . .              | 2,305                  | 2,744         | 3,227         | 364                        | 479          |
| Equipment rental income . . . . .      | 529                    | 568           | 828           | 219                        | 269          |
| Others . . . . .                       | 1,023                  | 3,118         | 1,444         | 286                        | 368          |
|  | <u>8,873</u>           | <u>14,014</u> | <u>12,901</u> | <u>3,230</u>               | <u>3,811</u> |

*Note:* The amounts mainly represented subsidies given by the PRC government to certain subsidiaries of the Group in the PRC, for operating cost and environmental protection. There were no specific conditions attached to the incentives and, therefore, the Group recognised the incentives upon receipt.

## 8. OTHER GAINS AND LOSSES

|   | Year ended 31 December |              |              | Four months ended 30 April |              |
|---|------------------------|--------------|--------------|----------------------------|--------------|
|   | 2011                   | 2012         | 2013         | 2013                       | 2014         |
|   | US\$'000               | US\$'000     | US\$'000     | US\$'000                   | US\$'000     |
|   |                        |              |              | (unaudited)                |              |
| Change in fair value of derivative<br>financial instruments not under<br>hedge accounting . . . . . | (4,391)                | 555          | 3,167        | 1,504                      | 1,264        |
| Net foreign exchange (losses) gains .   | (291)                  | 1,358        | 531          | (829)                      | 630          |
| Loss on disposal of property, plant<br>and equipment . . . . .                                      | (42)                   | (1,702)      | (571)        | (29)                       | (13)         |
| Change in fair value of other<br>financial asset . . . . .  | –                      | 5,051        | –            | –                          | –            |
|   | <u>(4,724)</u>         | <u>5,262</u> | <u>3,127</u> | <u>646</u>                 | <u>1,881</u> |

## 9. FINANCE COSTS

|  | Year ended 31 December |               |               | Four months ended 30 April |               |
|--|------------------------|---------------|---------------|----------------------------|---------------|
|  | 2011                   | 2012          | 2013          | 2013                       | 2014          |
|  | US\$'000               | US\$'000      | US\$'000      | US\$'000                   | US\$'000      |
|  |                        |               |               | (unaudited)                |               |
| Interest on:   |                        |               |               |                            |               |
| Bank borrowings wholly repayable                                   |                        |               |               |                            |               |
| – Within 5 years . . . . .   | 34,654                 | 35,479        | 34,041        | 8,178                      | 7,038         |
| – Over 5 years . . . . .   | 10,183                 | 15,692        | 27,198        | 10,632                     | 11,624        |
| Loan from a fellow subsidiary . . .                                | 48                     | 476           | 473           | 156                        | 157           |
| Loan from an intermediate holding<br>company . . . . .             | –                      | –             | 5,418         | 1,625                      | 1,858         |
| Bond payables . . . . .  | –                      | –             | 5,352         | –                          | 4,509         |
|  | <u>44,885</u>          | <u>51,647</u> | <u>72,482</u> | <u>20,591</u>              | <u>25,186</u> |
| Less: amounts capitalised to<br>construction in progress . . . . . | (950)                  | (10,582)      | (20,778)      | (9,291)                    | (5,414)       |
|  | <u>43,935</u>          | <u>41,065</u> | <u>51,704</u> | <u>11,300</u>              | <u>19,772</u> |

## 10. INCOME TAX EXPENSE

|   | Year ended 31 December |               |               | Four months ended 30 April |               |
|---|------------------------|---------------|---------------|----------------------------|---------------|
|   | 2011                   | 2012          | 2013          | 2013                       | 2014          |
|   | US\$'000               | US\$'000      | US\$'000      | US\$'000                   | US\$'000      |
|   | (unaudited)            |               |               |                            |               |
| Current tax:  |                        |               |               |                            |               |
| Provision for the year/period . . . . .                     | 13,100                 | 21,836        | 29,910        | 11,410                     | 9,766         |
| Overprovision in prior years/<br>periods . . . . .          | (720)                  | (455)         | (1,879)       | (1,879)                    | (11)          |
|   | <u>12,380</u>          | <u>21,381</u> | <u>28,031</u> | <u>9,531</u>               | <u>9,755</u>  |
| Dividend withholding tax – current<br>year/period . . . . . | 5,116                  | 1,023         | 2,940         | 275                        | 391           |
| Deferred tax (Note 25):                                     |                        |               |               |                            |               |
| Current year/period . . . . .                               | (3,868)                | 6,809         | 16,271        | 3,023                      | 2,535         |
|   | <u>13,628</u>          | <u>29,213</u> | <u>47,242</u> | <u>12,829</u>              | <u>12,681</u> |

The Company is exempted from taxation in Bermuda.

Current tax provision represents provision for PRC Enterprise Income Tax (“PRC EIT”) and Korean Corporate Income Tax (“KCIT”).

Under the Law of People’s Republic of China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% from 1 January 2008 onwards, except for those subsidiaries described below.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries are exempted from PRC EIT for two years starting from their first profit making year, followed by a 50% reduction on income tax rate for the next three years (“Tax Holiday”). The 50% exemption period ended on 31 December 2012.

According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No.39), certain PRC subsidiaries that previously enjoyed tax incentive rate below 25% would have their applicable tax rate progressively increased to 25% over a five-year transitional period commencing on 1 January 2008. The tax exemption and deduction from PRC EIT for these entities are still applicable until the end of the five-year transitional period and expired in 2012.

Certain subsidiaries operating in the PRC were accredited as “High and New Technology Enterprise” by the Science and Technology Bureau of relevant provinces and other authorities for a term of three years, and were registered with the local tax authorities to be eligible to the reduced 15% enterprise income tax rate in 2011. In 2012, these subsidiaries were no longer qualified as “High and New Technology Enterprise” after annual review by the relevant government authorities in the PRC.

Apart from that, certain subsidiaries of the Group in the PRC are under the Western China Development Plan and a preferential tax rate of 15% is granted for an extended period from 2011 to 2020. As a result, the tax rate of 15% is used to calculate the amount of current taxation.

Pursuant to KCIT law, the statutory income tax of the Group’s Korean subsidiaries was calculated at a rate of 24.2% of the estimated assessable profit for the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014.

Pursuant to Hong Kong tax law, the statutory income tax was calculated at a rate of 16.5% for the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014. Pursuant to the tax laws in Republic of Malta and in Mauritius, the statutory income tax was calculated at a rate of 35% and 15%, respectively, for the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014. However, subsidiaries of the Group operating in these jurisdictions have not generated taxable income during the Track Record Period and therefore, no tax provision has been made by the Group in relation to these subsidiaries.

The Group’s subsidiaries, associates and a joint venture that are tax residents in the PRC are subject to the PRC dividend withholding tax ranging from 5% to 10% for those non-PRC tax resident immediate holding companies incorporated in Hong Kong and other jurisdictions, when and if undistributed earnings are declared and to be paid as dividends out of profits that arose on or after 1 January 2008.



The Group's subsidiaries that are tax residents in Korea are subject to a 10% Korean dividend withholding tax based on the PRC-Korea Tax Treaty when and if undistributed earnings are declared and to be paid to non-PRC or non-Korea residents as dividends out of profits.

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

|  | Year ended 31 December |               |               | Four months ended 30 April |               |
|--|------------------------|---------------|---------------|----------------------------|---------------|
|  | 2011                   | 2012          | 2013          | 2013                       | 2014          |
|  | US\$'000               | US\$'000      | US\$'000      | US\$'000                   | US\$'000      |
|  | (unaudited)            |               |               |                            |               |
| Profit before tax . . . . .  | 24,290                 | 58,110        | 116,569       | 53,638                     | 50,167        |
| Tax at PRC EIT of 25% (Note a) . . .   | 6,073                  | 14,527        | 29,142        | 13,410                     | 12,542        |
| Tax effect of expenses not deductible for tax purpose . . . . .  | 11,189                 | 12,033        | 12,598        | 3,831                      | 4,103         |
| Tax effect of income not taxable for tax purpose . . . . .   | (3,070)                | (2,346)       | (1,094)       | (517)                      | (655)         |
| Tax effect of deductible temporary difference in respect of impairment losses not recognised . . . . .                       | -                      | -             | 10,690        | -                          | -             |
| Tax effect of share of results of associates . . . . .   | 3,434                  | 3,096         | (7,234)       | (2,031)                    | (2,719)       |
| Tax effect of share of results of a joint venture . . . . .  | 47                     | (5,020)       | (13,987)      | (3,556)                    | (4,191)       |
| Tax effect of preferential tax rates granted to certain PRC subsidiaries . . . . .   | (3,218)                | (1,589)       | (1,694)       | (255)                      | (368)         |
| Decrease in opening deferred tax balance resulting from preferential tax rates granted to certain PRC subsidiaries . . . . . | (1,829)                | -             | -             | -                          | -             |
| Tax effect of income under Tax Holiday . . . . .   | (111)                  | -             | -             | -                          | -             |
| Utilisation of tax losses previously not recognised . . . . .  | -                      | -             | (413)         | -                          | (31)          |
| Tax effect of tax losses not recognised . . . . .  | 878                    | 133           | 850           | 310                        | 548           |
| Withholding tax on distributable profits of subsidiaries, associates and a joint venture . . . . .                           | 2,786                  | 9,180         | 20,601        | 3,653                      | 3,545         |
| Tax effect of tax credit for procuring domestic plant and machinery in the PRC . . . . .                                     | (1,533)                | -             | -             | -                          | -             |
| Overprovision in prior years /periods (Note b) . . . . .   | (720)                  | (455)         | (1,879)       | (1,879)                    | (11)          |
| Effect of different tax rates of subsidiaries operating in other jurisdictions . . . . .                                     | (298)                  | (346)         | (338)         | (137)                      | (82)          |
| Income tax expense for the year/ period . . . . .  | <u>13,628</u>          | <u>29,213</u> | <u>47,242</u> | <u>12,829</u>              | <u>12,681</u> |

Notes:

- (a) The tax rate represents the statutory tax rate of the operations in the jurisdiction where the operations of the Group are substantially based.
- (b) During the year ended 31 December 2013, included in the overprovision in prior years is the tax refund amounting to approximately US\$2,102,000 as a result of winning a tax dispute with National Tax Service in Korea.

Details of deferred tax movement have been set out in note 25.

## 11. PROFIT FOR THE YEAR/PERIOD

|  | Year ended 31 December |          |          | Four months ended 30 April |          |
|--|------------------------|----------|----------|----------------------------|----------|
|  | 2011                   | 2012     | 2013     | 2013                       | 2014     |
|  | US\$'000               | US\$'000 | US\$'000 | US\$'000                   | US\$'000 |
|  |                        |          |          | (unaudited)                |          |
| Profit for the year/period has been arrived at after charging (crediting):       |                        |          |          |                            |          |
| Release of prepaid lease payments . . . . .                                      | 1,983                  | 2,063    | 2,096    | 699                        | 711      |
| (Reversal of allowance for allowance for bad and doubtful receivables . . . . .) | (25)                   | 48       | 8        | –                          | –        |
| Staff costs  |                        |          |          |                            |          |
| – salaries and wages . . . . .   | 29,510                 | 35,435   | 39,107   | 12,437                     | 15,161   |
| – retirement benefits scheme contributions, excluding directors . . . . .        | 4,616                  | 5,281    | 6,382    | 2,025                      | 2,173    |
| Total staff costs, excluding directors . . . . .                                 | 34,126                 | 40,716   | 45,489   | 14,462                     | 17,334   |
| Auditors' remuneration. . . . .  | 1,098                  | 2,050    | 1,970    | 613                        | 662      |

## 12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION

## Directors' emoluments

The following table sets forth certain information in respect of the directors of the Company during the Track Record Period:

| <u>Name</u>                         | <u>Position</u>                     | <u>Date of appointment as director/chairman/ president</u> | <u>Date of resignation</u> |
|-------------------------------------|-------------------------------------|--|----------------------------|
| Mr. CHEN Sui 陳遂 . . . . .           | Chairman and non-executive Director | 3 January 2014   | N/A                        |
| Mr. LIN Jian 林堅 . . . . .           | Executive Director and President    | 9 October 2012   | N/A                        |
| Mr. CHEN Qiming 陳啓明 . . . . .       | Non-executive Director              | 9 March 2012   | N/A                        |
| Mr. CHEN Huijiang 陳惠江 . . . . .     | Non-executive Director              | 22 November 2013   | N/A                        |
| Mr. DAI Honggang 戴洪剛 . . . . .      | Non-executive Director              | 7 March 2011   | N/A                        |
| Mr. LIN Beijing 林北京 . . . . .       | Non-executive Director              | 7 March 2011   | N/A                        |
| Mr. XING Ping 邢平 . . . . .          | Non-executive Director              | 9 April 2013   | N/A                        |
| Mr. DUBUC Manuel F. Perez . . . . . | Chairman                            | 1 September 2009   | 8 March 2011               |
|                                     | Non-voting Director                 | 15 June 2009   | 7 March 2011               |
|                                     | Voting Director                     | 7 March 2011   | 31 March 2011              |
| Mr. YANG Zhao 楊兆 . . . . .          | Deputy Chairman and Voting Director | 5 November 2010  | 9 April 2013               |
|                                     | President                           | 31 March 2011  | 9 October 2012             |
| Mr. XING Jianhua 辛建華 . . . . .      | Voting Director                     | 5 November 2010  | 22 November 2013           |
| Mr. HU Wenquan 胡文泉 . . . . .        | Chairman                            | 8 March 2011   | 3 January 2014             |
|                                     | Voting Director                     | 7 March 2011   | 3 January 2014             |
| Mr. ZHANG Zhiwu 張志武 . . . . .       | Voting Director                     | 7 March 2011   | 9 March 2012               |
| Mr. LI Yang 李陽 . . . . .            | Voting Director                     | 9 March 2012   | 30 November 2012           |

Certain directors have also been employed by CGN and the payments of their emoluments were borne by CGN for the Track Record Period.

Neither the President nor any of the directors of the Company waived any emoluments during the Track Record Period.

Mr. Manuel F. Perez Dubuc was also the President (formerly known as "Chief Executive Officer") of the Company for the period from 15 June 2009 until his resignation with effect from 31 March 2011. Mr. Yang Zhao was appointed as the President in place of Mr. Dubuc on the same date.

On 9 October 2012, Mr. Lin Jian replaced Mr. Yang Zhao as the President. He was also appointed as a director on the same date.

The emoluments of Mr. Dubuc, Mr. Yang and Mr. Lin disclosed below include those for services rendered by them during the periods they acted as the President.

Details of the emoluments paid or payable to the directors and the Chief Executive of the Company during the Track Record Period are as follows:

|   | Year ended 31 December |            |            | Four months ended 30 April |            |
|---|------------------------|------------|------------|----------------------------|------------|
|   | 2011                   | 2012       | 2013       | 2013                       | 2014       |
|   | US\$'000               | US\$'000   | US\$'000   | US\$'000                   | US\$'000   |
|   | (unaudited)            |            |            |                            |            |
| Directors' fees . . . . .                             | –                      | –          | –          | –                          | –          |
| Salaries and allowances . . . . .                     | 214                    | 110        | 100        | 33                         | 39         |
| Performance related incentive payments . . . . .      | –                      | 66         | 261        | –                          | 230        |
| Contributions to retirement benefits scheme . . . . . | 11                     | 7          | 7          | 2                          | 2          |
| Compensation of loss of office paid . . . . .         | 763                    | –          | –          | –                          | –          |
|   | <u>988</u>             | <u>183</u> | <u>368</u> | <u>35</u>                  | <u>271</u> |

#### Employees' remuneration

During the Track Record Period, the five individuals whose emoluments were the highest in the Group did not include any directors of the Company except for Mr. Dubuc for the year ended 31 December 2011 and Mr. Lin for the four months ended 30 April 2014. The remunerations for the four highest paid individuals for the year ended 31 December 2011 and the four months ended 30 April 2014 and five highest paid individuals for the years ended 31 December 2012 and 2013 and the four months ended 30 April 2013 (unaudited) of the Group are as follows:

|   | Year ended 31 December |              |              | Four months ended 30 April |              |
|---|------------------------|--------------|--------------|----------------------------|--------------|
|   | 2011                   | 2012         | 2013         | 2013                       | 2014         |
|   | US\$'000               | US\$'000     | US\$'000     | US\$'000                   | US\$'000     |
|   | (unaudited)            |              |              |                            |              |
| Salaries and allowances . . . . .                       | 1,333                  | 1,626        | 1,981        | 697                        | 615          |
| Contributions to retirement benefits scheme . . . . .   | 75                     | 66           | 73           | 22                         | 24           |
| Performance related incentive payments (Note) . . . . . | 875                    | 1,186        | 881          | 362                        | 764          |
|   | <u>2,283</u>           | <u>2,878</u> | <u>2,935</u> | <u>1,081</u>               | <u>1,403</u> |

*Note:* The performance related incentive payments are determined by the board of directors of the Company based on the Group's performance for the relevant year/period.

Their emoluments were within the following bands:

|  | No. of employees       |          |          |                            |          |
|--|------------------------|----------|----------|----------------------------|----------|
|  | Year ended 31 December |          |          | Four months ended 30 April |          |
|  | 2011                   | 2012     | 2013     | 2013                       | 2014     |
| No. of   | No. of                 | No. of   | No. of   | No. of                     |          |
|  |                        |          |          | (unaudited)                |          |
| HK\$1,500,001 to<br>HK\$2,000,000<br>(Equivalent to US\$195,001<br>to US\$260,000) . . . . .         | -                      | -        | -        | 4                          | -        |
| HK\$2,000,001 to<br>HK\$2,500,000<br>(Equivalent to US\$260,001<br>to US\$325,000) . . . . .         | -                      | 2        | -        | 1                          | 1        |
| HK\$2,500,001 to<br>HK\$3,000,000<br>(Equivalent to US\$325,001<br>to US\$390,000) . . . . .         | -                      | -        | 1        | -                          | 2        |
| HK\$3,000,001 to<br>HK\$3,500,000<br>(Equivalent to US\$390,001<br>to US\$455,000) . . . . .         | -                      | 1        | -        | -                          | 1        |
| HK\$3,500,001 to<br>HK\$4,000,000<br>(Equivalent to US\$455,001<br>to US\$520,000) . . . . .         | 1                      | -        | -        | -                          | -        |
| HK\$4,000,001 to<br>HK\$4,500,000<br>(Equivalent to US\$520,001<br>to US\$585,000) . . . . .         | 1                      | 1        | -        | -                          | -        |
| HK\$4,500,001 to<br>HK\$5,000,000<br>(Equivalent to US\$585,001<br>to US\$650,000) . . . . .         | 2                      | -        | 2        | -                          | -        |
| HK\$5,000,001 to<br>HK\$5,500,000<br>(Equivalent to US\$650,001<br>to US\$715,000) . . . . .         | -                      | -        | 2        | -                          | -        |
| HK\$9,500,001 to<br>HK\$10,000,000<br>(Equivalent to<br>US\$1,235,001 to<br>US\$1,300,000) . . . . . | -                      | 1        | -        | -                          | -        |
|  | <u>-</u>               | <u>1</u> | <u>-</u> | <u>-</u>                   | <u>-</u> |

During the Track Record Period, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

### 13. DIVIDEND

For the year ended 31 December 2011, an interim dividend of US\$330 per share, amounting to US\$33,000,000 in aggregate were declared and approved by the board of directors of the Company on 23 May 2011. The amount was paid in 2013.

No dividend was declared or proposed during the years ended 31 December 2012 and 2013 and the four months ended 30 April 2013 (unaudited) and 2014.

## 14. EARNINGS PER SHARE

|  | Year ended 31 December |                  |                  | Four months ended 30 April |                  |
|--|------------------------|------------------|------------------|----------------------------|------------------|
|  | 2011                   | 2012             | 2013             | 2013                       | 2014             |
|  | US\$'000               | US\$'000         | US\$'000         | US\$'000                   | US\$'000         |
| Earnings:  |                        |                  |                  |                            |                  |
| Earnings for the purpose of calculating basic earnings per share (profit for the year/period attributable to owner of the Company) . . . . . | 2,787                  | 20,159           | 55,817           | 36,601                     | 31,971           |
|  | <u>2,787</u>           | <u>20,159</u>    | <u>55,817</u>    | <u>36,601</u>              | <u>31,971</u>    |
|  |                        |                  |                  |                            |                  |
|  | Year ended 31 December |                  |                  | Four months ended 30 April |                  |
|  | 2011                   | 2012             | 2013             | 2013                       | 2014             |
|  | '000                   | '000             | '000             | '000                       | '000             |
| Number of shares:  |                        |                  |                  |                            |                  |
| Number of ordinary shares for the purpose of calculating basic earnings per share . . . . .  | 3,101,800              | 3,101,800        | 3,101,800        | 3,101,800                  | 3,101,800        |
|  | <u>3,101,800</u>       | <u>3,101,800</u> | <u>3,101,800</u> | <u>3,101,800</u>           | <u>3,101,800</u> |

The number of shares for the purpose of basic earnings per share for the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2013 and 2014 is calculated based on the 3,101,800,000 ordinary shares of the Company after retrospective adjustment and assuming the issuance of 3,101,800,000 ordinary shares of HK\$0.0001 each and the repurchase of 100,000 ordinary shares of US\$0.4 each pursuant to the written resolutions passed by the existing shareholder of the Company on 15 September 2014 as described in the paragraph 3 headed "Resolutions in Writing of the Shareholder of Our Company" in Appendix VIII to the Prospectus, had been effective on 1 January 2011.

No diluted earnings per share is presented for the Track Record Period as there was no potential ordinary share in issue.

## 15. EMPLOYEE BENEFITS

**Hong Kong**

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. During the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2013 and 2014, the retirement benefit scheme contributions arising from the MPF Scheme charged to profit or loss were approximately US\$348,000, US\$422,000, US\$578,000, US\$201,000 (unaudited) and US\$209,000 respectively.

**The PRC**

In accordance with the relevant rules and regulations of the PRC, the Group's PRC subsidiaries are required to make contributions to the retirement fund administered by the PRC government ranging from 10% to 22% of the total monthly basic salaries of the current employees. In addition, the Group's PRC subsidiaries are required by law to contribute 2% to 15% of basic salaries of the employees for social insurance in relating to staff welfare, housing, medical and education benefits. During the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2013 and 2014, the costs charged under such arrangements for the Group's PRC subsidiaries amounted to approximately US\$3,831,000, US\$4,396,000, US\$5,138,000, US\$1,611,000 (unaudited) and US\$1,735,000 respectively.

**Korea**

In accordance with the relevant rules and regulations in Korea, all employees with more than one year of service are entitled to lump-sum severance payments equal to one month's pay of service for each year based on their rate of latest salary and the length of service upon termination of their employment or retirement. The accrual for severance indemnities is determined based on the amount that would be payable assuming all employees were to retire at the end of the reporting period, amounting to US\$2,547,000, US\$3,321,000, US\$4,513,000 and US\$5,474,000 as at 31 December 2011, 2012 and 2013 and 30 April 2014, respectively. In addition, the Group's Korean subsidiaries are required by law to contribute 0.04% to 4.5% of the basic salaries of the employees for national pension, national health insurance, unemployment insurance, industrial accident compensation insurance and wage claim guarantee fund. During the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2013 and 2014, the cost charged under such arrangements for the Group's Korean subsidiaries amounted to approximately US\$448,000, US\$470,000, US\$673,000, US\$215,000 (unaudited) and US\$231,000 respectively. In the opinion of the directors of the Company, the accrual for such severance indemnities is adequate.

The Group does not have any other significant post retirement benefit plans.

## 16. PROPERTY, PLANT AND EQUIPMENT

## THE GROUP

|  | Freehold<br>land in<br>Korea | Buildings | Electric<br>and steam<br>generating<br>facilities | Office and<br>electronic<br>equipment | Motor<br>vehicles | Construction<br>in progress | Total     |
|--|------------------------------|-----------|---|---------------------------------------|-------------------|-----------------------------|-----------|
|  | US\$'000                     | US\$'000  | US\$'000  | US\$'000                              | US\$'000          | US\$'000                    | US\$'000  |
| COST   |                              |           |   |                                       |                   |                             |           |
| At 1 January 2011 . . . . .  | 14,201                       | 249,659   | 829,845   | 7,815                                 | 3,412             | 405                         | 1,105,337 |
| Exchange differences . . . . .   | (86)                         | 10,327    | 19,138  | 309                                   | 162               | 1,614                       | 31,464    |
| Additions . . . . .  | –                            | 73        | 752   | 422                                   | 473               | 92,046                      | 93,766    |
| Acquired on acquisition of<br>subsidiaries (Note 43(a) and<br>(b)) . . . . . | –                            | 11,476    | 1,329   | 470                                   | –                 | 93,840                      | 107,115   |
| Disposals . . . . .  | –                            | (71)      | (535)   | (171)                                 | (351)             | –                           | (1,128)   |
| Transfer . . . . .   | –                            | 2,674     | 30,987  | 162                                   | –                 | (33,823)                    | –         |
| At 31 December 2011 . . . . .  | 14,115                       | 274,138   | 881,516   | 9,007                                 | 3,696             | 154,082                     | 1,336,554 |
| Exchange differences . . . . .   | 1,583                        | 5,252     | 34,210  | 401                                   | 88                | 22,675                      | 64,209    |
| Additions . . . . .  | 9,021                        | 234       | 19,406  | 675                                   | 797               | 456,365                     | 486,498   |
| Acquired on acquisition of a<br>subsidiary (Note 43(c)) . . . . .            | –                            | –         | –   | –                                     | –                 | 4,283                       | 4,283     |
| Disposals . . . . .  | –                            | (194)     | (7,717)   | (150)                                 | (201)             | –                           | (8,262)   |
| Transfer . . . . .   | –                            | 70        | 1,752   | 103                                   | –                 | (1,925)                     | –         |
| At 31 December 2012 . . . . .  | 24,719                       | 279,500   | 929,167   | 10,036                                | 4,380             | 635,480                     | 1,883,282 |
| Exchange differences . . . . .   | 1,230                        | 10,621    | 28,422  | 87                                    | 268               | (889)                       | 39,739    |
| Additions . . . . .  | 31,650                       | 543       | 9,854   | 617                                   | 406               | 310,201                     | 353,271   |
| Acquired on acquisition of a<br>subsidiary (Note 43(d)) . . . . .            | –                            | –         | –   | –                                     | –                 | 2,262                       | 2,262     |
| Disposals . . . . .  | –                            | (11)      | (1,835)   | (405)                                 | (349)             | –                           | (2,600)   |
| Transfer . . . . .   | –                            | 102,677   | 369,766   | 242                                   | –                 | (472,685)                   | –         |
| At 31 December 2013 . . . . .  | 57,599                       | 393,330   | 1,335,374   | 10,577                                | 4,705             | 474,369                     | 2,275,954 |
| Exchange differences . . . . .   | 1,210                        | 304       | 12,069  | (66)                                  | (73)              | (5,183)                     | 8,261     |
| Additions . . . . .  | –                            | 215       | 2,412   | 128                                   | 196               | 115,978                     | 118,929   |
| Disposals . . . . .  | –                            | –         | (44)  | (71)                                  | –                 | –                           | (115)     |
| Transfer . . . . .   | –                            | 94,982    | 255,834   | –                                     | –                 | (350,816)                   | –         |
| At 30 April 2014 . . . . .   | 58,809                       | 488,831   | 1,605,645   | 10,568                                | 4,828             | 234,348                     | 2,403,029 |
| ACCUMULATED<br>DEPRECIATION<br>AND IMPAIRMENT . . . . .                      |                              |           |   |                                       |                   |                             |           |
| At 1 January 2011 . . . . .  | –                            | 80,917    | 264,026   | 5,312                                 | 2,196             | –                           | 352,451   |
| Exchange differences . . . . .   | –                            | 3,975     | 8,142   | 118                                   | 129               | –                           | 12,364    |
| Provided for the year . . . . .  | –                            | 12,796    | 43,050  | 762                                   | 324               | –                           | 56,932    |
| Eliminated on disposals . . . . .  | –                            | (4)       | (55)  | (159)                                 | (291)             | –                           | (509)     |
| At 31 December 2011 . . . . .  | –                            | 97,684    | 315,163   | 6,033                                 | 2,358             | –                           | 421,238   |
| Exchange differences . . . . .   | –                            | 1,708     | 9,946   | 192                                   | 67                | –                           | 11,913    |
| Provided for the year . . . . .  | –                            | 13,148    | 47,520  | 610                                   | 464               | –                           | 61,742    |
| Eliminated on disposals . . . . .  | –                            | (8)       | (5,374)   | (148)                                 | (192)             | –                           | (5,722)   |
| At 31 December 2012 . . . . .  | –                            | 112,532   | 367,255   | 6,687                                 | 2,697             | –                           | 489,171   |
| Exchange differences . . . . .   | –                            | 3,452     | 8,999   | 42                                    | 52                | –                           | 12,545    |
| Provided for the year . . . . .  | –                            | 14,837    | 55,355  | 728                                   | 362               | –                           | 71,282    |
| Eliminated on disposals . . . . .  | –                            | (4)       | (1,434)   | (379)                                 | (190)             | –                           | (2,007)   |
| Impairment losses recognised<br>in profit or loss . . . . .                  | –                            | –         | 24,000  | –                                     | –                 | –                           | 24,000    |
| At 31 December 2013 . . . . .  | –                            | 130,817   | 454,175   | 7,078                                 | 2,921             | –                           | 594,991   |
| Exchange differences . . . . .   | –                            | (2,323)   | (2,591)   | (18)                                  | (60)              | –                           | (4,992)   |
| Provided for the period . . . . .  | –                            | 5,614     | 21,800  | 277                                   | 133               | –                           | 27,824    |
| Eliminated on disposals . . . . .  | –                            | –         | (34)  | (68)                                  | –                 | –                           | (102)     |
| At 30 April 2014 . . . . .   | –                            | 134,108   | 473,350   | 7,269                                 | 2,994             | –                           | 617,721   |



|                               | Freehold<br>land in<br>Korea | Buildings | Electric<br>and steam<br>generating<br>facilities | Office and<br>electronic<br>equipment | Motor<br>vehicles | Construction<br>in progress | Total     |
|-------------------------------|------------------------------|-----------|---|---------------------------------------|-------------------|-----------------------------|-----------|
|                               | US\$'000                     | US\$'000  | US\$'000  | US\$'000                              | US\$'000          | US\$'000                    | US\$'000  |
| CARRYING VALUES               |                              |           |   |                                       |                   |                             |           |
| At 31 December 2011 . . . . . | 14,115                       | 176,454   | 566,353   | 2,974                                 | 1,338             | 154,082                     | 915,316   |
| At 31 December 2012 . . . . . | 24,719                       | 166,968   | 561,912   | 3,349                                 | 1,683             | 635,480                     | 1,394,111 |
| At 31 December 2013 . . . . . | 57,599                       | 262,513   | 881,199   | 3,499                                 | 1,784             | 474,369                     | 1,680,963 |
| At 30 April 2014 . . . . .    | 58,809                       | 354,723   | 1,132,295   | 3,299                                 | 1,834             | 234,348                     | 1,785,308 |

## THE COMPANY

|                                   | Office and<br>electronic<br>equipment | Motor<br>vehicle | Total    |
|-----------------------------------|---------------------------------------|------------------|----------|
|                                   | US\$'000                              | US\$'000         | US\$'000 |
| COST                              |                                       |                  |          |
| At 1 January 2011 . . . . .       | 1,623                                 | 110              | 1,733    |
| Additions . . . . .               | 113                                   | –                | 113      |
| At 31 December 2011 . . . . .     | 1,736                                 | 110              | 1,846    |
| Additions . . . . .               | 25                                    | –                | 25       |
| At 31 December 2012 . . . . .     | 1,761                                 | 110              | 1,871    |
| Additions . . . . .               | 85                                    | –                | 85       |
| Disposals . . . . .               | (2)                                   | –                | (2)      |
| At 31 December 2013 . . . . .     | 1,844                                 | 110              | 1,954    |
| Additions . . . . .               | 107                                   | –                | 107      |
| At 30 April 2014 . . . . .        | 1,951                                 | 110              | 2,061    |
| ACCUMULATED DEPRECIATION          |                                       |                  |          |
| At 1 January 2011 . . . . .       | 1,083                                 | 110              | 1,193    |
| Provided for the year . . . . .   | 221                                   | –                | 221      |
| At 31 December 2011 . . . . .     | 1,304                                 | 110              | 1,414    |
| Provided for the year . . . . .   | 187                                   | –                | 187      |
| At 31 December 2012 . . . . .     | 1,491                                 | 110              | 1,601    |
| Provided for the year . . . . .   | 84                                    | –                | 84       |
| Eliminated on disposals . . . . . | (2)                                   | –                | (2)      |
| At 31 December 2013 . . . . .     | 1,573                                 | 110              | 1,683    |
| Provided for the period . . . . . | 33                                    | –                | 33       |
| At 30 April 2014 . . . . .        | 1,606                                 | 110              | 1,716    |
| CARRYING VALUE                    |                                       |                  |          |
| At 31 December 2011 . . . . .     | 432                                   | –                | 432      |
| At 31 December 2012 . . . . .     | 270                                   | –                | 270      |
| At 31 December 2013 . . . . .     | 271                                   | –                | 271      |
| At 30 April 2014 . . . . .        | 345                                   | –                | 345      |

The above items of property, plant and equipment, except for freehold land in Korea and construction in progress, are depreciated on a straight-line basis at the following useful lives:

|  |                |
|--|----------------|
| Buildings                                | 20 to 50 years |
| Electric and steam generating facilities | 17 to 30 years |
| Office and electronic equipment          | 3 to 12 years  |
| Motor vehicles                           | 5 to 10 years  |

During the year ended 31 December 2011, a subsidiary of the Group changed the estimated useful life of certain electric and steam generation facilities from 20 years to 25 years, based on past experience and outlook for the economic usefulness of the facilities. The effect of such change in the accounting estimate has decreased the depreciation charge for the year amounting to approximately US\$3.5 million and has been accounted for prospectively.

In October 2013, the local government of Tongzhou city approved an independent third party to develop a gas-fired cogeneration plant nearby the electricity and steam generating facilities held by Tongzhou Meiya Cogeneration Co., Ltd. (the "Tongzhou Power Plant"), a subsidiary of the Group. Upon the completion of this new gas-fired cogeneration plant in 2016, the local government of Tongzhou city will shut down the Tongzhou Power Plant by end of 2016. Pursuant to the above government notice made known to the Group during the year ended 31 December 2013, the management of the Group has tested for impairment of property, plant and equipment related to the Tongzhou Power Plant by comparing its recoverable amount with its carrying value. The recoverable amount of this property, plant and equipment has been determined based on the higher of value in use calculation and fair value less cost of disposal. Based on the calculation, an impairment loss of US\$24,000,000 in respect of the Group's property, plant and equipment used in the Tongzhou Power Plant has been made during the year ended 31 December 2013.

At 31 December 2011, 2012 and 2013 and 30 April 2014, the Group has not obtained the ownership certificates of certain buildings with carrying values of approximately US\$19,569,000, US\$17,708,000, US\$16,281,000 and US\$15,619,000 respectively.

At 31 December 2011, 2012 and 2013 and 30 April 2014, certain amounts of the property, plant and equipment have been pledged as security for the bank borrowings. Details are set out in note 35.

#### 17. PREPAID LEASE PAYMENTS

|  | At 31 December |          |          | At 30 April |
|--|----------------|----------|----------|-------------|
|  | 2011           | 2012     | 2013     | 2014        |
|  | US\$'000       | US\$'000 | US\$'000 | US\$'000    |
| Analysed for reporting purposes as:          |                |          |          |             |
| Non-current asset . . . . .                  | 20,377         | 18,345   | 18,966   | 18,176      |
| Current asset . . . . .                      | 2,012          | 2,015    | 2,102    | 2,083       |
|  | 22,389         | 20,360   | 21,068   | 20,259      |
| The Group's prepaid lease payments comprise: |                |          |          |             |
| Long-term lease . . . . .                    | 751            | 736      | 703      | 665         |
| Medium-term lease. . . . .                   | 21,638         | 19,624   | 20,365   | 19,594      |
|  | 22,389         | 20,360   | 21,068   | 20,259      |

The amount represents the prepaid land use rights and is released to profit or loss on a straight-line basis, over 20 to 70 years which is equal to the original period stated in the land use rights certificates granted for usage to the Group.

At 31 December 2011, 2012 and 2013 and 30 April 2014, certain amounts of prepaid lease payments have been pledged as security of the borrowings. Details are set out in note 35.

#### 18. GOODWILL

|  | US\$'000 |
|--|----------|
| Cost and carrying value  |          |
| At 1 January 2011, 31 December 2011, 2012 and 2013 and 30 April 2014 . . . . . | 844      |

For the purpose of impairment testing, goodwill has been allocated to an individual cash generating unit, comprising one subsidiary, namely Nantong Meiya Co-generation Co., Ltd. 南通美亞熱電有限公司 ("Nantong Company") in the coal-fired and co-generation unit. The recoverable amount of this unit has been determined based on value in use calculation. That calculation uses cash flow projections based on a five-year period financial budget approved by senior management and discount rate of 12.1%, 12.1%, 12.1% and 12.1% as at 31 December 2011, 2012 and 2013 and 30 April 2014, respectively. Nantong Company's cash flows beyond the five-year period are extrapolated with zero growth rate. Other key assumptions for the value in use calculations relate to the budgeted sales and gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Nantong Company to exceed the aggregate recoverable amount of Nantong Company. Since the recoverable amount of the cash generating unit is higher than its carrying amount, the directors of the Company consider that the goodwill is not impaired.

## 19. INVESTMENTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES

## THE COMPANY

|   | At 31 December |                |                | At 30 April    |
|---|----------------|----------------|----------------|----------------|
|   | 2011           | 2012           | 2013           | 2014           |
|   | US\$'000       | US\$'000       | US\$'000       | US\$'000       |
| Unlisted investments, at cost . . . . . | 368,228        | 819,635        | 878,436        | 868,880        |
| Deemed capital contribution . . . . .   | 15,361         | 15,361         | 15,361         | 15,361         |
|   | <u>383,589</u> | <u>834,996</u> | <u>893,797</u> | <u>884,241</u> |
| Amounts due from subsidiaries . . . . . | <u>340,958</u> | <u>–</u>       | <u>–</u>       | <u>–</u>       |

Deemed capital contribution represented the imputed interest on the interest-free advances provided to the subsidiaries.

As at 31 December 2011, the amounts due from subsidiaries were unsecured, interest-free and had no fixed repayment terms. During the year ended 31 December 2012, the management capitalised the amounts due from subsidiaries amounting to US\$340,958,000 as investment in the relevant subsidiaries. Accordingly, these amounts were reclassified as part of the investment costs, which were carried at cost less any identified impairment loss. During the year ended 31 December 2013, the Company has made an impairment loss on investment costs and the capitalised amounts due from of its subsidiaries, Meiya Tongzhou Cogen Power Ltd. and Meiya Qujing Power Company Limited of US\$14,081,000 and US\$56,388,000 respectively.

During the year ended 31 December 2011 and the four months ended 30 April 2014, the Company has reduced capital of US\$4,138,000 and US\$9,556,000 respectively, of certain subsidiaries. During the years ended 31 December 2012 and 2013, the Company has made additional capital of US\$110,449,000 and US\$129,270,000 respectively, to certain subsidiaries.

## 20. INTERESTS IN A JOINT VENTURE

|  | At 31 December |                |                | At 30 April    |
|--|----------------|----------------|----------------|----------------|
|  | 2011           | 2012           | 2013           | 2014           |
|  | US\$'000       | US\$'000       | US\$'000       | US\$'000       |
| Cost of unlisted investment in a joint venture . . . . .   | 276,038        | 276,038        | 276,038        | 276,038        |
| Share of post-acquisition profits net of dividends<br>received, and exchange realignment . . . . . | <u>88,817</u>  | <u>110,094</u> | <u>179,039</u> | <u>186,391</u> |
|  | <u>364,855</u> | <u>386,132</u> | <u>455,077</u> | <u>462,429</u> |

As at 31 December 2011, 2012 and 2013 and 30 April 2014, the Group has a 50% equity interest in the registered capital and voting power in XTI, a company registered and operates in the PRC. The joint venture invests in and manages power generation plants and other kinds of energy projects in the PRC. The joint venture partner is Hunan Xiangtuo Holdings Group Co., Ltd. 湖南湘投控股集團有限公司 which is also a state-owned enterprise of Hunan Province. The formation of the joint venture is for the strategic purpose of penetration of the Group's investments in Hunan Province.

In 2011, the Group has further contributed capital, on a pro-rata basis among the equity owners, amounting to RMB630,813,000 (equivalent to US\$96,765,000) in XTI, resulting in the increase of cost of unlisted investment of a joint venture.

In addition, XTI established two subsidiaries, Zhenkang Xiangneng Hydropower Development Company Limited 鎮康湘能水電開發有限公司 (“Zhenkang Xiangneng”) and Zhenkang Xiangyuan Hydropower Development Company Limited 鎮康湘源水電開發有限公司 (“Zhenkang Xiangyuan”) in 2011.

The summarised financial information represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs is set out below.

|   | At 31 December |           |           | At 30 April |
|---|----------------|-----------|-----------|-------------|
|   | 2011           | 2012      | 2013      | 2014        |
|   | US\$'000       | US\$'000  | US\$'000  | US\$'000    |
| Current assets . . . . .  | 130,076        | 103,052   | 200,926   | 197,964     |
| Non-current assets . . . . .  | 727,726        | 982,724   | 994,498   | 1,005,800   |
| Current liabilities . . . . .   | (21,580)       | (118,788) | (128,226) | (61,578)    |
| Non-current liabilities . . . . .   | (106,512)      | (194,724) | (157,045) | (217,328)   |
| The above amounts of assets and liabilities include the following:                              |                |           |           |             |
| Cash and cash equivalents . . . . .   | 105,508        | 66,372    | 64,016    | 60,810      |
| Current financial liabilities (excluding trade and other payables and provisions) . . . . .     | (248)          | (800)     | –         | –           |
| Non-current financial liabilities (excluding trade and other payables and provisions) . . . . . | (106,512)      | (194,724) | (153,939) | (214,288)   |

|  | Year ended 31 December |          |          | Four months ended 30 April |          |
|--|------------------------|----------|----------|----------------------------|----------|
|  | 2011                   | 2012     | 2013     | 2013                       | 2014     |
|  | US\$'000               | US\$'000 | US\$'000 | US\$'000                   | US\$'000 |
| Revenue . . . . .  | 20,256                 | 18,647   | 23,950   | 6,457                      | 6,176    |
| (Loss) profit and total comprehensive (expense) income for the year/period ( <i>Note</i> ) . . . . . | (374)                  | 40,164   | 111,892  | 28,450                     | 33,526   |
| Dividends received from the joint venture during the year/period . . . . .                           | 39,957                 | –        | –        | –                          | –        |
| The above (loss) profit for the year/period has been accounted for with the following:               |                        |          |          |                            |          |
| Depreciation and amortisation . . . . .  | (7,771)                | (9,821)  | (9,762)  | (3,142)                    | (3,242)  |
| Interest income . . . . .  | 1,094                  | 2,481    | 1,275    | 244                        | 286      |
| Interest expense . . . . .   | (4,799)                | (8,134)  | (8,613)  | (2,506)                    | (2,013)  |
| Income tax expense . . . . .   | (86)                   | (68)     | (1,532)  | (20)                       | (252)    |

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the Financial Information:

|   | At 31 December |          |          | At 30 April |
|---|----------------|----------|----------|-------------|
|   | 2011           | 2012     | 2013     | 2014        |
|   | US\$'000       | US\$'000 | US\$'000 | US\$'000    |
| Net assets of the joint venture . . . . .                                   | 729,710        | 772,264  | 910,153  | 924,858     |
| Proportion of the Group's ownership interest in the joint venture . . . . . | 50%            | 50%      | 50%      | 50%         |
| Carrying amount of the Group's interest in the joint venture . . . . .      | 364,855        | 386,132  | 455,077  | 462,429     |

*Note:* The (loss) profit and total comprehensive (expense) income for the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2013 (unaudited) and 2014 were mainly attributable to share of (losses) profit of associates by the joint venture during those years/periods.

## 21. INTERESTS IN ASSOCIATES

|  | At 31 December |                |                | At 30 April    |
|--|----------------|----------------|----------------|----------------|
|  | 2011           | 2012           | 2013           | 2014           |
|  | US\$'000       | US\$'000       | US\$'000       | US\$'000       |
| Cost of unlisted investment in associates . . . . .  | 214,623        | 214,623        | 252,146        | 252,146        |
| Share of post-acquisition profits net of dividends<br>received, and exchange realignment . . . . . | 55,035         | 43,235         | 43,598         | 48,660         |
| Impairment loss on interest in an associate . . . . .  | –              | (7,627)        | (26,385)       | (26,385)       |
|  | <u>269,658</u> | <u>250,231</u> | <u>269,359</u> | <u>274,421</u> |

The other shareholders of the associates are state-owned enterprises of the relevant local provinces. The formation of these associates is for the strategic purpose of penetration of the Group's investments in relevant provinces including Hubei province, Gansu province and Yunnan province.

In 2011, the Group has additionally contributed its attributable share of capital amounting to RMB128,915,189 (equivalent to US\$19,666,000) in Hubei Huadian Xisaishan Power Generation Co., Ltd. 湖北華電西塞山發電有限公司 (“Huangshi II JV”).

In 2013, the Group has additionally contributed its attributable share of capital amounting to RMB230,300,000 (equivalent to US\$37,523,000) in Huangshi II JV.

During the Track Record Period, certain associates of the Group, comprising Dongyuan Qujing Energy Co., Ltd. 東源曲靖能源有限公司 (formerly known as SDIC Qujing Power Generation Co., Ltd. 國投曲靖發電有限公司) (“SDIC Qujing”) and Jingyuan Second Power Co., Ltd. 靖遠第二發電有限公司 (“Jingyuan”) in the coal-fired unit, have recorded losses and the entire carrying amount of the investments in each of these associates is tested for impairment as a single asset by comparing its recoverable amount with its carrying amounts, respectively. The recoverable amounts of these associates have been determined based on value in use calculation. That calculation uses cash flow projections based on recent financial budgets covered their respective project lives approved by senior management and discount rate of 12.45%, 16% and 16% for SDIC Qujing, representing the cost of equity with specific adjustments as at 31 December 2011, 2012 and 2013, respectively and 12.45% and 11.05% for Jingyuan representing the cost of equity with specific adjustments as at 31 December 2011 and 2012 respectively. Other key assumptions for the value in use calculations relate to the budgeted sales and gross margin, which are determined based on the unit's past performance and management's expectations for the market development. During the years ended 31 December 2011, 2012 and 2013, impairment loss of approximately nil, US\$7,627,000 and US\$18,758,000 respectively has been made in respect of the Group's interest in SDIC Qujing. The directors of the Company consider that the investment in SDIC Qujing has been fully impaired for the year ended 31 December 2013. Since SDIC Qujing continues to make losses for the four months ended 30 April 2014 and therefore, no indication for reversal of impairment on SDIC Qujing as at 30 April 2014. For Jingyuan, since the recoverable amount of the investment in this associate is higher than its carrying amount as at 31 December 2011 and 2012, the directors of the Company consider that the investment in this associate is not impaired. Jingyuan has been making profit for the year ended 31 December 2013 and the four months ended 30 April 2014, and therefore, the directors of the Company consider that no impairment assessment is necessary.

Summarised financial information represents amounts shown in associate's financial statements prepared in accordance with IFRSs, in respect of each of the Group's material associates is set out below.

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

**Hubei Xisaishan Power Generation Co., Ltd. (“Huangshi I JV”)**

|                                   | At 31 December   |                  |                  | At 30 April      |
|-----------------------------------|------------------|------------------|------------------|------------------|
|                                   | 2011             | 2012             | 2013             | 2014             |
|                                   | US\$'000         | US\$'000         | US\$'000         | US\$'000         |
| Current assets . . . . .          | <u>103,214</u>   | <u>67,198</u>    | <u>60,067</u>    | <u>63,337</u>    |
| Non-current assets . . . . .      | <u>373,983</u>   | <u>351,891</u>   | <u>344,906</u>   | <u>334,071</u>   |
| Current liabilities . . . . .     | <u>(171,287)</u> | <u>(135,005)</u> | <u>(146,769)</u> | <u>(150,859)</u> |
| Non-current liabilities . . . . . | <u>(141,244)</u> | <u>(113,695)</u> | <u>(86,487)</u>  | <u>(69,031)</u>  |

|   | Year ended 31 December |          |          | Four months ended<br>30 April |          |
|---|------------------------|----------|----------|-------------------------------|----------|
|   | 2011                   | 2012     | 2013     | 2013                          | 2014     |
|   | US\$'000               | US\$'000 | US\$'000 | US\$'000                      | US\$'000 |
|   |                        |          |          | (unaudited)                   |          |
| Revenue . . . . .   | 420,131                | 350,581  | 259,472  | 75,140                        | 97,466   |
| (Loss) profit and total comprehensive<br>(expense) income for the year/period . . . . . | (6,891)                | 11,909   | 27,778   | 7,247                         | 10,037   |
| Dividends received from associate during the<br>year/period . . . . .                   | 11,892                 | 8,360    | 1,245    | –                             | –        |

Reconciliation of the above summarised financial information to the carrying amount of the interest in Huangshi I JV recognised in the Financial Information:

|  | At 31 December |          |          | At 30 April |
|--|----------------|----------|----------|-------------|
|  | 2011           | 2012     | 2013     | 2014        |
|  | US\$'000       | US\$'000 | US\$'000 | US\$'000    |
| Net assets of the associate . . . . .                                      | 164,666        | 170,389  | 171,717  | 177,518     |
| Proportion of the Group's ownership interest in<br>Huangshi I JV . . . . . | 49%            | 49%      | 49%      | 49%         |
| Carrying amount of the Group's interest in Huangshi I<br>JV . . . . .      | 80,686         | 83,491   | 84,141   | 86,984      |

#### Huangshi II JV

|                                   | At 31 December |           |           | At 30 April |
|-----------------------------------|----------------|-----------|-----------|-------------|
|                                   | 2011           | 2012      | 2013      | 2014        |
|                                   | US\$'000       | US\$'000  | US\$'000  | US\$'000    |
| Current assets . . . . .          | 131,252        | 58,956    | 81,023    | 170,784     |
| Non-current assets . . . . .      | 435,842        | 485,671   | 584,090   | 666,292     |
| Current liabilities . . . . .     | (171,397)      | (135,438) | (140,800) | (272,015)   |
| Non-current liabilities . . . . . | (322,056)      | (317,413) | (345,244) | (380,459)   |

|   | Year ended 31 December |          |          | Four months ended<br>30 April |          |
|---|------------------------|----------|----------|-------------------------------|----------|
|   | 2011                   | 2012     | 2013     | 2013                          | 2014     |
|   | US\$'000               | US\$'000 | US\$'000 | US\$'000                      | US\$'000 |
|   |                        |          |          | (unaudited)                   |          |
| Revenue . . . . .   | 213,901                | 216,938  | 279,967  | 59,987                        | 97,818   |
| (Loss) profit and total comprehensive<br>(expense) income for the year/period . . . . . | (982)                  | 17,882   | 61,196   | 13,245                        | 9,477    |
| Dividends received from associate during the<br>year/period . . . . .                   | –                      | –        | 2,580    | –                             | –        |

**APPENDIX I**
**ACCOUNTANTS' REPORT**

Reconciliation of the above summarised financial information to the carrying amount of the interest in Huangshi II JV recognised in the Financial Information:

|   | At 31 December |               |               | At 30 April   |
|---|----------------|---------------|---------------|---------------|
|   | 2011           | 2012          | 2013          | 2014          |
|   | US\$'000       | US\$'000      | US\$'000      | US\$'000      |
| Net assets of the associate . . . . .                                       | 73,641         | 91,776        | 179,069       | 184,602       |
| Proportion of the Group's ownership interest in<br>Huangshi II JV . . . . . | 49%            | 49%           | 49%           | 49%           |
|   | 36,084         | 44,970        | 87,744        | 90,455        |
| Goodwill . . . . .  | 1,591          | 1,591         | 1,591         | 1,591         |
| Carrying amount of the Group's interest in Huangshi<br>II JV . . . . .      | <u>37,675</u>  | <u>46,561</u> | <u>89,335</u> | <u>92,046</u> |

**Jingyuan**

|                                   | At 31 December |           |           | At 30 April |
|-----------------------------------|----------------|-----------|-----------|-------------|
|                                   | 2011           | 2012      | 2013      | 2014        |
|                                   | US\$'000       | US\$'000  | US\$'000  | US\$'000    |
| Current assets . . . . .          | 99,907         | 84,922    | 94,392    | 79,985      |
| Non-current assets . . . . .      | 505,172        | 482,685   | 482,271   | 459,384     |
| Current liabilities . . . . .     | (183,352)      | (136,813) | (94,893)  | (112,872)   |
| Non-current liabilities . . . . . | (118,144)      | (132,370) | (169,754) | (116,080)   |

|   | Year ended 31 December |          |          | Four months ended<br>30 April |          |
|---|------------------------|----------|----------|-------------------------------|----------|
|   | 2011                   | 2012     | 2013     | 2013                          | 2014     |
|   | US\$'000               | US\$'000 | US\$'000 | US\$'000                      | US\$'000 |
| Revenue . . . . .   | 270,323                | 237,146  | 217,928  | 79,859                        | 82,952   |
| (Loss) profit and total comprehensive<br>(expense) income for the year/period . . . . . | (10,043)               | (5,197)  | 6,697    | 3,708                         | 5,347    |
| Dividends received from associate during the<br>year/period . . . . .                   | 1,409                  | -        | -        | -                             | -        |

(unaudited)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Jingyuan recognised in the Financial Information:

|   | At 31 December |               |               | At 30 April   |
|---|----------------|---------------|---------------|---------------|
|   | 2011           | 2012          | 2013          | 2014          |
|   | US\$'000       | US\$'000      | US\$'000      | US\$'000      |
| Net assets of the associate . . . . .                                 | 303,583        | 298,424       | 312,016       | 310,417       |
| Proportion of the Group's ownership interest in<br>Jingyuan . . . . . | 30.73%         | 30.73%        | 30.73%        | 30.73%        |
| Carrying amount of the Group's interest in Jingyuan . . . . .         | <u>93,292</u>  | <u>91,706</u> | <u>95,883</u> | <u>95,391</u> |



## SDIC Quijing

|                                   | At 31 December |           |           | At 30 April |
|-----------------------------------|----------------|-----------|-----------|-------------|
|                                   | 2011           | 2012      | 2013      | 2014        |
|                                   | US\$'000       | US\$'000  | US\$'000  | US\$'000    |
| Current assets . . . . .          | 93,028         | 88,904    | 47,035    | 67,686      |
| Non-current assets . . . . .      | 373,513        | 331,642   | 313,543   | 254,300     |
| Current liabilities . . . . .     | (137,055)      | (194,954) | (189,324) | (129,559)   |
| Non-current liabilities . . . . . | (189,315)      | (139,946) | (120,557) | (197,331)   |

|   | Year ended 31 December |          |          | Four months ended<br>30 April |          |
|---|------------------------|----------|----------|-------------------------------|----------|
|   | 2011                   | 2012     | 2013     | 2013                          | 2014     |
|   | US\$'000               | US\$'000 | US\$'000 | US\$'000                      | US\$'000 |
|   |                        |          |          | (unaudited)                   |          |
| Revenue . . . . .   | 251,865                | 206,892  | 133,628  | 85,036                        | 60,399   |
| Loss and total comprehensive<br>expense for the year/period . . . . . | (14,903)               | (58,905) | (27,996) | (7,599)                       | (2,769)  |
| Dividends received from associate<br>during the year/period . . . . . | –                      | –        | –        | –                             | –        |

Reconciliation of the above summarised financial information to the carrying amount of the interest in SDIC Quijing recognised in the Financial Information:

|   | At 31 December |          |          | At 30 April |
|---|----------------|----------|----------|-------------|
|   | 2011           | 2012     | 2013     | 2014        |
|   | US\$'000       | US\$'000 | US\$'000 | US\$'000    |
| Net assets of the associate . . . . .   | 140,171        | 85,646   | 50,697   | (4,904)     |
| Capital contribution not entitled by the Group . . . . .                                  | (4,015)        | (8,693)  | –        | –           |
|   | 136,156        | 76,953   | 50,697   | (4,904)     |
| Proportion of the Group's ownership interest in SDIC<br>Quijing . . . . .                 | 37%            | 37%      | 37%      | 37%         |
|   | 50,378         | 28,473   | 18,758   | (1,814)     |
| Goodwill . . . . .  | 7,627          | 7,627    | 7,627    | 7,627       |
| Impairment loss on the Group's interest in SDIC<br>Quijing . . . . .                      | –              | (7,627)  | (26,385) | (7,627)     |
| The Group's unrecognised share of loss in SDIC<br>Quijing after full impairment . . . . . | –              | –        | –        | 1,814       |
| Carrying amount of the Group's interest in SDIC<br>Quijing . . . . .                      | 58,005         | 28,473   | –        | –           |

US\$'000

The unrecognised share of loss of an associate for the four months ended 30 April 2014 . . . . . (1,814)

US\$'000

Cumulative share of loss of an associate as at 30 April 2014 . . . . . (1,814)

## 22. AMOUNTS DUE FROM NON-CONTROLLING SHAREHOLDERS

|   | At 31 December |              |              | At 30 April  |
|---|----------------|--------------|--------------|--------------|
|   | 2011           | 2012         | 2013         | 2014         |
|   | US\$'000       | US\$'000     | US\$'000     | US\$'000     |
| <b>Non-trade related:</b>   |                |              |              |              |
| Guangxi Liuzhou Rongjiang Hydropower Development Company Limited<br>廣西柳州融江水電開發有限責任公司<br>("Guangxi Liuzhou") . . . . . | 1,286          | 1,039        | 963          | 942          |
| Xi Lin Guo Le Feng Neng Power Construction Co., Ltd. 錫林郭勒峰能電力建設有限責任公司<br>("Xilinguolefengneng PCC") . . . . .         | -              | -            | 1,942        | 2,062        |
| <b>Trade related:</b>   |                |              |              |              |
| Baosteel Group Shanghai No.1 Iron & Steel Co., Ltd.<br>寶鋼集團上海第一鋼鐵有限公司 ("Baosteel") . . . . .                          | 1,454          | -            | 1,573        | -            |
|   | 2,740          | 1,039        | 4,478        | 3,004        |
| Less: Amount due within one year . . . . .  | (1,454)        | -            | (1,573)      | -            |
| Amount due after one year . . . . .   | <u>1,286</u>   | <u>1,039</u> | <u>2,905</u> | <u>3,004</u> |

The amount due from Guangxi Liuzhou, a non-controlling shareholder of a subsidiary of the Group, is unsecured, non-interest bearing and has no fixed repayment term. The management of the Group expects to recover this amount through setting off with service fees and dividend entitled by Guangxi Liuzhou; and therefore it is classified as non-current.

The amount due from Xilinguolefengneng PCC, a non-controlling shareholder of a subsidiary of the Group, is unsecured, non-interest bearing and has no fixed repayment term. The management of the Group expects to recover this amount through receiving consulting services from Xilinguolefengneng PCC; and therefore it is classified as non-current.

The amount due from Baosteel, a non-controlling shareholder of a subsidiary of the Group, is unsecured, non-interest bearing and with a credit term ranging from 0 to 60 days.

The following is an aged analysis of amount due from a non-controlling shareholder (trade-related), presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

|                     | At 31 December |          |              | At 30 April |
|---------------------|----------------|----------|--------------|-------------|
|                     | 2011           | 2012     | 2013         | 2014        |
|                     | US\$'000       | US\$'000 | US\$'000     | US\$'000    |
| 0-60 days . . . . . | <u>1,454</u>   | <u>-</u> | <u>1,573</u> | <u>-</u>    |

The management of the Group evaluates the recoverability of the amount due from a non-controlling shareholder (trade-related) at the end of the reporting period by assessing the repayment history, financial position and credit quality of the non-controlling shareholder. As the non-controlling shareholder has good track record, the management of the Group considers the Group's credit risk is significantly reduced.

## 23. DERIVATIVE FINANCIAL INSTRUMENTS

## THE GROUP

|   | At 31 December |              |          |              |          |              | At 30 April |              |
|---|----------------|--------------|----------|--------------|----------|--------------|-------------|--------------|
|   | 2011           |              | 2012     |              | 2013     |              | 2014        |              |
|   | Assets         | Liabilities  | Assets   | Liabilities  | Assets   | Liabilities  | Assets      | Liabilities  |
|   | US\$'000       | US\$'000     | US\$'000 | US\$'000     | US\$'000 | US\$'000     | US\$'000    | US\$'000     |
| <b>Derivatives under hedge accounting</b>                     |                |              |          |              |          |              |             |              |
| Cash flow hedge – foreign currency forward contract . . . . . | –              | –            | –        | 2,227        | –        | –            | –           | –            |
| <b>Other derivatives (not under hedge accounting)</b>         |                |              |          |              |          |              |             |              |
| Foreign currency forward contract . . . . .                   | 574            | –            | –        | –            | –        | –            | –           | –            |
| Interest rate swaps . . . . .                                 | –              | 6,902        | –        | 5,773        | –        | 2,606        | –           | 1,342        |
|   | <u>574</u>     | <u>6,902</u> | <u>–</u> | <u>8,000</u> | <u>–</u> | <u>2,606</u> | <u>–</u>    | <u>1,342</u> |
| Analysed as:  |                |              |          |              |          |              |             |              |
| Non-current . . . . .   | –              | 4,388        | –        | 2,474        | –        | –            | –           | –            |
| Current . . . . .   | 574            | 2,514        | –        | 5,526        | –        | 2,606        | –           | 1,342        |
|   | <u>574</u>     | <u>6,902</u> | <u>–</u> | <u>8,000</u> | <u>–</u> | <u>2,606</u> | <u>–</u>    | <u>1,342</u> |

## THE COMPANY

|   | Liabilities    |              |              |              |              |
|---|----------------|--------------|--------------|--------------|--------------|
|   | At 31 December |              |              | At 30 April  |              |
|   | 2011           | 2012         | 2013         | 2014         |              |
|   | US\$'000       | US\$'000     | US\$'000     | US\$'000     |              |
| <b>Other derivatives (not under hedge accounting)</b> |                |              |              |              |              |
| Interest rate swaps . . . . .                         | –              | 6,902        | 5,773        | 2,606        | 1,342        |
| Analysed as:  |                |              |              |              |              |
| Non-current . . . . .                                 | –              | 4,388        | 2,474        | –            | –            |
| Current . . . . .                                     | –              | 2,514        | 3,299        | 2,606        | 1,342        |
|   | –              | <u>6,902</u> | <u>5,773</u> | <u>2,606</u> | <u>1,342</u> |

## Derivative instrument designated as a cash flow hedge

As at 31 December 2012, the Group had foreign currency forward contract to hedge the exposure to variability in expected future cash flows related to U.S. dollar-denominated purchase of machinery as follows:

| Counterparty           | Contract date | Maturity date  | Contracted exchange rate | Buy                   | Fair value           |
|------------------------|---------------|----------------|--------------------------|-----------------------|----------------------|
| Shinhan Bank . . . . . | 8 August 2012 | 2 January 2013 | <u>KRW1,139.58</u>       | <u>US\$35,000,000</u> | <u>US\$2,227,000</u> |

The Group expected the exposure to cash flow fluctuations not to last beyond five months, and derivative loss of US\$2,227,000 was included in hedging reserve for the year ended 31 December 2012.

The fair value loss accumulated in the hedging reserve will be released to profit or loss at various dates during the life of the relevant assets when the depreciation of the relevant assets is recognised in profit or loss.

The foreign currency forward contract has been matured and settled during the year ended 31 December 2013, the Group did not hold any foreign currency forward contract as at 31 December 2013 and 30 April 2014.

**Other derivatives (not under hedge accounting)***Foreign currency forward contract*

During the year ended 31 December 2011, the Group entered into a foreign currency forward contract with an independent commercial bank to hedge the risk of foreign exchange rate fluctuations. Major terms of the contract were as follows:

| <b>Notional amount</b>       | <b>Maturity</b> | <b>Exchange rates</b> |
|------------------------------|-----------------|-----------------------|
| Buy US\$29,698,331 . . . . . | 15 March 2012   | KRW1,136.6: US\$1     |

The fair value of the foreign currency forward contract was measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contract.

*Interest rate swaps*

In November 2010, the Group and the Company entered into interest rate swap contract which settles quarterly up to 2014, to manage particular exposure to interest rate movements on its senior secured term loan drawn down in October 2010; however, the instrument did not fulfill the hedge accounting criteria and its fair value at 31 December 2011, 2012 and 2013 and 30 April 2014 is estimated at a loss of approximately US\$6,902,000, US\$5,773,000, US\$2,606,000 and US\$1,342,000 and a loss of US\$2,914,000 and gain of US\$1,129,000, US\$3,167,000, US\$1,504,000 (unaudited) and US\$1,264,000 have been directly recognised in profit or loss for the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2013 and 2014, respectively.

**31 December 2011**

| <b>Notional amount</b>    | <b>Commencement date</b> | <b>Maturity</b> | <b>Swaps</b>                       |
|---------------------------|--------------------------|-----------------|------------------------------------|
| US\$200,000,000 . . . . . | 8 October 2011           | 3 months        | From US\$ LIBOR to 1.99% per annum |
| US\$200,000,000 . . . . . | 8 January 2012           | 3 months        |                                    |
| US\$200,000,000 . . . . . | 8 April 2012             | 3 months        |                                    |
| US\$200,000,000 . . . . . | 8 July 2012              | 3 months        |                                    |
| US\$200,000,000 . . . . . | 8 October 2012           | 3 months        |                                    |
| US\$200,000,000 . . . . . | 8 January 2013           | 3 months        |                                    |
| US\$200,000,000 . . . . . | 8 April 2013             | 3 months        |                                    |
| US\$200,000,000 . . . . . | 8 July 2013              | 3 months        |                                    |
| US\$200,000,000 . . . . . | 8 October 2013           | 3 months        |                                    |
| US\$150,000,000 . . . . . | 8 January 2014           | 3 months        |                                    |
| US\$150,000,000 . . . . . | 8 April 2014             | 3 months        |                                    |
| US\$150,000,000 . . . . . | 8 July 2014              | 3 months        |                                    |

**31 December 2012**

| <b>Notional amount</b>    | <b>Commencement date</b> | <b>Maturity</b> | <b>Swaps</b>                       |
|---------------------------|--------------------------|-----------------|------------------------------------|
| US\$200,000,000 . . . . . | 8 October 2012           | 3 months        | From US\$ LIBOR to 1.99% per annum |
| US\$200,000,000 . . . . . | 8 January 2013           | 3 months        |                                    |
| US\$200,000,000 . . . . . | 8 April 2013             | 3 months        |                                    |
| US\$200,000,000 . . . . . | 8 July 2013              | 3 months        |                                    |
| US\$200,000,000 . . . . . | 8 October 2013           | 3 months        |                                    |
| US\$150,000,000 . . . . . | 8 January 2014           | 3 months        |                                    |
| US\$150,000,000 . . . . . | 8 April 2014             | 3 months        |                                    |
| US\$150,000,000 . . . . . | 8 July 2014              | 3 months        |                                    |

**31 December 2013**

| <b>Notional amount</b>    | <b>Commencement date</b> | <b>Maturity</b> | <b>Swaps</b>                       |
|---------------------------|--------------------------|-----------------|------------------------------------|
| US\$200,000,000 . . . . . | 8 October 2013           | 3 months        | From US\$ LIBOR to 1.99% per annum |
| US\$150,000,000 . . . . . | 8 January 2014           | 3 months        |                                    |
| US\$150,000,000 . . . . . | 8 April 2014             | 3 months        |                                    |
| US\$150,000,000 . . . . . | 8 July 2014              | 3 months        |                                    |

30 April 2014

| <u>Notional amount</u>    | <u>Commencement date</u> | <u>Maturity</u> | <u>Swaps</u>                       |
|---------------------------|--------------------------|-----------------|------------------------------------|
| US\$150,000,000 . . . . . | 8 April 2014             | 3 months        | From US\$ LIBOR to 1.99% per annum |
| US\$150,000,000 . . . . . | 8 July 2014              | 3 months        |                                    |

The fair value of interest rate swap was determined based on appropriate valuation technique with assumptions made based on quoted market rates adjusted for specific features of the instrument at the end of the reporting periods.

#### 24. OTHER FINANCIAL ASSET

As detailed in note 43(a), during the year ended 31 December 2011, Meiya Xiangyun Development Limited (“Meiya Xiangyun”), a wholly owned subsidiary of the Company had entered into an equity transfer agreement with 雲南民和水電投資有限公司 (“Minhe”), an independent third party to acquire 51% equity interest in Yunan Meiya Minrui Power Investment Co., Ltd. (formerly known as 雲南民發水電開發集團有限公司) (the “Target Company”) and its subsidiaries (collectively referred to as “Target Group”). At the same time, Meiya Xiangyun had also entered into an agreement of investment arrangement (“Agreement of Guaranteed Return”) with Minhe, pursuant to which Minhe agreed to guarantee Meiya Xiangyun a minimum return of 12.5% per annum on the investment in the Target Company (“Minimum Guaranteed Return”), i.e. 12.5% of RMB255,000,000 per annum, since the date Meiya Xiangyun paid the consideration of the acquisition. If the share of results of the Target Group by Meiya Xiangyun is less than the Minimum Guaranteed Return in any one financial year, the difference between the Minimum Guaranteed Return and the share of results of the Target Group (the “Shortfall”) will be compensated by Minhe. If the share of results of the Target Group is higher than the Minimum Guaranteed Return in subsequent financial year, the difference between the Group’s share of results of the Target Group and the Minimum Guaranteed Return (the “Surplus”) will first be allocated to Minhe up to the accumulated Shortfall previously received by Meiya Xiangyun. When the accumulated Shortfall is fully recovered by the accumulated Surplus pursuant to the Minimum Guaranteed Return, the Group will be entitled to share the profits derived from the Target Group in accordance with the proportion of the equity interests held.

Other financial asset represented the fair value of the Minimum Guaranteed Return which the Group has the right to receive from Minhe. The fair value of the Minimum Guaranteed Return at the reporting period is determined by the directors of the Company with reference to valuation prepared by an independent professionally qualified valuer. In estimation of such fair value, the directors of the Company take into consideration of the estimated future cash flows to be generated from the Minimum Guaranteed Return. The calculation uses cash flow projections based on financial budgets covering the project lives of respective Project Company (as defined in note 43(a)) approved by senior management and applicable discount rates. Other key assumptions for the cash flow projections relate to the timing of commencement of operation of the Project Companies and the budgeted sales and gross margin, which is determined based on the current tariff approved by the relevant power bureau and management’s expectations for the market development. Disclosures of the fair value measurement are set out in note 42.

In order to secure Minhe’s obligations in settling the Minimum Guaranteed Return to Meiya Xiangyun, Minhe and its associates have deposited and pledged RMB45,000,000 in aggregate, into a newly set up bank account co-managed by Minhe and Meiya Xiangyun in Hong Kong (“Guaranteed Investment Return Account”) and also pledged its 49% equity interests of the Target Company to the Group. As at 31 December 2011, 2012 and 2013 and 30 April 2014, an amount of US\$7,000,000 (equivalent to RMB45,000,000), US\$4,878,000 (equivalent to RMB30,661,000), nil and nil, respectively was deposited by Minhe into the Guaranteed Investment Return Account.

## 25. DEFERRED TAX ASSETS AND LIABILITIES

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

## THE GROUP

|   | Withholding<br>tax on<br>distributable<br>profits | Accelerated<br>tax<br>depreciation | Revaluation<br>of prepaid<br>lease<br>payments | Deferred<br>connection<br>charges | Others   | Total    |
|---|---|------------------------------------|--|-----------------------------------|----------|----------|
|   | US\$'000  | US\$'000                           | US\$'000                                       | US\$'000                          | US\$'000 | US\$'000 |
| At 1 January 2011 . . . . .   | (11,722)  | (17,731)                           | (1,932)  | 345                               | (905)    | (31,945) |
| Exchange differences . . . . .  | -   | (329)                              | 5  | 17                                | 5        | (302)    |
| Charge to hedging reserve . . . . .   | -   | -                                  | -  | -                                 | (55)     | (55)     |
| Income tax on preferential tax rate<br>- credit to profit or loss ( <i>Note</i> ) | -   | 1,829                              | -  | -                                 | -        | 1,829    |
| Credit (charge) to profit or loss . . . . .                                       | 2,330   | (514)                              | 206  | (24)                              | 41       | 2,039    |
| At 31 December 2011 . . . . .   | (9,392)   | (16,745)                           | (1,721)  | 338                               | (914)    | (28,434) |
| Exchange differences . . . . .  | (96)  | 102                                | -  | -                                 | -        | 6        |
| Credit to hedging reserve . . . . .   | -   | -                                  | -  | -                                 | 569      | 569      |
| (Charge) credit to profit or loss . . . . .                                       | (8,157)   | 1,251                              | 210  | (160)                             | 47       | (6,809)  |
| At 31 December 2012 . . . . .   | (17,645)  | (15,392)                           | (1,511)  | 178                               | (298)    | (34,668) |
| Exchange differences . . . . .  | (19)  | (138)                              | -  | 4                                 | 5        | (148)    |
| Credit to hedging reserve . . . . .   | -   | -                                  | -  | -                                 | (38)     | (38)     |
| (Charge) credit to profit or loss . . . . .                                       | (17,661)  | 1,454                              | 214  | (102)                             | (176)    | (16,271) |
| At 31 December 2013 . . . . .   | (35,325)  | (14,076)                           | (1,297)  | 80                                | (507)    | (51,125) |
| Exchange differences . . . . .  | (11)  | 110                                | 2  | (2)                               | (22)     | 77       |
| Credit to hedging reserve . . . . .   | -   | -                                  | -  | -                                 | (11)     | (11)     |
| (Charge) credit to profit or loss . . . . .                                       | (3,154)   | 588                                | -  | (34)                              | 65       | (2,535)  |
| At 30 April 2014 . . . . .  | (38,490)  | (13,378)                           | (1,295)  | 44                                | (475)    | (53,594) |

*Note:* Certain subsidiaries have been granted a preferential tax rate of 15% by relevant tax authorities in the PRC for 10 years with effect from year ended 31 December 2011.

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

|   | At 31 December |          |          | At 30 April |
|---|----------------|----------|----------|-------------|
|   | 2011           | 2012     | 2013     | 2014        |
|   | US\$'000       | US\$'000 | US\$'000 | US\$'000    |
| Deferred tax assets:  |                |          |          |             |
| Difference between tax allowance and accounting<br>depreciation and others . . . . .                |                | 1,218    | 1,258    | 1,415       |
| Deferred connection charges . . . . .   |                | 338      | 178      | 44          |
|   |                | 1,556    | 1,436    | 1,599       |
| Deferred tax liabilities:   |                |          |          |             |
| Difference between tax allowance and accounting<br>depreciation and others . . . . .                | (18,877)       | (16,948) | (15,998) | (15,408)    |
| Revaluation of prepaid lease payments . . . . .   | (1,721)        | (1,511)  | (1,297)  | (1,295)     |
| Withholding tax on distributable profits of<br>subsidiaries, associates and joint venture . . . . . | (9,392)        | (17,645) | (35,325) | (38,490)    |
|   | (29,990)       | (36,104) | (52,620) | (55,193)    |
|   | (28,434)       | (34,668) | (51,125) | (53,594)    |

As at 31 December 2011, 2012 and 2013 and 30 April 2014, the Group has unused tax losses of approximately US\$14,358,000, US\$14,891,000, US\$16,120,000 and US\$10,349,000 respectively, available for offset against future profits. Unrecognised tax losses of approximately US\$517,000 and US\$7,840,000 carried forward were expired during the year ended 31 December 2013 and the four months ended 30 April 2014, respectively. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The tax losses will be expired at various times within a period of five years from the year of origination.

## 26. OTHER ASSETS

|  | At 31 December |               |               | At 30 April   |
|--|----------------|---------------|---------------|---------------|
|  | 2011           | 2012          | 2013          | 2014          |
|  | US\$'000       | US\$'000      | US\$'000      | US\$'000      |
| Prepayment for maintenance . . . . .   | 8,022          | 5,468         | 21,169        | 21,358        |
| Deposit for acquisition of property, plant and equipment . . . . .   | 3,157          | 844           | 81            | 8,958         |
| Prepaid insurance expenditure and usage right of electricity transmission facilities ( <i>Note</i> ) . . . . . | 1,904          | 1,890         | 1,736         | 1,714         |
| Others . . . . .   | 2,349          | 3,429         | 3,555         | 3,531         |
|  | <u>15,432</u>  | <u>11,631</u> | <u>26,541</u> | <u>35,561</u> |

*Note:* Included in the balance, approximately US\$868,000, US\$775,000, US\$775,000 and US\$762,000 as at 31 December 2011, 2012 and 2013 and 30 April 2014 respectively represents the prepayment for usage of electricity transmission facilities made to KEPCO (*Note* 44(a)).

## 27. INVENTORIES

|                                    | At 31 December |               |               | At 30 April   |
|------------------------------------|----------------|---------------|---------------|---------------|
|                                    | 2011           | 2012          | 2013          | 2014          |
|                                    | US\$'000       | US\$'000      | US\$'000      | US\$'000      |
| Coal and oil . . . . .             | 18,416         | 15,896        | 16,746        | 15,479        |
| Spare parts and supplies . . . . . | 12,043         | 10,965        | 11,841        | 14,051        |
|                                    | <u>30,459</u>  | <u>26,861</u> | <u>28,587</u> | <u>29,530</u> |

## 28. TRADE RECEIVABLES

|  | At 31 December |                |                | At 30 April    |
|--|----------------|----------------|----------------|----------------|
|  | 2011           | 2012           | 2013           | 2014           |
|  | US\$'000       | US\$'000       | US\$'000       | US\$'000       |
| Trade receivables . . . . .                  | 135,256        | 128,074        | 100,362        | 146,608        |
| Less: allowance for doubtful debts . . . . . | (236)          | (285)          | (121)          | (118)          |
|  | <u>135,020</u> | <u>127,789</u> | <u>100,241</u> | <u>146,490</u> |

The Group allows a credit period from 30 to 90 days throughout the Track Record Period to its trade customers. Over 95% of the trade receivables are neither past due nor impaired as at 31 December 2011, 2012 and 2013 and 30 April 2014. The management considers that these receivables have good credit scoring attributable under the credit review policy used by the Group.



The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice dates at the end of the reporting period, which approximated the revenue recognition dates.

|                        | At 31 December |                |                | At 30 April    |
|------------------------|----------------|----------------|----------------|----------------|
|                        | 2011           | 2012           | 2013           | 2014           |
|                        | US\$'000       | US\$'000       | US\$'000       | US\$'000       |
| 0-60 days . . . . .    | 134,115        | 127,318        | 99,661         | 145,448        |
| 61-90 days . . . . .   | 213            | 278            | 377            | 928            |
| Over 90 days . . . . . | 692            | 193            | 203            | 114            |
|                        | <u>135,020</u> | <u>127,789</u> | <u>100,241</u> | <u>146,490</u> |

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately US\$982,000, US\$699,000, US\$3,707,000 and US\$1,608,000 as at 31 December 2011, 2012 and 2013 and 30 April 2014 respectively, which are past due as at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 83 days, 74 days, 75 days and 75 days as at 31 December 2011, 2012 and 2013 and 30 April 2014 respectively.

#### Ageing of trade receivables which are past due but not impaired

|                         | At 31 December |            |              | At 30 April  |
|-------------------------|----------------|------------|--------------|--------------|
|                         | 2011           | 2012       | 2013         | 2014         |
|                         | US\$'000       | US\$'000   | US\$'000     | US\$'000     |
| Past due for:           |                |            |              |              |
| 1-90 days . . . . .     | 884            | 690        | 3,707        | 1,604        |
| 91-180 days . . . . .   | 90             | –          | –            | 1            |
| Over 181 days . . . . . | 8              | 9          | –            | 3            |
| Total . . . . .         | <u>982</u>     | <u>699</u> | <u>3,707</u> | <u>1,608</u> |

The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

#### Movement in the allowance for doubtful debts

|   | At 31 December |            |            | At 30 April |
|---|----------------|------------|------------|-------------|
|   | 2011           | 2012       | 2013       | 2014        |
|   | US\$'000       | US\$'000   | US\$'000   | US\$'000    |
| At beginning of the year/period . . . . .       | 249            | 236        | 285        | 121         |
| Exchange differences . . . . .                  | 12             | 1          | 7          | (3)         |
| (Recovery of) allowance for bad debts . . . . . | (25)           | 48         | 8          | –           |
| Written off during the year/period . . . . .    | –              | –          | (179)      | –           |
| At end of the year/period . . . . .             | <u>236</u>     | <u>285</u> | <u>121</u> | <u>118</u>  |

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit initially granted up to the end of the reporting period.

In order to minimise credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Accordingly, the directors of the Company believe that no further allowance is required in excess of the existing allowance for bad and doubtful debts.

**29. AMOUNTS DUE FROM (TO) ASSOCIATES/FELLOW SUBSIDIARIES/IMMEDIATE HOLDING COMPANY/SUBSIDIARIES/A FELLOW SUBSIDIARY****THE GROUP AND THE COMPANY**

The amounts are non-trade nature, unsecured, non-interest bearing and recoverable/repayable on demand.

**30. BANK BALANCES/PLEDGED BANK DEPOSITS AND RESTRICTED CASH****THE GROUP**

Bank balances and restricted cash carry interest at market rates which range from 0% to 3.8%, 0% to 2.88%, 0% to 3.25% and 0% to 3.25% per annum as at 31 December 2011, 2012 and 2013 and 30 April 2014 respectively. The pledged bank deposits carry interest at market rates which range from 1.3% to 3.4%, 1.4% to 3.45%, 1.3% to 3.1% and 1.4% to 2.4% per annum as at 31 December 2011, 2012 and 2013 and 30 April 2014 respectively.

Pledged bank deposits are pledged to banks to secure bank borrowings granted to the Group, and it cannot be withdrawn prior to the maturity of the relevant bank borrowings.

Restricted cash can only be withdrawn upon approval by the banks providing credit facilities to the Group.

**THE COMPANY**

Bank balances and pledged bank deposits carry interest at market rates which range from 0% to 0.01%, 0% to 0.01%, 0% to 0.01% and 0% to 0.01% per annum as at 31 December 2011, 2012 and 2013 and 30 April 2014 respectively.

Certain bank deposits are pledged to banks to secure bank borrowings granted to the Company, and it cannot be withdrawn prior to the maturity of the relevant bank borrowings.

**31. TRADE PAYABLES**

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

|                        | At 31 December |                |                | At 30 April    |
|------------------------|----------------|----------------|----------------|----------------|
|                        | 2011           | 2012           | 2013           | 2014           |
|                        | US\$'000       | US\$'000       | US\$'000       | US\$'000       |
| 0-61 days . . . . .    | 101,920        | 126,972        | 104,289        | 138,837        |
| 61-90 days . . . . .   | 6,536          | 3,580          | 1,300          | 707            |
| Over 90 days . . . . . | 676            | 2,303          | 1,748          | 1,013          |
| Total . . . . .        | <u>109,132</u> | <u>132,855</u> | <u>107,337</u> | <u>140,557</u> |

The average credit period on purchases of goods is 47 days, 45 days, 46 days and 46 days for the year ended 31 December 2011, 2012 and 2013 and 30 April 2014, respectively. The Group has financial risk management policies in place to ensure all payables are settled within the credit the frame.

## 32. OTHER PAYABLES AND ACCRUALS

## THE GROUP

|   | At 31 December |                |               | At 30 April    |
|---|----------------|----------------|---------------|----------------|
|   | 2011           | 2012           | 2013          | 2014           |
|   | US\$'000       | US\$'000       | US\$'000      | US\$'000       |
| Advances from fellow subsidiaries of non-controlling shareholders . . . . . | 5,502          | 3,228          | 3,328         | 3,257          |
| Construction payable . . . . .  | 20,759         | 69,379         | 15,013        | 51,059         |
| Staff costs payable . . . . .   | 6,882          | 8,643          | 10,410        | 8,073          |
| Accrued interest expense on borrowings . . . . .                            | 3,881          | 4,205          | 1,200         | 742            |
| Accrued listing expenses . . . . .  | –              | –              | 6,866         | 5,885          |
| Value added tax payable . . . . .   | 3,626          | 2,416          | 5,662         | 14,358         |
| Others . . . . .  | 16,105         | 18,169         | 23,188        | 27,310         |
|   | <u>56,755</u>  | <u>106,040</u> | <u>65,667</u> | <u>110,684</u> |

As at 31 December 2011, included in advance from fellow subsidiaries of non-controlling shareholders of the Group were advance from 武漢市自籌電力辦公室 (the local resources and electricity office of Wuhan City, the PRC) approximately US\$2,281,000. The amount was unsecured, bore fixed interest rate at 2.25% per annum. The amount was fully repaid in 2012.

Except for those separately disclosed above, the remaining other payables are mainly payable for outstanding operating expenses. The advances from fellow subsidiaries of non-controlling shareholders are unsecured, non-interest bearing and repayable on demand or repayable within twelve months from the end of the reporting period.

## THE COMPANY

|  | At 31 December |              |               | At 30 April   |
|--|----------------|--------------|---------------|---------------|
|  | 2011           | 2012         | 2013          | 2014          |
|  | US\$'000       | US\$'000     | US\$'000      | US\$'000      |
| Staff costs payable . . . . .                    | 2,055          | 3,550        | 3,732         | 1,553         |
| Accrued interest expense on borrowings . . . . . | 3,609          | 4,034        | 1,177         | 114           |
| Accrued listing expenses . . . . .               | –              | –            | 6,866         | 5,885         |
| Others . . . . .                                 | 1,650          | 2,296        | 3,877         | 3,781         |
|  | <u>7,314</u>   | <u>9,880</u> | <u>15,652</u> | <u>11,333</u> |

## 33. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS

|  | At 31 December |               |               | At 30 April   |
|--|----------------|---------------|---------------|---------------|
|  | 2011           | 2012          | 2013          | 2014          |
|  | US\$'000       | US\$'000      | US\$'000      | US\$'000      |
| <b>Non-trade related:</b>  |                |               |               |               |
| Through In Industries Limited (“Through In”) . . . . .                                     | 6,150          | –             | –             | –             |
| 廣西崇左市滙源水電公司 Guangxi Chongzuo Huiyuan Hydropower Company (“Chongzuo Huiyuan”) . . . . .     | 4,983          | 5,003         | 5,149         | 5,040         |
| Minhe . . . . .  | 4,266          | 10,710        | 19,744        | 16,256        |
| 綿陽市三江建設有限公司 Mianyang Sanjiang Construction Company Limited (“Mianyang Sanjiang”) . . . . . | 250            | 175           | 168           | 176           |
| 通州熱電廠 (“Tongzhou Cogeneration Plant”) . . . . .  | 33             | 33            | 36            | –             |
| Baosteel . . . . .   | –              | 27            | –             | 2,383         |
| 迪慶榮順林產品開發有限責任公司 . . . . .  | –              | –             | 982           | 460           |
|  | <u>15,682</u>  | <u>15,948</u> | <u>26,079</u> | <u>24,315</u> |

The amounts due to non-controlling shareholders of certain subsidiaries of the Group are unsecured, non-interest bearing and repayable on demand.

## 34. ADVANCES FROM NON-CONTROLLING SHAREHOLDERS

|   | At 31 December |          |          | At 30 April |
|---|----------------|----------|----------|-------------|
|   | 2011           | 2012     | 2013     | 2014        |
|   | US\$'000       | US\$'000 | US\$'000 | US\$'000    |
| Chongzuo Huiyuan (Note a) . . . . .   | 7,315          | 7,334    | 7,560    | 7,400       |
| Tongzhou Cogeneration Plant (Note b) . . . . .  | 3,907          | 3,916    | 4,037    | 3,797       |
| Mianyang Sanjiang (Note c) . . . . .  | 2,225          | 677      | 745      | 729         |
| Chen Maiquan 陳買全 and Kang Shuangxi 康雙喜<br>(Note a) . . . . .  | 1,684          | –        | –        | –           |
|   | 15,131         | 11,927   | 12,342   | 11,926      |
| Less: Amounts due for settlement within one year/<br>repayable on demand shown under current<br>liabilities . . . . . | (11,224)       | (7,334)  | (7,560)  | (7,400)     |
| Amounts due for settlement after one year . . . . .   | 3,907          | 4,593    | 4,782    | 4,526       |

## Notes:

- (a) The advance is unsecured, non-interest bearing and repayable on demand.
- (b) The advance is unsecured, non-interest bearing and the amount will be fully repayable in 2022 and are therefore shown as non-current liabilities.
- (c) As at 31 December 2011, the advance was unsecured, non-interest bearing and repayable on demand. In November 2012, the maturity date of the advance was changed to 2032 by the Group and Mianyang Sanjiang. As at 31 December 2012 and 2013 and 30 April 2014, the advance is unsecured, non-interest bearing and repayable in 2032 and is therefore shown as non-current liabilities.

## 35. BANK BORROWINGS

|  | THE GROUP      |           |           |             | THE COMPANY    |          |          |             |
|--|----------------|-----------|-----------|-------------|----------------|----------|----------|-------------|
|  | At 31 December |           |           | At 30 April | At 31 December |          |          | At 30 April |
|  | 2011           | 2012      | 2013      | 2014        | 2011           | 2012     | 2013     | 2014        |
|  | US\$'000       | US\$'000  | US\$'000  | US\$'000    | US\$'000       | US\$'000 | US\$'000 | US\$'000    |
| Secured . . . . .  | 827,074        | 1,353,051 | 1,132,454 | 1,149,296   | 470,729        | 561,548  | 190,000  | 140,000     |
| Unsecured . . . . .  | 10,316         | 7,955     | 7,152     | 8,605       | –              | –        | –        | –           |
|  | 837,390        | 1,361,006 | 1,139,606 | 1,157,901   | 470,729        | 561,548  | 190,000  | 140,000     |
| The maturity profile of bank borrowings is as follows:                                     |                |           |           |             |                |          |          |             |
| Within one year . . . . .  | 49,127         | 132,058   | 28,878    | 28,071      | –              | 99,500   | –        | –           |
| More than one year but not exceeding two years . . . . .                                   | 115,500        | 339,025   | 249,036   | 214,086     | 99,500         | 317,250  | 190,000  | 140,000     |
| More than two years but not more than five years . . . . .                                 | 462,333        | 297,613   | 225,717   | 237,106     | 371,229        | 144,798  | –        | –           |
| Over five years . . . . .  | 210,430        | 592,310   | 635,975   | 678,638     | –              | –        | –        | –           |
|  | 837,390        | 1,361,006 | 1,139,606 | 1,157,901   | 470,729        | 561,548  | 190,000  | 140,000     |
| Less: Amounts due for settlement within one year shown under current liabilities . . . . . | (49,127)       | (132,058) | (28,878)  | (28,071)    | –              | (99,500) | –        | –           |
| Amounts due for settlement after one year . . . . .  | 788,263        | 1,228,948 | 1,110,728 | 1,129,830   | 470,729        | 462,048  | 190,000  | 140,000     |

All bank borrowings at the end of the reporting period are denominated in the functional currency of the respective group entities. The bank borrowings of the Group carry interest rates which range from 2.25% to 9.17%, 1.75% to 7.53%, 1.75% to 7.36% and 1.75% to 7.36% per annum during the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014, respectively.

The bank borrowings of the Company carry interest rates which range from 3.25% to 4.01%, 3.35% to 3.58%, 3.17% to 3.35% and 3.15% to 3.17% per annum during the years end 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014, respectively.

The major terms of individually significant bank borrowings of the Company and major subsidiaries, before transaction costs, are as follows:

**THE GROUP**

|   | Maturity date     | Effective interest rate |       |       |       |                            |                |          |          |             |
|---|-------------------|-------------------------|-------|-------|-------|----------------------------|----------------|----------|----------|-------------|
|   |                   | Year ended 31 December  |       |       |       | Four months ended 30 April | At 31 December |          |          | At 30 April |
|   |                   | 2011                    | 2012  | 2013  | 2014  |                            | 2011           | 2012     | 2013     | 2014        |
|   |                   |                         |       |       |       |                            | US\$'000       | US\$'000 | US\$'000 | US\$'000    |
| Floating-rate borrowings:   |                   |                         |       |       |       |                            |                |          |          |             |
| US\$ LIBOR plus 3.0%  | 8 October 2014    | 3.96%                   | 3.51% | -     | -     | 398,000                    | 398,000        | -        | -        |             |
| US\$ LIBOR plus 3.0%  | 18 July 2015      | 3.41%                   | 3.51% | -     | -     | 75,000                     | 75,000         | -        | -        |             |
| US\$ LIBOR plus 3.0%  | 27 June 2015      | -                       | 3.55% | 3.35% | 3.16% | -                          | 90,000         | 190,000  | 140,000  |             |
| One Year Corporate Bond Rate plus 1.00% (amended as One Year Corporate Bond Rate plus 1.20% in December 2012) | 29 September 2029 | 5.10%                   | 4.33% | 4.18% | 4.18% | 172,670                    | 186,670        | 188,603  | 192,593  |             |
| Three Year Corporate Bond Rate plus 1.5%  | 29 March 2030     | -                       | 4.76% | 4.78% | 4.82% | -                          | 240,256        | 308,540  | 339,788  |             |

*Note:* One Year and Three Year Corporate Bond Rate represents mark-to-market base yield for South Korean Won-denominated non-guaranteed corporate bonds with a credit rating of AA- and a maturity of one year and three years, respectively.

**THE COMPANY**

|                           | Maturity date  | Effective interest rate |       |       |       |                            |                |          |          |             |
|---------------------------|----------------|-------------------------|-------|-------|-------|----------------------------|----------------|----------|----------|-------------|
|                           |                | Year ended 31 December  |       |       |       | Four months ended 30 April | At 31 December |          |          | At 30 April |
|                           |                | 2011                    | 2012  | 2013  | 2014  |                            | 2011           | 2012     | 2013     | 2014        |
|                           |                |                         |       |       |       |                            | US\$'000       | US\$'000 | US\$'000 | US\$'000    |
| Floating-rate borrowings: |                |                         |       |       |       |                            |                |          |          |             |
| US\$ LIBOR plus 3.0%      | 8 October 2014 | 3.96%                   | 3.51% | -     | -     | 398,000                    | 398,000        | -        | -        |             |
| US\$ LIBOR plus 3.0%      | 18 July 2015   | 3.41%                   | 3.51% | -     | -     | 75,000                     | 75,000         | -        | -        |             |
| US\$ LIBOR plus 3.0%      | 27 June 2015   | -                       | 3.55% | 3.35% | 3.16% | -                          | 90,000         | 190,000  | 140,000  |             |

As at 31 December 2011, the remaining floating-rate bank borrowings of the Group carry interest at the PRC's lending rate less certain margin, South Korean Government Treasury Bond Rate, One Year Corporate Bond Rate plus 1.3% to 1.9%, or Three Year Corporate to Bond Rate plus 1.4% to 1.5% for the year ended 31 December 2011. The maturities of these borrowings are ranging from within twelve months from the reporting period end to 2026. The fixed-rate borrowings of the Group carry interest ranging from 2.25% to 7.63%.

As at 31 December 2012, the remaining floating-rate bank borrowings of the Group carry interest at the PRC's lending rate less certain margin, South Korean Government Treasury Bond Rate, One Year Corporate Bond Rate plus 1.4% to 1.9%, or Three Year Corporate Bond Rate plus 1.4% to 1.5% for the year ended 31 December 2012. The maturities of these borrowings are ranging from within twelve months from the reporting period end to 2026. The fixed-rate borrowings of the Group carry interest ranging from 1.75% to 7.63%.

As at 31 December 2013, the remaining floating-rate bank borrowings of the Group carry interest at the PRC's lending rates less certain margin, South Korean Government Treasury Bond Rate, One Year Corporate Bond Rate plus 1.2% to 1.9%, or Three Year Corporate Bond Rate plus 1.4% to 1.5% for the year ended 31 December 2013. The maturities of these borrowings are ranging from within twelve months from the reporting period end to 2026. The fixed-rate borrowings of the Group carry interest ranging from 3.85% to 7.20%.

As at 30 April 2014, the remaining floating-rate bank borrowings of the Group carry interest at the PRC's lending rates less certain margin, South Korean Government Treasury Bond Rate, One Year Corporate Bond Rate plus 1.2% to 1.9%, or Three Year Corporate Bond Rate plus 1.4% to 1.5% for the period ended 30 April 2014. The maturities of these borrowings are ranging from within twelve months from the reporting period end to 2026. The fixed-rate borrowings of the Group carry interest ranging from 3.85% to 7.20%.

In October 2010, the Group and the Company entered into a senior secured term loan facility with an independent commercial bank amounting to US\$398 million. The term loan bears interest at US\$ LIBOR plus 3.0% and is repayable in two annual instalments from October 2013. At 31 December 2011 and 2012, the Group and the Company has fully drawn down this US\$398 million debt facility. During the year ended 31 December 2013, this US\$398 million debt facility has been fully repaid.

In July 2011, the Group and the Company entered into a senior secured term loan facility with another independent commercial bank amounting to US\$75 million for the purpose of financing operating capital and/or capital expenditure for projects of the Group. The term loan bears interest at US\$ LIBOR plus 3.0% and is repayable in two annual instalments from July 2014. At 31 December 2011 and 2012, the Group and the Company has fully drawn down this US\$75 million debt facility. During the year ended 31 December 2013, this US\$75 million debt facility has been fully repaid.

The senior secured term loan facilities above are secured by entire equity interest in certain subsidiaries and the assets of the Company and certain subsidiaries. The loan agreements of the senior secured term loan facilities also required the Group and the Company to maintain deposits equivalent to the aggregate amount payable to the lenders, including any interests, in the immediate following six-month period, as restricted cash for so long as the debt remains outstanding.

The Group and the Company is subject to certain restrictive covenants for the two loan facilities above under the short-term and long-term bank borrowings which, among other matters, require maintenance of certain financial ratios and also restrictions on dividends, indebtedness and other matters.

In June 2012, the Group and the Company entered into another senior secured term loan facility with an independent commercial bank amounting to US\$240,000,000 for the purpose of financing operating working capital. The debt facility is guaranteed by CGN and bears interest at US\$ LIBOR plus 3.0%. The extent of such facility utilised by the Group and the Company at 31 December 2012 amounted to US\$90,000,000 and has been further increased to US\$190,000,000 as at 31 December 2013 and reduced to US\$140,000,000 as at 30 April 2014.

Further, the loan facility above is subject to restrictions on dividends, indebtedness and other matters.

In addition to the Company's entire equity interest in certain subsidiaries as afore-mentioned, the Group and the Company pledged the following assets to banks for credit facilities granted to the Group and the Company:

|   | THE GROUP      |                |                  |                  | THE COMPANY    |              |          |          |
|---|----------------|----------------|------------------|------------------|----------------|--------------|----------|----------|
|   | At 31 December |                |                  | At               | At 31 December |              |          | At       |
|   | 2011           | 2012           | 2013             | 30 April         | 2011           | 2012         | 2013     | 30 April |
|   | US\$'000       | US\$'000       | US\$'000         | US\$'000         | US\$'000       | US\$'000     | US\$'000 | US\$'000 |
| Property, plant and equipment . . . . .         | 449,866        | 440,856        | 939,457          | 1,312,951        | 432            | 270          | -        | -        |
| Land use rights . . . . .                       | 6,557          | 4,146          | 2,623            | 3,518            | -              | -            | -        | -        |
| Trade receivables . . . . .                     | 1,798          | -              | -                | -                | -              | -            | -        | -        |
| Other receivables . . . . .                     | 780            | 1,098          | -                | -                | 735            | 829          | -        | -        |
| Pledged bank deposits and restricted cash . . . | 30,554         | 232,966        | 109,635          | 100,812          | 8,172          | 8,562        | -        | -        |
|   | <u>489,555</u> | <u>679,066</u> | <u>1,051,715</u> | <u>1,417,281</u> | <u>9,339</u>   | <u>9,661</u> | <u>-</u> | <u>-</u> |

### 36. BOND PAYABLES

On 19 August 2013, the Company issued bond in an aggregate principal amount of US\$350,000,000 (the "Bond"). The Bond was priced at 99.686% of the principal amount of the Bond which is listed on the Stock Exchange. The Bonds carries interest of 4% per annum and interest is payable semi-annually in arrears and will mature on 19 August 2018, unless redeemed earlier.

At any time and from time to time on or after 19 August 2013, the Company or the bondholders may redeem the Bond with the options set forth below:

Redemption for taxation reasons:

The Bond may be redeemed at the option of the Company in whole, but not in part, at their principal amount, together with accrued interest, at any time in the event of certain changes (effective on or after 12 August 2013) affecting taxes of Bermuda, the PRC or Hong Kong or any political subdivision or any authority thereof or therein having power to tax.

Redemption for change of control:

At any time following the occurrence of a change of control (as defined in the terms and conditions of the Bond) of the Company, the bondholders will have the right, at such holder's option, to require the Company to redeem all, but not some only, of such holder's Bond, at 101%, of their principal amount, together with accrued interest.

Redemption at the option of the Company:

On giving not less than 30 nor more than 60 days' notice to Citicorp International Limited (the "Trustee") and the bondholders, the Company may at any time redeem the Bond in whole but not in part, at a redemption amount per Bond equal to the amount (i.e. the greater of (i) the present value of the principal amount of the Bond, assuming a scheduled repayment thereof on the maturity date, plus the present value of all required remaining scheduled interest payments due on such Bond through the maturity date (but excluding accrued and unpaid interest to the option redemption date), computed using a discount rate equal to the adjusted treasury rate plus 20 basis points, and (ii) the principal amount of such Bond), together with accrued interest.

The Bond contain a liability component and the above early redemption options:

- (i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at the time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year/period is calculated by applying an effective interest rate of approximately 4.18% per annum to the liability component since the Bond was issued.

- (ii) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition and at 31 December 2013 and 30 April 2014.

The movement of the liability component in the Bond during the year/period is set out below:

|  | <u>US\$'000</u>       |                       |
|--|-----------------------|-----------------------|
| Proceeds received on 19 August . . . . .         |                       | 348,114               |
| Interest expenses charged . . . . .              |                       | <u>5,352</u>          |
| Carrying amount as at 31 December 2013 . . . . . |                       | 353,466               |
| Interest expenses charged . . . . .              |                       | 4,509                 |
| Payments of interest . . . . .                   |                       | <u>(6,835)</u>        |
| Carrying amount as at 30 April 2014 . . . . .    |                       | <u><u>351,140</u></u> |
|  | <u>At 31 December</u> | <u>At 30 April</u>    |
|  | <u>2013</u>           | <u>2014</u>           |
|  | <u>US\$'000</u>       | <u>US\$'000</u>       |
| Amount represented as:                           |                       |                       |
| Current . . . . .                                | 4,834                 | 2,384                 |
| Non-current . . . . .                            | <u>348,632</u>        | <u>348,756</u>        |
|  | <u><u>353,466</u></u> | <u><u>351,140</u></u> |



**37. LOANS FROM A FELLOW SUBSIDIARY/AN INTERMEDIATE HOLDING COMPANY****THE GROUP**

The loan from CGN Finance Co., Ltd. 中廣核財務有限責任公司 ("CGN Finance"), a fellow subsidiary of the Company amounting to US\$3,174,000, US\$6,364,000, US\$6,561,000 and US\$6,421,000 as at 31 December 2011, 31 December 2012 and 2013 and 30 April 2014 respectively, is secured by tariff income to be received by the relevant subsidiary and repayable in 2026, which bears interest at 7.76% per annum. It is shown as non-current liabilities.

**THE GROUP AND THE COMPANY**

The loan from CGNPC International Limited, an intermediate holding company of the Company amounting to US\$242,300,000 as at 31 December 2013 and 30 April 2014, is unsecured and repayable in 2015, which bears interest at 2.3% per annum. It is shown as non-current liabilities.

**38. SHARE CAPITAL**

|  | <u>Number of<br/>shares</u> | <u>Share<br/>capital</u><br>US\$'000 |
|--|-----------------------------|--------------------------------------|
| Ordinary shares of US\$0.40 each   |                             |                                      |
| Authorised:  |                             |                                      |
| At 1 January 2011, 31 December 2011, 2012 and 2013 and 30 April 2014 . . . . . | 125,000                     | 50                                   |
| Issued and fully paid:   |                             |                                      |
| At 1 January 2011, 31 December 2011, 2012 and 2013 and 30 April 2014 . . . . . | 100,000                     | 40                                   |

**39. RESERVE****THE COMPANY**

|  | <u>Share<br/>premium</u><br>US\$'000 | <u>Contributed<br/>surplus</u><br>US\$'000 | <u>Accumulated<br/>profits</u><br>US\$'000 | <u>Total equity</u><br>US\$'000 |
|--|--------------------------------------|--|--|---------------------------------|
| At 1 January 2011 . . . . .                            | 17,984                               | 156,482                                    | 15,838                                     | 190,304                         |
| Profit for the year and total comprehensive income . . | –                                    | –  | 20,715                                     | 20,715                          |
| Dividend recognised as distribution . . . . .          | –                                    | (33,000)                                   | –  | (33,000)                        |
| At 31 December 2011 . . . . .                          | 17,984                               | 123,482                                    | 36,553                                     | 178,019                         |
| Profit for the year and total comprehensive income . . | –                                    | –  | 11,280                                     | 11,280                          |
| At 31 December 2012 . . . . .                          | 17,984                               | 123,482                                    | 47,833                                     | 189,299                         |
| Loss for the year and total comprehensive expense . .  | –                                    | –  | (35,984)                                   | (35,984)                        |
| Reduction of share premium (Note) . . . . .            | (17,984)                             | 17,984                                     | –  | –                               |
| At 31 December 2013 . . . . .                          | –                                    | 141,466                                    | 11,849                                     | 153,315                         |
| Loss for the period and total comprehensive expense .  | –                                    | –  | (13,005)                                   | (13,005)                        |
| At 30 April 2014 . . . . .                             | –                                    | 141,466                                    | (1,156)                                    | 140,310                         |

*Note:*

Pursuant to the resolution of directors and the sole member of the Company, share premium of the Company was reduced by US\$17,984,000, and transferred to contributed surplus with effect from 30 December 2013.

**40. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of debt, which includes amounts due to immediate holding company and non-controlling shareholders, advances from non-controlling shareholders, bank borrowings, bond payables, loan from a fellow subsidiary and loan from an intermediate holding company, as disclosed in notes 29, 33, 34, 35, 36 and 37, respectively, net of pledged bank deposits and restricted cash, cash and cash equivalents, and equity attributable to owner of the Company, comprising issued capital, accumulated profits and other reserves.

The management of the Group reviews the capital structure from time to time. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of existing debts.

#### 41. FINANCIAL INSTRUMENTS

##### a. Categories of financial instruments

|   | THE GROUP        |                  |                  |                  | THE COMPANY    |                |                |                |
|---|------------------|------------------|------------------|------------------|----------------|----------------|----------------|----------------|
|   | At 31 December   |                  |                  | At<br>30 April   | At 31 December |                |                | At<br>30 April |
|   | 2011             | 2012             | 2013             | 2014             | 2011           | 2012           | 2013           | 2014           |
|   | US\$'000         | US\$'000         | US\$'000         | US\$'000         | US\$'000       | US\$'000       | US\$'000       | US\$'000       |
| <b>Financial assets</b>   |                  |                  |                  |                  |                |                |                |                |
| Loans and receivables<br>(including cash and cash<br>equivalents) . . . . . | 315,739          | 480,463          | 458,930          | 435,200          | 498,540        | 33,280         | 76,052         | 14,193         |
| Derivative assets not under<br>hedge accounting. . . . .                    | 574              | -                | -                | -                | -              | -              | -              | -              |
| Other financial asset . . . . .   | 2,192            | 5,120            | -                | -                | -              | -              | -              | -              |
| <b>Financial liabilities</b>  |                  |                  |                  |                  |                |                |                |                |
| Derivative liabilities under<br>hedge accounting. . . . .                   | -                | 2,227            | -                | -                | -              | -              | -              | -              |
| Derivative liabilities not<br>under hedge accounting . . . . .              | 6,902            | 5,773            | 2,606            | 1,342            | 6,902          | 5,773          | 2,606          | 1,342          |
| Amortised cost . . . . .  | <u>1,117,184</u> | <u>1,715,270</u> | <u>1,949,391</u> | <u>2,032,385</u> | <u>596,959</u> | <u>674,379</u> | <u>816,166</u> | <u>753,251</u> |

##### b. Financial risk management objectives and policies

The Group's and the Company's major financial instruments include other financial asset, trade and other receivables, amounts due from (to) non-controlling shareholders, amounts due from (to) subsidiaries, amounts due from associates, amounts due from (to) fellow subsidiaries, advances from non-controlling shareholders, loan from a fellow subsidiary, loan from an intermediate holding company, amount due to immediate holding company, derivative assets and liabilities, pledged bank deposits and restricted cash, bank balances and cash, trade and other payables, dividend payable to immediate holding company, bank borrowings and bond payables. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (interest rate risk, foreign currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

##### *Market risks*

The Group's and the Company's activities expose them primarily to the financial risks of changes in interest rates and foreign currency exchange rate. The Group and the Company enter into a variety of derivative financial instruments to manage their exposure to interest rate and foreign currency risk, including:

- Interest rate swaps to mitigate the risk of rising interest rates; and
- Foreign currency forward contract to hedge the exchange rate risk related to U.S. dollar – denominated purchase of machinery.

There has been no change to the Group's and the Company's exposure to market risks or the manner in which they manage and measure the risk. Details of each type of market risks are described as follows:

(i) *Interest rate risk management*

The Group and the Company are exposed to cash flow interest rate risk in relation to bank borrowings, pledged bank deposits and restricted cash and bank balances. The Group and the Company use interest rate swaps to reduce exposure to interest rate fluctuations associated with floating-rate debt. Pledged bank deposits and restricted cash and bank balances are with counterparties of high credit quality; therefore, the risk of non-performance by the counterparties is considered negligible.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate other payables, bank borrowings, bond payables, loan from a fellow subsidiary and loan from an intermediate holding company (see notes 32, 35, 36 and 37, respectively for details).

The Group's and the Company's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-hedged bank borrowings, pledged bank deposits and restricted cash, and bank balances (excluding bank balances carrying interest rate below 0.1%) at the end of the reporting period. The analysis is prepared assuming amounts of these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. 10 basis points for pledged bank deposits and restricted cash and bank balances (excluding bank balances carrying interest rate below 0.10%) and 50 basis points for variable-rate bank borrowings increase or decrease are used during the Track Record Period for the Group and 50 basis points for variable-rate bank borrowings increase or decrease is used during the Track Record Period for the Company when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis points higher/lower for pledged bank deposits and restricted cash, and bank balances (excluding bank balances carrying interest rate below 0.1%), with all other variables held constant, the Group's post-tax profit for the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014 would increase/decrease by approximately US\$84,000, US\$236,000, US\$182,000 and US\$59,000, respectively.

If interest rates had been 50 basis points higher/lower for variable-rate bank borrowings, with all other variables held constant, and taking into account of the capitalisation effect, the Group's post-tax profit for the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014 would decrease/increase by approximately US\$2,094,000, US\$2,424,000, US\$1,391,000 and US\$522,000 respectively.

No sensitivity analysis of bank balances of the Company is presented as all bank balances carry interest rate below 0.1%.

If interest rates had been 50 basis points higher/lower for variable-rate bank borrowings, with all other variables held constant, the Company's post-tax profit for the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014 would decrease/increase by approximately US\$1,353,000, US\$1,808,000, US\$200,000 and nil respectively.

(ii) *Foreign currency risk management*

The Group's exposure to currency risk attributable to the bank balances and payables which are denominated in the currencies other than the functional currency of the entity to which they related. The management manages and monitors this exposure to ensure approximate measures are implemented on a timely and effective manner.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities other than the functional currency of the entity to which they related at the end of the reporting period are as follows:

|   | Liabilities    |               |           |               |                |          |           |             |
|---|----------------|---------------|-----------|---------------|----------------|----------|-----------|-------------|
|   | THE GROUP      |               |           |               | THE COMPANY    |          |           |             |
|   | At 31 December |               |           | At 30 April   | At 31 December |          |           | At 30 April |
|   | 2011           | 2012          | 2013      | 2014          | 2011           | 2012     | 2013      | 2014        |
| US\$'000                                      | US\$'000       | US\$'000      | US\$'000  | US\$'000      | US\$'000       | US\$'000 | US\$'000  |             |
| US\$ against KRW as functional currency . . . | -              | 55,972        | -         | 15,572        | -              | -        | -         | -           |
| HK\$ . . . . .                                | 98             | 102           | 68        | 67            | 98             | 102      | 68        | 67          |
| RMB . . . . .                                 | -              | -             | 91        | -             | -              | -        | 91        | -           |
|   | <u>-</u>       | <u>56,070</u> | <u>91</u> | <u>15,572</u> | <u>-</u>       | <u>-</u> | <u>91</u> | <u>-</u>    |

|   | Assets         |            |              |               |                |            |              |               |
|---|----------------|------------|--------------|---------------|----------------|------------|--------------|---------------|
|   | THE GROUP      |            |              |               | THE COMPANY    |            |              |               |
|   | At 31 December |            |              | At 30 April   | At 31 December |            |              | At 30 April   |
|   | 2011           | 2012       | 2013         | 2014          | 2011           | 2012       | 2013         | 2014          |
| US\$'000                                      | US\$'000       | US\$'000   | US\$'000     | US\$'000      | US\$'000       | US\$'000   | US\$'000     |               |
| US\$ against KRW as functional currency . . . | -              | -          | -            | 14,866        | -              | -          | -            | -             |
| HK\$ . . . . .                                | 480            | 305        | 297          | 296           | 480            | 305        | 297          | 296           |
| RMB . . . . .                                 | -              | -          | 3,792        | 11,121        | -              | -          | 3,792        | 11,121        |
|   | <u>-</u>       | <u>305</u> | <u>3,792</u> | <u>14,866</u> | <u>-</u>       | <u>305</u> | <u>3,792</u> | <u>11,121</u> |

#### Sensitivity analysis

The sensitivity analysis below has been determined based on a 10% increase/decrease in functional currency of respective entities against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates. A positive number below indicates an increase in post-tax profit, where functional currency of respective foreign entities had strengthened 10% against the relevant foreign currency. For a 10% weakening of functional currency of respective entities against the relevant foreign currency, there would be an equal and opposite impact on the profit for the year/period.

If currency rate of KRW had been 10% strengthened/weakened to US\$ for respective US\$ denominated monetary liabilities, the Group's post-tax profit for the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014 would be increase/decrease by approximately nil, US\$4,243,000, nil and US\$21,000 respectively.

As at 31 December 2011, 2012 and 2013 and 30 April 2014, except for KRW, management is of the opinion that the Group's and the Company's exposure to foreign exchange rate risk is minimal. Accordingly, no foreign currency sensitivity analysis is presented.

#### (iii) Other price risk

The Group was exposed to other price risk in relation to its other financial asset, interest rate swaps and foreign currency forward contract. The directors of the Company considered the Group's exposure to other price risk on these derivatives other than other financial asset was insignificant. Accordingly, no other price risk sensitivity analysis is presented.

#### Sensitivity analysis

If the tariff of the Project Companies had been 0.5% higher/lower, with all other variables held constant, the fair value of other financial asset as at 31 December 2011, 2012 and 2013 and 30 April 2014 would decrease/increase by approximately US\$462,000, US\$1,470,000, US\$1,520,000 and US\$430,000, respectively that would result in a decrease/increase in profit for the year/period during the respective years/periods.

*Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents as well as undrawn banking facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings, amounts due to immediate holding company and non-controlling shareholders and loans from a fellow subsidiary and an intermediate holding company and ensures compliance with loan covenants.

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

In addition, the following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been derived from interest rate at the end of the reporting period for variable rate borrowings or determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period for interest rate swaps. The liquidity analysis for the Group's derivative financial instruments is prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

**THE GROUP**

|   | Weighted<br>average<br>effective<br>interest rate | Repayable<br>on demand<br>or less than<br>3 months | 3 months to<br>1 year | 1 – 2 years    | 2 – 5 years    | Over 5 years   | Total<br>undiscounted<br>cash flows | Carrying<br>amount |
|---|---|--|-----------------------|----------------|----------------|----------------|-------------------------------------|--------------------|
|   | %   | US\$'000   | US\$'000              | US\$'000       | US\$'000       | US\$'000       | US\$'000                            | US\$'000           |
| <b>As at 31 December 2011</b>                           |   |  |                       |                |                |                |                                     |                    |
| <b>Non-derivative financial liabilities</b>             |   |  |                       |                |                |                |                                     |                    |
| Trade payables . . . . .                                | –   | 109,132  | –                     | –              | –              | –              | 109,132                             | 109,132            |
| Other payables and accruals                             |   |  |                       |                |                |                |                                     |                    |
| – interest bearing . . . . .                            | 2.25  | 2,294  | –                     | –              | –              | –              | 2,294                               | 2,281              |
| – non-interest bearing . . . . .                        | –   | 50,848   | –                     | –              | –              | –              | 50,848                              | 50,848             |
| Amount due to immediate holding company . . . . .       | –   | 50,546   | –                     | –              | –              | –              | 50,546                              | 50,546             |
| Amounts due to non-controlling shareholders . . . . .   | –   | 15,682   | –                     | –              | –              | –              | 15,682                              | 15,682             |
| Dividend payable to immediate holding company . . . . . | –   | 33,000   | –                     | –              | –              | –              | 33,000                              | 33,000             |
| Advances from non-controlling shareholders . . . . .    | –   | 11,224   | –                     | –              | –              | 3,907          | 15,131                              | 15,131             |
| Loan from a fellow subsidiary . . . . .                 | 7.76  | 62   | 185                   | 246            | 739            | 5,637          | 6,869                               | 3,174              |
| Bank borrowings   |   |  |                       |                |                |                |                                     |                    |
| Fixed-rate . . . . .                                    | 5.86  | 1,835  | 11,933                | 6,973          | 17,763         | 35,682         | 74,186                              | 62,909             |
| Variable-rate . . . . .                                 | 4.50  | 9,654  | 62,985                | 141,595        | 478,419        | 189,501        | 882,154                             | 774,481            |
|   |   | <u>284,277</u>                                     | <u>75,103</u>         | <u>148,814</u> | <u>496,921</u> | <u>234,727</u> | <u>1,239,842</u>                    | <u>1,117,184</u>   |
| <b>Derivatives – net settlement</b>                     |   |  |                       |                |                |                |                                     |                    |
| Interest rate swaps . . . . .                           | –   | 632  | 1,935                 | 2,601          | 2,023          | –              | 7,191                               | 6,902              |

|   | Weighted<br>average<br>effective<br>interest rate | Repayable<br>on demand<br>or less than<br>3 months | 3 months to<br>1 year | 1 – 2 years    | 2 – 5 years    | Over 5 years   | Total<br>undiscounted<br>cash flows | Carrying<br>amount |
|---|---|--|-----------------------|----------------|----------------|----------------|-------------------------------------|--------------------|
|   | %   | US\$'000   | US\$'000              | US\$'000       | US\$'000       | US\$'000       | US\$'000                            | US\$'000           |
| <b>As at 31 December 2012</b>                           |   |  |                       |                |                |                |                                     |                    |
| <b>Non-derivative financial liabilities</b>             |   |  |                       |                |                |                |                                     |                    |
| Trade payables . . . . .                                | –   | 132,855  | –                     | –              | –              | –              | 132,855                             | 132,855            |
| Other payables and accruals . . . . .                   | –   | 103,624  | –                     | –              | –              | –              | 103,624                             | 103,624            |
| Amount due to immediate holding company . . . . .       | –   | 50,546   | –                     | –              | –              | –              | 50,546                              | 50,546             |
| Amounts due to non-controlling shareholders . . . . .   | –   | 15,948   | –                     | –              | –              | –              | 15,948                              | 15,948             |
| Dividend payable to immediate holding company . . . . . | –   | 33,000   | –                     | –              | –              | –              | 33,000                              | 33,000             |
| Advances from non-controlling shareholders . . . . .    | –   | 7,334  | –                     | –              | –              | 4,593          | 11,927                              | 11,927             |
| Loan from a fellow subsidiary . . . . .                 | 7.76  | 123  | 370                   | 494            | 1,482          | 10,809         | 13,278                              | 6,364              |
| Bank borrowings   |   |  |                       |                |                |                |                                     |                    |
| Fixed-rate . . . . .                                    | 5.88  | 1,143  | 13,703                | 21,889         | 134,582        | –              | 171,317                             | 66,726             |
| Variable-rate . . . . .                                 | 4.60  | 15,954   | 146,995               | 354,651        | 215,243        | 656,926        | 1,389,769                           | 1,294,280          |
|   |   | <u>360,527</u>                                     | <u>161,068</u>        | <u>377,034</u> | <u>351,307</u> | <u>672,328</u> | <u>1,922,264</u>                    | <u>1,715,270</u>   |
| <b>Derivatives – net settlement</b>                     |   |  |                       |                |                |                |                                     |                    |
| Interest rate swaps . . . . .                           | –   | 832  | 2,514                 | 2,537          | –              | –              | 5,883                               | 5,773              |
| Foreign currency forward contract . . . . .             | –   | 2,227  | –                     | –              | –              | –              | 2,227                               | 2,227              |
|   |   | <u>3,059</u>                                       | <u>2,514</u>          | <u>2,537</u>   | <u>–</u>       | <u>–</u>       | <u>8,110</u>                        | <u>8,000</u>       |
|   |   |  |                       |                |                |                |                                     |                    |
|   | Weighted<br>average<br>effective<br>interest rate | Repayable<br>on demand<br>or less than<br>3 months | 3 months to<br>1 year | 1 – 2 years    | 2 – 5 years    | Over 5 years   | Total<br>undiscounted<br>cash flows | Carrying<br>amount |
|   | %   | US\$'000   | US\$'000              | US\$'000       | US\$'000       | US\$'000       | US\$'000                            | US\$'000           |
| <b>As at 31 December 2013</b>                           |   |  |                       |                |                |                |                                     |                    |
| <b>Non-derivative financial liabilities</b>             |   |  |                       |                |                |                |                                     |                    |
| Trade payables . . . . .                                | –   | 107,337  | –                     | –              | –              | –              | 107,337                             | 107,337            |
| Other payables and accruals . . . . .                   | –   | 60,005   | –                     | –              | –              | –              | 60,005                              | 60,005             |
| Amount due to a fellow subsidiary . . . . .             | –   | 1,695  | –                     | –              | –              | –              | 1,695                               | 1,695              |
| Amounts due to non-controlling shareholders . . . . .   | –   | 26,079   | –                     | –              | –              | –              | 26,079                              | 26,079             |
| Advances from non-controlling shareholders . . . . .    | –   | 7,560  | –                     | –              | –              | 4,782          | 12,342                              | 12,342             |
| Loan from a fellow subsidiary . . . . .                 | 7.76  | 123  | 370                   | 494            | 1,482          | 10,808         | 13,277                              | 6,561              |
| Loan from an intermediate holding company . . . . .     | 2.30  | –  | 5,573                 | 246,975        | –              | –              | 252,548                             | 242,300            |
| Bank borrowings   |   |  |                       |                |                |                |                                     |                    |
| Fixed-rate . . . . .                                    | 6.37  | 6,066  | 22,806                | 29,127         | 65,419         | 215,216        | 338,634                             | 275,337            |
| Variable-rate . . . . .                                 | 4.50  | 11,205   | 39,270                | 266,486        | 251,243        | 454,958        | 1,023,162                           | 864,269            |
| Bond payables . . . . .                                 | 4.18  | 8,492  | 10,973                | 14,630         | 389,055        | –              | 423,150                             | 353,466            |
| Total . . . . .   |   | <u>228,562</u>                                     | <u>78,992</u>         | <u>557,712</u> | <u>707,199</u> | <u>685,764</u> | <u>2,258,229</u>                    | <u>1,949,391</u>   |
| <b>Derivatives – net settlement</b>                     |   |  |                       |                |                |                |                                     |                    |
| Interest rate swaps . . . . .                           | –   | 677  | 2,011                 | –              | –              | –              | 2,688                               | 2,606              |

|   | Weighted<br>average<br>effective<br>interest rate | Repayable<br>on demand<br>or less than<br>3 months | 3 months to<br>1 year | 1 – 2 years    | 2 – 5 years    | Over 5 years   | Total<br>undiscounted<br>cash flows | Carrying<br>amount |
|---|---|--|-----------------------|----------------|----------------|----------------|-------------------------------------|--------------------|
|   | %   | US\$'000   | US\$'000              | US\$'000       | US\$'000       | US\$'000       | US\$'000                            | US\$'000           |
| <b>As at 30 April 2014</b>                            |   |  |                       |                |                |                |                                     |                    |
| <b>Non-derivative financial liabilities</b>           |   |  |                       |                |                |                |                                     |                    |
| Trade payables . . . . .                              | –   | 140,557  | –                     | –              | –              | –              | 140,557                             | 140,557            |
| Other payables and accruals . . . . .                 | –   | 96,326   | –                     | –              | –              | –              | 96,326                              | 96,326             |
| Amount due to a fellow subsidiary . . . . .           | –   | 1,499  | –                     | –              | –              | –              | 1,499                               | 1,499              |
| Amounts due to non-controlling shareholders . . . . . | –   | 24,315   | –                     | –              | –              | –              | 24,315                              | 24,315             |
| Advances from non-controlling shareholders . . . . .  | –   | 7,400  | –                     | –              | –              | 4,526          | 11,926                              | 11,926             |
| Loan from a fellow subsidiary . . . . .               | 7.76  | 116  | 341                   | 966            | 2,666          | 5,418          | 9,507                               | 6,421              |
| Loan from an intermediate holding company . . . . .   | 2.30  | –  | 5,573                 | 245,117        | –              | –              | 250,690                             | 242,300            |
| Bank borrowings                                       |   |  |                       |                |                |                |                                     |                    |
| Fixed-rate . . . . .                                  | 6.23  | 1,932  | 5,797                 | 17,070         | 57,131         | 229,959        | 311,889                             | 293,587            |
| Variable-rate . . . . .                               | 4.62  | 3,721  | 22,465                | 212,056        | 192,326        | 484,648        | 915,216                             | 864,314            |
| Bond payables . . . . .                               | 4.18  | 6,042  | 10,972                | 14,630         | 384,137        | –              | 415,781                             | 351,140            |
| <b>Total . . . . .</b>                                |   | <b>281,908</b>                                     | <b>45,148</b>         | <b>489,839</b> | <b>636,260</b> | <b>724,551</b> | <b>2,177,706</b>                    | <b>2,032,385</b>   |
| <b>Derivatives – net settlement</b>                   |   |  |                       |                |                |                |                                     |                    |
| Interest rate swaps . . . . .                         | –   | 415  | 969                   | –              | –              | –              | 1,384                               | 1,342              |

**THE COMPANY**

|   | Weighted<br>average<br>interest rate | Repayable<br>on demand<br>or less than<br>3 months | 3 months to<br>1 year | 1 – 2 years    | 2 – 5 years    | Total<br>undiscounted<br>cash flows | Carrying<br>amount |
|---|--------------------------------------|--|-----------------------|----------------|----------------|-------------------------------------|--------------------|
|   | %                                    | US\$'000   | US\$'000              | US\$'000       | US\$'000       | US\$'000                            | US\$'000           |
| <b>As at 31 December 2011</b>                           |                                      |  |                       |                |                |                                     |                    |
| <b>Non-derivative financial liabilities</b>             |                                      |  |                       |                |                |                                     |                    |
| Other payables and accruals . . . . .                   | –                                    | 7,314  | –                     | –              | –              | 7,314                               | 7,314              |
| Amounts due to subsidiaries . . . . .                   | –                                    | 35,370   | –                     | –              | –              | 35,370                              | 35,370             |
| Amount due to immediate holding company . . . . .       | –                                    | 50,546   | –                     | –              | –              | 50,546                              | 50,546             |
| Dividend payable to immediate holding company . . . . . | –                                    | 33,000   | –                     | –              | –              | 33,000                              | 33,000             |
| Floating-rate bank borrowings . . . . .                 | 3.67                                 | 4,058  | 12,175                | 114,820        | 384,134        | 515,187                             | 470,729            |
|   |                                      | <b>130,288</b>                                     | <b>12,175</b>         | <b>114,820</b> | <b>384,134</b> | <b>641,417</b>                      | <b>596,959</b>     |
| <b>Derivatives – net settlement</b>                     |                                      |  |                       |                |                |                                     |                    |
| Interest rate swaps . . . . .                           | –                                    | 632  | 1,935                 | 2,601          | 2,023          | 7,191                               | 6,902              |
| <b>As at 31 December 2012</b>                           |                                      |  |                       |                |                |                                     |                    |
| <b>Non-derivative financial liabilities</b>             |                                      |  |                       |                |                |                                     |                    |
| Other payables and accruals . . . . .                   | –                                    | 9,880  | –                     | –              | –              | 9,880                               | 9,880              |
| Amounts due to subsidiaries . . . . .                   | –                                    | 19,405   | –                     | –              | –              | 19,405                              | 19,405             |
| Amount due to immediate holding company . . . . .       | –                                    | 50,546   | –                     | –              | –              | 50,546                              | 50,546             |
| Dividend payable to immediate holding company . . . . . | –                                    | 33,000   | –                     | –              | –              | 33,000                              | 33,000             |
| Floating-rate bank borrowings . . . . .                 | 3.53                                 | 4,683  | 112,655               | 329,624        | 149,199        | 596,161                             | 561,548            |
|   |                                      | <b>117,514</b>                                     | <b>112,655</b>        | <b>329,624</b> | <b>149,199</b> | <b>708,992</b>                      | <b>674,379</b>     |
| <b>Derivatives – net settlement</b>                     |                                      |  |                       |                |                |                                     |                    |
| Interest rate swaps . . . . .                           | –                                    | 832  | 2,514                 | 2,537          | –              | 5,883                               | 5,773              |



|  | Weighted<br>average<br>interest rate | Repayable<br>on demand<br>or less than<br>3 months | 3 months to<br>1 year | 1 – 2 years    | 2 – 5 years    | Total<br>undiscounted<br>cash flows | Carrying<br>amount |
|--|--------------------------------------|--|-----------------------|----------------|----------------|-------------------------------------|--------------------|
|  | %                                    | US\$'000   | US\$'000              | US\$'000       | US\$'000       | US\$'000                            | US\$'000           |
| <b>As at 31 December 2013</b>                          |                                      |  |                       |                |                |                                     |                    |
| <b>Non-derivative financial liabilities</b>            |                                      |  |                       |                |                |                                     |                    |
| Other payables and accruals . . . . .                  | -                                    | 15,652   | -                     | -              | -              | 15,652                              | 15,652             |
| Amounts due to subsidiaries . . . . .                  | -                                    | 14,748   | -                     | -              | -              | 14,748                              | 14,748             |
| Loan from an intermediate holding<br>company . . . . . | 2.30                                 | -  | 5,573                 | 246,975        | -              | 252,548                             | 242,300            |
| Floating-rate bank borrowings . . . . .                | 3.35                                 | 1,503  | 4,510                 | 193,007        | -              | 199,020                             | 190,000            |
| Bond payables . . . . .                                | 4.18                                 | 8,492  | 10,973                | 14,630         | 389,055        | 423,150                             | 353,466            |
|  |                                      | <u>40,395</u>                                      | <u>21,056</u>         | <u>454,612</u> | <u>389,055</u> | <u>905,118</u>                      | <u>816,166</u>     |
| <b>Derivatives – net settlement . . . . .</b>          |                                      |  |                       |                |                |                                     |                    |
| Interest rate swaps . . . . .                          | -                                    | 677  | 2,011                 | -              | -              | 2,688                               | 2,606              |
|  |                                      | <u>677</u>   | <u>2,011</u>          | <u>-</u>       | <u>-</u>       | <u>2,688</u>                        | <u>2,606</u>       |
|  | Weighted<br>average<br>interest rate | Repayable<br>on demand<br>or less than<br>3 months | 3 months to<br>1 year | 1 – 2 years    | 2 – 5 years    | Total<br>undiscounted<br>cash flows | Carrying<br>amount |
|  | %                                    | US\$'000   | US\$'000              | US\$'000       | US\$'000       | US\$'000                            | US\$'000           |
| <b>As at 30 April 2014</b>                             |                                      |  |                       |                |                |                                     |                    |
| <b>Non-derivative financial liabilities</b>            |                                      |  |                       |                |                |                                     |                    |
| Other payables and accruals . . . . .                  | -                                    | 11,333   | -                     | -              | -              | 11,333                              | 11,333             |
| Amounts due to subsidiaries . . . . .                  | -                                    | 14,363   | -                     | -              | -              | 14,363                              | 14,363             |
| Loan from an intermediate holding<br>company . . . . . | 2.30                                 | -  | 5,573                 | 245,117        | -              | 250,690                             | 242,300            |
| Floating-rate bank borrowings . . . . .                | 3.16                                 | 1,106  | 3,318                 | 140,737        | -              | 145,161                             | 140,000            |
| Bond payables . . . . .                                | 4.18                                 | 6,042  | 10,972                | 14,630         | 384,137        | 415,781                             | 351,140            |
|  |                                      | <u>32,844</u>                                      | <u>19,863</u>         | <u>400,484</u> | <u>384,137</u> | <u>837,328</u>                      | <u>759,136</u>     |
| <b>Derivatives – net settlement . . . . .</b>          |                                      |  |                       |                |                |                                     |                    |
| Interest rate swaps . . . . .                          | -                                    | 415  | 969                   | -              | -              | 1,384                               | 1,342              |
|  |                                      | <u>415</u>   | <u>969</u>            | <u>-</u>       | <u>-</u>       | <u>1,384</u>                        | <u>1,342</u>       |

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest-rates determined at the end of the reporting period.

#### **Credit risk**

The Group's and the Company's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statements of financial position. The Group's credit risk is primarily attributable to its trade receivables, amounts due from associates, fellow subsidiaries and non-controlling shareholders, pledged bank deposits, restricted cash and bank balances. For the trade receivable, the Group has been largely dependent on a few number of customers which are the state-owned enterprises, for a substantial portion of its business. Most of the power plants of the Group sell the electricity generated to their respective sole customer who is the principal grid company where the power plant is located. The failure of these customers to make required payments could have a substantial negative impact on the Group's profits. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of each reporting period to ensure that adequate allowance are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. For the amounts due from associates and fellow subsidiaries, the directors of the Company are in the opinion that the failure of these associates and fellow subsidiaries to make required payments is unlikely after considering their past settlement records.

The Group has concentration of credit risk as 84%, 85%, 65% and 82% of the total trade receivables was due from the Group's major customers in Korea and PRC as at 31 December 2011, 2012 and 2013 and 30 April 2014 respectively. The Group's remaining customers individually contribute to less than 10% of the total trade receivables of the Group.

The Company has concentration of credit risk on amounts due from subsidiaries amounting to US\$340,958,000, nil, nil and nil, and amount due from a fellow subsidiary amounting to US\$8,000,000, US\$10,373,000, nil and US\$13,608,000 at 31 December 2011, 2012 and 2013 and 30 April 2014, respectively. Credit risk is considered as limited because the subsidiaries and fellow subsidiaries are with positive operating result and/or cash flows.

The credit risk on pledged bank deposits and restricted cash and bank balances are limited because the counterparties are reputable banks or financial institutions with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on receivables set out above, and liquid funds and derivative financial instruments which are deposited or contracted with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

#### c. Fair value

The fair value of financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company use their judgement in selecting an appropriate valuation technique for assessing the fair value of financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument (see note 23). For other financial asset where quoted price is not available, its fair value is made of discounted cash flow analysis using the applicable yield curve for the duration of the instrument for non-optional derivative.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities carried at amortised costs approximate their fair values.

#### 42. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group's and the Company's derivative financial instruments including other financial asset are measured at fair value at the end of the reporting period and they are grouped into Level 2 and Level 3 financial instruments based on the degree to which the fair value is observable.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| Financial assets/<br>financial liabilities   | Fair value as at 31 December       |   |          | Fair value as at<br>30 April | Fair value<br>hierarchy | Valuation technique(s)<br>and key input(s)   | Significant<br>unobservable<br>input(s) | Relationship of<br>unobservable<br>inputs to fair<br>value |
|--|------------------------------------|---|----------|------------------------------|-------------------------|--|---|--|
|  | 2011                               | 2012                                    | 2013     | 2014                         |                         |  |   |  |
|  | US\$'000                           | US\$'000                                | US\$'000 | US\$'000                     |                         |  |   |  |
| <b>THE GROUP</b>   |                                    |   |          |                              |                         |  |   |  |
| Foreign currency<br>forward contracts<br>classified as<br>derivative assets/<br>liabilities in the<br>consolidated<br>statement of<br>financial position . . . | Assets – 574;<br>Liabilities – nil | Assets – nil;<br>Liabilities –<br>2,227 | nil      | nil                          | Level 2                 | Discounted cash flow. Future cash flows are estimated based on forward exchange rates from observable forward exchange rates at the end of the reporting period and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties | N/A                                     | N/A  |
| Interest rate swaps<br>classified as<br>derivative liabilities<br>in the consolidated<br>statement of<br>financial position . . .                              | 6,902                              | 5,773                                   | 2,606    | 1,342                        | Level 2                 | Discounted cash flow. Future cash flows are estimated based on forward interest rates from observable yield curves at the end of the reporting period and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties          | N/A                                     | N/A  |

| Financial assets/<br>financial liabilities   | Fair value as at 31 December |          |          | Fair value as at<br>30 April | Fair value<br>hierarchy | Valuation technique(s)<br>and key input(s)  | Significant<br>unobservable<br>input(s)                                    | Relationship of<br>unobservable<br>inputs to fair<br>value  |
|--|------------------------------|----------|----------|------------------------------|-------------------------|---|--|---|
|  | 2011                         | 2012     | 2013     | 2014                         |                         |   |  |   |
|  | US\$'000                     | US\$'000 | US\$'000 | US\$'000                     |                         |   |  |   |
| Minimum Guaranteed<br>Return classified as<br>other financial asset<br>in the consolidated<br>statement of<br>financial position . . . | 2,192                        | 5,120    | -        | -                            | Level 3                 | Discounted cash flow. Future cash flows are estimated based on financial budgets covering the project lives of respective project company approved by senior management and applicable discount rates   | Timing of commencement of operation of the project companies<br><br>Tariff | The earlier the timing of commencement of operation of the project companies, the lower the fair value<br><br>The higher the tariff, the lower the fair value |
| <b>THE COMPANY</b>   |                              |          |          |                              |                         |   |  |   |
| Interest rate swaps<br>classified as<br>derivative liabilities<br>in the consolidated<br>statement of<br>financial position . . .      | 6,902                        | 5,773    | 2,606    | 1,342                        | Level 2                 | Discounted cash flow. Future cash flows are estimated based on forward interest rates from observable yield curves at the end of the reporting period and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties | N/A  | N/A   |

#### Reconciliation of Level 3 fair value measurements of financial assets

|  | At 31 December |              |          | At 30 April |
|--|----------------|--------------|----------|-------------|
|  | 2011           | 2012         | 2013     | 2014        |
|  | US\$'000       | US\$'000     | US\$'000 | US\$'000    |
| At 1 January . . . . .                             | -              | 2,192        | 5,120    | -           |
| Settlement received . . . . .                      | -              | (2,123)      | (4,877)  | -           |
| Acquisition of subsidiaries (Note 43(a)) . . . . . | 2,192          | -            | -        | -           |
| Gain in profit or loss . . . . .                   | -              | 5,051        | -        | -           |
| Exchange difference . . . . .                      | -              | -            | (243)    | -           |
| At 31 December/30 April . . . . .                  | <u>2,192</u>   | <u>5,120</u> | <u>-</u> | <u>-</u>    |

The gain in profit or loss included an unrealised gain of nil, US\$5,051,000, nil and nil relating to financial assets that are held for the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014 respectively. Such fair value gains or losses are included in 'other gains and losses' (Note 8).

#### Fair value measurements and valuation processes

The directors of the Company would engage an independent valuer, whenever necessary, which is liaised with the chief financial officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group will engage the independent valuation team to perform the valuation. The valuation will establish the appropriate valuation techniques and inputs to the model. The chief financial officer reports the valuation team's findings to the board of directors of the Company semi-annually to explain the cause of fluctuations in the fair value of the assets and liabilities. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

### 43. ACQUISITION OF SUBSIDIARIES

#### (a) Acquisition of the Project Companies

On 29 April 2011, Meiya Xiangyun, a wholly owned subsidiary of the Company, entered into an equity transfer agreement (the "Equity Transfer Agreement") with Minhe, a then independent third party, pursuant to which Minhe agreed to sell and Meiya Xiangyun agreed to buy 51% equity interest in the Target Company, which directly holds 100% equity interests in Fugong Fengyuan Hydropower Development Co., Ltd. 福貢豐源水電發展有限公司 ("Fugong"), Gongshan Lanxi Hydropower Development Co., Ltd. 貢山縣藍溪水電開發有限責任公司 and Shangri-La Tangmanhe Hydropower Development

Co., Ltd. 香格里拉縣湯滿河水電開發有限責任公司 (collectively referred to as the "Project Companies") which were established in the PRC and hold various hydro-power projects in Yunnan Province (the "Acquisition"). All of them were at the development stage except Fugong, which was already in operation. The consideration of the acquisition of the Target Group amounted to RMB255,000,000 (equivalent to approximately US\$39,469,000) and the transaction was completed on 29 July 2011.

According to the Agreement of Guaranteed Return signed separately by Meiya Xiangyun and Minhe, Minhe agreed to guarantee Meiya Xiangyun to have an annual return of 12.5% on the consideration of the acquisition of the Target Group (i.e. amounted to 12.5% of RMB255,000,000 per annum), since the date Meiya Xiangyun paid the consideration of the acquisition. Details are set out in note 24.

The Target Company was changed to a Sino-foreign equity joint venture enterprise, with effect from 15 June 2011, which holds the entire equity interests of the Project Companies.

*Consideration transferred*

|                | US\$'000 |
|----------------|----------|
| Cash . . . . . | 39,469   |

Acquisition-related costs amounting to approximately US\$423,000, have been excluded from the consideration transferred and have been recognised as an expense in 2011, within the other operating expenses in the consolidated statement of profit or loss and other comprehensive income.

*Assets acquired and liabilities recognised at date of acquisition are as follows:*

|   | <u>Fair value</u> |
|---|-------------------|
|   | US\$'000          |
| Property, plant and equipment . . . . .               | 100,369           |
| Prepaid lease payments . . . . .                      | 1,134             |
| Other assets . . . . .                                | 5,537             |
| Other receivables and prepayments . . . . .           | 242               |
| Bank balances and cash . . . . .                      | 1                 |
| Trade payables . . . . .                              | (8)               |
| Other payables and accruals . . . . .                 | (6,546)           |
| Amount due to a non-controlling shareholder . . . . . | (1,986)           |
| Bank borrowings . . . . .                             | (21,352)          |
| Net assets of Target Group . . . . .                  | 77,391            |
| Other financial asset . . . . .                       | 2,192             |
|   | <u>79,583</u>     |

The fair value of other receivables amounted to US\$213,000, representing the gross contractual amounts at the date of acquisition. The whole amount was expected to be collectible at acquisition date.

*Non-controlling interests*

The non-controlling interests of 49% equity interest in the Target Group recognised at the acquisition date amounted to US\$37,922,000 and are measured at the non-controlling interests' proportionate share of the Target Group's identifiable net assets.

*Discount arising on acquisition*

|  | US\$'000 |
|--|----------|
| Consideration transferred . . . . .                          | 39,469   |
| Non-controlling interests of 49% in Target Company . . . . . | 37,922   |
| Less: Net assets acquired . . . . .                          | (79,583) |
| Discount arising on acquisition . . . . .                    | (2,192)  |

In the opinion of the directors of the Company, Minhe was in need of funds to settle its commitments and obligations for the development of the greenfield hydropower projects undertaken by the Project Companies and accordingly, the Group has more bargaining power to negotiate a better consideration through favourable payment terms offered and resulting in a discount on acquisition of the Target Group. The amount was recognised in profit or loss for the year ended 31 December 2011.

*Net cash outflow arising on acquisition:*

|  | US\$'000        |
|--|-----------------|
| Cash consideration paid . . . . .              | (39,469)        |
| Less: bank balances and cash acquired. . . . . | <u>1</u>        |
|  | <u>(39,468)</u> |

*Impact of acquisition on the results of the Group*

The Target Group did not contribute significantly in both revenue and profit for the year ended 31 December 2011 of the Group.

**(b) Acquisition of Weixi Meiya Hengfa Hydropower Company Limited. 維西縣美亞恆發水電有限公司("Weixi Hengfa") and Weixi Meiya Yongfa Hydropower Company Limited 維西縣美亞永發水電有限公司 ("Weixi Yongfa")**

Meiya Weixi Power (Hong Kong) Limited ("Meiya Weixi"), a wholly owned subsidiary of the Company, entered into capital contribution agreements with Chen Maiquan 陳買全 and Kang Shuangxi 康雙喜, and Chen Maiquan 陳買全 and Wang Zhiyuan 王志遠, independent third parties (collectively referred to as "the Sellers") on 25 May 2011 for the acquisition of 80% of the equity interest in each of Weixi Hengfa and Weixi Yongfa, respectively which were established in the PRC and hold hydro-power projects under development in Yunnan Province.

The Sellers originally held 100% equity interests in both Weixi Hengfa and Weixi Yongfa where the registered share capitals of each company was RMB16,000,000. As per the capital contribution agreements entered into between Meiya Weixi and the Sellers, the registered capital of each company would increase from RMB16,000,000 to RMB80,000,000, while the increased capital would be fully contributed by Meiya Weixi. As a result, after the capital contribution, Meiya Weixi holds 80% of the equity interests in each of Weixi Hengfa and Weixi Yongfa. The total consideration of the acquisition of Weixi Hengfa and Weixi Yongfa was RMB128,000,000 (equivalent to US\$20,046,000) and the transaction was completed on 30 September 2011.

*Consideration transferred*

|                | US\$'000      |
|----------------|---------------|
| Cash . . . . . | <u>20,046</u> |

Acquisition-related costs amounting to approximately US\$54,000, have been excluded from the consideration transferred and have been recognised as an expense in 2011, within the other operating expenses in the consolidated statement of profit or loss and other comprehensive income.

*Assets acquired and liabilities recognised at date of acquisition are as follows:*

|  | <u>Fair value</u> |
|--|-------------------|
|  | US\$'000          |
| Property, plant and equipment. . . . .                               | 6,746             |
| Prepaid lease payments . . . . .                                     | 88                |
| Other receivables . . . . .  | 4,280             |
| Bank balances and cash . . . . .                                     | 20,104            |
| Other payables and accruals . . . . .                                | (28)              |
| Advances from non-controlling shareholders of subsidiaries . . . . . | <u>(6,132)</u>    |
|  | <u>25,058</u>     |

The fair value of other receivables amounted to US\$4,280,000, representing the gross contractual amounts at the date of acquisition. The whole amount was collected as at 31 December 2011.

*Non-controlling interests*

The non-controlling interests of 20% equity interest in Weixi Hengfa and Weixi Yongfa recognised at the acquisition date amounted to US\$5,012,000 and were measured at the non-controlling interests' proportionate share of the Weixi Hengfa and Weixi Yongfa's identifiable net assets.

*Goodwill arising on acquisition:*

|  | US\$'000        |
|--|-----------------|
| Consideration transferred . . . . .  | 20,046          |
| Non-controlling interests of 20% equity interest in Weixi Hengfa and Weixi Yongfa. . . . . | 5,012           |
| Less: Net assets acquired . . . . .  | <u>(25,058)</u> |
| Goodwill arising on acquisition. . . . .   | <u>–</u>        |

*Net cash inflow arising on acquisition:*

|  | US\$'000      |
|--|---------------|
| Cash consideration paid . . . . .              | (20,046)      |
| Less: bank balances and cash acquired. . . . . | <u>20,104</u> |
|  | <u>58</u>     |

*Impact of acquisition on the results of the Group*

Weixi Hengfa and Weixi Yongfa did not contribute significantly in both revenue and profit for the year ended 31 December 2011 of the Group.

(c) **Acquisition of Diqing Rongshun Maopohe Power Generation Company Limited** 迪慶榮順毛坡河發電有限責任公司 (“Maopohe”)

Meiya Power (Maopohe) Limited (“Meiya Maopohe”), a wholly owned subsidiary of the Group, entered into capital increase agreement with 迪慶榮順林產品開發有限責任公司, an independent third party (“the Seller”) on 18 October 2012 for the acquisition of 55% of the equity interest in Maopohe which was established in the PRC and hold hydro-power projects under development in Yunnan Province.

The Seller originally held 100% equity interests in Maopohe where the registered capital of Maopohe was RMB18,000,000. As per the capital increase agreement entered into between Meiya Maopohe and the Seller, the registered capital of Maopohe would increase from RMB18,000,000 to RMB48,000,000, in which RMB3,600,000 of the increased capital is contributed by the Seller and the remaining RMB26,400,000 (equivalent to US\$4,226,000) of the increased capital is contributed by Meiya Maopohe. As a result, after the capital contribution, Meiya Maopohe holds 55% of the equity interests in Maopohe. The transaction was completed on 12 November 2012.

The acquisition of Maopohe is accounted for as acquisition of assets and assumption of liabilities.

*Consideration transferred*

|                | US\$'000     |
|----------------|--------------|
| Cash . . . . . | <u>4,226</u> |

*Assets acquired and liabilities recognised at date of acquisition are as follows:*

|  | Fair value<br>US\$'000 |
|--|------------------------|
| Property, plant and equipment. . . . .               | 4,283                  |
| Bank balances and cash . . . . .                     | 4,258                  |
| Advances from a non-controlling shareholder. . . . . | <u>(857)</u>           |
|  | <u>7,684</u>           |

*Non-controlling interest*

The non-controlling interest of 45% equity interest in Maopohe recognised at the acquisition date amounted to US\$3,458,000 and is measured at the non-controlling interests' proportionate share of the Maopohe's identifiable net assets.

*Net cash inflow arising on acquisition:*

|  |                 |
|--|-----------------|
|  | <b>US\$'000</b> |
| Cash consideration paid . . . . .              | (4,226)         |
| Less: bank balances and cash acquired. . . . . | 4,258           |
|  | <u>32</u>       |

**(d) Acquisition of Xi Wu Zhu Mu Qin Qi International Renewable Energy Wind Power Co., Ltd. ("Xi Wu")**

On 7 March 2013, the Company entered into a share purchase agreement with Global Green Energy A/S, an independent third party, for the acquisition of 100% of the issued share capital of Global Green Energy HK Limited ("Global Green Energy HK"). Global Green Energy HK holds 91% equity interest in Xi Wu, which owns a wind power project under development in Inner Mongolia, PRC.

The transaction was completed on 3 September 2013.

The acquisition of Xi Wu is accounted for as acquisition of assets and assumption of liabilities.

*Consideration transferred*

|                |                 |
|----------------|-----------------|
|                | <b>US\$'000</b> |
| Cash . . . . . | <u>4,333</u>    |

*Assets acquired and liabilities recognised at date of acquisition are as follows:*

|   |                   |
|---|-------------------|
|   | <b>Fair value</b> |
|   | <b>US\$'000</b>   |
| Property, plant and equipment. . . . .                  | 2,262             |
| Land use right. . . . .                                 | 468               |
| Amount due from a non-controlling shareholder . . . . . | 2,081             |
| Other receivables . . . . .                             | 241               |
| Bank balances and cash . . . . .                        | 337               |
| Other payables . . . . .                                | (628)             |
|   | <u>4,761</u>      |

*Non-controlling interest*

The non-controlling interest of 9% equity interest in Xi Wu recognised at the acquisition date amounted to US\$428,000 and is measured at the non-controlling interests' proportionate share of the Xi Wu's identifiable net assets.

*Net cash outflow arising on acquisition:*

|  |                 |
|--|-----------------|
|  | <b>US\$'000</b> |
| Cash consideration paid . . . . .              | (4,333)         |
| Less: bank balances and cash acquired. . . . . | 337             |
|  | <u>(3,996)</u>  |



## 44. COMMITMENTS

## (a) Operating commitments

*The Group as lessee*

|   | At 31 December |          |          | At 30 April |          |
|---|----------------|----------|----------|-------------|----------|
|   | 2011           | 2012     | 2013     | 2013        | 2014     |
|   | US\$'000       | US\$'000 | US\$'000 | US\$'000    | US\$'000 |
|   |                |          |          | (unaudited) |          |
| Minimum lease payments<br>under operating leases<br>during the year in respect<br>of premises . . . . . | 3,093          | 3,879    | 4,248    | 959         | 1,450    |

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

|   | At 31 December |               |              | At 30 April   |
|---|----------------|---------------|--------------|---------------|
|   | 2011           | 2012          | 2013         | 2014          |
|   | US\$'000       | US\$'000      | US\$'000     | US\$'000      |
| Within one year . . . . .                       | 2,718          | 3,143         | 3,035        | 3,168         |
| In the second to fifth year inclusive . . . . . | 7,717          | 6,489         | 3,659        | 6,576         |
| Over five years . . . . .                       | 3,126          | 486           | 501          | 2,804         |
|   | <u>13,561</u>  | <u>10,118</u> | <u>7,195</u> | <u>12,548</u> |

Operating lease payments represent rentals payable by the Group for certain of its premises. Leases are negotiated and rentals are fixed for two to ten years.

In accordance with the power purchase agreement ("PPA") entered into between MPC Korea Holdings Co., Ltd. ("MPC Korea") and KEPCO in 1996 (the PPA was subsequently transferred from MPC Korea to MPC Yulchon Generation Co., Ltd. upon the restructuring of the Group's operations in South Korea in July 2009), MPC Korea was required to construct electricity transmission facilities for connection of MPC Korea's power plant ("Yulchon Plant") to the power grid of KEPCO and MPC Korea was obligated under the PPA to sell such facilities to KEPCO within six months of commencing operation of Yulchon Plant. MPC Korea constructed electricity transmission facilities with a net book value of approximately US\$2,862,000, which was subsequently disposed of to KEPCO in 2005 for an amount approximate to US\$1,365,000, resulting in a loss on disposal of approximately KRW1,707 million (equivalent to approximately US\$1,497,000) in 2005. The sales proceeds had been fully settled as of 31 December 2008.

In connection with such disposition of the electricity transmission facilities to KEPCO in 2005, MPC Korea has a right of use of the facilities for 20 years, which is the term of the PPA. Accordingly, it is considered as a sale and finance leaseback transaction and results in an operating lease. The difference between the net book value of the facilities and the related proceeds of approximately US\$1,497,000 was considered as future lease payments and was recorded as long-term prepaid expenses. The carrying value of the long-term prepaid expenses as at 31 December 2011, 2012 and 2013 and 30 April 2014 is approximately KRW1,007 million (equivalent to approximately US\$868,000), KRW832 million (equivalent to approximately US\$775,000), KRW832 million (equivalent to approximately US\$775,000) and KRW809 million (equivalent to approximately US\$762,000) respectively (Note 26). These long-term prepaid expenses are to be amortised over the term of the PPA.

*The Group as lessor*

Certain of the Group's equipment is held for rental purpose under operating lease since 2007 with a carrying amount of approximately US\$1,771,000, US\$1,639,000, US\$1,549,000 and US\$1,470,000 as at 31 December 2011, 2012 and 2013 and 30 April 2014 respectively, and expected to generate rental yield of 7% on an ongoing basis.

Further, the Group has signed long-term electricity supply contracts with power purchasers since 2005 which, among other matters, require the Group to make some of its generation capacity available for a fixed capacity charge for 20 years.

At the end of each reporting period, the Group had contracted with lessees for future minimum lease payments in respect of leasing of equipment and power purchasers for capacity charge payments as follows:

|   | At 31 December |                |                | At 30 April    |
|---|----------------|----------------|----------------|----------------|
|   | 2011           | 2012           | 2013           | 2014           |
|   | US\$'000       | US\$'000       | US\$'000       | US\$'000       |
| Leasing of equipment                        |                |                |                |                |
| Within one year . . . . .                   | 149            | 152            | 160            | 158            |
| In the second to fifth year inclusive . . . | 625            | 494            | 499            | 441            |
| After five years . . . . .                  | 20             | –              | –              | –              |
|   | <u>794</u>     | <u>646</u>     | <u>659</u>     | <u>599</u>     |
| Leasing of generation capacity              |                |                |                |                |
| Within one year . . . . .                   | 39,855         | 43,087         | 43,087         | 44,455         |
| In the second to fifth year inclusive . . . | 199,280        | 172,351        | 172,351        | 177,819        |
| After five years . . . . .                  | 298,920        | 323,157        | 280,069        | 277,842        |
|   | <u>538,055</u> | <u>538,595</u> | <u>495,507</u> | <u>500,116</u> |

(b) Capital commitments

|   | At 31 December |          |          | At 30 April |
|---|----------------|----------|----------|-------------|
|   | 2011           | 2012     | 2013     | 2014        |
|   | US\$'000       | US\$'000 | US\$'000 | US\$'000    |
| Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the Financial Information | 728,955        | 517,552  | 368,511  | 240,140     |

(c) Other commitments

In November 2007, the Company, through a wholly-owned subsidiary, became a 26% shareholder of IBPGL, a joint venture company established in India to bid for a coal power project in Bhaiyathan, India (the “Bhaiyathan Project”). The remaining 74% of the shares of IBPGL was then held by Indiabulls Power Services Limited (“IPSL”). In December 2008, pursuant to a scheme of amalgamation, IPSL was amalgamated into Indiabulls Power Limited (then known as Sophia Power Company Limited) (“IPL”), whereupon the interests of IPSL in IBPGL were held by IPL.

In December 2007, IBPGL submitted a bid to the Chhattisgarh State Electricity Board (“CSEB”) in India to develop the Bhaiyathan Project. Pursuant to the requirements of the bid documents, as IBPGL relied on the technical and financial qualifications of the Company, the Company was required to provide an equity undertaking (the “Equity Undertaking”) to CSEB under which the Company has undertaken that, in the event that IBPGL fails to invest all or part of the amount proposed to be invested by IBPGL into the project under the bid documents, the Company will invest by way of equity contribution the amount not invested by IBPGL. As part of this arrangement, Indiabulls Real Estate Limited (“IBREL”), the then parent company of IPL, provided an indemnity in favour of the Company pursuant to which IBREL has undertaken that, in the event that the Company is called upon to invest more than the 26% equity interest in the Bhaiyathan Project under the Equity Undertaking, it will invest that part of the additional equity not invested by IBPGL so as to ensure that the Company’s total obligations towards the Bhaiyathan Project will not exceed the 26% equity interest in IBPGL. IBPGL was awarded the right to develop the Bhaiyathan Project in 2008.

In early 2009, in view of the deteriorating condition of the global financial markets, the Company decided not to proceed with the investment in the Bhaiyathan Project. As a result, IPL proceeded with the Bhaiyathan Project on its own through a new project company, Indiabulls CSEB Bhaiyathan Power Limited (the “New ProjectCo”). Accordingly, IBREL provided a new indemnity in favour of the Company pursuant to which IBREL has undertaken that, in the event that the Company is called upon to make any investment in the Bhaiyathan Project under the Equity Undertaking, the Company may require IBREL to make such investment or otherwise perform any obligation in relation to the Bhaiyathan Project (the “Counter Indemnity”). Under the Counter Indemnity, IBREL has also agreed to indemnify the Company against any and all costs, losses, liabilities, claims, actions, damages, fees and expenses arising out of or in connection with the Bhaiyathan Project.

In preparation for undertaking the Bhaiyathan Project, the New ProjectCo entered into a number of agreements with CSEB (or its successor) (the "Project Agreements"). Under the bid documents, CSEB was required to obtain the clearance from the Ministry of Environment and Forests of India for the fuel linkage allocated to the Bhaiyathan Project by way of captive coal blocks. However, CSEB's application for the Ministry's clearance was rejected due to the unsuitability of the site for such use. Since the fuel linkage became unavailable, the undertaking of the Bhaiyathan Project became impossible. As a result, a settlement agreement (the "Settlement Agreement") was entered into between the relevant parties which provide, among others, for the termination of the Project Agreements, payment of certain sums by CSEB to the New ProjectCo as reimbursement of expenses incurred by it and the dissolution of the New ProjectCo.

Whilst the Equity Undertaking was not terminated, the Company is of the view that (i) given the Equity Undertaking was provided in the context of execution of the Bhaiyathan Project, and in light of the subsequent termination of the Bhaiyathan Project and the Project Agreements, there is a strong argument that the Equity Undertaking is infructuous as the fundamental premise upon which the Equity Undertaking was provided has ceased to exist, (ii) the agreed liquidation of the New ProjectCo and the termination of the Bhaiyathan Project further support the argument that the Company's obligation pursuant to the Equity Undertaking is unlikely to be effective, and (iii) since the Settlement Agreement releases the relevant parties thereto from performing all their obligations under the Project Agreements, including the obligation to undertake the Bhaiyathan Project, it is highly unlikely that the Company would be compelled to perform its obligations under the Equity Undertaking. The Company has also received Indian legal advice to this effect. The total project cost for the Bhaiyathan Project, had it proceeded, was estimated to be US\$1.6 billion, of which US\$400 million were expected to be funded by equity contribution. In the highly unlikely event that the Company is compelled to perform its obligations under the Equity Undertaking to make any part of this equity contribution, the Company will enforce the Counter Indemnity and request IBREL to perform the obligations so that the Company would be protected. On the basis of the above legal position and the protection under the Counter Indemnity, the directors of the Company consider it is highly unlikely that the Company will incur any actual liability in respect of the Equity Undertaking or the Bhaiyathan Project and hence there will not be any material adverse impact on the business or financial condition. To the knowledge of the Company, the Bhaiyathan Project was not proceeded as of the date of this report.

**(d) Acquisition of Xinjiang Project**

On 22 December 2011, the Company entered into a joint development agreement (the "Joint Development Agreement") with two independent third parties being the vendor (the "Vendor") and an individual who is an indirect shareholder of, and director at, both the Vendor and the target company (the "Target Company") (collectively, the "Parties"), upon the satisfaction of certain conditions, to acquire 100% equity interest of the Target Company at a consideration of RMB10 million (the "Proposed Acquisition").

The Target Company, through its 93% shareholding in the project company (the "Project Company"), owns the right to develop a wind farm project in the north eastern part of Xinjiang Uyghur Autonomous Region of the PRC (the "Xinjiang Project"). The other 7% interest in the Project Company is owned by an independent third party.

At the date of this report, the Proposed Acquisition is still pending and has not yet completed as the Parties is still undertaking steps to obtain all of the requisite regulatory approvals for the development and construction of the Xinjiang Project and final negotiation.

## 45. RELATED PARTY DISCLOSURES

The Company is ultimately controlled by CGN, which is a state-owned enterprise under the direct supervision of the State Council of the PRC.

Apart from details of the balances with related parties disclosed in the statements of financial position and other details disclosed elsewhere in the Financial Information, the Group also entered into the following significant transactions with related parties during the Track Record Period:

| Name of related company | Note  | Nature of transactions  | Year ended 31 December |          |          | Four months ended 30 April |             |
|-------------------------|-------|-------------------------|------------------------|----------|----------|----------------------------|-------------|
|                         |       |                         | 2011                   | 2012     | 2013     | 2013                       | 2014        |
|                         |       |                         | US\$'000               | US\$'000 | US\$'000 | US\$'000                   | US\$'000    |
|                         |       |                         |                        |          |          |                            | (unaudited) |
| Huangshi I JV . . . . . | (i)   | Consultancy fee income  | (205)                  | -        | (111)    | -                          | (19)        |
| Jingyuan . . . . .      | (i)   | Consultancy fee income  | (36)                   | (40)     | -        | -                          | -           |
| SDIC Qujing . . . . .   | (i)   | Consultancy fee income  | (86)                   | -        | -        | -                          | -           |
| XTI . . . . .           | (ii)  | Consultancy fee income  | -                      | (338)    | (305)    | (101)                      | (103)       |
| CGN Finance . . . . .   | (iii) | Interest expense        | 48                     | 476      | 473      | 156                        | 158         |
|                         |       | Interest income         | -                      | (45)     | (194)    | (42)                       | (48)        |
| CGN and China Coal      |       |                         |                        |          |          |                            |             |
| Energy Hami Coal-fired  |       |                         |                        |          |          |                            |             |
| Power Project           |       |                         |                        |          |          |                            |             |
| Preparatory Office 中廣核  |       |                         |                        |          |          |                            |             |
| 中煤能源哈密煤電項目籌建處           |       |                         |                        |          |          |                            |             |
| ("CGN Hami Coal         |       |                         |                        |          |          |                            |             |
| Project Preparatory     |       |                         |                        |          |          |                            |             |
| Office") . . . . .      | (iv)  | Consultancy fee income  | -                      | (203)    | (367)    | (121)                      | (124)       |
| CGNPC International     |       |                         |                        |          |          |                            |             |
| Limited . . . . .       | (v)   | Interest expense        | -                      | -        | 5,418    | 1,625                      | 1,858       |
| CGN Energy Development  |       |                         |                        |          |          |                            |             |
| Co., Ltd. 中廣核能源開發       |       |                         |                        |          |          |                            |             |
| 有限責任公司 ("CGN            |       |                         |                        |          |          |                            |             |
| Energy") . . . . .      | (iii) | Consultancy fee expense | -                      | -        | 120      | -                          | 32          |

## Notes:

- (i) Huangshi I JV, Jingyuan and SDIC Qujing are associates of the Group.
- (ii) XTI is a joint venture of the Group.
- (iii) CGN Finance and CGN Energy are fellow subsidiaries of the Company.
- (iv) CGN Hami Coal Project Preparatory Office is a temporary office established by CGN to be responsible for the project development relating to a coal power project, which is located in Hami City, Xinjiang Uyghur Autonomous Region, the PRC. CGN proposes to hold, through CGN Energy, 70% interest in such coal power project.
- (v) CGNPC International Limited is an intermediate holding company of the Company.

The Group has entered into various transactions including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are PRC government-related entities in its ordinary course of business. A majority of the bank deposits and about 67%, 50%, 26% and 22% of borrowings the Group are with the PRC government-related entities as at 31 December 2011, 2012, 2013 and 30 April 2014 respectively.

Also, the Group's transactions with other PRC government-related entities include sales of electricity to local power bureau and a state-owned entity. About 25%, 22%, 22%, 25% (unaudited) and 25% of its sales of electricity and capacity charges are to the PRC government-related entities for the years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2013 and 2014, respectively.

Certain directors have also been employed by CGN and the payments of their emoluments were borne by CGN for the Track Record Period.

**Compensation of key management personnel**

The remuneration of directors and other members of key management during the Track Record Period was as follows:

|                                    | Year ended 31 December |              |              | Four months ended 30 April |              |
|------------------------------------|------------------------|--------------|--------------|----------------------------|--------------|
|                                    | 2011                   | 2012         | 2013         | 2013                       | 2014         |
|                                    | US\$'000               | US\$'000     | US\$'000     | US\$'000                   | US\$'000     |
|                                    |                        |              |              | (unaudited)                |              |
| Short-term benefits . . . . .      | 4,042                  | 3,598        | 3,910        | 1,392                      | 2,129        |
| Post-employment benefits . . . . . | 121                    | 108          | 115          | 38                         | 37           |
|                                    | <u>4,163</u>           | <u>3,706</u> | <u>4,025</u> | <u>1,430</u>               | <u>2,166</u> |

The remuneration of directors and key executives is determined by having regard to the performance of individuals and the Group and market trends.

**B. SUBSEQUENT EVENTS****(a) Proposed disposal of subsidiaries, a joint venture and associates**

In preparation for the listing of the Company's shares on the Stock Exchange (the "Listing"), pursuant to the written resolution of the board of directors dated 18 December 2013 and the written resolution of shareholder dated 30 December 2013, it is approved to undergo a group restructuring, as more fully explained in the section headed "Our History and Development" in the Prospectus (the "Group Reorganisation"), that the Group will transfer equity interests together with the net balances of amounts due from certain subsidiaries; and equity interests in a joint venture (collectively referred to as the "Disposal Group"), which are engaged in investment holding, operation of power plants and construction of power plants in the PRC, to its immediate holding company. In addition, the Group would declare a special dividend to set off against the net amounts due from Disposal Group held in the book of the Company at the date of the Disposal. The transfer of the Disposal Group has been completed at the date of this report. Upon the completion of the transfer of the equity interest in Disposal Group, the directors of the Company represented that the difference between the consideration for the transfer of equity interest in Disposal Group and the carrying amount of the Disposal Group will be accounted for as a deemed distribution/contribution recognised in the Group's equity directly, while the translation reserve related to the Disposal Group will be recognised in the consolidated statement of profit or loss and other comprehensive income.

The Financial Information comprises the financial positions, results and cash flows of the Disposal Group and the remaining group which is defined as the Group excluding the Disposal Group (the "Remaining Group"). The financial information of the Disposal Group has been included in the Financial Information throughout the Track Record Period as they formed an integral part of the businesses of the Group prior to the transfer of these companies to its immediate holding company by way of distribution in specie and disposal of equity interests before the Listing. The financial information of the Disposal Group and the Remaining Group disclosed below was prepared by the directors of the Company as additional information and was prepared on a combined basis before elimination of transactions and balances between the Disposal Group and the Remaining Group.

The details of the Disposal Group are as follows:

| Name of subsidiaries  | Attributable equity interest held by the Group |      |          |      | Principal activities   |
|---|--|------|----------|------|--|
|   | 31 December                                    |      | 30 April |      |  |
|   | 2011   | 2012 | 2013     | 2014 |  |
| China U.S. Power Partners I, Limited . . . . .  | 100%   | 100% | 100%     | 100% | Investment holding   |
| China U.S. Power Partners I (BVI), Limited . . . . .                                  | 100%   | 100% | 100%     | 100% | Investment holding   |
| Diqing Rongshun Maopohe Power Generation Company Limited<br>迪慶榮順毛坡河發電有限責任公司 . . . . . | –  | 55%  | 55%      | 55%  | Generation and supply of electricity (under construction)        |
| Fugong Fengyuan Hydropower Development Co., Ltd.<br>福貢豐源水電發展有限公司 . . . . .            | 51%  | 51%  | 51%      | 51%  | Generation and supply of electricity (partly under construction) |

| Name of subsidiaries  | Attributable equity interest held by the Group |      |      |          | Principal activities                                      |
|---|--|------|------|----------|---|
|   | 31 December                                    |      |      | 30 April |   |
|   | 2011   | 2012 | 2013 | 2014     |   |
| Gongshan Lanxi Hydropower Development Co., Ltd.<br>貢山縣藍溪水電開發有限責任公司 . . . .            | 51%  | 51%  | 51%  | 51%      | Generation and supply of electricity (under construction) |
| Huamei Holding Company Limited . . . . .  | –  | –    | 100% | 100%     | Inactive  |
| Meiya Hai'an Cogen Power Limited . . . . .  | 100%   | 100% | 100% | 100%     | Inactive  |
| Meiya Huangshi Power Ltd. . . . .   | 100%   | 100% | 100% | 100%     | Inactive  |
| Meiya Incheon Power Company Limited . . . . .   | 100%   | 100% | 100% | 100%     | Inactive  |
| Meiya Jinqiao Power Ltd. . . . .  | 100%   | 100% | 100% | 100%     | Inactive  |
| Meiya Power (HD) Limited. . . . .   | 100%   | 100% | 100% | 100%     | Inactive  |
| Meiya Power Investment Company Limited . . . . .                                      | 100%   | 100% | 100% | 100%     | Investment holding  |
| Meiya Power (Maopohe) Limited . . . . .   | –  | 100% | 100% | 100%     | Investment holding  |
| Meiya Power (MPH) Limited. . . . .  | –  | –    | 100% | 100%     | Investment holding  |
| Meiya Power Project (BVI) II Limited . . . . .  | 100%   | 100% | 100% | 100%     | Investment holding  |
| Meiya Power Suzhou (BVI) Limited . . . . .  | 100%   | 100% | 100% | 100%     | Investment holding  |
| Meiya Power Xiwu Limited . . . . .  | –  | –    | 100% | 100%     | Investment holding  |
| Meiya Project Development (BVI) Company Limited . . . . .                             | 100%   | 100% | 100% | 100%     | Investment holding  |
| Meiya Project Development Company Limited . . . . .                                   | 100%   | 100% | 100% | 100%     | Investment holding  |
| Meiya Qujing Power Company Limited . . . . .  | 100%   | 100% | 100% | 100%     | Investment holding  |
| Meiya Sanjiang Hydropower (BVI) Limited . . . . .                                     | 100%   | 100% | 100% | 100%     | Investment holding  |
| Meiya Shanghai BFG Company . . . . .  | 100%   | 100% | 100% | 100%     | Investment holding  |
| Meiya Tongzhou Cogen Power (BVI) Limited . . . . .                                    | 100%   | 100% | 100% | 100%     | Investment holding  |
| Meiya Tongzhou Cogen Power Ltd. . . . .   | 100%   | 100% | 100% | 100%     | Investment holding  |
| Meiya Weixi Power (Hong Kong) Limited . . . . .                                       | 100%   | 100% | 100% | 100%     | Investment holding  |
| Meiya Xiangtou Power Company Limited . . . . .  | 100%   | 100% | 100% | 100%     | Investment holding  |
| Meiya Xiangyun (BVI) Limited . . . . .  | 100%   | 100% | 100% | 100%     | Investment holding  |
| Meiya Xiangyun Development Limited . . . . .  | 100%   | 100% | 100% | 100%     | Investment holding  |
| Shangri-La Tangmanhe Hydropower Development Co., Ltd.<br>香格里拉縣湯滿河水電開發有限責任公司 . . . . . | 51%  | 51%  | 51%  | 51%      | Generation and supply of electricity (under construction) |
| Tongzhou Meiya Cogeneration Co., Ltd.<br>通州美亞熱電有限公司 . . . . .                         | 80%  | 80%  | 80%  | 80%      | Generation and supply of electricity and steam            |
| Weixi Meiya Hengfa Hydropower Company Limited<br>維西縣美亞恒發水電有限公司 . . . . .              | 80%  | 80%  | 80%  | 80%      | Generation and supply of electricity (under construction) |
| Weixi Meiya Yongfa Hydropower Company Limited<br>維西縣美亞永發水電有限公司 . . . . .              | 80%  | 80%  | 80%  | 80%      | Generation and supply of electricity (under construction) |



| Name of subsidiaries   | Attributable equity interest held by the Group |      |      |          | Principal activities                                      |
|--|--|------|------|----------|---|
|  | 31 December                                    |      |      | 30 April |   |
|  | 2011   | 2012 | 2013 | 2014     |   |
| Yunnan Meiya Minrui Power Investment Co., Ltd.<br>雲南美亞民瑞電力投資有限公司 . . . . .                             | 51%  | 51%  | 51%  | 51%      | Investment holding  |
| CanAm Energy China Holdings, LLC . . . . .   | 100%   | 100% | 100% | 100%     | Inactive  |
| China U.S. Power Partners I, Ltd. . . . .  | 100%   | 100% | 100% | 100%     | Inactive  |
| Global Green Energy HK Limited . . . . .   | –  | –    | 100% | 100%     | Investment holding  |
| Meiya Project Development (Hong Kong) Company Limited . . . . .  | 100%   | 100% | 100% | 100%     | Inactive  |
| Meiya Sanjiang Hydropower (Hong Kong) Limited . . . . .  | 100%   | 100% | 100% | 100%     | Inactive  |
| Meiya Tongzhou Cogen Power Limited . . . . .   | 100%   | 100% | 100% | 100%     | Inactive  |
| Meiya Power (Suzhou) Limited . . . . .   | 100%   | 100% | 100% | 100%     | Investment holding  |
| Suzhou Zhenmei Trading Co., Ltd.<br>蘇州臻美貿易有限公司 . . . . .   | 100%   | 100% | 100% | 100%     | Trading of coal   |
| Xi Wu Zhu Mu Qin Qi International Renewable Energy Wind Power Co., Ltd.<br>西烏珠穆沁旗國際新能源風電有限公司 . . . . . | –  | –    | 91%  | 91%      | Generation and supply of electricity (under construction) |

| Name of joint venture | Attributable equity interest held by the Group |      |      |          | Principal activities   |
|-----------------------|--|------|------|----------|--|
|                       | 31 December                                    |      |      | 30 April |  |
|                       | 2011   | 2012 | 2013 | 2014     |  |
| XTI . . . . .         | 50%  | 50%  | 50%  | 50%      | Investment holding and management of power generation plants |

| Name of associates             | Attributable equity interest held by the Group |        |        |          | Principal activities                 |
|--------------------------------|--|--------|--------|----------|--------------------------------------|
|                                | 31 December                                    |        |        | 30 April |                                      |
|                                | 2011   | 2012   | 2013   | 2014     |                                      |
| Jingyuan . . . . .             | 30.73%   | 30.73% | 30.73% | 30.73%   | Generation and supply of electricity |
| SDIC Qujing . . . . .          | 37%  | 37%    | 37%    | 37%      | Generation and supply of electricity |
| IBPGL . . . . .                | 26%  | 26%    | 26%    | 26%      | Generation and supply of electricity |
| Diana Energy Limited . . . . . | 26%  | 26%    | 26%    | 26%      | Generation and supply of electricity |

*Financial performance*

For the year ended 31 December 2011

|   | Remaining<br>Group | Disposal<br>Group | Intergroup<br>Elimination | The Group     |
|---|--------------------|-------------------|---------------------------|---------------|
|   | US\$'000           | US\$'000          | US\$'000                  | US\$'000      |
| Revenue . . . . .   | 754,749            | 13,744            | –                         | 768,493       |
| Operating expenses:   |                    |                   |                           |               |
| Coal, oil and gas . . . . .   | 523,003            | 10,246            | –                         | 533,249       |
| Depreciation of property, plant and<br>equipment . . . . .                | 54,322             | 2,610             | –                         | 56,932        |
| Repair and maintenance . . . . .  | 24,927             | 332               | –                         | 25,259        |
| Staff costs . . . . .   | 33,862             | 1,252             | –                         | 35,114        |
| Others . . . . .  | 40,292             | 1,881             | (39)                      | 42,134        |
| Total operating expenses . . . . .  | 676,406            | 16,321            | (39)                      | 692,688       |
| Operating profit (loss) . . . . .   | 78,343             | (2,577)           | 39                        | 75,805        |
| Other income . . . . .  | 8,506              | 406               | (39)                      | 8,873         |
| Other gains and losses . . . . .  | (4,985)            | 261               | –                         | (4,724)       |
| Finance costs . . . . .   | (43,524)           | (411)             | –                         | (43,935)      |
| Discount on acquisition recognised in<br>a business combination . . . . . | –                  | 2,192             | –                         | 2,192         |
| Share of results of associates . . . . .                                  | (5,029)            | (8,705)           | –                         | (13,734)      |
| Share of results of a joint venture . . . . .                             | –                  | (187)             | –                         | (187)         |
| Profit (loss) before tax . . . . .  | 33,311             | (9,021)           | –                         | 24,290        |
| Income tax (expense) credit . . . . .                                     | (13,946)           | 318               | –                         | (13,628)      |
| Profit (loss) for the year . . . . .                                      | <u>19,365</u>      | <u>(8,703)</u>    | <u>–</u>                  | <u>10,662</u> |

**Other information**

Revenue from major products and services

|  |                |               |             |                |
|--|----------------|---------------|-------------|----------------|
| Sales of electricity . . . . .               | 576,502        | 1,704         | –           | 578,206        |
| Sales of steam . . . . .                     | 88,314         | 12,040        | –           | 100,354        |
| Capacity charges . . . . .                   | 88,928         | –             | –           | 88,928         |
| Connection charges and others . . . . .      | 1,005          | –             | –           | 1,005          |
|  | <u>754,749</u> | <u>13,744</u> | <u>–</u>    | <u>768,493</u> |
| Other income                                 |                |               |             |                |
| Government grant . . . . .                   | 2,553          | 111           | –           | 2,664          |
| Income on sales of scrap materials . . . . . | 2,118          | 234           | –           | 2,352          |
| Interest income . . . . .                    | 2,305          | –             | –           | 2,305          |
| Equipment rental income . . . . .            | 523            | 6             | –           | 529            |
| Consultancy fee income from                  |                |               |             |                |
| Disposal Group . . . . .                     | 161            | –             | (39)        | 122            |
| Others . . . . .                             | 846            | 55            | –           | 901            |
|  | <u>8,506</u>   | <u>406</u>    | <u>(39)</u> | <u>8,873</u>   |

|   | <u>Remaining<br/>Group</u> | <u>Disposal<br/>Group</u> | <u>Intergroup<br/>Elimination</u> | <u>The Group</u> |
|---|----------------------------|---------------------------|-----------------------------------|------------------|
|   | US\$'000                   | US\$'000                  | US\$'000                          | US\$'000         |
| Finance costs                                     |                            |                           |                                   |                  |
| Interest on bank and other<br>borrowings. . . . . | (43,524)                   | (1,361)                   | –                                 | (44,885)         |
| Less: amounts capitalised. . . . .                | <u>–</u>                   | <u>950</u>                | <u>–</u>                          | <u>950</u>       |
|   | <u>(43,524)</u>            | <u>(411)</u>              | <u>–</u>                          | <u>(43,935)</u>  |

## For the year ended 31 December 2012

|  | Remaining<br>Group | Disposal<br>Group | Intergroup<br>Elimination | The Group     |
|--|--------------------|-------------------|---------------------------|---------------|
|  | US\$'000           | US\$'000          | US\$'000                  | US\$'000      |
| Revenue . . . . .  | 932,409            | 32,881            | (16,984)                  | 948,306       |
| Operating expenses:  |                    |                   |                           |               |
| Coal, oil and gas . . . . .                                | 682,405            | 25,699            | (16,984)                  | 691,120       |
| Depreciation of property, plant and<br>equipment . . . . . | 58,942             | 2,800             | –                         | 61,742        |
| Repair and maintenance . . . . .                           | 23,157             | 391               | –                         | 23,548        |
| Staff costs . . . . .                                      | 39,070             | 1,829             | –                         | 40,899        |
| Others . . . . .   | 48,640             | 2,527             | –                         | 51,167        |
| Total operating expenses . . . . .                         | 852,214            | 33,246            | (16,984)                  | 868,476       |
| Operating profit (loss) . . . . .                          | 80,195             | (365)             | –                         | 79,830        |
| Other income . . . . .                                     | 13,563             | 451               | –                         | 14,014        |
| Other gains and losses . . . . .                           | 193                | 5,069             | –                         | 5,262         |
| Finance costs . . . . .                                    | (40,356)           | (709)             | –                         | (41,065)      |
| Share of results of associates . . . . .                   | 11,319             | (23,705)          | –                         | (12,386)      |
| Share of results of a joint venture . . . . .              | –                  | 20,082            | –                         | 20,082        |
| Impairment loss on interest in an<br>associate . . . . .   | –                  | (7,627)           | –                         | (7,627)       |
| Profit (loss) before tax . . . . .                         | 64,914             | (6,804)           | –                         | 58,110        |
| Income tax expense . . . . .                               | (26,556)           | (2,657)           | –                         | (29,213)      |
| Profit (loss) for the year . . . . .                       | <u>38,358</u>      | <u>(9,461)</u>    | <u>–</u>                  | <u>28,897</u> |

**Other information**

## Revenue from major products and services

|   |                |               |                 |                |
|---|----------------|---------------|-----------------|----------------|
| Sales of electricity . . . . .  | 751,801        | 2,646         | –               | 754,447        |
| Sales of steam . . . . .  | 91,264         | 13,251        | –               | 104,515        |
| Capacity charges . . . . .  | 88,547         | –             | –               | 88,547         |
| Connection charges and others . . . . .   | 797            | –             | –               | 797            |
| Sales of coal to Remaining Group . . . . .  | –              | 16,984        | (16,984)        | –              |
|   | <u>932,409</u> | <u>32,881</u> | <u>(16,984)</u> | <u>948,306</u> |
| Other income  |                |               |                 |                |
| Government grant . . . . .  | 1,365          | 127           | –               | 1,492          |
| Income on sales of scrap materials . . . . .  | 2,092          | 311           | –               | 2,403          |
| Value added tax refund . . . . .  | 3,689          | –             | –               | 3,689          |
| Interest income . . . . .   | 2,731          | 13            | –               | 2,744          |
| Equipment rental income . . . . .   | 568            | –             | –               | 568            |
| Consultancy fee income from an<br>associate and a joint venture<br>included in Disposal Group . . . . . | 378            | –             | –               | 378            |
| Others . . . . .  | 2,740          | –             | –               | 2,740          |
|   | <u>13,563</u>  | <u>451</u>    | <u>–</u>        | <u>14,014</u>  |

|   | <u>Remaining<br/>Group</u> | <u>Disposal<br/>Group</u> | <u>Intergroup<br/>Elimination</u> | <u>The Group</u> |
|---|----------------------------|---------------------------|-----------------------------------|------------------|
|   | US\$'000                   | US\$'000                  | US\$'000                          | US\$'000         |
| Finance costs                                     |                            |                           |                                   |                  |
| Interest on bank and other<br>borrowings. . . . . | (47,954)                   | (3,693)                   | –                                 | (51,647)         |
| Less: amounts capitalised. . . . .                | <u>7,598</u>               | <u>2,984</u>              | <u>–</u>                          | <u>10,582</u>    |
|   | <u>(40,356)</u>            | <u>(709)</u>              | <u>–</u>                          | <u>(41,065)</u>  |

## For the year ended 31 December 2013

|   | <u>Remaining<br/>Group</u> | <u>Disposal<br/>Group</u> | <u>Intergroup<br/>Elimination</u> | <u>The Group</u> |
|---|----------------------------|---------------------------|-----------------------------------|------------------|
|   | US\$'000                   | US\$'000                  | US\$'000                          | US\$'000         |
| Revenue . . . . .   | 1,037,349                  | 43,628                    | (26,454)                          | 1,054,523        |
| Operating expenses: . . . . .                                 |                            |                           |                                   |                  |
| Coal, oil and gas . . . . .                                   | 736,665                    | 32,715                    | (26,454)                          | 742,926          |
| Depreciation of property, plant and<br>equipment . . . . .    | 68,586                     | 2,696                     | –                                 | 71,282           |
| Repair and maintenance . . . . .                              | 22,129                     | 392                       | –                                 | 22,521           |
| Staff costs . . . . .   | 43,386                     | 2,471                     | –                                 | 45,857           |
| Others . . . . .  | 51,291                     | 3,659                     | –                                 | 54,950           |
| Total operating expenses . . . . .                            | <u>922,057</u>             | <u>41,933</u>             | <u>(26,454)</u>                   | <u>937,536</u>   |
| Operating profit . . . . .                                    | 115,292                    | 1,695                     | –                                 | 116,987          |
| Other income . . . . .  | 12,054                     | 847                       | –                                 | 12,901           |
| Other gains and losses . . . . .                              | 2,973                      | 154                       | –                                 | 3,127            |
| Finance costs . . . . .                                       | (51,121)                   | (583)                     | –                                 | (51,704)         |
| Share of results of associates . . . . .                      | 37,392                     | (8,456)                   | –                                 | 28,936           |
| Share of results of a joint venture . . . . .                 | –                          | 55,946                    | –                                 | 55,946           |
| Impairment loss on interest in an<br>associate . . . . .      | –                          | (18,758)                  | –                                 | (18,758)         |
| Impairment loss on property, plant<br>and equipment . . . . . | –                          | (24,000)                  | –                                 | (24,000)         |
| Listing expenses . . . . .                                    | (6,866)                    | –                         | –                                 | (6,866)          |
| Profit before tax . . . . .                                   | 109,724                    | 6,845                     | –                                 | 116,569          |
| Income tax expense . . . . .                                  | (40,102)                   | (7,140)                   | –                                 | (47,242)         |
| Profit (loss) for the year . . . . .                          | <u>69,622</u>              | <u>(295)</u>              | <u>–</u>                          | <u>69,327</u>    |
| <b>Other information</b>                                      |                            |                           |                                   |                  |
| Revenue from major products and<br>services                   |                            |                           |                                   |                  |
| Sales of electricity . . . . .                                | 841,677                    | 5,317                     | –                                 | 846,994          |
| Sales of steam . . . . .                                      | 85,997                     | 11,857                    | –                                 | 97,854           |
| Capacity charges . . . . .                                    | 109,086                    | –                         | –                                 | 109,086          |
| Connection charges and others . . . . .                       | 589                        | –                         | –                                 | 589              |
| Sales of coal to Remaining Group . . . . .                    | –                          | 26,454                    | (26,454)                          | –                |
|   | <u>1,037,349</u>           | <u>43,628</u>             | <u>(26,454)</u>                   | <u>1,054,523</u> |

|  | <u>Remaining<br/>Group</u> | <u>Disposal<br/>Group</u> | <u>Intergroup<br/>Elimination</u> | <u>The Group</u> |
|--|----------------------------|---------------------------|-----------------------------------|------------------|
|  | US\$'000                   | US\$'000                  | US\$'000                          | US\$'000         |
| Other income   |                            |                           |                                   |                  |
| Government grant . . . . .   | 801                        | 270                       | –                                 | 1,071            |
| Income on sales of scrap materials . . . . .   | 3,212                      | 406                       | –                                 | 3,618            |
| Value added tax refund . . . . .   | 2,713                      | –                         | –                                 | 2,713            |
| Interest income . . . . .  | 3,119                      | 108                       | –                                 | 3,227            |
| Equipment rental income . . . . .  | 794                        | 34                        | –                                 | 828              |
| Consultancy fee income from a<br>joint venture included in<br>Disposal Group . . . . . | 305                        | –                         | –                                 | 305              |
| Others . . . . .   | 1,110                      | 29                        | –                                 | 1,139            |
|  | <u>12,054</u>              | <u>847</u>                | <u>–</u>                          | <u>12,901</u>    |
| Finance costs  |                            |                           |                                   |                  |
| Interest on bank and other<br>borrowings . . . . .                                     | (67,403)                   | (5,079)                   | –                                 | (72,482)         |
| Less: amounts capitalised . . . . .  | 16,282                     | 4,496                     | –                                 | 20,778           |
|  | <u>(51,121)</u>            | <u>(583)</u>              | <u>–</u>                          | <u>(51,704)</u>  |



## For the four months ended 30 April 2013 (unaudited)

|  | <u>Remaining<br/>Group</u> | <u>Disposal<br/>Group</u> | <u>Intergroup<br/>Elimination</u> | <u>The Group</u> |
|--|----------------------------|---------------------------|-----------------------------------|------------------|
|  | US\$'000                   | US\$'000                  | US\$'000                          | US\$'000         |
| Revenue . . . . .  | 299,484                    | 19,195                    | (13,911)                          | 304,768          |
| Operating expenses:  |                            |                           |                                   |                  |
| Coal, oil and gas . . . . .                                | 208,371                    | 14,669                    | (13,911)                          | 209,129          |
| Depreciation of property, plant and<br>equipment . . . . . | 19,909                     | 941                       | –                                 | 20,850           |
| Repair and maintenance . . . . .                           | 6,514                      | 153                       | –                                 | 6,667            |
| Staff costs . . . . .                                      | 13,742                     | 755                       | –                                 | 14,497           |
| Others . . . . .   | 14,216                     | 694                       | –                                 | 14,910           |
| Total operating expenses . . . . .                         | <u>262,752</u>             | <u>17,212</u>             | <u>(13,911)</u>                   | <u>266,053</u>   |
| Operating profit . . . . .                                 | 36,732                     | 1,983                     | –                                 | 38,715           |
| Other income . . . . .                                     | 3,008                      | 222                       | –                                 | 3,230            |
| Other gains and losses . . . . .                           | 646                        | –                         | –                                 | 646              |
| Finance costs . . . . .                                    | (11,148)                   | (152)                     | –                                 | (11,300)         |
| Share of results of associates . . . . .                   | 9,864                      | (1,742)                   | –                                 | 8,122            |
| Share of results of a joint venture . . . . .              | –                          | 14,225                    | –                                 | 14,225           |
| Profit before tax . . . . .                                | 39,102                     | 14,536                    | –                                 | 53,638           |
| Income tax expense . . . . .                               | (10,499)                   | (2,330)                   | –                                 | (12,829)         |
| Profit for the period . . . . .                            | <u>28,603</u>              | <u>12,206</u>             | <u>–</u>                          | <u>40,809</u>    |
| <b>Other information</b>                                   |                            |                           |                                   |                  |
| Revenue from major products and<br>services                |                            |                           |                                   |                  |
| Sales of electricity . . . . .                             | 236,132                    | 1,282                     | –                                 | 237,414          |
| Sales of steam . . . . .                                   | 33,090                     | 4,002                     | –                                 | 37,092           |
| Capacity charges . . . . .                                 | 30,023                     | –                         | –                                 | 30,023           |
| Connection charges and others . . . . .                    | 239                        | –                         | –                                 | 239              |
| Sales of coal to Remaining Group . . . . .                 | –                          | 13,911                    | (13,911)                          | –                |
|  | <u>299,484</u>             | <u>19,195</u>             | <u>(13,911)</u>                   | <u>304,768</u>   |
| Other income   |                            |                           |                                   |                  |
| Government grant . . . . .                                 | 350                        | 36                        | –                                 | 386              |
| Income on sales of scrap materials . . . . .               | 1,058                      | 147                       | –                                 | 1,205            |
| Value added tax refund . . . . .                           | 770                        | –                         | –                                 | 770              |
| Interest income . . . . .                                  | 356                        | 8                         | –                                 | 364              |
| Equipment rental income . . . . .                          | 219                        | –                         | –                                 | 219              |
| Consultancy fee income from a<br>joint venture included in |                            |                           |                                   |                  |
| Disposal Group . . . . .                                   | 101                        | –                         | –                                 | 101              |
| Others . . . . .   | 154                        | 31                        | –                                 | 185              |
|  | <u>3,008</u>               | <u>222</u>                | <u>–</u>                          | <u>3,230</u>     |

|  | <u>Remaining<br/>Group</u> | <u>Disposal<br/>Group</u> | <u>Intergroup<br/>Elimination</u> | <u>The Group</u> |
|--|----------------------------|---------------------------|-----------------------------------|------------------|
|  | US\$'000                   | US\$'000                  | US\$'000                          | US\$'000         |
| Finance costs                                  |                            |                           |                                   |                  |
| Interest on bank and other borrowings. . . . . | (18,965)                   | (1,626)                   | –                                 | (20,591)         |
| Less: amounts capitalised . . . . .            | <u>7,817</u>               | <u>1,474</u>              | <u>–</u>                          | <u>9,291</u>     |
|  | <u>(11,148)</u>            | <u>(152)</u>              | <u>–</u>                          | <u>(11,300)</u>  |

## For the four months ended 30 April 2014

|  | <u>Remaining<br/>Group</u> | <u>Disposal<br/>Group</u> | <u>Intergroup<br/>Elimination</u> | <u>The Group</u> |
|--|----------------------------|---------------------------|-----------------------------------|------------------|
|  | US\$'000                   | US\$'000                  | US\$'000                          | US\$'000         |
| Revenue . . . . .  | 311,223                    | 6,241                     | –                                 | 317,464          |
| Operating expenses:  |                            |                           |                                   |                  |
| Coal, oil and gas . . . . .  | 205,786                    | 4,358                     | –                                 | 210,144          |
| Depreciation of property, plant and<br>equipment . . . . .                             | 26,884                     | 940                       | –                                 | 27,824           |
| Repair and maintenance . . . . .   | 7,146                      | 137                       | –                                 | 7,283            |
| Staff costs . . . . .  | 16,863                     | 742                       | –                                 | 17,605           |
| Others . . . . .   | 15,837                     | 996                       | –                                 | 16,833           |
| Total operating expenses . . . . .   | <u>272,516</u>             | <u>7,173</u>              | <u>–</u>                          | <u>279,689</u>   |
| Operating profit (loss) . . . . .  | 38,707                     | (932)                     | –                                 | 37,775           |
| Other income . . . . .   | 3,623                      | 188                       | –                                 | 3,811            |
| Other gains and losses . . . . .   | 1,715                      | 166                       | –                                 | 1,881            |
| Finance costs . . . . .  | (19,612)                   | (160)                     | –                                 | (19,772)         |
| Share of results of associates . . . . .   | 9,304                      | 1,573                     | –                                 | 10,877           |
| Share of results of a joint venture . . . . .  | –                          | 16,763                    | –                                 | 16,763           |
| Listing expenses . . . . .   | (1,168)                    | –                         | –                                 | (1,168)          |
| Profit before tax . . . . .  | 32,569                     | 17,598                    | –                                 | 50,167           |
| Income tax expense . . . . .   | (11,047)                   | (1,634)                   | –                                 | (12,681)         |
| Profit for the period . . . . .  | <u>21,522</u>              | <u>15,964</u>             | <u>–</u>                          | <u>37,486</u>    |
| <b>Other information</b>   |                            |                           |                                   |                  |
| Revenue from major products and<br>services  |                            |                           |                                   |                  |
| Sales of electricity . . . . .   | 242,352                    | 2,384                     | –                                 | 244,736          |
| Sales of steam . . . . .   | 31,422                     | 3,857                     | –                                 | 35,279           |
| Capacity charges . . . . .   | 37,329                     | –                         | –                                 | 37,329           |
| Connection charges and others . . . . .  | 120                        | –                         | –                                 | 120              |
|  | <u>311,223</u>             | <u>6,241</u>              | <u>–</u>                          | <u>317,464</u>   |
| Other income   |                            |                           |                                   |                  |
| Government grant . . . . .   | 342                        | –                         | –                                 | 342              |
| Income on sales of scrap materials . . . . .   | 1,154                      | 145                       | –                                 | 1,299            |
| Value added tax refund . . . . .   | 1,054                      | –                         | –                                 | 1,054            |
| Interest income . . . . .  | 472                        | 7                         | –                                 | 479              |
| Equipment rental income . . . . .  | 269                        | –                         | –                                 | 269              |
| Consultancy fee income from a<br>joint venture included in<br>Disposal Group . . . . . | 103                        | –                         | –                                 | 103              |
| Others . . . . .   | 229                        | 36                        | –                                 | 265              |
|  | <u>3,623</u>               | <u>188</u>                | <u>–</u>                          | <u>3,811</u>     |

|   | <u>Remaining<br/>Group</u> | <u>Disposal<br/>Group</u> | <u>Intergroup<br/>Elimination</u> | <u>The Group</u> |
|---|----------------------------|---------------------------|-----------------------------------|------------------|
|   | US\$'000                   | US\$'000                  | US\$'000                          | US\$'000         |
| Finance costs                                     |                            |                           |                                   |                  |
| Interest on bank and other<br>borrowings. . . . . | (23,033)                   | (2,153)                   | –                                 | (25,186)         |
| Less: amounts capitalised . . . . .               | <u>3,421</u>               | <u>1,993</u>              | <u>–</u>                          | <u>5,414</u>     |
|   | <u>(19,612)</u>            | <u>(160)</u>              | <u>–</u>                          | <u>(19,772)</u>  |

*Financial position*

As at 31 December 2011

|  | <b>Remaining<br/>Group</b> | <b>Disposal<br/>Group</b> | <b>Intergroup<br/>Elimination</b> | <b>The Group</b> |
|--|----------------------------|---------------------------|-----------------------------------|------------------|
|  | US\$'000                   | US\$'000                  | US\$'000                          | US\$'000         |
| <b>NON-CURRENT ASSETS</b>                                  |                            |                           |                                   |                  |
| Property, plant and equipment . . . . .                    | 750,579                    | 164,737                   | –                                 | 915,316          |
| Prepaid lease payments . . . . .                           | 18,432                     | 1,945                     | –                                 | 20,377           |
| Goodwill . . . . .   | 844                        | –                         | –                                 | 844              |
| Interests in a joint venture . . . . .                     | –                          | 364,855                   | –                                 | 364,855          |
| Interests in associates . . . . .                          | 119,625                    | 150,033                   | –                                 | 269,658          |
| Amount due from a non-controlling<br>shareholder . . . . . | 1,286                      | –                         | –                                 | 1,286            |
| Other financial asset . . . . .                            | –                          | 2,192                     | –                                 | 2,192            |
| Deferred tax assets . . . . .                              | 1,556                      | –                         | –                                 | 1,556            |
| Other assets . . . . .                                     | 13,066                     | 2,366                     | –                                 | 15,432           |
| Pledged bank deposits . . . . .                            | 8,172                      | –                         | –                                 | 8,172            |
|  | <u>913,560</u>             | <u>686,128</u>            | <u>–</u>                          | <u>1,599,688</u> |
| <b>CURRENT ASSETS</b>                                      |                            |                           |                                   |                  |
| Inventories . . . . .                                      | 29,121                     | 1,338                     | –                                 | 30,459           |
| Prepaid lease payments . . . . .                           | 1,935                      | 77                        | –                                 | 2,012            |
| Trade receivables . . . . .                                | 132,353                    | 2,667                     | –                                 | 135,020          |
| Other receivables and prepayments . . .                    | 12,906                     | 1,060                     | –                                 | 13,966           |
| Amount due from a non-controlling<br>shareholder . . . . . | 1,454                      | –                         | –                                 | 1,454            |
| Amounts due from Remaining Group .                         | –                          | 76                        | (76)                              | –                |
| Amounts due from Disposal Group . .                        | 188,419                    | –                         | (188,419)                         | –                |
| Amounts due from associates . . . . .                      | 8,716                      | 440                       | –                                 | 9,156            |
| Amount due from a fellow subsidiary .                      | 8,000                      | –                         | –                                 | 8,000            |
| Tax recoverable . . . . .                                  | 611                        | –                         | –                                 | 611              |
| Derivative assets . . . . .                                | 574                        | –                         | –                                 | 574              |
| Pledged bank deposits and restricted<br>cash . . . . .     | 22,382                     | –                         | –                                 | 22,382           |
| Bank balances and cash . . . . .                           | <u>112,813</u>             | <u>16,303</u>             | <u>–</u>                          | <u>129,116</u>   |
|  | <u>519,284</u>             | <u>21,961</u>             | <u>(188,495)</u>                  | <u>352,750</u>   |

|   | <u>Remaining<br/>Group</u> | <u>Disposal<br/>Group</u> | <u>Intergroup<br/>Elimination</u> | <u>The Group</u> |
|---|----------------------------|---------------------------|-----------------------------------|------------------|
|   | US\$'000                   | US\$'000                  | US\$'000                          | US\$'000         |
| <b>CURRENT LIABILITIES</b>  |                            |                           |                                   |                  |
| Trade payables . . . . .  | 106,272                    | 2,860                     | –                                 | 109,132          |
| Other payables and accruals . . . . .   | 38,587                     | 18,168                    | –                                 | 56,755           |
| Amount due to immediate holding<br>company . . . . .                          | 50,546                     | –                         | –                                 | 50,546           |
| Amounts due to non-controlling<br>shareholders . . . . .                      | 11,383                     | 4,299                     | –                                 | 15,682           |
| Dividend payable to immediate<br>holding company . . . . .                    | 33,000                     | –                         | –                                 | 33,000           |
| Advances from non-controlling<br>shareholders – due within one year . . . . . | 9,540                      | 1,684                     | –                                 | 11,224           |
| Amounts due to Disposal Group . . . . .                                       | 76                         | –                         | (76)                              | –                |
| Amounts due to Remaining Group . . . . .                                      | –                          | 188,419                   | (188,419)                         | –                |
| Bank borrowings – due within one<br>year . . . . .                            | 48,571                     | 556                       | –                                 | 49,127           |
| Deferred connection charges . . . . .   | 668                        | –                         | –                                 | 668              |
| Tax payable . . . . .   | 3,807                      | 428                       | –                                 | 4,235            |
| Derivative liabilities . . . . .  | 2,514                      | –                         | –                                 | 2,514            |
|   | <u>304,964</u>             | <u>216,414</u>            | <u>(188,495)</u>                  | <u>332,883</u>   |
| <b>NET CURRENT ASSETS</b>   |                            |                           |                                   |                  |
| (LIABILITIES) . . . . .   | <u>214,320</u>             | <u>(194,453)</u>          | <u>–</u>                          | <u>19,867</u>    |
| <b>TOTAL ASSETS LESS CURRENT</b>  |                            |                           |                                   |                  |
| <b>LIABILITIES . . . . .</b>  | <u>1,127,880</u>           | <u>491,675</u>            | <u>–</u>                          | <u>1,619,555</u> |
| <b>NON-CURRENT LIABILITIES</b>  |                            |                           |                                   |                  |
| Advances from non-controlling<br>shareholders – due after one year . . . . .  | –                          | 3,907                     | –                                 | 3,907            |
| Loan from a fellow subsidiary . . . . .                                       | –                          | 3,174                     | –                                 | 3,174            |
| Bank borrowings – due after one<br>year . . . . .                             | 763,981                    | 24,282                    | –                                 | 788,263          |
| Deferred connection charges . . . . .   | 684                        | –                         | –                                 | 684              |
| Derivative liabilities . . . . .  | 4,388                      | –                         | –                                 | 4,388            |
| Deferred tax liabilities . . . . .  | 24,665                     | 5,325                     | –                                 | 29,990           |
|   | <u>793,718</u>             | <u>36,688</u>             | <u>–</u>                          | <u>830,406</u>   |
| <b>NET ASSETS . . . . .</b>   | <u>334,162</u>             | <u>454,987</u>            | <u>–</u>                          | <u>789,149</u>   |

As at 31 December 2012

|   | <u>Remaining<br/>Group</u> | <u>Disposal<br/>Group</u> | <u>Intergroup<br/>Elimination</u> | <u>The Group</u> |
|---|----------------------------|---------------------------|-----------------------------------|------------------|
|   | US\$'000                   | US\$'000                  | US\$'000                          | US\$'000         |
| <b>NON-CURRENT ASSETS</b>   |                            |                           |                                   |                  |
| Property, plant and equipment . . . . .                                       | 1,183,002                  | 211,109                   | –                                 | 1,394,111        |
| Prepaid lease payments . . . . .  | 16,481                     | 1,864                     | –                                 | 18,345           |
| Goodwill . . . . .  | 844                        | –                         | –                                 | 844              |
| Interests in a joint venture . . . . .  | –                          | 386,132                   | –                                 | 386,132          |
| Interests in associates . . . . .   | 131,260                    | 118,971                   | –                                 | 250,231          |
| Amount due from a non-controlling<br>shareholder . . . . .                    | 1,039                      | –                         | –                                 | 1,039            |
| Other financial asset . . . . .   | –                          | 5,120                     | –                                 | 5,120            |
| Deferred tax assets . . . . .   | 1,436                      | –                         | –                                 | 1,436            |
| Other assets . . . . .  | 11,590                     | 41                        | –                                 | 11,631           |
| Pledged bank deposits . . . . .   | 8,562                      | –                         | –                                 | 8,562            |
|   | <u>1,354,214</u>           | <u>723,237</u>            | <u>–</u>                          | <u>2,077,451</u> |
| <b>CURRENT ASSETS</b>   |                            |                           |                                   |                  |
| Inventories . . . . .   | 25,682                     | 1,179                     | –                                 | 26,861           |
| Prepaid lease payments . . . . .  | 1,938                      | 77                        | –                                 | 2,015            |
| Trade receivables . . . . .   | 125,647                    | 2,142                     | –                                 | 127,789          |
| Other receivables and prepayments . . . . .                                   | 36,948                     | 1,661                     | –                                 | 38,609           |
| Amounts due from associates . . . . .   | –                          | 440                       | –                                 | 440              |
| Amount due from a fellow subsidiary . . . . .                                 | 10,373                     | –                         | –                                 | 10,373           |
| Amounts due from Remaining Group . . . . .                                    | –                          | 1,266                     | (1,266)                           | –                |
| Amounts due from Disposal Group . . . . .                                     | 221,269                    | –                         | (221,269)                         | –                |
| Tax recoverable . . . . .   | 289                        | –                         | –                                 | 289              |
| Pledged bank deposits and restricted<br>cash . . . . .                        | 224,404                    | –                         | –                                 | 224,404          |
| Bank balances and cash . . . . .  | 83,669                     | 21,082                    | –                                 | 104,751          |
|   | <u>730,219</u>             | <u>27,847</u>             | <u>(222,535)</u>                  | <u>535,531</u>   |
| <b>CURRENT LIABILITIES</b>  |                            |                           |                                   |                  |
| Trade payables . . . . .  | 128,972                    | 3,883                     | –                                 | 132,855          |
| Other payables and accruals . . . . .   | 95,164                     | 10,876                    | –                                 | 106,040          |
| Amount due to immediate holding<br>company . . . . .                          | 50,546                     | –                         | –                                 | 50,546           |
| Amounts due to non-controlling<br>shareholders . . . . .                      | 5,206                      | 10,742                    | –                                 | 15,948           |
| Dividend payable to immediate<br>holding company . . . . .                    | 33,000                     | –                         | –                                 | 33,000           |
| Advances from non-controlling<br>shareholders – due within one year . . . . . | 7,334                      | –                         | –                                 | 7,334            |
| Amounts due to Disposal Group . . . . .                                       | 1,266                      | –                         | (1,266)                           | –                |
| Amounts due to Remaining Group . . . . .                                      | –                          | 221,269                   | (221,269)                         | –                |
| Bank borrowings – due within one<br>year . . . . .                            | 126,331                    | 5,727                     | –                                 | 132,058          |
| Deferred connection charges . . . . .   | 450                        | –                         | –                                 | 450              |
| Tax payable . . . . .   | 8,083                      | 740                       | –                                 | 8,823            |
| Derivative liabilities . . . . .  | 5,526                      | –                         | –                                 | 5,526            |
|   | <u>461,878</u>             | <u>253,237</u>            | <u>(222,535)</u>                  | <u>492,580</u>   |



|   | <u>Remaining<br/>Group</u> | <u>Disposal<br/>Group</u> | <u>Intergroup<br/>Elimination</u> | <u>The Group</u> |
|---|----------------------------|---------------------------|-----------------------------------|------------------|
|   | US\$'000                   | US\$'000                  | US\$'000                          | US\$'000         |
| NET CURRENT ASSETS                      |                            |                           |                                   |                  |
| (LIABILITIES) . . . . .                 | 268,341                    | (225,390)                 | –                                 | 42,951           |
| TOTAL ASSETS LESS CURRENT               |                            |                           |                                   |                  |
| LIABILITIES . . . . .                   | 1,622,555                  | 497,847                   | –                                 | 2,120,402        |
| NON-CURRENT LIABILITIES                 |                            |                           |                                   |                  |
| Advances from non-controlling           |                            |                           |                                   |                  |
| shareholders – due after one year . .   | 677                        | 3,916                     | –                                 | 4,593            |
| Loan from a fellow subsidiary . . . . . | –                          | 6,364                     | –                                 | 6,364            |
| Bank borrowings – due after one         |                            |                           |                                   |                  |
| year . . . . .                          | 1,172,071                  | 56,877                    | –                                 | 1,228,948        |
| Deferred connection charges . . . . .   | 264                        | –                         | –                                 | 264              |
| Derivative liabilities . . . . .        | 2,474                      | –                         | –                                 | 2,474            |
| Deferred tax liabilities. . . . .       | 28,736                     | 7,368                     | –                                 | 36,104           |
|   | <u>1,204,222</u>           | <u>74,525</u>             | <u>–</u>                          | <u>1,278,747</u> |
| NET ASSETS . . . . .                    | <u>418,333</u>             | <u>423,322</u>            | <u>–</u>                          | <u>841,655</u>   |

As at 31 December 2013

|  | <u>Remaining<br/>Group</u> | <u>Disposal<br/>Group</u> | <u>Intergroup<br/>Elimination</u> | <u>The Group</u> |
|--|----------------------------|---------------------------|-----------------------------------|------------------|
|  | US\$'000                   | US\$'000                  | US\$'000                          | US\$'000         |
| <b>NON-CURRENT ASSETS</b>                                  |                            |                           |                                   |                  |
| Property, plant and equipment . . . . .                    | 1,445,277                  | 235,686                   | –                                 | 1,680,963        |
| Prepaid lease payments . . . . .                           | 16,641                     | 2,325                     | –                                 | 18,966           |
| Goodwill . . . . .   | 844                        | –                         | –                                 | 844              |
| Interests in a joint venture . . . . .                     | –                          | 455,077                   | –                                 | 455,077          |
| Interests in associates . . . . .                          | 174,629                    | 94,730                    | –                                 | 269,359          |
| Amounts due from non-controlling<br>shareholders . . . . . | 963                        | 1,942                     | –                                 | 2,905            |
| Deferred tax assets . . . . .                              | 1,495                      | –                         | –                                 | 1,495            |
| Other assets . . . . .                                     | 24,819                     | 1,722                     | –                                 | 26,541           |
|  | <u>1,664,668</u>           | <u>791,482</u>            | <u>–</u>                          | <u>2,456,150</u> |
| <b>CURRENT ASSETS</b>                                      |                            |                           |                                   |                  |
| Inventories . . . . .                                      | 28,065                     | 522                       | –                                 | 28,587           |
| Prepaid lease payments . . . . .                           | 2,023                      | 79                        | –                                 | 2,102            |
| Trade receivables . . . . .                                | 97,215                     | 3,026                     | –                                 | 100,241          |
| Other receivables and prepayments. . .                     | 15,884                     | 1,549                     | –                                 | 17,433           |
| Amount due from a non-controlling<br>shareholder . . . . . | 1,573                      | –                         | –                                 | 1,573            |
| Amounts due from associates. . . . .                       | 32,465                     | 440                       | –                                 | 32,905           |
| Amounts due from fellow<br>subsidiaries. . . . .           | 86                         | –                         | –                                 | 86               |
| Amounts due from Remaining Group .                         | –                          | 3,356                     | (3,356)                           | –                |
| Amounts due from Disposal Group . .                        | 253,119                    | –                         | (253,119)                         | –                |
| Tax recoverable . . . . .                                  | 169                        | –                         | –                                 | 169              |
| Pledged bank deposits and restricted<br>cash . . . . .     | 109,635                    | –                         | –                                 | 109,635          |
| Bank balances and cash. . . . .                            | 167,629                    | 41,079                    | –                                 | 208,708          |
|  | <u>707,863</u>             | <u>50,051</u>             | <u>(256,475)</u>                  | <u>501,439</u>   |

|  | <u>Remaining<br/>Group</u> | <u>Disposal<br/>Group</u> | <u>Intergroup<br/>Elimination</u> | <u>The Group</u>      |
|--|----------------------------|---------------------------|-----------------------------------|-----------------------|
|  | US\$'000                   | US\$'000                  | US\$'000                          | US\$'000              |
| <b>CURRENT LIABILITIES</b>   |                            |                           |                                   |                       |
| Trade payables . . . . .   | 104,661                    | 2,676                     | –                                 | 107,337               |
| Other payables and accruals . . . . .                                  | 51,297                     | 14,370                    | –                                 | 65,667                |
| Amount due to a fellow subsidiary . . .                                | –                          | 1,695                     | –                                 | 1,695                 |
| Amounts due to non-controlling<br>shareholders . . . . .               | 5,319                      | 20,760                    | –                                 | 26,079                |
| Advances from non-controlling<br>shareholders – due within one year .  | 7,560                      | –                         | –                                 | 7,560                 |
| Amounts due to Disposal Group . . . .                                  | 3,356                      | –                         | (3,356)                           | –                     |
| Amounts due to Remaining Group . . .                                   | –                          | 253,119                   | (253,119)                         | –                     |
| Bank borrowings – due within one<br>year . . . . .                     | 22,973                     | 5,905                     | –                                 | 28,878                |
| Bond payables – due within one year .                                  | 4,834                      | –                         | –                                 | 4,834                 |
| Deferred connection charges . . . . .                                  | 145                        | –                         | –                                 | 145                   |
| Tax payable . . . . .  | 8,911                      | 217                       | –                                 | 9,128                 |
| Derivative liabilities . . . . .                                       | 2,606                      | –                         | –                                 | 2,606                 |
|  | <u>211,662</u>             | <u>298,742</u>            | <u>(256,475)</u>                  | <u>253,929</u>        |
| <b>NET CURRENT ASSETS<br/>(LIABILITIES) . . . . .</b>                  |                            |                           |                                   |                       |
|  | <u>496,201</u>             | <u>(248,691)</u>          | <u>–</u>                          | <u>247,510</u>        |
| <b>TOTAL ASSETS LESS CURRENT<br/>LIABILITIES . . . . .</b>             |                            |                           |                                   |                       |
|  | <u>2,160,869</u>           | <u>542,791</u>            | <u>–</u>                          | <u>2,703,660</u>      |
| <b>NON-CURRENT LIABILITIES</b>   |                            |                           |                                   |                       |
| Advances from non-controlling<br>shareholders – due after one year . . | 745                        | 4,037                     | –                                 | 4,782                 |
| Loan from a fellow subsidiary . . . . .                                | –                          | 6,561                     | –                                 | 6,561                 |
| Loan from an intermediate holding<br>company . . . . .                 | 242,300                    | –                         | –                                 | 242,300               |
| Bank borrowings – due after one<br>year . . . . .                      | 1,035,919                  | 74,809                    | –                                 | 1,110,728             |
| Bond payables – due after one year . .                                 | 348,632                    | –                         | –                                 | 348,632               |
| Deferred connection charges . . . . .                                  | 179                        | –                         | –                                 | 179                   |
| Deferred tax liabilities . . . . .                                     | 39,330                     | 13,290                    | –                                 | 52,620                |
|  | <u>1,667,105</u>           | <u>98,697</u>             | <u>–</u>                          | <u>1,765,802</u>      |
| <b>NET ASSETS . . . . .</b>  | <u><u>493,764</u></u>      | <u><u>444,094</u></u>     | <u><u>–</u></u>                   | <u><u>937,858</u></u> |

As at 30 April 2014

|   | <u>Remaining<br/>Group</u> | <u>Disposal<br/>Group</u> | <u>Intergroup<br/>Elimination</u> | <u>The Group</u> |
|---|----------------------------|---------------------------|-----------------------------------|------------------|
|   | US\$'000                   | US\$'000                  | US\$'000                          | US\$'000         |
| <b>NON-CURRENT ASSETS</b>   |                            |                           |                                   |                  |
| Property, plant and equipment . . . . .                               | 1,551,434                  | 233,874                   | –                                 | 1,785,308        |
| Prepaid lease payments . . . . .                                      | 15,937                     | 2,239                     | –                                 | 18,176           |
| Goodwill . . . . .  | 844                        | –                         | –                                 | 844              |
| Interests in a joint venture . . . . .                                | –                          | 462,429                   | –                                 | 462,429          |
| Interests in associates . . . . .                                     | 179,030                    | 95,391                    | –                                 | 274,421          |
| Amounts due from non-controlling<br>shareholders . . . . .            | 942                        | 2,062                     | –                                 | 3,004            |
| Deferred tax assets . . . . .   | 1,599                      | –                         | –                                 | 1,599            |
| Other assets . . . . .  | 27,360                     | 8,201                     | –                                 | 35,561           |
|   | <u>1,777,146</u>           | <u>804,196</u>            | <u>–</u>                          | <u>2,581,342</u> |
| <b>CURRENT ASSETS</b>   |                            |                           |                                   |                  |
| Inventories . . . . .   | 28,948                     | 582                       | –                                 | 29,530           |
| Prepaid lease payments . . . . .                                      | 2,003                      | 80                        | –                                 | 2,083            |
| Trade receivables . . . . .   | 144,125                    | 2,365                     | –                                 | 146,490          |
| Other receivables and prepayments. . .                                | 17,556                     | 3,114                     | –                                 | 20,670           |
| Amounts due from associates. . . . .                                  | 32,281                     | 440                       | –                                 | 32,721           |
| Amounts due from fellow<br>subsidiaries. . . . .                      | 13,724                     | –                         | –                                 | 13,724           |
| Amounts due from Remaining Group .                                    | –                          | 76                        | (76)                              | –                |
| Amounts due from Disposal Group . .                                   | 246,042                    | –                         | (246,042)                         | –                |
| Tax recoverable . . . . .   | 59                         | 165                       | –                                 | 224              |
| Pledged bank deposits and restricted<br>cash . . . . .                | 100,812                    | –                         | –                                 | 100,812          |
| Bank balances and cash. . . . .                                       | 103,939                    | 30,220                    | –                                 | 134,159          |
|   | <u>689,489</u>             | <u>37,042</u>             | <u>(246,118)</u>                  | <u>480,413</u>   |
| <b>CURRENT LIABILITIES</b>  |                            |                           |                                   |                  |
| Trade payables . . . . .  | 139,811                    | 746                       | –                                 | 140,557          |
| Other payables and accruals. . . . .                                  | 96,443                     | 14,241                    | –                                 | 110,684          |
| Amount due to a fellow subsidiary. . .                                | 1,441                      | 58                        | –                                 | 1,499            |
| Amounts due to non-controlling<br>shareholders . . . . .              | 7,600                      | 16,715                    | –                                 | 24,315           |
| Advances from non-controlling<br>shareholders – due within one year . | 7,400                      | –                         | –                                 | 7,400            |
| Amounts due to Disposal Group. . . .                                  | 76                         | –                         | (76)                              | –                |
| Amounts due to Remaining Group . . .                                  | –                          | 246,042                   | (246,042)                         | –                |
| Bank borrowings – due within one<br>year . . . . .                    | 26,305                     | 1,766                     | –                                 | 28,071           |
| Bond payables – due within one year .                                 | 2,384                      | –                         | –                                 | 2,384            |
| Deferred connection charges . . . . .                                 | 171                        | –                         | –                                 | 171              |
| Tax payable . . . . .   | 7,442                      | –                         | –                                 | 7,442            |
| Derivative liabilities . . . . .                                      | 1,342                      | –                         | –                                 | 1,342            |
|   | <u>290,415</u>             | <u>279,568</u>            | <u>(246,118)</u>                  | <u>323,865</u>   |

|   | <u>Remaining<br/>Group</u> | <u>Disposal<br/>Group</u> | <u>Intergroup<br/>Elimination</u> | <u>The Group</u> |
|---|----------------------------|---------------------------|-----------------------------------|------------------|
|   | US\$'000                   | US\$'000                  | US\$'000                          | US\$'000         |
| NET CURRENT ASSETS                      |                            |                           |                                   |                  |
| (LIABILITIES) . . . . .                 | 399,074                    | (242,526)                 | –                                 | 156,548          |
| TOTAL ASSETS LESS CURRENT               |                            |                           |                                   |                  |
| LIABILITIES . . . . .                   | 2,176,220                  | 561,670                   | –                                 | 2,737,890        |
| NON-CURRENT LIABILITIES                 |                            |                           |                                   |                  |
| Advances from non-controlling           |                            |                           |                                   |                  |
| shareholders – due after one year . .   | 729                        | 3,797                     | –                                 | 4,526            |
| Loan from a fellow subsidiary . . . . . | –                          | 6,421                     | –                                 | 6,421            |
| Loan from an intermediate holding       |                            |                           |                                   |                  |
| company . . . . .                       | 242,300                    | –                         | –                                 | 242,300          |
| Bank borrowings – due after one         |                            |                           |                                   |                  |
| year . . . . .                          | 1,039,288                  | 90,542                    | –                                 | 1,129,830        |
| Bond payables – due after one year . .  | 348,756                    | –                         | –                                 | 348,756          |
| Deferred connection charges . . . . .   | 292                        | –                         | –                                 | 292              |
| Deferred tax liabilities. . . . .       | 40,335                     | 14,858                    | –                                 | 55,193           |
|   | <u>1,671,700</u>           | <u>115,618</u>            | <u>–</u>                          | <u>1,787,318</u> |
| NET ASSETS . . . . .                    | <u>504,520</u>             | <u>446,052</u>            | <u>–</u>                          | <u>950,572</u>   |

*Cash flows***For the year ended 31 December 2011**

|   | <u>Remaining<br/>Group</u> | <u>Disposal<br/>Group</u> | <u>Intergroup<br/>Elimination</u> | <u>The Group</u> |
|---|----------------------------|---------------------------|-----------------------------------|------------------|
|   | US\$'000                   | US\$'000                  | US\$'000                          | US\$'000         |
| NET CASH FROM OPERATING<br>ACTIVITIES . . . . .   | 85,432                     | 3,615                     | (570)                             | 88,477           |
| NET CASH USED IN INVESTING<br>ACTIVITIES . . . . .  | (140,099)                  | (13,173)                  | 25,087                            | (128,185)        |
| NET CASH FROM FINANCING<br>ACTIVITIES . . . . .   | 78,807                     | 24,288                    | (24,517)                          | 78,578           |
| NET INCREASE IN CASH AND<br>CASH EQUIVALENTS . . . . .  | 24,140                     | 14,730                    | –                                 | 38,870           |
| CASH AND CASH EQUIVALENTS<br>AT BEGINNING OF YEAR . . . . .                                   | 87,776                     | 1,263                     | –                                 | 89,039           |
| EFFECT OF FOREIGN EXCHANGE<br>RATE CHANGES . . . . .  | 897                        | 310                       | –                                 | 1,207            |
| CASH AND CASH EQUIVALENTS<br>AT END OF YEAR, representing<br>bank balances and cash . . . . . | <u>112,813</u>             | <u>16,303</u>             | <u>–</u>                          | <u>129,116</u>   |

**For the year ended 31 December 2012**

|   | <u>Remaining<br/>Group</u> | <u>Disposal<br/>Group</u> | <u>Intergroup<br/>Elimination</u> | <u>The Group</u> |
|---|----------------------------|---------------------------|-----------------------------------|------------------|
|   | US\$'000                   | US\$'000                  | US\$'000                          | US\$'000         |
| NET CASH FROM (USED IN)<br>OPERATING ACTIVITIES . . . . .                                     | 145,385                    | (522)                     | 1,250                             | 146,113          |
| NET CASH USED IN INVESTING<br>ACTIVITIES . . . . .  | (572,380)                  | (38,796)                  | 6,899                             | (604,277)        |
| NET CASH FROM FINANCING<br>ACTIVITIES . . . . .   | 397,221                    | 44,056                    | (8,149)                           | 433,128          |
| NET (DECREASE) INCREASE IN<br>CASH AND CASH<br>EQUIVALENTS . . . . .                          | (29,774)                   | 4,738                     | –                                 | (25,036)         |
| CASH AND CASH EQUIVALENTS<br>AT BEGINNING OF YEAR . . . . .                                   | 112,813                    | 16,303                    | –                                 | 129,116          |
| EFFECT OF FOREIGN EXCHANGE<br>RATE CHANGES . . . . .  | 630                        | 41                        | –                                 | 671              |
| CASH AND CASH EQUIVALENTS<br>AT END OF YEAR, representing<br>bank balances and cash . . . . . | <u>83,669</u>              | <u>21,082</u>             | <u>–</u>                          | <u>104,751</u>   |

## For the year ended 31 December 2013

|   | <u>Remaining<br/>Group</u> | <u>Disposal<br/>Group</u> | <u>Intergroup<br/>Elimination</u> | <u>The Group</u> |
|---|----------------------------|---------------------------|-----------------------------------|------------------|
|   | US\$'000                   | US\$'000                  | US\$'000                          | US\$'000         |
| NET CASH FROM OPERATING<br>ACTIVITIES . . . . .   | 184,853                    | 4,222                     | –                                 | 189,075          |
| NET CASH USED IN INVESTING<br>ACTIVITIES . . . . .  | (286,060)                  | (36,067)                  | 36,979                            | (285,148)        |
| NET CASH FROM FINANCING<br>ACTIVITIES . . . . .   | 182,450                    | 51,132                    | (36,979)                          | 196,603          |
| NET INCREASE IN CASH AND<br>CASH EQUIVALENTS . . . . .  | 81,243                     | 19,287                    | –                                 | 100,530          |
| CASH AND CASH EQUIVALENTS<br>AT BEGINNING OF YEAR . . . . .                                   | 83,669                     | 21,082                    | –                                 | 104,751          |
| EFFECT OF FOREIGN EXCHANGE<br>RATE CHANGES . . . . .  | 2,717                      | 710                       | –                                 | 3,427            |
| CASH AND CASH EQUIVALENTS<br>AT END OF YEAR, representing<br>bank balances and cash . . . . . | <u>167,629</u>             | <u>41,079</u>             | <u>–</u>                          | <u>208,708</u>   |

## For the four months ended 30 April 2013 (unaudited)

|   | <u>Remaining<br/>Group</u> | <u>Disposal<br/>Group</u> | <u>Intergroup<br/>Elimination</u> | <u>The Group</u> |
|---|----------------------------|---------------------------|-----------------------------------|------------------|
|   | US\$'000                   | US\$'000                  | US\$'000                          | US\$'000         |
| NET CASH FROM (USED IN)<br>OPERATING ACTIVITIES . . . . .                                       | 40,830                     | (1,451)                   | –                                 | 39,379           |
| NET CASH USED IN INVESTING<br>ACTIVITIES . . . . .  | (106,286)                  | (2,925)                   | –                                 | (109,211)        |
| NET CASH FROM FINANCING<br>ACTIVITIES . . . . .   | 71,235                     | 419                       | –                                 | 71,654           |
| NET INCREASE (DECREASE) IN<br>CASH AND CASH<br>EQUIVALENTS . . . . .                            | 5,779                      | (3,957)                   | –                                 | 1,822            |
| CASH AND CASH EQUIVALENTS<br>AT BEGINNING OF PERIOD . . . . .                                   | 83,669                     | 21,082                    | –                                 | 104,751          |
| EFFECT OF FOREIGN EXCHANGE<br>RATE CHANGES . . . . .  | 4,255                      | 215                       | –                                 | 4,470            |
| CASH AND CASH EQUIVALENTS<br>AT END OF PERIOD, representing<br>bank balances and cash . . . . . | <u>93,703</u>              | <u>17,340</u>             | <u>–</u>                          | <u>111,043</u>   |



## For the four months ended 30 April 2014

|                                  | <u>Remaining<br/>Group</u> | <u>Disposal<br/>Group</u> | <u>Intergroup<br/>Elimination</u> | <u>The Group</u> |
|----------------------------------|----------------------------|---------------------------|-----------------------------------|------------------|
|                                  | US\$'000                   | US\$'000                  | US\$'000                          | US\$'000         |
| NET CASH FROM (USED IN)          |                            |                           |                                   |                  |
| OPERATING ACTIVITIES . . . . .   | 51,424                     | (2,260)                   | –                                 | 49,164           |
| NET CASH USED IN INVESTING       |                            |                           |                                   |                  |
| ACTIVITIES . . . . .             | (81,021)                   | (13,557)                  | (6,134)                           | (100,712)        |
| NET CASH (USED IN) FROM          |                            |                           |                                   |                  |
| FINANCING ACTIVITIES . . . . .   | (32,692)                   | 5,567                     | 6,134                             | (20,991)         |
| NET DECREASE IN CASH AND         |                            |                           |                                   |                  |
| CASH EQUIVALENTS . . . . .       | (62,289)                   | (10,250)                  | –                                 | (72,539)         |
| CASH AND CASH EQUIVALENTS        |                            |                           |                                   |                  |
| AT BEGINNING OF PERIOD . . . .   | 167,629                    | 41,079                    | –                                 | 208,708          |
| EFFECT OF FOREIGN EXCHANGE       |                            |                           |                                   |                  |
| RATE CHANGES . . . . .           | (1,401)                    | (609)                     | –                                 | (2,010)          |
| CASH AND CASH EQUIVALENTS        |                            |                           |                                   |                  |
| AT END OF PERIOD, representing   |                            |                           |                                   |                  |
| bank balances and cash . . . . . | <u>103,939</u>             | <u>30,220</u>             | <u>–</u>                          | <u>134,159</u>   |

**(b) Share capital of the Company**

Pursuant to the written resolutions passed by the existing shareholder of the Company on 15 September 2014, the following resolutions, among other resolutions, were duly passed:

- (a) the authorised share capital of the Company be increased by HK\$25,000,000 by the creation of 250,000,000,000 ordinary shares of a par value of HK\$0.0001 each (the “Increase”);
- (b) following the Increase, 3,101,800,000 ordinary shares of HK\$0.0001 each be allotted and issued to CGNPC Huamei (the “Issue”), nil-paid at a price of HK\$0.0001 each, being an aggregate subscription price of HK\$310,180 (the “Subscription Price”);
- (c) following the Issue, 100,000 ordinary shares of US\$0.4 each (the “Existing Shares”) in the share capital of the Company in issue immediately prior to the Increase be repurchased by the Company (the “Repurchase”) at US\$0.4 each, being an aggregate repurchase price of US\$40,000 (the “Repurchase Price”) and the Existing Shares be cancelled;
- (d) the Subscription Price be set-off against the Repurchase Price and the 3,101,800,000 nil-paid shares of a par value of HK\$0.0001 each be credited as fully paid; and
- (e) following the Repurchase, the authorised but unissued share capital of the Company be diminished by the cancellation of all the 125,000 unissued ordinary shares of US\$0.4 each in the capital of the Company.

**C. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 April 2014.

**D. DIRECTORS' REMUNERATION**

Save as disclosed herein, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Track Record Period. Under the arrangements presently in force, the estimated aggregate remunerations, excluding any discretionary bonus, if any, of the Company's directors for the year ending 31 December 2014 is approximately US\$345,000.

Yours faithfully  
**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report on the financial information of the Group for the three years ended 31 December 2013 and the four months ended 30 April 2014 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I of this prospectus (the "Accountants' Report"), and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I of this prospectus.

### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if the Global Offering had taken place on 30 April 2014 and based on the audited consolidated net tangible assets of the Group attributable to owner of the Company as at 30 April 2014 as shown in the Accountants' Report set out in Appendix I of this prospectus and adjusted as described below.

|  | Audited<br>consolidated net<br>tangible assets of<br>the Group<br>attributable to<br>owner<br>of the Company<br>as at 30 April<br>2014 | Estimated net<br>proceeds from the<br>Global Offering | Unaudited pro<br>forma adjusted<br>consolidated net<br>tangible assets of<br>the Group<br>attributable to<br>owners of the<br>Company | Unaudited pro forma adjusted<br>consolidated net tangible assets<br>of the Group attributable to owners of<br>the Company per Share |                                  |
|--|--|---|---|---|----------------------------------|
|  | US\$'000<br>(Note 1)   | US\$'000<br>(Note 2)                                  | US\$'000  | US\$<br>(Note 3)  | (Equivalent to HK\$)<br>(Note 4) |
| Based on an Offer Price of<br>HK\$1.57 per Share . . . . . | 791,530  | 195,511   | 987,041   | 0.2387  | 1.85                             |
| Based on an Offer Price of<br>HK\$1.73 per Share . . . . . | 791,530  | 216,152   | 1,007,682   | 0.2437  | 1.89                             |

*Notes:*

- (1) The amount is calculated based on audited consolidated net assets of the Group attributable to owner of the Company as at 30 April 2014 amounting to US\$793,965,000, extracted from the Accountants' Report of the Group set out in Appendix I of this prospectus and adjusted for goodwill of a subsidiary and an associate of approximately US\$844,000 and US\$1,591,000, respectively.
- (2) The estimated net proceeds from the Global Offering are based on 1,033,934,000 Shares at the Offer Price of HK\$1.57 and HK\$1.73 per Share, respectively, after deduction of the estimated underwriting fees and other related expenses expected to be incurred by the Group subsequent to 30 April 2014 and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option, or any Shares which may be issued or repurchased pursuant to the Company's general mandate. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into United States dollars at an exchange rate of HK\$7.75 to US\$1, which was the rate prevailing on 5 September 2014. No representation is made that Hong Kong dollars have been, could have been or may be converted to United States dollars amounts, or vice versa, at that rate or at all.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 4,135,734,000 Shares, assuming 1,033,934,000 Shares expected to be issued pursuant to the Global Offering and 3,101,800,000 Shares issued pursuant to the shareholder resolutions of the Company dated 15 September 2014 and repurchase of 100,000 ordinary shares of US\$0.4 each had been taken place as at 30 April 2014. It is without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, or any Shares which may be issued or repurchased pursuant to the Company's general mandate.

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted from United States dollars to Hong Kong Dollars at an exchange rate of HK\$7.75 to US\$1, which was the rate prevailing on 5 September 2014. No representation is made that United States dollars amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.
- (5) The financial information of the Group as at 30 April 2014 set out in the Accountants' Report included net tangible assets of the Disposal Group as they formed an integral part of the Group's business as at 30 April 2014. Pursuant to the Reorganisation, the equity interest in the Disposal Group has been transferred to the immediate holding company subsequent to 30 April 2014. In addition, the Group has declared a special dividend to set off against the net amounts due from Disposal Group held in the book of the Company at the date of the Disposal. Taking into account of the transfer of the Disposal Group and the special dividend declared, the unaudited pro forma adjusted consolidated net tangible assets of the Group after completion of the transfer of the Disposal Group and the special dividend attributable to owners of the Company per Share would be as follows:

|   | <b>Unaudited pro forma adjusted<br/>consolidated net tangible assets<br/>of the Group excluding the Disposal<br/>Group and after the special dividend<br/>attributable to owners of the<br/>Company per Share</b> |                      |
|---|---|----------------------|
|   | U.S.\$  | (Equivalent to HK\$) |
| Based on an Offer Price of HK\$1.57 per Share . . . . . | 0.1431  | 1.11                 |
| Based on an Offer Price of HK\$1.73 per Share . . . . . | 0.1481  | 1.15                 |

**B. ASSURANCE REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of the assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.*

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF CGN MEIYA POWER HOLDINGS CO., LTD.**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of CGN Meiya Power Holdings Co., Ltd. (the "Company", formerly known as CGN Renewable Energy Holdings Company Limited and Meiya Power Company Limited) and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 30 April 2014 as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 19 September 2014 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the global offering of shares on the Group's financial position as at 30 April 2014 as if the global offering of shares had taken place at 30 April 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the three years ended 31 December 2013 and the four months ended 30 April 2014, on which an accountants' report set out in Appendix I to the Prospectus has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the

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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 April 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
Hong Kong  
19 September 2014

The CGN Group's non-nuclear clean and renewable power generation projects in operation, under construction and in the pipeline as of April 30, 2014 are detailed below:

## WIND PROJECTS

### Wind projects in operation

The following table sets out the consolidated and attributable capacity, average tariff (inclusive of VAT), benchmark tariff (inclusive of VAT) as of April 30, 2014 and utilization hours for the year ended December 31, 2013 and four months ended April 30, 2014 for CGN Group's wind projects in operation by province:

| Province              | Consolidated<br>Installed<br>Capacity | Attributable<br>Installed<br>Capacity | Average<br>tariff <sup>(1)</sup> | Benchmark tariff        | Utilization<br>hours for the<br>year ended<br>December<br>31, 2013 <sup>(2)</sup> | Utilization<br>hours for the<br>four months<br>ended April<br>30, 2014 <sup>(2)</sup> |
|-----------------------|---------------------------------------|---------------------------------------|----------------------------------|-------------------------|---|---|
|                       | (MW)                                  | (MW)                                  | (RMB/kWh,<br>incl, VAT)          | (RMB/kWh, incl,<br>VAT) | (hours)   | (hours)   |
| Yunnan . . . . .      | 196.5                                 | 196.5                                 | 0.610                            | 0.610                   | 2,345   | 1,260   |
| Inner Mongolia. . .   | 1,141.1                               | 908.2                                 | 0.486                            | 0.510                   | 2,033   | 620   |
| Jilin . . . . .       | 536.5                                 | 463.6                                 | 0.599                            | 0.580                   | 1,617   | 487   |
| Shandong. . . . .     | 353.6                                 | 282.2                                 | 0.610                            | 0.610                   | 2,159   | 776   |
| Shanxi . . . . .      | 97.5                                  | 97.5                                  | 0.610                            | 0.610                   | –   | 773   |
| Guangdong. . . . .    | 329.1                                 | 289.6                                 | 0.641                            | 0.610                   | 2,102   | 648   |
| Xinjiang. . . . .     | 552.5                                 | 552.5                                 | 0.580                            | 0.510                   | 2,481   | 1,092   |
| Hebei. . . . .        | 199.5                                 | 162.5                                 | 0.540                            | 0.540                   | 1,550   | 589   |
| Zhejiang. . . . .     | 63.0                                  | 63.0                                  | 0.610                            | 0.610                   | 1,857   | 951   |
| Hubei. . . . .        | 147.2                                 | 147.2                                 | 0.610                            | 0.610                   | –   | 824   |
| Gansu . . . . .       | 496.0                                 | 407.8                                 | 0.538                            | 0.540-0.580             | 1,724   | 527   |
| Guizhou. . . . .      | 144.0                                 | 144.0                                 | 0.610                            | 0.610                   | –   | 640   |
| Liaoning . . . . .    | 146.1                                 | 114.7                                 | 0.610                            | 0.610                   | 2,130   | 669   |
| Heilongjiang. . . . . | 446.7                                 | 392.0                                 | 0.590                            | 0.580-0.610             | 2,037   | 583   |
| Anhui . . . . .       | 49.5                                  | 48.9                                  | 0.610                            | 0.610                   | –   | –   |
| Australia . . . . .   | 19.5                                  | 19.5                                  | 0.593                            | N/A                     | 3,245   | 966   |
| Total . . . . .       | <u>4,918.3</u>                        | <u>4,289.6</u>                        |                                  |                         |   |   |

*Notes:*

- (1) Average tariff is weighted by the consolidated installed capacity of each project as of April 30, 2014.
- (2) Utilization hours only include projects that have been operational for the entire year ended December 31, 2013 and for the entire four months ended April 30, 2014.
- (3) Information provided by CGN.



**Wind projects under construction**

The following table sets out the consolidated and attributable capacity as of April 30, 2014 for CGN Group's wind projects under construction by province:

| Province            | Consolidated<br>Installed<br>Capacity<br>(MW) | Attributable<br>Installed<br>Capacity<br>(MW) |
|---------------------|---|---|
| Ningxia . . . . .   | 49.5  | 49.5  |
| Anhui . . . . .     | 49.5  | 24.3  |
| Shandong . . . . .  | 198.5   | 180.1   |
| Shanxi . . . . .    | 141.0   | 141.0   |
| Guangdong . . . . . | 68.0  | 68.0  |
| Jiangxi . . . . .   | 46.2  | 46.2  |
| Zhejiang . . . . .  | 12.0  | 12.0  |
| Hubei . . . . .     | 48.0  | 48.0  |
| Gansu . . . . .     | 647.0   | 647.0   |
| Guizhou . . . . .   | 218.0   | 218.0   |
| Liaoning . . . . .  | 48.0  | 48.0  |
| Total . . . . .     | <u>1,525.7</u>                                | <u>1,482.1</u>                                |

*Note:*

(1) Information provided by CGN.

**Wind project pipeline**

The following table sets out the consolidated and attributable capacity as of April 30, 2014 for CGN Group's wind project pipeline by province:

| Province                 | Consolidated<br>Installed<br>Capacity<br>(MW) | Attributable<br>Installed Capacity<br>(MW) |
|--------------------------|---|--|
| Yunnan . . . . .         | 88.5  | 88.5                                       |
| Anhui . . . . .          | 49.5  | 49.5                                       |
| Shandong . . . . .       | 300.0   | 300.0                                      |
| Guangdong . . . . .      | 29.8  | 29.8                                       |
| Guangxi . . . . .        | 148.5   | 148.5                                      |
| Xinjiang . . . . .       | 139.5   | 139.5                                      |
| Jiangsu . . . . .        | 398.0   | 299.8                                      |
| Hebei . . . . .          | 200.0   | 168.5                                      |
| Zhejiang . . . . .       | 48.0  | 48.0                                       |
| Hubei . . . . .          | 167.5   | 167.5                                      |
| Guizhou . . . . .        | 49.5  | 49.5                                       |
| Liaoning . . . . .       | 48.0  | 48.0                                       |
| Heilongjiang . . . . .   | 148.5   | 148.5                                      |
| Inner Mongolia . . . . . | 200.0   | 200.0                                      |
| Jilin . . . . .          | 198.0   | 182.4                                      |
| Total . . . . .          | 2,213.3                                       | 2,068.0                                    |

*Note:*

(1) Information provided by CGN.

## PHOTOVOLTAIC SOLAR PROJECTS

## Photovoltaic solar projects in operation

The following table sets out the consolidated and attributable capacity, average tariff (inclusive of VAT), benchmark tariff (inclusive of VAT) as of April 30, 2014 and utilization hours for the year ended December 31, 2013 and four months ended April 30, 2014 for CGN Group's photovoltaic solar projects in operation by province:

| Province            | Consolidated<br>Installed<br>Capacity | Attributable<br>Installed<br>Capacity | Average<br>tariff <sup>(1)</sup> | Benchmark tariff        | Utilization<br>hours for the<br>year ended<br>December 31,<br>2013 <sup>(2)</sup> | Utilization<br>hours for the<br>four months<br>ended April<br>30, 2014 <sup>(2)</sup> |
|---------------------|---------------------------------------|---------------------------------------|----------------------------------|-------------------------|---|---|
|                     | (MW)                                  | (MW)                                  | (RMB/kWh,<br>incl, VAT)          | (RMB/kWh, incl,<br>VAT) | (hours)   | (hours)   |
| Ningxia . . . . .   | 30.0                                  | 30.0                                  | 1.050                            | 0.900                   | 1,446   | 305   |
| Shandong . . . . .  | 30.0                                  | 25.5                                  | 1.100                            | 1.000                   | –   | –   |
| Guangdong . . . . . | 10.0                                  | 10.0                                  | 0.670                            | N/A <sup>(3)</sup>      | –   | 274   |
| Xinjiang . . . . .  | 190.0                                 | 190.0                                 | 1.071                            | 0.900-0.950             | 1,706   | 461   |
| Gansu . . . . .     | 87.0                                  | 84.1                                  | 1.025                            | 0.900                   | 1,534   | 400   |
| Tibet . . . . .     | 10.0                                  | 10.0                                  | 1.150                            | 1.150                   | 1,598   | 601   |
| Qinghai . . . . .   | 160.0                                 | 157.0                                 | 1.094                            | 0.900-0.950             | 1,446   | 524   |
| Total . . . . .     | <u>517.0</u>                          | <u>506.6</u>                          |                                  |                         |   |   |

## Notes:

- (1) Average tariff is weighted by the consolidated installed capacity of each project as of April 30, 2014.
- (2) Utilization hours only include projects that have been operational for the entire year ended December 31, 2013 and for the entire four months ended April 30, 2014.
- (3) The project in Guangdong is a distributed photovoltaic solar project, and is not meaningful to compare against the benchmark tariff for ground mounted photovoltaic solar projects.
- (4) Information provided by CGN.

**Photovoltaic solar projects under construction**

The following table sets out the consolidated and attributable capacity as of and for the four months ended April 30, 2014 for CGN Group's photovoltaic solar projects under construction by province:

| Province            | Consolidated<br>Installed<br>Capacity | Attributable<br>Installed<br>Capacity |
|---------------------|---------------------------------------|---------------------------------------|
|                     | (MW)                                  | (MW)                                  |
| Singapore . . . . . | 10.0                                  | 10.0                                  |
| Zhejiang . . . . .  | 21.0                                  | 21.0                                  |
| Tibet . . . . .     | 20.0                                  | 20.0                                  |
| Ningxia . . . . .   | 20.0                                  | 20.0                                  |
| Qinghai . . . . .   | 11.0                                  | 11.0                                  |
| Total . . . . .     | 82.0                                  | 82.0                                  |

*Note:*

- (1) Information provided by CGN.

**Photovoltaic solar project pipeline**

The following table sets out the consolidated and attributable installed capacity as of April 30, 2014 for CGN Group's photovoltaic solar project pipeline by province:

| Province         | Consolidated<br>Installed<br>Capacity<br>(MW) | Attributable<br>Installed<br>Capacity<br>(MW) |
|------------------|---|---|
| Jiangsu. . . . . | 98.8  | 98.8  |
| Hubei. . . . .   | 40.0  | 40.0  |
| Total . . . . .  | 138.8   | 138.8   |

*Note:*

- (1) Information provided by CGN.

## HYDRO PROJECTS

## Hydro projects in operation

The following table sets out the consolidated and attributable capacity, average tariff (inclusive of VAT), benchmark tariff (inclusive of VAT) as of April 30, 2014 and utilization hours for the year ended December 31, 2013 and four months ended April 30, 2014 for CGN Group's hydro projects in operation by province:

| Province          | Consolidated<br>Installed<br>Capacity | Attributable<br>Installed<br>Capacity | Average<br>tariff <sup>(1)</sup> | Benchmark<br>tariff     | Utilization<br>hours for the<br>year ended<br>December<br>31, 2013 <sup>(2)</sup> | Utilization<br>hours for the<br>four months<br>ended April<br>30, 2014 <sup>(2)</sup> |
|-------------------|---------------------------------------|---------------------------------------|----------------------------------|-------------------------|---|---|
|                   | (MW)                                  | (MW)                                  | (RMB/kWh,<br>incl, VAT)          | (RMB/kWh,<br>incl, VAT) | (hours)   | (hours)   |
| Yunnan . . . . .  | 204.3                                 | 191.7                                 | 0.331                            | N/A <sup>(3)</sup>      | 2,520   | 336   |
| Sichuan . . . . . | 697.5                                 | 457.5                                 | 0.373                            | 0.288 <sup>(3)</sup>    | 4,453   | 773   |
| Guangxi . . . . . | 398.0                                 | 372.3                                 | 0.281                            | N/A <sup>(3)</sup>      | 3,859   | 985   |
| Total . . . . .   | <u>1,299.8</u>                        | <u>1,021.6</u>                        |                                  |                         |   |   |

*Note:*

- (1) Calculated based on the weighted average tariffs of each project during the four months ended April 30, 2014, given base tariffs are adjusted higher during the dry seasons of the year in certain provinces such as Yunnan and Sichuan and adjusted during peak, normal and trough periods of the day in provinces such as Sichuan, and is weighted by the consolidated installed capacity of each project as of April 30, 2014.
- (2) Utilization hours only include projects that have been operational for the entire year ended December 31, 2013 and for the entire four months ended April 30, 2014.
- (3) Benchmark tariffs for hydro projects are not applied in Yunnan and Guangxi provinces. Benchmark tariff for Sichuan province represents the base tariff, actual tariff is adjusted on the base tariff depending on wet, normal and dry seasons of the year, as well as on peak, normal and trough periods of the day.
- (4) Information provided by CGN.

**Hydro projects under construction**

The following table sets out the consolidated and attributable capacity as of April 30, 2014 for CGN Group's hydro projects under construction by province:

| Province     | Consolidated<br>Installed<br>Capacity<br>(MW) | Attributable<br>Installed<br>Capacity<br>(MW) |
|--------------|---|---|
| Yunnan ..... | 212.9   | 128.1   |
| Total .....  | 212.9   | 128.1   |

*Note:*

(1) Information provided by CGN.



**Hydro project pipeline**

The following table sets out the consolidated and attributable capacity as of April 30, 2014 for CGN Group's hydro project pipeline by province:

| Province      | Consolidated<br>Installed<br>Capacity<br>(MW) | Attributable<br>Installed<br>Capacity<br>(MW) |
|---------------|---|---|
| Sichuan ..... | 132.0   | 132.0   |
| Shaanxi ..... | 180.0   | 180.0   |
| Yunnan .....  | 88.0  | 59.4  |
| Total .....   | 400.0   | 371.4   |

*Note:*

- (1) Information provided by CGN.

**LEGAL NOTICE**

The opinions expressed in this Report as of August 28, 2014 have been based on the information supplied to Black & Veatch by CGN Meiya Power Holdings Co., Ltd. (the “**Company**”), the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of such supplied information. The opinions in this Report are provided in response to a specific request from the Company to do so. Black & Veatch has exercised all due care in reviewing the supplied information. Black & Veatch does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Black & Veatch accepts no responsibility or liability for this Report to any party other than the Company.

Opinions presented in this Report apply to the Company’s power plants and features as they existed at the time of Black & Veatch’s investigations, and those reasonably foreseeable. These opinions do not apply to conditions and features that may arise after the date of this Report, unless such conditions and features were reasonably foreseeable based upon the information supplied to Black & Veatch by the Company, and the accuracy thereof.

This Report has been prepared for the proposed listing of shares of the Company on The Stock Exchange of Hong Kong and should not be relied upon or used for any other project without an independent check being carried out as to its suitability and prior written authority of Black & Veatch being obtained. Black & Veatch accepts no responsibility or liability for the consequence of this Report being used for a purpose other than the purposes for which it was commissioned. Any person using or relying on the document for such other purpose agrees, and will by such use or reliance be taken to confirm his agreement to indemnify Black & Veatch for all loss or damage resulting therefrom.

**LIMITATIONS OF THE REPORT**

This Report has been prepared by Black & Veatch for the Company in connection with the proposed listing of the Company’s shares on the Stock Exchange of Hong Kong Limited. Limitations on the use or reliance of the Report are:

- The opinions expressed in this Report have been based on the information supplied to Black & Veatch by the Company, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of such supplied information.
- Black & Veatch has only visited four out of the eight assets included in this Report as detailed in the following sections, and has only conducted desktop review of the other four plants not visited.
- For the plants visited, Black & Veatch was only able to have general plant tours to view the external conditions and did not see any internal conditions of the equipment.
- No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this Report, and nothing contained herein is, or should be relied upon as, a promise or representation, whether as to the past or the future.
- Throughout the Report, Black & Veatch has stated the assumptions made in developing the opinions expressed herein and following is a summary of major assumptions made:

- o the Company will operate and maintain all the projects in accordance with generally accepted industry practices, and will generally operate the projects in sound and businesslike manner.
- o All licenses, permits, approvals, and permit modifications (if necessary) will be obtained and/or renewed on a timely basis.
- o All contracts, agreements, rules, and regulations will be fully enforceable in accordance with their terms and that all parties will comply with the provisions of the respective agreements.

## 1.0 EXECUTIVE SUMMARY

This Technical Summary has been prepared by Black & Veatch Hong Kong Limited (Black & Veatch), an independent consultant appointed by the Company, in connection with the proposed listing of the Company's shares on the Stock Exchange of Hong Kong Limited ("Listing").

In November 2013, Black & Veatch performed the technical assessment with site visit for the following 4 key power projects, in which the Company has equity interests.

- Nantong, Jiangsu, China
- Puguang, Henan, China
- Yulchon I, Korea
- Yulchon II, Korea

The Report also includes the technical summaries for the Huangshi I, Hanneng and Mianyang of China, and Daesan of Korea, which Black & Veatch did not visit in this effort, but had visited in the past. The updated performance and operation data of these plants were obtained from the Company in support of the Report.

Black & Veatch has reviewed documents provided by the Company and has visited the projects listed in this Report, in which the Company has equity interests. The assessment team members were able to meet and interview with the project managers and key staff in charge of operation, maintenance and construction, and to view the operation and construction works. Accordingly, the following general assessment conclusions are made:

- The Company's asset portfolio consists of projects with a variety of technologies and fuels. The technology and production practices are considered to be consistent with typical practices within the power industry in China and Korea.
- Most of the assets are relatively new and all utilize mature power generation and combustion technologies, with the exception of Yulchon II which is utilizing the most advanced gas turbine technology (the newest series, J class gas turbine) which has higher firing temperatures than previous series and is at present among the most efficient gas turbines in the world. This advanced gas turbine technology is being developed by Mitsubishi Heavy Industry Co. (MHI) of Japan and Yulchon II has been in combined cycle mode operation since April 2014. With strong support from MHI on the operation and maintenance including

provision of spare parts and on site personnel through a long term service contract and testing and operation of similar MHI units in Japan, the project risk of Yulchon II has been reduced.

- All projects have secured power purchase agreements (or have obtained agreement with Korean Power Exchange for some projects in Korea) to sell power and have obtained required licenses and permits. The Nantong project, being a cogeneration project, has also steam purchase agreements in place.
- None of the projects is known to have curtailed operations due to environmental regulations.
- The overall fuel supplies of the thermal projects are considered to be well managed.
- The staffing level of each project is sufficient and the key operating and maintenance staffs at all projects appear to be experienced and knowledgeable with their work.
- All projects are considered to be well managed.

## 2.0 INTRODUCTION

### 2.1 Independence of Black & Veatch

This independent technical assessment summary was prepared on behalf of the Company. Black & Veatch was compensated with professional fees for the services. However, none of the Black & Veatch directors and staff or its subcontractors who contributed to the Report, has any interest in:

- the Company;
- the generation assets that were subject to the technical assessment; or
- the outcome of the Listing.

Before the final issuance of the Report, the Company and its advisors were provided with drafts of the Prospectus material only for the purpose of confirming the accuracy of factual materials.

### 2.2 Black & Veatch Corporation and Black & Veatch Hong Kong Limited

Black & Veatch Corporation is one of the largest consulting, engineering, and construction firms in the world with headquarters in Kansas City and offices in more than 90 cities around the world, including ten in Asia. With over 10,000 employees globally, Black & Veatch provides complete engineering, construction, financial and management consulting services for utilities, industry, government agencies, and non-governmental organizations worldwide. Black & Veatch primarily serves the energy, water, environmental, and information technology sectors. Within the energy field, we have been involved in more than 300,000 MW of power generation.

Black & Veatch's experience in Asia is very broad in terms of both scope and location. To date, Black & Veatch has completed more than 200 projects in Asia, including China and Hong Kong. Black & Veatch Hong Kong Limited is part of the Black & Veatch Group with registered office in Hong Kong and has over 200 professionals.

The project manager of the technical assessment team is Jimmy Chan who is a chartered engineer with 25 years' working experience in the power industry. Mr. Chan is a member of the Hong Kong Institution of Engineers and a member of the Institution of Mechanical Engineers of the UK. He has extensive experience in managing power projects across Asia, including HK, Mainland China, East Asia and South East Asia. The technical team comprises of the following core team members, all of them are professionals with extensive experience in the power industry:

- Mr. George Currie, a chartered civil engineer who has over 30 years' experience in energy and infrastructure.
- Dr. Suqing Wang, a registered professional Engineer with over 20 years' experience in power engineering.
- Mr. Xuefeng Yao, a registered senior mechanical engineer in China with 30 years' experience in power engineering.
- Mr. Ke Shi, a registered electrical engineer in China with over 25 years' experience in power engineering.
- Dr. Bo Ning, a chartered water and environmental manager who has a doctor degree in environmental and water research engineering and 7 years' experience in the consulting industry.
- Mr. Jianan Qi, an incorporated Engineer who has a master degree in thermal power engineering and over 7 years' experience in the power consulting industry.

3.0 OVERVIEW OF THE COMPANY’S POWER PLANTS INCLUDED IN THIS REPORT

3.1 Plant location and general characteristics

Figure 3-1 illustrates the locations of the plants, along with the capacity information.

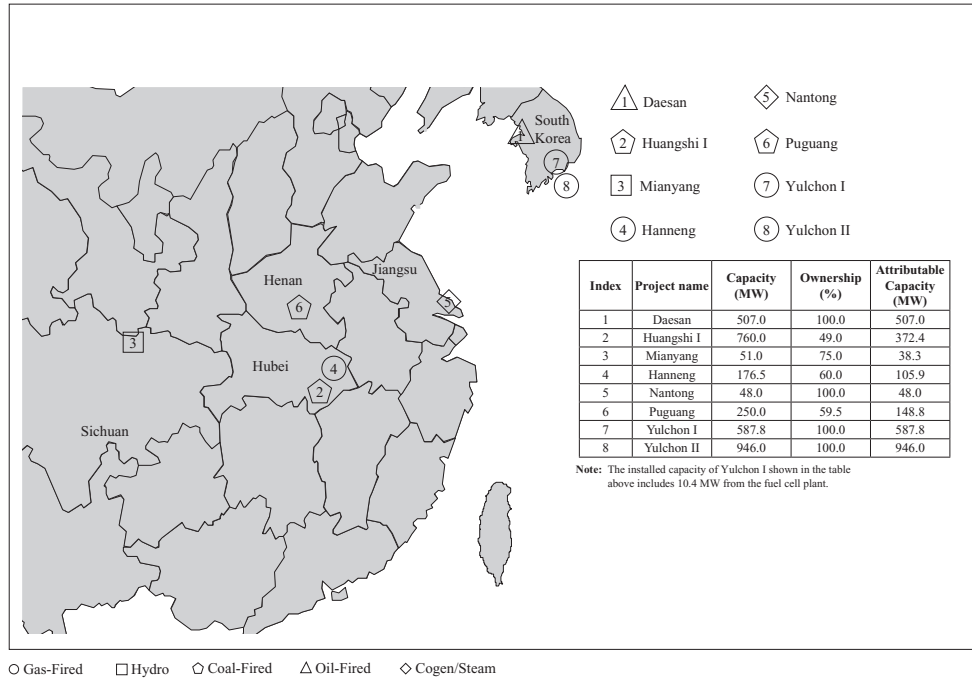


Figure 3-1 Map of the Power Plants

The assessed power plants (including fuel cell plant in Yulchon I) have a total rated capacity of 3,326.6 MW. The Company owns an equivalent attributable capacity of approximately 2,754.4 MW.

The ownership interests of the assets include gas-fired, hydro, coal-fired, oil-fired and cogen/steam power plants ranging in size from 48MW to 946.3MW. Figure 3-2 shows the relative rankings of these power plants by attributable capacity. The first figure under each project is its attributable capacity in MW and the second figure is its percentage with respect to the total attributable capacity of the assessed projects.

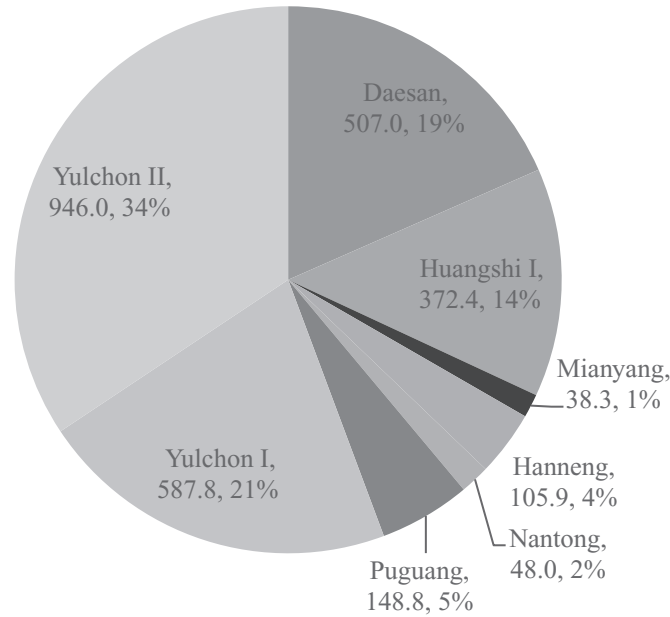


Figure 3-2 Relative Ranking by Attributable Capacity

3.2 Technical/design review

The power generation facilities use a variety of technologies and fuel types, which include gas-fired, hydro, coal-fired, oil-fired and cogen/steam power projects. Table 3-1 presents the relevant data on the technology, type of fuel, generation capacity and steam production capabilities for each project, and Table 3-2 gives information on fuel suppliers, project companies, and power off-takers.

Table 3-1 Project Characteristics

| Project                 | Technology          | Capacity per Unit                    | Number of Units  | Total Gross Capacity | Commercial Operation Date  | Fuel   | Cogeneration Steam Capacity |
|-------------------------|---------------------|--------------------------------------|--|----------------------|--|--|-----------------------------|
| Huangshi I . . .        | PC                  | 2 x 330 MW<br>1 x 200 MW             | 2 units of 330 MW plus 50% undivided interests of a 200 MW unit ("Existing Asset") | 760 MW               | Existing: July 1993<br>U1: Jan 2005<br>U2: July 2005                         | Coal   | –                           |
| Nantong. . . .          | PC<br>Co-generation | 2 x 15 MW+<br>1 x 12 MW+<br>1 x 6 MW | 2+1+1  | 48 MW                | Phase I: May 18, 2000<br>Phase II-A: Jan 7, 2005<br>Phase II-B: May 15, 2007 | Coal   | 3 x 75 t/h +<br>2 x 130 t/h |
| Puguang. . . .          | PC                  | 2 x 125 MW                           | 2  | 250 MW               | U1: Feb 1999<br>U2: June 1999  | Coal   | –                           |
| Hanneng . . . .         | CC (NG)             | 1 x 123 MW +<br>1 x 53.5 MW          | 1 CT + 1 ST  | 176.5 MW             | SC: Dec 1996<br>CC (Oil): Oct 1997<br>CC (NG): June 2005                     | Natural gas  | –                           |
| Mianyang . . . .        | Hydro               | 3 x 17 MW                            | 3  | 51 MW                | U1: Aug 15, 2004<br>U2: Apr 5, 2004<br>U3: Dec 23, 2003                      |  | –                           |
| Yulchon I . . . .       | CC (LNG)            | 2 x 184.8 MW +<br>207.8 MW           | 2 CT + 1 ST  | 577.4 MW             | July 2004 (SC)<br>July 2005 (CC)   | Liquefied natural gas<br>Diesel fuel oil<br>(back-up fuel) |                             |
| Yulchon II . . . .      | CC (LNG)            | 2 x 317.1 MW +<br>1 x 312.1 MW       | 2 CT + 1 ST  | 946.3 MW             | July 2013 (SC)<br>April 2014 (CC)  | Liquefied natural gas                                      |                             |
| Daesan . . . .          | CC (Oil)            | 4 x 104 MW +<br>91 MW                | 4 CT + 1 ST  | 507 MW               | Mar 1998   | Oil  | –                           |
| CC = Combined cycle     |                     | SC = Simple cycle                    |  | NG = Natural gas     |  | CFB = Circulating fluidized bed                            |                             |
| CT = Combustion Turbine |                     | MW = Megawatt                        |  | PC = Pulverized coal |  | LNG = Liquefied natural gas                                |                             |
| ST = Steam Turbine      |                     |                                      |  |                      |  |  |                             |



**Table 3-2 Project Fuel Suppliers, Operating Companies and Power Offtakers**

| <u>Project</u>       | <u>Fuel Supplier</u>              | <u>Project Company</u>                             | <u>Power Offtaker</u>                     |
|----------------------|-----------------------------------|--|---|
| Huangshi I . . . . . | Various local coal suppliers      | Hubei Xisaishan Power Generation Co., Ltd.         | Hubei Electric Power Company              |
| Nantong . . . . .    | Various local coal suppliers      | Nantong Meiya Co-generation Company Limited        | Jiangsu Provincial Electric Power Company |
| Puguang . . . . .    | Various local coal suppliers      | Nanyang Puguang Power Co., Ltd.                    | Henan Electric Power Company              |
| Hanneng . . . . .    | Wuhan Natural Gas Company         | Wuhan Han-Neng Power Development Co., Ltd          | Hubei Electric Power Company              |
| Mianyang . . . . .   | Uses discharge from Fujiang River | Mianyang Sanjiang Meiya Hydropower Company Limited | Sichuan Electric Power Company            |
| Yulchon I . . . . .  | Korea Gas Corporation             | MPC Yulchon Generation Co., Ltd.                   | Korea Electric Power Corporation          |
| Yulchon II . . . . . | Korea Gas Corporation             | MPC Yulchon Generation Co., Ltd.                   | Korea Power Exchange                      |
| Daesan . . . . .     | Hyundai Oil Bank                  | MPC Yulchon Generation Co., Ltd.                   | Korea Power Exchange                      |

#### 4.0 REGULATORY AND ENVIRONMENTAL ISSUES

Water permit for the hydro project (Mianyang) has been obtained.

The oil-fired and gas-fired combined cycle projects in operation (Hanneng, Yulchon I and Daesan) are subject to permitting regulations that include air emissions, waste disposal, wastewater discharge and noise. Permits have all been obtained. In addition, monitoring and mitigation measures are in place to identify and address environmental concerns.

Environmental concerns for coal-fired and cogen/steam power projects (Huangshi I, Nantong and Puguang), in general include air emissions (particulate matter, SO<sub>2</sub> and NO<sub>x</sub>), wastewater storage and treatment and ash and slag handling procedures. Permits have all been obtained and monitoring and mitigation measures are in place to identify and address environmental concerns.

Air emissions of all existing thermal (coal-fired, oil-fired, gas-fired including cogen) power plants in China have to meet a more stringent new national emission regulation which became effective on 1 July 2014.

As of the date of this report, the Company advised that the upgrade of Huangshi I Power Project, Nantong Cogen Power Project and Puguang Power Project has not been completed due to the tightness of the emission control equipment supply chain. The Company has obtained an extension of time from the relevant local authorities and will pay the relevant charges for not meeting the emission requirements in accordance with local regulations, if applicable. The Company expects that upgrade of those projects to be completed by the end of 2014.

No known major issues on safety in all the projects have been reported in recent years.

## **5.0 OPERATIONS OVERVIEW**

### **5.1 Organization structure and staffing**

Project organizational structures vary according to the ownership, type of facility and the requirements of the specific project. In general, each facility has an organization in place that addresses the following functions: management, administration, financial and accounting practices, production, engineering, and quality control. Job training procedures have been implemented at each project. The management system for each project has been set up to fit the operation and maintenance requirements of specific technology. Overall, each project is considered to be well staffed with experienced and qualified people; operating and maintenance practices are considered to be reasonable and based upon industry norms and specific location. It is Black & Veatch's opinion that the management team and operation and maintenance team of each project appear to be experienced and well trained. The staffing level is appropriate and appears efficient for all plants.

### **5.2 Performance review**

The performance data, such as heat rate (efficiency), availability factor, forced outage rate, of each project has been reviewed and considered in line with industry practices. In particular, Yulchon II is adopting the most advance combined cycle gas turbine technology and its efficiency in combined cycle mode is among the highest in the world. For projects in China, the above performance data have been compared with industry peers in China and are found to be generally comparable with the benchmarks.

Table 5-1 summarizes the project statistical operation data of each project between 2011 and April 2014.

### **5.3 Maintenance review**

The maintenance practices including the maintenance plans, records and associated agreements and costs of all projects have been reviewed and considered in line with industry practices.

### **5.4 Fuel Management Review**

The fuel management of all thermal projects including the fuel supply sources and agreements have been reviewed and considered to be adequate and well managed. For coal-fired projects, the coal storage capacity of each project is considered sufficient for reliable operation.

Table 5-1 Project Statistical Operation Data

| Project          | Gross Capacity Factor (%) |      |      |         | Availability (%) |      |      |         | Gross Generation (GWh) |         |         |         | Net Generation (GWh) |         |         |         | Gross Generation Heat Rate (kJ/kWh) |        |        |         |
|------------------|---------------------------|------|------|---------|------------------|------|------|---------|------------------------|---------|---------|---------|----------------------|---------|---------|---------|-------------------------------------|--------|--------|---------|
|                  | 2011                      | 2012 | 2013 | 2014/04 | 2011             | 2012 | 2013 | 2014/04 | 2011                   | 2012    | 2013    | 2014/04 | 2011                 | 2012    | 2013    | 2014/04 | 2011                                | 2012   | 2013   | 2014/04 |
| Daesan . . .     | 3.8                       | 8.2  | 5.5  | 0.7     | 100.0            | 97.8 | 96.8 | 97.3    | 167.7                  | 365.2   | 242.3   | 9.8     | 167.7                | 365.2   | 242.3   | 9.8     | 10,693                              | 9,815  | 9,932  | 10,269  |
| Huangshi I . . . | 58.8                      | 46.4 | 50.4 | 50.0    | 95.4             | 99.2 | 94.2 | 96.4    | 3,911.9                | 3,097.2 | 3,352.4 | 1,094.5 | 3,533.2              | 2,810.9 | 3,053.3 | 988.7   | 8,933                               | 8,975  | 8,698  | 8,609   |
| Miayang . . .    | 54.6                      | 58.3 | 56.8 | 34.7    | 91.0             | 89.3 | 95.0 | 94.4    | 243.9                  | 261.2   | 253.7   | 51.0    | 240.3                | 257.3   | 250.0   | 50.0    | N/A                                 | N/A    | N/A    | N/A     |
| Hanneng . . .    | 6.6                       | 5.1  | 5.6  | 6.9     | 90.5             | 84.7 | 90.6 | 100.0   | 101.4                  | 79.3    | 86.2    | 35.3    | 100.9                | 78.6    | 85.9    | 35.1    | 8,389                               | 8,389  | 8,355  | N/A     |
| Nantong . . .    | 38.0                      | 65.9 | 75.4 | 71.8    | 94.9             | 97.7 | 97.6 | 100.0   | 159.8                  | 278.0   | 317.2   | 99.3    | 120.0                | 228.1   | 260.8   | 81.6    | N/A                                 | 11,149 | 10,264 | 10,360  |
| Puguang . . .    | 63.8                      | 63.6 | 63.9 | 71.0    | 91.0             | 90.5 | 89.6 | 97.7    | 1,396.6                | 1,396.9 | 1,400.0 | 511.4   | 1,258.1              | 1,259.3 | 1,262.7 | 463.9   | 10,125                              | 10,089 | 10,072 | 10,072  |
| Yulchon I . . .  | 54.2                      | 61.5 | 67.4 | 58.8    | 88.8             | 92.8 | 93.6 | 96.8    | 2,766.6                | 3,174.3 | 3,469.7 | 996.1   | 2,700.7              | 3,103.4 | 3,396.0 | 976.0   | 6,664                               | 6,667  | 6,664  | 6,744   |
| Yulchon II . . . | N/A                       | N/A  | 13.7 | 3.4     | N/A              | N/A  | 94.5 | 98.5    | N/A                    | N/A     | 383.6   | 62.6    | N/A                  | N/A     | 376.1   | 61.1    | N/A                                 | N/A    | N/A    | N/A     |

*Note:*

1. Performance data for all projects in column '2014/04' contains operational information from January to April 2014.
2. Black & Veatch understand that the availability, generation and heat rate information of Huangshi I is for part 2 (660MW) only, while the gross capacity factor information is calculated based on the installed capacity (760MW). The Company explains that the Huangshi project company only entitles 423GWh/annual power production from part 1 (50% of 200MW) and this fixed amount of attributable production will be booked to another plant belongs to Huangshi II project. Therefore, power production from part I of Huangshi I is not included in this table.
3. In addition to the 577.4MW gas-fired plant, Yulchon I project data is inclusive of 10.4MW fuel cell power plant with Phase I (4.8MW) operational in December 2009 and Phase II (5.6MW) operational in December 2011.
4. Yulchon II data is the operating data from mid-2013 since its COD in simple cycle mode.

*Definition:*

1. Gross capacity factor is the ratio of the gross electricity generated, for the time considered, to the energy that could have been generated at continuous full-power operation during the same period.
2. Availability is the ratio of the hours the project has the capability to generate power, regardless of whether it generate power or not, to the hours within the time span being considered.

## 6.0 BRIEF DESCRIPTION OF PROJECTS

### 6.1 Project in China

#### 6.1.1 Huangshi I Power Project

Huangshi I coal-fired power project is comprised of an inseparable 50% interest in a 200MW unit (Part I) and two 330MW units (Part II), totaling 760MW. Part I is located in Huangshi City, 120 km from Wuhan, the capital of Hubei Province. Part II is located on the outskirts (Xisaishan) of Huangshi City, approximately 10 km from Part I, and about 400 m from the Yangzi River. The total project cost is RMB 3,116 million (US\$ 375 million). The Company currently owns 49 percent of the project, i.e. 372.4MW.

Project Part I was part of the power complex constructed and put into service in 1945. At present, only Unit 7, 8, and 9 are in operation. Among those, 50 percent of Unit 9 (200 MW) has been co-owned by the Project Company with Huangshi Power Generation Co. Ltd. since August 2002. This unit entered the commercial operation in July 1993. Huangshi Power Generation Co. Ltd. was responsible for operation and maintenance.

Project Part II was designed by South China Electric Power Design Institute and constructed by Hubei Second Electric Power Construction Company. The installation was performed by Hubei Electricity Construction Installation Company, and supervised by China Electric Power Construction Work Consulting Firm and Hubei Edian Construction Supervision Co., Ltd. The general contractor for BOP is Hubei Hongyuan Power Engineering Co., Ltd. The project benefits from a strong strategic position as a baseload plant, serving the two largest regional load centers, Wuhan and Huangshi, and helps bridge the gap between hydroelectric power (hydro) and cogeneration power plants in Hubei Province. Unit #1 commenced commercial operation on 1 January 2005 and Unit #2 commenced commercial operation in July 2005. Hubei Xizaishan Power Generation Co., Ltd. is the operating project company for Part II.

The coal used by the power project is sourced from various local coal suppliers. Coal storage capacity is adequate for reliable operation.

In end 2013, new emission control facilities such as low NO<sub>x</sub> burners were being retrofitted to the plant to meet the new national emission regulation in 2014.

Power Purchase Agreements covering Part I and Part II are in place between Hubei Xisaishan Power Generation Company (Huangshi – Provider) and Hubei Electric Power (HEP – Purchaser), and the contract will be valid till October 2024. A minimal utilization time of 4,500 hours per annum has been agreed, which is equivalent to 423 million kWh for Part I and 2,538 million kWh for Part II. The unit price of the electricity generated by the Provider will be determined by the local pricing competent authorities.

The average availability of the project from 2011 to 2013 is approximately 96%. Given an industrial wide availability factor of projects with similar size is approximately 90% for the non-major maintenance year, Black & Veatch considers Huangshi Plant is at the higher end of the industrial practices.

### ***6.1.2 Nantong Cogen Power Project***

Nantong Meiya Cogeneration Co., Ltd (“Nantong Company”) is wholly-owned by the Company. The project is 15 km from Nantong City, to the east of Yinchuan Port, along the Yangtze River.

The first phase of Nantong Meiya Thermal Power Project entered into commercial operation in June 2000. The Phase I project comprises three 75 t/h high temperature, pulverized coal-fired boilers made by Wuxi Boiler Works and two 15 MW extraction condensing turbines made by Nanjing Steam Turbine Works. In order to meet a rapid growth of heat load, one of the two 15MW extraction condensing turbines was transformed into 12MW back pressure turbine in 2007. Moreover, the No.3 boiler was replaced by a 130t/h CFB type in October 2013.

Phase II-A of the project consists of one 130 t/h boiler and one 15 MW extraction condensing turbine started the commercial operation on 7 January 2005. The boiler was made by Wuhan Boiler Works and the steam turbine was made by Nanjing Steam Turbine Works. Phase II-B of the project consists of one 130 t/h boiler and one 6MW back pressure turbine was in the commercial operation in May 2007.

The equipment has operated well and is in good operating condition. The quality of the power and heat supplied has been stable and reliable. There has been a rapid growth in the number of heat users, currently at 126 with main users from the chemical and light textile industries.

The power plant is connected to the nearby Fumin Substation (which is owned by the municipal power supply company) by three loops of 110 kV outgoing lines, from which power is supplied to the development zone.

The coal used by the power project is sourced from various local coal suppliers. Coal storage capacity is adequate for reliable operation.

3 sets of Flue Gas Desulphurization equipment for four boilers have been installed and commenced operation in 2007. In end 2013, new emission control facilities such as low NO<sub>x</sub> burners and selective catalytic reduction system were being retrofitted to the plant to meet the new national emission regulation in 2014.

Jiangsu Electric Power Corporation has executed a PPA with Nantong Company. The expiry date is 1 March 2017. The electricity price will be fixed by the local pricing bureau. The actual net power generation amount has not been stated in the PPA, however Black & Veatch understands that Nantong Company and Jiangsu Electric will agree the generation amount for the following year at end of the each year.

The average availability of the project from 2011 to 2013 is approximately 97%. Given an industrial wide availability factor of projects with similar size is approximately 90% for the non-major maintenance year, Black & Veatch considers Nantong Plant is at the higher end of the industrial practices.

### ***6.1.3 Puguang Power Project***

Puguang Power Project is a 2x125 MW coal-fired power plant located at 11km from Nanyang City, Henan Province. The two units were put into operational in February and June 1999 respectively. The Company acquired its 59.5 percent ownership of the power project in April 2010.

The steam turbines were manufactured by Shanghai Steam Turbine Works and the boilers were manufactured by Shanghai Boiler Works.

The steam turbine generators are connected to the 110kV outdoor switchgear of the plant through two generator step up transformers. There are six overhead transmission lines connected to 3 substations.

The coal used by the power project is sourced from various local coal suppliers. Coal storage capacity is adequate for reliable operation.

In end 2013, new emission control facilities such as low NO<sub>x</sub> burners and selective catalytic reduction system were being retrofitted to the plant to meet the new national emission regulation in 2014.

Nanyang Puguang Electric Company Limited has signed a PPA with Henan Electric Power Company which will expire in November 2020. The PPA sets out annual electricity sales allocation and related terms. The price is set by the local pricing bureau.

The average availability of the project from 2011 to 2013 is approximately 90%. Given an industrial wide availability factor of projects with similar size is approximately 90% for the non-major maintenance year, Black & Veatch considers Puguang Plant is in line with the industrial practices.

#### ***6.1.4 Hanneng Power Project***

Hanneng Power Project is a 176.5 MW combined cycle unit located in Wuhan Economic and Technical Development Zone, Caidian District, the southwest suburb of Wuhan Municipality. The site is close to the Yangtze River and is in the region of Guoxuling Village and Zhuankou Town.

This project was designed by Central Southern China Electric Power Design Institute and constructed by Hubei No. 2 Electric Power Construction Company. The simple cycle phase was put into operation in December 1996 and the combined cycle phase was put into operation in October 1997. The unit was designed for dual fuel (light diesel fuel or 20# heavy diesel fuel), and with reserved connections for natural gas fuel. At the beginning of production, the unit used light fuel as fuel, and in the year 2000, it switched to 20# heavy diesel oil. The unit was converted to fire natural gas as primary fuel in June 2005. The Company acquired its 60 percent ownership of the power project on 25 January 2005.

The gas turbine was manufactured by GEC Alstom Company of France. The steam turbine was manufactured by Harbin Steam Turbine Co., Ltd. The HRSG was manufactured by America DELTAK Company.

Both of the gas turbine and steam turbine generators are connected to the 110kV bus of the plant with the wiring of generator-transformer set. There are four outgoing lines, among which two are load lines and two are system tie lines. The two system tie lines are connected to Tianjiawan Substation. At present, the highest voltage grade of Tianjiawan Substation is 220 kV; and it has 110 kV lines and 220 kV lines connected with the electrical power system of Wuhan Municipality.

The natural gas is supplied by Wuhan Natural Gas Company. Gas supply has been stable in the past few years.

In end 2013, it was reported that retrofit of low NOx burners would be carried out in 2014 to meet the NOx emission level in the new 2014 national standard.

Wuhan Hanneng Power Company Limited has signed a PPA with Hubei Electric Power Company. The PPA, which will expire on 31 December 2016, has set out annual electricity sales allocation and related terms (annual allocation being 100 million kWh). The price is set by the local pricing bureau.

The average availability of the project from 2011 to 2013 is approximately 89%. Major maintenance was performed in 2012, which drove the overall availability factor down to 85% at that year. Given an industrial wide availability factor of projects with similar size is approximately 90% for the non-major maintenance year, Black & Veatch considers Hanneng Plant is in line with the industrial practices.

### ***6.1.5 Mianyang Hydro Project***

Mianyang Hydro Project is a 51MW run-of-the-river hydroelectric power project located on the Fujiang River in Mianyang City, the second largest city of Sichuan Province. The Project is a brownfield development, with the powerhouse constructed on the existing multi-purpose Sanjiang Water Control and Conservation Complex. This complex, excluding the powerhouse, was funded by the Mianyang municipal government to improve flood control and facilitate urban development. All ancillary facilities, including the dam, spillway, reservoir, and access roads, were completed in September 2000. The project is one of 16 hydro projects in operation on the river, with a total of 58 cascaded hydro projects ultimately planned.

The original installed capacity of the project was 45MW. Then in 2008, the export capacity of the project was upgraded to 51MW with necessary reconfiguration. The operating project company is Mianyang Sanjiang Meiya Hydropower Company Limited and the Company holds 75% ownership.

Mianyang Sanjiang Meiya Hydropower Company Limited has signed power purchase agreement with the grid company, Sichuan Electric Power Company which will renew every year and price of electricity to be agreed. A minor percentage of power generation will be directly sold to major industrial users and the final settlement price will vary with the market demand.

The average availability of the project from 2011 to 2013 is approximately 92%, which is in line with Black & Veatch's expectation for hydro power project of similar size.

## **6.2 Projects in Korea**

### ***6.2.1 Yulchon I Power Project***

The Yulchon I Power Project is a nominal 577.4 MW combined cycle facility consisting of two Siemens-Westinghouse Power Corporation W501FD2 combustion turbines and one Siemens KN 8.7 steam turbine generator arranged in a two-on-one (2x1) configuration with simple cycle operation capability. The site is located in a coastal industrial park ("Yulchon Industrial Complex") on reclaimed land about 350 kilometers south of Seoul. The combined cycle commenced commercial operation in July 2005 with Hyundai Engineering & Construction Company, Ltd (HDEC) providing the erection and construction service.

The project also includes heat recovery steam generators ("HRSGs"), one condensing steam turbine generator ("STG"), and balance-of-project auxiliaries. A once-through seawater cooling water system is used for heat rejection. The combustion turbines fire natural gas as the primary fuel, with diesel fuel as backup.



All primary plant control of the turbines, generators, auxiliary equipment is controlled and monitored from the main control room. The substation utilizes the SF6 gas insulated switchgear (“GIS”). The control room is clean and appropriately arranged. Electrical power is exported to the Yulchon 154 kV substation through an overhead double circuit transmission line.

Natural gas is transported to the Project from an existing KOGAS LNG governor station approximately 2 kilometers from the project site. MPC Yulchon Generation Co., Ltd has signed an agreement with KOGAS for supply of LNG from 2009 to 2025.

The air emission levels from the Project meet the statutory requirements.

Export power is sold to Korean Electric Power Corporation (“KEPCO”) through a 20-year PPA from 2005 to 2025. According to the PPA, the current tariff has three components: capacity charge, energy charge and start up charge.

### ***6.2.2 Yulchon II Power Project***

The project utilizes J class gas turbine technology with two Mitsubishi M501J combustion turbines, each with a nominal capacity of 317.1 MW, two Mitsubishi heat recovery steam generators (HRSG), and one steam turbine generator with a capacity of 312.1 MW. The project was completed in two phases with simple cycle operation commissioned in June 2013 and combined cycle operation commissioned in April 2014. The Project is constructed next to Yulchon I, within an industrial park near Yulchon, Chollanam Province in South Korea.

The fuel supply is provided by Korea Gas Corporation (KOGAS). The project interconnects to the Korea Electric Power Corporation (KEPCO) transmission grid. Hyundai Engineering and Construction Co., Ltd (HDEC) is the Engineering, Procurement, and Construction (EPC) Contractor for Yulchon II. The owner’s engineer is KEPCO E&C, formerly known as KOPEC. Mitsubishi Heavy Industries (MHI) supplies the major power block equipment and is providing planned maintenance service on the gas turbines through a long term service agreement.

#### ***6.2.2.1 M501J Combustion Turbines***

MHI has completed development of, and launched activities geared toward, the commercial production of the J-series gas turbine. With an operating temperature of 1,600°C at the turbine inlet, the J-series gas turbine features the world’s largest power generation capacity and highest thermal efficiency. The J-series gas turbine is able to withstand temperatures that are 100°C higher than the existing 1,500°C-class G-series gas turbine. This improvement was achieved with the adoption of advanced Thermal Barrier Coating (TBC) technology and improvements in cooling technology. The use of advanced TBC technology has also enabled cooling flow reduction and high durability. The aerodynamic performance of turbine blades has also been improved through an enhanced 3-dimensional design. The compressor, based on the compressor of the H-series model, is designed to provide a higher compression ratio, while the combustor uses steam-cooled technology originally developed for the G-series gas turbine. The turbine element for the J-series, based on the G-series design, also adopts new technologies derived from an ongoing national project that aims to develop core



technologies for a 1,700°C-class gas turbine. These features have enabled the model to operate with a thermal efficiency well above 60 percent in combined-cycle applications (lower heating value). The power generation capacity of the J-series gas turbine can reach 1.2 times that of the G-series gas turbine, the largest single output capacity previously available from MHI. Additionally, NO<sub>x</sub> emissions for the J-series are maintained at levels from MHI of the existing series in order to address environmental issues.

The first M501J combustion turbine was shipped in November 2010, with the first combined cycle facility entering commercial operation in July 2011. As such, the combustion turbine technology represents a new design with limited commercial experience.

### ***6.2.3 Daesan Power Project***

Daesan Combined Cycle Power Plant is located on a 13 acre site in Daesan, South Chungcheong Province, in South Korea. The project is located in the petrochemical complex adjacent to the Daesan port. The plant provides electric power to the Korea Power Exchange (“KPX”) which is the power market operator in Korea. The plant was constructed by Hyundai Heavy Industries (“HHI”) and began commercial operation in 1998. The Company acquired the project from HHI in August 2009.

Daesan Power Project has a nominal maximum design capacity of 507 MW, and was originally a dual-fuel, four-on-one combined-cycle cogeneration facility, with the flexibility to operate in a variety of configurations at reduced load and steam requirements. The plant has supplied electrical power only since steam sales were ended in 2004.

The facility has four Westinghouse 501D5 CT’s, four two-pressure HRSGs with duct burners, one single case single flow steam turbine, condenser, and other major components. Each CT train has a bypass stack such that each CT can be operated in simple cycle mode. The major equipment is considered appropriate for a plant of this type and size.

The Daesan interconnection facility consists of a 154 kV GIS switchyard that is located on the west side of the facility. The Daesan plant is interconnected to Lotte Chemical via two underground transmission lines and to LG Chemical via two underground transmission lines that exit the 154 kV GIS switchyard. In addition, the plant is interconnected to KEPCO’s Daesan substation via two overhead transmission lines that exit the 154 kV GIS switchyard.

The oil supply is from Hyundai Oil Bank’s refinery and is purchased at market price.

The emission level of the Project meets the statutory requirements on the annual emission quota.

The Project will sell capacity and energy to KPX market as an Independent Power Producer (IPP). As such, there is no Power Purchase Agreement (PPA). The KPX dispatch order is based on the most cost effective available source of energy. The Project is at the lower priority for dispatch due to its lower thermal efficiency (aged at 15 years) and high fuel cost to meet the emission requirements. Similar to the PPA terms for Yulchon I, the tariff is linked to the plant capacity, cost of fuel (energy charge) and cost of start up though

with a different structure. The Project is receiving payment for its standby capacity even if not exporting electricity.

## PRC REGULATORY OVERVIEW

This section provides an overview of the Chinese laws and regulations related to the operation and power generation business of our group.

### The PRC legal system

The PRC legal system is based on the PRC Constitution (hereinafter referred to as the “**Constitution**”) and is made up of written laws, administrative regulations, local regulations, autonomy regulations and separate rules, rules of State Council departments, rules of local governments and international treaties of which the PRC government is a signatory. The current Constitution was promulgated in 1982 and amended in 1988, 1993, 1999 and 2004, respectively. Court judgments do not constitute legally binding precedents, although they may be used for judicial reference and guidance. According to the Constitution and the Legislation Law of the PRC (the “**Legislation Law**”), the NPC and the standing committee of the NPC (the “**Standing Committee**”) are empowered to exercise the legislative power of the State.

The NPC enacts and amends basic laws governing criminal offenses, civil affairs, State organs and other matters. The Standing Committee enacts and amends laws other than those that shall be formulated by the NPC, and during the period of adjournment of the NPC, the Standing Committee may partially supplement and amend the laws enacted by the NPC, but not in contradiction to the basic principles of such laws. The State Council is the highest organ of state administration and enacts administrative regulations based on the Constitution and laws. The people’s congresses at the provincial level and their standing committees may, in light of the specific circumstances and actual needs of their respective administrative areas, enact local regulations, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The ministries and commissions of the State Council, the PBOC, the National Audit Office of the PRC as well as other state organs endowed with administrative functions directly under the State Council may, according to laws, administrative regulations, decisions and orders of the State Council, formulate ministerial rules within their authorities. The people’s governments of the provinces, autonomous regions and municipalities directly under the central government and the comparatively larger cities may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities. The people’s congresses of the national autonomous regions have the power to enact autonomous regulations and separate regulations on the basis of the political, economic and cultural characteristics of the local nationalities that reside in the area.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The significance of laws is greater than that of administrative regulations, local regulations and rules. The significance of administrative regulations is greater than that of local regulations and rules. The significance of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The significance of the rules enacted by the people’s governments of the provinces or autonomous regions is greater than that of the rules enacted by the people’s governments of the comparatively larger cities within the administrative areas of the provinces and the autonomous regions.

**The Incorporation, Operation and Management of Foreign-invested Enterprises**

All of our PRC subsidiaries are PRC limited liability companies with foreign investments, including Chinese-Foreign Cooperative Joint-venture, Chinese-Foreign Equity Joint-venture and Wholly Foreign-owned Enterprise (together referred to as “**Foreign-invested Enterprises**”), subject to the Law on Chinese-Foreign Cooperative Joint-ventures, the Law on Chinese-Foreign Equity Joint-ventures, the Law on Foreign-Capital Enterprise and the implementation regulations thereof, respectively. The Company Law shall also be applicable to Foreign-invested Enterprises except that the laws in respect to Foreign-invested Enterprises shall prevail where such laws provide otherwise.

The issues of Foreign-invested Enterprises governed by the aforesaid laws include the procedure of incorporation and approval, registered capital, limitation of foreign exchange, accounting principles, tax and employment.

Prior to the incorporation of a Foreign-invested Enterprise, foreign investors need to obtain approval from the Ministry of Commerce or its counterparts at different levels, depending on the amount and the industry category of the investment. The criteria for approval includes the amount of investment and registered capital, investment duration, incorporation documents such as the articles of association, joint investment agreement and cooperation agreement. Only after obtaining the approval of the Ministry of Commerce or its local counterparts can the foreign investor apply to the company registration authorities for the incorporation of a Foreign-invested Enterprise. In addition, substantial changes to the Foreign-invested Enterprise after incorporation, such as the transfer of shares or change of registered capital, also require approval by the Ministry of Commerce or its local counterparts. Typically, such approval will not be withheld in normal circumstances.

Foreign investment in the PRC shall be governed by the Industrial Guidance Catalogue for Foreign Investment (the “**Industrial Guidance Catalogue**”). The Industrial Guidance Catalogue was revised on December 24, 2011 by the Ministry of Commerce and the NDRC and came into effect on January 30, 2012. The Industrial Guidance Catalogue is a long-term instrument adopted by the PRC authorities for managing and guiding foreign investments. The Industrial Guidance Catalogue classifies industries in terms of foreign investment into three categories: (i) encouraged, (ii) restricted and (iii) prohibited, and the industries not included are automatically deemed to fall into the permitted category, except for those specifically prohibited by other PRC laws and regulations.

Foreign investors generally receive approval to establish foreign-invested enterprises engaged in the power generation business that fall into the encouraged industries category, including the construction and operation of back pressure heat power plants or hydropower plants used for power generation. Power generation projects falling into the restricted industries category, such as the construction and operation of conventional coal-fired power or condensing steam plants with a unit installed capacity of 300,000 kW or below within small power grids, or coal-fired condensing-extraction cogen plants with a unit installed capacity of 100,000 kW or below, shall be subject to further scrutiny by governmental authorities.

In addition, foreign investors are prohibited from constructing and operating (beyond those within small power grids) conventional coal-fired power or condensing steam plants with a unit installed capacity of no more than 300,000 kW and coal-fired condensing-extraction cogen plants with a unit installed capacity of no more than 100,000 kW.

According to the Law on Chinese-Foreign Equity Joint-ventures, all significant matters of the Equity Joint-venture shall be determined by the board of directors. The duties of the board of directors, and the number of directors assigned by each shareholder shall be provided for in the joint investment agreement and the articles of association. The profits shall be distributed among the shareholders according to the ratio of registered capital subscribed for by each shareholder after the payment of enterprise income tax and the allocation of reserve funds, bonuses and welfare funds for the staff as specified in the articles of association.

According to the Law on Chinese-Foreign Cooperative Joint-ventures, the Cooperative Joint-venture shall establish a board of directors or a joint managerial organ to decide on the major issues of the venture pursuant to the cooperation agreement and the articles of association. The profits and losses of the Cooperative Joint-venture shall be distributed according to the cooperation agreement entered into by the cooperative parties.

### **Reorganization and Listing of shares abroad**

Our company is ultimately controlled by CGN, a company incorporated in the PRC. To strengthen regulating the issuance and listing abroad of shares of the overseas company which is ultimately controlled by a PRC company, the State Council promulgated on June 20, 1997 the Circular of the State Council Concerning Further Strengthening the Administration of Share Issuance and Listing Overseas (《國務院關於進一步加強在境外發行股票和上市管理的通知》, the “**Red-chip Guidance**”). According to the Red-chip Guidance, where a non-listed company which is registered abroad but wholly invested by PRC entities, or where a company which is registered and listed overseas but controlled by PRC entities applies overseas for issuance and listing of shares, the local laws and regulations shall apply, provided that the PRC controlling shareholder shall apply to the provincial government or the competent department of the State Council, as the case may be, for approval prior to the issuance and listing. Where the PRC controlling shareholder is a central state-owned enterprise, the reorganization and listing of the company to be listed shall be approved by the SASAC. However, in the event that the assets located in the PRC have been owned for less than three years by the company to be listed overseas, such assets shall not be incorporated in the company for the purpose of listing unless it is approved by China Securities Regulatory Commission.

### **The Supervision and Administration of Stated-owned Enterprises**

Our company is ultimately controlled by CGN, a central state-owned enterprise in the PRC. The issues of state-owned assets management such as the procedures for state-invested enterprises establishment, enterprise restructuring, transactions with an affiliated party, assets appraisal, transfer of state-owned assets and state-owned capital operating budget shall be governed by the law of the People’s Republic of China on the State-Owned Assets of Enterprises (the “**SOA Law**”), which was adopted on October 28, 2008, thereby promulgated and came into force on May 1, 2009.

The SOA Law was promulgated for the purposes of safeguarding the basic economic system of China, consolidating and developing the state-owned economy and strengthening the protection of state-owned assets (“**SOA**”).

The scope of application of the SOA Law only covers the rights and interests which arise from the state's capital contribution in various forms to an enterprise. The SASAC and its local counterparts according to the provisions promulgated by the State Council shall perform the contributor's functions for state-owned enterprises ("SOE") on behalf of and upon the authorization by the corresponding people's government.

The State Council and the local people's governments may, when necessary, authorize other departments or bodies to perform the contributor's functions for SOEs on behalf of the corresponding people's government.

The bodies and departments that perform the contributor's functions on behalf of the corresponding people's government shall be together referred to as the "**bodies performing the contributor's functions.**"

Any transfer of SOAs shall be decided by the institutions which perform functions of the contributors. Such institutions shall decide whether to transfer the whole or part of the SOAs. Under the circumstances that the state would, if such transfer happens, cease to be the shareholder having control over the enterprise, an approval from the people's government at the same level shall be obtained.

In the event that a wholly SOE, a wholly state-owned company or a state-owned holding company is to carry out any merger, split, transformation, transfer of major assets, external investment by means of non-monetary properties or liquidation, an assets appraisal shall be previously accomplished.

In 2011, the SASAC published new rules focusing on the supervision of overseas SOAs (i.e. the "rights or interests arising from any form of offshore investment made by central SOEs or their subsidiaries") as follows: Interim measures for the supervision and administration of overseas SOAs of central SOEs (Rule 26), Interim measures for the administration of overseas property rights of SOEs (Rule 27), A circular on enhancing the administration of central SOEs' overseas property rights [2011] (Circular 114) (together the "**SASAC Rules**"). Rule 26 and Rule 27 took effect on July 1, 2011 and Circular 114 took effect on September 29, 2011.

Under the SASAC Rules, any merger or acquisition of an overseas listed company, or any material overseas investment made by a central SOE or its major subsidiaries, must be filed with or approved by SASAC.

## **Foreign Currency Exchange and Dividend Distribution**

### *Foreign Currency Exchange*

The main regulation supervising foreign currency exchange in China is the Regulations of People's Republic of China on Foreign Exchange Control (the "**Regulations on Foreign Exchange Control**"). The Regulations on Foreign Exchange Control was promulgated by the State Council on January 29, 1996 and entered into force as of April 1, 1996. The current effective Regulations on Foreign Exchange Control has been amended and entered into force as of August 5, 2008. According to the Regulations on Foreign Exchange Control, Renminbi can be freely converted into foreign currencies under current accounts (such as foreign exchange transactions involved in trade and service and

dividend distribution), while Renminbi cannot freely converted into foreign currencies under capital accounts (such as capital transfer, direct investment, security investment, derivatives or loans) before obtaining the approval from the SAFE.

According to the Regulations on Foreign Exchange Control, foreign-invested enterprises in China can purchase foreign exchange for payment of dividends through providing certain documentary evidence (such as the decision of the board of directors or a tax certificate), or for foreign exchange transactions involved in trade and service through providing commercial documents to prove the relevant transactions, without any approval from the SAFE. Such enterprises are permitted to retain foreign exchange (within the upper limit stipulated by the SAFE) for the repayment of the foreign exchange debts. In addition, foreign exchange transactions involved in overseas direct investment, security investment or exchange, overseas derivatives must be registered at the SAFE, and shall acquire approval by or filing with relevant government agencies if necessary.

### ***Dividend Distribution***

Our company relies on the dividends distributed by our subsidiaries or associates in other jurisdictions including the PRC. The Enterprises Income Tax Law, effective as of January 1, 2008, provides that dividends and other passive income of non-resident enterprises obtained from China shall be subject to a standard withholding tax at the rate of 20%, while the Implementation Regulations lowered that tax rate from 20% to 10%, which took effect as of January 1, 2008.

On August 21, 2006 the Chinese and Hong Kong governments signed the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Tax Evasion with respect to Taxes on Income (the “**Arrangement**”). According to the Arrangement, if the beneficial owner of the dividends is a Hong Kong company directly owning no less than 25% of the capital of the PRC company which pays the dividends, the withholding tax so levied by the PRC tax authorities shall not exceed 5% of the dividends distributed to it, while the withholding tax rate applicable to other Hong Kong residents which receive dividends from a PRC company shall not exceed 10%.

### **Business Operation**

#### ***Future plans of the PRC power industry and the Twelfth Five-Year Plan***

Energy scarcity and environmental deterioration are major global concerns. As such, in the outline of the Twelfth Five-Year Plan, the PRC government suggested a number of energy conservation and environmental protection policies and national targets. Some of the PRC government’s targets mentioned in the Twelfth Five-Year Plan include the reduction of energy consumption per unit of GDP by 16% over 2010 and significant expansion of highly efficient energy sources, including wind, hydro, natural gas, nuclear, other renewable sources and cogen.



The table below sets forth the Twelfth Five-Year Plan's targeted increase in installed capacity for the power industry by fuel type.

| Fuel Type         | Twelfth Five-Year Plan<br>Incremental Installed<br>Capacity by Fuel Type |                           |
|-------------------|--|---------------------------|
|                   | Total<br>Incremental<br>Installed<br>Capacity                            | % of Total <sup>(1)</sup> |
|                   | (GW)   | (%)                       |
| Coal . . . . .    | 300.0  | 57.7                      |
| Hydro . . . . .   | 70.0   | 13.5                      |
| Gas . . . . .     | 29.6   | 5.7                       |
| Nuclear . . . . . | 29.2   | 5.6                       |
| Wind . . . . .    | 69.0   | 13.3                      |
| Solar . . . . .   | 20.1   | 3.9                       |
| Others . . . . .  | 2.1  | 0.4                       |
| Total . . . . .   | <u>520.0</u>   | <u>100.0</u>              |

Source: Power Industry Twelfth Five-Year Plan

Note:

(1) Numbers do not add up to 100.0% due to rounding

The PRC has been paying increasing attention to enhancing energy efficiency, especially in the wake of the rapid expansion of power-generating capacity in the PRC in recent years. Since early 2007, the PRC government has adopted unprecedented actions to reform the scheduling rules and has coupled those new regulations with equally strong actions to phase out inefficient power generating units. In identifying small conventional thermal power generating units as the most inefficient element in the thermal power sector, the PRC government prioritized a structural adjustment in its energy efficiency efforts by enforcing early retirement of such units and substituting them with larger, more efficient, modern thermal power generating units. The PRC government determined that early retirement of the smaller units and a ban on future installation of the small conventional thermal power generators are necessary to facilitate efficiency enhancement in the PRC's power generation sector.

According to a circular published by the State Council entitled Further Intensifying Efforts Ensuring the Achievement of the Objective of Energy Saving and Emission Reduction for the 11th Five-Year-Plan (《國務院關於進一步加大工作力度確保實現“十一五”節能減排目標的通知》) the PRC government has set a target of cutting carbon dioxide emissions per unit of GDP by 40% to 45% compared to levels from 2005 by 2020. In addition, the PRC government announced its intention to invest approximately RMB2,000 billion in renewable energy development in the Medium to Long Term Development Plan for Renewable Energy (《可再生能源中長期發展規劃》) publication issued by the NDRC.



On September 10, 2013, the State Council published the Atmospheric Pollution Prevention Action Plan (《大氣污染防治行動計劃》) in response to the severe air pollution that has increasingly plagued the PRC, which sets out the PRC government's intention to cut coal consumption to below 65% of total primary energy use and raise the share of non-fossil fuel energy in total energy consumption to 13% by 2017.

### *Transmission and dispatch*

All electricity generated in the PRC is dispatched by power grid companies, except for electricity generated by power plants which are not connected to a grid. Power plants liaise with the relevant power grid companies annually to determine the volume of output to be dispatched. The electricity dispatched to each grid is administered by dispatch centers owned and operated by the power grid companies.

The main system for the transmission and distribution of power in the PRC consists of the five interprovincial power grids owned by State Grid and the five power grids owned by Southern Grid. State Grid owns and manages five regional power grid companies, namely, Northeast China Grid Company Limited, North China Grid Company Limited, East China Grid Company Limited, Central China Grid Company Limited and Northwest China Grid Company Limited, which in turn own and operate interprovincial high voltage power transmission grids and local power distribution networks in 26 provinces (regions). State Grid also manages the Tibet Power Grid. Southern Grid owns and manages interprovincial high voltage power transmission grids and local power distribution networks in five provinces (regions) including in Guangdong, Guizhou, Yunnan and Hainan provinces, and the Guangxi Zhuang Autonomous Region.

The PRC's energy sources, such as coal and hydro, are principally located in the northern, central and southwestern inland provinces, but the provinces with the highest electricity consumption are located in the eastern and southern coastal areas of the PRC. As a result of plans to develop large power plants in areas with abundant energy sources, the expansion of the PRC's electricity transmission capabilities has become a topic of major importance. The PRC plans to expand the interconnected power grids to enable the transmission of electricity generated by mine-mouth power plants and hydro power plants over long distances to areas of high consumption.

In order to achieve more efficient and rational dispatch of electric power, the State Council issued with effect from November 1, 1993 the Regulations on the Administration of Electric Power Dispatch to Networks and Grids (the "**Dispatch Regulations**"). Under the Dispatch Regulations, dispatch centers were established at each of the five levels: the national dispatch center, the dispatch center of the interprovincial power grid, the dispatch centers of the provincial power grid, the dispatch centers of the power grid of municipalities under provinces and the dispatch centers of the county power grid. Dispatch centers are responsible for the administration and dispatch of planned output of power plants connected to the grid. Each power plant receives on a daily basis from its local dispatch center an expected hour-by-hour output schedule for the following day, based on expected demand, the weather and other factors.

The dispatch centers must dispatch electricity in compliance with the electricity consumption schedule. The electricity consumption schedule is generally determined according to, among other things: (1) power supply agreements entered into between a power grid and large or primary electricity customers, which take into account the electricity generation and consumption plans formulated

annually by the PRC government; (2) agreements entered into between a dispatch center and each power plant subject to its dispatch; and (3) interconnection agreements between power grids and the actual conditions of the grid, including equipment capabilities and safety reserve margins.

In the PRC, high energy consumption areas are far from where primary energy sources are located. The two primary energy resources, coal and hydro, in addition to onshore wind and solar energy, are concentrated in the western and northern regions, while high energy consumption areas are mainly located in the more developed central and eastern regions. Generally, the distance between load centers and large power plants is over 1,000 km. Driven by rapid economic growth, electricity generation has increased rapidly, surpassing transmission capacity growth of the power grid. As a result, grid congestion, grid connection limitations and ineffective electricity dispatch have become the bottleneck of the development of the PRC's power industry. Therefore, power grid construction has become a major prerequisite for sustainable development of the industry. The PRC has experienced significant growth in investment in power infrastructure projects in recent years, and the proportion of power grid investment to the total investment in power infrastructure construction is increasing year by year. Investments in the transmission grid reached RMB368.2 billion in 2011, increasing 6.8% from 2010 and accounted for 50.2% of investment in power infrastructure construction.

In April 2009, the State Grid announced a plan for the construction of power grids. Pursuant to the plan, ultra high voltage (UHV) synchronized power grids serving high energy consumption areas have been developed in northern, eastern and central China to improve transmission capacity. In May 2009, the State Grid proposed a plan for the smart grid development and set out a three-phased plan for its construction, namely the planning and trial phase (2009-2010), the execution phase (2011-2015) and the enhancement phase (2016-2020). By 2020, clean energy is expected to account for 35% of total installed capacity, and damage to grids caused by volatile supplies of wind power is expected to be eliminated.

On April 19, 2010, the State Grid issued the "White Paper on State Grid Corporation of Green Development" ("綠色發展白皮書"), setting out its strategic mission to promote extensive and intensive development of clean energy through establishing a strong smart grid. This plan aims to establish a strong smart grid from 2011 to 2020 to increase acceptance of receivable power, enhance the efficiency of power usage by power systems and actively promote energy conservation by the power equipment industry and society as a whole. It also targets to reduce total carbon dioxide emissions by 10.5 billion tons in a decade.

On June 29, 2010, the State Grid further released "The Plan on Research and Manufacturing of Smart Grid Key Equipment (System)" (《智能電網關鍵設備(系統)研製規劃》) and "The Plan on Technical Standards System of Smart Grid" (《智能電網技術標準體系規劃》). These two plans established an industrial and national technical standards system, further enhancing the development of the smart grid and its related industries.

In September 2013, Southern Grid released the 2013-2020 Grid Development Plan, which forecasts that the annual electricity consumption of the five provinces that Southern Grid covers in southern China will reach 1,363 TWh by 2020 from 895 in 2013. To meet anticipated power demand, Southern Grid will construct 8 direct-current and 8 alternating-current west-to-east power transmission lines, aiming to reach a transmission capacity of 39.8 GW by 2015. Southern Grid will also develop 6 to 8 more transmission lines by 2020 to help transmit hydro power from Yunnan, southeastern Tibet and neighboring countries to Guangdong and Guangxi.

*On-grid tariffs*

An on-grid tariff is the tariff that grid companies pay to generation companies. Different on-grid tariffs are applicable to planned output, excess output and output subject to negotiation or competitive bidding. In general, the on-grid tariffs for planned output and excess output are subject to a review and approval process involving the relevant provincial price bureaus and the NDRC. Each year, the relevant provincial government agency forecasts the electricity demand in the region based on projected economic growth to determine total electricity output. Based on these estimates, each power plant and the power purchaser will seek to reach an agreement on the amount of planned output and excess output.

The PRC Electric Power Law, which came into effect in 1996, sets out the general principles for determining on-grid tariffs in the PRC. Under the law, the on-grid tariffs granted to a power producer are formulated to provide reasonable compensation for costs as well as a reasonable return on investment. According to the relevant rules, the costs incorporated in the tariffs also include the interest costs of the loan obtained for construction of the power plant. As a result of the pricing mechanism, the tariffs for power plants may differ from one another.

In April 2001, a new on-grid tariff setting mechanism for planned output was issued. This new mechanism is based on the operating term of a power plant (20 years for coal-fired power plants and 30 years for hydro power plants) as well as the average cost of technologically comparable power plants that were constructed during the same period within the same provincial grid.

In March 2005, the NDRC issued new regulations with respect to the on-grid tariff setting mechanism. Under these new regulations, for power plants in regions where the on-grid tariff bidding mechanism has not been implemented, the on-grid tariff shall be determined and announced based on (i) the operation lifetime of the power plant, (ii) reasonable compensation for costs and investment profit, in which the costs shall be the average cost of the power plants and the return shall be determined by adding a certain premium to the long-term central government bond. Other than the on-grid tariff determined by the invitation for bidding organized by the government and the tariff for new energy power plants, the same on-grid tariff shall apply to the newly-built power generation units of the same type (e.g. hydro, coal-fired, wind and nuclear) in the same region. The on-grid tariff for the power plant which has been determined by the NDRC shall be adjusted in a gradual manner towards the aforesaid unified tariff. In regions where the on-grid tariff bidding mechanism is implemented, the tariff is composed of two parts: i) the capacity tariff determined by the NDRC based on the average investment cost of the power generators competing within the same regional grid and ii) the competitive tariff determined through the competitive bidding process. The on-grid tariff bidding mechanism applies only to certain pilot regions in the PRC.

*Coal-fired Power Tariff*

In 2004, the NDRC promulgated circulars which set the benchmark on-grid tariff for newly-built coal-fired power plants.

In December 2004, the NDRC issued a power pricing reform plan to address the adverse effects that increased coal costs had on IPPs. Under this plan, electricity tariffs may be adjusted upwards as coal prices increase. In essence, IPPs are allowed to pass through 70% of increases in coal prices to power grids through increases in on-grid tariffs. However, the actual tariff adjustment is calculated by a more complicated formula using factors such as net standard coal consumption rate and coal calorific

value. If average coal prices increase by no less than 5% within a six-month period, 70% of that increase may be passed through to power grids through an increase in on-grid tariffs, with IPPs bearing the remaining 30% of the increased coal costs. If average coal prices increase by less than 5% within a six-month period over the previous six-month period, on-grid tariffs are to remain unchanged, but that price increase will be passed through to the next six-month period until the aggregate increase rate reaches 5% when the on-grid tariffs will be adjusted. This new policy set the sale prices of thermal coal as of the end of May 2004 as the base for calculating the fluctuation of the average coal prices during the following six-month period.

In order to reduce environmental pollution, the NDRC has also provided incentives for IPPs to install desulphurization equipment. In June 2006, the NDRC announced an increase in the on-grid tariff premium of RMB15 per MWh for all plants which installed and operated FGD equipment and acquired the final acceptance from relevant authorities before the end of 2006.

In 2007, despite further increases in coal prices, due to the PRC government's goal of suppressing inflation, there was no further increase in on-grid and retail power tariffs, which are the tariffs consumers pay to grid companies. Starting from July 2007, all coal-fired power units shall be equipped with FGD facilities and the on-grid tariff may increase by RMB15 per MWh. In addition, all newly-built or newly-expanded coal-fired power units shall be equipped with FGD facilities and the benchmark on-grid tariff for coal-fired power units determined by the NDRC shall apply to the on-grid electricity volume.

On June 29, 2008 the NDRC announced the details of an on-grid tariff increase by the provincial authorities. The national average on-grid tariff increased between RMB17 and RMB18 per MWh. On August 19, 2008 the NDRC announced a further overall increase in on-grid tariffs of between RMB10 and RMB25 per MWh, averaging RMB20 per MWh, without adjusting the retail tariffs.

In November 2009, the NDRC announced plans to adjust the tariff for coal power. Effective from November 20, 2009, the average national retail tariff payable by non-residential users increased by RMB28 per MWh, but the adjustments vary by region and industry. According to the announcement made available on the NDRC's website, the retail tariff increase was intended to alleviate the profitability margin pressure on grid companies which resulted when the national average on-grid tariff increased in 2008 by an average of RMB20 per MWh without a corresponding adjustment to the retail tariff. In addition, the NDRC announced plans to increase the on-grid tariffs in ten provinces in the PRC by RMB2 to RMB15 per MWh and decrease the on-grid tariffs in seven provinces by RMB3 to RMB9 per MWh. According to a notice on the grid tariff adjustment in East China issued by the NDRC, the on-grid tariffs for coal power in Jiangsu were adjusted downwards by RMB5.8 per MWh with effect from November 20, 2009.

On May 27, 2011, the NDRC announced a further tariff increase in various provinces and municipalities in the PRC to cope with the coal price increases. Accordingly, the adjustments to increase on-grid tariffs for coal power would vary by region, ranging from RMB10 per MWh to RMB36 per MWh.

On November 30, 2011, the NDRC announced plans to further adjust retail tariffs and on-grid tariffs. Effective from December 1, 2011, national average on-grid tariffs for coal power increased by RMB26 per MWh. NDRC also doubled the tariff surcharges related to on-grid tariffs of renewable energy sources from RMB4 per MWh to RMB8 per MWh. Furthermore, as part of the NDRC's tariff

adjustment plans, a tariff surcharge of RMB8 per MWh was added to on-grid tariff subsidies related to desulphurization equipment in light of increasing expenses associated with installation and operation of desulphurization equipment.

On December 31, 2012, NDRC announced an amendment to the policy of adjusting on-grid tariff according to the increase in the coal price. If average coal prices increase by no less than 5% within a year, 90% of such increase may be passed through to power grids through an increase in on-grid tariffs, with IPPs bearing the remaining 10% of the increased coal costs.

On September 30, 2013, NDRC announced a decrease in the benchmark tariff (VAT included) in certain provinces and municipalities. The on-grid tariff in those regions, where no benchmark is implemented, will also decrease accordingly. On the basis of this adjustment, the on-grid tariff for coal-fired power plants which meet relevant denitration requirements will increase by RMB10 per MWh; the on-grid tariff for coal-fired power plants which meet relevant dedusting requirements will increase by RMB2 per MWh.

#### *Hydro Power Tariff*

Prior to 2004, the on-grid tariff for a hydro power plant was determined individually in accordance with the same principle applicable to other types of power plants. According to the circulars promulgated by the NDRC in 2004, the benchmark on-grid tariff shall apply to newly-built hydro power plants in certain provinces and autonomous regions including Guangxi, Yunnan, Hainan, Hunan, Sichuan, Guizhou, Ningxia, Shanxi, Qinghai and Gansu, while the tariff-determination mechanism for other hydro power plants remained unchanged.

In 2009, the NDRC promulgated circulars which provided that the benchmark on-grid tariff shall cease to apply to newly-built hydro power plants.

According to the circular promulgated by the NDRC on January 11, 2014, a new pricing mechanism shall apply to hydro power plants commencing operation after February 1, 2014. Under the new mechanism, the benchmark on-grid tariff in each province, autonomous region or municipality shall be based on the average power purchase price of the grid company at province level, taking into consideration the trend of supply and demand in the power market and the development costs of hydro power. The benchmark on-grid tariff shall remain stable during a certain period provided that it may be adjusted when there are substantial changes in the market supply and demand, development costs and related policies. The new circular also encourages a gradual transition to the determination of on-grid tariff through market competition.

#### *Gas-fired Power Tariff*

The on-grid tariff applicable to gas-fired power plants shall be determined by the NDRC pursuant to the pricing mechanism of profit plus cost and no benchmark tariff applies.

#### *Pilot Mechanism of Bidding Tariff*

In 1998, the PRC government began experimenting with conducting electricity sales through a competitive bidding process in several provinces. Since 1998, electricity produced by conventional coal power plants in excess of the planned output has been sold to selected grids on a competitive basis against other plants according to a mechanism known as power pooling. The power pooling concept has

been piloted in eastern China, northeastern China and southern China with slight variations in different areas. Each day, power plants submit generation capacity and prices for every 15-minute interval of the following day. The grid companies will then select those plants with the lowest prices and the final on-grid tariff will be the market clearing price. The power pooling process typically results in a lower selling price than the tariffs received from the electricity dispatched as part of the planned output.

However, not all plants in the pilot districts participate in the power pooling program. According to a SERC regulatory release in March 2006, power plants are categorized into two types: Type A and Type B. Type A plants are subject to the power pooling program, while Type B plants are not currently subject to the power pooling program.

Type A plants refer to plants that own coal-fired units with single turbine capacity above 100 MW. Type B plants refer to plants that own the following units, including:

- (a) coal-fired units with single turbine capacity below 100 MW;
- (b) cogen units;
- (c) gas-fired units;
- (d) oil-fired units;
- (e) wind power, waste and other renewable energy units;
- (f) nuclear units;
- (g) hydro units; and
- (h) other non-Type A units.

On August 2, 2007 the NDRC, the State Environmental Protection Agency of the PRC, SERC and the Office of the National Leading Group on Energy jointly promulgated the Office of State Council Document No. 53, the Regulation on Energy Conservation Power Generation Dispatching, which prioritizes dispatch based on the method of generation. Renewable and clean energy units including wind and hydro are given priority dispatch.

### ***Renewable Energy***

According to the Renewable Energy Law promulgated in 2005, renewable energy means non-fossil energy such as hydro, solar, wind, biological and ocean energy. The development of the renewable energy industry is greatly encouraged by the government. The grid company shall purchase in full the electricity generated from renewable energy power plants. The government also provides favorable tax treatment to the power plants falling into the Guidance Catalogue for the Development of the Renewable Energy Industry. Financial institutions may provide favorable loans with financial subsidies to projects developing renewable energy which meet certain requirements.



Other policies which were promulgated after the Renewable Energy Law and promote the development of renewable energy include:

- (a) Wind power projects approved at the provincial level have to be carried out according to the national annual construction plan, which sets forward mandatory targets published by the National Energy Administration (“NEA”), the department of the State Council in charge of energy-related matters. On May 16, 2013, the State Council issued the Decision on Abolishing and Delegating the Power of Approval of a Batch of Items Requiring Administrative Approval, which states that rights to approve wind power projects, which were previously granted to the investment committee of the State Council and the NDRC, would be delegated to the investment management department of local governments. However, the NEA remains in charge of determining the national annual construction plan for wind power projects; and
- (b) Foreign investors are allowed to participate in the construction and operation of new energy power plants, including solar, wind, geothermal, and biomass energy, under the Guiding Catalogue for Industries of Foreign Investment, which was last updated in 2011.

The PRC government has also published the Medium to Long-term Energy-saving Plan to promote energy conservation. For example, the PRC government intends to promote the development of 600 MW and above ultra supercritical units and large combined cycle units and the use of natural gas generators as alternatives for small oil-fired power units.

### *Project Approval*

A production project in the PRC shall be filed with or approved by the NDRC or its counterparts at different levels, depending on the investment amount and the industry category of the production project.

According to the Catalogue of Investment Project Approved by the Government (2013) promulgated by the State Council of the PRC on December 2, 2013, the approval authorities applicable to the power plant project are as follows:

- (a) Hydro power plants may be approved by the competent local government, except those constructed over major rivers which may be approved by the NDRC;
- (b) Pumped-storage hydroelectric power station may be approved by the industry regulatory department of the State Council;
- (c) Distributed gas-fired power plant projects may be approved by the provincial government, and other thermal power plants need approval from the NDRC;
- (d) Back pressure cogen power plants using coal as their fuel source need approval from the provincial government, other cogen power plants using coal as their fuel source need approval from NDRC and the remaining cogen power plants may be approved by the competent local government; and
- (e) Wind power plant projects may be approved by the competent local government.

*Electric Power Generating*

The operation of the electric power industry, such as activities concerning the construction, generation, supply and consumption of electric power within the territory of the People's Republic of China shall be subject to the Electric Power Law of the People's Republic of China (the **Electric Power Law**"), which was promulgated on December 28, 1995 and took effect as of April 1, 1996. The current Electric Power Law was amended on August 27, 2009 and took effect as of August 27, 2009.

The Electric Power Law includes regulatory provisions with respect to electric power construction, production and grid management, pricing and tariffs and protection of electric power facilities. The Electric Power Law aims to protect the legitimate interests of investors, operators, users, and to ensure the safety of power operations. The Electric Power Law also states that the PRC government encourages and regulates PRC and foreign investment in the power industry.

According to the Provisions on the Administration of Electric Power Business Licenses, the electric power generating enterprises shall not be engaged in the power generation business unless an electric power business license is obtained.

The governmental department that administers and supervises the electric power industry is the NEA, which was established according to the Plan for Restructuring and Transforming Functions of the State Council which was passed on March 14, 2013 at the First Session of the Twelfth National People's Congress. The predecessor of the NEA was the State Electricity Regulatory Commission which was set up in 2002.

*The Construction of Electric Power Project*

Under the Urban and Rural Planning Law of the People's Republic of China (the "**Urban and Rural Planning Law**"), making and implementing urban and rural planning as well as conducting construction activities within the territory of China shall be governed by this Law which was promulgated on October 28, 2007 and took effect as of January 1, 2008.

Construction within the areas covered by city and town plans shall be conducted in compliance with the requirements of the plan. Several permits shall be obtained from the authorities before the construction is started.

According to the Urban and Rural Planning Law, if the right to use state-owned land is appropriated, before filing the project with the related department for approval, the project owner shall obtain a written proposal of construction location issued by the urban and rural planning authorities.

Before building any structure, fixture, road, pipeline or other engineering project within a city or town planning area, the project owner shall apply to the competent urban and rural planning authorities for a planning permit on land for construction use and a planning permit on construction project.

The Construction Law of the People's Republic of China (the "**Construction Law**") also applies to the power generation project construction. The Construction Law provides for a comprehensive legal system for construction industry including licenses for construction projects, qualifications of the constructors, contract awarding and contracting of construction projects, quality standards and supervision, safety issues, legal responsibilities and so on.



According to Article 7 of the Construction Law, before the start of construction projects, all construction entities shall apply to the competent construction administrative departments for construction licenses, except for small projects below the threshold value set by the competent construction administrative department under the State Council.

Drawing water from the river, lake, reservoir or underground may be necessary for some of our projects in the PRC, and under the Water Law, any entities that collect water resources directly from rivers, lakes, or underground shall, in accordance with the provisions of the water collection license system and the system of paid use of state water resources, apply to the water or watershed authorities for a water collection license, pay the water resource fees and thus obtain the right to collect water, and the construction of a water project must also be in conformity with the Water law.

Where the construction of a water project involves prevention of floods, the relevant provisions of the Flood Control Law shall then apply. Before the feasibility study report for approval in compliance with the procedure for capital construction prescribed by the State is submitted, the construction program for the projects attached to the said report shall be subject to the examination and consent by the water authorities.

If construction of the projects and facilities needs to occupy the land within the range of management of river channels or lakes, to cross over the space above them or to cross through riverbeds, the construction entity shall apply to the water authorities concerned for examination of and approval for the positions and limits of the said projects and facilities before it may, in accordance with law, go through the formalities for starting construction. It shall carry out construction in the positions and within the limits approved by the water authorities.

### ***Invitation for Bidding***

Contractors for the construction or expansion of our power plants in the PRC shall be determined by bidding under the Law on Bid Invitation and Bidding of the People's Republic of China which was promulgated on August 30, 1999 and came into force as of January 1, 2000, and its implementation regulation, bidding shall be carried out for the following construction projects undertaken in the People's Republic of China, including surveying for, and design, construction and supervision of the projects, as well as the procurement of important equipment and materials for the construction of: (1) projects with a bearing upon the public interest and public safety, such as large-scale infrastructure projects and public utility projects; (2) projects that are totally or partially funded by the investment of State-owned funds or financed by the State; (3) projects using loans from international organizations or foreign governments, or aid funds. Where a bidding project is subject to examination and approval in accordance with the relevant PRC provisions, approval shall be obtained in advance. A tenderer shall possess sufficient funds for the bidding project, or have definite resources of funds for the project, and shall truthfully state related facts in the bid-invitation documents. The tenderer shall make bid-invitation documents according to the features and requirements of the bidding project. The bid-invitation documents shall include all substantial requirements and all key terms for the conclusion of contracts, including: the project's technical requirements, the criteria for examination of the tenderer, the requirements for the bid price and the standard of evaluation of the bid. The winning bidder shall be determined by the bid inviting party on the basis of the written bid evaluation report submitted, and the candidates for the winning bidder recommended, by the bid evaluation committee. Alternatively, the bid inviting party may authorize the bid evaluation committee to directly determine the winning bidder.

**Environmental Protection**

The Environment Protection Law of the People's Republic of China (the "**Environment Protection Law**") was promulgated on December 26, 1989, and took effect on the date of promulgation. According to the Environment Protection Law:

- (1) any entity discharging pollutants shall establish environmental protection rules and take effective measures to control or duly handle the waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation and other harms caused by it;
- (2) any entity discharging pollutants must report to and register with the relevant environmental protection department; and
- (3) any entity discharging pollutants in excess of the prescribed national or local discharge standards shall pay a fee for excessive discharge.

The environmental protection authorities will impose different sanctions to individuals or other entities that violate this law according to the circumstances of the case and the pollution level. The sanctions include warning, fine, ordering remedying non-compliance within a prescribed period of time, ordering suspension of production, ordering re-installation of the environmental prevention facilities dismantled or left idle without prior approval, and ordering closing down of the violating enterprise or institution.

According to the Environmental Protection Law, with respect to construction projects which may pollute the environment, an environmental impact assessment report shall be submitted and approved by the environmental protection authorities before the project construction commences. Relevant environmental protection facilities shall be designed, built and put into operation at the same time when such are performed with respect to the main structure of the project and, upon completion of such facilities, the authorities shall also inspect and determine if such facilities are properly built and can be put into operation.

On April 24, 2014, the amendment to the Environmental Protection Law was adopted at the Eighth Session of the Standing Committee of the Twelfth NPC and will come into force on January 1, 2015. The new law provides for the first time that environmental protection is a fundamental national policy and thus strengthens environmental protection. The newly added major articles include: 1) emphasizing the regulatory function and responsibilities of different levels of government and introducing the environmental protection aspect into the performance evaluation system for local governments and their respective chief officers; 2) granting the public more access to environmental protection information including permits, penalties and pollutant discharge fees; 3) establishing the emission volume control mechanism for major pollutants, under which the volume limit decided by the State Council shall be allocated by local governments to polluting entities in their respective jurisdictions and the volume of pollutants emitted by such entities shall not exceed the amount allocated to them; 4) granting qualified social organizations the right to initiate lawsuits against entities that damage the environment and impair public interest and 5) expanding types and enhancing the severity of punishment related to environmental noncompliance.

The construction of production projects, especially hydro power plants which may cause the erosion of water and soil, shall be subject to the Water and Soil Conservation Law. According to the law, a water and soil conservation plan shall be prepared by the production project owner and approved by the authorities before the start of the construction. The water and soil conservation facilities proposed in such plan shall be built during the project construction process and pass the completion examination conducted by the authorities upon its completion.

According to the Water Pollution Prevention and Control Law, any entity that emits industrial waste water shall obtain a pollutant emission license and pay pollutant emission fees.

According to the Law on the Prevention and Control of Atmospheric Pollution, any coal-fired power plant that is to be set up or expanded and emits sulfur dioxide exceeding the set standard or amount shall be equipped with desulfurization and dedusting facilities or take other measures of desulfurization and dedusting. An enterprise that emits nitrogen oxides generated from the burning of fuel shall also take measures to control the emission.

### **Loan and Guarantee**

Lending activities involved with financial organizations within the territory of China shall comply with the Lending General Provisions (the “**General Provisions**”) which was promulgated on June 28, 1996 and took effect as of August 1, 1996. The General Provisions standardize the types, term and interest rates of loans, rights and obligations of borrowers and lenders and lending procedures.

Furthermore, guarantees related to lending activities within the territory of China shall comply with the Guarantee Law of the People’s Republic of China which was promulgated on June 30, 1995 and took effect as of October 1, 1995. This law standardizes issues of the establishment, effect, and responsibility assumption of guarantee behaviors including guarantee, mortgage, hypothecation, lien and deposits involved in such economic activities as debit and credit, selling and purchasing, commodities transport and contracted processing.

### **Land and Real Estate Administration**

Land administration within the territory of the PRC shall be governed by the Land Administration Law and its implementation regulations, which standardize the ownership and right of use of land, general plans for the utilization of land, protection of cultivated land and acquisition of land for construction purposes.

According to the Land Administration Law, the land is divided into two categories: (i) state-owned land and (ii) collective-owned land. In the case where a construction project involves occupying and using the collective-owned land, such land shall be expropriated and transformed into state-owned land, and the expropriation plan shall be approved by the competent governments. The collective members currently occupying the land shall be compensated pursuant to the national and local standard.

Normally, any construction project owner which needs to occupy and use state-owned land shall obtain the state-owned land use right by way of a grant fee at a price decided in accordance with relevant laws and regulations. However, state-owned land to be used for special purposes, such as an energy infrastructure project supported by the government, may also be obtained through free allocation

by the government at the county level or above, depending on the size of such land to be allocated. Such allocated state-owned land shall not be transferred, pledged or leased unless and until it is approved by the land authorities and the grant fee is paid.

Urban real estate administration within the territory of China shall be governed by the law of the People's Republic of China on Urban Real Estate Administration and its Implementation Regulations. This law standardizes the acquisition of the right to use the State-owned land within the designated urban area of the People's Republic of China for real estate development, the engagement in real estate development or transactions of real estate and real estate administration.

### **Labor, Employment Contract and Social Insurance**

The Labor Law and the Law on Employment Contract are the basic laws that apply to such labor issues such as the conclusion of labor contracts and collective contracts, working hours, rests and leaves, wages, labor safety and sanitation, special protection for female employees, professional training, social insurance and welfare treatment and labor disputes management.

When an employer hires an employee, they should sign a written labor contract and the employee's salary shall not be lower than the local minimum salary. The employer may alter or terminate the employment contract only for reasons specified by the laws. The company must establish a system for labor safety and sanitation, strictly abide by the state standards and provide relevant education and training to its employees. Employees are also entitled to work in safe and sanitary conditions conforming with the relevant rules and standards. Employers shall offer regular health examinations for employees engaging in hazardous occupations.

Social insurance within the territory of China shall be governed by the Law on Social Insurance effective as of July 1, 2010 and other related laws and regulations. Both the employer and employee shall pay basic pensions, basic medical insurance premiums, unemployment insurance premiums, and in addition, the employer shall pay maternity insurance premiums and employment injury insurance premiums for its employees. Such premiums shall be paid according to premium standards set by local governments and amended from time to time. According to the Administrative Regulations on Housing Provident Fund effective as of April 3, 1999 and amended on March 24, 2002, employers and employees shall pay housing funds pursuant to the standards set by the local government.

The projects which may expose the employee to toxic or harmful factors such as dust and radioactive substances in occupational activities, for example the coal-fired power plants, shall comply with law of the People's Republic of China on the Prevention and Control of Occupational Diseases which was promulgated on October 27, 2001 and came into force on May 1, 2002. The current law was amended on December 31, 2011 and came into force on the date of promulgation.

### **Intellectual Property Rights**

The protection of exclusive trademark rights within the territory of China shall be governed by the Trademark Law of the People's Republic of China and its implementation rules. The current law was amended on August 30, 2013 and came into force on the date of promulgation. This law standardizes application for trademark registration, examination and approval of trademark registration, renewal, assignment and licensing of registered trademarks, determination of disputes concerning registered trademarks, administration of the use of trademarks and the protection of the exclusive right to use a registered trademark.

The protection of patent rights within the territory of China shall be governed by the Patent Law of the People's Republic of China and its implementation rules. This law standardizes conditions for granting patents, application for patents, examination and approval of patent applications, duration, termination and invalidation of patents, compulsory license for exploitation of patent and protection of the patent right.

## KOREA REGULATORY OVERVIEW

### Power Industry in Korea

The Electricity Business Act of Korea (the "EBA") is a basic legal framework to govern and regulate the power business industry in Korea. Under the EBA, anyone who wishes to engage in the electricity business including power generation, electric transmission, distribution and sales businesses must obtain a license in advance from the Ministry of Trade, Industry and Energy ("MOTIE"), previously known as the Ministry of Knowledge Economy, and also, prior to the establishment of the Ministry of Knowledge Economy, the Ministry of Commerce, Industry and Energy, which oversees the power industry. MOTIE has discretion whether to issue the license to an applicant based on submitted documents.

In addition to the license as described above, the EBA requires power producers to have their power generating facility construction plans approved prior to any construction of power generating facilities, and receive inspection prior to the initiation of operation of such facilities. Furthermore, the power producers will need to execute an agreement with Korea Electric Power Corporation ("KEPCO") for power transmission in order to supply electricity into the national grid operated by KEPCO.

Further, there is a legislative bill to amend the EBA that is currently pending in the National Assembly of Korea which relates to IPPs. As some of such IPPs, including Tongyang Power Inc. and STX Power Co., Ltd., the affiliated groups of which are under financial difficulty, have been delaying their planned construction of generation facilities, in order to minimize any effect from such events, the legislative bill proposes that, in case where any third party acquires the control of such IPPs, such acquisition would require MOTIE's approval. In addition, to the extent that the relevant IPP is not able to initiate construction within a certain period after it obtains a license for the electricity power business without justifiable cause, such license is to be immediately terminated by MOTIE. The purpose of this legislative bill is to require such IPPs to undertake and complete relevant projects as scheduled, to prevent a potential shortfall in the supply of electricity.

### *Electricity Purchase*

#### *Cost-based Pool System*

Since April 2001, the purchase and sale of electricity in Korea is required to be made through the KPX, the sole electricity exchange market in Korea per the terms and conditions set forth under KPX regulations (unless a power producer has a PPA with KEPCO, in which case it would sell such electricity in accordance with the terms and conditions of such PPA). For example, KEPCO pays a combination of capacity charge, energy charge and start-up charge for the Yulchon I Power Project. The suppliers of electricity in Korea consist of KEPCO's six generation subsidiaries and independent power producers, which numbered 514 (largely consisting of solar and wind power producers) as of September 30, 2013.

The price of electricity in the Korean electricity market is determined principally based on the cost of generating electricity using a system known as the “cost-based pool” system. Under the cost-based pool system, the price of electricity has two principal components, namely the marginal price (representing, in principle, the variable cost of generating electricity) and the capacity price (representing, in principle, the fixed cost of generating electricity).

#### *System Marginal Price*

The primary purpose of the marginal price is to compensate the generation companies for fuel costs, which represents the principal component of the variable costs of generating electricity. The concept of marginal price under the cost-based pool system has undergone several changes in recent years in large part due to the sharp fluctuations in fuel prices. For example, prior to December 31, 2006, the marginal price operated on a two-tiered structure, namely, a “base load” marginal price applicable to electricity generated from nuclear fuels and coals, which tend to be less expensive per unit of electricity than electricity generated from liquefied natural gas, oil and hydroelectric power to which a “non-base load” marginal price applied. The base load marginal price and the non-base load marginal price were generally set at levels so that electricity generated from cheaper fuels could be utilized first while ensuring a relatively fair rate of return to all generation units. However, when the price of coal rose sharply beginning in the second half of 2006, the pre-existing base load marginal price was abolished and a cap called the “regulated market price” was introduced in its stead for electricity generated from base load fuels, with the regulated market price being set at a level higher than the pre-existing base load marginal price in order to compensate for the rapid rise in the price of coal. However, when the price of coal continued to rise sharply above the level originally assumed in setting the regulated market price, this had the effect of undercutting KEPCO’s profit margin as the purchaser of electricity, although the power producers were able to maintain a higher margin under the regulated market price system than under the pre-existing base load marginal price system. Accordingly, on May 1, 2008, the regulated market price system was abolished, and the current system of “system marginal price” was introduced.

The system marginal price represents, in effect, the marginal price of electricity at a given hour at which the projected demand for electricity and the projected supply of electricity for such hour intersect, as determined by the merit order system, which is a system used by the KPX to allocate which generation units will supply electricity for which hour and at what price. To elaborate, the projected demand for electricity for a given hour is determined by the KPX based on a forecast made one day prior to trading, and such forecast takes into account, among others, historical statistics relating to demand for electricity nationwide by day and by hour, after taking into account, among others, seasonality and peak-hour versus non-peak hour demand analysis. The projected supply of electricity at a given hour is determined as the aggregate of the available capacity of all generation units that have submitted bids to supply electricity for such hour. These bids are submitted to the KPX one day prior to trading.

Under the merit order system, the generation unit with the lowest variable cost of producing electricity among all the generation units that have submitted a bid for a given hour is first awarded a purchase order for electricity up to the available capacity of such unit as indicated in its bid. The generation unit with the next lowest variable cost is then awarded a purchase order up to its available capacity in its bid, and so forth, until the projected demand for electricity for such hour is met. The variable cost of the generation unit that is the last to receive the purchase order for such hour, among the generation units qualified to be reflected in such calculation pursuant to the Power Market Operation Rules, is referred to as the system marginal price, which also generally represents the most



expensive price at which electricity can be supplied at a given hour based on the demand and supply for such hour. The main components of the variable cost of each generation unit is determined on a monthly basis by the Cost Evaluation Committee established within the KPX (the “**Cost Evaluation Committee**”), taking into account fuel costs either one or two months prior to the price determination, depending on the type of fuel, and is implemented in the subsequent month. The adjusted static transmission loss factor applicable to the relevant generation unit, which is also determined on an annual basis by the Cost Evaluation Committee, is also reflected when calculating the variable of cost of such generation unit. Usually, generation units whose variable costs exceed the system marginal price for a given hour do not receive purchase orders to supply electricity for such hour. The final allocation of electricity supply, however, is further adjusted on the basis of other factors, including the proximity of a generation unit to the geographical area to which power is being supplied, network and fuel constraints and the amount of power loss.

The purpose of the merit order system is to encourage generating units to reduce their respective electricity generation costs by making their respective generation process more efficient, sourcing fuels from most cost-effective sources or adopting other cost savings programs. The additional adjustment mechanism is designed to improve the overall cost efficiency in the distribution and transmission of electricity to consumers by adjusting for losses arising from the distribution and transmission process.

From March 1, 2013, however, the KPX has implemented a settlement price capping scheme for a two year period, according to which an amount of the system margin price for a power plant determined for the purpose of calculating the tariff for each hour is capped at the higher of the amount of variable cost of a designated standard power plant in Korea (as of February 22, 2013, the New Incheon Combined Cycle Gas Turbine was designated as the standard power plant) or the generation unit price of such power plant for that hour. This cap is likely to affect, in practice, only those generation units using the most expensive fuel types, namely LNG and oil.

#### *Capacity price*

In addition to payment in respect of the variable cost of generating electricity, the power producers receive payment in the form of capacity price, the purpose of which is to compensate them for the costs of constructing generation facilities and to provide incentives for new construction. The capacity price is determined annually by the Cost Evaluation Committee based on the construction costs and maintenance costs of a standard generation unit and is paid to each generation company for the amount of available capacity indicated in the bids submitted the day before trading. From time to time, the capacity price is adjusted in ways to soften the impact of changes in the marginal price over time based on the expected rate of return for the power producers. Currently, the capacity price is KRW7.46 per kWh and since January 1, 2013 has applied equally to all central dispatch generators (*jungang gubjeon baljungi*), regardless of fuel types used.

Effective as of January 1, 2007, a regionally differentiated capacity price system was introduced by setting a standard capacity reserve ratio in the range of 12.0% to 20.0% in order to prevent excessive capacity build-up as well as to induce optimal capacity investment at the regional level. The capacity reserve ratio is the ratio of peak demand to the total available capacity. Under this system, generation units in a region where available capacity is insufficient to meet demand for electricity as evidenced by a failure to meet the standard capacity reserve ratio receive increased capacity price. Conversely, generation units in a region where available capacity exceeds demand for electricity as

evidenced by satisfaction of the standard capacity reserve ratio receive reduced capacity price. Other than the foregoing region-based variations, the capacity price generally applies uniformly to all central dispatch generation units regardless of fuel types used.

#### *Recent developments*

The amendment to the Electricity Business Act, which provides that an upper limit on the price of electricity can be set, was recently passed by the National Assembly of Korea. In addition to such imposition of the upper limit, the said amendment requires that certain power producers execute vesting contracts with certain parties, including KEPCO, for a portion of the electricity such producers generate, under which they agree on a set price for electricity sold as such. The purpose of this amendment is to prevent the fluctuation of electricity price, such that the burden on the customers of electricity could be minimized.

#### *Renewable Energy Subsidies and Renewable Portfolio Standard*

Under the Renewable Energy Act, power companies generating new or renewable energy, such as fuel cell energy, photovoltaic energy or wind energy were eligible to receive subsidies for a certain period based on a standard price set by MOTIE. This subsidy system was abolished on December 31, 2011, although companies which were already receiving such subsidies before such date will still be able to receive the aforementioned subsidy during the period in which MOTIE originally committed to do so. Additionally, since January 1, 2012, generation companies in Korea with power generating capacity over 500 MW have been subject to the “renewable portfolio standard.” Under the RPS scheme, covered generation companies are required to generate a certain proportion of their total power portfolio through renewable energy generation, or purchase and submit the equivalent in RECs. In 2012, the renewable energy generation requirement was 2% of the gross electricity generated. This percentage will increase to 10% by 2022, as follows:

| <u>Year</u>           | <u>Renewable Energy Generation<br/>Requirement (percentage of<br/>gross electricity generated)</u> |
|-----------------------|--|
| 2012 .....            | 2.0  |
| 2013 .....            | 2.5  |
| 2014 .....            | 3.0  |
| 2015 .....            | 3.5  |
| 2016 .....            | 4.0  |
| 2017 .....            | 5.0  |
| 2018 .....            | 6.0  |
| 2019 .....            | 7.0  |
| 2020 .....            | 8.0  |
| 2021 .....            | 9.0  |
| 2022 and onwards..... | 10.0   |

If companies subject to the renewable portfolio standard are not able to generate renewable energy up to the required amount, such companies can purchase RECs from other renewable energy power producers. Companies may be subject to pecuniary charges proportionate to the volume of RECs that such companies fail to submit. Compliance with the renewable portfolio standard is measured on a yearly basis.



*Other Key Authorizations Relating to the Construction of Power Plants in Korea*

According to the Act on Planning and Utilization of Land and regulations promulgated thereunder, in order to install power generating facilities, transformation facilities (except those installed within a building) or power transmission lines with a voltage of not less than 154Kv, such facilities and lines are required to be reflected in the urban or county management plan, as the case may be, and the implementation plan for such facilities should be approved by the competent authorities. Other authorizations, including but not limited to, those relating to road usage, farmland conversion, mountainous land conversion, public water usage, etc., may also be required, depending on the specific components of the project.

**Foreign Investments in Korea**

The Foreign Investment Promotion Law of Korea (“**FIPL**”) primarily regulates a foreigner’s direct investment in Korean companies. A foreign investor must report such acquisition of shares in advance to, and receive an acknowledgment thereof from, a foreign exchange bank as designated by the MOTIE, or the Korea Trade Investment Promotion Agency, if such foreign investor (i) acquires 10% or more of the voting share capital of a Korean company (whether listed or unlisted) or (ii) participates in the management of a Korean company (which is generally evidenced by the appointment of one or more directors of the company), even though its ownership ratio is less than 10%. Subsequent acquisition is subject to the same filing requirement as the initial acquisition. Once a FIPL report has been filed, subsequent disposition in ownership must be reported within 30 days of the date on which the agreement to sell the shares is executed. A Korean corporation into which a foreign investor makes direct investment must be registered as a foreign invested enterprise with a foreign exchange bank as designated by the MOTIE, or the Korea Trade Investment Promotion Agency.

**Korean Foreign Exchange Regulations**

The Foreign Exchange Transaction Act of Korea and the Presidential Decree and regulations under that Act and Decree (collectively, the “**Foreign Exchange Transaction Laws**”) regulate investments in Korean securities by non-residents and issuances of securities outside Korea by Korean companies. Non-residents may invest in Korean securities pursuant to the Foreign Exchange Transaction Laws. Subject to certain limitations, the Ministry of Strategy and Finance has the authority to take the following actions under the Foreign Exchange Transaction Laws for a period of not more than six months, or for a longer period under extraordinary circumstances:

- if the Government deems it necessary on account of war, armed conflict, natural disaster or grave and sudden and significant changes in domestic or foreign economic circumstances or similar events or circumstances, the Ministry of Strategy and Finance may temporarily suspend performance under any or all foreign exchange transactions, in whole or in part, to which the Foreign Exchange Transaction Laws apply (including suspension of payment and receipt of foreign exchange) or impose an obligation to deposit, safe-keep or sell any means of payment to The Bank of Korea or certain other governmental agencies or the foreign exchange equalization fund or financial companies; and
- if the Government concludes that the international balance of payments and international financial markets are experiencing or are likely to experience significant disruption or that the movement of capital between Korea and other countries is likely to adversely affect its monetary policies, exchange rate policies or other macroeconomic policies, the Ministry of

Strategy and Finance may take action to require any person who intends to effect a capital transaction to obtain permission or to require any person who effects a capital transaction to deposit a portion of the means of payment acquired in such transactions with The Bank of Korea or the foreign exchange equalization fund or financial companies.

### **General Employment Matters in Korea**

Under the Labor Standards Act of Korea (the “**LSA**”), a basic framework to govern employee related matters, an employer is required to compensate employees for overtime, night-time and days off at the rate of 150% of the employee’s monthly ordinary wage, unless such employees is exempted. Under the LSA, an employee is entitled to 15 days of paid annual leave upon completion of the first year of employment (subject to the minimum attendance requirement). An employee who has been employed for more than three consecutive years is entitled to one additional day of paid annual leave every two years up to a maximum of 25 days. An employer must compensate the employees for any and/or all unused annual leave at the rate of 100% of the ordinary wage unless such employer takes certain measures to promote employees to use their annual leave.

The Act on Protection of Fixed-Term and Part-Time Employees (the “**APFP**”) applies to employment contracts executed or renewed after July 1, 2007. The APFP was designed to enhance protection afforded to fixed-term employees and contains provisions that could increase costs associated with hiring fixed-term employees.

Dispatch of workers is regulated by the Dispatched Workers Protection Act of Korea (the “**DWPA**”). Under the DWPA, (i) the work to be performed by the dispatched workers must fall under one of the permitted 32 job categories listed under the Presidential Decree of the DWPA, and (ii) if the dispatched workers have been working for two years or more at the same employer, such employer has the responsibility to hire such dispatched workers as regular employees. Violations of DWPA provisions may result in criminal sanctions of imprisonment or fines. In addition, employers are prohibited from discriminating against dispatched workers with respect to working conditions and should treat them the same as their regular employees working in a same or similar job.

Under relevant Korean law, an employer is generally required to subscribe to the following social insurance programs for all directors and employees: (i) the National Pension; (ii) the National Health Insurance; (iii) the Industrial Accident Compensation Insurance; (iv) the Unemployment Insurance; and (v) the Wage Claim Guarantee Fund.

### **Korean Environmental Protection and Health and Safety Regulation**

#### ***Environmental Regulation and Protection***

The establishment and operation of a power plant in Korea is subject to various environmental laws and regulations, and municipal ordinances, under which numerous permits, approvals and certificates from appropriate governmental agencies are required.

Korea’s principal environmental law is the Basic Environmental Policy Law (the “**BEPL**”) which sets forth the general principles, fundamental policies and administrative framework for environmental preservation and remediation. In addition to the BEPL, major environmental protection laws and regulations that are potentially applicable to our power plants in Korea are the Assessment of Impact on Environment Law (the “**AIEL**”), the AEPL, the Water Quality and Aqua-ecosystem Preservation Law

(the “WQPL”), the Groundwater Law (the “GWL”), the Marine Environment Management Law (the “MEML”), the Wastes Management law (the “WML”), the Soil Environment Preservation Law (the “SEPL”), Persistent Organic Pollutant Management Law (the “POPML”), the Environmental Examination and Inspection Law (the “EEIL”), the Low Carbon Green Growth Framework Law (the “LCGGFL”) and the Law on the Allocation and Trade of Greenhouse Gas Emission Allowances (the “LATGGEA”).

Under the AIEL, if certain conditions were met, a business entity considering engaging in the power plant business in Korea must conduct an EIA study and submit an EIA report to obtain approval for the implementation plan from the relevant authority. Not only for the power plant itself, but also for the transmission line and transmission towers connected thereto, such environmental impact assessment may be required, depending on the voltage and length of the transmission line. The license issuing authority consults with the MOE regarding the EIA report. If there are any Consulted Standards, the business entity must comply with those Consulted Standards. If the business entity violates the Consulted Standards, a special charge will be imposed. A power plant developer must also conduct a post-EIA study, investigating any environmental effects on the business area and its vicinity during the period beginning on the construction commencement date and ending on the fifth anniversary of the construction completion date, and submit a post EIA report to the relevant authority.

Under the AEPL, a business entity considering establishing a power plant which will discharge air pollutants must obtain permission from, or make a report to, the competent local government, and install and operate air pollution preventive equipment and air emission monitoring instruments so as to keep air pollutants in emissions within the permissible standards.

With respect to water quality preservation, the WQPL regulates effluents released into surface water, the GWL regulates groundwater contamination and the MEML protects and governs sea water. To establish and operate power generating facilities that discharge wastewater, the WQPL requires a business entity to obtain permission from or make a report to the competent local government prior to the installation of such facilities and to install and operate pollution control equipment. Effluent charges may be imposed in proportion to the amount of water pollutants discharged.

Under the EEIL, telemonitoring systems installed on pollutant emitting facilities such as air pollutant emitting facilities or wastewater discharging facilities is required to be regularly inspected by MOE.

Under the WML, a power plant that discharges designated waste must properly treat all waste produced by the power plant concerned on its own or through a licensed waste treatment company, and file a report on the types of waste and the amount of discharged waste with the local government. A power plant must also obtain prior approval for a designated waste treatment plan from the competent environmental authority prior to the treatment of designated waste that is hazardous to public health and the environment. A business entity that discharges business place waste must control the creation of waste to the utmost by, among other things, the installation of necessary facilities, improvement of processes and recycling.

Under the SEPL, a business entity contemplating installing certain soil contaminating facilities handling petroleum products or toxic chemicals storing tanks, which pose higher contamination risk, must file a report with the competent local government prior to the installation of such facilities, and

take appropriate measures to prevent soil contamination, including the installation of soil contamination preventive facilities. A site where such soil contaminating facilities are installed and its vicinity must receive, periodically or occasionally, soil contamination investigations conducted by a soil specialist.

Under the POPML, owners of equipment containing persistent organic pollutants, such as transformers, are required to report such equipment to MOE.

In addition, the greenhouse gas and energy-related regulations under the LCGGFL, which was enacted in April 2010, and the LATGGEA, which was enacted in May 2012, may also be applicable. The LCGGFL and the regulations thereunder established the greenhouse target management system, which requires companies to establish and achieve greenhouse gas emissions and energy consumption targets on an annual basis. The LATGGEA and the regulations thereunder established the Korean “**Emissions Trading Scheme**”, which is scheduled to be implemented on January 1, 2015, under which companies will be allocated a limited volume of emission allowances and be allowed to trade these allowances. The LCGGFL, the LATGGEA and the regulations thereunder are separate from the renewable portfolio standard. While the renewable portfolio standard imposes a certain quota of renewable energy to be produced by power companies, the LCGGFL, the LATGGEA and the regulations thereunder regulate greenhouse gas emissions for companies (whether a power company or not) emitting more than a certain level of greenhouse gas.

#### *Health and Safety Compliance*

The establishment and operation of a power plant in Korea are subject to various health and safety laws and regulations for protection of workers’ safety and health, which include the Industrial Safety and Health Law (the “**ISHL**”), the Installation, Maintenance and Safety Management Law of the Fire Fighting Facilities (the “**FFFL**”), the Dangerous Substance Safety Management Law (the “**DSSML**”), and the High Pressure Gas Safety Management Law (the “**HPGSML**”).

The ISHL requires business owners to take necessary measures to ensure that their workers are not exposed to dangers in their work environment arising from machinery, tools, explosive or flammable materials, electricity, heat, improper work processes, etc. and to prevent the deterioration of workers’ health due to dust, radiation, lack of oxygen, vibration, waste materials, etc. In relation to hazardous activities associated with operations of the power plants, the FFFL, the DSSML, and the HPGSML require appropriate preventive measures, prior permits or reports, and inspection requirements.

**PRC TAXATION****Income Tax**

Before January 1, 2008, income tax on enterprises with foreign investment within the territory of China shall be paid in accordance with the provisions of the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises (the "**Income Tax Law for Enterprises with Foreign Investment**") which was promulgated on April 9, 1991 and took effect as of July 1, 1991, and also in accordance with relevant implementation regulations of this law. According to the Income Tax Law for Enterprises with Foreign Investments, unless lower tax rate is stipulated in laws and regulations, the income tax on enterprises with foreign investment shall be paid at the rate of 30%, and local income tax shall be paid at the rate of 3%. The income tax on enterprises with foreign investment established in Special Economic Zones, on foreign enterprises which have establishments or places in Special Economic Zones engaged in production or business operations, and on enterprises with foreign investment of a production nature in Economic and Technological Development Zones, shall be levied at the reduced rate of 15%. The income tax on enterprises with foreign investment of a production nature established in coastal economic open zones or in the old urban districts of cities where the Special Economic Zones or the Economic and Technological Development Zones are located shall be levied at the reduced rate of 24%. Any enterprise with foreign investment of a production nature scheduled to operate for a period of not less than ten years shall, from the year beginning to make profit, be exempted from income tax in the first and second years (after deducting all the tax losses carried forward from prior years), and allowed a 50% reduction in the third to fifth years.

According to the Enterprises Income Tax Law of the People's Republic of China which was promulgated on March 16, 2007 and took effect as of January 1, 2008 (the "**New Tax Law**"), since January 1, 2008, the income tax on both domestic enterprises and enterprises with foreign investment shall be levied at the rate of 25%. To clarify some of the provisions of the New Tax Law, the Regulations for Implementation on the Enterprises Income Tax Law of the People's Republic of China (the "**Implementation Regulations**") was promulgated on December 6, 2007 and took effect as of January 1, 2008. Pursuant to the Notice of the State Council on the Implementation of the Transitional Preferential Policies in respect of Enterprise Income Tax, which was promulgated on and took effect as of December 26, 2007, the New Tax Law provides certain tax concessions during the transitional period for enterprises established before March 6, 2007: (1) As of January 1, 2008, enterprises that previously enjoyed the preferential policies of low tax rates shall be gradually transited to be subject to the statutory tax rate within five years after the implementation of the New Tax Law. Among them, the enterprises that enjoy the income tax rate of 15% shall be subject to the tax rate of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012; the enterprises that enjoy the income tax rate of 24% shall be subject to the tax rate of 25% as of 2008. (2) As of January 1, 2008, the enterprises that have been granted the tax concessions of "two-year exemption and three-year half deduction" and "five-year exemption and five-year deduction" shall continue to enjoy the tax concessions until the expiry day in accordance with the tax preferential policies under the old income tax law, regulations and relevant provisions. Where the tax preferences have not been granted due to the fact that the enterprises have not made any profits, the tax preferential period shall commence as of 2008.

**Value-added Tax**

Pursuant to the Interim Regulation of the People's Republic of China on Value-added Tax that came into force as of January 1, 1994 (amended on November 5, 2008 and took effect as of January 1, 2009) and its implementation regulation, all units and individuals engaged in sales of goods, provisions of processing, repair and replace services, and the importation of goods within the territory of the

People's Republic of China shall pay value-added tax ("VAT"). The tax payable shall be the balance of the output tax for the period after deducting the input tax for the period. The VAT rate shall be 17%, except that in some specific circumstance the VAT rate shall be 13%, depending on the category of goods.

### **Business Tax**

Pursuant to the Interim Regulation of People's Republic of China on Business Tax that came into force as of January 1, 1994 (amended and adopted at the 34<sup>th</sup> executive meeting of the State Council on November 5, 2008, and took effect as of January 1, 2009) and its implementation regulation, all units and individuals engaged in the provision of services, the transfer of intangible assets or the sale of real estate within the territory of the People's Republic of China shall pay business tax. The tax payable shall be computed according to the turnover and the prescribed tax rate. The tax rate shall be 3% or 5%, depending on the category of business, except that the tax rate for entertainment industry shall be 5% to 20%.

### **Real Estate Tax**

Before January 1, 2009, the payment of real estate tax on foreign-invested enterprises, foreign enterprises and organizations, and foreign individuals applied to the Provisional Regulations of the People's Republic of China on Urban Real Estate Tax (the "**Provisional Regulations on Urban Real Estate Tax**", took effect as of August 8, 1951 and was abolished on January 1, 2009), while the payment of real estate tax on domestic enterprises and individuals applied to the Provisional Regulations of the People's Republic of China on Real Estate Tax (the "**Provisional Regulations on Real Estate Tax**", took effect as of October 1, 1986). According to the Abolition of the Provisional Regulations of the People's Republic of China on Urban Real Estate Tax (order No.546 of the State Council) announced by the State Council on December 31, 2008, since January 1, 2009, foreign-invested enterprises, foreign enterprises and organizations, and foreign individuals shall pay real estate tax in accordance with the Provisional Regulations on Real Estate Tax. Therefore, since January 1, 2009, foreign-invested enterprises, foreign enterprises and organizations, foreign individuals and domestic enterprises and individuals shall pay real estate tax in accordance with the Provisional Regulations on Real Estate Tax. Real estate tax shall be paid by the owner of the property rights. The tax shall be calculated on the residual following the subtraction of between 10% and 30% of the original value of the property. Details of the scope of the subtraction shall be determined by the provincial, autonomous region or directly administered municipal people's government. The tax shall be calculated on the residual value of the property at a rate of 1.2%, or in the case of rental properties, on the rental income from the property at a rate of 12%.

### **Dividend Withholding Tax**

Pursuant to the Enterprise Income Tax Law of the PRC and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC effective as of January 1, 2008, a non-resident enterprise, which has not established representative office or other facilities in the PRC or its established representative office or facility in the PRC has no actual connections with the income sourced in the PRC, shall be subject to a 10% withholding tax on the dividends distributed by a PRC enterprise. The withholding tax rate may be reduced depending on the applicable tax treaty between the PRC and other jurisdictions. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Tax Evasion with respect to Tax on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006 (the first and second amendment took effect on June 11, 2008 and December 20 2010,



respectively), the amount of withholding tax paid by a Hong Kong company which directly holds at least 25% of the equity interest in the PRC company distributing the dividends shall not exceed 5% of the dividends so distributed to the Hong Kong company, while in the case of other Hong Kong companies which directly hold less than 25% of the equity interest, the withholding rate shall not exceed 10%.

### **City Maintenance and Construction Tax**

According to the Provisional Regulations of the people's Republic of China on City Maintenance and Construction Tax that took effect as of 1985 (amended on December 29, 2010 and took effect as of January 8, 2011), all units and individuals who are tax payers of value-added tax, business tax and consumption tax shall pay city maintenance and construction tax. The computation of city maintenance and construction tax shall be based on the amount of value-added tax, business tax and consumption tax actually paid by tax payers, and the tax shall be paid together with the payment of value-added tax, business tax and consumption tax. The rates of city maintenance and construction tax are as follows: For tax payers located in urban areas, the rate is 7%. For tax payers located in counties or townships, the rate is 5%. For tax payers located in areas other than urban area, counties and townships, the rate is 1%.

### **Educational Surtax**

According to the Interim Provisions on the Collection of Educational Surtax that took effect as of July 1, 1986 (amended for the first time on August 20, 2005 and took effect as of October 1, 2005; and amended for the second time on December 29, 2010 and took effect as of January 8, 2011), all units and individuals who are tax payers of value-added tax, business tax and consumption tax shall pay educational surtax. The computation of educational surtax shall be based on the amount of value-added tax, business tax and consumption tax actually paid by tax payers. The rate of educational surtax is 3%, and the tax shall be paid together with the payment of value-added tax, business tax and consumption tax. Only those units who shall pay rural educational expenditure surtax in accordance with the Notice of the State Council on Raising Funds for Rural Schools are exempted from educational surtax.

## **KOREA TAXATION**

### **Corporate Income Tax**

Domestic corporations are required to pay corporate income tax in accordance with the Corporation Income Tax Law. Filing of corporate income tax return is required twice a year. The year-end return is due within three months of the fiscal year end and the interim return is due within two months of the first half of a fiscal year. Corporate income tax rate (including the local income tax which is levied at 10% of the corporate income tax) is 11% for the first KRW 200 million of taxable income, 22% for the taxable income over KRW 200 million but less than KRW 20 billion, and 24.2% for the taxable income exceeding 20 billion. To discourage corporations from holding real estate, not directly used for business, an additional tax of 11% (including local tax, and which will be increased to 44%, in case non-business purpose real estate is sold before registration of acquisition) is imposed on capital gains earned from the sale of non-business purpose real estate. Foreign tax credits may be obtained in accordance with certain formula and under certain conditions provided for in the Korean tax law.



As a relief from double taxation, the Korean tax law allows certain exclusions from taxable income, so called Dividend Received Deduction (“DRD”), in connection with dividends received by a Korean parent company (not limited to qualified holding companies under the Monopoly Regulation and Fair Trade Act of Korea) from its Korean subsidiaries. The exclusion rates vary depending on the Korean parent company’s ownership ratio in the Korean subsidiary distributing the dividends. If the Korean parent company owns 100% interest in its subsidiary, the entire amount of dividends received by the Korean parent company will be excluded from the taxable income of the Korean parent company. Please note, however, that the amount of DRD would be reduced in accordance with the formula prescribed in the Korean tax law, if the Korean parent company has certain borrowings.

The Korean tax law introduced the consolidated tax return regime towards the end of 2008. Under the consolidated tax return regime, effective for fiscal years beginning on or after January 1, 2010, a holding company in Korea is allowed to elect to file its tax return on a consolidated basis with its Korean subsidiaries. Only those Korean subsidiaries which are wholly (100%) owned are eligible for the consolidated tax return election. Being an internal transaction, distribution of dividends by such Korean subsidiaries to the holding company would not be recognized as income on the consolidated tax return.

Interest, dividends, royalty, capital gains and other income paid to a foreign corporation by a Korean corporation require taxes to be withheld by the Korean corporation. Withholding tax reports are required to be filed on monthly basis by the 10<sup>th</sup> day of the month following the month in which the income is paid. Interest (except for interest exempt under the Korean tax law) and dividend paid to a foreign corporation are generally subject to 22% withholding tax (including local income tax), unless exempt or reduced under an applicable tax treaty. When a foreign corporate investor without a permanent establishment in Korea earns income by way of selling or otherwise disposing of securities issued by a Korean corporation, the buyer must withhold 11% (including local income tax) of the sales proceeds or 22% (including local income tax) of capital gains, whichever is lower, unless exempt under an applicable tax treaty.

To avoid any adverse tax consequences, any transaction between domestic or foreign affiliates should occur at fair market value or arm’s length price under the Korean tax law.

### **Value Added Tax**

VAT is imposed on the supply of goods, services, and importation of goods at the rate of 10% as required by the Korean Value Added Tax Law and VAT returns are required to be filed on quarterly basis within 25 days of the end of each quarter. A business that engages in the supply of goods or services independently in the course of its business is required to collect output VAT from the purchaser and remit it to the relevant tax office. The amount of VAT payable to the tax office is computed by deducting input VAT paid from output VAT. Input VAT which exceeds output VAT is refundable. VAT imposed on importation of goods is collected by the customs authorities. Certain goods such as basic life necessities, land, books, and services such as education, finance and insurance and social welfare are exempt from VAT. Goods for exportation, services rendered outside Korea, international transportation service by ships and aircraft, and certain goods or services supplied for foreign exchange earning as prescribed in the Korean tax law are subject to zero-rate VAT.

**Tax Incentive and Exemptions**

Special tax measures are provided for in the Tax Incentives and Limitation Law for certain fiscal policy purposes. They include provisions for nontaxable income, tax credit, income deductions, tax exemptions, and tax refunds for public corporations, small enterprises, defense industries and overseas businesses. For example, interest paid on foreign currency denominated bonds issued by a Korean corporation to a foreign company, subject to certain other conditions, is exempt from Korean withholding tax.

**Tax Treaties**

Korea has entered into tax treaties to avoid double taxation and to prevent fiscal evasion with over 80 countries worldwide, including U.S., UK, China, Japan, Republic of Malta, etc. Such tax treaties provide foreign corporations or individuals with certain relief in respect of Korean corporate income tax and individual income tax (and surtaxes thereon depending on the treaty), including reduction of withholding tax on interest and dividends (generally to between approximately 5% and 15%) and, often, exemption of tax on capital gains from transfer of shares issued by a Korean company. There is currently no tax treaty in effect between Korea and Bermuda or between Korea and Hong Kong (although the Korean Ministry of Strategy and Finance has recently announced that Korea and Hong Kong has initialed tax treaty terms – which are subject to official signing and ratification by the legislatures of the two countries).

For a foreign investor to enjoy benefits under Korean tax treaties, it generally should have the following characteristics, among others: (i) it does not have any permanent establishment in Korea and (ii) it is the beneficial owner of the income paid. If such foreign investor is deemed to have a permanent establishment in Korea, corporate income tax discussed above will apply to income attributable to such permanent establishment in Korea. In most tax treaties, there is no clear definition on beneficial ownership, and since 2004, the Korean tax authorities have become more aggressive in tax audit situations placing significant emphasis on denying beneficial ownership based on the application of the substance-over-form principle in order to prevent tax treaty shopping. Specifically, the Korean tax authorities have found that there is no economic substance in immediate foreign entity holding assets (including the securities issued by a Korean corporation) located in Korea to the extent such foreign entity is found to have little or no substantial business operation or purpose (in practice, most are special purpose vehicles). The resulting consequences is the denial of the foreign entity as the beneficial owner of the assets and finding an alternative actual beneficial owner located in less favorable tax jurisdiction or even in jurisdiction with no tax treaty with Korea, in which case taxes are assessed based on the Korean domestic tax law. This result has been affirmed, under case specific facts, by the courts including the Korean Supreme Court.

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## APPENDIX VII SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

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Set out below is a summary of certain provisions of the memorandum of association (the “Memorandum of Association”) and bye-laws (the “Bye-laws”) of the Company and of certain aspects of Bermuda company law.

### 1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Companies Act 1981 of Bermuda (the “Companies Act”). The Memorandum of Association also sets out the objects for which the Company was formed including to act and perform all functions of a holding company. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Bye-laws provide that any power of the Company to purchase its own shares is exercisable by the board of Directors (the “board”) upon such terms and subject to such conditions as it thinks fit.

### 2. BYE-LAWS

The Bye-laws were adopted on September 15, 2014 conditional on Listing. The following is a summary of certain provisions of the Bye-laws:

#### (a) Directors

##### (i) *Power to allot and issue shares and warrants*

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorized by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act, the Bye-laws, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Bye-laws) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

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## APPENDIX VII SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

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Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(ii) Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

*Note:* The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Companies Act to be exercised or done by the Company in general meeting.

*(iii) Compensation or payments for loss of office*

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

*(iv) Loans and provision of security for loans to Directors*

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarized in the paragraph headed “*Bermuda Company Law*” in this Appendix.

*(v) Financial assistance to purchase shares of the Company*

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Bye-laws) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

*(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Companies Act, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Bye-laws,

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## APPENDIX VII SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

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the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as define in the Bye-laws) is materially interested but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security.
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

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## APPENDIX VII SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

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- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

*(vii) Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependants or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or

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## APPENDIX VII SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

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fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(viii) Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

*Note:* There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or, subject to authorisation by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director appointed by the board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the board as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director fourteen (14) days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the board may determine and the board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against the Company or vice versa). The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees



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## APPENDIX VII SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

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either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

*(ix) Borrowing powers*

The board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*Note:* These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

**(b) Alterations to constitutional documents**

The Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of the Company.

**(c) Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;
- (v) change the currency denomination of its share capital;
- (vi) make provision for the issue and allotment of shares which do not carry any voting rights; and
- (vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

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## APPENDIX VII SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

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The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorized or issued share capital or, save for the use of share premium as expressly permitted by the Companies Act, any share premium account or other undistributable reserve.

### **(d) Variation of rights of existing shares or classes of shares**

Subject to the Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons or (in the case of a member being a corporation) its duly authorized representative holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or (in the case of a member being a corporation) its duly authorized representative or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

### **(e) Special resolution – majority required**

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one(21) clear days and not less than ten(10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Bye-laws), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one(21) clear days and not less than ten(10) clear business days has been given.

### **(f) Voting rights**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a poll every member present in person or by proxy or (being a corporation) by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share.

A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

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## APPENDIX VII SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

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At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorisation shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Bye-laws), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

### **(g) Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Bye-laws)) and place as may be determined by the board.

### **(h) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act, at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting.

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## APPENDIX VII SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

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Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company at the annual general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware of or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Bye-laws), the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Subject to the Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

### **(i) Notices of meetings and business to be conducted thereat**

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any special general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other special general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

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## APPENDIX VII SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

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### (j) Transfer of shares

All transfers of shares may be effected in any manner permitted by and in accordance with the rules of the Designated Stock Exchange by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board insofar as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognize any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Bye-laws) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws),

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## APPENDIX VII SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

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at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

### **(k) Power for the Company to purchase its own shares**

The Bye-laws provide that any power of the Company to purchase its own shares is exercisable by the board upon such terms and conditions as it thinks fit.

### **(l) Power for any subsidiary of the Company to own shares in the Company**

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary.

### **(m) Dividends and other methods of distribution**

Subject to the Companies Act, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than its liabilities.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

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## APPENDIX VII SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

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All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

### **(n) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

### **(o) Call on shares and forfeiture of shares**

Subject to the Bye-laws and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen 14 clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together



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## APPENDIX VII SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

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with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(p) Inspection of register of members**

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon during business hours by members of the public without charge at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act, unless the register is closed in accordance with the Companies Act.

**(q) Quorum for meetings and separate class meetings**

For all purposes the quorum for a general meeting shall be two members present in person or (in the case of a member being a corporation) by its duly authorized representative or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

**(r) Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarized in paragraph 4(e) of this Appendix.

**(s) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(t) Untraceable members**

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the

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## **APPENDIX VII SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW**

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member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Bye-laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Bye-laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Bye-laws) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

### **(u) Other provisions**

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The Bye-laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon during business hours.

### **3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS**

The Memorandum of Association may be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association or to confirm any amendment to the Bye-laws or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' and not less than ten clear business days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of twenty-one (21) clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 percent in nominal value of the shares giving that right.

### **4. BERMUDA COMPANY LAW**

The Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

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## APPENDIX VII SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

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### (a) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “**share premium account**”, to which the provisions of the Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account was paid up share capital of the company except that the share premium account may be applied by the company:

- (i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (ii) in writing off:
  - (aa) the preliminary expenses of the company; or
  - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

### (b) Financial assistance to purchase shares of a company or its holding company

There is no longer any statutory restriction in Bermuda on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in accordance with their fiduciary duties to the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

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## APPENDIX VII SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

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### **(c) Purchase of shares and warrants by a company and its subsidiaries**

A company may, if authorized by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorized by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorized but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as treasury shares; and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) shall be made to the company in respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Companies Act as if they had been acquired by the company at the time they were allotted.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases.

Under Bermuda law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorized to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act.

### **(d) Dividends and distributions**

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than its liabilities. Contributed surplus is defined for purposes of section 54 of the Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

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## APPENDIX VII SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

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### **(e) Protection of minorities**

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

### **(f) Management**

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the bye-laws of the company. The directors of a company may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Companies Act or the bye-laws to be exercised by the members of the company.

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## APPENDIX VII SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

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### **(g) Accounting and auditing requirements**

The Companies Act requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least five (5) days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarized financial statements instead. The summarized financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Companies Act. The summarized financial statements sent to the company's members must be accompanied by an auditor's report on the summarized financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarized financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than twenty-one (21) days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within seven (7) days of receipt by the company of the member's notice of election.

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## APPENDIX VII SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

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### **(h) Auditors**

Unless the requirement to appoint an auditor is waived by all of the shareholders and all of the directors, either in writing or at the general meeting, any auditor appointed shall hold office until a successor is appointed by the members or if the members fail to do so until the directors appoint a successor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at a general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than twenty-one (21) days before the general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than seven (7) days before the general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within fifteen (15) days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

### **(i) Exchange control**

An exempted company is usually designated as "non-resident" for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Companies Act). Issues to and transfers involving persons regarded as "resident" for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.



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## APPENDIX VII SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

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### **(j) Taxation**

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 31st March 2035, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

### **(k) Stamp duty**

An exempted company is exempt from all stamp duties except on transactions involving “Bermuda property”. This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

### **(l) Loans to directors**

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a twenty per cent. (20%) interest, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting or in the case of a company that has made an election to dispense with annual general meetings in accordance with the Companies Act, at or before the next following general meeting which shall be convened within 12 months of the authorisation of the making of the loan, if the loan is not approved at or before such meeting, (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or (c) any advance of moneys by the company to any officer or auditor under Section 98(2)(c) of the Companies Act which allows the company to advance moneys to an officer or auditor of the company for the costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the company is not given for a loan, the directors who authorized it will be jointly and severally liable for any loss arising therefrom.

### **(m) Inspection of corporate records**

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company’s certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company’s memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general

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## APPENDIX VII SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

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meetings and the company's audited financial statements. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two (2) hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may on payment of a fee prescribed by the Companies Act require a copy of the register of members or any part thereof which must be provided within fourteen (14) days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two (2) hours in each day by members of the public without charge. If summarized financial statements are sent by a company to its members pursuant to section 87A of the Companies Act, a copy of the summarized financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

### **(n) Winding up**

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

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## APPENDIX VII SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

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As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

### 5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Bermuda law, have sent to the Company a letter of advice summarising certain aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "*Documents Delivered to the Registrar of Companies and Available for Inspection*" in Appendix IX. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES****1. INCORPORATION**

Our Company was incorporated in Bermuda under the Bermuda Companies Act as an exempted company with limited liability on September 28, 1995. Our registered office is at Victoria Place, 31 Victoria Street, Hamilton HM10, Bermuda.

We have established a place of business in Hong Kong at 15/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. Our Company was registered with the Companies Registry in Hong Kong as an oversea company under Part XI of the then Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong) on July 6, 1999. Mr. Wat Chi Ping Isaac, who resides in Hong Kong, has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as its principal place of business in Hong Kong set out above.

As our Company is incorporated in Bermuda, our operations are subject to the relevant laws and regulations of Bermuda and its constitution, comprising its Memorandum of Association and Bye-laws. A summary of the relevant laws and regulations of Bermuda and of the Memorandum of Association and Bye-laws is set out in “*Appendix VII – Summary of the Constitution of the Company and Bermuda Company Law.*”

**2. CHANGE IN SHARE CAPITAL**

Our authorized share capital as of the date of our incorporation was U.S.\$50,000 divided into 100,000 common shares of U.S.\$0.40 each and one preferred share of U.S.\$10,000. The following sets out the changes in our Company’s share capital since the date of our incorporation:

On September 29, 1995, 30,000 common shares of U.S.\$0.40 each and one preferred share of U.S.\$10,000 were allotted and issued to PSEG China Inc. (formerly known as CEA Jinqiao, Inc.) (“**PSEG**”).

On October 27, 1995, our issued share capital was increased by U.S.\$12,000 from U.S.\$22,000 to U.S.\$34,000 by the allotment and issue of 30,000 new common shares of U.S.\$0.40 each. All the new common shares were allotted and issued to AIF Energy Limited (“**AIF**”).

On January 15, 1996, one preferred share of U.S.\$10,000 held by PSEG was repurchased by our Company. As a result, our issued share capital was reduced from U.S.\$34,000 to U.S.\$24,000.

On June 23, 1999, our issued share capital was increased by U.S.\$16,000 from U.S.\$24,000 to U.S.\$40,000 by the allotment and issuance of 40,000 new common shares of U.S.\$0.40 each. 20,000 common shares, representing half of the new common shares, were allotted and issued to PSEG and the remaining 20,000 new common shares were allotted and issued to HQI China Ltd. (“**HQI**”).

On July 27, 2004, HQI transferred 20,000 shares, which represented its entire interest in our Company and 20% of our issued share capital, to Asia Energy Investment Holding Ltd. (“**Asia Energy**”).

On December 31, 2004, PSEG transferred 50,000 shares, which represented its entire interest in our Company and 50% of our issued share capital, to BTU Power Company II (“**BTU**”).

On September 13, 2005, our authorized share capital was reduced by U.S.\$10,000 from U.S.\$50,000 to U.S.\$40,000 by the cancellation of one preferred share of U.S.\$10,000 per share. On the same day immediately following the cancellation of the preferred share, our authorized share capital was increased by U.S.\$10,000 from U.S.\$40,000 to U.S.\$50,000 by the creation of 25,000 new common shares of U.S.\$0.40 each.

On October 7, 2005, our issued share capital was increased by U.S.\$213.2 by the allotment and issue of 533 new common shares to certain of our senior management team as performance incentives.

On June 5, 2006, our issued share capital was reduced by U.S.\$213.2 by the repurchase of 533 common shares, which were once allotted and issued to certain of our senior management team.

On May 11, 2007, AIF and Asia Energy, each of which held 30% and 20% of our issued capital, respectively, transferred shares held by them to BTU. After such transfers, BTU came to hold 100% of our issued capital. On the same day immediately following the aforesaid transfers, BTU transferred our entire issued share capital to BTU MPC Hold Co Limited, which later changed its name to MPC Hold Co Cayman.

On November 5, 2010, our entire issued share capital was transferred from MPC Hold Co Cayman to CGNPC Huamei, a wholly-owned subsidiary of CGN. CGNPC Huamei became our sole shareholder and CGN became our Controlling Shareholder through CGNPC Huamei. For details, see the section headed “*Our History and Development*” in this prospectus.

On September 15, 2014, (i) the authorized share capital of our Company was increased by HK\$25,000,000 by the creation of 250,000,000,000 Shares of a nominal or par value of HK\$0.0001 each (the “**Increase**”); (ii) following the Increase, 3,101,800,000 Shares of HK\$0.0001 each were allotted and issued to CGNPC Huamei (the “**Issue**”), nil-paid at a price of HK\$0.0001 each, being an aggregate subscription price of HK\$310,180 (the “**Subscription Price**”); (iii) following the Issue, 100,000 shares of U.S.\$0.4 each (the “**Existing Shares**”) in the share capital of our Company in issue immediately prior to the Increase were repurchased by our Company (the “**Repurchase**”) at U.S.\$0.4 each, being an aggregate repurchase price of U.S.\$40,000 (the “**Repurchase Price**”) and the Existing Shares were cancelled; (iv) the Subscription Price was set-off against the Repurchase Price and the 3,101,800,000 nil-paid Shares of a par value of HK\$0.0001 each were credited as fully paid; and (v) following the Repurchase, the authorized but unissued share capital of our Company was diminished by the cancellation of all the 125,000 unissued shares of U.S.\$0.4 each in the capital of our Company after which our Company has an authorized share capital of HK\$25,000,000 divided into 250,000,000,000 Shares of HK\$0.0001 each.

Immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised, our authorized share capital will be HK\$25,000,000 divided into 250,000,000,000 Shares, of which 4,135,734,000 Shares will be issued fully paid or credited as fully paid, and 245,864,266,000 Shares will remain unissued.

Save for aforesaid and as mentioned in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

**3. RESOLUTIONS IN WRITING OF THE SHAREHOLDER OF OUR COMPANY**

Pursuant to the written resolutions passed by the existing Shareholder of our Company on September 15, 2014, the following resolutions, among other resolutions, were duly passed:

- (a) the authorized share capital of our Company be increased by HK\$25,000,000 by the creation of 250,000,000,000 Shares of a nominal or par value of HK\$0.0001 each (the “**Increase**”);
- (b) following the Increase, 3,101,800,000 Shares of HK\$0.0001 each be allotted and issued to CGNPC Huamei (the “**Issue**”), nil-paid at a price of HK\$0.0001 each, being an aggregate subscription price of HK\$310,180 (the “**Subscription Price**”);
- (c) following the Issue, 100,000 shares of US\$0.4 each (the “**Existing Shares**”) in the share capital of our Company in issue immediately prior to the Increase be repurchased by our Company (the “**Repurchase**”) at U.S.\$0.4 each, being an aggregate repurchase price of U.S.\$40,000 (the “**Repurchase Price**”) and the Existing Shares be cancelled;
- (d) the Subscription Price be set-off against the Repurchase Price and the 3,101,800,000 nil-paid shares of a par value of HK\$0.0001 each be credited as fully paid;
- (e) following the Repurchase, the authorized but unissued share capital of our Company be diminished by the cancellation of all the 125,000 unissued shares of U.S.\$0.4 each in the capital of our Company;
- (f) our Company approved and adopted the Bye-laws conditional upon and with effect from Listing;
- (g) conditional upon both (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with the terms of such agreements or otherwise:
  - (i) the Global Offering (including the Over-allotment Option) be approved and our Directors be authorized to allot and issue the new Shares pursuant to the Global Offering (including the Over-allotment Option); and
  - (ii) the proposed Listing of the Shares on the Main Board of the Stock Exchange be approved and our Directors be authorized to implement such Listing;
- (h) a general unconditional mandate was given to our Directors to allot, issue and otherwise deal with the Shares or convertible securities and to make or grant offers, agreements and options which would or might require the exercise of such powers (otherwise than pursuant to, or in consequence of, the Global Offering, a rights issue, the exercise of any subscription rights which may be granted under any scrip dividend scheme or similar arrangements, any adjustment of rights to subscribe for shares under options and warrants or a special authority granted by the Shareholders) with an aggregate nominal value not exceeding the sum of 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering, excluding Shares which may be issued upon the exercise of the Over-allotment Option;

- (i) a general unconditional mandate was given to the Directors authorizing them to exercise all powers of our Company to repurchase the Shares representing up to 10% of its share capital in issue, immediately following completion of the Global Offering, excluding Shares which may be issued upon the exercise of the Over-allotment Option; and
- (j) the general unconditional mandate as mentioned in paragraph (h) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (i) above.

Each of the general mandates referred to in paragraphs (h), (i) and (j) above will remain in effect until the earlier of (i) the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of the Shareholders in a general meeting, either unconditionally or subject to conditions; or (ii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

#### 4. CORPORATE REORGANIZATION

The companies comprising our Group underwent a Reorganization in preparation for the listing of our Shares on the Stock Exchange. For information relating to the Reorganization, please see the section headed “*Our History and Development – Our Reorganization*” in this prospectus.

#### 5. CHANGES IN SHARE CAPITAL OF OUR SUBSIDIARIES

Our principal subsidiaries are listed in the Accountants’ Report set out in Appendix I to this prospectus. The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

##### OUR SUBSIDIARIES IN THE PRC

###### (a) Fushi Dam JV

On March 26, 2013, Guangxi Liuzhou Rongjiang Hydropower Development Company Limited (廣西柳州融江水電開發有限責任公司) (“**Liuzhou Rongjiang**”) transferred its 45% interest in the registered capital of Fushi Dam JV to Liuzhou Shuye Electric Equipment Co., Ltd. (柳州市樹燁電器有限公司) (“**Liuzhou Shuye**”). After the transfer, our 55% interest in Fushi Dam JV remains unchanged.

###### (b) Fushi Power JV

On March 26, 2013, Liuzhou Rongjiang transferred its 1.33% interest in the registered capital of Fushi Power JV to Liuzhou Shuye. After the transfer, our 80% equity interest in Fushi Power JV remains unchanged.



**OUR SUBSIDIARIES IN KOREA****(a) MPC Korea**

On January 13, 2012, the authorized share capital was increased by KRW2,800,000,000 from KRW23,490,600,000 divided into 4,698,120 shares of KRW5,000 each to KRW26,290,600,000 by the issuance of 560,000 shares of KRW5,000 each to Meiya Yulchon Power Company Limited (“**Meiya Yulchon**”), an indirectly wholly-owned subsidiary of our Company.

On July 6, 2012, an additional 455,230 shares of KRW5,000 each were allotted and issued to Meiya Yulchon.

On September 13, 2012, an additional 544,500 shares of KRW5,000 each were allotted and issued to Meiya Yulchon.

On December 11, 2012, an additional 805,040 shares of KRW5,000 each were allotted and issued to Meiya Yulchon.

On March 12, 2013, an additional 399,340 shares of KRW5,000 each were allotted and issued to Meiya Yulchon.

**(b) Yulchon Company**

On January 17, 2012, the authorized share capital was increased by KRW2,800,000,000 from KRW4,250,000,000 divided into 850,000 shares of KRW5,000 each to KRW7,050,000,000 by the issuance of 560,000 shares of KRW5,000 each to MPC Korea, a indirectly wholly-owned subsidiary of our Company.

On April 24, 2012, an additional 450,000 shares of KRW5,000 each were allotted and issued to MPC Korea.

On September 19, 2012, an additional 544,500 shares of KRW5,000 each were allotted and issued to MPC Korea.

On December 19, 2012, an additional 805,040 shares of KRW5,000 each were allotted and issued to MPC Korea.

On March 19, 2013, an additional 399,340 shares of KRW5,000 each were allotted and issued to MPC Korea.

Save as set out above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus. Our Directors confirmed that all of the issued share capital of our subsidiaries had been fully paid as of the Latest Practicable Date in accordance with the applicable laws and regulations and constitutional documents of our subsidiaries.

**6. SINO-FOREIGN JOINT VENTURES**

Our principal subsidiaries are listed in the Accountants' Report set out in Appendix I to this prospectus. Information regarding the Sino-foreign equity joint ventures and cooperative joint ventures in which we are interested are set out below:

**1. Hanneng JV**

|                              |  |       |
|------------------------------|--|-------|
| Parties and equity interest: | Our Company  | 60.0% |
|                              | Wuhan Hua Yuan Energy and Material Development Company (武漢華原能源物資開發公司)                                      | 15.0% |
|                              | Wuhan Hua Yuan Power Group Co., Ltd. (武漢華源電力集團有限公司)  | 15.0% |
|                              | Wuhan Economic Development and Investment Co., Ltd. (武漢經開投資有限公司)   | 10.0% |
| Term of joint venture:       | 1995 to 2028   |       |
| Nature:                      | Equity joint venture   |       |
| Scope of business:           | Generation and management of gas-fired power and heat energies and development of electricity technologies |       |
| Total investment amount:     | RMB280,000,000   |       |
| Registered capital:          | RMB100,000,000   |       |

**2. Weigang JV**

|                              |   |       |
|------------------------------|---|-------|
| Parties and equity interest: | Our Company   | 65.0% |
|                              | Baosteel Group Shanghai No. 1 Iron & Steel Co. Ltd. (寶鋼集團上海第一鋼鐵有限公司)  | 35.0% |
| Term of joint venture:       | 1998 to 2020  |       |
| Nature:                      | Cooperative joint venture   |       |
| Scope of business:           | Construction and operation of blast furnace gas-fired power plant and the generation and sales of electricity and steam |       |
| Total investment amount:     | U.S.\$48,200,000  |       |
| Registered capital:          | U.S.\$29,800,000  |       |

**3. Zuojiang JV**

|                              |   |       |
|------------------------------|---|-------|
| Parties and equity interest: | Our Company   | 60.0% |
|                              | Guangxi Chongzuo Huiyuan Hydropower Company (廣西崇左市匯源水電公司)             | 40.0% |
| Term of joint venture:       | 1998 to 2021  |       |
| Nature:                      | Cooperative joint venture   |       |
| Scope of business:           | Hydro power generation and sales and hydro power related construction |       |
| Total investment amount:     | RMB540,000,000  |       |
| Registered capital:          | RMB345,596,455  |       |

**4. Mianyang JV**

|                              |  |       |
|------------------------------|--|-------|
| Parties and equity interest: | Our Company  | 75.0% |
|                              | Mianyang Sanjiang Construction Company Ltd. (綿陽市三江建設有限公司)                                  | 25.0% |
| Term of joint venture:       | 2002 to 2032   |       |
| Nature:                      | Cooperative joint venture  |       |
| Scope of business:           | Construction and management of hydro power facilities and hydro power generation and sales |       |
| Total investment amount:     | RMB246,000,000   |       |
| Registered capital:          | RMB100,000,000   |       |

**5. Fushi Dam JV**

|                              |   |       |
|------------------------------|---|-------|
| Parties and equity interest: | Our Company   | 55.0% |
|                              | Liuzhou Shuye Electric Equipment Co., Ltd. (柳州市樹燁電器有限公司)      | 45.0% |
| Term of joint venture:       | 1999 to 2022  |       |
| Nature:                      | Cooperative joint venture                                     |       |
| Scope of business:           | Construction and management of dam and its related facilities |       |
| Total investment amount:     | RMB160,000,000  |       |
| Registered capital:          | RMB48,000,000   |       |

**6. Fushi Power JV**

|                              |   |       |
|------------------------------|---|-------|
| Parties and equity interest: | Our Company   | 80.0% |
|                              | Guangxi Investment Group Co., Ltd.<br>(廣西投資集團有限公司) <sup>(1)</sup>     | 18.7% |
|                              | Liuzhou Shuye Electric Equipment Co., Ltd.<br>(柳州市樹燁電器有限公司)           | 1.3%  |
| Term of joint venture:       | 1999 to 2022  |       |
| Nature:                      | Cooperative joint venture   |       |
| Scope of business:           | Hydro power generation and sales and hydro power related construction |       |
| Total investment amount:     | RMB240,000,000  |       |
| Registered capital:          | RMB72,000,000   |       |

**7. Puguang JV**

|                              |   |       |
|------------------------------|---|-------|
| Parties and equity interest: | Our Company   | 59.5% |
|                              | CPI Henan Electric Power Co., Ltd.<br>(中電投河南電力有限公司)                       | 15.0% |
|                              | Nanyang City Hengsheng Energy<br>Development Co., Ltd.<br>(南陽市恒升能源開發有限公司) | 15.0% |
|                              | Through In Industries Limited<br>(信原實業有限公司)                               | 10.5% |
|                              |   |       |
| Term of joint venture:       | 1997 to 2021  |       |
| Nature:                      | Cooperative joint venture   |       |
| Scope of business:           | Power generation and sales and related services                           |       |
| Total investment amount:     | RMB1,430,000,000  |       |
| Registered capital:          | RMB476,667,000  |       |

*Note:*

- (1) The ownership of the approximately 18.7% equity interest in Fushi Power JV was the subject of a judgment from the Nanning Intermediate People's Court in March 2006, according to which such 18.7% equity interest shall belong to Guangxi Investment. The registration with the Administration for Industry and Commerce has not been updated to reflect the effect of the judgment and Guangxi Liuzhou Rongjiang Hydropower Development Company Limited (廣西柳州融江水電開發有限責任公司) remains the holder of the said 18.7% of Fushi Power JV in the records of the Administration for Industry and Commerce.

**8. Jinqiao JV**

|                              |  |       |
|------------------------------|--|-------|
| Parties and equity interest: | Our Company  | 60.0% |
|                              | Shanghai Jinqiao Heat Power Co. Ltd. (上海金橋熱力有限公司)  | 40.0% |
| Term of joint venture:       | 1995 to 2025   |       |
| Nature:                      | Equity joint venture   |       |
| Scope of business:           | Production and sales of steam, cold/hot water and industrial-use distilled water and generation and sales of electricity |       |
| Total investment amount:     | RMB220,000,000   |       |
| Registered capital:          | RMB98,000,000  |       |

**7. CORPORATE INFORMATION OF OUR SUBSIDIARIES**

A summary of the corporate information and the particulars of our subsidiaries are set out in the Accountants' Report set out in Appendix I to this prospectus.

Save for the subsidiaries mentioned in the Accountants' Report in Appendix I to this prospectus, our Company has no other subsidiaries.

**8. REPURCHASE OF OUR SHARES****(a) Provisions of the Listing Rules**

The Listing Rules permit companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

*(i) Shareholders' approval*

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders, either by way of general mandate or by specific approval of a particular transaction.

*(Note:* Pursuant to written resolutions passed by the Shareholder of our Company on September 15, 2014, a general unconditional mandate (the "**Buyback Mandate**") was granted to our Directors authorizing the repurchase by our Company on the Stock Exchange of Shares representing up to 10% of its share capital in issue, immediately following completion of the Global Offering, excluding Shares which may be issued upon the exercise of the Over-allotment Option, at any time until the earlier of the conclusion of the next annual general meeting of our Company or when such mandate is revoked or varied by an ordinary resolution of the shareholders of our Company in general meeting.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Bye-laws and the laws of Bermuda. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

**(b) Reasons for repurchases**

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

**(c) Funding of repurchases**

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Bye-laws and the applicable laws of Bermuda.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company or the proceeds of a fresh issue of shares made for the purpose of the purchase or out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company.

Our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

**(d) Share capital**

Exercise in full of the Buyback Mandate, on the basis of 4,135,734,000 Shares in issue immediately after the listing of the Shares could accordingly result in up to 413,573,400 Shares being repurchased by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Bye-laws be held; or
- (iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of the shareholders in general meeting, whichever occurs first.

(e) **General**

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws of Bermuda.

No core connected person (as defined in the Listing Rules) has notified us that he/she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is exercised.

If as a result of a securities repurchase pursuant to the Buyback Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). Accordingly, a shareholder, or a group of shareholders acting in concert, depending on the level of increase of the shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the Global Offering, the total number of Shares which will be repurchased pursuant to the Buyback Mandate shall be (excluding Shares which may be issued upon the exercise of the Over-allotment Option) 413,573,400 Shares (being 10% of the issued share capital of our Company based on the aforesaid assumptions). Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

**B. FURTHER INFORMATION ABOUT OUR BUSINESS**

**1. SUMMARY OF MATERIAL CONTRACTS**

The following contracts (not being contracts in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) a cornerstone investment agreement dated September 11, 2014 entered into between our Company, Chow Tai Fook Nominee Limited, Morgan Stanley Asia Limited, Morgan Stanley & Co. International plc, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities plc, Guotai Junan Securities (Hong Kong) Limited, BOCI Asia Limited, The Hongkong and Shanghai Banking Corporation Limited and ICBC International Capital Limited pursuant to which Chow Tai Fook Nominee Limited agreed to subscribe for such number of our Shares (rounded down to the nearest whole board lot) which may be purchased for Hong Kong dollars equivalent of U.S.\$10,000,000 at the Offer Price;
- (b) a cornerstone investment agreement dated September 15, 2014 entered into between our Company, China Southern Power Grid International (HK) Co., Limited, Morgan Stanley Asia Limited, Morgan Stanley & Co. International plc, J.P. Morgan Securities (Asia Pacific)



Limited, J.P. Morgan Securities plc, Guotai Junan Securities (Hong Kong) Limited, BOCI Asia Limited, The Hongkong and Shanghai Banking Corporation Limited and ICBC International Capital Limited pursuant to which China Southern Power Grid International (HK) Co., Limited agreed to subscribe for 100,000,000 Shares at the Offer Price;

- (c) a cornerstone investment agreement dated September 15, 2014 entered into between our Company, Value Partners Hong Kong Limited, Morgan Stanley Asia Limited, Morgan Stanley & Co. International plc, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities plc, Guotai Junan Securities (Hong Kong) Limited, BOCI Asia Limited, The Hongkong and Shanghai Banking Corporation Limited and ICBC International Capital Limited pursuant to which Value Partners Hong Kong Limited agreed to procure certain investment funds or managed accounts to purchase, and failing which it will purchase, such number of our Shares (rounded down to the nearest whole board lot) which may be purchased for Hong Kong dollars equivalent of U.S.\$20,000,000 at the Offer Price;
- (d) a cornerstone investment agreement dated September 15, 2014 entered into between our Company, Hengjian International Investment Holding (Hong Kong) Limited, Morgan Stanley Asia Limited, Morgan Stanley & Co. International plc, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities plc, Guotai Junan Securities (Hong Kong) Limited, BOCI Asia Limited, The Hongkong and Shanghai Banking Corporation Limited and ICBC International Capital Limited pursuant to which Hengjian International Investment Holding (Hong Kong) Limited agreed to subscribe for such number of our Shares (rounded down to the nearest whole board lot) which may be purchased for Hong Kong dollars equivalent of U.S.\$22,000,000 at the Offer Price;
- (e) a cornerstone investment agreement dated September 15, 2014 entered into between our Company, China Cinda (HK) Asset Management Co., Limited, Morgan Stanley Asia Limited, Morgan Stanley & Co. International plc, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities plc, Guotai Junan Securities (Hong Kong) Limited, BOCI Asia Limited, The Hongkong and Shanghai Banking Corporation Limited and ICBC International Capital Limited pursuant to which China Cinda (HK) Asset Management Co., Limited agreed to subscribe for such number of our Shares (rounded down to the nearest whole board lot) which may be purchased for Hong Kong dollars equivalent of U.S.\$10,000,000 at the Offer Price;
- (f) a restructuring agreement dated September 15, 2014 entered into between CGNPC Huamei and our Company relating to, among others, the transfer of our 100% interest in certain of our wholly-owned subsidiaries to CGNPC Huamei;
- (g) a novation agreement dated September 15, 2014 entered into between CGNPC International Limited, our Company and CGNPC Huamei pursuant to which our Company agreed to transfer to CGNPC Huamei by novation the rights and obligations under a loan facility provided by CGNPC International Limited to our Company with a principal amount of U.S.\$242,300,000;
- (h) a non-competition deed dated September 15, 2014 executed by CGN as covenanter to give certain undertakings in favor of our Company;


- (i) an amendment agreement dated September 17, 2014 entered into between our Company, Chow Tai Fook Nominee Limited, Morgan Stanley Asia Limited, Morgan Stanley & Co. International plc, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities plc, Guotai Junan Securities (Hong Kong) Limited, BOCI Asia Limited, The Hongkong and Shanghai Banking Corporation Limited and ICBC International Capital Limited in relation to the amendment to the cornerstone investment agreement between the parties dated September 11, 2014; and
- (j) the Hong Kong Underwriting Agreement.

## 2. INTELLECTUAL PROPERTY RIGHTS OF OUR GROUP

### (a) Trademarks



#### i. Trademarks registered by our Group in the PRC

As of the Latest Practicable Date, we had registered the following trademarks in the PRC which we consider to be or may be material to the business of our Group:

| <u>Trademark</u>   | <u>Registration No.</u> | <u>Class</u> | <u>Date of registration</u> | <u>Expiry date</u> |
|--|-------------------------|--------------|-----------------------------|--------------------|
|  | 4637032                 | 16           | August 28, 2008             | August 27, 2018    |
|  | 4637031                 | 37           | December 14, 2008           | December 13, 2018  |
|  | 4637855                 | 39           | December 14, 2008           | December 13, 2018  |
|  | 4637854                 | 40           | December 14, 2008           | December 13, 2018  |
|  | 4637853                 | 42           | December 14, 2008           | December 13, 2018  |
| <b>MPC</b>   | 4637852                 | 16           | September 14, 2008          | September 13, 2018 |
|  | 4637851                 | 37           | January 14, 2010            | January 13, 2020   |
|  | 4637850                 | 39           | December 28, 2008           | December 27, 2018  |
|  | 4637849                 | 40           | January 14, 2010            | January 13, 2020   |
| <b>MEIYA POWER</b>   | 4637037                 | 16           | August 28, 2008             | August 27, 2018    |
|  | 4637036                 | 37           | October 21, 2008            | October 20, 2018   |
|  | 4637035                 | 39           | October 21, 2008            | October 20, 2018   |
|  | 4637034                 | 40           | October 21, 2008            | October 20, 2018   |
|  | 4637033                 | 42           | October 21, 2008            | October 20, 2018   |
| 美亚电力   | 4637042                 | 16           | October 7, 2008             | October 6, 2018    |
|  | 4637041                 | 37           | October 21, 2008            | October 20, 2018   |
|  | 4637039                 | 40           | December 21, 2008           | December 20, 2018  |
|  | 4637038                 | 42           | March 7, 2009               | March 6, 2019      |


## ii. Trademarks registered by our Group in Hong Kong

As of the Latest Practicable Date, we had registered the following trademarks in Hong Kong which we consider to be or may be material to the business of our Group:

| <u>Trademark</u>  | <u>Trademark No.</u> | <u>Class</u>             | <u>Date of registration</u> | <u>Expiry date</u> |
|---|----------------------|--------------------------|-----------------------------|--------------------|
|  | 300411894            | 16, 37,<br>39, 40,<br>42 | April 29, 2005              | April 28, 2015     |
|  |                      |                          |                             |                    |
| <b>MPC<br/>MPC</b>  | 300411920            | 16, 37,<br>39, 40,<br>42 | April 29, 2005              | April 28, 2015     |
| <b>MEIYA POWER</b>  | 300411902            | 16, 37,<br>39, 40,<br>42 | April 29, 2005              | April 28, 2015     |
| 美亞電力  | 300411911AA          | 16, 39,<br>40, 42        | April 29, 2005              | April 28, 2015     |



## iii. Trademarks registered by our Group in Korea

As of the Latest Practicable Date, we had registered the following trademarks in Korea which we consider to be or may be material to the business of our Group:

| <u>Trademark</u>  | <u>Trademark No.</u> | <u>Class</u>             | <u>Date of registration</u> | <u>Expiry date</u> |
|---|----------------------|--------------------------|-----------------------------|--------------------|
|  | 45-0016059           | 16, 37,<br>39, 40,<br>42 | May 11, 2006                | May 11, 2016       |
| <b>MPC</b>  | 45-0017046           | 16, 37,<br>39, 40,<br>42 | August 8, 2006              | August 8, 2016     |
| <b>MEIYA POWER</b>  | 45-0016057           | 16, 37,<br>39, 40,<br>42 | May 11, 2006                | May 11, 2016       |
| 美亞電力  | 45-0016058           | 16, 37,<br>39, 40,<br>42 | May 11, 2006                | May 11, 2016       |

**iv. Trademarks under the Trade Mark Licensing Agreement**

As of the Latest Practicable Date, we were granted a non-exclusive license for the use of the following trademarks which CGN had applied the registration for in Hong Kong and the PRC, pursuant to a trademark licensing agreement:

| <u>Trademark</u>  | <u>Trademark application No.</u> | <u>Class</u>       | <u>Place of registration applied for</u> |
|---|----------------------------------|--------------------|--|
| 中广核  CGN | 302873089                        | 16, 37, 39, 40, 42 | Hong Kong                                |
| 中广核  CGN | 11942499                         | 16                 | PRC                                      |
|   | 14136465                         |                    |  |
|   | 11943181                         | 37                 | PRC                                      |
|   | 14149765                         |                    |  |
|   | 11943410                         | 39                 | PRC                                      |
|   | 14149764                         |                    |  |
|   | 12081016                         | 40                 | PRC                                      |
|   | 14149763                         |                    |  |
|   | 11943862                         | 42                 | PRC                                      |
|   | 14149762                         |                    |  |

**(b) Domain names**

As of the Latest Practicable Date, the following domain names were principally used by our Group in its business operations:

| <u>Domain name</u>          | <u>Owner</u> | <u>Registration date</u> | <u>Expiry date</u> |
|-----------------------------|--------------|--------------------------|--------------------|
| meiyapower.com . . . . .    | Our Company  | April 2, 2004            | April 2, 2016      |
| 美亞電力.com . . . . .          | Our Company  | June 19, 2006            | June 19, 2016      |
| meiyapower.com.cn . . . . . | Our Company  | April 10, 2006           | April 10, 2016     |
| meiyahk.com.hk . . . . .    | Our Company  | November 17, 1999        | April 2, 2015      |
| meiyapower.com.hk . . . . . | Our Company  | April 1, 2004            | April 2, 2015      |
| mpcgroup.com.hk . . . . .   | Our Company  | February 4, 2010         | February 5, 2015   |
| mpcgroup.hk . . . . .       | Our Company  | February 4, 2010         | February 4, 2015   |

| <u>Domain name</u>                     | <u>Owner</u> | <u>Registration date</u> | <u>Expiry date</u> |
|--|--------------|--------------------------|--------------------|
| cgnmeiyapower.com <sup>(1)</sup> . . . | CGN          | September 5,<br>2014     | September 5, 2015  |

*Note:*

1. CGN has agreed to transfer the registration of the domain name to our Company on September 15, 2014.

Save as disclosed herein, there are no other patents, trademarks or other intellectual or industrial property rights which are material in relation to our Group's business.

## C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

### 1. DIRECTORS

#### (a) Disclosure of interest – interests and short positions of our Directors and the chief executives of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised, none of our Directors or chief executives of our Company has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) to be notified to our Company, once the Shares are listed.

#### (b) Directors' remuneration

The aggregate amount of fees, salaries, contributions to pension scheme, discretionary bonuses, housing and other allowances and other benefits in kind granted to our Directors for the years ended December 31, 2011, 2012 and 2013 were approximately U.S.\$988,000, U.S.\$183,000 and U.S.\$368,000, respectively.

Under the arrangements in force at the date of this prospectus, our Directors will be entitled to receive remuneration and benefits in kind which, for the year ending December 31, 2014, is expected to be approximately U.S.\$345,000 in aggregate.

None of our Directors or any past Directors or the five highest paid individuals of any members of our Group has been paid any sum of money for the years ended December 31, 2011, 2012 and 2013 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for the years ended December 31, 2011, 2012 and 2013.

## 2. SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), the following persons will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital of our Company carrying rights to vote in all circumstances at general meeting of our Company:

| <u>Name</u>  | <u>Capacity / Nature of Interest</u> | <u>Number of Shares</u> | <u>% of Shareholding</u> |
|--|--------------------------------------|-------------------------|--------------------------|
| CGN <sup>(1) (2) (3)</sup> . . . . .                     | Interested in controlled corporation | 3,101,800,000           | 75%                      |
| CGNPC International Limited <sup>(2) (3)</sup> . . . . . | Interested in controlled corporation | 3,101,800,000           | 75%                      |
| CGNPC Huamei <sup>(3)</sup> . . . . .                    | Beneficial owner                     | 3,101,800,000           | 75%                      |

*Notes:*

- (1) CGN indirectly holds 100% of the total issued share capital of CGNPC Huamei, which will directly hold 75% of the issued share capital of our Company upon the Listing, through its wholly-owned subsidiary CGNPC International Limited. Accordingly, CGN is deemed to have an interest in all Shares held by CGNPC Huamei.
- (2) CGNPC International Limited directly holds 70.59% of the total issued share capital of CGNPC Huamei, which directly hold 75% of the issued share capital of our Company upon the Listing, and indirectly holds 29.41% of the total issued share capital of CGNPC Huamei, through its wholly-owned subsidiary Gold Sky Capital Limited. Accordingly, CGNPC International Limited is deemed to have an interest in all Shares held by CGNPC Huamei.
- (3) Save as disclosed in the “*Directors and Senior Management*” section, as of the Latest Practicable Date, none of the Directors is a director or employee of a company which had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## 3. DISCLAIMERS

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executives of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code once the Shares are listed;
- (b) none of our Directors has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) without taking into account any Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and
- (f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

## **D. OTHER INFORMATION**

### **1. LITIGATION**

As of the Latest Practicable Date, save as disclosed in the section headed “*Business – Legal Proceedings*”, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

### **2. SOLE SPONSOR AND SOLE SPONSOR’S FEES**

The Sole Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules.

The Sole Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for a listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus.

Pursuant to the engagement letter entered into between our Company and the Sole Sponsor, we have agreed to pay the Sole Sponsor a fee of U.S.\$1.0 million to act as the sponsor of our Company in connection with the proposed listing on the Stock Exchange.

### **3. PRELIMINARY EXPENSES**

The estimated preliminary expenses incurred in connection with the incorporation of our Company are approximately U.S.\$23,555.90 and are payable by our Company.



**4. NO MATERIAL ADVERSE CHANGE**

Saved as disclosed in this prospectus, our Directors confirm that there has been no material adverse change in our Group's financial or trading position since April 30, 2014.

**5. PROMOTER**

Our Company has no promoter for the purposes of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

**6. COMPLIANCE ADVISOR**

Our Company has appointed Somerley Capital Limited as the compliance advisor upon Listing in compliance with Rule 3A.19 of the Listing Rules.

**7. TAXATION OF HOLDERS OF SHARES****(a) Hong Kong**

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the buyer and seller is 0.1% of the consideration or, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of Hong Kong would be likely to fall upon any member of our Group.

**(b) Bermuda**

Under the present Bermuda law, there is no stamp duty payable in Bermuda on transfers of Shares.

**(c) Consultation with professional advisers**

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering accepts responsibility for any tax effect on, or liabilities of, holders of the Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercise of any rights attaching to them.

**8. QUALIFICATION OF EXPERTS**

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

| Name                                   | Qualifications   |
|--|--|
| Morgan Stanley Asia Limited. . . . .   | Licensed corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on future contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO |
| Deloitte Touche Tohmatsu . . . . .     | Certified Public Accountants   |
| Grandall Law Firm (Shenzhen) . . . . . | PRC legal advisers   |
| Conyers Dill & Pearman . . . . .       | Bermuda legal advisers   |
| Kim & Chang . . . . .                  | Korean legal advisers  |
| Black & Veatch Hong Kong Limited . . . | Technical consultant   |

**9. CONSENTS OF EXPERTS**

Each of the experts named in the section headed “*Statutory and General Information – D. Other Information – 8. Qualification of Experts*” in this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

**10. INTERESTS OF EXPERTS IN OUR COMPANY**

None of the persons named in paragraph 8 of this Appendix (a) is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group; and (b) has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

**11. BINDING EFFECT**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections (44A and 44B) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) so far as applicable.

**12. MISCELLANEOUS**

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
- (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
  - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of our Company or any of our subsidiaries; and
  - (iv) save for the 0.25% commission we paid to the joint lead managers in connection with the U.S.\$350 million bonds issued by our Company in August 2013, no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of our Company.
- (b) Save as disclosed in this prospectus, there are no founder, management or deferred shares or any debentures in our Company or any of our subsidiaries.
- (c) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.
- (d) The principal register of members of our Company will be maintained in Bermuda by MUFG Fund Services (Bermuda) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with and registered by Tricor Investor Services Limited and may not be registered on the principal register of members in Bermuda. All necessary arrangements have been made to enable the Shares to be admitted to CCASS.
- (e) Save for the proposed listing of our Shares on the Stock Exchange and the listing of our U.S. dollar bond as disclosed in the section headed “*Financial Information – Liquidity and Capital Resources – Indebtedness – U.S. Dollar bond*” of this prospectus, our Company does not have any equity or debt securities presently listed or dealt in, or for which listing or permission to deal is being or is proposed to be sought, on any stock exchange.
- (f) Our Directors have been advised that the use of our Chinese name by our Company does not contravene the Bermuda Companies Act so long as it is used in conjunction with our English name.
- (g) Save as disclosed in the section headed “*Financial Information – Liquidity and Capital Resources – Indebtedness – U.S. Dollar bond*” of this prospectus, our Company has no outstanding convertible debt securities or debentures.

(h) There is no arrangement under which future dividends are waived or agreed to be waived.

### **13. BILINGUAL PROSPECTUS**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) copies of the material contracts referred to in the section headed “*Statutory and General Information – B. Further Information about our Business – 1. Summary of Material Contracts*” in Appendix VIII to this prospectus; and
- (c) the written consents referred to in the section headed “*Statutory and General Information – D. Other Information – 9. Consents of Experts*” in Appendix VIII in this prospectus

**2. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Clifford Chance, 27th Floor, Jardine House, One Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and Bye-laws of our Company;
- (b) the Accountants’ Report and the report on the unaudited pro forma financial information prepared by Deloitte Touche Tohmatsu, the texts of which are set out in Appendices I and II to this prospectus, respectively;
- (c) the audited consolidated financial statements of our Company for the years ended December 31, 2011, 2012 and 2013 and the four months ended April 30, 2014;
- (d) the legal opinions issued by Grandall Law Firm (Shenzhen), our PRC legal adviser, in respect of certain aspects of our Group and the property interests of our Group;
- (e) the letter of advice prepared by Conyers Dill & Pearman, our Bermuda legal adviser, summarizing certain aspects of the Bermuda company law referred to in Appendix VII to this prospectus;
- (f) the technical report issued by Black & Veatch Hong Kong Limited, our technical consultant, the texts of which are set out in Appendix IV to this prospectus;
- (g) the material contracts referred to in the section headed “*Statutory and General Information – B. Further Information about our Business – 1. Summary of Material Contracts*” in Appendix VIII to this prospectus;
- (h) the written consents referred to in the section headed “*Statutory and General Information – D. Other Information – 9. Consents of Experts*” in Appendix VIII to this prospectus; and
- (i) the Bermuda Companies Act.



中國廣核美亞電力控股有限公司  
CGN Meiya Power Holdings Co., Ltd.