THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **CGN Power Co., Ltd.***, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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中广核 CGN

中國廣核電力股份有限公司

CGN Power Co., Ltd.*

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

(Stock Code: 1816)

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET INTERESTS FROM CGN
(2) CONTINUING CONNECTED TRANSACTIONS
(3) ISSUE OF MID- TO LONG-TERM BONDS
(4) EXTENSION OF THE AUTHORIZATION PERIOD FOR THE ISSUE OF SHORT-TERM DEBENTURES
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to our Company

CICC 中金香港证券

China International Capital Corporation Hong Kong Securities Limited

Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders

第一上海 FIRST SHANGHAI GROUP
FIRST SHANGHAI CAPITAL LIMITED 第一上海融資有限公司

A letter from the Board is set out on pages 9 to 60 of this circular. A letter from the Independent Board Committee is set out on pages 61 to 62 of this circular. A letter from the Independent Financial Advisor (containing its advice to the Independent Board Committee and the Independent Shareholders) is set out on pages 63 to 100 of this circular.

The Company will convene the EGM at 10:30 a.m. on Wednesday, November 16, 2016 at Marina Room, 2/F, The Excelsior Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong. The notice of the EGM is set out on pages N-1 to N-3 of this circular.

Whether or not you are able to attend and/or vote at the EGM, you are requested to complete and return (i) the accompanying reply slip in accordance with the instructions printed thereon on or before Thursday, October 27, 2016 to the H Share Registrar or the headquarters of the Company in the PRC (as the case may be) and (ii) the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible but in any event not less than 24 hours before the time appointed for convening the EGM or any adjournment thereof to the H Share Registrar (for holders of H Shares) or the headquarters of the Company in the PRC (for holders of Domestic Shares). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment should you so wish.

* *For identification purposes only*

September 30, 2016

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In this circular, the following expressions have the following meanings unless the context requires otherwise:

"Acquisition"	the proposed acquisition of the Target Interests by our Company from CGN pursuant to the terms and conditions of the Share Transfer Agreement
"Acquisition Right"	the right of our Company granted by CGN under a non-competition deed dated November 21, 2014 to acquire the equity interests in certain CGN's controlled nuclear power businesses which compete or are likely to compete with the business of our Group
"Announcement"	the announcement of the Company dated September 26, 2016 in relation to, among other things, the Acquisition and the Continuing Connected Transactions
"Appraisal Base Date"	March 31, 2016
"Approved Annual Cap(s)"	the annual cap(s) in respect of the Non-exempt Continuing Connected Transactions contemplated under the 2014 Engineering Services Framework Agreement and the 2014 Nuclear Fuel Supply and Services Framework Agreement as set out in the Prospectus
"Articles of Association"	the articles of association of our Company (as amended from time to time)
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors of our Company
"business day"	any day (other than a Saturday or Sunday or public holiday) on which banks in Hong Kong and the PRC are open generally for normal banking business
"CGN"	China General Nuclear Power Corporation* (中國廣核集團有限公司), a state-owned enterprise established in the PRC on September 29, 1994 and our controlling shareholder, and thus a connected person of our Company, and the vendor to the Share Transfer Agreement
"CGN Engineering"	China Nuclear Power Engineering Co., Ltd. (中廣核工程有限公司), a limited liability company established in the PRC on November 11, 1997, and a wholly-owned subsidiary of CGN and one of the Target Companies
"CGN Finance"	CGN Finance Co., Ltd. (中廣核財務有限責任公司), a limited liability company established in the PRC on July 22, 1997, a subsidiary of CGN and a connected person of our Company

"CGN Group"	CGN and its subsidiaries (unless specified otherwise, excluding our Group), collectively
"CGN Uranium"	CGN Uranium Resources Co., Ltd. (中廣核鈾業發展有限公司), a limited liability company established in the PRC on August 15, 2006, a wholly owned subsidiary of CGN and a connected person of our Company
"China Enterprise Appraisals"	China Enterprise Appraisals Co., Ltd. (北京中企華資產評估有限責任公司), an independent valuer for the asset valuation of the Target Companies
"China Techenergy"	China Techenergy Co., Ltd. (北京廣利核系統工程有限公司), a limited liability company established in the PRC on October 18, 2005, and a company owned as to 60% of its equity interest by CGN Engineering and 40% by Beijing Hollysys Co., Ltd. (北京和利時系統工程有限公司)
"CICC"	China International Capital Corporation Hong Kong Securities Limited, the Company's financial adviser
"Company" or "our Company"	CGN Power Co., Ltd.* (中國廣核電力股份有限公司), a joint stock company with limited liability incorporated under PRC law on March 25, 2014, the H Shares of which is listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1816)
"Completion"	completion of the Acquisition under the Share Transfer Agreement as referred to in the paragraph headed "II. Ordinary Resolutions — (1) The Acquisition of the Target Interests from CGN — 2. Share Transfer Agreement — (A) Principal terms — Completion" in the Letter from the Board in this circular
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the initial aggregate consideration for the sale and purchase of the Target Interests under the Share Transfer Agreement, which will be subject to adjustment as referred to in the paragraph headed "II. Ordinary Resolutions — (1) The Acquisition of the Target Interests from CGN — 2. Share Transfer Agreement — (A) Principal terms — Adjustment to Consideration" in the Letter from the Board in this circular
"Continuing Connected Transactions"	individually or collectively, certain partially exempt continuing connected transactions and the Non-exempt Continuing Connected Transactions, the further details of which are referred to in the Announcement and this circular
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules, as of the Latest Practicable Date, it refers to CGN

"Mid- to Long-term Bonds Issue"	the mid- to long-term bonds of no more than RMB10,000,000,000 in scale proposed to be issued by our Company
"Deloitte"	Deloitte Touche Tohmatsu
"Director(s)"	the director(s) of our Company
"Domestic Share(s)"	ordinary shares in the capital of the Company, with the nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
"EDF"	Electricite De France, a company limited by shares organized on April 9, 1946 and existing under the laws of France, whose Paris Trade and Companies Registered Number is No. 552081317, and a connected person to our Company at the subsidiary level
"EDF International"	EDF International, a company limited by simplified shares organized on October 22, 2001 and existing under the laws of France, whose Paris Trade and Companies Registered Number is No. 380415125, and a connected person to our Company at the subsidiary level
"EGM"	the Extraordinary General Meeting of our Company to be convened for the Independent Shareholders and the Shareholders to consider and, if thought fit, to approve the Acquisition, the Non-exempt Continuing Connected Transactions (including the Proposed Annual Caps and the Revised Annual Caps), the Mid- to Long-term Bonds Issue, and extension of the authorization period for the Short-term Debentures Issue
"Enlarged Group"	our Group as enlarged by the Acquisition immediately after the Completion
"Fangchenggang Nuclear"	Guangxi Fangchenggang Nuclear Power Co., Ltd. (廣西防城港核電有限公司), a limited liability company established in the PRC on September 3, 2008 with 61% of its equity interest held by CGN and 39% by Guangxi Investment Group Limited (廣西投資集團有限公司), and one of the Target Companies
"FCD"	the "First Concrete Date" of the nuclear island, which is the official starting point of the construction stage and the first milestone of nuclear power station construction, occurring after obtaining the construction permit and signifying the commencement of construction

"Group", "our Group", "we" or "us"	our Company and its subsidiaries from time to time
"GW"	gigawatt, equal to 1,000 MW
"GWh"	gigawatt-hour, or one million kilowatt-hours. GWh is typically used as a measure for the annual energy production of large power projects
"H Share(s)"	overseas-listed foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, which are listed on the Stock Exchange
"H Share Registrar"	Computershare Hong Kong Investor Services Limited, the H Share registrar of our Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"Independent Board Committee"	the independent board committee constituted by Mr. Na Xizhi, Mr. Hu Yiguang and Mr. Francis Siu Wai Keung, for the purpose of providing advice to Independent Shareholders in respect of the Acquisition, the Non-exempt Continuing Connected Transactions (including the Proposed Annual Caps and the Revised Annual Caps) and the transactions contemplated thereunder
"Independent Financial Adviser"	First Shanghai Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the Non-exempt Continuing Connected Transactions (including the Proposed Annual Caps and the Revised Annual Caps) and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders other than CGN and its associates
"Independent Third Party(ies)"	person(s) which are not connected with any Directors, supervisors, chief executive or substantial Shareholders of our Company or any of its subsidiaries and their respective associates
"kW"	kilowatt, or one thousand watts

"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
"Latest Practicable Date"	September 23, 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Lufeng Nuclear"	CGN Lufeng Nuclear Power Co., Ltd. (中廣核陸豐核電有限公司), a limited liability company established in the PRC on February 20, 2008, and a wholly-owned subsidiary of CGN and one of the Target Companies
"MW"	megawatt, or one million watts
"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
"Non-competition Deed"	the non-competition deed dated November 21, 2014 entered into between CGN and our Company, the further details of which are referred to in the section headed "Relationship with Controlling Shareholder" in the Prospectus
"Non-exempt Continuing Connected Transactions"	individually or collectively (as the case may be), the proposed transactions for renewing the non-exempt continuing connected transactions pursuant to the terms of the 2016 General Services Framework Agreement, and to revise the annual caps for the non-exempt continuing connected transactions pursuant to the terms of (1) the supplemental agreement to the 2014 Engineering Services Framework Agreement and (2) the supplemental agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement, the further details of which are referred to in the section headed "II. Ordinary Resolutions — (2) Continuing Connected Transactions" in the Letter from the Board in this circular
"PRC"	the People's Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Proposed Annual Cap(s)"	individually or collectively (as the case may be), the proposed annual cap amounts in respect of the Non-exempt Continuing Connected Transactions under the 2016 General Services Framework Agreement for each of the three years ending December 31, 2018

"Prospectus"	the prospectus published by our Company on November 27, 2014
"Registration Date"	the date on which all necessary filings and registrations of the transfer of all the Target Interests with the relevant offices of the Administration for Industry and Commerce in the PRC have duly been completed, and if such filing and registration procedures are completed on various dates, the last of such dates
"Retained Business"	certain nuclear power business that has not been included in our Group and in which CGN Group has interests, the further details of which are referred to in the section headed "Relationship with Controlling Shareholder — Delineation of Business and Competition" in the Prospectus
"Revised Annual Cap(s)"	individually or collectively (as the case may be), the proposed revised annual cap amounts in respect of the Non-exempt Continuing Connected Transactions under (1) the supplemental agreement to the 2014 Engineering Services Framework Agreement and (2) the supplemental agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement for the remaining financial years under the respective agreements
"RMB"	Renminbi, the lawful currency of the PRC
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	Domestic Shares and H Shares
"Shareholder(s)"	shareholders of the Company
"Share Transfer Agreement"	the Share Transfer Agreement entered into between our Company and CGN on September 25, 2016 in respect of the Acquisition
"Short-term Debentures Issue"	the issue of short-term debentures of our Company with an aggregate registered amount of RMB5,000,000,000, which was considered and approved at the 4th meeting of the first session of the Board of Directors and approved at the third extraordinary general meeting of our Company held on September 17, 2014
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Target Company(ies)"	individually or collectively (as the case may be), (1) Fangchenggang Nuclear (2) Lufeng Nuclear, and (3) CGN Engineering
"Target Interests"	individually or collectively (as the case may be), (1) 61% equity interest in Fangchenggang Nuclear (2) 100% equity interest in Lufeng Nuclear, and (3) 100% equity interest in CGN Engineering
"Taishan Nuclear"	Taishan Nuclear Power Joint Venture Co., Ltd.* (台山核電合營有限公司), a limited liability company established in the PRC on July 5, 2007 with 47.5% equity interest being held by Taishan Nuclear Power Industry Investment Co., Ltd.* (台山核電產業投資有限公司) (a 60% owned subsidiary of our Company), 30% by EDF International and its subsidiary EDF (China) Holding Ltd., 12.5% by our Company, and 10% by Guangdong Nuclear Investment Co., Ltd.* (廣東核電投資有限公司) (a wholly-owned subsidiary of our Company), and thus a subsidiary of our Company
"Unit(s)"	nuclear power generating unit(s) installed or to be installed in nuclear power station(s) of the members of the Enlarged Group
"VAT"	value added tax
"2014 Engineering Services Framework Agreement"	the engineering services framework agreement dated November 21, 2014 entered into between our Company and CGN, the further details of which are set out in the section headed "Connected Transactions — Continuing Connected Transactions" of the Prospectus
"2014 General Services Framework Agreement"	the general services framework agreement dated November 21, 2014 entered into between our Company and CGN, the further details of which are set out in the section headed "Connected Transactions — Continuing Connected Transactions" of the Prospectus
"2014 Nuclear Fuel Supply and Services Framework Agreement"	the nuclear fuel supply and service framework agreement dated November 21, 2014 entered into between our Company and CGN, the further details of which are set out in the section headed "Connected Transactions — Continuing Connected Transactions" of the Prospectus

"2014 Technical Support and Maintenance Services Framework Agreement"	the technical support and maintenance services framework agreement dated November 21, 2014 entered into between our Company and CGN, the further details of which are set out in the section headed "Connected Transactions — Continuing Connected Transactions" of the Prospectus
"2016 General Services Framework Agreement"	the general services framework agreement dated September 25, 2016 entered into between our Company and CGN, the further details of which are set out in the section headed "II. Ordinary Resolutions — (2) Continuing Connected Transactions" in the Letter from the Board in this circular
"2016 Technical Support and Maintenance Services Framework Agreement"	the technical support and maintenance services framework agreement dated September 25, 2016 entered into between our Company and CGN, the further details of which are referred to in the section headed "(2) Continuing Connected Transactions" in the Announcement
"%"	per cent.

Note:

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

中國廣核電力股份有限公司
CGN Power Co., Ltd.*
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1816)

Executive Directors:
Mr. Gao Ligang

Non-executive Directors:
Mr. Zhang Shanming *(Chairman)*
Mr. Shi Bing
Mr. Xiao Xue
Mr. Zhuo Yuyun

Independent non-executive Directors:
Mr. Na Xizhi
Mr. Hu Yiguang
Mr. Francis Siu Wai Keung

Registered office and headquarters in the PRC:
18/F, South Tower
CGN Building
No.2002 Shennan Road
Futian District
Shenzhen

Principal Place of Business in Hong Kong:
36/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

September 30, 2016

To the Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET INTERESTS FROM CGN
(2) CONTINUING CONNECTED TRANSACTIONS
(3) ISSUE OF MID-TO LONG-TERM BONDS
(4) EXTENSION OF THE AUTHORIZATION PERIOD FOR THE ISSUE OF SHORT-TERM DEBENTURES
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING

I. INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Acquisition and the Continuing Connected Transactions. As stated in the Announcement, our Company will issue a circular to the Shareholders to provide further information about the aforesaid matters.

The purpose of this circular is to provide you with, among others, (i) further details of the Acquisition; (ii) further details of the Non-exempt Continuing Connected Transactions; (iii) details of the Mid- to Long-term Bonds Issue; (iv) details on the extension of the authorization period for the Short-term Debentures Issue; (v) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Acquisition and the Non-exempt Continuing Connected Transactions; (vi) the advice of independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the Non-exempt Continuing Connected Transactions; (vii) the financial information of the Target Companies; (viii) the unaudited pro forma financial information of the Enlarged Group; (ix) the summary asset valuation reports of the respective Target Companies; (x) the comfort letters in respect of the discounted cash flows contained in each of the asset valuation report of 61% equity interest in Fangchenggang Nuclear and 100% equity interest in CGN Engineering; and (xi) the notice convening the EGM.

II. ORDINARY RESOLUTIONS

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET INTERESTS FROM CGN

1. BACKGROUND

Reference is made to the paragraphs headed "History, Reorganization and Corporate Structure — Our History and Development — Retained Business and Non-competition" and "Relationship with Controlling Shareholder — Non-competition deed and undertakings" of the Prospectus in relation to the Acquisition Right granted by CGN to our Company to acquire the equity interests in certain CGN's controlled nuclear power businesses which compete or are likely to compete with the business of our Group.

On September 25, 2016, our Company exercised the Acquisition Right in respect of the Target Interests, and our Company (as the purchaser) entered into the Share Transfer Agreement with CGN (as the vendor). Pursuant to the Share Transfer Agreement, CGN agreed to sell and our Company agreed to purchase the Target Interests. As one of the requirements set out in the Prospectus, the exercise of the Acquisition Right has been reviewed, considered and approved by the independent non-executive Directors. For further details, please refer to the Letter from the Independent Board Committee to the Independent Shareholders in this circular.

2. SHARE TRANSFER AGREEMENT

(A) **Principal terms**

Date

September 25, 2016

Parties

(i) CGN as the vendor; and

(ii) our Company as the purchaser.

Subject matter

The parties agreed that on and subject to the terms and conditions of the Share Transfer Agreement, CGN should sell, and our Company should acquire the Target Interests, namely 61% equity interest in Fangchenggang Nuclear, 100% equity interest in Lufeng Nuclear and 100% equity interest in CGN Engineering.

The parties also agreed that CGN Engineering will dispose of its 60% equity interest in China Techenergy prior to Completion of the Acquisition, the consideration is determined with reference to the audited net asset value of China Techenergy as of the Appraisal Base Date (net asset value corresponding to 60% equity interest is approximately RMB238 million).

The reason for CGN Engineering to dispose of its 60% equity interest in China Techenergy is the difference in business and development orientation between our Group and China Techenergy. After the Acquisition, the operation, management and maintaining of nuclear power stations, suppling of nuclear power-based electricity generated by these stations and provision of engineering management services and related professional technical services will remain as the principal businesses of our Group, while China Techenergy currently principally engages in the design and manufacture of digital instrumentation & control system and will proactively expand its business to non-nuclear power sectors in the future, and make the business of non-nuclear power sectors to become an important part of its business. Thus the disposal of 60% equity interest in China Techenergy by CGN Engineering will allow a clearer delineation of our business.

We expect the disposal of China Techenergy will be completed in November 2016.

Consideration

Pursuant to the Share Transfer Agreement, the Consideration payable by our Company to CGN for acquiring the Target Interests is approximately RMB9,920.50 million (subject to the valuation filed with the relevant authority and the adjustment as described in the paragraph headed “Adjustment to Consideration” below), which will be settled in cash.

Adjustment to Consideration

Pursuant to the Share Transfer Agreement, the Consideration payable by our Company to CGN will be adjusted in the following manners:

(i) as the valuation of Lufeng Nuclear is based on the asset-based approach valuation results, any change and resulting gain or loss in its net asset value arising from the ordinary course of business between the Appraisal Base Date (exclusive of such date) and the date of Completion (inclusive of such date) (the “**Interim Period**”), as determined in accordance with the special audit report prepared based on the PRC enterprise accounting standards and issued by a qualified accounting firm as agreed between our Company and CGN, shall be borne by CGN. As of the date of Completion, in the case of (a) an increase in the net asset value of Lufeng Nuclear during the Interim Period as a result of profits gained or other reasons (excluding any increase due to the revaluation of assets), our Company shall correspondingly increase the Consideration payable to CGN; or (b) a decrease in the net asset value of the Lufeng Nuclear during the Interim Period due to any losses made or other reasons, our Company shall correspondingly decrease the Consideration payable to CGN;

(ii) as the valuation of Fangchenggang Nuclear and CGN Engineering (excluding China Techenergy) is based on the income approach valuation results, any change and the resulting gain or loss arising from the ordinary course of business in their net asset value during the Interim Period shall be borne by our Company, and such change arising from the ordinary course of business of Fangchenggang Nuclear and CGN Engineering (excluding China Techenergy) as of the date of Completion shall not affect the Consideration;

(iii) in the event that CGN makes a capital injection in cash into the Target Companies during the Interim Period, our Company shall correspondingly increase the Consideration payable to CGN in the same amount of such capital injection. The capital injection in cash from CGN into Fangchenggang Nuclear shall be made in proportion to the respective equity interests held by the shareholders of Fangchenggang Nuclear, which portion shall not be changed during the Interim Period; and

(iv) in the event that any Target Companies distribute cash dividend to CGN during the Interim Period, our Company shall correspondingly decrease the Consideration payable to CGN in the same amount of such cash dividend.

Since Lufeng Nuclear has not achieved FCD, we expect that the adjustment amount of the net asset value arising from our daily operations during the Interim Period will be very small. Based on our understanding, CGN has no plan to conduct capital injection for the Target Companies during the Interim Period. During such period, it is expected that cash dividends to be made by the Target Companies to CGN will not exceed RMB1.5 billion and all of such dividends are attributable to the cash dividends distributed by CGN Engineering to CGN. The Consideration to be made by our Company to CGN is expected to reduce by a corresponding amount, if any.

We believe the aforementioned adjustment will not have any material adverse effect to our Company or to the Acquisition, and will not affect the classification of the Acquisition under Chapter 14 and 14A of the Listing Rules.

Payment

Consideration in the amount of approximately RMB9,920.50 million (subject to the valuation filed with the relevant authority and the adjustment as described in the paragraph headed "Adjustment to Consideration" above) payable by our Company to CGN for acquiring the Target Interests will be settled by our Company by installments: (i) the first installment of RMB3,000.00 million will be payable by our Company within 5 business days after the Share Transfer Agreement becomes effective following the fulfilment of the conditions precedent as described in the paragraph headed "Conditions Precedent" below; and (ii) the remaining Consideration will be payable within a year from the date the Share Transfer Agreement becomes effective, and the interest for such remainder amount for the period from the first instalment payment date to the remainder amount payment date (both dates exclusive) will be paid to CGN together with such remaining Consideration with reference to the benchmark lending rate published by the People's Bank of China under the same period and same grade with a downward adjustment of a rate of 10%.

It is currently anticipated that the Consideration will be funded by the internal resources of our Group and other available sources of funding, including but not limited to potential debt and/or equity financing. As of the Latest Practicable Date, our Company has not determined any plans for debt and equity financing for the purpose of the Acquisition. The payment obligation of our Company in relation to the remaining amount under the Share Transfer Agreement will be guaranteed by CGN Nuclear Power Operations Limited (中廣核核電運營有限公司), a wholly owned subsidiary of our Company. CGN Nuclear Power Operations Limited is a limited liability company established in the PRC on August 3, 2012.

Conditions precedent

The Share Transfer Agreement shall become effective conditional upon the satisfaction of the following conditions precedent:

(i) the Share Transfer Agreement is executed by the respective legal or authorized representatives of CGN and our Company and affixed with the company seals; and

(ii) the Share Transfer Agreement and the transactions contemplated thereunder having obtained all necessary consents or approvals, including (a) the approval by CGN; (b) the filing of the relevant asset valuation reports with respect to the valuation of the equity interest of the Target Companies; (c) the approval by the Board of Directors of our Company; and (d) the approval by the Independent Shareholders at the EGM in compliance with all applicable requirements under the Listing Rules.

All of the conditions precedent above cannot be waived. As of the Latest Practicable Date, except for condition (ii)(d), the above conditions precedent had been fulfilled.

Completion

The date of Completion shall take place on the last calendar day of the calendar month in which all conditions precedent as set out in the Share Transfer Agreement are fully satisfied or waived (i.e. the date on which the Share Transfer Agreement becomes effective) or such other date as agreed in writing by our Company and CGN. The date of Completion shall mean the date of completing the Acquisition in accordance with the Share Transfer Agreement and the inclusion of the Target Companies in the consolidated financial statements of our Company.

Indemnity

CGN has agreed to fully indemnify our Company for any actual losses incurred by our Company as a result of any potential material litigation, arbitration, administrative penalties, violations of laws and/or regulations or any other reasons arising from any conduct on the part of any of the Target Companies or its subsidiaries sold by CGN occurred prior to Completion, provided that such losses had not been deducted from or reflected in the Consideration.

(B) **Basis of the Consideration**

The Consideration was determined after arm's length negotiations between the parties with reference to the valuation of the equities of the Target Companies attributable to the Target Interests by China Enterprise Appraisals, a qualified independent valuer, as of the Appraisal Base Date.

According to the summary asset valuation reports of China Enterprise Appraisals as set out in Appendix IIIA, IIIB and IIIC to this circular, the aggregated valuation of the Target Interests to be acquired pursuant to the Acquisition was approximately RMB9,920.50 million as of the Appraisal Base Date. Such Target Interests represent 61% equity interest in Fangchenggang Nuclear, 100% equity interest in Lufeng Nuclear and 100% equity interest in CGN Engineering which have respective values of approximately RMB4,183.34 million, RMB910.28 million and RMB4,826.88 million. The valuation of the Target Companies were conducted in accordance with the PRC legal requirements applicable to the valuation of state-owned assets.

China Enterprise Appraisals prepared the valuation of Fangchenggang Nuclear and CGN Engineering based on two valuation methods, namely the income approach and the asset-based approach, and considered the income approach which adopts the discounted cash flow method as the appropriate approach for the valuation of Fangchenggang Nuclear and CGN Engineering. The value of the 60% equity interest in China Techenergy, which will be disposed of by CGN Engineering prior to the Completion of the Acquisition and will no longer be held by CGN Engineering, is accounted for in the valuation of CGN Engineering using the corresponding audited net asset value of such equity interest as of the Appraisal Base Date.

Under the income approach, the China Enterprise Appraisals appraised the value of the shareholders' equity based on the enterprise value of Fangchenggang Nuclear and CGN Engineering with reference to their respective operational assets, surplus assets, non-operational assets and external long-term investments, and deducting interest-bearing liabilities. Given (i) Fangchenggang Nuclear and CGN Engineering had commenced commercial operation and had generated stable income before the Appraisal Base Date with historical operating financial information for reference and (ii) the respective value of Fangchenggang Nuclear and CGN Engineering depends primarily on their respective future income instead of only on their assets, the income approach is considered as appropriate and objective for their valuation to reflect their respective future cash generation capability. In particular, Fangchenggang Unit 1 has commenced commercial operation on January 1, 2016, and has been generating electricity with relatively mature technology. For details, please refer to the respective asset valuation reports of Fangchenggang Nuclear and CGN Engineering in Appendix IIIA and Appendix IIIC to this circular, respectively.

The valuation of Lufeng Nuclear was based on the asset-based approach valuation results. In respect of Lufeng Nuclear, such approach was adopted given it is currently at the preparatory phase and had not yet commenced commercial operation before the Appraisal Base Date, hence its future cash generation capability is generally less predictable as there is no historical operating financial information available. For details, please refer to the respective asset valuation reports of Lufeng Nuclear in Appendix IIIB to this circular.

According to the opinion from China Enterprise Appraisals, the independent valuer, in respect of the valuation of Fangchenggang Nuclear and CGN Engineering, as the purchaser and the vendor involved in the transfer of equity interest will focus on future revenue of the respective enterprises, the adoption of the income approach for each of Fangchenggang Nuclear and CGN Engineering for their respective asset valuation is the preferred choice. For the valuation of Lufeng Nuclear, it is currently at the preparatory phase and its production date will be in the distant future. Hence, its revenue cannot be accurately predicted and only the asset-based approach could be adopted for its appraisal. In view of the aforesaid reasons, the Board of our Company considers that the above valuation approaches adopted for Fangchenggang Nuclear, CGN Engineering and Lufeng Nuclear respectively, are fair and reasonable.

As the valuation of Fangchenggang Nuclear and CGN Engineering adopted the income approach valuation results, each of such valuation respectively constitutes a profit forecast under Rule 14.61 of the Listing Rules. The principal assumptions on which such profit forecast was based are set out below:

General assumptions adopted for Fangchenggang Nuclear and CGN Engineering

(i) Fangchenggang Nuclear and CGN Engineering will continue to operate on a going concern basis after the Appraisal Base Date;

(ii) there will be no material change in the political, economic and social environment of the country and region where Fangchenggang Nuclear and CGN Engineering are located after the Appraisal Base Date;

(iii) there will be no material change in the macroeconomic policies, industry policies and regional development policies of the country after the Appraisal Base Date;

(iv) there will be no material change in interest rates, exchange rates, tax bases and tax rates and administrative charges that are relevant to the Fangchenggang Nuclear and CGN Engineering after the Appraisal Base Date;

(v) Fangchenggang Nuclear and CGN Engineering will operate under a responsible and stable management team which is capable of performing its duties after the Appraisal Base Date;

(vi) CGN Engineering and Fangchenggang Nuclear will fully comply with all applicable laws and regulations; and

(vii) there will be no material adverse impact on Fangchenggang Nuclear and CGN Engineering from force majeure event after the Appraisal Base Date.

Other assumptions adopted for Fangchenggang Nuclear

(i) Fangchenggang Nuclear will adopt accounting policies that are consistent in material aspects with those adopted in the preparation of its asset valuation report after the Appraisal Base Date;

(ii) Fangchenggang Nuclear will keep their business scope and model in line with those currently under the existing management model and level after the Appraisal Base Date;

(iii) the cash inflows and outflows of Fangchenggang Nuclear after the Appraisal Base Date are even; and

(iv) the grid power price for operating Units in the next calendar year taking account the expected determination of relevant nuclear policy of the future electricity market based on the level of the grid power price as of the Appraisal Base Date, and the determination of grid power price for Units yet to commence commercial operation will be at the same level as that applicable to operating Units.

Other assumptions adopted for CGN Engineering

(i) CGN Engineering will adopt accounting policies that are consistent in all material aspects with those adopted in the preparation of the relevant asset valuation report after the Appraisal Base Date;

(ii) CGN Engineering will keep their business scope and model in line with those currently under the existing management model and level after the Appraisal Base Date;

(iii) the cash inflows and outflows of CGN Engineering after the Appraisal Base Date are even;

(iv) the continuing enforcement of national policies and preferential tax treatment in favour of high-new technologies enterprise;

(v) CGN Engineering are entitled to the benefits of above-mentioned national policies and preferential treatments; and

(vi) there will be no fundamental changes to CGN Engineering's operation, organisation and production.

In accordance with the requirements under Rule 14.62 and Rule 14A.68(7) of the Listing Rules, Deloitte has issued an independent assurance report on calculation of discounted future cash flows in connection with the valuation of equity interests in Fangchenggang Nuclear and CGN Engineering, and CICC has reported on the discounted future cash flows in connection with the valuation equity interests in CGN Engineering and Fangchenggang Nuclear. The comfort letters from Deloitte and CICC for this purpose are set out in Appendix VI and Appendix VII to this circular respectively.

3. INFORMATION ON THE PARTIES

Our Group

Our Group operates and manages nuclear power stations, sells electricity generated by these stations, and manages and oversees the construction of nuclear power stations, and organizes and develops the design and R&D of nuclear power stations.

Through years of nuclear power station operation and management, we have accumulated capitals in areas such as production capital, intellectual capital, human capital, financial capital, environment capital and social and relationship capital. As of June 30, 2016, the number of operating nuclear power generating units operated and managed by us reached 16 (including those as entrusted by CGN), with a total installed capacity of 17,090 MW; particularly, Yangjiang Unit 3 and Fangchenggang Unit 1 (as entrusted to us by CGN for management) have respectively commenced commercial operation on January 1, 2016. As of June 30, 2016, the number of nuclear power generating units under construction operated and managed by us reached 12 (including those as entrusted by CGN), with a total installed capacity of 14,650 MW. The total installed capacity of nuclear power generating units operated and managed by our Group that are in operation and under construction accounted for approximately 59.79% and 49.71% of market shares in the PRC, respectively. In addition, Ningde Unit 4, which has an installed capacity of 1,089 MW, has completed all commissioning work and has commenced commercial operation on July 21, 2016, and has obtained Electric Power Business Permit. Hongyanhe Unit 4, which has an installed capacity of 1,119 MW, has completed all commissioning work on September 19, 2016. It is qualified for commercial operation and has commenced on-grid power generation statistics.

CGN

Established on September 29, 1994, CGN is a large clean energy enterprise under supervision of SASAC. CGN Group is principally engaged in the generation and sale of power, and the construction, operation and management of nuclear and non-nuclear clean projects. As of the Latest Practicable Date, CGN held approximately 64.20% of the issued share capital of our Company and is the controlling shareholder of our Company.

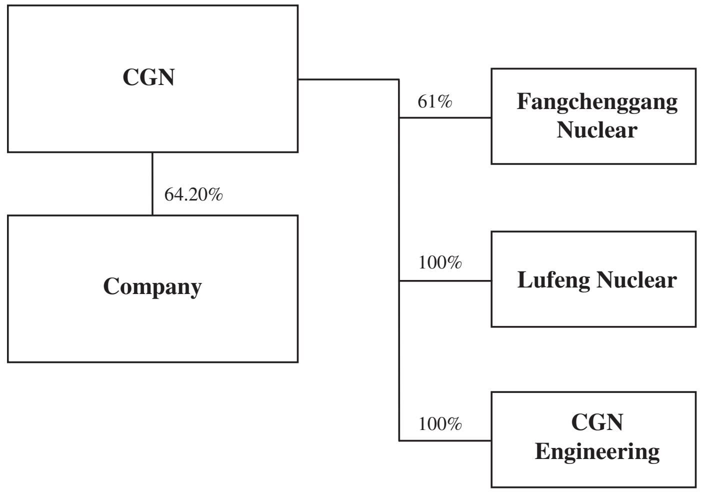
Target Companies

Details of the Target Companies are set out under the heading "5. Information on the Target Companies" below.

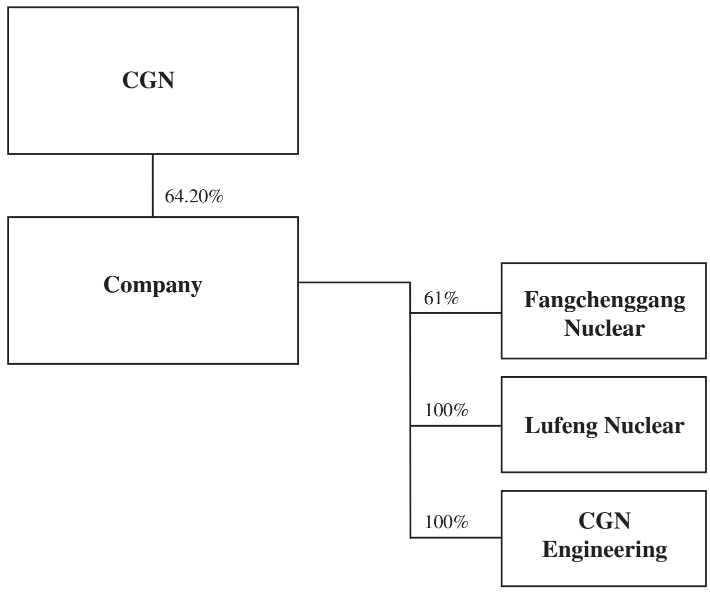
Relationship between the parties

The followings illustrate the simplified shareholding structure of our Company, CGN and the Target Companies as of the Latest Practicable Date and immediately after the Completion:

As of the Latest Practicable Date



Immediately after the Completion



4. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Board considers that the Acquisition is beneficial to and in the best interest of our Company, having taken into account the following reasons:

(1) ***Further consolidating our strategic position as CGN's sole platform for nuclear power generation and further enhancing our long-term competitiveness***

As disclosed in the Prospectus, our Company is positioned as CGN's sole platform for nuclear power generation. Pursuant to the Non-competition Deed dated November 21, 2014 entered into by CGN in favour of our Company, CGN has given certain non-competition undertakings to our Company (for itself and for the benefits of other members of our Group), to the effect that it would not, and it would procure that its associates and connected persons (other than any members of our Group) do not and would not, directly or indirectly, carry on, participate, be interested or engaged in or acquire or hold any business or activity in the PRC or overseas that is in competition with, or is likely to be in competition with, the business carried on by our Group during the agreed restricted period. To avoid competition between CGN Group and our Group, CGN Group has also granted us a right, which is exercisable during the term of the Non-competition Deed, to acquire on one or more occasions any equity interest, asset or other interests in respect of the Retained Business carried out by CGN Group.

With the right to acquire the Retained Business in accordance with the Non-competition Deed, we are entitled to acquire or invest in the nuclear power projects that are being planned or constructed by CGN Group. This undertaking shall continue to be effective until CGN ceases to be our Controlling Shareholder, or we cease to be listed on the Stock Exchange. As disclosed in the Prospectus, Fangchenggang Nuclear, Lufeng Nuclear and CGN Engineering belong to the Retained Business. Accordingly, the Acquisition could reduce the industry competition between our Group and CGN Group. For further details, please refer to the disclosure under "History, Reorganization and Corporate Structure — Our History and Development — Retained Business and Non-competition" and "Relationship with Controlling Shareholder — Non-competition deed and undertakings" of the Prospectus.

Fangchenggang Nuclear is the only nuclear project company under the Retained Business which holds Units having commenced commercial operation. As of the Latest Practicable Date, Fangchenggang Unit 1 has commenced commercial operation on January 1, 2016, whereas Fangchenggang Unit 2 will complete construction in the near future and is expected to commence commercial operation in the second half of 2016. In addition, ranking after Fangchenggang Nuclear, Lufeng Nuclear, which is another nuclear project company under the Retained Business which demonstrates the fastest progress in its construction and regulatory approval process, has obtained the letter of approval from NDRC to carry out preparatory work, and it is the nuclear power project among the Retained Business that is most likely to achieve FCD in a recent time.

Through the acquisition of 61% equity interest in Fangchenggang Nuclear, installed capacity in operation and under construction owned by our Company will be increased to 1,086 MW and 3,446 MW respectively; through the acquisition of 100% equity interest in Lufeng Nuclear, our Company will have an additional installed capacity of 2,500 MW for nuclear projects under reserve. We will have direct control over all of the operating nuclear power units of CGN Group (excluding associated companies and joint ventures), as well as increasing our nuclear projects under reserve.

As for our Company, the expansion of the installed capacity in operation and under construction is not only an effective means to achieve growth in nuclear power generating capacity and business performance, but also a crucial way to increase our market share and competitiveness in the long run. The Acquisition is for the benefit of accelerating the expansion of the scale of our installed capacity in operation, under construction and potential installed capacity, and consolidating CGN's strategic position as the sole platform for nuclear power and further enhancing our Company's leading position in the industry.

(2) ***Substantially improving our construction and management capability and reducing our nuclear power construction costs in the long-term while increasing our overall nuclear power operation ability***

CGN Engineering, together with its subsidiaries, is one of the few nuclear power construction companies that possesses the capabilities to develop nuclear power projects in China. The acquisition of CGN Engineering will greatly improve our capability in designing, managing and constructing nuclear power stations.

The capabilities in design, R&D, technology integration, project management and quality of constructions could directly impact the construction costs, safety and operation of nuclear power stations. Upon the acquisition of CGN Engineering, we are able to more efficiently integrating such capabilities in design engineering, technology integration, project management, construction and operation of nuclear power station through extending our business segments in the nuclear power industry chain hence increasing our overall capabilities in our nuclear power business.

In particular, including:

1. Exerting advantages of integrated management for the construction and operation of nuclear power stations. The construction planning and project progress of nuclear power stations could be more directly controlled and optimized, hence reducing construction costs.

2. After the acquisition of CGN Engineering, through internal integrated management, coordination efficiency could be optimized and hence the efficiency of CGN Engineering in its engineering construction management could be further enhanced.

3. The integration of production and engineering could enable us to implement the integrated procurement of construction project equipment and spare parts, in order to increase procurement efficiency and reduce procurement costs.

4. We would be able to manage the whole process of research and development, design, procurement, construction and operation, in order to achieve comprehensive cost control starting from the design of nuclear power stations.

5. We would be able to achieve smooth experience sharing between nuclear power projects under construction and nuclear power stations in operation, in order to enhance the safety, efficiency and profitability of the operational management of our nuclear power stations.

In addition, CGN Engineering has also been able to provide quality technical services for operating power stations and hence improving the performance of our operating nuclear power stations.

Prior to acquiring CGN Engineering, we paid reasonable fees to CGN Engineering for services relating to the design and construction of nuclear power stations, whilst CGN Engineering obtain reasonable earnings therefrom. Upon our acquisition of 100% equity interest in CGN Engineering, the revenue of CGN Engineering will be included into our consolidated financial statements, which in turn will reduce the overall external construction costs of our nuclear power projects under development.

(3) ***Expanding our nuclear power technologies to cope with future competition***

Fangchenggang Phase II and Lufeng Phase I adopt the technology of Hualong I and the third generation nuclear power technology of AP1000, in which, Hualong I is the nuclear power technology with proprietary intellectual property rights. Following our acquisition of Fangchenggang Nuclear and Lufeng Nuclear, we can expand the Group's nuclear power technologies to cope with future competition, and increase our abilities to develop nuclear power projects as well as our long-term profitability.

5. INFORMATION ON THE TARGET COMPANIES

Set out below is a brief description of each of the Target Companies:

(1) ***Fangchenggang Nuclear***

Fangchenggang Nuclear was established on September 3, 2008 in the PRC, which is held as to 61% by CGN and 39% by Guangxi Investment Group Limited (廣西投資集團有限公司), an independent third party to our Company. It is principally engaged in the investment, development, construction and operation of Fangchenggang Nuclear Power Station, as well as the importing and exporting of certain goods and technology. It currently operates the Fangchenggang Nuclear Power Station, which is in turn jointly operated by CGN and Guangxi Investment Group Limited. The registered capital of Fangchenggang Nuclear is RMB5,850,000,000.

Fangchenggang Nuclear plans to develop six gigawatt-level pressurized water reactor power generating units. With respect to Fangchenggang Phase I, it comprises of Fangchenggang Units 1 and 2, both the CPR1000 pressurized water reactor power generating units with a total installed capacity of approximately 2,172 MW. Fangchenggang Unit 1 has commenced commercial operation on January 1, 2016, whereas Fangchenggang Unit 2 is expected to commence commercial operation in the second half of 2016. As for Fangchenggang Phase II, including Fangchenggang Units 3 and 4, they respectively adopt the third generation nuclear power technology of Hualong I with proprietary intellectual property rights. Fangchenggang Unit 3 had commenced construction on December 24, 2015.

(2) ***Lufeng Nuclear***

Lufeng Nuclear was established on February 20, 2008 in the PRC. It is principally engaged in the investment, development, construction and operation of Lufeng Nuclear Power Station, as well as its sale and delivery of nuclear power. Its registered capital is RMB840,000,000.

Lufeng Phase I is the first nuclear power project in Guangdong Province which adopts AP1000 technology. The preparatory phrase of Lufeng Phase I was commenced in December 27, 2010 and has obtained the letter from the NDRC regarding the commencement of preparatory work. It is the nuclear power project within the Retained Business (except Fangchenggang Nuclear) that has the most rapid progress and that is most likely to achieve FCD in a recent time. The Lufeng Phase I project comprises of Lufeng Units 1 and 2, with a total installed capacity of approximately 2,500 MW.

(3) ***CGN Engineering***

CGN Engineering was established on November 11, 1997 in the PRC and is a specialist-technology nuclear power project construction management company. It engages in a variety of businesses, principally including contracting, management, consultation, supervision of infrastructure such as nuclear power and conventional power and civil construction projects; engineering construction technology services and consultation; bidding agency for engineering construction projects; engineering design; engaging in import and export business. Its registered capital is RMB1,286,000,000.

As of June 30, 2016, CGN Engineering had completed the construction of 12 Units, namely Lingdong Units 1 and 2, Hongyanhe Units 1, 2 and 3, Ningde Units 1, 2 and 3, Yangjiang Units 1, 2 and 3 and Fangchenggang Unit 1; CGN Engineering had undertaken construction engineering projects in building 12 Units, each with an installed capacity over a million-kilowatt and together with a total installed capacity of approximately 14,650 MW, ranking first in the world in terms of capacity of nuclear power station units to be constructed. Such projects include Hongyanhe Units 4, 5 and 6, Ningde Unit 4, Yangjiang Units 4, 5 and 6, Fangchenggang Units 2, 3 and 4 (Fangchenggang Units 3 and 4 adopt the nuclear power generating units of Hualong I, the third generation nuclear power technology with proprietary intellectual property rights) and Taishan Units 1 and 2, among which, Ningde Unit 4 has fulfilled the conditions of commercial operation on July 21, 2016, Hongyanhe Unit 4 has fulfilled the conditions of commercial operation on September 19, 2016.

In addition to nuclear power construction and management, CGN Engineering also engages in (1) technical services, where it provides technical services for our Company's nuclear power units in operation; and (2) a few of other engineering businesses, primarily including energy engineering and application of nuclear technology.

China Techenergy, which principally engages in the business of the design and manufacture of digital instrumentation & control system, is owned as to 60% of its equity interest by CGN Engineering and 40% by Beijing Hollysys Co., Ltd. (北京和利時系統工程有限公司). CGN Engineering will dispose of its 60% equity interest in China Techenergy prior to Completion of the Acquisition, with the Consideration as determined with reference to the audited net asset value (net asset value corresponding to 60% equity interest is approximately RMB238 million) of China Techenergy as of the Appraisal Base Date.

The table below sets out certain information on the project in operation of Fangchenggang Nuclear:

Project Name/ Units	Effective interest acquired	Commercial Operation date	Gross operational installed capacity (MW)	Weighted average on-grid tariff for the six months ended June 30, 2016 (RMB/kWh) *(inclusive of value-added tax)*	For the six months ended June 30, 2016			
					capacity factor	load factor	On-grid electricity (GWh)	Utilisation hours (Hours)
Fangchenggang Phase I								
- Fangchenggang Unit 1	61%	January 1, 2016	1,086.00	0.4089[Note]	99%	78.67%	3,436.11[Note]	3,436

Note: The total on-grid electricity generated by Fangchenggang Unit 1 was 3,436.11 GWh for the six months from January 1, 2016 to June 30, 2016, of which planned on-grid electricity was 3,318.90 GWh, for which the on-grid tariff inclusive of value-added tax was RMB0.4140/kWh; market-dealing on-grid electricity was 117.21 GWh, for which the average on-grid tariff inclusive of value-added tax was RMB0.2640/kWh (the on-grid tariff of market-dealing electricity was determined by market competition) from January to June, 2016. Accordingly, from January to June, 2016, the weighted average on-grid tariff inclusive of value-added tax for all on-grid electricity of Fangchenggang Unit 1 was RMB0.4089/kWh.

The table below sets out certain information on projects of Fangchenggang Nuclear and Lufeng Nuclear which are yet to commence commercial operation.

Province	Target Company	Project Name/ Units	Effective interest acquired	Expected Commercial Operation date	Gross installed capacity under construction (MW)
Guangxi Zhuang Autonomous Region	Fangchenggang Nuclear	Fangchenggang Phase I	61%		
		- Fangchenggang Unit 2		Second half of 2016	1,086.00
		Fangchenggang Phase II	61%		
		- Fangchenggang Unit 3		2022	1,180.00
		- Fangchenggang Unit 4		—	1,180.00
Guangdong Province	Lufeng Nuclear	Lufeng Phase I	100%		
		- Lufeng Unit 1		—	1,250.00
		- Lufeng Unit 2		—	1,250.00

KEY FINANCIAL INFORMATION OF THE TARGET COMPANIES

The equity attributable to owners of each of the Target Companies as of December 31, 2015 and the profit (loss) attributable to owners of each of the Target Companies for the years ended December 31, 2014 and 2015 (prepared in accordance with China Accounting Standards and are before the elimination of the intergroup transactions and balances between the Target Companies.) are set out below:

	As of December 31, 2015 *(RMB'000)*
Equity attributable to owners of each of the Target Companies	
Fangchenggang Nuclear	5,717,442
CGN Engineering (including China Techenergy) [(1)]	3,689,093
Lufeng Nuclear	840,000

	Year ended December 31, 2014	2015
	(RMB'000)	*(RMB'000)*
Profit (loss) for the year attributable to owners of each of the Target Companies		
Fangchenggang Nuclear(2)	(25,975)	(26,372)
CGN Engineering (including China Techenergy)(3)	824,274	910,934
Lufeng Nuclear	0	0

(1) As of December 31, 2015, the net assets of China Techenergy amounted to RMB 386,281,790.

(2) Fangchenggang Unit 1 commenced commercial operation on January 1, 2016 and realised revenue from sales of electricity from January to March 2016 amounting to RMB607.90 million.

(3) For the years ended December 31, 2014 and 2015, the net profit of China Techenergy amounted to RMB 43,585,947 and RMB 51,715,958, respectively.

The accounting policies of the Target Companies are materially consistent with those of our Company. The followings are certain key financial information of the Target Companies (on a combined basis and prepared in accordance with the International Financial Reporting Standards):

	Year ended December 31,			Three months ended March 31,	
	2013	**2014**	**2015**	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*	*(RMB'000)*
Revenue	**14,106,270**	**12,176,156**	**12,501,648**	**1,633,569**	**2,230,495**
Included: Nuclear power operation and sale of electricity	—	—	—	—	607,858
Included: External sales	—	—	—	—	607,858
Inter-segment sales	—	—	—	—	—
Engineering construction and technical services	**18,382,043**	**16,597,807**	**15,953,786**	**2,369,895**	**2,341,477**
Included: External sales	14,106,270	12,176,156	12,501,648	1,633,569	1,622,637
Inter-segment sales	4,275,773	4,421,651	3,452,138	736,326	718,840
Elimination among segments	**(4,275,773)**	**(4,421,651)**	**(3,452,138)**	**(736,326)**	**(718,840)**

	Year ended December 31,			Three months ended March 31,	
	2013	2014	2015	2015	2016
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*	*(RMB'000)*
Profit (loss) before taxation	**471,059**	**444,604**	**930,012**	**(84,705)**	**24,207**
Included: Nuclear power operation and sale of electricity	**(33,846)**	**(86,630)**	**(20,014)**	**(56,299)**	**87,684**
Engineering construction and technical services	543,750	916,340	1,132,703	(23,770)	(60,808)
Elimination among segments	(38,845)	(385,106)	(182,677)	(4,636)	(2,669)
Profit (loss) for the year/ period attributable to:					
Owners of the Target Companies	418,955	491,081	798,017	(45,690)	1,803
Non-controlling interests	(3,812)	(33,036)	29,094	(28,391)	27,423

	At December 31,			At March 31,
	2013	2014	2015	2016
	(RMB'000)	*(RMB'000)*	*(RMB'000)* *(unaudited)*	*(RMB'000)*
Total assets	48,500,371	56,291,958	64,565,704	65,140,522
Total equity	7,314,798	8,739,531	10,148,734	9,951,341

The Target Companies' revenue mainly represents revenue from the nuclear power operation and sale of electricity and revenue from engineering construction and technical services for the relevant period.

Revenue from sale of electricity was entirely generated from sale of electricity by Fangchenggang Unit 1, which has commenced commercial operation on January 1, 2016. As Fangchenggang Unit 1 commenced commercial operation earlier than Fangchenggang Unit 2, the depreciation and interest expenses of the system and equipment shared by both of the Units were borne by Unit 1, which increase the cost of generating electricity during the course of operating Unit 1 singly.

Revenue from engineering construction and technical services were all attributable to CGN Engineering. In 2013, CGN Engineering's revenue mainly derived from the construction of Yangjiang, Ningde and Hongyanhe nuclear power projects. In 2014, as Yangjiang Unit 1 commenced commercial operation in March 2014, and Ningde Unit 2 and Hongyanhe Unit 2 commenced commercial operation in May 2014, revenue from nuclear power construction for CGN Engineering also reduced accordingly. In 2015, revenue from nuclear power construction for CGN Engineering remained flat as compared to 2014.

Revenue from engineering construction and technical services during the first quarter of 2015 was relatively lower, representing far less than one-fourth of the total revenue in 2015; revenue from engineering construction and technical services during the first quarter of 2016 remained flat as compared to the first quarter of 2015, which was mainly due to the fact that revenue from engineering construction and technical services is recognized in accordance with the standards for construction contracts and construction cost recognized in the current period will affect revenue and gross profit recognized in the current period. Generally, costs incurred from engineering construction are relatively lower at the beginning of each year because of factors such as the PRC holidays, and therefore the revenue and gross profit correspondingly recognized are also relatively less, resulting in slight loss in the business performance.

For details of the financial information of the Target Companies and the segment revenue and results of the Target Companies, please refer to the Accountants' Report of the Target Companies in Appendix II to this circular.

6. FINANCIAL EFFECTS OF THE ACQUISITION

Following the Completion of the Acquisition, the Target Companies will become subsidiaries of our Company. The assets, liabilities and the financial results of the Target Companies will be consolidated into the consolidated financial statements of our Company.

Set out in Appendix V to this circular is the "Unaudited Pro Forma Financial Information of the Enlarged Group" and the basis of preparation thereon.

Assets

As of June 30, 2016, the unaudited consolidated total assets of our Group were approximately RMB223,231,166,000. According to the unaudited pro forma financial information as of June 30, 2016, the unaudited pro forma total assets of the Enlarged Group will be approximately RMB274,382,297,000.

Liabilities

As of June 30, 2016, the unaudited consolidated total liabilities of our Group were approximately RMB141,216,295,000. According to the unaudited pro forma financial information as of June 30, 2016, the unaudited pro forma total liabilities of the Enlarged Group will be RMB195,779,421,000.

Total equity

As of June 30, 2016, the unaudited total equity of our Group was RMB82,014,871,000. According to the unaudited pro forma financial information as of June 30, 2016, the unaudited pro forma total equity of the Enlarged Group will be RMB78,602,876,000.

Profit for the year/period

For the years ended December 31, 2014 and 2015, the audited profit for the year of our Group was RMB7,826,200,000 and RMB8,072,576,000 respectively. For the six months ended June 30, 2016, the unaudited profit of our Group was RMB4,288,145,000. According to the Accountants' Report of the Target Companies as set out in Appendix II to this circular, the audited profit for the year/period (both before and after taxation and on an aggregate basis) attributable to the Target Companies for the year/period ended December 31, 2014 and 2015, and for the three months ended March 31, 2016 are also set out as follows:

	Profit before taxation for the year/period *(RMB'000)*	**Profit after taxation for the year/period** *(RMB'000)*
For the year ended December 31, 2014	444,604	458,045
For the year ended December 31, 2015	930,012	827,111
For the three months ended March 31, 2016	24,207	29,226

As the profits of CGN Engineering during the reporting period are mainly derived from the profit from the Group and the Group's associates and joint ventures, upon consolidating CGN Engineering, revenue in connection with the Group will be eliminated in the Enlarged Group's consolidated financial statements.

Indebtedness

Bank Borrowings

As at the close of business on August 31, 2016, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had aggregate outstanding bank borrowings of approximately RMB139,932,289,000, details of which are set out below:

	RMB'000
Bank borrowings, unsecured and guaranteed	4,242,967
Bank borrowings, unsecured and unguaranteed	14,889,206
Bank borrowings, secured and unguaranteed (Note)	120,800,116
	139,932,289

Note:

The Enlarged Group pledged certain property, plant and equipment, prepaid lease payments, trade receivables representing tariff collection rights for such credit facilities granted to the Enlarged Group.

Amounts due to non-controlling shareholders/ultimate holding company/fellow subsidiaries/ associates/a joint venture (collectively referred to as "the Related Parties")

As at the close of business on August 31, 2016, all the amounts due to the Related Parties are unsecured and unguaranteed and the outstanding amounts of the Enlarged Group are set out as below:

	RMB'000
Amounts due to non-controlling shareholders	196,140
Amounts due to ultimate holding company	570,528
Amounts due to fellow subsidiaries	33,500
Amounts due to associates	77,555
Amounts due to a joint venture	17
	877,740

Loans from a fellow subsidiary/loans from an associate/loans from ultimate holding company/payable to ultimate holding company

As at the close of business on August 31, 2016, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had aggregate outstanding loans from related parties of approximately RMB12,403,790,000, details of which are set out below:

	RMB'000
Loans from a fellow subsidiary, unsecured and unguaranteed	1,850,448
Loans from an associate, unsecured and unguaranteed	3,348,519
Loans from ultimate holding company, unsecured and unguaranteed	1,855,500
Payable to ultimate holding company, unsecured and unguaranteed	1,999,416
Loans from an associate, secured and unguaranteed (Note)	3,349,907
	12,403,790

Note:

The Enlarged Group pledged trade receivables representing tariff collection rights for such loans granted to the Enlarged Group.

Notes payable

As at the close of business on August 31, 2016, all the amounts of notes payable are unsecured and the outstanding amounts of the Enlarged Group are set out as below:

Issue Date	Carrying Amounts (As at August 31, 2016)	Guarantor	Maturity Date
	RMB'000		
November 11, 2002	4,000,000	China Development Bank	November 11, 2017
December 20, 2007	2,000,000	Agricultural Bank of China	December 20, 2022
May 12, 2010	2,492,160	No guarantor	May 12, 2020
May 26, 2014	600,000	No guarantor	May 26, 2017
September 26, 2014	1,000,000	No guarantor	September 26, 2017
February 13, 2015	500,000	No guarantor	February 13, 2018
December 9, 2015	500,000	No guarantor	December 9, 2018
January 20, 2016	500,000	No guarantor	January 20, 2019
March 1, 2016	500,000	No guarantor	March 1, 2019
June 17, 2016	700,000	No guarantor	June 17, 2019
July 19, 2016	800,000	No guarantor	July 19, 2019
	13,592,160		

At August 31, 2016, notes payable with an aggregate amount of RMB18,000,000,000 remained authorized but unissued.

Pledged Assets

The Enlarged Group pledged certain property, plant and equipment, prepaid lease payments, trade receivables representing tariff collection rights and bank deposits for credit facilities granted to the Enlarged Group. In addition, the Group has pledged the interest in an associate for credit facilities granted to the associate. As at August 31, 2016, the aggregate carrying amounts of the Enlarged Group's pledged assets before elimination between the Group and the Target Companies are approximately RMB23,643,705,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group and the Target Companies did not have outstanding at the close of business on August 31, 2016 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, charges, hire purchases commitments, guarantees or other contingent liabilities.

Working capital

After taking into account the available credit facilities, the Group's internally generated funds and cash flows impact of the Acquisition, in the absence of unforeseeable circumstance, the Directors are of the opinion that the Enlarged Group has sufficient working capital for its capital requirements for at least the next twelve months following the date of this circular.

7. FUTURE PLANS AND PROSPECTS

We believe that in order to fulfil its commitment to address climate change, the PRC Government will devote substantial efforts in developing clean energies. The 4th session of the 12th National People's Congress adopted the Outline of the 13th Five-Year (2016-2020) Development Plan for National Economic and Social Development of the PRC (the "13th Five-Year Plan") in March 2016. The 13th Five-Year Plan expressly called for the promotion of low-carbon and its circular economy, a focus on coastal nuclear power and safe construction of self-owned nuclear power model construction work and projects.

The nuclear power projects in China had entered into large scale operations in recent years, which led to a rapid growth of nuclear power installed capacity. However, the proportion of nuclear power in the domestic energy structure of the PRC remains relatively low as compared to the overall domestic energy structure of other countries. According to the statistics published by the China Nuclear Energy Association on July 25, 2016 relating to the Status of National Nuclear Power Operation Information for the period from January to June 2016, the installed capacity of the nuclear power generating units in commercial operations in China was 28.60 GW from January to June 2016, accounting for approximately 1.88% of the total installed capacity in China; the accumulated amount of power generated was 95,389 GWh, accounting for approximately 3.46% of the accumulated amount of power generated nationwide. We believe that nuclear power, as a safe, efficient and clean source of energy, together with the benefits of low development cost and high capacity would continue to be developed in a stable manner so as to facilitate the adjustment on the energy structure of China in the future.

The national electricity power system reform in China has made significant progress during the first half of 2016. Various provinces and cities had become pilot areas for reform and had introduced implementation plans for reforming their local electrical power systems. National and provincial electricity trading centers had also been set up in succession simultaneously. On July 13, 2016, NDRC and NEA jointly issued the Notice on the Plan to an Orderly Liberalization of Power Generation and Consumption (Draft for Comment), which further accelerates the reform of power system.

We believe that nuclear power, as a clean energy, is presented with development opportunities during the adjustment process of China's energy structure. Meanwhile, our market environment will become even more challenging as a result of the steering of the power system reform.

Through acquiring 61% equity interest in Fangchenggang Nuclear and 100% equity interest in Lufeng Nuclear, we increased our installed capacity of operation and under construction, storage, market share and competitiveness. Through acquiring 100% equity interest of CGN Engineering, we also improved our overall capability of nuclear power business operation. Upon direct holding of the shareholding of CGN Engineering, we can further integrating the design, R&D ability, technology integration capability and project management ability of CGN Engineering and our previous operating ability and experience in nuclear power stations closely, therefore enable us to make lifecycle planning and management to the site selection, feasibility studies, construction, operation and decommissioning of nuclear power stations, to prompt the nuclear power stations we constructed and operated to be more competitive in safety, efficiency and profitability levels.

In the future, we will continue to:

- on the basis of safety and quality, moving forward with construction of nuclear power projects including Fangchenggang Nuclear Power Station and Lufeng Nuclear Power Station according to existing plans;

- enhance internal resources allocation and coordination, optimize procedural control and incentive mechanism and control the operational cost of operating Units and the construction cost of Units under construction; and

- track the process of national power system reform and perform adaptive adjustments and managerial optimization on nuclear power station operation and electrical power generation in order to create more shareholder's value.

8. RISK FACTORS

The Directors consider that the risks factors set out below are relevant to the Acquisition. The risks listed do not purport to comprise all those risks associated with the Acquisition. Additional risks and uncertainties not currently known to the Directors or that the Directors currently deem to be immaterial may also have an adverse effect on the Target Companies' businesses and therefore the Enlarged Group's performance after the Completion.

Our Company will monitor any materialisation of these risks and adopt control measures to minimise any adverse impact of such risks.

Risks relating to the businesses of the Target Companies

The nuclear power projects of the Target Companies that are currently under construction may encounter construction delay or cost over-run. For the nuclear power project of the Target Companies that are currently at the preparatory phase, we are unable to assure that such project could proceed to the construction and operation phase.

During the construction phase of the nuclear power projects, it is crucial for the Target Companies to arrange for delivery and installation of key equipment in a timely manner, connection to the local grid, and obtaining the latest technological research and development results. The Target Companies also strive to obtain the necessary permits and approvals, sufficient financing, adequate rights in land via leasing or purchase of rights, reasonably priced equipment and construction contracts. Nonetheless, several factors may lead to construction delay or cost over-run, such as:

- delivery delays caused by shortages of key equipment, materials or labor;

- increases in the cost of key equipment, materials or labor;
- quality problems with equipment;
- unexpected engineering, design, environmental or geological problems;
- failure to receive various regulatory approvals, licenses or permits from government agencies when anticipated; and
- failure to obtain sufficient bank loans or other financing on favorable terms or at all.

As of the Latest Practicable Date, the nuclear power project managed by Lufeng Nuclear, namely Lufeng Phase I, is at the preparatory phase of the project, has been granted the relevant approval from the NDRC and has commenced the factory protection and related feasibility studies. Although Lufeng Nuclear has already obtained the aforesaid regulatory approval from NDRC, it is still pending approval from NDRC and other governmental authorities in order to commence construction, and there is no assurance that such projects could proceed to the construction and operation phase as scheduled. In addition to projects that are managed by Lufeng Nuclear, approvals from the relevant government authorities are required for current and future projects of the Target Companies to commence construction.

In addition, due to public perceptions of nuclear energy and its risks, potential opposition from local community, political or environmental groups, as well as local government authorities with respect to the construction of nuclear power facilities at a particular site could cause delays, interruptions or even cancelations of the Target Companies' development plans, thus adversely affecting the Target Companies' reputation and hampering their ability to acquire or construct new nuclear power projects to grow their businesses.

Our Company cannot assure that the construction of the nuclear power projects of the Target Companies can be completed on time or put into operation. Any failure or delay in project construction or any unexpected cost or cost overrun could have a material and adverse effect on the business, financial condition and results of operations of the Target Companies.

In order to reduce above risks, the Company proposes to adopt the following measures: CGN Engineering has been managed under trust before the Company acquires CGN Engineering; After the acquisition of CGN Engineering by the Company, the Company will directly control CGN Engineering and the Company's capacity in the management and construction of nuclear power projects will be improved, which contributes to a better control of construction progress and construction costs; The Company will manage projects under construction and projects in preliminary stage at a high standard that meets risk control procedure, and the Company will actively communicate with relevant government departments on the progress of Target Company's projects so as to mitigate the risk that cannot obtain relevant approvals, licenses and permits from government authorities in time.

The Target Companies' businesses are subject to laws, regulations and rules of the PRC government and are dependent on the support by the PRC government through policies and regulations, and we are unable to assure that the Target Companies could receive the same support in the future.

The nuclear power generation business of the Target Companies is subject to laws and regulations of the PRC government, and provincial and local government departments. These laws and regulations regulate many aspects of the operations of the Target Companies, including the construction of nuclear power plants, permissions for electric power business, grid connection and dispatch, determination of on-grid tariffs, compliance with power grid control and dispatch directives, control of nuclear fuel and radioactive waste and environmental, safety and health standards. The Target Companies place high regard to such requirements, and will apply for and obtain the certificates, authorizations, licenses, orders, consents, approvals or permits required by all applicable laws, regulations and rules in the PRC for the operation of their businesses. A breach of laws, regulations and rules to which such Target Companies are subject may result in serious consequences including the imposition of fines and penalties or the suspension of the relevant power station's operations or its closure. New or more stringent rules and requirements relating to the construction, operation, management and other aspects of nuclear power plants or the nuclear power industry may be formulated by regulators in the future. Complying with new or more stringent rules and requirements may require the relevant Target Companies to make a substantial amount of additional investments, suspending the operation of their existing nuclear power plants to transform the nuclear power generating units, or delay the construction of new nuclear power plants, any of which could materially and adversely affect the business, financial condition and results of operations of the Target Companies.

The Company will follow up national and local laws and regulations and actively communicate with relevant national and local authorities to provide advice and suggestions on formulating policies relating to nuclear power development as well as try our best to strive for appropriate policy and regulatory support.

There can be no assurance that our business, financial and operational results would not be adversely impacted from the power system reform process.

The PRC power generation industry has been undergoing regulatory transformation in recent years. According to "Improving the Mechanism of Market-driven Pricing" in the "Decision of the Central Committee of the Communist Party of China on Several Major Issues Relating to Comprehensive Reform," which was passed on the Third Plenary Session of the Eighteenth Central Committee of the Communist Party of China on November 12, 2013, it promotes pricing reform in the fields of water, oil, natural gas, electricity, transportation and communication to steer competitive pricing.

The national electricity power system reform in China has made significant progress during the first half of 2016. Various provinces and cities had become pilot areas for reform and had introduced implementation plans for reforming their local electrical power systems. National and provincial electricity trading centers had also been set up in succession simultaneously. On July 13, 2016, NDRC and NEA jointly issued the Notice on the Plan to an Orderly Liberalization of Power Generation and Consumption (Draft for Comment), which further accelerates the reform of power system.

The strengthening of reform development on the electricity system may lead to changes to on-grid tariffs and net power generation at our various nuclear power stations. There can be no assurance that future regulatory reforms will not have a material and adverse effect on the business, financial condition or results of operations of the Target Companies.

The Company will closely follow up and participate in electric power system reform implementation process to provide advice and suggestions on the formulating of relevant policies; Meanwhile, with the support of the PRC government on clean energy, the Company will actively communicate with local governments, power grid companies and large customers who purchase electricity to fully protect electricity sales, and the Company will research and actively participate in electricity market transactions to obtain more power generation amount.

The Target Companies are exposed to potential risks and liabilities associated with their nuclear safety.

The Target Companies are engaged in nuclear power generation activities. Unlike in other industries, including the non-nuclear power generation industry, a significant quantity of radioactive substances is contained in the nuclear reactors of a nuclear power station, which could present a possible radioactive threat to humans, the environment and society under certain circumstances. In addition, as an important part of the business operations of the Target Companies, they need to handle, store, transport and dispose of radioactive materials, such as low- and medium-level radioactive waste, and other hazardous materials, including a small amount of explosive or flammable materials used in our electricity generating activities. Therefore, the business of the Target Companies involves certain significant potential risks.

The Target Companies are also exposed to other substantial potential risks and liabilities associated with nuclear power generation, including the risks and liabilities which may be caused by one or several of the following factors: (i) aging, defects, malfunctioning, inappropriate installation, control or operation of various equipment, systems and facilities, (ii) human errors or misconduct, strikes or disputes with the labor force, (iii) external attacks, such as terrorist attacks and other third-party malicious acts, and (iv) natural disasters. Any of the above factors, if occurring individually or collectively, could cause significant disruptions or interruptions to the operations of the Target Companies, materially and adversely affect their power generation activities or cause significant extra costs or expenses. These and other factors may also lead to nuclear accidents and other serious consequences, such as deaths or long-term illnesses to humans, including our employees and the general public in a large geographic area, and long-term contamination of the environment, which could expose us to significant compensation and damages, clean-up costs, legal proceedings and other liabilities.

The Target Companies have taken steps to adhere to high standards of risk control and safety procedures applicable to the preparatory phase, construction phase, operation phase and decommissioning phase of its nuclear power plants, in order to protect the public, the environment and society from the threat of radiation, ensuring the smooth operation of the nuclear power plants, and reducing the possibility of accidents. However, there can be no assurance that these measures will be effective under any circumstances. The Target Companies, in conjunction with the public authorities, has also implemented safety measures aimed at countering all forms of attacks. However, the Target Companies cannot assure that the above risks and uncertainties will not affect the safe and reliable operation of their nuclear power plants or lead to any nuclear accident, thus causing harm to humans, the environment and society, and leading to partial or total closure of our nuclear power plants for an extended period of time or resulting in significant liabilities. If any of these risks materializes, it could have a material and adverse effect on the Target Companies' business, financial condition, results of operations and prospects.

The Company entered into a custodian management framework agreement with CGNPC on April 28, 2014, pursuant to which, the Company has acted on behalf of CGNPC for the operation and management of target companies, including adhering to the high standards which are consistent with the Company's risk control and safety procedures to ensure the proper construction and operation of the Target Companies' nuclear power stations so as to reduce the probability of accidents.

The Company will always adhere to the principles of "Nuclear Safety is Paramount" and "Safety First". These principles apply to various stages of design, construction and operation of the nuclear power stations. The Company maintains an effective nuclear safety management system. Activities under various themes were organized for our staff in order to promote nuclear safety awareness and enhance capabilities to respond to nuclear emergencies. The Company continued to improve and enhance the Company's safety management by organizing nuclear emergency drills and benchmarking with external units to ensure that the Company's nuclear power stations are operating in a safe, economical and reliable manner, with an ultimate goal of protecting our employees, the society and environment from radiation hazard.

Defects may exist in the title of buildings held by the Target Companies.

The obtaining of land use rights and building ownership certificates involves obtaining government approvals at different levels. As a result, the Target Companies may not be able to obtain the relevant certificates or permits in a timely manner or at all.

As of the Latest Practicable Date, certain of the properties and building units held by the Target Companies are subject to title defects in that the relevant title certificates or permits for the parcels of land, properties and/or building units occupied had not yet been obtained. Accordingly, the use of these properties and/or building units may subject such Target Companies to risks and liabilities.

As of the Latest Practicable Date, properties held by the Target Companies which lack title certificates included dormitory buildings, canteen, medical center, PR center, armed forces barracks, security buildings and meteorological station etc., most of which are located on lands held by the Target Companies without title defects. The Target Companies are currently applying for the title certificates for such properties and there shall be no impediment, as such there will not be substantive impact on the business operation of the Target Companies. For the remaining properties, the Target Companies have been following the procedures regarding land use and/or property titles and there will also be no substantive impact on the business operation.

After communication with local government authorities by the Company, there are no substantive impediment in obtaining title certificates for the above properties, and there are no disputes or proceedings outstanding, and no foreseeable punishment or confiscation by the government authorities.

If the relevant PRC government authorities were to take actions against the use of the properties and/or building units by the Enlarged Group, it may be subject to the imposition of fines, eviction from or demolition of building units. In addition, the relevant Target Companies may not transfer, lease, mortgage or otherwise dispose of properties and/or building units that they own until they obtain the relevant certificates and permits. However, as the relevant Target Companies have already entered into the relevant preliminary procedures or contracts for some of the above-mentioned properties which is yet to obtain title certificate or permit whilst such Target Companies are also urging the relevant persons to proactively follow up with the relevant title certificate/permit applications, this shall not cause material adverse effect to the Acquisition or the ordinary operations of the Target Companies.

The Company will continue to closely supervise the Target Companies to go through relevant procedures or enter into contracts for properties above that lack title certificates or permits, and urge the Target Companies to actively follow up on relevant title certificates/permits applications.

The Target Companies are subject to risks relating to procurement of nuclear fuel and related services.

A significant component of the operating costs of the nuclear power plants is the cost of nuclear fuel, which in turn consists of costs for the purchase of natural uranium, uranium conversion and enrichment services, fuel assembly processing services and other related services. Approximately half of the cost of nuclear fuel generally consists of the cost of natural uranium. As the importation and trading of natural uranium is strictly regulated in China and currently there are only two entities, namely, CGN Uranium and China Nuclear Energy Industry Co., Ltd., or CNEIC (a subsidiary of China National Nuclear Corporation (中國核工業集團公司), which is one of the Company's major competitors) that have the relevant operational permits and licenses, the Target Companies mainly engage the Company's connected person, CGN Uranium, with the procurement of nuclear fuel and related services.

Prices and availability of nuclear fuel are subject to fluctuations due to both domestic and international political and economic considerations which are beyond the control of the Target Companies. Factors that might impact the prices and availability of such products and services include: increased demand due to worldwide and domestic growth of the nuclear energy sector, product shortages associated with an operating accident in a uranium mine, an internal or external event leading to political instability in a uranium-producing country and increased regulatory oversight of the production of uranium or the provision of the services mentioned above.

Our Company has taken steps to ensure the stable supply of nuclear fuel through entering into the long-term 2014 Nuclear Fuel Supply and Services Framework Agreement and its supplemental agreement, the further details of which are referred to in the section headed "II. Ordinary Resolutions — (2) Continuing Connected Transactions — 2. Non-exempt Continuing Connected Transactions subject to the reporting, annual review, announcement, and Independent Shareholders' approval requirement" in the Letter from the Board in this circular. However, our Company cannot assure that such measures will protect them from the risks arising from the fluctuations in the prices of and the stable and timeliness of the supply of nuclear fuel, and, ultimately, the operating expenses and results of operations of our Company. These risks could have an adverse effect on the business, results of operations and financial condition of our Company.

Our Company has taken steps to ensure the stable supply of nuclear fuel through entering into the long-term 2014 Nuclear Fuel Supply and Services Framework Agreement and its supplemental agreement, the further details of which are referred to in the section headed "II. Ordinary Resolutions — (2) Continuing Connected Transactions — 2. Non-exempt Continuing Connected Transactions subject to the reporting, annual review, announcement, and Independent Shareholders' approval requirement" in the Letter from the Board in this circular.

The Target Companies may not have adequate insurance to cover all potential liabilities or losses.

The Target Companies purchase insurance coverage, which is consistent with the market practice in the PRC nuclear power industry and in amounts that the Target Companies deemed appropriate. However, the Target Companies face various risks in connection with their businesses and may lack adequate insurance coverage or may have no relevant insurance coverage. There can be no assurance that the insurance maintained by the Target Companies will provide adequate coverage in all circumstances. Although each of the Target Companies' nuclear power plants and projects has a track record of safe operation and none of them has suffered any material hazards, there can be no assurance that the incidents, accidents or disasters will not occur in the future. The occurrence of any such incident, accident or disaster for which the Target Companies are uninsured or inadequately insured may materially and adversely affect their business, financial condition and results of operations.

The Company entered into a custodian management framework agreement with CGNPC on April 28, 2014, pursuant to which, the Company has acted on behalf of CGNPC for the operation and management of target companies. Prior to the Acquisition, the insurance coverage of target companies was determined after the Company having carried out centralized risk assessment, which was in compliance with market practices in the PRC's nuclear power production industry. Furthermore, the Company has designated for target companies personnel who are specifically responsible for loss prevention and control and who will implement best practices applicable to both domestic and overseas operations.

The Target Companies are subject to risks associated with changes in preferential tax treatment.

Under the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), a uniform 25% EIT rate is generally applied to all types of enterprises, except where a specific preferential rate applies. PRC tax laws and regulations provide certain preferential tax treatments to different enterprises, industries and locations. Some of the Target Companies are currently enjoying, preferential tax treatments applicable to enterprises that are (i) High-New Technology Enterprises, (ii) engaged in public infrastructure projects, and (iii) local enterprises that are benefited under the Notice of MOF, SAT and GACC on Issues of Preferential Tax Policies for China's Western Development (《財政部、國家稅務總局、海關總署關於西部大開發稅收優惠政策問題的通知》). The Target Companies' effective income tax rate fluctuates as the preferential tax treatment for such Target Companies commences and expires at different times. Any change or elimination of such preferential tax treatments may materially and adversely affect our results of operations and financial condition. Some of the Target Companies are entitled to VAT refunds for their revenue from the sale of electricity, at a rate that gradually decreased over a 15-year-period starting from month subsequent to the date of each nuclear power generating unit's commencement of commercial operation, which was 75% for the first five years, 70% for the second five years and 55% for the third five years. These preferential tax treatments are also subject to changes as may be required by PRC laws and regulations. The Target Companies also receive government grants and subsidies for certain research activities.

We are unable to assure that the current favorable policies or the various incentives available to the Target Companies will not be withdrawn or revoked by the PRC government. If the preferential tax policies, grants and subsidies are reduced or are no longer available in the future, the results of operations of the Target Companies in the future may be materially and adversely affected.

The Company will closely follow up any preferential taxation policies launched by the state and local tax authorities while valuing the management of its own and target companies' tax planning and taxation treatments.

The Target Companies are susceptible to financial risks.

The activities of the Target Companies are susceptible to various financial risks, including interest rate risks, currency risks, credit risks and liquidity risks. Due to the unpredictability of the financial market, the overall risk management scheme of each of the Target Companies is focused on minimizing, to the highest extent, the potential adverse effect on the Target Companies' financial performance. Please refer to "Appendix IV — Management Discussion and Analysis of the Target Companies — (J) Financial Risks and Treasury Policies" for further information.

9. LISTING RULES IMPLICATIONS

As of the Latest Practicable Date, CGN, which held approximately 64.20% of the issued share capital of our Company, is the controlling shareholder, and hence a connected person, of our Company.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of to the Acquisition exceed 25% but all of the applicable percentage ratios are less than 100%, the Acquisition therefore constitutes a major transaction and a connected transaction of our Company, which is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

(2) CONTINUING CONNECTED TRANSACTIONS

1. INTRODUCTION

As of the Latest Practicable Date, CGN, which held approximately 64.20% of the total issued share capital of our Company, is the controlling shareholder, and hence a connected person, of our Company.

After the Completion of the Acquisition, the Target Companies will become subsidiaries of our Company, which means the continuing transactions between the Target Companies and CGN and its associates will become continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

2. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

2016 General Services Framework Agreement

References are made to the section headed "Connected Transactions — Continuing Connected Transactions — III. Continuing Connected Transactions which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements" of the Prospectus, where details of the 2014 General Services Framework Agreement were disclosed. The 2014 General Services Framework Agreement has a term of three years and will be ending on December 31, 2016.

Background: As a continuation of the 2014 General Services Framework Agreement, our Company entered into the 2016 General Services Framework Agreement with CGN on September 25, 2016, pursuant to which (i) CGN Group will provide the following types of services to our Group, including catering services, property management services, transportation services, public procurement services, greening services, accommodation and meeting reception services, office support, electromechanical and water maintenance, logistic management service and other general administrative services; and (ii) we will provide certain services to CGN Group, including property leasing services, services to dispose of administrative supplies, information technology services and other general services.

The 2016 General Services Framework Agreement is valid and effective until December 31, 2018. Separate contracts will be entered into between relevant entities of both parties to set out the specific terms and conditions pursuant to the principles provided in the 2016 General Services Framework Agreement.

Reasons for the transactions: We have been procuring general services from CGN Group in the ordinary and usual course of business of our Group since its establishment. As all of the Group's nuclear power stations are located in remote areas and given the strict standards for operational safety and security in the industry, therefore, we will engage professional service providers to provide general services, mainly including catering, property management, transportation and greening services,and the demand for these general services will change according to the development progress of the nuclear power stations. The Directors consider it would be in the Group's best interest to utilize the services provided by CGN Group. Such services provided by CGN Group are on terms no less favorable than those of independent third-party service providers and are accustomed to meeting the industry requirements of nuclear safety and security, where applicable to such general services. For instance, CGN has a subsidiary, CGN Service Group Co., Ltd. (中廣核服務集團有限公司), which is a comprehensive general services company specializing in provision of a variety of integrated and stable general services with nuclear industry standards. Given the quality and high standard of such services provided by CGN Group, it would be beneficial to us to continue to source such services from CGN Group.

We have also been providing certain general services to CGN Group in its ordinary and usual course of business. For instance, we have mainly been providing information technology services to CGN Group. It would be mutually beneficial for us and CGN Group to continue providing the aforementioned services to each other.

Pricing policy: The service fees for the general services provided by CGN Group to our Group are agreed and based on actual costs and expenses incurred in providing such services on normal commercial terms after arm's length negotiations between the relevant parties, with reference to (i) a standard pricing policy based on market or historical prices or rates obtained through recent or previous transactions; (ii) the workload and cost of materials, products, labour and logistics; (iii) the market prices charged by independent third-party providers for services of a similar nature in the usual and ordinary course of business, which shall be on terms no less favourable to those provided by Independent Third Parties.

The service fees for the general services provided by our Group to CGN Group are agreed and based on actual costs and expenses incurred in providing such services on normal commercial terms after arm's length negotiations between the relevant parties, with reference to (i) a standard pricing policy based on market or historical prices or rates obtained through recent or previous transactions; (ii) the workload and cost of materials, products, labour and logistics; (iii) the market prices charged by independent third-party providers for services of a similar nature in the usual and ordinary course of business, which shall be on terms no less favourable to those provided by Independent Third Parties.

In addition to the aforesaid pricing principles, where applicable, the following guiding principles shall apply to the pricing of services contemplated under the 2016 General Services Framework Agreement in the following order:

(1) Government-prescribed price and government-guided price: if at any time, the government-prescribed price is applicable to any particular type of products or services, such product or service shall be supplied at the applicable government-prescribed price. Where a government-guided fee standard is available, the price shall be agreed by reference to the government-guided price (as applicable to the property management and greening services provided by CGN Group to our Group through CGN Service Group Co., Ltd.);

(2) Market price: the price of the same or similar products or services provided by an Independent Third Party during the ordinary course of business on normal commercial terms (as applicable to the transportation services provided by CGN Group to our Group); and

(3) Agreed price: the price to be determined by adding a reasonable profit over a reasonable cost (where applicable).

The service fees for the general services provided pursuant to the 2016 General Services Framework Agreement are currently determined on the basis of government-prescribed and/or government-guided price and market prices. Therefore, the agreed price principle has not currently been applied although such guiding principles continue to apply to the 2016 General Services Framework Agreement.

Historical amounts: The amounts of fees paid/payable to CGN Group for the general services received and recognised for the three years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016 are set out below:

	Historical Amount For			
	Year Ended December 31,			**Six Months Ended June 30,**
	2013	**2014**	**2015**	**2016**
		(RMB'000)		
Total fees paid/payable to CGN Group by our Group on an actual basis[(1)]	446,000	375,957	584,425	196,533

(1) *As the Target Companies are the subsidiaries of CGN Group prior to the completion of the Acquisition and the historical amounts were audited figures for the aforesaid periods, such historical amounts do not include the services provided by CGN Group to the Target Companies.*

The amounts of fees received/receivable from CGN Group for the general services provided and recognised for the three years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016 are set out below:

	Historical Amount For			
	Year Ended December 31,			**Six Months Ended June 30,**
	2013	**2014**	**2015**	**2016**
		(RMB'000)		
Total fees received/receivable from CGN Group by our Group on an actual basis[(1)]	22,000	138,060	173,236	41,740

(1) *As the Target Companies are the subsidiaries of CGN Group prior to the completion of the Acquisition and the historical amounts were audited figures for the aforesaid periods, such historical amounts do not exclude the services provided by our Group to the Target Companies.*

Proposed Annual Caps: The maximum aggregate annual amount of fees for the three years ending December 31, 2016, 2017 and 2018 shall not exceed the caps as set out below:

	Proposed annual caps For Year Ending December 31,		
	2016	**2017**	**2018**
		(RMB'000)	
Total fees paid/payable to CGN Group by our Group	1,613,480	2,154,460	2,320,720
Total fees received/receivable from CGN Group by our Group	95,956	141,331	174,750

Basis of caps: In determining the above Proposed Annual Caps for the total fees payable to CGN Group for its provision of the general services to our Group, the Directors have considered, among other factors, (i) the historical transaction amounts paid/payable for the provision of the general services by CGN Group; and (ii) the expected increase in our Group's demand for general services such as catering, accommodation, transportation, greening and other general services procured from CGN Services Group Co., Ltd. (中廣核服務集團有限公司), a wholly-owned subsidiary of CGN, and its subsidiaries after the completion of the Acquisition, particularly after the inclusion of Fangchenggang Nuclear, CGN Engineering and Lufeng Nuclear under our Group.

In quantifying the estimated increase in our Group's demand for the general services for the three years ending December 31, 2018, the Directors have considered, among other factors: (a) the inclusion of Fangchenggang Nuclear, CGN Engineering and Lufeng Nuclear under our Group following the Acquisition; (b) the growth from the actual transaction amount for the year ended December 31, 2015 of approximately RMB584 million to the Proposed Annual Cap for the year ending December 31, 2016 of approximately RMB1,613 million, representing a difference of approximately RMB1,029 million, was attributable to, among other factors, (i) the inclusion of the Target Companies into our Group is expected to incur additional service fees of over RMB500 million for the year ending December 31, 2016, particularly for the transportation and property management services for various engineering projects of CGN Engineering and the transportation and property management services for Fangchenggang Nuclear, (ii) the relocation of the office of our Group leading to additional property related service fees of around RMB100 million and (iii) the commissioning work of Taishan Nuclear Power Station leading to additional transportation and other general service fees of around RMB100 million, (c) the growth of the Proposed Annual Cap from approximately RMB1,613 million for the year ending December 31, 2016 to approximately RMB2,154 million for the year ending December 31, 2017, representing a difference of approximately RMB541 million, is mainly attributable to (i) the amount of the additional demand of general service (including transportation, property management and other general services) by CGN Engineering for, among other things, the development of nuclear projects in Huizhou, Cangnan and Xianning in the PRC, is over RMB170 million, (ii) the amount of the additional demand of general service (including transportation, catering, property management and other general services) by the Daya Bay Nuclear Power Operations and Management Co., Ltd. (a subsidiary of our Company) in the Daya Bay Nuclear Power Station, Ling'ao Nuclear Power Station and Lingdong Nuclear Power Station is over RMB170 million; and (iii) the remaining difference in amount relate to, among other general services, transportation and property management services demanded by the various nuclear power stations of our Group; (d) the growth of the Proposed Annual Cap from approximately RMB2,154 million for the year ending December 31, 2017 to approximately RMB2,321 million for the year ending December 31, 2018, representing a difference of approximately RMB167 million, is mainly attributable to the additional demand of general service by CGN Engineering for, among other things, offshore businesses and the development of nuclear projects in Huizhou, Cangnan and Xianning, of over RMB73 million.

In determining the above Proposed Annual Caps for the total fees received/receivable from CGN Group for our Group's provision of general services to CGN Group, the Directors have considered, among other factors, (i) the historical transaction amounts received for the provision of general services to CGN Group; and (ii) the expected demand by CGN Group for the general services in the upcoming years.

In quantifying the estimated demand of CGN Group for the general services for the three years ending December 31, 2018, the Directors have particularly considered that: (a) the decrease from the actual transaction amount of approximately RMB173 million for the year ended December 31, 2015 to the Proposed Annual Cap of approximately RMB96 million for the year ending December 31, 2016, representing a difference of approximately RMB77 million, was attributable to, among other factors, the inclusion of the Target Companies into our Group, where the Target Companies would no longer be connected parties of our Company following the Completion of the Acquisition; (b) the growth of the Proposed Annual Cap from approximately RMB96 million for the year ending December 31, 2016 to approximately RMB141 million for the year ending December 31, 2017, representing a difference of approximately RMB45 million, is mainly attributable to the additional demand of general service by CGN Group from our Company for, among other things, information technology services for the operations of and to cope with the growth of the wind energy and other energy businesses of CGN Group, of over RMB20 million; and (c) the growth of the Proposed Annual Cap from approximately RMB141 million for the year ending December 31, 2017 to approximately RMB175 million for the year ending December 31, 2018, representing a difference of approximately RMB34 million, is mainly attributable to the additional demand of general service by CGN Group from our Company for, among other things, information technology services for the operations of and to cope with growth of the new energy and other energy businesses of CGN Group, of over RMB30 million.

Directors' views: Taking into account the established business relationship and cooperation among the relevant members of our Group and members of CGN Group in respect of the general services, the Directors (including the independent non-executive Directors) are of the view that the 2016 General Services Framework Agreement, the continuing connected transactions contemplated thereunder, as well as the Proposed Annual Caps set forth above are entered into during our Group's ordinary and usual course of business on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of our Company and the Shareholders as a whole.

Listing Rules Implications: As one or more of the applicable percentage ratios (except for the profits ratio) calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Proposed Annual Caps under the 2016 General Services Framework Agreement exceed 5% but all of the applicable percentage ratios are less than 25% on an annual basis, the 2016 General Services Framework

Agreement and the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. REVISION OF ANNUAL CAPS OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Reference is made to the section headed "Connected Transactions — Continuing Connected Transactions — III. Continuing Connected Transactions which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements" of the Prospectus in relation to (a) the 2014 Engineering Services Framework Agreement and (b) 2014 Nuclear Fuel Supply and Services Framework Agreement and their respective Approved Annual Caps. The 2014 Engineering Services Framework Agreement has a term of six years ending on December 31, 2019, whereas the 2014 Nuclear Fuel Supply and Services Framework Agreement has a term of ten years ending on December 31, 2023.

(i) ***Supplemental Agreement to the 2014 Engineering Services Framework Agreement***

Background: Our Company entered into the 2014 Engineering Services Framework Agreement with CGN on November 21, 2014, pursuant to which CGN Group agreed to provide engineering services to our Group, primarily including pre-construction engineering service, survey, design and construction technical services, project management, engineering, procurement and construction, bidding management services, sales of used and/or superfluous materials and other engineering services. It was effective on the listing date of our Company on December 10, 2014 and is valid for a term of six years ending on December 31, 2019.

Our Company entered into the supplemental agreement to the 2014 Engineering Services Framework Agreement with CGN on September 25, 2016 to revise the 2014 Engineering Services Framework Agreement, including the arrangements in relation to the provision of engineering services and to revise the Approved Annual Caps for such continuing connected transactions.

Following the completion of the Acquisition, CGN Engineering, which has been a subsidiary of CGN prior to such completion of the Acquisition, would instead have become a subsidiary of our Company. Prior to the Acquisition, CGN Engineering and its subsidiaries have been providing engineering services to us in accordance with the 2014 Engineering Services Framework Agreement in its ordinary and usual course of business since its establishment. After completion of the Acquisition, the transactions between CGN Engineering (and its subsidiaries) and us will no longer constitute continuing connected transactions as they will become intra-group transactions of our Group. In addition, following the completion of the Acquisition, the subsidiaries of CGN will no longer provide any engineering services to us. Please refer to the section headed "II. Ordinary Resolutions — (1) Major and Connected Transaction in relation to the Acquisition of the Target Interests from CGN" in this letter of the Board for further details of the Acquisition.

Accordingly, the supplemental agreement to the 2014 Engineering Services Framework Agreement was entered into by our Company and CGN to reflect the arrangement whereby the role of our Group would then switch from the procurement of engineering services to the provision of engineering services. Hence, pursuant to the terms of the supplemental agreement to the 2014 Engineering Services Framework Agreement, our Group, through CGN Engineering and its subsidiaries, would instead provide engineering services to CGN Group which had previously relied on CGN Engineering and its subsidiaries for engineering services prior to the completion of the Acquisition, primarily including pre-construction engineering service, survey, design and construction technical services, project management, engineering, procurement and construction, bidding management services, sales of used and/or superfluous materials and other engineering services. The aforesaid scope of the engineering services provided by our Group to CGN Group pursuant to the supplemental agreement to the 2014 Engineering Services Framework Agreement was consistent with the scope of the engineering services provided by CGN Group to our Group pursuant to the 2014 Engineering Services Framework Agreement, and there were no material changes in the terms of the supplement agreement to the 2014 Engineering Services Framework Agreement. Save for the aforesaid changes, the existing terms of the 2014 Engineering Services Framework Agreement are still valid and enforceable. In view of the long established business relationship between our Group and CGN Group, and given the construction and engineering specialties required of the nuclear power stations, CGN Engineering (leveraging on its proprietary and extensive technical and management experience gained in engineering, procurement and construction of nuclear power stations) is one of the few nuclear power construction companies that possess the requisite capabilities to develop nuclear power projects in China. Therefore, CGN Engineering, together with its subsidiaries, will continue to provide engineering services to CGN Group after completion of the Acquisition. As such, when determining the Revised Annual Caps in respect of the continuing connected transactions between our Group and CGN Group pursuant to the supplemental agreement to the 2014 Engineering Services Framework Agreement, the Directors have taken into account, among other factors, the anticipated transaction amounts between our Group and CGN Group.

Save for the amendments disclosed above, there is no other material change to the terms and conditions of the 2014 Engineering Services Framework Agreement and hence such continuing connected transactions.

Pricing policy: The service fees, including fees of engineering construction and procurement of equipment and construction materials, will be agreed and based on actual costs and expenses incurred in providing such services after arm's length negotiations between the relevant parties, with reference to the government-prescribed price and government-guided price*, the market prices charged by independent third party providers for services of similar standard in the usual and ordinary course of business, as well as any estimates which may have been separately provided by qualified independent third party appraisers, and the price of the engineering services is determined in accordance with the estimates which are no less favorable than those provided by qualified Independent Third Parties.

* The relevant government-prescribed price and government-guided price are mainly set out in the (i) Guidelines on Fee Nature and Project Categorization of Nuclear Power Plant Construction (核電廠建設項目費用性質及項目劃分導則) issued by National Energy Administration (國家能源局); (ii) Budgeting Methodology of Nuclear Power Plant Construction Projects (核電廠建設項目預算編製方法) issued by National Energy Administration (國家能源局); (iii) Regulations on Other Expense Budgeting of Nuclear Power Plant Construction Projects (核電廠建設項目工程其他費用編製規定) issued by National Energy Administration (國家能源局); (iv) Regulations on Fees Management of Engineering Survey and Design (工程勘察設計收費管理規定) issued by State Development Planning Commission (國家發展計劃委員會) and Ministry of Construction (建設部); and (v) Regulations on Construction Project Supervision along with Associated Service Fee Charging (建設工程監理與相關服務收費管理規定) issued by the NDRC and Ministry of Construction (建設部).

In addition to the aforesaid pricing principles, where applicable, the following guiding principles shall apply to the pricing of services contemplated under the supplemental agreement to the 2014 Engineering Services Framework Agreement in the following order:

(1) Government-prescribed price and government-guided price: if at any time, the government-prescribed price is applicable to any particular type of products or services, such product or service shall be supplied at the applicable government-prescribed price. Where a government-guided fee standard is available, the price shall be agreed by reference to the government-guided price;

(2) Market price: the price of the same or similar products or services provided by an Independent Third Party during the ordinary course of business on normal commercial terms; and

(3) Agreed price: the price to be determined by adding a reasonable profit over a reasonable cost (where applicable).

The service fees for the engineering services provided pursuant to the 2014 Engineering Services Framework Agreement are currently determined on the basis of government-prescribed and/or government-guided price and market prices, referencing to the pricing terms that are no less favourable to our Group than those estimated by qualified independent third party appraisers. Therefore, the agreed price principle has not currently been applied although such guiding principles continue to apply to the 2014 Engineering Services Framework Agreement.

Historical amounts: The amounts of the engineering service fees paid/payable to CGN Group for the three years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016 are set out below:

	Historical Amount For			
	Year Ended December 31,			**Six Months Ended June 30,**
	2013	**2014**	**2015**	**2016**
	(RMB'000)			
Total fees paid/payable to CGN Group by our Group on an actual basis [(1)]	6,281,000	6,146,245	5,487,162	2,808,657

(1) As the Target Companies are the subsidiaries of CGN Group prior to the completion of the Acquisition and the historical amounts were audited figures for the aforesaid periods, such historical amounts do not include the services provided by CGN Group to the Target Companies, but includes the total fees payable to CGN Group by our Group on an actual basis in respect of the engineering services by CGN Engineering to our Group.

***Reasons for the Revised Annual Caps*:** Following the change of ownership of CGN Engineering as a result of the Acquisition, which will result in the provision of engineering services by our Group to certain nuclear projects as required by CGN Group instead, and due to the continuing development and expansion of the power projects of CGN Group increases its demand for engineering services, the Board envisages that there will be an overall expected increase in the transaction values in the continuing connected transactions to be entered into between CGN Engineering and/or its subsidiaries and CGN Group as contemplated under the supplemental agreement to the 2014 Engineering Services Framework Agreement for the financial years ending December 31, 2016, 2017, 2018 and 2019. As a result, the Approved Annual Caps under the 2014 Engineering Services Framework Agreement for the same period will not be sufficient. In light of the above, the Board considers it appropriate to re-set the maximum aggregate annual value to the Revised Annual Caps for such period as contemplated under the supplemental agreement to the 2014 Engineering Services Framework Agreement.

Revised Annual Caps: Set out below are the Approved Annual Caps for the engineering service fees paid/payable to CGN Group under the 2014 Engineering Services Framework Agreement for the financial years ending December 31, 2016, 2017, 2018 and 2019 as set out in the Prospectus, and the Revised Annual Caps for the financial years ending December 31, 2016, 2017, 2018 and 2019 as contemplated under the supplemental agreement to the 2014 Engineering Services Framework Agreement:

	Approved / Revised Annual Caps For Year Ending December 31,			
	2016	**2017**	**2018**	**2019**
		(RMB'000)		
Total fees paid/payable to CGN Group by our Group				
(a) *Approved Annual Caps*	9,076,000	6,947,000	5,432,000	6,890,000
(b) *Revised Annual Caps*(1)	N/A	N/A	N/A	N/A
Total fees received/receivable from CGN Group by our Group				
(a) *Approved Annual Caps*(2)	N/A	N/A	N/A	N/A
(b) *Revised Annual Caps*	1,434,465	7,314,504	11,055,200	13,083,650

(1) Following the completion of the Acquisition, as CGN Engineering will become our subsidiary and such transactions will become the inter-group transactions of our Group, there are no fees payable to CGN Group by our Group.

(2) Prior to the completion of the Acquisition, as CGN Engineering is a subsidiary of CGN Group, we did not provide any engineering services to CGN Group.

As of the Latest Practicable Date, the historical aggregate transaction value has not exceeded the Approved Annual Cap under the 2014 Engineering Services Framework Agreement for the financial year ending December 31, 2016.

Basis of caps: The Revised Annual Caps for the supplemental agreement to the 2014 Engineering Services Framework Agreement are determined by reference to:

(a) the fluctuations in the potential volume of business due to uncertainty as to the sustainability and development of offshore projects;

(b) the transaction value derived from construction agreements to be entered into between our Group and CGN Group in respect of certain offshore projects, which is mainly attributable to the transaction amounts involved during the preparatory phase of certain offshore projects; and

(c) the transaction value derived from construction agreements to be entered into between our Group and CGN Group in respect of certain onshore projects.

Particularly, (a) the Revised Annual Cap for the year ending December 31, 2016 has taken into account, among other projects, the Huizhou project of around RMB560 million and the United Kingdom project of an aggregate amount of approximately RMB280 million; (b) the growth of the Revised Annual Cap from approximately RMB1,434 million for the year ending December 31, 2016 to approximately RMB7,315 million for the year ending December 31, 2017, representing a difference of approximately RMB5,881 million, is mainly attributable to (i) the additional demand of engineering services by the Huizhou project of CGN Group of around RMB2,500 million;(ii) the additional demand of engineering services by the Xianning project of CGN Group of around RMB2,300 million; and (iii) the United Kingdom project of an additional demand of engineering services by the United Kingdom project of CGN Group of around RMB1,000 million (c) the growth of the Revised Annual Cap from approximately RMB7,315 million for the year ending December 31, 2017 to approximately RMB11,055 million for the year ending December 31, 2018, representing a difference of approximately RMB3,740 million, is mainly attributable to (i) the additional demand of engineering services by the Xianning project of CGN Group of around RMB2,900 million and (ii) the additional demand of engineering services by the Huizhou project of CGN Group of around RMB240 million, and (d) the growth of the Revised Annual Cap from approximately RMB11,055 million for the year ending December 31, 2018 to approximately RMB13,084 million for the year ending December 31, 2019, representing a difference of approximately RMB2,029 million, is mainly attributable to the additional demand of engineering services by the Xianning project and the Huizhou project of CGN Group of around RMB2,200 million.

Directors' view: Taking into account the long established business relationship between our Group and CGN Group, the stable revenue to be generated from the businesses of CGN Group for the benefit of our Group, and in view of the new transaction relation and needs arising from the change of ownership of CGN Engineering after the Acquisition, the Directors (including the independent non-executive Directors) are of the view that the supplemental agreement to the 2014 Engineering Services Framework Agreement, and the Revised Annual Caps for the continuing connected transactions contemplated under such supplemental agreement for the financial years ending December 31, 2016, 2017, 2018 and 2019 are arrived at during the Group's ordinary and usual course of business on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of our Company and the Shareholders as a whole.

Listing Rules Implications: As one or more of the applicable percentage ratios (except for the profits ratio) calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Revised Annual Caps under the supplemental agreement to the 2014 Engineering Services Framework Agreement exceed 25% but all of the applicable percentage ratios are less than 100% on an annual basis, such supplement agreement, the Revised Annual Caps under the supplemental agreement and the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(ii) ***Supplemental Agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement***

Background: Our Company entered into the 2014 Nuclear Fuel Supply and Service Framework Agreement with CGN on November 21, 2014, pursuant to which CGN Group agreed to provide nuclear fuel and related services to our Company, including procurement and supply of uranium, nuclear fuel general contracting services, spent fuel storage and transportation, and other associated supplies and services. It was effective on the listing date of our Company on December 10, 2014 and is valid for a term of ten years ending on December 31, 2023.

Our Company entered into the supplemental agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement with CGN on September 25, 2016 to revise the Approved Annual Caps for the continuing connected transactions contemplated under the 2014 Nuclear Fuel Supply and Service Framework Agreement.

Save for the amendments disclosed above, there is no other material change to the terms and conditions of the 2014 Nuclear Fuel Supply and Services Framework Agreement and hence such continuing connected transactions.

Historical amounts: The amounts of nuclear fuel and related services fees paid/payable to CGN Group for the three years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016 are set out below:

	Historical Amount For			
	Year Ended December 31,			**Six Months Ended June 30,**
	2013	**2014**	**2015**	**2016**
		(RMB'000)		
Total fees paid/payable to CGN Group by our Group on an actual basis [(1)]	919,000	1,490,643	1,938,955	296,887

(1) *As the Target Companies are the subsidiaries of CGN Group prior to the completion of the Acquisition and the historical amounts were audited figures for the aforesaid periods, such historical amounts do not include the services provided by CGN Group to the Target Companies.*

Reasons for the Revised Annual Caps: The Board envisages that there will be a substantial increase in the transaction values in the continuing connected transactions contemplated under the supplemental agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement for the financial years ending December 31, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023, mainly due to the new demand for nuclear fuel and related services arising from the gradual installation and operation commencement of new Units, including those under the Fangchenggang Units 1 to 4 and Lufeng Units 1 and 2 after the Acquisition and those under the Yangjiang Units 1 to 6 operated by our Group.

As a result, the Approved Annual Caps under the 2014 Nuclear Fuel Supply and Services Framework Agreement for the same period set forth above will not be sufficient. In light of the above, the Board considers it appropriate to re-set the maximum aggregate annual value to the Revised Annual Caps for such period as contemplated under the supplemental agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement to the Revised Annual Caps.

Revised Annual Caps: Set out below are the Approved Annual Caps for the nuclear fuel and related services paid/payable to CGN Group under the 2014 Nuclear Fuel Supply and Services Framework Agreement for the eight financial years ending December 31, 2023 as set out in the Prospectus, and the Revised Annual Caps to the supplemental agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement for the eight financial years ending December 31, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023:

	Approved / Revised Annual Caps for Year Ending December 31, *(RMB'000)*							
Total fees paid/payable to CGN Group by our Group								
(a) *Approved Annual Caps*	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
	3,715,000	4,267,000	4,796,000	4,106,000	4,678,000	5,253,000	4,471,000	5,111,000
(b) *Revised Annual Caps*	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
	4,793,025	6,925,375	5,447,384	6,610,992	8,930,252	8,122,988	11,615,658	11,457,408

As of the Latest Practicable Date, the historical aggregate transaction value has not exceeded the Approved Annual Cap under the 2014 Nuclear Fuel Supply and Services Framework for the financial year ending December 31, 2016.

Basis of cap: The Revised Annual Cap for the supplemental agreement to the 2014 Nuclear Fuel Supply and Services Framework was determined by reference to:

(a) the historical transaction amounts paid to CGN Group for the purchase of the nuclear fuel and related services;

(b) the nature of the nuclear fuel and related services under specific contracts already signed or agreed between our Group and CGN Group; in particular, the expected increase in the procurement amounts of nuclear fuel and related amounts due to the gradual commencement of commercial operations of more Units at Yangjiang Nuclear Power Station, and at Fangchenggang Nuclear Power Station and Lufeng Nuclear Power Station after their inclusion to us following the Acquisition;

(c) the current contract value for procurement of the nuclear fuel and related services together with the relevant delivery dates of the nuclear fuel and related services under these contracts;

(d) the expected increase in costs on extraction, manufacture, import, transportation of the relevant nuclear fuel;

(e) the expected increase in demand by us for nuclear fuel and related services due to its business expansion;

(f) the estimated increase in the average market price for nuclear fuel and related services due to inflation and increase in the value of nuclear fuel and related services; and

(g) the anticipated increase in nuclear fuel and related services provided by CGN Group to the Target Companies after completion of the Acquisition.

In particular, in respect of the Revised Annual Caps for the supplemental agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement, their increase or decrease for a particular year is attributable to the following considerations:

(a) the anticipated increase in 2016 as compared with 2015 is due to, among other factors, the increased transaction value related to the delivery of natural uranium for Ningde Nuclear Power Station of an additional of approximately RMB1,353 million, Ling'ao Nuclear Power Station of an additional of approximately RMB741 million and Yangjiang Nuclear Power Station of an additional of approximately RMB496 million;

(b) the anticipated increase in 2017 as compared with 2016 is due to the increased transaction value for supplying first charge of nuclear fuel for Lufeng Phase I of an additional of approximately RMB1,433 million and the increase in demand for natural uranium from Yangjiang Nuclear Power Station of an additional of approximately RMB1,129 million;

(c) the anticipated decrease in 2018 as compared with 2017 is due to the expected completion of the aforesaid general contracting services provided to Lufeng Phase I in 2017, representing a decline of approximately RMB1,425 million;

(d) the anticipated increase in 2019 as compared with 2018 is due to the increased transaction value for delivery of natural uranium for Ling'ao Nuclear Power Station of an additional of approximately RMB985 million;

(e) the anticipated increase in 2020 as compared with 2019 is due to the increased transaction value for delivery of natural uranium for Lingdong Nuclear Power Station of an additional of approximately RMB1,937 million;

(f) the anticipated decrease in 2021 as compared with 2020 is due to the lower transaction value for delivery of natural uranium for Lingdong Nuclear Power Station of a decrease of approximately RMB955 million due to scheduled maintenance;

(g) the anticipated increase in 2022 as compared with 2021 is due to the increased transaction value for delivery of natural uranium for Daya Bay Nuclear Power Station of an additional of approximately RMB1,070 million, for Ling'ao Nuclear Power Station of an additional of approximately RMB955 million and for Yangjiang Nuclear Power Station of an additional of approximately RMB890 million;

(h) the amounts for 2022 and 2023 remain stable primarily because the anticipated increases in demand for Fangchenggang Nuclear Power Station and Lingdong Nuclear Power Station are offset by the anticipated decreases in demand for Ling'ao Nuclear Power Station and Lufeng Nuclear Power Station; and

(i) the expected fuel requirement schedules of the various nuclear power projects of our Group.

Directors' view: Taking into account that (i) the nuclear fuel and related services are essential to the Group's product and business operations; (ii) trading of nuclear fuel is highly regulated and the reliability of supply of nuclear fuel and related services by CGN Uranium is considered to be essential to the Group's operations; and (iii) the purpose of the supplemental agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement is to set the Revised Annual Caps given the existing annual caps may be insufficient; the Directors (including the independent non-executive Directors) are of the view that the supplemental agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement, and the Revised Annual Caps for the continuing connected transactions contemplated under such supplemental agreement for the financial years ending December 31, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023 are arrived at during the Group's ordinary and usual course of business on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of our Company and the Shareholders as a whole.

Listing Rules Implications: As one or more of the applicable percentage ratios (except for the profits ratio) calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Revised Annual Caps under the supplemental agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement exceed 25% but all of the applicable percentage ratios are less than 100% on an annual basis, such Revised Annual Caps and the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

4. INTERNAL CONTROL MEASURES

Our Company has established a series of internal control measures, including formulating the "Management Rules on Connected Transactions of CGN Power Co., Ltd.", "Management Procedures on Connected Transactions of CGN Power Co., Ltd." and a connected transaction management system to standardize and stipulate the pricing policies and mechanism, the assignment of responsibility and decision making authority to ensure the Continuing Connected Transactions are conducted in accordance with their respective framework agreements, and that the pricing policies will be strictly complied with. As part of our internal control measures, the implementation of the framework agreements and the relevant pricing terms in accordance with the guiding principles therein as well as the actual number and amount of materials, products and services will be monitored and reviewed by our Board (including the independent non-executive Directors) and the senior management on a regular basis, with reference to terms of similar transactions which apply the relevant pricing principles. The pricing terms are reviewed by the senior management prior to the execution of any transaction pursuant to the framework agreements to ensure the relevant guiding principles are being complied with. For the application of the market price principle, where applicable and commercially sensible, we will continue to request CGN Group to provide the relevant materials, products and services to us through a bidding process reviewed by the procurement department, on arm's length basis and on the best available terms, with reference to the prevailing market prices. We will evaluate the Continuing Connected Transactions on at least a quarterly basis.

In particular, for the purpose of the Non-exempt Continuing Connected Transactions (if applicable), applicable guiding principles and relevant internal control measures are as follows:

(i) For the purpose of the principles of government price, our Group reviews relevant government-prescribed price or government-guided price to ensure that the price of CGN complies with the relevant government-prescribed price or government-guided price;

(ii) For the purpose of the principles of market price, (a) for the purpose of purchasing the products or services of CGN Group, our Group reviews the terms provided by Independent Third Parties, and ensures that the principal terms provided by CGN Group are no less favourable to our Group than those provided by Independent Third Parties; and (b) for the purpose of providing products or services to CGN Group, our Group reviews the terms provided to Independent Third Parties, and ensures that the principal terms provided to CGN Group are no less favourable to our Group than those provided to Independent Third Parties;

(iii) For the purpose of the principles of agreed price, if both the principles of government price and market price do not apply, the price with CGN Group is determined by adding a reasonable profit over a reasonable cost, and our Group will ensure that the relevant profit margin is no less favourable to that provided by Independent Third Parties; and

(iv) In accordance with the Listing Rules, (i) the external auditors of our Group will continue to report annually on the Continuing Connected Transactions to confirm, among other matters, whether the Continuing Connected Transactions were entered into in accordance with their respective framework agreements and, for the transactions involving the provision of goods or services by our Group, to confirm whether anything has come to their attention that causes them to believe the Continuing Connected Transactions are not, in all material respects, in accordance with the pricing policies of our Group; and (ii) the independent non-executive Directors will continue to review and report annually on whether the Continuing Connected Transactions are, among other things, entered into in accordance with the respective framework agreements governing them and on terms that are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

In the event that the Proposed Annual Caps under the 2016 General Services Framework Agreement or the relevant Revised Annual Caps under the respective supplemental agreements to the 2014 Engineering Services Framework Agreement or the 2014 Nuclear Fuel Supply and Services Framework Agreement are exceeded or the relevant agreements for the Continuing Connected Transaction is renewed or materially varied, our Company will re-comply with the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rules 14A.35 to 14A.47 of the Listing Rules.

III. SPECIAL RESOLUTIONS

(3) ISSUE OF MID- TO LONG-TERM BONDS

The Directors are of the view that the current PRC monetary policy is relatively prudent and the issuance of bonds in the PRC market is increasingly efficient, coupled with a relatively low interest rate for bonds issue. As the interest rate of the mid-to long-term bonds to be issued by our Company is expected to be more favourable than the loan interest rate generally available from commercial banks, in order to further enhance and secure mid- to long-term source of funding, optimize the mid- to long-term debt financing structure and reduce financing cost, our Company intends to issue mid- to long-term bonds of not more than RMB10 billion in the PRC, and intends to issue mid-to long-term bonds in accordance with the following major terms:

(i)	Category of bonds	:	Mid-to long-term bonds, including but not limited to mid-term notes and corporate bonds, etc.
(ii)	Principal amount	:	Not exceeding RMB10 billion which will be approved or registered and issued in one or more tranches
(iii)	Interest rate	:	To be determined according to specific term required and funding conditions in the market
(iv)	Term	:	To be determined according to funding requirements of our Company and the prevailing market conditions
(v)	Use of proceeds	:	To repay loans of our Company, replenish its working capital or apply to the construction of projects
(vi)	Method of guarantee	:	None

The issuance of mid-to long-term bonds in the PRC has been considered and approved at the fourth extraordinary meeting of the first session of the Board. According to the Articles of Association, a special resolution will be proposed by the Board at the EGM to approve the issuance of mid-to long-term bonds of not more than RMB10 billion in the PRC within the validity period of the registered and/or approved amounts. Meanwhile, it will also be proposed by the Board at the EGM to approve the mandate of the chief financial officer of our Company to decide and deal with all relevant matters in relation to the implementation of the abovementioned proposed issue of mid-to long-term bonds. The above mandate will be effective from the date of approval at the EGM until December 31, 2020.

(4) EXTENSION OF THE AUTHORIZATION PERIOD FOR THE ISSUE OF SHORT-TERM DEBENTURES

After having considered and approved at the 4th meeting of the first session of the Board and approved at the third extraordinary general meeting of our Company held on September 17, 2014, our Company had successfully registered with the National Association of Financial Market Institutional Investors the short-term debentures with an aggregate registered amount of RMB5 billion issued in the PRC, and issued its first tranche of short-term debentures for the year of 2015 on July 13, 2015 with a total issue amount of RMB1 billion, a maturity period of 366 days and the par value of RMB100. The interest rate at issue was the benchmark half-year deposit rate published by the PBOC plus 1.4%, the starting date for interest accrual was July 14, 2015 and the maturity date was July 14, 2016.

To facilitate the Short-term Debentures Issue pursuant to the matters as approved at the third extraordinary general meeting of 2014 relating to the registration of the issuance of short-term debentures, and having considered and as approved by the fourth extraordinary meeting of the first session of the Board, the closing date of the relevant authorization period for the issue of such short-term debentures was extended from December 31, 2016 to May 15, 2017 (i.e. registration expiration date). Therefore, according to the Articles of Association, a special resolution will be proposed by the Board at the EGM, together with the abovementioned proposed Mid- to Long-term Bonds Issue, to grant approval for the extension of the authorization period.

IV. ADDITIONAL INFORMATION

Board's Approval and Recommendations

As disclosed in "History, Reorganization and Corporate Structure — Our History and Development — Retained Business and Non-competition" and "Relationship with Controlling Shareholder — Non-competition deed and undertakings" of the Prospectus, CGN has granted our Company the Acquisition Right to acquire the equity interests in certain CGN's controlled nuclear power businesses which compete or are likely to compete with the business of our Group. The independent non-executive Directors are responsible for reviewing, considering and deciding to exercise such Acquisition Right. The independent non-executive Directors of our Company had reviewed, considered and approved to exercise the Acquisition Right to proceed with the Acquisition.

Our Company convened a board meeting on September 25, 2016. Mr. Zhang Shanming and Mr. Shi Bing, as the director and/or senior management of CGN, were considered to have a conflict of interests in the Acquisition and the Continuing Connected Transactions (including the Non-exempt Continuing Connected Transactions). The Directors who have a conflict of interests in the Acquisition and the Continuing Connected Transactions (including the Non-exempt Continuing Connected Transactions) have not participated in the determination of the resolutions in connection with the Acquisition and the Continuing Connected Transactions. The Board had considered and approved the resolutions in relation to the Acquisition and the Continuing Connected Transactions.

The Directors are of the view that the Acquisition, the Non-exempt Continuing Connected Transactions (including the Proposed Annual Caps and the Revised Annual Caps), the issue of mid- to long-term bonds, extension of the authorization period for the Short-term Debentures Issue and all related matters thereof are fair and reasonable, on normal commercial terms and in the interests of our Company and the Shareholders as a whole. The resolution will be submitted to the EGM for the Independent Shareholders to consider and approve the Share Transfer Agreement, the Non-Exempt Continuing Connected Transactions and the transactions contemplated thereunder; and to all Shareholders to consider and approve the extension of the authorization period for the Short-term Debentures Issue and all other transactions contemplated thereunder. Therefore, the Directors recommend (i) the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM to approve the Acquisition, the Non-exempt Continuing Connected Transactions, the Proposed Annual Caps and the Revised Annual Caps, and (ii) all Shareholders to vote in favour of the relevant special resolutions to be proposed at the EGM to approve the issue of mid- to long-term bonds, and the extension of the authorization period for the Short-term Debentures Issue. Further details of the resolutions to be proposed at the EGM are set out in the Notice of EGM on pages N-1 to N-3 in this circular. Your attention is also drawn to further information set out in appendixes to this circular.

Independent Board Committee

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to (i) whether the terms of the Acquisition are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and (ii) whether the Non-exempt Continuing Connected Transactions as well as the Proposed Annual Caps and the Revised Annual Caps are fair and reasonable and in the interests of our Company and the Shareholders as a whole. The Letter of the Independent Board Committee addressed to the Independent Shareholders are set out on pages 61 to 62 in this circular. The Letter of the Independent Board Committee addressed to the Independent Shareholders contains recommendations regarding the matters mentioned hereinabove.

Independent Financial Adviser

First Shanghai Capital Limited has been appointed by our Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Acquisition are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and (ii) whether the Non-exempt Continuing Connected Transactions as well as the Proposed Annual Caps and the Revised Annual Caps are fair and reasonable and in the interests of our Company and the Shareholders as a whole. The Letter from the Independent Financial Adviser addressed to the Independent Board Committee and Independent Shareholders is set out on pages 63 to 100 in this circular.

Connected persons who are required to abstain from voting

CGN Group was considered to have material interests in the Acquisition and the Non-exempt Continuing Connected Transactions. In accordance with Rule 14A.36 of the Listing Rules, any connected person who has material interests in such transactions must abstain from voting on the relevant resolutions at the EGM. CGN holds 29,176,641,375 Shares in our Company, representing approximately 64.20% of the total issued Shares of our Company, and therefore it and its close associates shall abstain from voting on the Acquisition and the Non-exempt Continuing Connected Transactions at the EGM. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, there is (i) no shareholding trust or other agreement or arrangement or intention entered into by its ultimate beneficial owners and their respective associates which is binding upon them; and (ii) no obligation or entitlement of its ultimate beneficial owners and their respective associates as of the Latest Practicable Date, whereby they have or may have temporarily or permanently passed control over the exercise of the voting rights in respect of its Shares to a third party, either generally or on a case-by-case basis.

As of the Latest Practicable Date, and to the best knowledge, information and belief of the Directors, saved as disclosed in this circular, no Shareholder is required to abstain from voting in respect of other resolutions.

EGM

The Company will convene the EGM at 10:30 a.m. on Wednesday, November 16, 2016 at Marina Room, 2/F, The Excelsior Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong to consider and approve, if thought fit, matters stated in the notice of the EGM. The proxy form and reply slip had been delivered to Shareholders on September 30, 2016 in accordance with the Listing Rules. The notice of the EGM is set out on pages N-1 to N-3 of this circular.

Whether or not you intend to attend and/or vote at the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon. If you intend to attend the EGM (in person or by proxy), you are required to complete and return the accompanying reply slip to the H Share Registrar (for holders of H Shares) or the headquarters of the Company in the PRC (for holders of Domestic Shares) on or before Thursday, October 27, 2016. If the number of voting shares represented by the Shareholders who intend to attend the meeting reaches no less than one half of the total number of the Company's voting shares, the Company may hold the general meeting. If not, the Company shall within five days inform the Shareholders again, by public notice or otherwise required in the Articles of Association, of the matters to be considered as well as the date and place of the meeting. Upon such notification, the Company may hold the general meeting. If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. For H Shareholders, the proxy form should be returned to the H Share Registrar, Computershare Hong Kong Investor Services Limited, and for Domestic Shareholders, the proxy form should be returned to the office of the Board at the headquarters of the Company in the PRC in person or by post and in any event not later than 24 hours before the time appointed for holding the EGM or any adjourned meeting thereof.

Completion and return of the form(s) of proxy will not preclude you from attending and voting in person at the EGM should you so wish and completion and return of the reply slip do not affect the right of a Shareholder to attend and vote at the respective meeting.

Voting by Poll at the EGM

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the general meetings must be taken by poll. The chairman of the meeting will therefore demand a poll for every resolution put to the vote of the EGM pursuant to Article 71 of the Articles of Association. On a poll, every Shareholder present in person or by proxy (or being a corporation, by its duly authorized representative) shall have one vote for each Share registered in his/her name in the register of members of the Company. A Shareholder entitled to more than one vote needs not use all his/her votes or cast all the votes he/she has in the same manner.

Closure of Register of Members

In order to ascertain the entitlement of the Shareholders to attend the EGM, the register of members of the Company will be closed from Tuesday, October 18, 2016 to Wednesday, November 16, 2016 (both days inclusive), during which period no transfer of Shares of the Company will be effected. To be eligible to attend and vote at the EGM, all transfer documents must be lodged by the holders of the Company's Shares with the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares), or the office of the Board at the headquarters of the Company in the PRC at 18/F, South Tower, CGN Building, No.2002 Shennan Road, Futian District, Shenzhen, Guangdong Province, the PRC (for holders of Domestic Shares) no later than 4:30 p.m. on Monday, October 17, 2016.

By order of the Board
CGN Power Co., Ltd.*
Mr. Zhang Shanming
Chairman

中國廣核電力股份有限公司
CGN Power Co., Ltd.*
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1816)

September 30, 2016

To the Independent Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET INTERESTS FROM CGN (2) CONTINUING CONNECTED TRANSACTIONS (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

We refer to the circular dated September 30, 2016 of the Company (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the terms of the Share Transfer Agreement and the transactions contemplated thereunder, the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps and the Revised Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

First Shanghai has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Transfer Agreement and the transactions contemplated thereunder, the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps and the Revised Annual Caps.

Your attention is drawn to the "Letter from the Board" set out on pages 9 to 60 of the Circular which contains, inter alia, information about the terms of the Acquisition, and the transactions contemplated thereunder, the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps and the Revised Annual Caps, and the "Letter from the Independent Financial Adviser" set out on pages 63 to 100 of the Circular which contains its advice in respect of the terms of the Share Transfer Agreement, the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps and the Revised Annual Caps together with the principal factors taken into consideration in arriving at such advice.

Having considered the terms of the Share Transfer Agreement, the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps and the Revised Annual Caps, and having taken into account the advice of First Shanghai, we consider that the Acquisition and the entering into of the Non-exempt Continuing Connected Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group. We also consider that the terms of the Share Transfer Agreement and the transactions contemplated thereunder, the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps and the Revised Annual Caps are fair and reasonable so far as the interests of the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Acquisition and the transactions contemplated thereunder, the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps and the Revised Annual Caps.

Yours faithfully,
Mr. Na Xizhi
Mr. Hu Yiguang
Mr. Francis Siu Wai Keung
Independent Board Committee

The following is the text of a letter received from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the Non-exempt Continuing Connected Transactions (including the Proposed Annual Caps and the Revised Annual Caps) and the transactions contemplated thereunder for inclusion in this circular.

第一上海
FIRST SHANGHAI GROUP
FIRST SHANGHAI CAPITAL LIMITED
第一上海融資有限公司

FIRST SHANGHAI CAPITAL LIMITED
19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

September 30, 2016

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

**(1) MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF
THE TARGET INTERESTS FROM CGN
(2) CONTINUING CONNECTED TRANSACTIONS**

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the Non-exempt Continuing Connected Transactions (including the Proposed Annual Caps and the Revised Annual Caps) and the transactions contemplated thereunder (collectively, the "**Transactions**"), the details of which are set out in the circular of the Company to the Shareholders dated September 30, 2016 (the "**Circular**"), of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular. Discrepancies in any table between totals and sums of amounts in this letter (if any) are due to rounding.

The Transactions are summarised as follows:

— On September 25, 2016, the Company and CGN entered into the Share Transfer Agreement, pursuant to which the Company agreed to acquire and CGN agreed to sell the Target Interests at the Consideration of approximately RMB9,920.50 million. The Target Interests comprise equity interests in the three Target Companies, namely (i) 61% equity interest in Fangchenggang Nuclear; (ii) 100% equity interest in Lufeng Nuclear; and (iii) 100% equity interest in CGN Engineering.

— The 2014 General Services Framework Agreement is valid and effective until December 31, 2016. On September 25, 2016, as a continuation of the 2014 General Services Framework Agreement, the Company and CGN entered into the 2016 General Services Framework Agreement, which will be effective until December 31, 2018. The Proposed Annual Caps have also been proposed for the 2016 General Services Framework Agreement.

— Following completion of the Acquisition, CGN Engineering, which has been a subsidiary of CGN prior to such completion, would instead have become a subsidiary of the Group. On September 25, 2016, the Company and CGN entered into the supplemental agreement to the 2014 Engineering Services Framework Agreement (the "**Engineering Services Supplemental Agreement**") to revise certain terms of the 2014 Engineering Services Framework Agreement (as supplemented by the Engineering Services Supplemental Agreement, the "**2014 Engineering Services Framework Agreement (Supplemented)**"), including the arrangements in relation to the provision of engineering services and to set the Revised Annual Caps.

— The transaction values under the 2014 Nuclear Fuel Supply and Services Framework Agreement (entered into between the Company and CGN) for the upcoming financial years are expected to increase. The existing annual caps are expected not to be sufficient, therefore, on September 25, 2016, the Company and CGN entered into the supplemental agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement (the "**Nuclear Fuel Services Supplemental Agreement**") in respect of the Revised Annual Caps for the 2014 Nuclear Fuel Supply and Services Framework Agreement (as supplemented by the Nuclear Fuel Services Supplemental Agreement, the "**2014 Nuclear Fuel Supply and Services Framework Agreement (Supplemented)**").

CGN is the holding company of the Company and is therefore a connected person of the Company. Accordingly, the Transactions constitute connected transactions of the Company under the Listing Rules and are subject to approval by the Independent Shareholders at the EGM.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Na Xizhi, Mr. Hu Yiguang and Mr. Francis Siu Wai Keung, has been established to advise the Independent Shareholders in respect of the Transactions. We, First Shanghai Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

Apart from (i) our current engagement in respect of the Transactions; (ii) our previous engagement as the independent financial adviser in respect of the connected transaction of CGN New Energy Holdings Co., Ltd. (formerly known as CGN Meiya Power Holdings Co., Ltd.) (1811 HK) ("**CGN New Energy**"), which is a subsidiary of CGN, as disclosed in the circular of CGN New Energy dated July 22, 2015; and (iii) our previous engagement as the independent financial adviser in respect of certain continuing connected transactions of the Company as disclosed in the circular of the Company dated April 10, 2015, we did not have any business relationship with the Company within the past two years from the Latest Practicable Date. Given (i) our independent role in these previous engagements; and (ii) our fees for these previous engagements represented an insignificant percentage of the revenue of our parent group, we consider these previous engagements would not affect our independence to form our opinion in respect of the Transactions.

In putting forth our opinion and recommendation, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the management of the Group. We have assumed that all such information and representations made or referred to in the Circular and provided to us by the management of the Group were true at the time they were made and continued to be true up to the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group and have been advised that no material facts have been withheld or omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the management of the Group nor have we conducted any form of investigation into the business, affairs or future prospects of the Group and CGN Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the Transactions, we have taken into account the following principal factors and reasons:

1. BACKGROUND OF THE PARTIES AND THE INDUSTRY

1.1 Background of the Group

The Group operates and manages nuclear power stations, sells electricity generated by these stations, and manages and oversees the construction of nuclear power stations, and organises and develops the design and research and development of nuclear power stations.

The following table summarises the major items in the statement of profit or loss of the Group (i) for each of the years ended December 31, 2014 and 2015 based on the financial information published in the annual report of the Company for the year ended December 31, 2015 (the "**2015 Annual Report**"); and (ii) for each of the six months ended June 30, 2015 and 2016 based on the financial information published in the interim report of the Company for the six months ended June 30, 2016 (the "**2016 Interim Report**").

	For the year ended December 31,			**For the six months ended June 30,**		
	2014	**2015**		**2015**	**2016**	
	RMB million (Restated and audited)	*RMB million (Audited)*	*Change*	*RMB million (Unaudited)*	*RMB million (Unaudited)*	*Change*
Revenue						
— *Sales of electricity*	19,327	21,542	+11%	8,954	12,357	+38%
— *Technical and training service*	1,155	1,517	+31%	534	620	+16%
— *Sales of equipment and other goods*	237	204	-14%	102	97	-5%
	20,719	23,263	+12%	9,590	13,074	+36%
Gross profit	10,076	11,133	+10%	4,633	6,614	+43%
Profit before taxation	9,054	9,189	+1%	5,029	4,603	-8%
Profit for the year/period	7,826	8,073	+3%	4,288	4,288	—
Profit for the year/period attributable to owners of the Company	6,193	6,594	+6%	3,478	3,598	+3%

Over 90% of the revenue of the Group was derived from sales of electricity generated by nuclear power plants for each of the years ended December 31, 2014 and 2015 and the six months ended June 30, 2015 and 2016. The Group is profitable and its financial results overall were improved for the year ended December 31, 2015 and the six months ended June 30, 2016 as compared with the same period of the preceding year.

The following table summarises the major items in the condensed consolidated statement of financial position of the Group as at June 30, 2016 based on the financial information published in the 2016 Interim Report.

	As at June 30, 2016
	RMB million
Non-current assets	196,717
Current assets	26,514
Total assets	223,231
Current liabilities	20,881
Non-current liabilities	120,335
Total liabilities	141,216
Net assets attributable to owners of the Company	58,426
Non-controlling interests	23,589
Net assets	82,015

Property, plant and equipment were the principal assets and bank borrowings were the principal liabilities of the Group as at June 30, 2016. The Group had (i) property, plant and equipment of approximately RMB173,833 million, representing approximately 78% of total assets; and (ii) bank borrowings, including both current and non-current portions, of approximately RMB105,992 million, representing approximately 75% of total liabilities, as at June 30, 2016. Net assets attributable to owners of the Company amounted to approximately RMB58,426 million as at June 30, 2016.

Further financial information on the Group is set out in the annual reports and interim reports announcements of the Company.

1.2 **Background of CGN**

CGN is a state-owned enterprise established in the PRC in 1994 and its equity interests is owned as to 90% by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會) (the "**SASAC**") and as to 10% by Guangdong Hengjian Investment Holdings Co., Ltd. (廣東恒健投資控股有限公司), which is a Guangdong Provincial Government owned enterprise. CGN Group is principally engaged in the generation and sale of power and the construction, operation and management of nuclear and non-nuclear clean energy projects. CGN is the holding company of the Company and is also a controlling shareholder of, among other entities, CGN New Energy (listed in Hong Kong with stock code 1811), CGN Mining Company Limited (listed in Hong Kong with stock code 1164) and Energy Metals Limited (listed in Australia with stock code EME).

1.3 **Background of the Target Companies**

The Target Interests comprise equity interests in the three Target Companies, namely (i) 61% equity interest in Fangchenggang Nuclear; (ii) 100% equity interest in Lufeng Nuclear; and (iii) 100% equity interest in CGN Engineering.

Fangchenggang Nuclear was established on September 3, 2008 in the PRC and is held as to 61% by CGN and 39% by Guangxi Investment Group Limited (廣西投資集團有限公司), which is an independent third party to the Company. It is principally engaged in the investment, development, construction and operation of the Fangchenggang Nuclear Power Station, as well as the importing and exporting of certain goods and technology. With respect to the Fangchenggang Nuclear Power Station, (i) Fangchenggang Unit 1 commenced commercial operation on January 1, 2016; (ii) Fangchenggang Unit 2 is expected to commence commercial operation in the second half of 2016; (iii) Fangchenggang Unit 3 commenced construction in December 2015; and (iv) Fangchenggang Units 3 and 4 adopt the third generation nuclear power technology of Hualong I with proprietary intellectual property rights.

Lufeng Nuclear was established on February 20, 2008 in the PRC. It is principally engaged in the investment, development, construction and operation of Lufeng Nuclear Power Station, as well as its sale and delivery of nuclear power in the PRC. The preparatory phrase of Lufeng Phase I commenced in December 2010 and has obtained the letter from the NDRC regarding the commencement of preparatory work. Lufeng Phase I is the first nuclear power project in the area of Guangdong Province which adopts AP1000 technology.

CGN Engineering was established on November 11, 1997 in the PRC and is a specialist-technology nuclear power project construction management company. It engages in a variety of businesses, principally including contracting, management, consultation, supervision of infrastructure such as nuclear power and conventional power and civil construction projects; engineering construction technology services and consultation; bidding agency for engineering construction projects; engineering design; engaging in import and export business. In addition to nuclear power construction and management, CGN Engineering also engages in (i) technical services, where it provides technical services for the Company's nuclear power units in operation; and (ii) other engineering businesses, primarily including energy engineering and application of nuclear technology. As of June 30, 2016, CGN Engineering (i) had completed the construction of 12 Units, namely Lingdong Units 1 and 2, Hongyanhe Units 1, 2 and 3, Ningde Units 1, 2 and 3, Yangjiang Units 1, 2 and 3 and Fangchenggang Unit 1; and (ii) had undertaken construction engineering projects in building 12 Units, each with an installed capacity over a million-kilowatt and together with a total installed capacity of approximately 14,650 MW, ranking first in the world in terms of capacity of nuclear power station units to be constructed.

China Techenergy, the equity interest of which is owned as to 60% by CGN Engineering and 40% by Beijing Hollysys Co., Ltd. (北京和利時系統工程有限公司), is principally engaged in the business of the design and manufacture of digital instrumentation and control system (數字化儀控系統). CGN Engineering will dispose of its 60% equity interest in China Techenergy prior to Completion of the Acquisition.

The following table sets out the information of the projects of Fangchenggang Nuclear and Lufeng Nuclear as at the Latest Practicable Date.

Target Company	Location	Project name/Unit	Gross installed capacity (MW)	Target Interests	Attributable installed capacity (MW)	Commercial operation date
Commenced commercial operation						
Fangchenggang Nuclear	Guangxi Zhuang Autonomous Region	Phase I - Unit 1	1,086	61%	662	January 2016
Yet to commence commercial operation						
Fangchenggang Nuclear	Guangxi Zhuang Autonomous Region	Phase I - Unit 2	1,086	61%	662	2nd half of 2016
		Phase II - Unit 3	1,180	61%	720	2022
		Phase II - Unit 4	1,180	61%	720	—
Lufeng Nuclear	Guangdong Province	Phase I - Unit 1	1,250	100%	1,250	—
		Phase I - Unit 2	1,250	100%	1,250	—

The following table summarises the major items in the combined statement of profit or loss and other comprehensive income of the Target Companies for each of the years ended December 31, 2014 and 2015 and the three months ended 31 March 2015 and 2016 (the "**Financial Periods**") based on the financial information set out in Appendix II to the Circular.

	For the year ended December 31,			**For the three months ended March 31,**		
	2014	**2015**		**2015**	**2016**	
	RMB million	*RMB million*	*Change*	*RMB million*	*RMB million*	*Change*
Revenue						
— Sales of electricity	—	—	n/a	—	608	n/a
— Technical and training service	430	804	+87%	70	70	—
— Sales of equipment and other goods	214	318	+49%	20	41	+105%
— Construction of nuclear plants	11,532	11,380	-1%	1,543	1,512	-2%
	12,176	12,502	+3%	1,633	2,231	+37%
Gross profit	916	1,476	+61%	12	355	+2,858%
Profit/(Loss) before taxation	445	930	+109%	(85)	24	n/a
Profit/(Loss) for the year/period	458	827	+81%	(74)	29	n/a
Profit/(Loss) for the year/period attributable to the Target Interests	491	798	+63%	(46)	2	n/a

The Target Companies (i) recorded profit attributable to the Target Interests of approximately RMB798 million for the year ended December 31, 2015 and approximately RMB2 million for the three months ended March 31, 2016; (ii) began to record revenue from sales of electricity in the first quarter of 2016. During the Financial Periods, (i) construction of nuclear plants contributed the majority of the revenue of the Target Companies; (ii) Fangchenggang Nuclear commenced commercial operation on January 1, 2016 and recorded sales of electricity during the first quarter of 2016; and (iii) Lufeng Nuclear was still in the preparatory phase.

With reference to the letter from the Board in the Circular, sales of electricity of the Target Companies for the first quarter of 2016 was generated from sale of electricity by Fangchenggang Unit 1, whereas Fangchenggang Unit 2 commence commercial operation in the second half of 2016. Moreover, revenue from the construction of nuclear plants of the Target Companies recorded less than one-fourth of the respective full year revenue for the first quarter of both 2015 and 2016 due to, among other factors, (i) such type of revenue is recognised in accordance with the standards for construction contracts; and (ii) PRC holidays at the beginning of each year affect revenue recognition.

The following table summarises the major items in the combined statement of financial position of the Target Companies as at March 31, 2016 based on the financial information set out in Appendix II to the Circular.

	As at March 31, 2016 *(RMB million)*
Non-current assets	45,971
Current assets	19,169
Total assets	65,140
Current liabilities	25,179
Non-current liabilities	30,010
Total liabilities	55,189
Net assets attributable to the Target Interests	7,442
Non-controlling interests	2,509
Net assets	9,951

Property, plant and equipment were the principal assets, whereas bank borrowings and trade and other payables were the principal liabilities of the Target Companies as at March 31, 2016. The Target Companies had (i) property, plant and equipment of approximately RMB40,134 million, representing approximately 62% of total assets; (ii) bank borrowings, including both current and non-current portions, of approximately RMB28,749 million, representing approximately 52% of total liabilities; and (iii) trade and other payables of approximately RMB12,352 million, representing approximately 22% of total liabilities, as at March 31, 2016. Net assets attributable to the Target Interests amounted to approximately RMB7,442 million as at March 31, 2016.

Further financial information on the Target Companies is set out in Appendices II and IV of the Circular.

1.4 Background of the nuclear power industry in the PRC

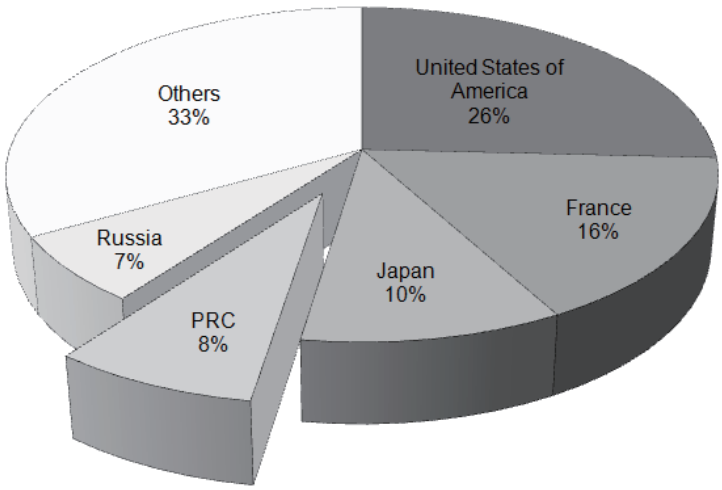
According to the *International Atomic Energy Agency (國際原子能機構)* (the "**IAEA**", which was established by the United Nations as an independent organization and serving over 160 member states, including the PRC, in respect of the peaceful and safe use of nuclear technology), we understand nuclear power produces virtually no greenhouse gas emissions during electricity generation and is also among the lowest in carbon dioxide emissions, along with hydro and wind power, throughout its life cycle. The international nuclear and radiological event scale (the "**INES Scale**") classifies events at seven levels with the severity of an event increases with the level, where Level 1 to Level 3 are called incidents and Levels 4 to 7 are called accidents. For instance, the nuclear event in Fukushima, Japan (日本福島) in March 2011 was Level 7, being a major accident.

With reference to the article titled *Nuclear Emergencies of the PRC (中國的核應急)* dated January 2016 and published by the State Council Information Office of the PRC (中國國務院新聞辦公室), we understand (i) the first nuclear power plant in the PRC commenced construction in 1985; (ii) the PRC emphasizes nuclear safety and had not encountered any event classified above Level 2 under the INES Scale; and (iii) the PRC has successfully developed nuclear technologies and aims to have a notable share in the global nuclear technology and equipment market.

We have reviewed statistics published on the website of the *Power Reactor Information System*, which is developed and maintained by the IAEA (the "**IAEA Statistics**"). According to the IAEA Statistics, based on information updated in September 2016, the PRC has 36 nuclear power reactors that are operational and 20 nuclear power reactors that are under construction.

The following chart sets out the global share of nuclear power in terms of MW in September 2016.

Global share of nuclear power capacity in terms of MW in September 2016

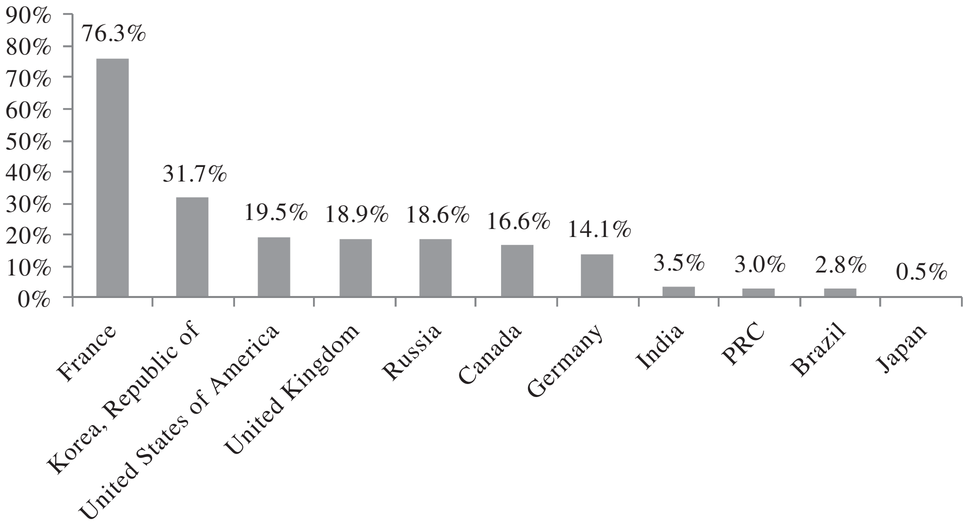


Source: IAEA Statistics

We note that the PRC ranks fourth in terms of nuclear generation capacity in the world, following the United States of America, France and Japan.

The following chart sets out the nuclear share of electricity generation of various countries in 2015.

Nuclear share of electricity generation of various countries in 2015



Source: IAEA Statistics

With reference to the IAEA Statistics, we understand that the nuclear share of electricity generation of the PRC was approximately 3.0% in 2015, which was still lower than many other countries.

Based on the website of the National Energy Administration of the PRC (中華人民共和國國家能源局), we understand the total installed capacity of nuclear power in the PRC was approximately 26 GW as at December 31, 2015. According to *The Energy Development Strategic Action Plan (2014-2020) (能源發展戰略行動計劃(2014-2020年))* published in 2014 by the State Council of the PRC (中華人民共和國國務院), we understand (i) the energy structure of the PRC shall be more inclined to clean and non-fossil energy, where the consumption level of nuclear energy and other clean energy sources shall be increased in the PRC; and (ii) the total installed capacity of nuclear power in the PRC is expected to reach 58 GW in 2020, representing a compound annual growth rate of approximately 17% as compared with the aforementioned capacity achieved in 2015. We have also reviewed the projections stated in the *World Economic Outlook (April 2016 edition)* published on the website of the International Monetary Fund, where we understand that annual growth rate of the real gross domestic product of the PRC is expected to sustain at approximately 6% for each of the years ending December 31, 2016, 2017, 2018, 2019 and 2020.

Based on the aforesaid, we understand the nuclear power industry of the PRC is expected to grow in the coming years.

2. THE ACQUISITION

2.1 Background and benefits of the Acquisition

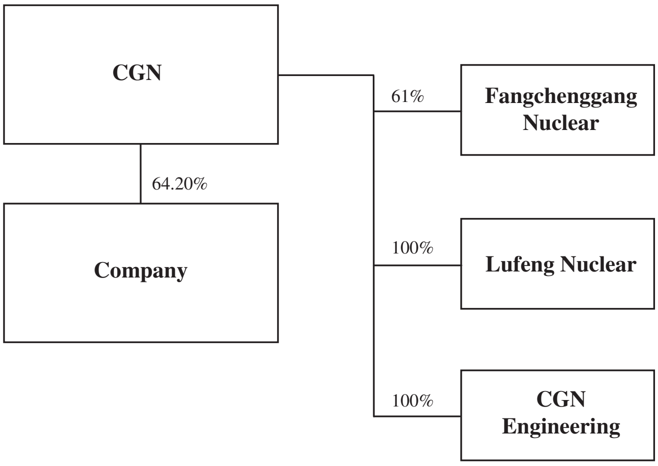
The Group is experienced in the nuclear power industry and has relevant resources, including but not limited to production capital, intellectual capital and human capital. As of June 30, 2016, (i) the number of operating nuclear power generating units operated and managed by the Group reached 16 (including those as entrusted by CGN), with a total installed capacity of 17,090 MW; (ii) the number of nuclear power generating units under construction operated and managed by the Group reached 12 (including those as entrusted by CGN), with a total installed capacity of 14,650 MW; and (iii) the aforesaid total installed capacity of nuclear power generating units operated and managed by the Group that are in operation and under construction accounted for approximately 59.79% and 49.71% of market shares in the PRC, respectively.

With reference to the Prospectus of the Company dated November 27, 2014, at the time of the listing the Shares on the Stock Exchange, the nuclear power owner companies that the Group controlled had at least one nuclear power generating unit that was already in commercial operation phase, whereas the nuclear power projects retained by CGN Group was at the relatively early stage of the preparatory phase. Under the non-competition deed entered into between the CGN and the Company dated November 21, 2014, CGN granted the Acquisition Right to the Company to acquire the equity interests in the Retained Business, being certain nuclear power business that has not been included in the Group and in which CGN Group has interests.

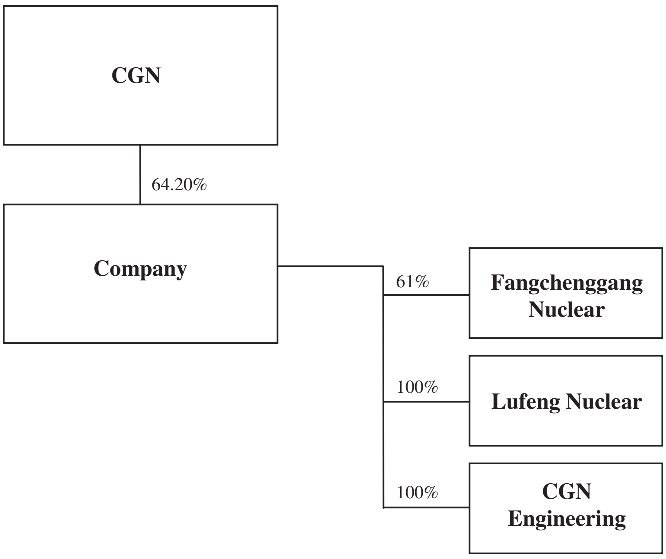
As stated in the 2015 Annual Report, the Company would carry out relevant investment activities at appropriate time by exercising the Acquisition Right to lay a solid foundation for the future development of the Group. The Company has exercised the Acquisition Right in respect of the Target Interests and, on September 25, 2016, the Company and CGN entered into the Share Transfer Agreement, pursuant to which the Company agreed to acquire and CGN agreed to sell the Target Interests in Fangchenggang Nuclear, Lufeng Nuclear and CGN Engineering, which belong the Retained Business, at the Consideration of approximately RMB9,920.50 million.

The following charts set out the simplified shareholding structure of the Group as at the Latest Practicable Date and immediately after Completion of the Acquisition.

As at the Latest Practicable Date



Immediately after the Completion



The Target Companies recorded revenue and profit attributable to the Target Interests of approximately RMB12,502 million and approximately RMB798 million for the year ended December 31, 2015, respectively. In addition, Fangchenggang Nuclear (being one of the Target Companies) commenced nuclear power generation and sales of electricity during the first quarter of 2016. Upon Completion, the Target Companies would become subsidiaries of the Company, where the financial results of the Target Companies would be consolidated into the accounts of the Group. Therefore, the Acquisition is expected to enhance the revenue stream of the Group.

As at the Latest Practicable Date, Fangchenggang Nuclear is the only nuclear project company under the Retained Business which holds Units having commenced commercial operation, where Fangchenggang Unit 1 commenced commercial operation in January 2016 and Fangchenggang Unit 2 will complete construction in the near future and is expected to commence commercial operation in the second half of 2016. In addition, second to Fangchenggang Nuclear, Lufeng Nuclear is the nuclear project company under the Retained Business which demonstrates the fastest progress in its construction and regulatory approval process, where Lufeng Nuclear has obtained the letter of approval from NDRC to carry out preparatory work and is the nuclear power project among the Retained Business that is most likely to achieve FCD in a recent time. The expansion of the installed capacity in operation and under construction is not only an effective means to achieve growth in nuclear power generating capacity and business performance, but also a way to increase the market share and competitiveness of the Group. In addition, Fangchenggang Phase II and Lufeng Phase I adopt the technology of Hualong I and the third generation nuclear power technology of AP1000, respectively, which are expected to be able to cope with future competition. We understand the acquisition of Fangchenggang Nuclear and Lufeng Nuclear would enable the Group to further consolidate its position in the nuclear power industry, to benefit from economies of scale and to capture growth in the nuclear power industry.

CGN Engineering, together with its subsidiaries, is one of the few nuclear power construction companies that possess the capabilities to develop nuclear power projects in the PRC. CGN Engineering has been able to provide quality technical services for operating power stations and hence improving the performance of the operating nuclear power stations of the Group. The acquisition of CGN Engineering could improve the capability of the Group in designing, managing and constructing nuclear power stations. The capabilities in design, research and development, technology integration, project management and quality of constructions could directly impact the construction costs, safety and operation of nuclear power stations. Prior to acquiring CGN Engineering, the Group paid reasonable fees to CGN Engineering for services relating to the design and construction of nuclear power stations, whilst CGN Engineering obtain reasonable earnings therefrom. Upon the acquisition of 100% equity interest of CGN Engineering, the revenue of CGN Engineering will be included into the consolidated financial statements of the Company, which in turn will reduce the overall external construction costs of the nuclear power projects of the Group. Moreover, upon the acquisition of CGN Engineering, (i) the Group might be able to more efficiently integrate the capabilities of CGN Engineering in design engineering, technology integration, project management, construction and operation of nuclear power station through extending business segments in the nuclear power industry chain hence increasing the overall capabilities in the nuclear power business of the Group; (ii) the integrated management for the construction and operation of nuclear power stations may allow the Group to better control and optimise the construction planning and project progress of nuclear power stations more directly and reduce construction costs; (iii) the integrated procurement of project equipment and spare parts may improve procurement efficiency and reduce procurement costs; and (iv) the Group may be able to achieve smooth experience sharing between nuclear power projects under construction and those in operation, so as to improve the safety, efficiency and profitability in the operational management of the nuclear power stations of the Group.

CGN Engineering will dispose of all of its 60% equity interest in China Techenergy prior to Completion of the Acquisition. China Techenergy currently principally engages in the design and manufacture of digital instrumentation and control system (數字化儀控系統) and will proactively explore its business to non-nuclear power sections in the future and make the business of non-nuclear power sections to become an important part. Thus, the disposal of the 60% equity interest of China Techenergy will allow a clearer delineation of the business of the Group, which will focus on nuclear power sections.

Having principally considered that the Acquisition, being the purchase of nuclear power related businesses from its state-owned controlling shareholder, (i) enables the Group to enhance its revenue stream, consolidate its position in the nuclear power industry and to benefit from economies of scale; (ii) enables the Group to improve its capability in designing, managing and constructing nuclear power stations and reduce its overall external construction costs of its own nuclear power projects; and (iii) is pursuant to the terms of the Share Transfer Agreement, which are fair and reasonable as discussed below, we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

2.2 **Principal terms of the Acquisition**

Pursuant to the Share Transfer Agreement, the Company agreed to purchase the Target Interests in Fangchenggang Nuclear, Lufeng Nuclear and CGN Engineering from CGN. The parties also agreed that CGN Engineering will dispose of its 60% equity interest in China Techenergy prior to Completion of the Acquisition for a consideration of approximately RMB238 million, which is determined with reference to the audited net asset value of China Techenergy as of the Appraisal Base Date.

The Consideration payable by the Company to CGN for the Target Interests is approximately RMB9,920.50 million (subject to the valuation filed with the relevant authority and the adjustment under the Adjustment Mechanism as defined below) and will be settled by installments in cash, where (i) the first installment of RMB3,000 million will be payable within 5 business days after the Share Transfer Agreement becomes effective following the fulfilment of the conditions precedent as described in the letter from the Board in the Circular, including the approval by the Independent Shareholders at the EGM; and (ii) the remaining Consideration will be payable within a year from the date the Share Transfer Agreement becomes effective, and the interest for such remainder amount for the period from the first instalment payment date to the remainder amount payment date (both dates exclusive) will be paid to CGN together with such remaining Consideration with reference to the benchmark lending rate published by the People's Bank of China under the same period and same grade with a downward adjustment of a rate of 10%. Given (i) the prevailing RMB benchmark loan interest rates for financial institutions for one year or less is 4.35% according to the website of the People's Bank of China; (ii) the fixed and floating weighted average effective interest rates of the bank borrowings of the Group for the year ended December 31, 2015 were approximately 5.10% and 5.17%, respectively, according to the 2015 Annual Report; and (iii) the interest rate on the Consideration is lower than the aforesaid interest rates of the bank borrowings of the Group, we consider the interest rate on the Consideration to be acceptable. The payment obligation of the Company in relation to the remaining amount under the Share Transfer Agreement will be guaranteed by CGN Nuclear Power Operations Limited (中廣核核電運營有限公司), which is a wholly owned subsidiary of the Company.

The aforesaid Consideration of approximately RMB9,920.50 million equals the aggregate of the appraised values (the "**Appraised Values**") of the equities of the Target Companies attributable to the Target Interests as at the Appraisal Base Date of March 31, 2016 based on the valuation performed by China Enterprise Appraisals, which is an independent valuer (the "**Valuation**"). In respect of quality and qualification, China Enterprise Appraisals is a PRC Certified Public Valuer. The scope and standard of work of China Enterprise Appraisals covers the issuance of valuation report in respect of the Target Companies based on relevant laws, regulations and asset valuation standards in the PRC. The summary reports of the Valuation are set out in Appendix III to the Circular (the "**Valuation Reports**") and the Appraised Values are summarised in the following table.

	Appraised Value in RMB million	**Percentage**
61% equity interest in Fangchenggang Nuclear	4,183.34	42.2%
100% equity interest in Lufeng Nuclear	910.28	9.2%
100% equity interest in CGN Engineering	4,826.88	48.7%
	9,920.50	100.0%

We have reviewed the Valuation Reports and we have discussed with China Enterprise Appraisals regarding the methodology of and the principal bases and assumptions adopted for the Valuation. In respect of the methodology for the Valuation, we understand (i) the common valuation approaches are the market approach, the income approach and the asset based approach; (ii) the market approach was not the key approach adopted for the Valuation because comparable companies and transactions are limited in number and are not identical to the Target Companies and the Acquisition; (iii) the income approach, which is based on the discounted cash flow method, was adopted for the appraisal of Fangchenggang Nuclear and CGN Engineering given these two Target Companies had commenced commercial operation before the Appraisal Base Date with historical operating financial information for reference; and (iv) the asset based approach was adopted for Lufeng Nuclear given it was still at the preparatory phase and its production date will be in the distant future. Taking into account primarily that Fangchenggang Nuclear and CGN Engineering had already commenced operation and the income approach can reflect the future cash generation capability of them, whereas Lufeng Nuclear had not yet commenced operation and the future cash generation capability are less predictable, we consider the adopted methodologies are fair and reasonable for the respective Target Companies. The assumptions for the Valuation include (i) the future grid power price for operating Units are based on the level of the grid power price as at the Appraisal Base Date and relevant nuclear policy of the future electricity market; and (ii) the determination of grid power price for Units yet to commence commercial operation will be at the same level as that applicable to the operating Units and given (i) certain on-grid tariff is regulated by the government; and (ii) the future on-grid tariff is uncertain, we consider such assumption of adopting the tariff based on the price and policy as at the Appraisal Base Date to be acceptable for the purpose of the valuation of an acquisition target. The value of the 60% equity interest in China Techenergy, which will be disposed of by CGN Engineering prior to the Completion of the Acquisition and will no longer be held by CGN Engineering, is accounted for in the value of CGN Engineering using the corresponding audited net asset value of such equity interest as at the Appraisal Base Date. For illustrative purpose, the net asset value of the 60% of the equity interest in China Techenergy represents approximately 2% of the Consideration. Given (i) China Techenergy will be disposed by CGN Engineering, which is one of the Target Companies; (ii) the consideration for such realisation of China Techenergy will be at the net asset value of the equity interest in China Techenergy prior to the Completion of the Acquisition; (iii) CGN Engineering, which will realise China Techenergy as part of reorganisation, will be acquired by the Company after Completion of the Acquisition; (iv) the value of China Techenergy in the Appraised Value of CGN Engineering, which is the basis of the Consideration for CGN Engineering, is based on the value of such realisation; and (v) the higher/lower the value for such realisation from the reorganisation of CGN Engineering would correspondingly increase/decrease the Consideration for CGN Engineering, we consider (i) the realisation of China Techenergy by CGN Engineering, which is one of the Target Companies, at such consideration; and (ii) the adoption of the Appraised Value of CGN Engineering as the Consideration for CGN Engineering to be acceptable, We have interviewed China Enterprise Appraisals as to its expertise and we have obtained knowledge about the qualification and experience of China Enterprise Appraisals. Based on our discussion with China Enterprise Appraisals and also with the management of the Group, (i) we understand that, apart from independent valuation engagements, China Enterprise Appraisals has no other current or prior relationships with the Company, other parties to the Acquisition or any of their core connected persons; and (ii) we are not aware the Company or other parties to the Acquisition has made any formal or informal representation to China Enterprise Appraisals which is not in accordance with our knowledge. We note that Deloitte (Certified Public Accountants) and CICC (financial adviser to the Company) have issued comfort letters on the discounted future cash flows in connection with the valuation equity interests in Fangchenggang Nuclear and CGN Engineering, which are set out in Appendices VI and VII to the Circular, respectively. During the course of our discussion with China Enterprise Appraisals, we did not identify any major factor which caused us to doubt (i) the accuracy and completeness of information relied by China Enterprise Appraisals; and (ii) the fairness and reasonableness of the principal bases and assumptions adopted for the Valuation.

For our further assessment to cross-check the result of the valuation, we have attempted to review the price ratios of relevant companies, particularly those principally engaged in nuclear power generation business. We note that the Company and China National Nuclear Power Co., Ltd. (中國核能電力股份有限公司) (601985 CH) ("**CNNPC**"), which is a subsidiary of China National Nuclear Corporation (中國核工業集團公司) ("**CNNC**"), are, on an exhaustive basis, the only two companies (i) currently listed in Hong Kong or in the PRC; and (ii) principally engaged in nuclear power generation business. Based on the fact that over half of the Consideration is for the acquisition of Fangchenggang Nuclear and Lufeng Nuclear, we consider the price to earnings ratio may not be applicable because the profit of the Target Companies for the latest full financial year, being the year ended December 31, 2015, did not take into account the financial performance of Fangchenggang Nuclear and Lufeng Nuclear, which had not yet commenced commercial operation during such year. According, we have reviewed the price to book ratio ("**P/B Ratio**") of the Company and CNNPC, which were approximately 1.61 times and 2.58 times, respectively, based on the latest disclosed net assets and closing share price as at the date of the Share Transfer Agreement. The P/B Ratio implied by the result of the Valuation (i.e. the Consideration divided by the net assets of the Target Companies attributable to the Target Interests as at March 31, 2016) is approximately 1.33 times. Given the P/B Ratio implied by the result of the Valuation, which is adopted as the basis of the Consideration for the Acquisition, is less than those of the Company and the CNNPC aforementioned, we consider the valuation result to be acceptable for our cross-checking purpose. Given (i) the limited number of comparable companies; and (ii) the business nature of the Company and CNNPC as compared with the Target Companies as a whole, we consider the Company and CNNPC are fair and representative samples for the purpose of providing additional information to the Independent Shareholders and as an alternative assessment to cross-check the result of the valuation. The Independent Shareholders should note that (i) the business and financial aspects and prospects of the Target Companies, the Company and CNNPC may not be identical; and (ii) the number of market comparable companies is limited, therefore the price ratio analysis is only for general assessment, where the primary reference of the Consideration shall be the Valuation given the Valuation prepared by an independent professional valuer has taken into account the individual circumstances of each of the Target Companies.

The date of Completion shall take place on the last calendar day of the calendar month in which all conditions precedent as set out in the Share Transfer Agreement are fully satisfied or waived (i.e. the date on which the Share Transfer Agreement becomes effective) or such other date as agreed in writing by the Company and CGN. The date of Completion shall mean the date of completing the Acquisition in accordance with the Share Transfer Agreement and the inclusion of the Target Companies in the consolidated financial statements of the Company. The Consideration payable by the Company to CGN will be adjusted in accordance with the following mechanism (the "**Adjustment Mechanism**"):

(i) as the valuation of Lufeng Nuclear is based on the asset-based approach valuation results, any change and resulting gain or loss in its net asset value arising from the ordinary course of business between the Appraisal Base Date (exclusive of such date) and the date of Completion (inclusive of such date) (the "**Interim Period**"), as determined in accordance with the special audit report prepared based on the PRC enterprise accounting standards and issued by a qualified accounting firm, shall be borne by CGN. As of the date of Completion, in the case of (a) an increase in the net asset value of Lufeng Nuclear during the Interim Period as a result of profits gained or other reasons (excluding any increase due to the revaluation of assets), the Company shall correspondingly increase the Consideration payable to CGN; or (b) a decrease in the net asset value of the Lufeng Nuclear during the Interim Period due to any losses made or other reasons, the Company shall correspondingly decrease the Consideration payable to CGN;

(ii) as the valuation of Fangchenggang Nuclear and CGN Engineering (excluding China Techenergy) is based on the income approach valuation results, any change and the resulting gain or loss arising from the ordinary course of business in their net asset value during the Interim Period shall be borne by the Company, and such change arising from the ordinary course of business of Fangchenggang Nuclear and CGN Engineering (excluding China Techenergy) as of the date of Completion shall not affect the Consideration;

(iii) in the event that CGN makes a capital injection in cash into the Target Companies during the Interim Period, the Company shall correspondingly increase the Consideration payable to CGN in the same amount of such capital injection. The capital injection in cash from CGN into Fangchenggang Nuclear shall be made in proportion to the respective equity interests held by the shareholders of Fangchenggang Nuclear, which portion shall not be changed during the Interim Period; and

(iv) in the event that any Target Companies distribute cash dividend to CGN during the Interim Period, the Company shall correspondingly decrease the Consideration payable to CGN in the same amount of such cash dividend.

In respect of the Adjustment Mechanism, having considered (i) the Consideration is determined with reference to the Appraised Values of the Target Companies as at the Appraisal Base Date, whereas the Target Companies would become subsidiaries of the Company upon Completion; (ii) the Adjustment Mechanism reflects the changes to net assets for Lufeng Nuclear, which has adopted the asset-based approach for its valuation, such that the Company shall correspondingly decrease the Consideration payable to CGN in case of a decrease in the net asset value of the Lufeng Nuclear during the Interim Period due to any losses made or other reasons, vice versa; (iii) the capital injection during the Interim Period, which shall be made in proportion to equity interests held, would correspondingly increase the Consideration payable to CGN; (iv) cash dividend distribution by the Target Companies during the Interim Period shall correspondingly decrease the Consideration payable to CGN; and (v) the Adjustment Mechanism is, in essence, to reflect the aforementioned changes to the Target Companies after the Appraisal Base Date, which is the reference date of the Appraised Values, which in turn is the basis of the Consideration, we consider the Adjustment Mechanism for the transition period between the Appraisal Base Date and the Completion Date to be acceptable.

As stated in the letter from the Board in the Circular, (i) since Lufeng Nuclear has not achieved FCD, the adjustment amount of the net asset value arising from daily operations during the Interim Period is expected to be very small; (ii) CGN has no plan to increase capital for the Target Companies during the Interim Period; (iii) cash dividends to be made by the Target Companies to CGN during the Interim Period is not expected to exceed RMB1.5 billion and all of such dividends are attributable to the cash dividends distributed by CGN Engineering to CGN, where the Consideration to be made by the Company to CGN is expected to reduce by a corresponding amount, if any. Having considered (i) the causes of the adjustments; and (ii) the expected magnitude of the adjustment amounts as aforesaid, we consider the Adjustment Mechanism is not expected to have a material impact on the Acquisition.

After primarily taking into account (i) the Consideration equals the aggregate of the Appraised Values of the Target Companies attributable to the Target Interests based on the Valuation, which is prepared by an independent professional valuer; and (ii) the benefits of the Acquisition, particularly the Acquisition enables the Group to enhance its revenue stream, consolidate its position in the nuclear power industry and to benefit from economies of scale, we are of the view that the terms of the Acquisition are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

2.3 **Possible financial effects of the Acquisition**

i) *Earnings*

Upon Completion, each of the Target Companies will become a subsidiary of the Company and the results of the Target Companies will be consolidated in the accounts of the Group. As disclosed in the 2015 Annual Report, the Group recorded profit for the year attributable to owners of the Company of approximately RMB6,594 million for the year ended December 31, 2015. According to the Target Accounts, the combined profit of the Target Companies attributable to the Target Interests was approximately RMB798 million for the year ended December 31, 2015. With reference to the letter from the Board in the Circular, as the profits of CGN Engineering were mainly derived from the profit from the Group and the Group's associates and joint ventures, upon consolidating CGN Engineering, revenue in connection with the Group will be eliminated in the enlarged Group's financial statements.

ii) *Net assets*

Upon Completion, each of the Target Companies will become a subsidiary of the Company and the assets and liabilities of the Target Companies will be consolidated in the accounts of the Group. As disclosed in the 2016 Interim Report, the Group had net assets attributable to owners of the Company of approximately RMB58,426 million as at June 30, 2016. According to the Target Accounts, the combined net assets of the Target Companies attributable to the Target Interests was approximately RMB7,442 million as at March 31, 2016. The pro forma financial statement of the Enlarged Group in Appendix V to the Circular (the "**Pro Forma Statement**") sets out the financial position of the Enlarged Group on the assumption that the Acquisition had taken place on June 30, 2016.

iii) *Working capital*

As disclosed in the 2016 Interim Report, the Group had cash and cash equivalents, together with other deposits over three months (collectively, the "**Cash Balance**"), of approximately RMB10,286 million as at June 30, 2016. According to the Target Accounts, the Cash Balance of the Target Companies was approximately RMB3,725 million as at March 31, 2016. The Consideration amounts to approximately RMB9,920.50 million, which shall be settled in cash and is anticipated to be funded by the internal resources of the Group and other available sources of funding, including but not limited to potential debt and/or equity financing. Based on the Pro Forma Statement, on the assumption that the Acquisition (including the disposal of the 60% equity interest in China Techenergy) was completed on June 30, 2016 and after the first instalment of the Consideration of RMB3,000 million, the Enlarged Group would have Cash Balance of approximately RMB10,940 million as at June 30, 2016.

iv) *Conclusion*

After primarily taking into account (i) the Group can consolidate the results of the Target Companies, which recorded net profit for the year ended December 31, 2015 and for the three months ended March 31, 2016; (ii) the terms of the Acquisition are fair and reasonable; and (iii) the benefits of the Acquisition, particularly the Acquisition enables the Group to enhance its revenue stream, consolidate its position in the nuclear power industry and to benefit from economies of scale, we consider the possible financial effects of the Acquisition to be acceptable.

3. THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

I. Pricing

As stated in the Prospectus, the following guiding principles (in ascending order) generally apply to the pricing of the continuing connected transactions of the Group:-

i). *"**Government Price Principle**":* if at any time, the government-prescribed price is applicable to any particular type of products or services, such product or service shall be supplied at the applicable government-prescribed price. Where a government-guided fee standard is available, the price will be agreed by reference to the government-guided price;

ii). *"**Market Price Principle**"* the price of the same or similar products or services provided by an independent third party during the ordinary course of business on normal commercial terms; and

iii). *"**Agreed Price Principle**"* the price to be determined by adding a reasonable profit over a reasonable cost (collectively, the "**Guiding Principles**").

We are advised by the management of the Group that, in respect of the Non-exempt Continuing Connected Transactions, where applicable, the Guiding Principles apply and the relevant internal control measures are as follows:

(i) for the Government Price Principle, the Group reviews the relevant government-prescribed or government-guided prices to ensure the prices with CGN complies with such relevant government-prescribed or government-guided prices;

(ii) for the Market Price Principle, (a) for the procurement of goods or services from CGN Group, the Group reviews terms with independent third parties and ensure the principal terms offered by CGN Group are no less favourable to the Group than the terms offered by independent third parties; and (b) for the provision of goods or services to CGN Group, the Group reviews terms with independent third parties and ensure the principal terms offered to CGN Group are no less favourable to the Group than the terms offered to independent third parties;

(iii) for the Agreed Price Principle, where the Government Price Principle and the Market Price Principle are not applicable, the prices with CGN Group would be to be determined by adding a reasonable profit over a reasonable cost, where the Group would ensure the underlying profit margins are no less favourable to the Group than those with independent third parties; and

(iv) in accordance with the Listing Rules, (a) each year, the independent non-executive Directors will continue to review the transactions and confirm whether the transactions are entered into in accordance with the framework agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and (b) each year, the external auditors of the Company will confirm whether the transactions are conducted pursuant to the framework agreement governing the transactions and, for the transactions involving the provision of goods or services by the Group, confirm whether anything has come to their attention that causes them to believe the transactions are not, in all material respects, in accordance with the pricing policies of the Group (collectively, the "**Internal Control Measures**").

We have reviewed the annual report of the Company for each of the years ended December 31, 2014 and 2015, where we note that the independent non-executive Directors and the external auditors of the Company have confirmed the aforesaid in respect of the categories of transactions contemplated under the Non-exempt Continuing Connected Transactions.

Given the Guiding Principles and the Internal Control Measures together ensures the prices with CGN Group are either (i) in line with government specified price; (ii) no less favourable to the Group than the prices with independent third parties; or (iii) based on margins no less favourable to the Group than those with independent third parties, we consider such pricing bases in general to be fair and reasonable. Further details of the pricing policies and internal control measures in practice for each category of the Non-exempt Continuing Connected Transactions are individually discussed in the following subsections.

II. **Annual caps**

We are advised by the management of the Group that the determination of annual caps for the Non-exempt Continuing Connected Transactions have taken into account the operation plan of the Group (the "**Operation Plan**"), which include but not limited to the following development schedule of nuclear power generating units under construction or in operation:

(i) the Acquisition in respect of Fangchenggang Nuclear, CGN Engineering and Lufeng Nuclear;

(ii) Fangchenggang Unit 2 is expected to commence operation in the second half of 2016;

(iii) Fangchenggang Unit 3 is expected to commence operation in 2022;

(iv) as stated in the 2016 Interim Report, Yangjiang Unit 4 is expected to commence operation in the second half of 2017;

(v) as stated in the 2016 Interim Report, Yangjiang Unit 5 is expected to commence operation in the second half of 2018;

(vi) as stated in the 2016 Interim Report, Yangjiang Unit 6 is expected to commence operation in the second half of 2019;

(vii) as stated in the 2016 Interim Report, Taishan Unit 1 is expected to commence operation in the first half of 2017;

(viii) as stated in the 2016 Interim Report, Taishan Unit 2 is expected to commence operation in the second half of 2017;

(ix) as stated in the 2016 Interim Report, Ningde Unit 4 had completed all commissioning work and had met the conditions for commercial operations in July 2016; and

(x) the maintenance schedule of the various generating units at the Daya Bay Nuclear Power Station, the Ling'ao Nuclear Power Station, the Lingdong Nuclear Power Station, the Yangjiang Nuclear Power Station, the Fangchenggang Nuclear Power Station, the Lufeng Nuclear Power Station and the Taishan Nuclear Power Station for the upcoming years.

We are also advised by the management of the Group that the determination of annual caps for the Non-exempt Continuing Connected Transactions is based on calculations with detailed breakdown at subsidiary level, which were results of discussions between the Group and CGN Group.

3.1 **The 2016 General Services Framework Agreement**

3.1.1 ***Background of and reasons for the 2016 General Services Framework Agreement***

With reference to the Prospectus, on November 21, 2014, the Company and CGN entered into the 2014 General Services Framework Agreement, pursuant to which (i) CGN Group would provide the following types of services to the Group, including catering services, property management services, transportation services, public procurement services, greening services, accommodation and meeting reception services, office support, electromechanical and water maintenance, logistic management service and other general administrative services; and (ii) the Group would provide certain services to CGN Group including property leasing services, services to dispose of administrative supplies, information technology services and other general services. The 2014 General Services Framework Agreement is valid and effective until December 31, 2016.

The Group and CGN Group has been mutually providing and is expected to continue to mutually provide general services. As a continuation of the 2014 General Services Framework Agreement, the Company and CGN have entered into the 2016 General Services Framework Agreement, which will be effective until December 31, 2018. We are advised by the management of the Group that, other than the alteration to the effective period and the Proposed Annual Caps, the scope and terms of the 2014 General Services Framework Agreement and the 2016 General Services Framework Agreement are identical.

We understand the 2016 General Services Framework Agreement provides the option but not the obligation to the Group to procure/provide general services from/to CGN Group.

Taking into account, in particular, (i) the established relationship between the Group and CGN Group in respect of the mutual provision of general services; (ii) the 2016 General Services Framework Agreement provides the option but not the obligation to the Group to procure/provide general services from/to CGN Group; (iii) the demand of general services by the Group for its business; (iv) the provision of general services by the Group is revenue in nature to the Group; and (v) the terms of the 2016 General Services Framework Agreement are fair and reasonable as discussed below, we are of the view that the entering into of the 2016 General Services Framework Agreement and the transactions contemplated thereunder is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

3.1.2 ***Principal terms of the 2016 General Services Framework Agreement***

As stated in the letter from the Board in the Circular, the service fees for the general services provided pursuant to the 2016 General Services Framework Agreement are based on actual costs and expenses incurred in providing such services after arm's length negotiations between the relevant parties, with reference to, among other things, the market prices charged by independent third-party providers for services of a similar nature in the usual and ordinary course of business, which shall be on terms no less favourable to those provided by Independent Third Parties. In addition, the Guiding Principles continue to apply to the 2016 General Services Framework Agreement. We are advised by the management of the Group that, (i) for the provision of general services by CGN Group to the Group under the 2014 General Services Framework Agreement, the Government Price Principle and the Market Price Principle had been applied, whereas the Agreed Price Principle had not been applied in practice; and (ii) for the provision of general services by the Group to CGN Group under the 2014 General Services Framework Agreement, the prices charged to CGN Group have made reference to the Market Price Principle, where the prices are based on the original cost of service procured from independent third parties and on a cost sharing basis. Having considered (i) the diverse nature of the general services involved in the provision of general services by CGN Group to the Group, which ranges from property management services to greening services as previously described; and (ii) the procedure of the Group to first evaluate whether the Government Price Principle would be applicable and, if not, evaluate whether the Market Price Principle would be applicable, we consider the general adoption of the Guiding Principles to be acceptable. For instance, we are advised by the management of the Group that (i) greening services and property management services were based on the Government Price Principle given relevant government prices were available; and (ii) transportation services were based on the Market Price Principle given no relevant government price was available and therefore the Market Price Principle was adopted.

Regarding the internal control measures for the 2016 General Services Framework Agreement, we are advised by the management of the Group that the Internal Control Measures previously discussed would apply.

In respect of our work done on the pricing terms of the transactions under the 2016 General Services Framework Agreement and the Internal Control Measures, we have reviewed sample documents, which were effective during the recent period from January 1, 2015 to the Latest Practicable Date (the "**Review Period**"), under the 2014 General Services Framework Agreement. Given (i) the Review Period is a recent period; (ii) our purpose is to understand the prevailing pricing mechanism in practice and the prevailing internal control measures in practice; and (iii) such duration of review period is in line with our usual practice, we consider the Review Period to be acceptable for our assessment. Our aforesaid sample documents included (i) documents with CGN Group; and (ii) the relevant documents illustrating the prices specified by the government or the prices with independent third parties, where applicable. We have compared the pricing terms stated in the sample documents with CGN Group and those specified by the government or those with independent third parties and, based on our review and our discussions with the management of the Group, we understand the sample documents demonstrate that the pricing terms entered into with CGN Group were in line with the Guiding Principles and the Internal Control Measures, such as the prices with CGN Group were either in line with the prices specified by the government (such as (i) for the procurement by the Group from CGN Group of certain greening services; and (ii) for the procurement by the Group from CGN Group of certain property management services) or no less favourable to the Group than those with independent third parties (such as (i) for the procurement by the Group from independent third parties of certain information technology services for the provision to the members of the Group and also the members of CGN Group on a cost sharing basis based on the cost charged by independent third parties; and (ii) for the procurement by the Group from CGN Group of certain transportation services).

Taking into account, in particular, (i) the transactions under the 2016 General Services Framework Agreement shall be in accordance with the Guiding Principles; (ii) the Internal Control Measures as discussed previously; (iii) our review of the sample documents as discussed above; and (iv) the track record of the Group in respect of its compliance with the Listing Rules, we are of the view that the internal control measures in respect of the 2016 General Services Framework Agreement are sufficient and effective and the terms of the 2016 General Services Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3.1.3 ***Proposed Annual Caps of the 2016 General Services Framework Agreement***

The following table sets out (i) the actual transaction amounts related to the 2014 General Services Framework Agreement for each of the years ended December 31, 2014 and 2015 and the six months ended 30 June 2016; and (ii) the Proposed Annual Caps related to the 2016 General Services Framework Agreement for each of the years ending December 31, 2016, 2017 and 2018.

	Actual transaction amounts[1]			**Proposed Annual Caps**[2]		
	For the year ended December 31,		**For the six months ended June 30,**	**For the year ending December 31,**		
	2014	**2015**	**2016**	**2016**	**2017**	**2018**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Fees paid/payable to CGN Group by the Group[1]	376	584	197	1,613	2,154	2,321
Fees received/receivable from CGN Group by the Group[1]	138	173	42	96	141	175

Notes:

1. The historical actual transaction amounts are before the Completion of the Acquisition, where the yearly figures are based on disclosures in annual reports.

2. The Proposed Annual Caps should not be construed as an assurance by the Group of its future revenue or profitability.

In respect of the fees paid/payable to CGN Group by the Group, the determination of the Proposed Annual Caps has primarily taken into account, among other things, (i) the historical transaction amounts; and (ii) the expected increase in the demand of the Group for general services, particularly after the inclusion of Fangchenggang Nuclear, CGN Engineering and Lufeng Nuclear under the Group following the Acquisition.

Regarding the determination, particularly the growth, of the Proposed Annual Caps in respect of the fees paid/payable to CGN Group by the Group, we have reviewed relevant information (including a detailed breakdown of the calculation of the Proposed Annual Caps, which is based on the estimated transaction amounts on a subsidiary level) and discussed with the management of the Group and we understand that:

(i) the Proposed Annual Caps are based on the reviewed detailed breakdown;

(ii) the inclusion of Fangchenggang Nuclear, CGN Engineering and Lufeng Nuclear under the Group following the Acquisition is a principal factor for the increases in the Proposed Annual Caps as compared with the historical transaction amounts;

(iii) the growth from the actual transaction amount for the year ended December 31, 2015 of approximately RMB584 million to the Proposed Annual Cap for the year ending December 31, 2016 of approximately RMB1,613 million, representing a difference of approximately RMB1,029 million, was attributable to, among other factors, (a) the inclusion of the Target Companies into the Group is expected to incur additional service fees of over RMB500 million for the year ending December 31, 2016, particularly for the transportation and property management services for the various engineering projects of CGN Engineering and the transportation and property management services for Fangchenggang Nuclear; (b) the relocation of the office of the Group leading to additional property related service fees of around RMB100 million; and (c) the commissioning work of Taishan Nuclear Power Station leading to additional transportation and other general service fees of around RMB100 million;

(iv) the growth of the Proposed Annual Cap from approximately RMB1,613 million for the year ending December 31, 2016 to approximately RMB2,154 million for the year ending December 31, 2017, representing a difference of approximately RMB541 million, is mainly attributable to (a) the amount of the additional demand of general service (including transportation, property management and other general services) by CGN Engineering for, among other things, development of nuclear projects in Huizhou, Cangnan and Xianning in the PRC, of over RMB170 million; (b) the amount of the additional demand of general service (including transportation, property management and other general services) by Daya Bay Nuclear Power Operations and Management Co., Ltd. (a subsidiary of the Company) in the Daya Bay Nuclear Power Station, Ling'ao Nuclear Power Station and Lingdong Nuclear Power Station, of over RMB170 million; and (c) the remaining difference in amount relate to, among other general services, transportation and property management services demanded by the various nuclear power stations of the Group;

(v) the growth of the Proposed Annual Cap from approximately RMB2,154 million for the year ending December 31, 2017 to approximately RMB2,321 million for the year ending December 31, 2018, representing a difference of approximately RMB167 million, is mainly attributable to the additional demand of general service by CGN Engineering for, among other things, offshore businesses and the development of nuclear projects in Huizhou, Cangnan and Xianning, of over RMB73 million;

(vi) the business of the Group has been growing, where the revenue of the Group increased approximately 12% for the year ended December 31, 2015; and

(vii) the expected growth of the PRC nuclear power industry as previously discussed.

In respect of the fees received/receivable from CGN Group by the Group, the determination of the Proposed Annual Caps has primarily taken into account, among other factors (i) the historical transaction amounts; and (ii) the expected demand for general services in the upcoming years.

Regarding the determination of the Proposed Annual Caps in respect of the fees received/receivable from CGN Group by the Group, we have reviewed relevant information (including a detailed breakdown of the calculation of the Proposed Annual Caps, which is based on the estimated transaction amounts on a subsidiary level) and discussed with the management of the Group and we understand that:

(i) the Proposed Annual Caps are based on the reviewed detailed breakdown;

(ii) each of the Proposed Annual Caps is lower than or comparable with the actual transaction amount achieved for the year ended December 31, 2015;

(iii) such transactions are revenue in nature to the Group;

(iv) the decrease from the actual transaction amount of approximately RMB173 million for the year ended December 31, 2015 to the Proposed Annual Cap of approximately RMB96 million for the year ending December 31, 2016, representing a difference of approximately RMB77 million, was attributable to, among other factors, the inclusion of the Target Companies into the Group, where the Target Companies would no longer be connected parties of the Company following the Completion of the Acquisition;

(v) the growth of the Proposed Annual Cap from approximately RMB96 million for the year ending December 31, 2016 to approximately RMB141 million for the year ending December 31, 2017, representing a difference of approximately RMB45 million, is mainly attributable to the additional demand of general service by CGN Group from the Company for, among other things, information technology services for the operations of and to cope with the growth of the wind energy and other energy businesses of CGN Group, of over RMB20 million; and

(vi) the growth of the Proposed Annual Cap from approximately RMB141 million for the year ending December 31, 2017 to approximately RMB175 million for the year ending December 31, 2018, representing a difference of approximately RMB34 million, is mainly attributable to the additional demand of general service by CGN Group from the Company for, among other things, information technology services for the operations of and to cope with growth of the new energy and other energy businesses of CGN Group, of over RMB30 million.

In respect of our work done on the Proposed Annual Caps, we have, among other things, (i) reviewed the detailed breakdown underlying the calculation of the Proposed Annual Caps; and (ii) reviewed descriptions provided by the management of the Group in respect of the relevant Operation Plan. Based on our review and advices by the management of the Group, we understand the Proposed Annual Caps cope with the upcoming developments of the Group following the Acquisition.

Taking in account, particularly (i) our review of the detailed breakdown underlying the calculation of the Proposed Annual Caps, including the reasoning of the changes stated in our discussion above; (ii) our review and understanding of the relevant Operation Plan of the Group based on descriptions provided by the management of the Group; (iii) the breakdowns of the Proposed Annual Caps were based on results of discussions between the Group and CGN Group; (iv) the upcoming development of the Group and the nuclear power industry; and (v) the need of the subject services for the smooth operation of the Group, we consider the Proposed Annual Caps of the 2016 General Services Framework Agreement to be fair and reasonable so far as the Independent Shareholders are concerned.

3.2 **The 2014 Engineering Services Framework Agreement (Supplemented)**

3.2.1 ***Background of the 2014 Engineering Services Framework Agreement (Supplemented)***

As stated in the Prospectus, on November 21, 2014, the Company and CGN entered into the 2014 Engineering Services Framework Agreement, pursuant to which CGN Group would provide engineering services to the Group, primarily including pre-construction engineering service, survey, design and construction technical services, project management, engineering, procurement and construction, bidding management services, sales of used and/or superfluous materials and other engineering services. It was effective on the listing date of the Company on December 10, 2014 and is valid for a term of six years ending on December 31, 2019.

The Group has been procuring engineering services from CGN Engineering, which is a wholly-owned subsidiary of CGN. Following Completion of the Acquisition, CGN Engineering would become a wholly-owned subsidiary of the Company, therefore the role of the Group would then switch from the procurement of engineering services to the provision of engineering services (the "**Switch of Role**"). Accordingly, on September 25, 2016, the Company and CGN entered into the Engineering Services Supplemental Agreement to reflect the Switch of Role and to set the Revised Annual Caps. Save for such amendments, there is no other material change to the terms and conditions of the 2014 Engineering Services Framework Agreement.

Taking into account, in particular, (i) the purpose of the Engineering Services Supplemental Agreement is to reflect the Switch of Role and to set the Revised Annual Caps; (ii) the business nature of CGN Engineering; and (iii) the terms of the 2014 Engineering Services Framework Agreement (Supplemented) are fair and reasonable as discussed below, we are of the view that the entering into of the Engineering Services Supplemental Agreement and the transactions contemplated under the 2014 Engineering Services Framework Agreement (Supplemented) is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

3.2.2 ***Principal terms of the 2014 Engineering Services Framework Agreement (Supplemented)***

We understand from the letter from the Board in the Circular that, save for the amendments to reflect the Switch of Role and the Revised Annual Caps, there is no other material change to the terms and conditions, such as the servicing scope and pricing policies, of the 2014 Engineering Services Framework Agreement pursuant to the Engineering Services Supplemental Agreement. As stated in the Prospectus, the service fees may be based on, among other factors, estimates provided by qualified independent third party appraisers.

We are also advised by the management of the Group that, during the Review Period, given (i) the uniqueness in the nature of engineering projects for nuclear power plants, where qualified service providers are limited; and (ii) the complexities, including the technical complications, involved in engineering projects for nuclear power plants, the Group determined the prices of engineering services with CGN Group based on estimates provided by qualified independent third party appraisers.

Regarding the internal control measures for the 2014 Engineering Services Framework Agreement (Supplemented), we are advised by the management of the Group that the Group would ensure the service fees under new contracts entered into with CGN Group would be on terms no less favourable to the Group after taking into account factors including the estimates provided by qualified independent third party appraisers.

In respect of our work done on the pricing terms of the transactions under the 2014 Engineering Services Framework Agreement (Supplemented), we have reviewed sample documents, which were effective during the Review Period, under the 2014 Engineering Services Framework Agreement. Our aforesaid sample documents included (i) documents with CGN Group; and (ii) relevant documents with qualified independent third party appraiser. We have compared the prices stated in the sample documents with CGN Group and those estimated by qualified independent third party appraiser and, based on our review and our discussions with the management of the Group, we understand the sample documents demonstrate that the pricing terms entered into with CGN Group were no less favourable to the Group than those estimated by qualified independent third party appraiser. The independent third party appraiser in our reviewed sample documents was 電力規劃設計總院 (Electric Power Planning & Engineering Institute) and we understand from its website that it (i) is mainly engaged in the provision of services to the government, financial institutions, electric power industry and relevant enterprises in business areas covering studies related to electric power industry, including but not limited to engineering review, evaluation, and consultation for power projects; (ii) is qualified by the 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) to conduct evaluation of electric power projects; (iii) provides engineering consultation and evaluation service in the areas of nuclear power plant site planning, site selection, overall design and conventional island design; and (iv) had participated in the revision of *《國家核電中長期發展規劃》 (China Medium and Long-Term Nuclear Power Development and Planning)* and organised the compilation of the nuclear power plant construction standards in the PRC.

Despite the historical pricing mechanism and internal control measures are not directly relevant to the Group after the Switch of Role, our review of the historical pricing mechanism and internal control measures shed light on, among other things (i) the pricing mechanism of CGN Engineering in respect of nuclear power engineering projects, such as based on estimation by qualified independent third party appraiser; and (ii) the historical compliance record of the Group in respect of its continuing connected transactions.

Taking into account, in particular, (i) save for the amendments to reflect the Switch of Role, there is no other material change to the terms and conditions, such as the servicing scope and pricing policies, of the 2014 Engineering Services Framework Agreement pursuant to the Engineering Services Supplemental Agreement; (ii) the Group would ensure the pricing terms entered into with CGN Group are no less favourable to the Group than those estimated by qualified independent third party appraisers; and (iii) the track record of the Group in respect of its compliance with the Listing Rules, we are of the view that the internal control measures in respect of the 2014 Engineering Services Framework Agreement (Supplemented) are sufficient and effective and the terms of the 2014 Engineering Services Framework Agreement (Supplemented) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3.2.3 ***Revised Annual Caps of the 2014 Engineering Services Framework Agreement (Supplemented)***

The following table sets out the Revised Annual Caps for each of the years ending December 31, 2016, 2017, 2018 and 2019 related to the 2014 Engineering Services Framework Agreement (Supplemented).

	Revised Annual Caps(1)			
	For the year ending December 31,			
	2016	**2017**	**2018**	**2019**
	RMB million	*RMB million*	*RMB million*	*RMB million*
Fees received/receivable from CGN Group by the Group	1,434	7,315	11,055	13,084

Notes:

1. The Revised Annual Caps should not be construed as an assurance by the Group of its future revenue or profitability.

Regarding the determination of the Revised Annual Caps, we have reviewed relevant information (including a detailed breakdown of the calculation of the Revised Annual Caps) and discussed with the management of the Group and we note that:

(i) the Revised Annual Caps are based on the reviewed detailed breakdown;

(ii) the Revised Annual Cap for the year ending December 31, 2016 has taken into account, among other projects, the Huizhou project of around RMB560 million and the United Kingdom project of an aggregate amount of approximately RMB280 million;

(iii) the growth of the Revised Annual Cap from approximately RMB1,434 million for the year ending December 31, 2016 to approximately RMB7,315 million for the year ending December 31, 2017, representing a difference of approximately RMB5,881 million, is mainly attributable to (a) the additional demand of engineering services by the Huizhou project of CGN Group of around RMB2,500 million; (b) the additional demand of engineering services by the Xianning project of CGN Group of around RMB2,300 million; and (c) the United Kingdom project of an additional demand of engineering services by the United Kingdom project of CGN Group of around RMB1,000 million;

(iv) the growth of the Revised Annual Cap from approximately RMB7,315 million for the year ending December 31, 2017 to approximately RMB11,055 million for the year ending December 31, 2018, representing a difference of approximately RMB3,740 million, is mainly attributable to (a) the additional demand of engineering services by the Xianning project of CGN Group of around RMB2,900 million; and (b) the additional demand of engineering services by the Huizhou project of CGN Group of around RMB240 million; and

(v) the growth of the Revised Annual Cap from approximately RMB11,055 million for the year ending December 31, 2018 to approximately RMB13,084 million for the year ending December 31, 2019, representing a difference of approximately RMB2,029 million, is mainly attributable to the additional demand of engineering services by the Xianning project and the Huizhou project of CGN Group of around RMB2,200 million.

In respect of our work done on the Revised Annual Caps, we have, among other things, (i) reviewed the detailed breakdown underlying the calculation of the Revised Annual Caps; and (ii) reviewed descriptions provided by the management of the Group in respect of the relevant Operation Plan. Based on our review and advices by the management of the Group, we understand the Revised Annual Caps cope with the upcoming developments of the Group following the Acquisition.

Taking in account, in particular, (i) the Revised Annual Caps are based on the reviewed detailed breakdown; (ii) our review of the detailed breakdown and the reviewed breakdown has taken into account the various nuclear power construction projects of CGN Engineering in the upcoming years, including certain onshore and offshore projects; ; (iii) our review and understanding of the relevant Operation Plan of the Group based on descriptions provided by the management of the Group; (iv) the breakdowns of the Revised Annual Caps were based on results of discussions between the Group and CGN Group; (v) the upcoming development of the Group and the nuclear power industry; and (vi) the services to be provided by CGN Engineering following the Acquisition will be of revenue nature to the Group and on fair and reasonable terms as previously discussed, we consider the Revised Annual Caps of the 2014 Engineering Services Framework Agreement (Supplemented) to be fair and reasonable so far as the Independent Shareholders are concerned.

3.3 **The 2014 Nuclear Fuel Supply and Services Framework Agreement (Supplemented)**

3.3.1 ***Background of the 2014 Nuclear Fuel Supply and Services Framework Agreement (Supplemented)***

As stated in the Prospectus, on November 21, 2014, the Company and CGN entered into the 2014 Nuclear Fuel Supply and Services Framework Agreement, pursuant to which the Group would procure nuclear fuel and related services from CGN Group. The 2014 Nuclear Fuel Supply and Services Framework Agreement is valid and effective until December 31, 2023.

Uranium is a major nuclear fuel and is a highly regulated raw material in the PRC. With reference to the Prospectus, we understand two entities, namely CGN Uranium Resources Co., Ltd. (中廣核鈾業發展有限公司) ("**CGN Uranium**", a member of CGN Group) and China Nuclear Energy Industry Co., Ltd. ("**CNEIC**"), which is a subsidiary of CNNC, being one of the major competitors of the Group, in the PRC were granted operational permits and licenses enabling them to import and trade natural uranium and provide nuclear related services. Nuclear power stations need a stable, reliable and secure fuel supply, therefore the Group has been, in its ordinary and usual course of business, procuring nuclear fuel and related services provided by CGN Group.

The existing annual caps for the 2014 Nuclear Fuel Supply and Services Framework Agreement for each of the financial years ending December 31, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023 are expected to be insufficient due to, among other factors, (i) new demand for nuclear fuel and related services arising from the gradual installation and operation commencement of new Units, including those under the Fangchenggang Nuclear Power Station and Lufeng Nuclear Power Station after the Acquisition and those under the Yangjiang Nuclear Power Station operated by the Group.

Accordingly, on September 25, 2016, the Company and CGN entered into the Nuclear Fuel Services Supplemental Agreement to set the Revised Annual Caps for the 2014 Nuclear Fuel Supply and Services Framework Agreement for each of the financial years ending December 31, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023. Save for such amendments, there is no other material change to the terms and conditions of the 2014 Nuclear Fuel Supply and Services Framework Agreement.

Taking into account, in particular, (i) the purpose of the Nuclear Fuel Services Supplemental Agreement is to set the Revised Annual Caps given the existing annual caps may be insufficient; (ii) the nuclear fuel landscape in the PRC and the demand of nuclear fuel and related services by the Group; and (iii) the terms of the 2014 Nuclear Fuel Supply and Services Framework Agreement (Supplemented) are fair and reasonable as discussed below, we are of the view that the entering into of the Nuclear Fuel Services Supplemental Agreement and the transactions contemplated under the 2014 Nuclear Fuel Supply and Services Framework Agreement (Supplemented) is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

3.3.2 ***Principal terms of the 2014 Nuclear Fuel Supply and Services Framework Agreement (Supplemented)***

Save for the amendments to set the Revised Annual Caps for the 2014 Nuclear Fuel Supply and Services Framework Agreement for each of the financial years ending December 31, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023, there is no other material change to the terms and conditions, such as the servicing scope and pricing policies, of the 2014 Nuclear Fuel Supply and Services Framework Agreement pursuant to the Nuclear Fuel Services Supplemental Agreement. As stated in the Prospectus, the purchase price of nuclear fuel and related services from CGN Uranium are agreed based on the costs and expenses incurred in providing such services (including the procurement of uranium).

We are advised by the management of the Group that (i) under the PRC regulations, the trading of uranium is highly regulated, where CGN Uranium and CNEIC are the only two supplier in the PRC as previously mentioned; (ii) CGN Uranium was established by CGN and approved by the relevant PRC authorities, with operational permits and licenses issued, for the purpose of supplying uranium and providing nuclear fuel related services to nuclear power stations of CGN and performing as the trading agent to import nuclear fuel from overseas; (iii) as stated in the Prospectus, it has been a customary domestic practice that the Group procure nuclear fuel and related services from CGN Uranium while the nuclear power stations of CNNC procure such services from CNEIC and, although CNEIC would become an alternative supplier which is readily available if CGN Group ceases to provide nuclear fuel and related services to the Group, due to the fact that CNEIC is a subsidiary of one of the major competitors of the Group, it is strategically and commercially sensible for the Group to continue to engage CGN Uranium as its provider, (iv) the procurement of uranium does not have a government indicated or transparent market price in the PRC; and (v) in essence, the prices of uranium procured from CGN Uranium makes reference to the cost of CGN Uranium (such as the international indices for CGN Uranium to import uranium) and a fixed or percentage service fee charged by CGN Uranium (covering transportation and handling charges).

Regarding the internal control measures for the 2014 Nuclear Fuel Supply and Services Framework Agreement (Supplemented), we are advised by the management of the Group that the Group would evaluate the procurement prices of uranium with reference to, among other factors, (i) the unique nature of the highly regulated uranium industry in the PRC, where the choice of uranium supplier is extremely limited; (ii) the importance of a stable, reliable and secure fuel supply of uranium for the continuous operation of the nuclear power plants of the Group; and (iii) the profit margin of CGN Uranium and the profit margin of Independent Third Party engaging in uranium trading.

In respect of our work done on the pricing terms of the transactions under the 2014 Nuclear Fuel Supply and Services Framework Agreement (Supplemented), we have reviewed (i) sample documents with CGN Group, which were effective during the Review Period, under the 2014 Nuclear Fuel Supply and Services Framework Agreement. Based on our review and advices by the management of the Group, we understand (i) the pricing terms entered into with CGN Group had, in essence, made reference to the cost of CGN Uranium (such as the international indices for CGN Uranium to import uranium) and a fixed or percentage service fee charged by CGN Uranium (covering transportation and handling charges); and (ii) the profit margin of CGN Uranium for the supply of uranium to the Group is no higher than or comparable with the profit margin of Independent Third Party engaging in uranium trading.

Taking into account, in particular, (i) save for the amendments to set the Revised Annual Caps for the 2014 Nuclear Fuel Supply and Services Framework Agreement for each of the financial years ending December 31, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023, there is no other material change to the terms and conditions, such as the servicing scope and pricing policies, of the 2014 Nuclear Fuel Supply and Services Framework Agreement pursuant to the Nuclear Fuel Services Supplemental Agreement; (ii) the unique nature of the highly regulated uranium industry in the PRC, where the choice of uranium supplier is extremely limited; (iii) a stable, reliable and secure fuel supply of uranium is essential for the continuous operation of the nuclear power plants of the Group; (iv) our review of sample documents and note that the profit margin of CGN Uranium for the supply of uranium to the Group is no higher than or comparable with that of Independent Third Party; and (v) the track record of the Group in respect of its compliance with the Listing Rules, we are of the view that the internal control measures in respect of the 2014 Nuclear Fuel Supply and Services Framework Agreement (Supplemented) are sufficient and effective and the terms of the 2014 Nuclear Fuel Supply and Services Framework Agreement (Supplemented) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3.3.3 ***Revised Annual Caps of the 2014 Nuclear Fuel Supply and Services Framework Agreement (Supplemented)***

The following table sets out (i) the actual transaction amounts for each of the years ended December 31, 2014 and 2015; and (ii) the Revised Annual Caps for each of the years ending December 31, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023 in respect of the 2014 Nuclear Fuel Supply and Services Framework Agreement (Supplemented).

	Actual transaction amounts[1] For the year ended December 31,			**Revised Annual Caps[2] For the year ending December 31,**		
	2014	**2015**	**2016**	**2017**	**2018**	**2019**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Fees paid/payable to CGN Group by the Group	1,491	1,939	4,793	6,925	5,447	6,611

	For the year ending December 31,			
	2020	**2021**	**2022**	**2023**
	RMB million	*RMB million*	*RMB million*	*RMB million*
Fees paid/payable to CGN Group by the Group	8,930	8,123	11,616	11,457

Notes:

1. The historical actual transaction amounts are before the Completion of the Acquisition, where the yearly figures are based on disclosures in annual reports.

2. The Revised Annual Caps should not be construed as an assurance by the Group of its future revenue or profitability.

The determination of the Revised Annual Caps in respect of the 2014 Nuclear Fuel Supply and Services Framework Agreement (Supplemented) has taken into account, among other factors, (i) the historical transaction amounts; (ii) the expected increase in demand by the Group for nuclear fuel and related services due to its business expansion; and (iii) the expected increase in the procurement amounts of nuclear fuel due to the gradual commencement of commercial operations of more Units at Fangchenggang Nuclear Power Station and Lufeng Nuclear Power Station after the Acquisition and at Yangjiang Nuclear Power Station.

Regarding the determination of the Revised Annual Caps, we have reviewed relevant information (including a detailed breakdown of the calculation of the Revised Annual Caps, which is based on the estimated transaction amounts on a subsidiary level) and discussed with the management of the Group and we note that:

(i) the Revised Annual Caps are based on the reviewed detailed breakdown;

(ii) the reviewed breakdown has taken into account the planned fuel requirement schedules of the various nuclear power projects of the Group;

(iii) the anticipated increase in 2016 as compared with 2015 is due to, among other factors, the increased transaction value related to the delivery of natural uranium for Ningde Nuclear Power Station of an additional of approximately RMB1,353 million, Ling'ao Nuclear Power Station of an additional of approximately RMB741 million and Yangjiang Nuclear Power Station of an additional of approximately RMB496 million;

(iv) the anticipated increase in 2017 as compared with 2016 is due to the increased transaction value for supplying first charge of nuclear fuel for Lufeng Phase I of an additional of approximately RMB1,433 million and the increase in demand for natural uranium from Yangjiang Nuclear Power Station of an additional of approximately RMB1,129 million;

(v) the anticipated decrease in 2018 as compared with 2017 is due to the expected completion of the aforesaid general contracting services provided to Lufeng Phase I in 2017, representing a decline of approximately RMB1,425 million;

(vi) the anticipated increase in 2019 as compared with 2018 is due to the increased transaction value for delivery of natural uranium to Ling'ao Nuclear Power Station of an additional of approximately RMB985 million;

(vii) the anticipated increase in 2020 as compared with 2019 is due to the increased transaction value for delivery of natural uranium for Lingdong Nuclear Power Station of an additional of approximately RMB1,937 million;

(viii) the anticipated decrease in 2021 as compared with 2020 is due to the lower transaction value for delivery of natural uranium to Lingdong Nuclear Power Station of a decrease of approximately RMB955 million due to scheduled maintenance;

(ix) the anticipated increase in 2022 as compared with 2021 is due to the increased transaction value for delivery of natural uranium for Daya Bay Nuclear Power Station of an additional of approximately RMB1,070 million, for Ling'ao Nuclear Power Station of an additional of approximately RMB955 million and for Yangjiang Nuclear Power Station of an additional of approximately RMB890 million; and

(x) the amounts for 2022 and 2023 remain stable primarily because the anticipated increases in demand for Fangchenggang Nuclear Power Station and Lingdong Nuclear Power Station are offset by the anticipated decreases in demand from Ling'ao Nuclear Power Station and Lufeng Nuclear Power Station.

In respect of our work done on the Revised Annual Caps, we have, among other things, (i) reviewed the detailed breakdown underlying the calculation of the Revised Annual Caps; and (ii) reviewed descriptions provided by the management of the Group in respect of the relevant Operation Plan. Based on our review and advices by the management of the Group, we understand the Revised Annual Caps cope with the upcoming developments of the Group following the Acquisition.

Taking in account, in particular, (i) the Revised Annual Caps are based on the reviewed detailed breakdown; (ii) our review of the detailed breakdown and the reviewed breakdown has taken into account the planned fuel requirement schedules of the various nuclear power projects of the Group in the upcoming years; (iii) our review and understanding of the relevant Operation Plan of the Group based on descriptions provided by the management of the Group; (iv) the breakdowns of the Revised Annual Caps were based on results of discussions between the Group and CGN Group; (v) the upcoming development of the Group and the nuclear power industry; and (vi) a stable, reliable and secure fuel supply of uranium is essential for the continuous operation of the nuclear power plants of the Group, we consider the Revised Annual Caps of the 2014 Nuclear Fuel Supply and Services Framework (Supplemented) to be fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the above, we are of the opinion that the Acquisition and the Non-exempt Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole. We are also of the opinion that the terms of the Acquisition and the Non-exempt Continuing Connected Transactions are on normal commercial terms and, together with the Proposed Annual Caps and the Revised Annual Caps, are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Acquisition, the Non-exempt Continuing Connected Transactions (including the Proposed Annual Caps and the Revised Annual Caps) and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited

Fanny Lee	**Allen Wang**
Managing Director	*Director*

Note: Ms. Fanny Lee and Mr. Allen Wang have been responsible officers of Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) since 2006 and 2014, respectively. Both of them have participated in the provision of independent financial advisory services for various connected transactions involving companies listed in Hong Kong.

Financial information of our Group for each of the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and of our Company (www.cgnp.com.cn):

(i) The Prospectus in relation to the financial information of our Group for the year ended 31 December 2013 (pages IA-1 to IA-78). Please see below a link to the Prospectus:

http://www.hkexnews.hk/listedco/listconews/SEHK/2014/1127/LTN20141127047.pdf

(ii) The annual report of our Group for the year ended 31 December 2014 published on 9 April 2015 (pages 124 to 250) in relation to the financial information of our Group for the same year. Please see below a link to the annual report:

http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0409/LTN20150409982.pdf

(iii) The annual report of our Group for the year ended 31 December 2015 published on 7 April 2016 (pages 150 to 277) in relation to the financial information of our Group for the same year. Please see below a link to the annual report:

http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0407/LTN201604071225.pdf

(iv) The interim report of our Group for the six months ended 30 June 2016 published on 29 August 2016 (page 47 to 92) in relation to the financial information of our Group for the same period. Please see below a link to the interim report:

http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0829/LTN20160829697.pdf

Deloitte.
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35/F One Pacific Place
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Hong Kong

September 30, 2016

The Directors
CGN Power Co., Ltd.

Dear Sirs,

We set out below our report on the financial information regarding target companies engaged in sales of nuclear power electricity, the nuclear power plant in operation, nuclear power project under construction and engaged in the construction, design, research and development held by (i) China Nuclear Power Engineering Co., Ltd.* (中廣核工程有限公司) ("CGN Engineering"); (ii) CGN Lufeng Nuclear Power Co., Ltd. * (中廣核陸豐核電有限公司) ("Lufeng Nuclear"); and (iii) Guangxi Fangchenggang Nuclear Power Co., Ltd.* (廣西防城港核電有限公司) ("Fangchenggang Nuclear") (hereinafter collectively referred to as the "Target Companies") comprising the combined statements of financial position of the Target Companies as at December 31, 2013, 2014, 2015 and March 31, 2016, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Target Companies for each of the three years ended December 31, 2013, 2014, 2015 and the three months ended March 31, 2016 (the "Relevant Periods") and notes thereto prepared in accordance with accounting policies set out in note 3 of Section A below that conforms with International Financial Reporting Standards (″IFRSs″) issued by International Accounting Standards Board (the ″IASB″) (the "Financial Information") for inclusion in Appendix II of the circular dated September 30, 2016 (the "Circular") issued by CGN Power Co., Ltd. (the "Company") in connection with the proposed acquisition of target interests including 100% equity interests in CGN Engineering and Lufeng Nuclear, and 61% equity interest in Fangchenggang Nuclear by the Company (the "Target Interests", and the proposed acquisition of Target Interests by the Company hereinafter referred to as the "Acquisition"). Details of the Acquisition are set out elsewhere in this Circular.

* *English name for identification only.*

During the Relevant Periods and as at the date of this report, the particulars of the Target Companies and the companies controlled by the Target Companies, which are limited liability companies established and operating in the People's Republic of China (the "PRC"), are as follows:

Name of subsidiary	Date and place of establishment	Paid up registered capital	Attributable equity interest held: As at December 31, 2013	2014	2015	As at March 31 2016	At the date of this report	Principal activities
		RMB						
中廣核工程有限公司 CGN Engineering	November 11, 1997 PRC	1,286,000,000	100%	100%	100%	100%	100%	Construction and maintenance services for nuclear power stations
深圳中廣核工程設計有限公司 China Nuclear Power Design Co., Ltd. (Shenzhen)* *(Note 1)*	May 18, 2005 PRC	79,360,000	60%	60%	60%	60%	60%	Research and development of nuclear power technology
北京廣利核系統工程有限公司 China Techenergy Co., Ltd.* *(Notes 1&2)*	October 18, 2005 PRC	150,000,000	60%	60%	60%	60%	60%	Research and development of nuclear power technology
上海中廣核工程科技有限公司 Shanghai China General Nuclear Power Engineering Co., Ltd.* *(Notes 1&3)*	August 29, 2007 PRC	568,000,000	100%	100%	100%	100%	100%	Research and development of nuclear power technology
中玹國際核能工程有限公司 Worldwide Engineering CGN AREVA Nuclear Co., Ltd.* *(Note 1)*	July 26, 2010 PRC	280,000,000	55%	55%	55%	55%	55%	Research and development of nuclear power technology
中廣核電進出口有限公司 CGN Import & Export Co., Ltd.* *(Note 1)*	June 27, 1995 PRC	30,000,000	100%	100%	100%	100%	100%	Agent of import and export
廣西防城港核電有限公司 Fangchenggang Nuclear *(Note 4)*	September 3, 2008 PRC	5,850,000,000	61%	61%	61%	61%	61%	Nuclear power generation and sales of nuclear electricity
中廣核陸豐核電有限公司 Lufeng Nuclear	February 20, 2008 PRC	840,000,000	100%	100%	100%	100%	100%	Nuclear power plant is still under construction stage and has not commenced operation

Notes:

(1) The subsidiary is directly held by CGN Engineering.

(2) The paid up registered capital of China Techenergy Co., Ltd. was increased from RMB90,000,000 to RMB150,000,000 during the year ended December 31, 2013.

(3) The paid up registered capital of Shanghai China General Nuclear Power Engineering Co., Ltd. was increased from RMB120,000,000 to RMB568,000,000 during the year ended December 31, 2013.

(4) The paid up registered capital of Fangchenggang Nuclear was increased from RMB3,200,000,000 to RMB4,260,000,000, from RMB4,260,000,000 to RMB5,160,000,000, and from RMB5,160,000,000 to RMB5,850,000,000, during each of the years ended December 31, 2013, 2014, and 2015 respectively.

The Target Companies and companies controlled by the Target Companies have adopted December 31 as their financial year end date for statutory financial reporting purposes.

The statutory financial statements of the Target Companies and companies controlled by the Target Companies for the Relevant Periods or since their respective dates of establishment, where this is a shorter period, were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by the certified public accountants as set out below:

Name of subsidiary	**Financial periods**	**Name of auditor**
CGN Engineering	Years ended December 31, 2013, 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP Shenzhen Branch
China Nuclear Power Design Co., Ltd. (Shenzhen)	Years ended December 31, 2013, 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP Shenzhen Branch
China Techenergy Co., Ltd.	Years ended December 31, 2013, 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP Shenzhen Branch
Shanghai China General Nuclear Power Engineering Co., Ltd.	Years ended December 31, 2013, 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP Shenzhen Branch
Worldwide Engineering CGN AREVA Nuclear Co., Ltd.	Years ended December 31, 2013, 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP Shenzhen Branch
CGN Import & Export Co., Ltd.	Years ended December 31, 2013, 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP Shenzhen Branch
Fangchenggang Nuclear	Years ended December 31, 2013 and 2014	Shine Wing Certified Public Accountants LLP Changsha Branch
	Year ended December 31, 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP Shenzhen Branch
Lufeng Nuclear	Years ended December 31, 2013, 2014 and 2015	Deloitte Touche Tohmatsu Certified Public Accountants LLP Shenzhen Branch

For the purpose of this report, the directors of the Target Companies have prepared the consolidated financial statements of CGN Engineering and its subsidiaries, and financial statements of each of Lufeng Nuclear and Fangchenggang Nuclear for the Relevant Periods, all in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC (collectively the "Underlying Financial Statements"). In addition, the directors of the Company have prepared the Financial Information set out in this report based on the Underlying Financial Statements on the basis set out in note 1 to section A below after making adjustments as considered necessary for the purpose of preparing this report for inclusion in the Circular.

Deloitte Touche Tohmatsu Certified Public Accountants LLP Shenzhen Branch has audited the consolidated financial statements of CGN Engineering and its subsidiaries, financial statements of each of Lufeng Nuclear and Fangchenggang Nuclear for the Relevant Periods in accordance with the China Standards of Auditing issued by the Ministry of Finance of the People's Republic of China.

We have also examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Underlying Financial Statements are the responsibility of the directors of the respective Target Companies who approved their issue. The directors of the Company are also responsible for the contents of the Circular 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, on the basis of presentation set out in note 1 to section A, the Financial Information gives, for the purpose of this report, a true and fair view of the combined financial position of the Target Companies as at December 31, 2013, 2014 and 2015, and March 31, 2016 and of the combined financial performance and combined cash flows of the Target Companies for the Relevant Periods in accordance with accounting policies set out in note 3 of section A which conform with IFRSs issued by IASB.

The comparative combined statement of profit or loss and other comprehensive income, combined statement of cash flows and combined statement of changes in equity of the Target Companies for the three months ended March 31, 2015 together with the notes thereon prepared in accordance with the accounting policies set out in note 3 of Section A which conform with IFRSs issued by IASB have been extracted from the unaudited financial information of the Target Companies for the same period (the "March 31, 2015 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the March 31, 2015 Financial Information in accordance with the International Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the International Auditing and Assurance Standards Board. A review consists of making inquiries, primarily of persons responsible for 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 International 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 March 31, 2015 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the March 31, 2015 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

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015, AND THE THREE MONTHS ENDED MARCH 31, 2016

		Year ended December 31,			Three months ended March 31,	
	NOTES	**2013**	**2014**	**2015**	**2015**	**2016**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	5	14,106,270	12,176,156	12,501,648	1,633,569	2,230,495
Less: Tax surcharge		(137,281)	(32,822)	(105,528)	(8,312)	(1,953)
Cost of sales and services		(13,787,202)	(11,227,827)	(10,920,039)	(1,612,929)	(1,873,839)
Gross profit		181,787	915,507	1,476,081	12,328	354,703
Other income	6	1,034,234	220,197	239,513	41,467	15,201
Selling and distribution expenses		(59,143)	(123,705)	(173,557)	(22,791)	(26,976)
Other expenses		(453,333)	(275,473)	(409,269)	(31,152)	(54,557)
Administrative expenses		(347,750)	(343,241)	(348,650)	(73,967)	(104,000)
Other gains and losses	7	(6,453)	(75,078)	(29,583)	(56,663)	10,126
Share of results of associates		129,928	132,446	180,471	47,551	55,543
Finance costs	8	(8,211)	(6,049)	(4,994)	(1,478)	(225,833)
Profit (loss) before taxation	9	471,059	444,604	930,012	(84,705)	24,207
Taxation	10	(55,916)	13,441	(102,901)	10,624	5,019
Profit (loss) for the year/period		415,143	458,045	827,111	(74,081)	29,226
Other comprehensive income (expenses) for the year/period, net of income tax:						
Items that may be reclassified subsequently to profit or loss:						
- Share of other comprehensive income (expenses) of the associates		32,417	66,688	229,195	130,730	(226,619)
Total comprehensive income (expenses) for the year/period		447,560	524,733	1,056,306	56,649	(197,393)
Profit (loss) for the year/period attributable to:						
Owners of the Target Companies		418,955	491,081	798,017	(45,690)	1,803
Non-controlling interests		(3,812)	(33,036)	29,094	(28,391)	27,423
		415,143	458,045	827,111	(74,081)	29,226
Total comprehensive income (expenses) attributable to:						
Owners of the Target Companies		451,372	557,769	1,027,212	85,040	(224,816)
Non-controlling interests		(3,812)	(33,036)	29,094	(28,391)	27,423
		447,560	524,733	1,056,306	56,649	(197,393)

COMBINED STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31, 2013, 2014 AND 2015, AND AS AT MARCH 31, 2016

		At December 31,			At March 31,
	NOTES	2013	2014	2015	2016
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	14	23,800,927	31,715,911	38,057,779	40,133,954
Intangible assets	15	873,797	1,456,677	1,737,067	1,809,881
Investment properties	16	756,136	7,569	7,056	6,928
Interests in associates	17	760,384	1,069,141	1,526,388	1,358,740
Available-for-sale investments	18	85,310	85,310	85,310	85,310
Deferred tax assets	19	21,804	119,788	187,309	194,544
Prepayment and valuer-added tax recoverable	24	618,448	1,443,729	1,050,865	993,122
Prepaid lease payments	20	177,678	592,996	586,674	581,815
Deposits for property, plant and equipment		797,678	435,011	959,965	777,171
Loans receivables	26	90,000	60,000	30,000	30,000
		27,982,162	36,986,132	44,228,413	45,971,465
CURRENT ASSETS					
Inventories	21	789,346	1,109,878	2,150,143	2,387,237
Amounts receivable on contract work	22	394,013	1,612,782	3,395,513	3,746,425
Prepaid lease payments	20	11,627	19,288	19,437	19,437
Trade receivables	23	8,919,865	4,632,234	4,413,268	4,287,983
Prepayments and other receivables	24	4,704,606	4,520,308	5,114,442	4,721,192
Amounts due from related parties	25	184,347	214,571	244,096	245,544
Loans receivables	26	—	30,000	30,000	30,000
Derivative financial instruments	27	—	—	544	888
Pledged bank deposits	28	5,544	403	2,324	5,437
Other deposits over three months	28	922,811	849,921	764,821	300,360
Cash and cash equivalents	28	4,586,050	6,316,441	4,202,703	3,424,554
		20,518,209	19,305,826	20,337,291	19,169,057
CURRENT LIABILITIES					
Trade and other payables	29	11,225,927	11,426,759	13,337,408	12,352,147
Amounts payable on contract work	22	8,607,970	7,545,649	5,716,438	5,782,851
Amounts due to related parties	30	212,317	175,354	234,864	598,106
Loans from ultimate holding company	31	—	150,000	725,500	1,055,500
Loans from an associate	31	1,528,140	600,000	1,836,875	1,123,120
Loans from a fellow subsidiary	31	—	1,000,000	—	—
Income tax payable		68,032	105,021	155,022	55,349
Bank borrowings - due within one year	32	4,266,754	5,059,261	2,612,420	2,711,960
Notes payable - due within one year	33	1,500,000	—	1,500,000	1,500,000
		27,409,140	26,062,044	26,118,527	25,179,033
NET CURRENT LIABILITIES		(6,890,931)	(6,756,218)	(5,781,236)	(6,009,976)
TOTAL ASSETS LESS CURRENT LIABILITIES		21,091,231	30,229,914	38,447,177	39,961,489

	NOTES	At December 31, 2013	At December 31, 2014	At December 31, 2015	At March 31, 2016
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES					
Bank borrowings - due after one year	32	12,788,140	18,056,670	24,571,761	26,037,101
Notes payable	33	—	1,500,000	—	—
Deferred income	34	298,558	304,611	206,030	202,038
Provisions	35	—	—	—	248,333
Loans from ultimate holding company	31	150,000	—	—	—
Loans from an associate	31	539,735	639,102	640,652	642,676
Loans from a fellow subsidiary	31	—	990,000	2,880,000	2,880,000
		13,776,433	21,490,383	28,298,443	30,010,148
NET ASSETS		7,314,798	8,739,531	10,148,734	9,951,341
CAPITAL AND RESERVES					
Paid-in capital	36	4,724,600	5,273,600	5,694,500	5,694,500
Reserves		722,487	1,280,256	1,972,693	1,747,877
Equity attributable to owners of the Target Companies		5,447,087	6,553,856	7,667,193	7,442,377
Non-controlling interests	37	1,867,711	2,185,675	2,481,541	2,508,964
TOTAL EQUITY		7,314,798	8,739,531	10,148,734	9,951,341

COMBINED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015, AND THE THREE MONTHS ENDED MARCH 31, 2016

	Attributable to owners of the Target Companies							
	Paid-in capital	**Capital reserves**	**Statutory surplus reserve**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(notes (i)&(ii))	*(note (iii))*				
At January 1, 2013	4,078,000	4,016	217,804	839	358,181	4,658,840	1,448,523	6,107,363
Profit (loss) for the year	—	—	—	—	418,955	418,955	(3,812)	415,143
Other comprehensive income for the year	—	—	—	32,417	—	32,417	—	32,417
Total comprehensive income (expenses) for the year	—	—	—	32,417	418,955	451,372	(3,812)	447,560
Capital injections	646,600	—	—	—	—	646,600	437,400	1,084,000
Dividend paid *(note 11)*	—	—	—	—	(309,725)	(309,725)	(14,400)	(324,125)
Appropriation of specific reserve	—	—	243,524	—	(243,524)	—	—	—
Utilization of specific reserve	—	—	(192,406)	—	192,406	—	—	—
Appropriation of general reserve	—	—	33,459	—	(33,459)	—	—	—
At December 31, 2013	4,724,600	4,016	302,381	33,256	382,834	5,447,087	1,867,711	7,314,798
Profit (loss) for the year	—	—	—	—	491,081	491,081	(33,036)	458,045
Other comprehensive income for the year	—	—	—	66,688	—	66,688	—	66,688
Total comprehensive income (expenses) for the year	—	—	—	66,688	491,081	557,769	(33,036)	524,733
Capital injections	549,000	—	—	—	—	549,000	351,000	900,000
Appropriation of specific reserve	—	—	116,630	—	(116,630)	—	—	—
Utilization of specific reserve	—	—	(141,701)	—	141,701	—	—	—
Appropriation of general reserve	—	—	74,394	—	(74,394)	—	—	—
At December 31, 2014	5,273,600	4,016	351,704	99,944	824,592	6,553,856	2,185,675	8,739,531
Profit for the year	—	—	—	—	798,017	798,017	29,094	827,111
Other comprehensive income for the year	—	—	—	229,195	—	229,195	—	229,195
Total comprehensive income for the year	—	—	—	229,195	798,017	1,027,212	29,094	1,056,306
Capital injections	420,900	—	—	—	—	420,900	269,100	690,000
Dividend paid *(note 11)*	—	—	—	—	(334,775)	(334,775)	(2,328)	(337,103)
Appropriation of specific reserve	—	—	141,558	—	(141,558)	—	—	—
Utilization of specific reserve	—	—	(107,694)	—	107,694	—	—	—
Appropriation of general reserve	—	—	85,371	—	(85,371)	—	—	—
At December 31, 2015	5,694,500	4,016	470,939	329,139	1,168,599	7,667,193	2,481,541	10,148,734
Profit for the period	—	—	—	—	1,803	1,803	27,423	29,226
Other comprehensive expenses for the period	—	—	—	(226,619)	—	(226,619)	—	(226,619)
Total comprehensive (expenses) income for the period	—	—	—	(226,619)	1,803	(224,816)	27,423	(197,393)
Capital injections	—	—	—	—	—	—	—	—
Appropriation of specific reserve	—	—	21,370	—	(21,370)	—	—	—
Utilization of specific reserve	—	—	(19,408)	—	19,408	—	—	—
At March 31, 2016	5,694,500	4,016	472,901	102,520	1,168,440	7,442,377	2,508,964	9,951,341

	Attributable to owners of the Target Companies							
	Paid-in capital	**Capital reserves**	**Statutory surplus reserve**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(notes (i)&(ii))	*(note (iii))*				
(Unaudited)								
At January 1, 2015	5,273,600	4,016	351,704	99,944	824,592	6,553,856	2,185,675	8,739,531
Loss for the period	—	—	—	—	(45,690)	(45,690)	(28,391)	(74,081)
Other comprehensive income for the period	—	—	—	130,730	—	130,730	—	130,730
Total comprehensive income (expenses) for the period	—	—	—	130,730	(45,690)	85,040	(28,391)	56,649
Appropriation of specific reserve	—	—	14,285	—	(14,285)	—	—	—
Utilization of specific reserve	—	—	(12,950)	—	12,950	—	—	—
At March 31, 2015	5,273,600	4,016	353,039	230,674	777,567	6,638,896	2,157,284	8,796,180

Notes:

(i) **General reserve**

As stipulated by the relevant laws in the People's Republic of China (the "PRC"), entities in PRC are required to maintain a statutory surplus reserve. The statutory surplus reserve is 10% of profit after taxation of the entities according to the PRC statutory financial statements. The appropriation may cease to apply if the balance of the statutory surplus reserve has reached 50% of the PRC entities registered capital. The surplus reserve can be used to make up losses or for conversion into capital. The PRC subsidiaries may, upon the approval by a resolution of the owners, convert their surplus reserves into capital in proportion to their then existing capital contribution.

(ii) **Specific reserve**

Pursuant to the relevant PRC regulations for construction companies, CGN Engineering is required to set aside an amount to maintenance, improvement and other similar funds. The funds can be used for maintenance and improvements of safety at the construction sites, and are not available for distribution to owners of the subsidiaries.

(iii) **Other reserves**

The amount mainly represent the reserves shared by the Target Companies in respect of its proportional sharing of the available-for-sale investment reserve of its associate.

COMBINED STATEMENTS OF CASH FLOWS
FOR THE THREE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015, AND THE THREE MONTHS ENDED MARCH 31, 2016

	Year ended December 31,			Three months ended March 31,	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Operating activities					
Profit (loss) before taxation	471,059	444,604	930,012	(84,705)	24,207
Adjustments for:					
Provision for low and medium level radioactive waste management	—	—	—	—	750
Depreciation of property, plant and equipment	232,021	244,147	230,845	61,549	164,117
Amortization of intangible assets	18,894	25,449	26,356	6,059	14,629
Depreciation of investment properties	7,349	20,841	513	128	128
Amortization of prepaid lease payments	1,352	8,662	16,322	4,006	4,487
Finance costs	8,211	6,049	4,994	1,478	225,833
Allowance for prepayments and other receivables	—	—	32,220	—	—
Allowance for inventories	10,916	4,651	113,018	—	—
Impairment on property, plant and equipment	—	—	634	—	—
(Gain) loss on disposal of property, plant and equipment	(28)	(53)	1,130	330	124
Gain on disposal of an associate	—	(54)	—	—	—
Unrealized fair value change in derivative financial instruments	—	—	(544)	—	(344)
Dividend income from available-for-sale investment	(5,793)	(3,638)	(17,570)	(10,384)	—
Government grant related to assets and expenses	(2,663)	(2,663)	(114,895)	(666)	(2,837)
Interest income	(994,070)	(184,084)	(72,424)	(22,295)	(10,186)
Share of results of associates	(129,928)	(132,446)	(180,471)	(47,551)	(55,543)
Unrealized net exchange losses (gains)	8,069	74,544	(4,788)	56,644	(9,731)
Operating cash flows before movements in working capital	(374,611)	506,009	965,352	(35,407)	355,634
(Increase) in inventories	(285,832)	(325,183)	(1,153,283)	(1,298,963)	(237,094)
(Increase) decrease in trade receivables	(2,316,080)	4,431,619	147,994	1,175,838	546,532
(Decrease) increase in trade and other payables	(1,213,531)	(171,483)	1,949,572	1,062,178	(1,281,924)
Decrease (increase) in amounts receivable on contract work	2,955,614	(1,218,769)	(1,782,731)	987,071	(350,912)
(Decrease) increase in amounts payable on contract work	(631,364)	(1,062,321)	(1,829,211)	(1,736,304)	66,413
Cash (used in) from operations	(1,865,804)	2,159,872	(1,702,307)	154,413	(901,351)
Income tax paid	(49,869)	(47,554)	(120,421)	(6,948)	(101,889)
Net cash (used in) from operating activities	(1,915,673)	2,112,318	(1,822,728)	147,465	(1,003,240)

	Year ended December 31,			Three months ended March 31,	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Investing activities					
Interest received	994,070	184,084	72,424	22,295	10,186
Deposit paid and purchase of property, plant and equipment	(7,315,457)	(6,205,383)	(5,618,087)	(1,068,512)	(1,257,336)
Addition to intangible assets	(317,255)	(610,461)	(306,746)	(71,702)	(87,443)
Addition to prepaid lease payments	(2,762)	(434,606)	(13,114)	—	—
Addition to investment property	(754,750)	(6,927)	—	—	—
Proceeds from disposal of property, plant and equipment	2,070	2,222	612	464	149
Proceeds from disposal of intangible assets	—	2,132	—	—	—
Proceeds from disposals of an associate	—	10,054	—	—	—
Government grants received (refunded)	51,251	8,716	16,314	3,001	(1,155)
Placement of deposits with original maturity over three months	(922,811)	(849,921)	(4,276,802)	(3,511,981)	(300,360)
Withdrawal of deposits with original maturity over three months	5,138,200	922,811	4,361,902	849,921	764,821
Placement of pledged bank deposits	(5,544)	(403)	(2,324)	—	(5,437)
Withdrawal of pledged bank deposits	4,216	5,544	403	—	2,324
Repayment from loan receivables to a third party	—	—	30,000	—	—
Capital contributions to associates	—	(180,000)	(120,000)	—	—
Dividends received from associates	88,095	67,247	73,534	—	2,213
Dividends received from available-for-sale investment	5,793	3,638	17,570	10,384	—
Advance to related parties	(173,447)	(44,803)	(37,848)	(42,779)	(11,463)
Repayment from related parties	180,219	15,967	19,763	3,811	7,802
Net cash used in investing activities	(3,028,112)	(7,110,089)	(5,782,399)	(3,805,098)	(875,699)

	Year ended December 31,			Three months ended March 31,	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Financing activities					
Capital injections from non-controlling interests	437,400	351,000	269,100	—	—
Capital injections from owners of Target Companies	646,600	549,000	420,900	—	—
Interest paid	(884,553)	(1,345,585)	(1,656,381)	(415,095)	(444,908)
Loans from a fellow subsidiary	—	1,990,000	4,350,000	—	—
Repayment to a fellow subsidiary	—	—	(3,460,000)	(1,000,000)	—
Loans from an associate	2,040,000	2,879,000	4,859,720	790,000	631,203
Repayments to an associate	(674,860)	(3,707,140)	(3,622,844)	(1,350,000)	(1,341,220)
Loans from ultimate holding company	—	—	725,500	—	330,000
Repayments to ultimate holding company	—	—	(150,000)	—	—
Proceeds from bank borrowings	7,976,841	11,514,050	9,522,584	2,988,750	2,889,348
Repayment of bank borrowings	(2,373,132)	(5,410,230)	(5,495,110)	(1,513,134)	(1,328,153)
Dividends paid to owners of the Target Companies	(171,158)	(150,567)	(334,775)	—	—
Dividends paid to non-controlling shareholders with significant influence over the subsidiaries	(14,400)	—	(2,328)	—	—
Proceed from issuing notes payable	—	1,500,000	—	—	—
Repayment of notes payable	—	(1,500,000)	—	—	—
Advance from related parties	37,580	97,607	85,377	81,263	368,932
Repayment to related parties	(39,170)	(5,977)	(15,414)	(5,149)	(7,040)
Net cash from (used in) financing activities	6,981,148	6,761,158	5,496,329	(423,365)	1,098,162
Net increase (decrease) in cash and cash equivalents	2,037,363	1,763,387	(2,108,798)	(4,080,998)	(780,777)
Cash and cash equivalents at the beginning of the year/period	2,544,800	4,586,050	6,316,441	6,316,441	4,202,703
Effects of exchange rate changes	3,887	(32,996)	(4,940)	(21,261)	2,628
Cash and cash equivalents at the end of the year/period	4,586,050	6,316,441	4,202,703	2,214,182	3,424,554

NOTES TO THE FINANCIAL INFORMATION
FOR THE THREE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015,
AND THE THREE MONTHS ENDED MARCH 31, 2016

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Pursuant to a non-competition deed dated November 21, 2014 entered into by China General Nuclear Power Corporation* (中國廣核集團有限公司) ("CGNPC") and the Company, the Company is granted with the right to acquire the equity interests in certain CGNPC's controlled companies which compete or are likely to compete with the business of the Group (the "Acquisition Right"). On September 25, 2016, the Company entered into a sale and purchase agreement (the "SPA") with CGNPC (the "Vendor") to acquire the equity interests of Target Companies. Pursuant to the SPA, the total consideration payable for the Acquisition is approximately RMB9,920.50 million (the "Consideration") and the Consideration is subject to adjustments set out in the SPA.

CGNPC, the ultimate holding company of the Company, controls the businesses engaged by the Target Companies which include sales of nuclear power electricity, nuclear power plant in operation, nuclear power project under construction and construction, design, research and development of nuclear power related businesses throughout the Relevant Periods. Accordingly, the Financial Information, including the combined statements of profit or loss and other comprehensive income, combined statements of financial position, combined statements of changes in equity and combined statements of cash flows of the Target Companies have been prepared under merger accounting.

The directors of the Target Companies have given consideration to the future liquidity of the Target Companies in light of the fact that the Target Companies had net current liabilities of RMB6,009,976,000 as at March 31, 2016. After taking into account the available credit facilities and the Target Companies' internally generated funds, the directors of the Company are of the opinion that the Target Companies have sufficient working capital for its present requirements for at least the next twelve months following the date of this report. The directors of the Target Companies believe that the Target Companies will continue as going concern. Consequently, the Financial Information has been prepared on a going concern basis.

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Target Companies.

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

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Companies have consistently applied International Accounting Standards ("IASs"), IFRSs, amendments and interpretations issued by the International Accounting Standards Board (the "IASB") which are effective for the accounting period beginning on January 1, 2016 throughout the Relevant Periods.

At the date of this report, the IASB has issued the following new and revised IASs, IFRSs and amendments that are not yet effective.

The Target Companies has not early applied the following new and revised IFRSs that have been issued but are not effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
Amendments to IFRS 2	Clarification and Measurement of Share-based Payment Transactions[1]
Amendment to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture[3]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses[4]

1 Effective for annual periods beginning on or after January 1, 2018

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

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

4 Effective for annual periods beginning on or after January 1, 2017

IFRS 9 "Financial Instruments"

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss;

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

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

The expected credit loss model may result in earlier recognition of impairment losses. In addition, for the Group's available-for-sale financial assets, the application of IFRS 9 may affect the Target Companies' classification and measurement and the directors of the Target Companies are currently assessing whether the adoption of IFRS 9 in the future will have a significant impact on the amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of the effect until the directors of the Target Companies perform a detailed review.

IFRS 15 "Revenue from Contracts with Customers"

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

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

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

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The directors of the Target Companies anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Financial Information. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the directors of the Target Companies perform a detailed review.

IFRS 16 "Leases"

IFRS 16, which upon the effective date will supersede IAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The directors of the Target Companies anticipate that the application of IFRS 9, IFRS 15 and IFRS 16 in the future may have a material impact on the amounts reported and disclosures in the Financial Information. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Target Companies performs a detailed review.

The directors of the Target Companies anticipate that the application of other new and revised IFRSs will have no material impact on the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by IASB and the accounting policies adopted by the Company and its subsidiaries (together the "Group") as set out in the annual report of the Company for the year ended December 31, 2015. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The Financial Information have 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 Target Companies take 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 "Leases" and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of assets".

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The Financial Information incorporate the financial statements of entities controlled by the Target Companies. Control is achieved when the Target Companies:

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

The Target Companies reassess 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 Target Companies obtains control over the subsidiary and ceases when the Target Companies lose control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Relevant Periods are included in the combined statements of profit or loss and other comprehensive income from the date the Target Companies gain control until the date when the Target Companies cease to control the subsidiary.

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

The allocation to non-controlling interests represents the proportion of total comprehensive income not held by group entities. Non-controlling interests is measured as the proportion not held by the Target Companies.

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

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

Non-controlling interests in subsidiaries are presented separately from the Target Companies' equity therein.

Interests in associates

An associate is an entity over which the Target Companies 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 associates are incorporated in the Financial Information using the equity method of accounting. The financial statements of associates used for equity method accounting purpose are prepared using uniform accounting policies as these of the Target Companies for like transactions and events in similar circumstances. Under the equity method, an interest in an associate is initially recognized in the combined statements of financial position at cost and adjusted thereafter to recognize the Target Companies' share of the profit or loss and other comprehensive income of the associate. When the Target Companies' share of losses of an associate exceeds the Target Companies' interest in that associate (which includes any long-term interests that, in substance, form part of the Target Companies' net interest in the associate), the Target Companies discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Target Companies has incurred legal or constructive obligations or made payments on behalf of the associate.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Target Companies' interest in an associate. 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 of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Target Companies discontinue the use of the equity method from the date when the investment ceases to be an associate.

When a group entity transacts with an associate of the Target Companies, profits and losses resulting from the transactions with the associate are recognized in the consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Target Companies.

Merger accounting for business combination involving entities under common control

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

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when the combing entities or businesses first came under the common control, where this is a short period.

Revenue recognition

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

Revenue from the sales of goods are recognized when all the following conditions are satisfied:

- The Target Companies has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Target Companies retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Target Companies; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from sales of electricity are recognized based upon output delivered. Revenue is recognized upon transmission of electricity to the grid companies.

Revenue from construction contracts is recognized using the percentage of completion method by reference to the completion assessed on the basis of the actual services provided as a proportion of the total services to be provided.

Service income is recognized as services are rendered.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Target Companies 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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

Deposits and instalments received from customers prior to meeting the revenue recognition criteria are included in the combined statements of financial position under current liabilities.

Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Target Companies recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Target Companies should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the combined statements 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 Target Companies with no future related costs are recognized in profit or loss in the period in which they become receivable.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress), are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Decommissioning and waste management costs resulting from decommissioning of nuclear installations operated by the Target Companies are included as part of the related assets. The costs of the day-to-day servicing of property, plant and equipment are recognized in the profit or loss as incurred.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment (other than nuclear facilities 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.

Nuclear facilities are depreciated using the unit of production method based on the expected remaining production volume derived from the estimated useful lives.

Construction in progress is carried at cost, less recognized impairment loss, if any. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Target Companies' 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.

If an owner-occupied property becomes an investment property because its use has changed as evidenced by end of owner-occupation, the cost and accumulated depreciation of that item at the date of transfer are transferred to investment property for subsequent measurement and disclosure purposes.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on 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 recognized in profit or loss.

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Facilitation and related costs represent salaries and other directly attributable expenditure incurred by the Target Companies for training the nuclear engineers for future operation and management of nuclear power units. The amount is amortized on a straight-line basis over the remaining terms of the employment contracts of the engineers after the completion of training.

Derecognition of intangible assets

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses. Depreciation is recognized so as to write off the cost of each item of investment property over its estimated useful life and after taking into account its estimated residual value, using straight-line method.

If an item of investment property becomes owner-occupied property because its use has changed as evidenced by commencement of owner-occupation, the cost and accumulated depreciation of that item at the date of transfer are transferred to property, plant and equipment for subsequent measurement and disclosure purposes.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Impairment of tangible and intangible assets (other than goodwill)

At the end of each reporting period, the Target Companies reviews the carrying amounts of its tangible and intangible 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 Target Companies estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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 less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. Any impairment loss is recognized immediately in profit or loss.

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

Construction contracts

Where the outcome of a contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by surveys of work performed. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Where contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts receivable on contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as amounts payable on contract work. Amounts received before the related work is performed are included in the combined statements of financial position, as a liability, as receipt in advance. Amounts billed for work performed but not yet paid by the customer are included in the combined statements of financial position under trade receivables.

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 Target Companies as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the relevant lease term.

The Target Companies as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the relevant lease term.

Leasehold land and building

When a lease includes both land and building elements, the Target Companies 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 Target Companies, 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 combined statements of financial position and is amortized 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 or investment properties as applicable.

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 each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 recognized in profit or loss in the period in which they arise.

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.

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

Retirement benefit costs

Payments to state-managed retirement benefits schemes which are classified as defined contribution plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

The tax currently payable is based on taxable profit for the Relevant Periods. Taxable profit differs from 'profit before taxation' as reported in the combined statements 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 Target Companies' liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax 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 Target Companies expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of nuclear fuel are measured using specific identification method. Costs of other inventories are calculated using weighted average method. Net realizable value represents the estimated selling price for inventories less costs necessary to make the sale.

Provisions

Pursuant to the rules and requirements in the PRC, the Target Companies is obliged to manage and dispose spent fuel and low and medium level radioactive waste, as well as decommission the nuclear facilities in relation to its nuclear power operation.

As such, provisions are recognized when the Target Companies has a present obligation (legal or constructive) as a result of a past event, it is probable that the Target Companies will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. For provision of spent fuel management, the management of the Target Companies estimates the future disposal costs for fuel used. For provision of low and medium level radioactive waste management, the management of the Target Companies estimates the cost required for disposing radioactive waste resulting from the nuclear power generating activities. Since the effect of the time value of money is not material, the expected cash flows on disposing spent fuel and radioactive waste have not been discounted.

In addition, the management of the Target Companies estimates the cost required for the decommissioning of the nuclear power plant in the future, including future construction costs associated with certain enabling facilities, such as disposal facilities for nuclear waste. The provision for nuclear power plant decommissioning is recorded based on the estimated future decommissioning expenditures discounted to its present value using a current pre-tax rate that reflects the risks specific to the liability. The estimated future cash forecasts are adjusted for inflation using a rate that is derived on the basis of the historical inflation rates. The unwinding of the discount on this provision is charged to the profit or loss.

Decommissioning costs are added to the carrying amount of the related property, plant and equipment and depreciated over their estimated useful lives. Changes in the estimated amount or timing of the underlying future cash flows are dealt with prospectively by recording an adjustment to the provision, with a corresponding adjustment to property, plant and equipment.

Financial instruments

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

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

Financial assets

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

Interest income is recognized on an effective interest basis for debt.

Financial assets at fair value through profit or loss

Financial assets at FVTPL (i.e. derivative financial instruments classified as held for trading) are measured at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss and is included in the line item "gain arising from changes in fair value of derivative financial instruments."

Available-for-sale investments ("AFSs")

AFSs are non-derivatives that are either designated as AFSs, or are not classified as loans and receivables nor financial assets at fair value through profit or loss.

Dividends on AFSs investments are recognized in profit or loss when the Target Companies' right to receive the dividends is established.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from related parties, loans receivables, pledged bank deposits, other deposits over three months, and cash and cash equivalents) are measured at amortized cost using the effective interest method, less any identified impairment at the end of each reporting period (see accounting policy in respect of impairment of financial assets below).

Interest income is recognized by applying the effective interest rate except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

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

For other financial asset, objective evidence of impairment could include:

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

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

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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. When a trade receivable is considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized 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 losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity under Target Companies are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant periods. 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 recognized or an effective interest basis, of which the interest expense, if any, is included in net gains or losses.

Financial liabilities

Financial liabilities (including trade and other payables, amounts due to related parties, loans from ultimate holding company, loans from an associate, loans from a fellow subsidiary, bank borrowings and notes payable) are subsequently measured at amortized cost using the effective interest method.

Derecognition

The Target Companies derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

The Target Companies derecognizes financial liabilities when, and only when, the Target Companies' obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Target Companies' accounting policies, which are described in note 3, the directors of the Target Companies 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 ongoing basis. Revisions to accounting estimates are recognized 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.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the management has made in the process of applying the Target Companies' accounting policies and that has the most significant effect on the amounts recognized in the Financial Information.

Facilitation and related costs

Facilitation and related costs represent salaries and other directly attributable expenditure incurred by the Target Companies for training the nuclear engineers who would be involved in the future operation and management of nuclear power units. Pursuant to the employment contracts, these engineers are obligated to compensate the Target Companies for the training and related costs incurred during the training period for early termination of employment contracts. As such, the management of the Target Companies is of the opinion that such compensation creates a financial barrier to these engineers and effectively prevents them from leaving the Target Companies as evidenced by low historical staff turnover rate. Taking into account the expected positive future cash flows from nuclear power operation, the management of the Target Companies considers that the expenditure met the definition of an intangible asset as the Target Companies controls these engineers in its nuclear power operation from which future economic benefits are expected to flow to the Target Companies. The amount is amortized on a straight-line basis over the remaining terms of the employment contracts of the engineers ranging from five to ten years after the completion of training.

Key sources of estimation uncertainty

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

Construction contracts

Revenue from construction contract is recognised under the percentage of completion method which requires estimation made by the management. Anticipated losses are fully provided on contracts when identified. The management estimates the contract costs and foreseeable losses of construction based on the budgets prepared for the contracts. Because of the nature of the activities undertaken in construction businesses, the management reviews and revises the estimates of contract costs in the budget prepared for each contract as the contract progresses. Where the contract revenue is less than expected or actual contract costs are more than expected, additional losses may need to be recognised.

As at December 31, 2013, 2014 and 2015 and March 31, 2016, the carrying amounts of amounts receivable on contract work and amounts payable on contract work are RMB394,013,000 and RMB8,607,970,000, RMB1,612,782,000 and RMB7,545,649,000, RMB3,395,513,000 and RMB5,716,438,000, RMB3,746,425,000 and RMB5,782,851,000, respectively.

Property, plant and equipment

The nuclear facilities are depreciated using the units of production method and other nuclear-related property, plant and equipment is depreciated using the straight-line method over their respective useful lives. The Target Companies' management reviews annually the residual value, useful lives and related depreciation based on the historical experience of the actual residual value and useful lives of property, plant and equipment of similar nature and function. For nuclear facilities, depreciation is also affected by the budgeted production volume throughout the useful lives of the facilities. Estimated useful lives and production volume could change significantly as a result of technical innovations and changes in safety regulatory development. As a result, the depreciation charge would increase where residual value or useful lives are less than previously estimated, or has to be written off or written down technically obsolete or non-strategic assets that have been abandoned or sold.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on the value-in-use calculations or fair value less costs of disposal. Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates and other assumptions in the cash flow projections, could materially affect the net present value in the impairment test. If there is a significant adverse change in the assumptions used in the future cash flow projections, an impairment loss may be recognized in profit or loss.

As at December 31, 2013, 2014 and 2015 and March 31, 2016, the carrying amounts of property, plant and equipment are approximately RMB23,800,927,000, RMB31,715,911,000, RMB38,057,779,000 and RMB40,133,954,000 respectively.

Impairment of inventories

The Group makes impairment loss of inventories based on an assessment of the net realisable value of inventories. Impairment losses are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. In cases where the net realisable value of inventories assessed are less than expected, a recognition of impairment loss of inventories may arise, which would be recognised in profit or loss in the period in which such recognition takes place.

As at December 31, 2013, 2014 and 2015 and March 31, 2016, the carrying amount of inventories is RMB789,346,000 (net of accumulated impairment of RMB10,916,000), RMB1,109,878,000 (net of accumulated impairment of RMB15,488,000), RMB2,150,143,000 (net of accumulated impairment of RMB125,320,000) and RMB2,387,237,000 (net of accumulated impairment of RMB125,320,000), respectively.

Intangible assets

Development costs on nuclear power related technologies as well as facilitation and related cost on the Target Companies' engineers are capitalized as intangible assets in accordance with the accounting policy set out in note 3, depending on an assessment by the management with respect to the technical feasibility of the technology, where applicable, and whether the expenditure incurred is able to generate probable future economic benefits to the Target Companies.

The intangible assets are amortized on a straight-line basis over its useful lives and remaining terms of the employment contracts of the engineers in case of facilitation and related cost. The management assessed the useful lives of its intangible assets annually. In addition, the management estimates the recoverable amounts of the cash generating units to which the intangible assets are allocated whenever there is an indication of impairment where the intangible assets are not put into use. Technical innovations and changes in safety regulatory development will affect the estimated useful lives and the estimation of the recoverable amounts.

As at December 31, 2013, 2014 and 2015 and March 31, 2016, the carrying amounts of intangible assets are approximately RMB873,797,000, RMB1,456,677,000, RMB1,737,067,000 and RMB1,809,881,000 respectively.

Deferred tax assets

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management of the Target Companies considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different. The realizability of the deferred tax assets mainly depends on whether sufficient future profits will be available in the future. The management of the Target Companies determines the deferred tax assets based on the enacted or substantially enacted tax rates and the best knowledge of profit projections of the Target Companies for coming years during which the deferred tax assets are expected to be utilized. The management of the Target Companies reviews the assumptions and profit projections on a regular basis. In cases where the actual future profits generated are more or less than expected, an additional recognition or a reversal of deferred tax assets may arise, which would be recognized in the profit or loss for the period in which such a recognition or reversal takes place.

As at December 31, 2013, 2014 and 2015 and March 31, 2016, the carrying amounts of deferred tax assets are approximately RMB21,804,000, RMB119,788,000, RMB187,309,000 and RMB194,544,000 respectively.

Provisions for decommissioning and low and medium level waste management

Decommissioning provision for nuclear power plant, which pertain to future obligations for handling the decommissioning of the Target Companies' nuclear power plants as well as for handling nuclear waste, is recorded as a non-current liability based on expected timing of occurrence. Estimated future decommissioning expenditures require assumptions be made about the regulatory environment, health and safety considerations, the desired end state and technology to be employed. The discounting of the expected future cash flows is at a rate that reflects current market assessments of the time value of money and the risks specific to the provision. The provision is reviewed annually to reflect actual expenditures incurred and changes in management's estimate of the future costs and timing. The Target Companies also makes a provision for low and medium level radioactive waste management that covers cost for management and safe disposal of radioactive waste on the basis of management's best estimates of the quantities and radioactivity of waste water, waste gas and other solid pollutants discharged and the expenditure required in undergoing different treatments and processes. If the requirements set out in the industry policies or new regulations in the future are higher than currently expected, the Target Companies is required to make further provisions in accordance with these new standards, which will affect the results of operations. Details of the assumptions are shown in note 35.

As at March 31, 2016, the carrying amounts of provisions for decommissioning and low and medium level radioactive waste management are approximately RMB247,583,000 and RMB750,000 respectively. No such provision is made as at December 31, 2013, 2014 and 2015.

5. REVENUE AND SEGMENT INFORMATION

Revenue mainly represents revenue arising from the nuclear power operation and sales of electricity derived from nuclear power plants and revenue earned from construction of nuclear power plants for the Relevant Periods.

An analysis of the Target Companies' revenue for the Relevant Periods is as follows:

	Year ended December 31,			Three months ended March 31,	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Sales of electricity	—	—	—	—	607,858
Revenue from technical and training service	111,706	429,549	803,695	70,096	69,618
Sales of equipment and other goods	287,336	214,444	318,318	20,336	41,120
Revenue from construction of nuclear power plants	13,707,228	11,532,163	11,379,635	1,543,137	1,511,899
	14,106,270	12,176,156	12,501,648	1,633,569	2,230,495

Information reported to the board of directors of the Target Companies, being the chief operating decision makers ("CODM") of the Target Companies, for the purposes of resources allocation and assessment of performance focuses on the types of goods or services delivered or provided. The CODM regularly review sales reports, electricity supply reports and construction progress reports. The Target Companies' operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from another operating segments. Summary details of the reportable segments are as follows:

(i) the nuclear power operation and sale of electricity segment which generates revenue from sale of electricity through nuclear power operation; and

(ii) the engineering construction and technical services segment which generates revenue from technical and training service, sales of equipment and other goods and construction of nuclear power plants.

The segment revenue is the same as the Target Companies' revenue. Segment profit (loss) is the Target Companies' profit (loss) before taxation without taking into account of share of results of the Target Companies' associates. This is the measure reported to the CODM for resources allocation and performance assessment.

Segment revenue and results

The following table presents revenue and results by reportable segments.

	Year ended December 31, 2013				
	Nuclear power operation and sale of electricity	**Engineering construction and technical services**	**Subtotal**	**Elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue					
External sales	—	14,106,270	14,106,270	—	14,106,270
Inter-segment sales	—	4,275,773	4,275,773	(4,275,773)	—
Segment revenue	—	18,382,043	18,382,043	(4,275,773)	14,106,270
Segment (loss) profit before taxation reported to the board of directors	(33,846)	407,858	374,012	(32,881)	341,131
Add: Share of results of associates	—	135,892	135,892	(5,964)	129,928
Target Companies' (loss) profit before taxation	(33,846)	543,750	509,904	(38,845)	471,059

	Year ended December 31, 2014				
	Nuclear power operation and sale of electricity	Engineering construction and technical services	Subtotal	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue					
External sales	—	12,176,156	12,176,156	—	12,176,156
Inter-segment sales	—	4,421,651	4,421,651	(4,421,651)	—
Segment revenue	—	16,597,807	16,597,807	(4,421,651)	12,176,156
Segment (loss) profit before taxation reported to the board of directors	(86,630)	775,636	689,006	(376,848)	312,158
Add: Share of results of associates	—	140,704	140,704	(8,258)	132,446
Target Companies' (loss) profit before taxation	(86,630)	916,340	829,710	(385,106)	444,604

	Year ended December 31, 2015				
	Nuclear power operation and sale of electricity	Engineering construction and technical services	Subtotal	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue					
External sales	—	12,501,648	12,501,648	—	12,501,648
Inter-segment sales	—	3,452,138	3,452,138	(3,452,138)	—
Segment revenue	—	15,953,786	15,953,786	(3,452,138)	12,501,648
Segment (loss) profit before taxation reported to the board of directors	(20,014)	939,678	919,664	(170,123)	749,541
Add: Share of results of associates	—	193,025	193,025	(12,554)	180,471
Target Companies' (loss) profit before taxation	(20,014)	1,132,703	1,112,689	(182,677)	930,012

	Three months ended March 31, 2015 (unaudited)				
	Nuclear power operation and sale of electricity	**Engineering construction and technical services**	**Subtotal**	**Elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue					
External sales	—	1,633,569	1,633,569	—	1,633,569
Inter-segment sales	—	736,326	736,326	(736,326)	—
Segment revenue	—	2,369,895	2,369,895	(736,326)	1,633,569
Segment (loss) before taxation reported to the board of directors	(56,299)	(74,722)	(131,021)	(1,235)	(132,256)
Add: Share of results of associates	—	50,952	50,952	(3,401)	47,551
Target Companies' (loss) before taxation	(56,299)	(23,770)	(80,069)	(4,636)	(84,705)

	Three months ended March 31, 2016				
	Nuclear power operation and sale of electricity	**Engineering construction and technical services**	**Subtotal**	**Elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue					
External sales	607,858	1,622,637	2,230,495	—	2,230,495
Inter-segment sales	—	718,840	718,840	(718,840)	—
Segment revenue	607,858	2,341,477	2,949,335	(718,840)	2,230,495
Segment profit (loss) before taxation reported to the board of directors	87,684	(119,779)	(32,095)	759	(31,336)
Add: Share of results of associates	—	58,971	58,971	(3,428)	55,543
Target Companies' profit (loss) before taxation	87,684	(60,808)	26,876	(2,669)	24,207

Inter-segment sales are charged at mutual agreement prices.

Other segment information

	Year ended December 31, 2013				
	Nuclear power operation and sale of electricity	**Engineering construction and technical services**	**Subtotal**	**Elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts included in the measure of segment results:					
Depreciation and amortization	698	258,918	259,616	—	259,616
Impairment losses of inventories	—	10,916	10,916	—	10,916
Gain on disposal of property, plant and equipment	—	(28)	(28)	—	(28)
Research and development expenses	—	453,333	453,333	—	453,333
Interest income from construction income receivables due from customers	—	929,413	929,413	(57,936)	871,477
Interest income from bank deposits	164	756	920	—	920
Interest income from an associate	—	121,673	121,673	—	121,673
Finance costs	—	8,211	8,211	—	8,211
Taxation	(2,879)	68,506	65,627	(9,711)	55,916
Additions to non-current assets (note)	9,705,652	1,419,580	11,125,232	505,902	11,631,134
Amounts regularly provided to the chief operating decision makers but not included in the measure of segments results:					
Interests in associates	—	760,384	760,384	—	760,384

	Year ended December 31, 2014				
	Nuclear power operation and sale of electricity	**Engineering construction and technical services**	**Subtotal**	**Elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts included in the measure of segment results:					
Depreciation and amortization	1,328	297,771	299,099	—	299,099
Impairment losses of inventories	—	4,651	4,651	—	4,651
Gain on disposal of property, plant and equipment	—	(53)	(53)	—	(53)
Research and development expenses	—	275,473	275,473	—	275,473
Interest income from construction income receivables due from customers	—	136,011	136,011	(45,203)	90,808
Interest income from bank deposits	698	1,180	1,878	—	1,878
Interest income from an associate	—	91,398	91,398	—	91,398
Finance costs	—	6,049	6,049	—	6,049
Taxation	(15,164)	97,999	82,835	(96,276)	(13,441)
Additions to non-current assets (note)	5,913,702	1,036,246	6,949,948	2,029,325	8,979,273
Amounts regularly provided to the chief operating decision makers but not included in the measure of segments results:					
Interests in associates	—	1,069,141	1,069,141	—	1,069,141

	Year ended December 31, 2015				
	Nuclear power operation and sale of electricity	**Engineering construction and technical services**	**Subtotal**	**Elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts included in the measure of segment results:					
Allowance for prepayments and other receivables	—	32,220	32,220	—	32,220
Depreciation and amortization	3,149	270,887	274,036	—	274,036
Impairment losses of inventories	—	113,018	113,018	—	113,018
Impairment losses of property, plant and equipment	—	634	634	—	634
Loss on disposal of property, plant and equipment	187	943	1,130	—	1,130
Research and development expenses	—	323,135	323,135	—	323,135
Interest income from bank deposits	1,025	470	1,495	—	1,495
Interest income from an associate	—	70,929	70,929	—	70,929
Finance costs	—	4,994	4,994	—	4,994
Taxation	1,590	146,980	148,570	(45,669)	102,901
Additions to non-current assets (note)	7,622,562	355,707	7,978,269	(863,278)	7,114,991
Amounts regularly provided to the chief operating decision makers but not included in the measure of segments results:					
Interests in associates	—	1,526,388	1,526,388	—	1,526,388

	Three months ended March 31, 2015 (unaudited)				
	Nuclear power operation and sale of electricity	**Engineering construction and technical services**	**Subtotal**	**Elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts included in the measure of segment results:					
Depreciation and amortization	537	71,205	71,742	—	71,742
Loss on disposal of property, plant and equipment	—	330	330	—	330
Research and development expenses	—	31,152	31,152	—	31,152
Interest income from bank deposits	499	90	589	—	589
Interest income from an associate	—	21,706	21,706	—	21,706
Finance costs	—	1,478	1,478	—	1,478
Taxation	(12,248)	2,783	(9,465)	(1,159)	(10,624)
Additions to non-current assets (note)	958,631	78,159	1,036,790	662,715	1,699,505
Amounts regularly provided to the chief operating decision makers but not included in the measure of segments results:					
Interests in associates	—	1,261,206	1,261,206	—	1,261,206

	Three months ended March 31, 2016				
	Nuclear power operation and sale of electricity	**Engineering construction and technical services**	**Subtotal**	**Elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts included in the measure of segment results:					
Depreciation and amortization	115,369	67,992	183,361	—	183,361
Loss on disposal of property, plant and equipment	—	124	124	—	124
Research and development expenses	—	54,073	54,073	—	54,073
Provision for low and medium level radioactive waste management	750	—	750	—	750
Interest income from bank deposits	2,246	110	2,356	—	2,356
Interest income from an associate	—	7,830	7,830	—	7,830
Finance costs	224,769	1,064	225,833	—	225,833
Taxation	3,124	(7,476)	(4,352)	(667)	(5,019)
Additions to non-current assets (note)	756,276	1,447,521	2,203,797	(31,097)	2,172,700
Amounts regularly provided to the chief operating decision makers but not included in the measure of segments results:					
Interests in associates	—	1,358,740	1,358,740	—	1,358,740

Note: Non-current assets include property, plant and equipment, intangible assets, investment properties, prepaid lease payments, deposits for property, plant and equipment and prepayment and value-added tax recoverable.

Geographical information

As the Target Companies' operations and non-current assets are all located in the PRC, no other geographical segment information is presented.

Information about major customers

Revenue from customers of Relevant Periods contributing over 10% of the total sales of the Target Companies for the respective year/period are as follows:

	Year ended December 31,			Three months ended March 31,	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Entities under control by the PRC Government (excluding entities under control by CGNPC, a joint venture of CGNPC and an associate of CGNPC)[1]	—	—	N/A[2]	—	607,858
Entities under control by CGNPC[1]	5,723,081	5,133,127	5,552,620	907,979	893,174
A joint venture of CGNPC[1]	3,593,029	3,271,375	2,397,847	252,099	N/A[2]
An associate of CGNPC[1]	3,952,991	2,806,941	3,007,492	312,252	311,900

1 revenue from construction of nuclear power plant, technical and training service revenue and other goods to related parties and sales of electricity.

2 The corresponding revenue does not contribute 10% of the total sales of the Target Companies in the respective period.

Segment assets and liabilities

The following is an analysis of the Target Group's assets and liabilities by reporting segments:

	At December 31,			At March 31,
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets				
Nuclear power operation and sale of electricity	29,248,213	35,480,269	43,988,830	45,138,589
Engineering construction and technical services	24,329,992	22,701,520	23,496,649	23,064,622
Total segment assets	53,578,205	58,181,789	67,485,479	68,203,211
Unallocated assets	760,384	1,069,141	1,526,388	1,358,740
Elimination	(5,838,218)	(2,958,972)	(4,446,163)	(4,421,429)
Total assets	48,500,371	56,291,958	64,565,704	65,140,522

	At December 31, 2013	At December 31, 2014	At December 31, 2015	At March 31, 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment liabilities				
Nuclear power operation and sale of electricity	24,252,014	29,655,536	37,495,701	38,560,898
Engineering construction and technical services	22,816,333	20,611,590	20,986,152	20,666,428
Total segment liabilities	47,068,347	50,267,126	58,481,853	59,227,326
Elimination	(5,882,774)	(2,714,699)	(4,064,883)	(4,038,145)
Total liabilities	41,185,573	47,552,427	54,416,970	55,189,181

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than interests in associates; and

- all liabilities are allocated to operating segments.

6. OTHER INCOME

	Year ended December 31,			Three months ended March 31,	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Value-added tax refunds (note (a))	19,955	13,712	29,253	6,216	1,954
Interest income from construction income receivables due from customers (note (b))	871,477	90,808	—	—	—
Interest income from bank deposits	920	1,878	1,495	589	2,356
Interest income from an associate	121,673	91,398	70,929	21,706	7,830
Rental income	598	1,873	690	94	224
Dividend from available-for-sale investments	5,793	3,638	17,570	10,384	—
Government grants					
- related to expenses items (note (c))	11,155	14,227	90,815	1,812	484
- related to assets (note 34)	2,663	2,663	28,761	666	2,353
	1,034,234	220,197	239,513	41,467	15,201

Notes:

(a) During the Relevant Periods, China Techenergy Co., Ltd. is entitled to preferential VAT policy of "refund upon collection" for its revenue from sales of software production in accordance with the relevant tax laws and regulations. There were no conditions or limitations attached to these value-added tax refunds.

(b) During the years ended December 31, 2013 and 2014, the Target Companies charged interest income to its customers on overdue construction receivables based on prevailing market interest rates.

(c) The amounts represent incentives from various PRC government authorities in connection with the enterprise expansion support, technology advancement support and product development support for the Relevant Periods, which of no conditions where imposed by the respective PRC government authorities.

7. OTHER GAINS AND LOSSES

	Year ended December 31,			Three months ended March 31,	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net foreign exchange (losses) gains	(8,069)	(74,544)	4,788	(56,644)	9,731
Gain on disposal of an associate (note 17)	—	54	—	—	—
Allowance for prepayments and other receivables	—	—	(32,220)	—	—
Impairment for property, plant and equipment (note 9)	—	—	(634)	—	—
Gain (loss) on disposal of property, plant and equipment	28	53	(1,130)	(330)	(124)
Gain arising from changes in fair value of derivative financial instruments	—	—	544	—	344
Others	1,588	(641)	(931)	311	175
	(6,453)	(75,078)	(29,583)	(56,663)	10,126

8. FINANCE COSTS

	Year ended December 31,			Three months ended March 31,	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest on bank borrowings	756,249	1,160,143	1,310,657	362,487	368,279
Interest on notes payable	83,479	105,524	101,513	24,675	25,187
Interest on loans from ultimate holding company	6,750	6,844	6,252	1,688	8,758
Interest on loans from a fellow subsidiary	—	70,492	160,895	32,706	40,636
Interest on loans from an associate	38,122	48,822	73,669	19,536	19,879
Interest relating to provision for nuclear power plant decommission	—	—	—	—	2,996
Total interest expenses	884,600	1,391,825	1,652,986	441,092	465,735
Less: capitalized in construction in progress	(876,389)	(1,385,776)	(1,647,992)	(439,614)	(239,902)
Total finance costs	8,211	6,049	4,994	1,478	225,833

Borrowing costs were capitalized to the construction of the nuclear power plants based on the effective interest rates of bank and other borrowings obtained for the construction work.

9. PROFIT (LOSS) BEFORE TAXATION

Profit (loss) before taxation for the year/period has been arrived at after charging (crediting):

	Year ended December 31,			Three months ended March 31,	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Directors' emoluments (note 12)	6,176	7,158	6,636	2,313	2,133
Other staff costs:					
Salaries and other benefits	2,268,791	2,660,288	2,952,632	886,267	966,605
Retirement benefit scheme contributions	139,439	172,715	187,218	47,066	50,783
Total staff costs	2,414,406	2,840,161	3,146,486	935,646	1,019,521
Less: Capitalized in property, plant and equipment	(314,825)	(420,965)	(607,895)	(212,394)	(201,630)
Less: Capitalized in intangible asset	(177,808)	(199,214)	(236,216)	(51,036)	(86,813)
	1,921,773	2,219,982	2,302,375	672,216	731,078
Depreciation and amortization of:					
- Property, plant and equipment	249,791	280,931	317,492	74,830	186,839
Less: Capitalized in property, plant and equipment	(17,770)	(36,784)	(86,647)	(13,281)	(22,722)
	232,021	244,147	230,845	61,549	164,117
- Prepaid lease payments	4,317	11,627	19,287	4,747	4,859
Less: Capitalized in property, plant and equipment	(2,965)	(2,965)	(2,965)	(741)	(372)
	1,352	8,662	16,322	4,006	4,487
- Intangible assets	18,894	25,449	26,356	6,059	14,629
- Investment properties	7,349	20,841	513	128	128
	259,616	299,099	274,036	71,742	183,361

	Year ended December 31,			Three months ended March 31,	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Auditor's remuneration	178	803	520	130	1,950
Recognition of allowance on:					
- Inventories (note i)	10,916	4,651	113,018	—	—
- Prepayments and other receivables (note i)	—	—	32,220	—	—
Impairment of property, plant and equipment	—	—	634	—	—
Cost of generating electricity recognized as expense	—	—	—	—	286,628
Gross rental income from investment properties	(3,754)	(5,353)	(2,935)	(426)	(717)
Less: Direct operating expenses incurred for investment properties that generated rental income	3,156	3,480	2,245	332	493
	(598)	(1,873)	(690)	(94)	(224)
Research and development expenses (note ii)	453,333	275,473	323,135	31,152	54,073
Provision for low and medium level radioactive waste management (included in cost of sales)	—	—	—	—	750
Operating lease rentals in respect of rented premises	67,777	51,115	47,353	20,023	8,958

Notes:

(i) As at December 31, 2015, due to change in technology applied for construction of nuclear power plant, the Target Companies has recognised allowance on inventories of construction materials of RMB113,018,000 and prepayments for purchases of RMB32,220,000.

(ii) Research and development expenses are reported under "other expenses" line item, and included staff cost as well as expenses incurred to improve the safety and efficiency of nuclear power operation.

10. TAXATION

	Year ended December 31,			Three months ended March 31,	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
PRC Enterprise Income Tax ("EIT"):					
- Current year	86,259	113,399	158,094	2,783	2,572
- (Over) under provision in prior years	(23,678)	(28,856)	12,328	—	(356)
	62,581	84,543	170,422	2,783	2,216
Deferred taxation (note 19)	(6,665)	(97,984)	(67,521)	(13,407)	(7,235)
Taxation	55,916	(13,441)	102,901	(10,624)	(5,019)

PRC companies under the Target Companies are subject to PRC EIT at 25% during the Relevant Periods except for following companies enjoyed certain tax exemption and relief.

China Nuclear Power Design Co., Ltd. (Shenzhen) was approved to enjoy the preferential tax rate of 15% in accordance with the relevant EIT laws and regulations from 2012 to 2014 and 2015 to 2017.

China Techenergy Co., Ltd. was approved to enjoy the preferential tax rate of 15% in accordance with the relevant EIT laws and regulations from 2011 to 2013 and 2014 to 2016.

CGN Engineering was approved to enjoy the preferential tax rate of 15% applied to high technology enterprise in accordance with the relevant EIT laws and regulations from 2013 to 2015.

Pursuant to the relevant laws and regulations in the PRC, Fangchenggang Nuclear was approved to enjoy the preferential tax rate of 15% until December 31, 2020. In addition, Fangchenggang Nuclear, being enterprise engaged in public infrastructure project, was entitled to tax holiday of three years for EIT followed by 50% exemption for the next three years commencing from its first revenue generating year. The first revenue generating year of public infrastructure project should be based on individual reactor project instead of the legal entity as a whole. The first revenue generating year of a reactor project of Fangchenggang Nuclear commenced in 2016. Therefore, Fangchenggang Nuclear is tax exempted for the year from 2016 to 2018, the applicable tax rate for Fangchenggang Nuclear was 7.5% in 2019 and 2020, 12.5% in 2021 and 25% since 2022.

The taxation for the year/period can be reconciled to the profit (loss) before taxation per combined statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,			Three months ended March 31,	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit (loss) before taxation	471,059	444,604	930,012	(84,705)	24,207
Tax at the applicable tax rate of 25%	117,765	111,151	232,503	(21,176)	6,052
Tax effect of expenses not deductible for tax purpose	10,664	9,587	1,314	117	1,242
Tax effect of tax losses not recognized in current year	5,581	6,494	6,593	23,861	18,229
Utilisation of tax losses previously not recognized	(292)	—	—	—	(18,797)
Effect of tax exemption and relief granted to PRC subsidiaries	(21,642)	(78,858)	(99,188)	—	—
Tax effect on share of results of associates	(32,482)	(33,112)	(45,118)	(11,888)	(13,886)
(Over) under provision of EIT in prior years	(23,678)	(28,856)	12,328	—	(356)
Others	—	153	(5,531)	(1,538)	2,497
	55,916	(13,441)	102,901	(10,624)	(5,019)

11. DIVIDENDS

	Year ended December 31,			Three months ended March 31,	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Dividends recognized as distribution to equity holders of:					
CGN Engineering	309,725	—	334,775	—	—
China Nuclear Power Design Co., Ltd. (Shenzhen)	—	—	2,328	—	—
China Techenergy Co., Ltd.	14,400	—	—	—	—
	324,125	—	337,103	—	—
Analysed for financial reporting purpose:					
- Dividends paid to CGNPC	309,725	—	334,775	—	—
- Dividends paid to non-controlling shareholders	14,400	—	2,328	—	—
	324,125	—	337,103	—	—

12. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

Directors', chief executive's and supervisors' remuneration of the Target Companies for the Relevant Periods is as follows:

	Year ended December 31,			Three months ended March 31,	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Salaries and other allowances	3,131	3,715	3,770	1,020	1,125
Discretionary bonus	2,672	3,041	2,449	1,191	904
Retirement benefit scheme contributions	373	402	417	102	104
Total	6,176	7,158	6,636	2,313	2,133

	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended December 31, 2013				
Chief executives and Directors:				
Cai Hui	373	530	58	961
Chen Jian	515	506	73	1,094
Jiang Guojin	464	438	66	968
Ma Jie	384	29	39	452
Shu Guogang (note)	633	674	78	1,385
	2,369	2,177	314	4,860
Directors:				
Bai Tao	391	204	6	601
Supervisors:				
Zhao Liang	371	291	53	715
Total	3,131	2,672	373	6,176

	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended December 31, 2014				
Chief executives and Directors:				
Cai Hui	446	430	56	932
Chen Jian	589	557	68	1,214
Jiang Guojin	572	462	64	1,098
Ma Jie	631	441	66	1,138
Shu Guogang (note)	778	626	75	1,479
	3,016	2,516	329	5,861
Directors:				
Bai Tao	326	240	23	589
Supervisors:				
Zhao Liang	373	285	50	708
Total	3,715	3,041	402	7,158

	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended December 31, 2015				
Chief executives and Directors:				
Cai Hui	462	370	59	891
Chen Jian	616	366	71	1,053
Jiang Guojin	553	260	67	880
Ma Jie	658	322	69	1,049
Shu Guogang (note)	714	487	78	1,279
	3,003	1,805	344	5,152
Directors:				
Bai Tao	330	276	18	624
Supervisors:				
Zhao Liang	437	368	55	860
Total	3,770	2,449	417	6,636

	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the three months ended March 31, 2015				
Chief executives and Directors:				
Cai Hui	122	203	14	339
Chen Jian	172	178	17	367
Jiang Guojin	153	99	16	268
Ma Jie	165	192	17	374
Shu Guogang (note)	198	264	19	481
	810	936	83	1,829
Directors:				
Bai Tao	82	86	6	174
Supervisors:				
Zhao Liang	128	169	13	310
Total	1,020	1,191	102	2,313

	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the three months ended March 31, 2016				
Chief executives and Directors:				
Cai Hui	147	256	15	418
Chen Jian	170	106	18	294
Jiang Guojin	159	86	17	262
Ma Jie	220	44	18	282
Shu Guogang (note)	—	—	—	—
	696	492	68	1,256
Chief executive:				
Chen Yingjian (note)	226	145	19	390
Directors:				
Bai Tao	83	99	3	185
Supervisors:				
Zhao Liang	120	168	14	302
Total	1,125	904	104	2,133

Note: On January 1, 2016, the annual general meeting of CGN Engineering approved the resignation of Mr. Shu Guogang and approved Mr. Chen Yingjian as replacement, and the board of directors of CGN Engineering was revoked since 2016.

Five Highest Paid Individuals

For the years ended December 31, 2013, 2014 and 2015 and three months ended March 31,2015 and 2016, the five highest paid employees were not directors, supervisors nor chief executive of the Target Companies.

Details of the remuneration of the five highest paid individuals for the years ended December 31, 2013, 2014 and 2015 and three months ended March 31, 2015 and 2016, are as follows:

	Year ended December 31,			Three months ended March 31,	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries and other allowances (note)	3,004	3,800	3,393	925	940
Discretionary bonus	3,722	3,057	2,697	1,916	2,185
Retirement benefit scheme contributions	355	358	367	85	85
	7,081	7,215	6,457	2,926	3,210

Note: Salaries and other allowances included mainly basic salaries and travel allowance.

Their emoluments are within the following bands:

	Year ended December 31,			Three months ended March 31,	
	2013	**2014**	**2015**	**2015**	**2016**
				(unaudited)	
Not exceeding HKD1,000,000	—	—	—	5	5
HKD1,500,001 to HKD2,000,000	5	5	5	—	—

During the Relevant Periods, no emoluments were paid by the Target Companies to any of the directors, supervisors, chief executive, or the five highest paid individuals as an inducement to join or upon joining the Target Companies or as compensation for loss of office. None of the directors, supervisors and chief executive has waived any emoluments during the Relevant Periods.

13. EARNINGS PER SHARE

No earnings per share information is presented as such information is not considered meaningful with as the presentation of the results for the Relevant Periods on a combined basis as disclosed in Note 1.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Nuclear facilities	Motor vehicles	Office and electronic equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
At January 1, 2013	813,993	333	3,403	1,078,153	13,511,374	15,407,256
Additions	87,275	—	747	88,740	8,986,809	9,163,571
Transfer	547,119	8,011	3,909	39,615	(598,654)	—
Disposals	—	—	(473)	(14,534)	—	(15,007)
At December 31, 2013	1,448,387	8,344	7,586	1,191,974	21,899,529	24,555,820
Additions	1,376	58,387	7,718	112,171	7,283,779	7,463,431
Transfer	416,311	—	—	29,063	(445,374)	—
Transfer from investment properties	747,175	—	—	14,502	—	761,677
Disposals	—	(267)	—	(17,292)	—	(17,559)
At December 31, 2014	2,613,249	66,464	15,304	1,330,418	28,737,934	32,763,369
Additions	21,106	37,210	3,366	110,918	6,489,136	6,661,736
Transfer	167,415	2,801	—	7,872	(178,088)	—
Disposals	—	—	—	(22,205)	—	(22,205)
At December 31, 2015	2,801,770	106,475	18,670	1,427,003	35,048,982	39,402,900
Additions	—	246,748	—	13,130	2,003,409	2,263,287
Transfer	6,286,698	10,781,412	—	4,132	(17,072,242)	—
Disposals	—	—	—	(321)	—	(321)
At March 31, 2016	9,088,468	11,134,635	18,670	1,443,944	19,980,149	41,665,866

	Buildings	Nuclear facilities	Motor vehicles	Office and electronic equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
DEPRECIATION AND IMPAIRMENT						
At January 1, 2013	72,944	—	1,685	443,438	—	518,067
Provided for the year	39,199	378	632	209,582	—	249,791
Disposals	—	—	(449)	(12,516)	—	(12,965)
At December 31, 2013	112,143	378	1,868	640,504	—	754,893
Provided for the year	60,203	5,605	1,496	213,627	—	280,931
Transfer from investment properties	27,024	—	—	—	—	27,024
Disposals	—	(46)	—	(15,344)	—	(15,390)
At December 31, 2014	199,370	5,937	3,364	838,787	—	1,047,458
Provided for the year	82,620	14,313	3,056	217,503	—	317,492
Impairment for the year	—	—	—	—	634	634
Disposals	—	—	—	(20,463)	—	(20,463)
At December 31, 2015	281,990	20,250	6,420	1,035,827	634	1,345,121
Provided for the period	57,986	78,572	825	49,456	—	186,839
Disposals	—	—	—	(48)	—	(48)
At March 31, 2016	339,976	98,822	7,245	1,085,235	634	1,531,912
CARRYING VALUES						
At December 31, 2013	1,336,244	7,966	5,718	551,470	21,899,529	23,800,927
At December 31, 2014	2,413,879	60,527	11,940	491,631	28,737,934	31,715,911
At December 31, 2015	2,519,780	86,225	12,250	391,176	35,048,348	38,057,779
At March 31, 2016	8,748,492	11,035,813	11,425	358,709	19,979,515	40,133,954

All buildings are situated on land in the PRC.

Property, plant and equipment, other than nuclear facilities and construction in progress, are depreciated using the straight-line method after taking into account of their estimated residual values at the following years:

Buildings	shorter of the remaining lease term of land and useful lives of 20-40 years
Motor vehicles	5 years
Office and electronic equipment	5 years

Nuclear facilities comprise nuclear power plants and equipment, and are depreciated using the units of production method over the estimated useful life of 5-40 years.

The Target Companies pledged buildings with carrying values of approximately RMB104,709,000, RMB98,809,000, nil and nil, as at December 31, 2013, 2014, 2015 and March 31,2016 respectively to secure loan facilities granted to the Target Companies. Details of pledge of assets are set out in note 42.

Buildings with carrying amount of approximately RMB358,419,000, RMB318,139,000, RMB1,012,486,000 and RMB7,096,709,000 as at December 31, 2013, 2014, 2015 and March 31, 2016 respectively, are without property certificates. The Target Companies are in the process of obtaining the property certificates.

15. INTANGIBLE ASSETS

	Nuclear power technology	**Facilitation and related costs**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
COST				
At January 1, 2013	171,855	275,095	148,446	595,396
Additions	144,469	116,571	56,215	317,255
At December 31, 2013	316,324	391,666	204,661	912,651
Additions	436,214	141,555	32,692	610,461
Disposals	—	—	(2,187)	(2,187)
At December 31, 2014	752,538	533,221	235,166	1,520,925
Additions	145,372	108,966	52,408	306,746
At December 31, 2015	897,910	642,187	287,574	1,827,671
Additions	40,939	32,211	14,293	87,443
At March 31, 2016	938,849	674,398	301,867	1,915,114

	Nuclear power technology *RMB'000*	Facilitation and related costs *RMB'000*	Others *RMB'000*	Total *RMB'000*
AMORTIZATION				
At January 1, 2013	—	5,107	14,853	19,960
Provided for the year	—	4,038	14,856	18,894
At December 31, 2013	—	9,145	29,709	38,854
Provided for the year	—	3,219	22,230	25,449
Eliminated on disposals	—	—	(55)	(55)
At December 31, 2014	—	12,364	51,884	64,248
Provided for the year	—	817	25,539	26,356
At December 31, 2015	—	13,181	77,423	90,604
Provided for the period	—	7,468	7,161	14,629
At March 31, 2016	—	20,649	84,584	105,233
CARRYING VALUES				
At December 31, 2013	316,324	382,521	174,952	873,797
At December 31, 2014	752,538	520,857	183,282	1,456,677
At December 31, 2015	897,910	629,006	210,151	1,737,067
At March 31, 2016	938,849	653,749	217,283	1,809,881

The carrying amount of nuclear power technology represents the development cost on nuclear power technology developed by the Target Companies. Since the technology has not yet been put into use, no amortization was made during the Relevant Periods. The Hua-long Pressurized Reactor and AP1000 is expected to generate net cash flow to the Target Companies and the management of the Target Companies has reviewed the carrying amount of this intangible asset at the end of respective reporting period and concluded that no impairment loss to be recognized.

Expenditure on developing fuel reloading technology by the Target Companies are amortized over estimated useful life from 5 to 20 years.

Facilitation and related costs are amortized over the remaining terms of the employment contracts with the nuclear engineers from 5 to 10 years after the completion of training.

16. INVESTMENT PROPERTIES

	At December 31,			At March 31,
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
COST				
At the beginning of the year/period	10,120	764,870	10,120	10,120
Additions	754,750	6,927	—	—
Transferred to property, plant and equipment	—	(761,677)	—	—
At the end of the year/period	764,870	10,120	10,120	10,120
ACCUMULATED DEPRECIATION				
At the beginning of the year/period	1,385	8,734	2,551	3,064
Provided for the year/period	7,349	20,841	513	128
Transferred to property, plant and equipment	—	(27,024)	—	—
At the end of the year/period	8,734	2,551	3,064	3,192
CARRYING VALUES	756,136	7,569	7,056	6,928

As at December 31, 2013, 2014 and 2015 and March 31, 2016, the fair values of the Target Companies' investment properties were approximately RMB813,733,000, RMB8,746,000, RMB8,746,000 and RMB8,746,000, respectively. The fair values have been arrived at based on a valuation carried out by China Enterprise Appraisals Co., Ltd., independent qualified professional valuer not connected with the Target Companies, who has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The address of China Enterprise Appraisals Co., Ltd. is Room 901, Fanli Plaza, Chaoyangmenwai Street, Beijing, PRC. The valuation was determined by the market comparable method and adjust to reflect the conditions of the properties which the directors of the Target Companies are of the view that it is the best estimate of the fair value of these investment properties.

The above investment properties are depreciated on a straight-line basis taking into account their estimated residual value, over the estimated useful lives of 20 to 40 years, which is the shorter of the lease term of land and estimated useful lives of building. Investment properties are transferred to property, plant and equipment upon commencement of owner-occupation.

All the Target Companies' investment properties are located in the PRC. The carrying amount of investment properties included the Target Companies' leasehold interest in land as the leasehold payments cannot be allocated reliably between the land and building elements, as such the entire lease is classified as finance lease and accounted for as investment properties.

Details of the Target Companies' investment properties and information about the fair value hierarchy as at are as follow:

	Fair value as at				
	December 31, 2013	**December 31, 2014**	**December 31, 2015**	**March 31, 2016**	**Fair value hierarchy**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	
Commercial building units located in PRC					
Shenzhen Longgang District	697,959	8,746	8,746	8,746	Level 3
Beijing Changping District	88,640	N/A	N/A	N/A	Level 3
Chengdu Wuhou District	27,134	N/A	N/A	N/A	Level 3

The following table gives information about how the fair values of these investment properties are determined.

Investment properties held by the Target Companies in the combined statement of financial position	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable input(s) to fair value**
Properties in Shenzhen Longgang District	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions of the subject property. The key inputs are: 1) Property floor level 2) Property age	Price per square meter, using market direct comparable and taking into account of age adjustment and floor level adjustment of the property	1) The higher the floor level, the higher the fair value 2) The older the development, the lower the fair value
Properties in Beijing Changping District	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions of the subject property. The key inputs are: 1) Property floor level 2) Property age	Price per square meter, using market direct comparable and taking into account of age adjustment and floor level adjustment of the property	1) The higher the floor level, the higher the fair value 2) The older the development, the lower the fair value
Properties in Chengdu Wuhou District	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions of the subject property. The key inputs are: 1) Property floor level 2) Property age	Price per square meter, using market direct comparable and taking into account of age adjustment and floor level adjustment of the property	1) The higher the floor level, the higher the fair value 2) The older the development, the lower the fair value

17. INTERESTS IN ASSOCIATES

	At December 31,			At March 31,
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted cost of interests in associates	504,258	674,258	794,258	794,258
Share of post-acquisition profits net of dividends received	256,126	394,883	732,130	564,482
	760,384	1,069,141	1,526,388	1,358,740

The following table lists the material associates of the Target Companies.

Name of associates	Principal activities	Place of establishment and operation	Proportion of paid-in capital and voting power held by the Target Companies				
			At December 31,			At March 31,	At date of this report
			2013	2014	2015	2016	
中廣核財務有限責任公司 CGN Finance Co., Ltd.* ("CGN Finance")	Financial services	PRC	30%	30%	30%	30%	30%
中國核工業二三建設有限公司 China Nuclear Industry 23 Construction Co., Ltd.*	Construction of nuclear power plant	PRC	20%	20%	20%	20%	20%
中咨工程有限公司 CIECC Engineering Co., Ltd.*	Engineering consulting	PRC	37.5%	37.5%	37.5%	37.5%	37.5%
湖北新能源核電設備有限公司^ Hubei New Power Co., Ltd.*	Manufacturing of nuclear power equipment	PRC	20%	N/A	N/A	N/A	N/A

^ *In 2014, the Target Companies has disposed of its entire interest in Hubei New Power Co., Ltd. at a consideration of RMB10,054,000 with carrying amount of RMB10,000,000 and recognized a gain on disposal of RMB54,000.*

* *English names for identification only.*

The summarized financial information in respect of the each of the Target Companies' material associate which are accounted for using the equity accounting method and prepared using IFRSs are set out below.

Notes:

(a) CGN Finance

	At December 31, 2013	At December 31, 2014	At December 31, 2015	At March 31, 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	14,851,198	16,662,712	21,003,432	33,043,493
Non-current assets	5,159,738	6,553,034	7,616,183	6,908,471
Current liabilities	18,242,481	20,441,442	24,157,487	36,068,698
Non-current liabilities	19,557	95,972	354,877	354,877

	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2015	Three months ended March 31, 2015	Three months ended March 31, 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Revenue	778,286	848,099	949,943	361,175	343,296
Profit (loss) and total comprehensive income (expense) for the year/period	387,299	548,674	1,238,646	605,602	(578,862)
Dividends received from associate	71,486	64,727	62,919	—	—

Reconciliation of the above summarized financial information to the carrying amount of the Target Companies' interest in CGN Finance Co., Ltd. recognized in the Financial Statements:

	At December 31,			At March 31,
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net assets of the associate	1,748,898	2,678,332	4,107,251	3,528,389
Proportion of the Target Companies' interest in CGN Finance Co., Ltd.	30%	30%	30%	30%
Carrying amount of the Target Companies' interest in CGN Finance Co., Ltd.	524,670	803,500	1,232,175	1,058,516

(b) Aggregate information of associates that are not individually material

	Year ended December 31,			Three months ended March 31,	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
The Target Companies' share of profit and other comprehensive income	52,120	41,227	53,253	10,384	5,992
Dividends received from associates	16,609	2,520	10,615	—	2,213
Aggregate carrying amount of the Target Companies' interests in these associates as at the end of the reporting period	235,714	265,641	294,213	273,417	300,224

18. AVAILABLE-FOR-SALE INVESTMENTS

	At December 31,			At March 31,
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investment, at cost - 13.7% equity interests in 中核工業華興建設有限公司 (China Nuclear Industry Huaxing Construction Co., Ltd.)*	85,310	85,310	85,310	85,310

The unlisted investment represents equity securities of a state-owned entity established in the PRC. It is measured at cost less impairment at the end of each of the reporting period because the range of reasonable fair value estimates is so significant that the directors of China Nuclear Industry Huaxing Construction Co., Ltd. are of the opinion that its fair values cannot be measured reliably. The Target Companies does not intend to dispose it in the near future.

19. DEFERRED TAXATION

The following are the major deferred tax assets recognized and movements thereon during the Relevant Periods:

Deferred tax assets	Unrealized profit	Deferred income	Tax losses	Allowance of inventories and impairment of property, plant and equipment	Exchange difference arising from borrowings	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2013	(1,867)	5,203	1,646	—	4,985	5,172	15,139
Charge (credit) to profit or loss	6,328	(399)	(1,646)	1,637	2,879	(2,134)	6,665
At December 31, 2013	4,461	4,804	—	1,637	7,864	3,038	21,804
Charge (credit) to profit or loss	82,881	(399)	—	686	15,164	(348)	97,984
At December 31, 2014	87,342	4,405	—	2,323	23,028	2,690	119,788
Charge (credit) to profit or loss	45,544	22,564	—	(358)	(1,589)	1,360	67,521
At December 31, 2015	132,886	26,969	—	1,965	21,439	4,050	187,309
Charge (credit) to profit or loss	637	(426)	11,462	—	(3,125)	(1,313)	7,235
At March 31, 2016	133,523	26,543	11,462	1,965	18,314	2,737	194,544

* *English name for identification only.*

The following is the analysis of the deferred tax balances for financial reporting purposes:

	At December 31,			At March 31,
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	21,804	119,788	187,309	194,544

Details of tax losses not recognized at the end of the reporting period are set out below:

	At December 31,			At March 31,
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax losses	80,210	106,185	132,557	113,760

No deferred tax asset has been recognized in respect of the tax loss due to the unpredictability of future profit stream for relevant subsidiaries. Included in unrecognized tax losses are losses that will expire as the following:

	At December 31,			At March 31,
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2017	57,881	57,881	57,881	39,084
2018	22,329	22,329	22,329	22,329
2019	—	25,975	25,975	25,975
2020	—	—	26,372	26,372
	80,210	106,185	132,557	113,760

20. PREPAID LEASE PAYMENTS

	At December 31,			At March 31,
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Land use rights in PRC				
Medium-term lease	189,305	612,284	606,111	601,252
Analyzed for reporting purposes as:				
Non-current assets	177,678	592,996	586,674	581,815
Current assets	11,627	19,288	19,437	19,437
	189,305	612,284	606,111	601,252

The prepaid lease payments represented land use rights in the PRC.

The Target Companies' pledged leasehold land with carrying values of approximately RMB35,720,000, RMB34,916,000, RMB34,112,000 and RMB33,911,000 to secure loan facilities of the Target Companies as at December 31, 2013, 2014, 2015 and March 31, 2016 respectively. Details of pledge of assets are set out in note 42.

The Target Companies is still in the process of obtaining the land use right certificate with carrying amount of approximately RMB11,312,000, RMB422,833,000, RMB34,112,000 and nil as at December 31, 2013, 2014, 2015 and March 31, 2016 respectively.

21. INVENTORIES

	At December 31,			At March 31,
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Nuclear fuel	787,962	1,064,679	2,007,360	2,221,736
Materials and consumable parts	1,384	45,199	142,783	165,501
	789,346	1,109,878	2,150,143	2,387,237

22. AMOUNTS RECEIVABLE (PAYABLE) ON CONTRACT WORK

	At December 31,			At March 31,
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract costs incurred plus recognized profits	77,761,923	89,404,056	101,169,065	102,754,333
Less: Progress billings	85,975,880	95,336,923	103,489,990	104,790,759
	(8,213,957)	(5,932,867)	(2,320,925)	(2,036,426)
Analysed for reporting purposes as:				
Amounts receivable on contract work	394,013	1,612,782	3,395,513	3,746,425
Amounts payable on contract work	8,607,970	7,545,649	5,716,438	5,782,851
	(8,213,957)	(5,932,867)	(2,320,925)	(2,036,426)

23. TRADE RECEIVABLES

	At December 31,			At March 31,
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from third parties	31,731	60,895	407,996	489,765
Amounts due from ultimate holding company	8,271	1,485	253	—
Amounts due from joint ventures of ultimate holding company	216,694	269,531	147,404	170,694
Amounts due from associates of ultimate holding company	2,356,110	2,059,269	2,329,346	2,093,766
Amounts due from fellow subsidiaries	6,307,059	2,241,054	1,528,269	1,533,758
Total trade receivables	8,919,865	4,632,234	4,413,268	4,287,983

The following is an analysis of trade receivables by age, net of allowance for doubtful debts presented based on the invoice date at the end of each reporting period:

	At December 31,			At March 31,
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1 day to 30 days	3,193,432	2,176,076	1,392,201	752,468
31 days to 1 year	5,678,396	1,484,521	1,851,197	2,132,746
1 year to 2 years	44,938	953,623	785,017	882,142
2 years to 3 years	532	15,100	366,934	502,908
Over 3 years	2,567	2,914	17,919	17,719
	8,919,865	4,632,234	4,413,268	4,287,983

Trade receivables from third parties of the Target Companies primarily represent receivables from grid companies and from sales of construction materials and construction income. The credit terms granted to grid companies on the sale of electricity are 30 days and customer of construction income are 15 days.

For the related parties, the Target Companies has not granted any credit period and all the balances are past due but not impaired.

All trade receivables with third parties are neither past due nor impaired.

The Target Companies' pledged trade receivables from grid companies with carrying amount of approximately RMB181,724,000 and RMB246,311,000 to secure loan facilities granted to the Target Companies as at December 31, 2015 and March 31, 2016 respectively. No such pledge is made as at December 31, 2013 and 2014. Details of pledge of assets are set out in note 42.

Trade receivables denominated in currency other than the functional currencies is set out below:

	At December 31,			At March 31,
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	—	2,044	44,176	32,989
EURO	3,627	2,584	15,393	2,965

24. PREPAYMENTS AND OTHER RECEIVABLES

	At December 31,			At March 31,
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Value added tax recoverable	595,285	1,421,712	1,686,703	1,481,299
Prepayments to third parties for materials and consumable parts	4,060,950	3,826,050	3,868,318	3,652,867
Prepayments to fellow subsidiaries for purchase of nuclear and other materials	49,201	105,302	58,453	57,973
Prepayments to an associate for purchase of materials	464,906	508,479	478,658	433,659
Prepayments for staff housing benefits	23,328	22,094	20,788	20,461
Others	129,384	80,400	52,387	68,055
	5,323,054	5,964,037	6,165,307	5,714,314
Analysed for financial reporting purpose:				
Non-current (Note)	618,448	1,443,729	1,050,865	993,122
Current	4,704,606	4,520,308	5,114,442	4,721,192
	5,323,054	5,964,037	6,165,307	5,714,314

Note: The amounts represents value-added tax and the non-current prepayment for talent housing lease funds. These are not expected to be utilized and amortized within one year from the end of respective reporting period.

25. AMOUNTS DUE FROM RELATED PARTIES

	At December 31,			At March 31,
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables from ultimate holding company	149,429	157,293	160,102	159,630
Other receivables from fellow subsidiaries	22,585	36,330	56,846	65,036
Other receivables from associates	11,864	19,276	14,320	10,263
Other receivables from joint ventures of ultimate holding company	469	284	—	—
Dividend receivables from associates	—	1,388	12,828	10,615
	184,347	214,571	244,096	245,544

In the opinion of the management, the amounts are expected to be settled within one year from the end of respective reporting period. The balances are unsecured, non-trade nature, interest-free and repayable on demand.

26. LOANS RECEIVABLES

	At December 31,			At March 31,
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans receivable from 廣西防城港市土地儲備中心	90,000	90,000	60,000	60,000
Analysed for financial reporting purpose based on remaining contractual maturity:				
Non-current	90,000	60,000	30,000	30,000
Current	—	30,000	30,000	30,000
	90,000	90,000	60,000	60,000

The amounts represent long-term loans to 廣西防城港市土地儲備中心, a land authority in PRC, under entrusted loan arrangement through China Construction Bank, in the PRC during the Relevant Periods. The entrusted loans were unsecured and carried fixed interests ranging from 4.5% to 4.78% per annum of which (i) RMB30,000,000 is repayable in 2015, (ii) RMB30,000,000 is repayable in 2016 and (iii) RMB30,000,000 will be repayable in 2017.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	As at December 31,						At March 31,	
	2013		2014		2015		2016	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Foreign currency forward contracts	—	—	—	—	544	—	888	—
Analysed for financial reporting purpose based on remaining contractual maturity:								
Non-current	—	—	—	—	—	—	—	—
Current	—	—	—	—	544	—	888	—
	—	—	—	—	544	—	888	—

The above derivatives were measured at fair values at the end of each reporting period and changes in fair value are recognized in the profit or loss. Their fair values were determined by Asset Appraisal Limited, an independent valuer, based on appropriate valuation technique as detailed in note 39. The address of Asset Appraisal Limited is Room 901, 9/F, On Hong Commercial Building, 145 Hennessy Road, Wan Chai, Hong Kong.

Foreign currency forward contracts

The major terms of the outstanding foreign currency forward contracts at December 31, 2015 and March 31, 2016 are as follows:

Notional amounts	Maturity dates	Contracted exchange rates
Buy EURO 2,000,000	From April 2, 2015 to September 19, 2016	EURO : RMB 1: 6.9845 to 1: 7.3312

28. PLEDGED BANK DEPOSITS, OTHER DEPOSITS OVER THREE MONTHS AND CASH AND CASH EQUIVALENTS

Pledged bank deposits mainly represent fixed rate deposit in bank to secure the letter of credit for suppliers.

The Target Companies' cash and cash equivalents comprise cash, bank deposits and deposits in CGN Finance, which carry interest at prevailing market rates ranging from 0.350% to 3.250%, 0.350% to 3.050%, 0.200% to 2.800% and 0.420% to 1.100% per annum at December 31, 2013, 2014, 2015 and March 31, 2016 respectively.

Deposits placed at the associate of Target Companies, CGN Finance amounted to approximately RMB4,380,815,000, RMB5,081,088,000, RMB4,404,497,000 and RMB3,226,621,000 as at December 31, 2013, 2014, 2015 and March 31, 2016, respectively. Included in such amounts are RMB922,811,000, RMB849,921,000, RMB764,821,000, and RMB300,360,000 carrying fixed rate interests ranging from 3.30% to 3.50%, 2.80% to 3.25%, 3.03% to 3.25% and 3.08% to 3.30% per annum respectively with original maturity more than three months.

29. TRADE AND OTHER PAYABLES

	At December 31,			At March 31,
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to third parties	—	30,388	687,891	350,772
Construction payables to ultimate holding company	25,244	17,699	19,781	4,765
Construction payables to associates	182,688	209,557	332,923	246,387
Construction payables to fellow subsidiaries	440,635	271,023	628,144	322,335
Construction payables to joint venture of ultimate holding company	—	—	3,911	—
Construction payables to third parties	7,745,365	7,978,709	8,202,356	7,882,780
Total trade payables	8,393,932	8,507,376	9,875,006	8,807,039

	At December 31, 2013	2014	2015	At March 31, 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receipts in advance from ultimate holding company	4,584	4,353	—	—
Receipts in advance from associates	591	—	—	—
Receipts in advance from fellow subsidiaries	554,932	366,737	539,336	548,282
Receipts in advance from a joint venture of ultimate holding company	—	600	120,314	120,314
Receipts in advance from an associate of ultimate holding company	404,752	1,037,423	1,412,397	1,201,198
Receipts in advance from third parties	16,046	60,739	47,685	50,966
Value added tax and other tax payables	1,621,308	1,150,941	1,088,785	1,147,635
Staff cost payables	23,570	15,411	16,890	34,910
Interest on notes payable	44,950	56,478	55,705	80,315
Other payables and accruals to third parties	161,262	226,701	181,290	361,488
Total other payables	2,831,995	2,919,383	3,462,402	3,545,108
	11,225,927	11,426,759	13,337,408	12,352,147

The credit period on purchases of goods ranges from 180 days to 360 days. The Target Companies has financial risk management policies in place to ensure all payables are settled within the credit frame.

Other payables and accruals to third parties mainly include payable for outstanding operating expenses. The balances are unsecured, interest-free and repayable on demand.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	At December 31,			At March 31,
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	7,766,748	5,130,257	6,505,145	4,462,161
1 to 2 years	415,739	2,862,583	1,035,451	2,153,978
2 to 3 years	205,565	349,939	1,941,208	1,537,071
Over 3 years	5,880	164,597	393,202	653,829
	8,393,932	8,507,376	9,875,006	8,807,039

30. AMOUNTS DUE TO RELATED PARTIES

	At December 31,			At March 31,
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Dividend payable to ultimate holding company	150,567	—	—	—
Other payable to ultimate holding company	9,096	18,814	19,070	366,222
Other payables to fellow subsidiaries	46,290	134,743	192,366	207,832
Other payables to associates	5,165	4,189	7,804	8,341
Other payables to an associate of ultimate holding company	52	15,608	15,608	15,695
Other payables to a joint venture of ultimate holding company	1,147	2,000	16	16
	212,317	175,354	234,864	598,106

The balances are unsecured, interest-free and repayable on demand.

31. LOANS FROM ULTIMATE HOLDING COMPANY/AN ASSOCIATE/A FELLOW SUBSIDIARY

	At December 31,			At March 31,
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured	539,735	639,102	640,652	642,676
Unsecured	1,678,140	2,740,000	5,442,375	5,058,620
	2,217,875	3,379,102	6,083,027	5,701,296
Non-current liabilities				
Loans from ultimate holding company repayable after twelve months	150,000	—	—	—
Loans from an associate after twelve months (note)	539,735	639,102	640,652	642,676
Loans from a fellow subsidiary repayable after twelve months	—	990,000	2,880,000	2,880,000
Current liabilities				
Loans from ultimate holding company	—	150,000	725,500	1,055,500
Loans from an associate (note)	1,528,140	600,000	1,836,875	1,123,120
Loans from a fellow subsidiary	—	1,000,000	—	—
	2,217,875	3,379,102	6,083,027	5,701,296
Repayable within one year				
- RMB loans	1,528,140	1,750,000	2,192,500	1,532,500
- USD loans	—	—	369,875	646,120
Repayable from one to two years				
- RMB loans	150,000	—	2,880,000	2,880,000
Repayable from two to five years				
- RMB loans	—	990,000	—	—
Repayable over five years				
- RMB loans	503,500	603,500	603,500	605,500
- USD loans	29,753	29,861	31,689	31,531
- Euro loans	6,482	5,741	5,463	5,645
	2,217,875	3,379,102	6,083,027	5,701,296

Note: Loans from an associate were the loans from CGN Finance. CGN Finance is the associate of CGN Engineering, also is the fellow subsidiary of Fangchenggang Nuclear and Lufeng Nuclear.

Certain borrowings were secured by prepaid lease payment, nuclear facilities and collection right on sales of electricity of the Target Companies. Details are shown in note 42.

The carrying amounts of the loans and the weighted average effective interest rates are as below:

	As at December 31,						At March 31,	
	2013		2014		2015		2016	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Fixed rate loans	689,735	5.18	789,102	5.27	640,652	5.41	642,676	5.41
Floating rate loans	1,528,140	5.75	2,590,000	6.12	5,442,375	4.95	5,058,620	5.14
	2,217,875		3,379,102		6,083,027		5,701,296	

The floating rate loans are arranged at interest rate based on London Interbank Borrowing Offered Rate ("LIBOR") or benchmark interest rate of the People's Bank of China ("PBOC").

32. BANK BORROWINGS

	At December 31,			At March 31,
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured	13,170,185	19,926,024	21,949,786	22,880,496
Unsecured	3,884,709	3,189,907	5,234,395	5,868,565
	17,054,894	23,115,931	27,184,181	28,749,061
Carrying amount repayable based on repayment terms:				
Within one year	4,266,754	5,059,261	2,612,420	2,711,960
More than one year, but within two years	2,560,000	1,000,000	3,850,000	3,359,000
More than two years, but within five years	20,000	720,000	—	800,000
More than five years	10,208,140	16,336,670	20,721,761	21,878,101
	17,054,894	23,115,931	27,184,181	28,749,061
Less: Amounts due within one year shown under current liabilities	4,266,754	5,059,261	2,612,420	2,711,960
Amounts shown under non-current liabilities	12,788,140	18,056,670	24,571,761	26,037,101

Bank borrowings were secured by certain prepaid lease payment, nuclear facilities and collection right on sales of electricity of the Target Companies. Unsecured portion is guaranteed by the ultimate holding company or fellow subsidiaries. Details are shown in note 42.

Bank borrowings denominated in currencies other than the functional currencies are set out below:

	At December 31,			At March 31,
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
EURO	232,277	481,557	458,279	33,650
USD	556,888	681,286	722,994	331,715
	789,165	1,162,843	1,181,273	365,365

The carrying amount of the bank borrowings and the weighted average effective interest rates are as below:

	As at December 31,						At March 31,	
	2013		2014		2015		2016	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Fixed rate bank borrowings	12,318,732	5.57	16,971,018	5.65	20,256,852	5.50	21,910,079	5.48
Floating rate bank borrowings	4,736,162	5.97	6,144,913	5.05	6,927,329	4.77	6,838,982	4.91
	17,054,894		23,115,931		27,184,181		28,749,061	

The floating rate bank borrowings are arranged at the interest rate based on benchmark interest rates of PBOC or LIBOR.

33. NOTES PAYABLE

	At December 31,			At March 31,
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted and unguaranteed				
private placement note issued in 2012 (note a)	1,500,000	—	—	—
private placement note issued in 2014 (note b)	—	1,500,000	1,500,000	1,500,000
	1,500,000	1,500,000	1,500,000	1,500,000
Less: Amount due for settlement within one year (show under current liabilities)	1,500,000	—	1,500,000	1,500,000
Amount due for settlement after one year	—	1,500,000	—	—

Notes:

(a) In 2012, Fangchenggang Nuclear issued private placement note with an aggregate principal amount of RMB1,500,000,000 (the "2012 Private Placement Note") at the issue price of 100%. The 2012 Private Placement Note bears fixed interest rate, and will mature on June 28, 2014 at the principal amount.

(b) In 2014, Fangchenggang Nuclear issued private placement note with an aggregate principal amount of RMB1,500,000,000 (the "2014 Private Placement Note") at the issue price of 100%. The 2014 Private Placement Note bears fixed interest rate, and will mature on June 8, 2016 at the principal amount.

34. DEFERRED INCOME

	Amount
	RMB'000
At January 1, 2013	249,970
Government grants received	51,251
Released to profit or loss	(2,663)
At December 31, 2013	298,558
Government grants received	8,716
Released to profit or loss	(2,663)
At December 31, 2014	304,611
Government grants received	16,314
Released to profit or loss (note)	(114,895)
At December 31, 2015	206,030
Government grants received	509
Released to profit or loss (note)	(2,837)
Government grants refunded	(1,664)
At March 31, 2016	202,038

Note: The deferred income released to profit or loss comprises amount of RMB28,761,000 related to assets and amount of RMB86,134,000 related to expenses in 2015; and amount of RMB2,353,000 related to assets and amount of RMB484,000 related to expenses in the three months ended March 31, 2016.

The Target Companies received government subsidies approximately RMB51,251,000, RMB8,716,000, RMB16,314,000 and RMB509,000 for during the years ended December 31, 2013, 2014 and 2015 and the three months ended March 31, 2016 for the construction of nuclear power plant and related technology. The amounts are treated as deferred income and will be released to profit or loss over the estimated useful lives of intangible assets, property, plant and equipment and upon future expenditure to be incurred.

35. PROVISIONS

The Target Companies has made the following provisions in the Financial Information:

	At March 31 2016
	RMB'000
Non-current liabilities	
Provision for low and medium level radioactive waste management	750
Provision for nuclear power plant decommissioning	247,583
	248,333

As at December 31, 2013, 2014 and 2015, no such provisions was made.

The movements of provisions are shown as follows:

	Provision for low and medium level radioactive waste management	**Provision for nuclear power plant decommissioning**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2016	—	—	—
Additions	750	244,587	245,337
Interest expenses	—	2,996	2,996
At March 31, 2016	750	247,583	248,333

In compliance with the regulations on nuclear power operation, the Target Companies recognized provisions to cover all obligations related to the nuclear facilities and operation.

Provision for spent fuel management

Pursuant to the Interim Measures for the Administration of the Collection and Use of the Nuclear Power Plant Spent Fuel Treatment and Disposal Fund《核電站乏燃料處理處置基金徵收使用管理暫行辦法》("Measures") issued by Ministry of Finance of PRC, National Development and Reform Commission and Ministry of Industry and Information Technology of PRC, the Group is required to make contributions to a spent fuel treatment and disposal fund. Such fund is used by the relevant government authorities for the treatment and disposal of spent fuel, covering transportation, away-from-reactor storage and post-treatment of spent fuel. For generating units that have been in operation for less than five years (inclusive) from the effective date of Measures and those to be established in the future, provisions for spent fuel disposal fund are made starting from the sixth year after they commence operations.

Provision for low and medium level radioactive waste management

This provision covers the expenditure for management and safe disposal of radioactive waste including emission or release of gas and liquid radioactive waste, and production of solid radioactive waste arising from the nuclear power generating activities.

In determining the amount of provision, the management of the Target Companies estimates the quantities and radioactivity of the waste water, waste gas and other solid pollutants discharged and the expenditure required in undergoing different waste treatments and processes such as collection, purification and concentration, volume reduction and solidification, packaging, transportation, temporary storage on-site, centralized disposal. The management of the Target Companies takes into consideration the industry policies, past experience and recommendation from technical experts in estimating the expenditure required to manage and dispose the radioactive waste.

Provision for nuclear power plant decommissioning

The provision is related to the decommissioning of nuclear power plants and losses relating to fuel in the reactor when the reactor is shut down. They are estimated on the assumption that once decommissioning is completed, the sites will be returned to their original state.

The Target Companies have teams of experts specialized in nuclear power plant decommissioning work. The provision is estimated according to the team's research, which is based on the decommissioning activities and actual cost incurred in shutting down a nuclear facility in other jurisdiction, and adjusted for factors such as labor cost in the PRC, complexity of the technology to be applied, most recent developments in regulations in the PRC environment when estimating the cash flows for the decommissioning.

The relevant costs are estimated based on the economic conditions at the end of each reporting period, then spread over a forecast disbursement schedule of payment through application of a forecast long-term inflation rate.

The key assumptions to the decommissioning model applied by the Target Companies include the discount rate which is a pre-tax rate taking into account the risks specific to the provision and effect of inflation based on the historical inflation rates in the PRC.

In the opinion of management of the Target Companies, the decommissioning is expected to commence up to 2056 based on the expected useful life of nuclear power plant.

36. PAID-IN CAPITAL

Paid-in-capital represent the aggregation of registered capital of CGN Engineering, Fangchenggang Nuclear and Lufeng Nuclear. Details of movements of the paid-in capital of the subsidiaries under Target Companies are as follow:

	Paid-in capital
	RMB'000
At January 1, 2013	4,078,000
Capital injections (note)	646,600
At December 31, 2013	4,724,600
Capital injections (note)	549,000
At December 31, 2014	5,273,600
Capital injections (note)	420,900
At December 31, 2015 and March 31, 2016	5,694,500

Notes:

The Target Companies has injected capital to Fangchenggang Nuclear based on its shareholding of 61% by RMB646,000,000, RMB549,000,000, RMB420,900,000 during the years ended December 31, 2013, 2014 and 2015 respectively.

37. NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Target Companies that have material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of equity interests and voting power held by non-controlling interests					Profit (loss) allocated to non-controlling interests (note)					Accumulated non-controlling interests			
		Year ended December 31,			At March 31,		Year ended December 31,			Three months ended March 31,		At December 31,			At March 31,
		2013	2014	2015	2015	2016	2013	2014	2015	2015	2016	2013	2014	2015	2016
							RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)					(unaudited)					
China Nuclear Power Design Co., Ltd. (Shenzhen)	PRC	40%	40%	40%	40%	40%	(14,206)	(18,926)	4,241	(16,402)	(5,902)	2,694	(16,232)	(14,319)	(20,220)
China Techenergy Co., Ltd.	PRC	40%	40%	40%	40%	40%	21,921	13,132	20,623	4,800	420	110,250	123,382	144,005	144,425
Worldwide Engineering CGNPC AREVA Nuclear Co., Ltd.	PRC	45%	45%	45%	45%	45%	549	629	8,670	392	1,073	133,850	134,479	143,150	144,223
Fangchenggang Nuclear	PRC	39%	39%	39%	39%	39%	(12,076)	(27,871)	(4,440)	(17,181)	31,832	1,620,917	1,944,046	2,208,705	2,240,536
							(3,812)	(33,036)	29,094	(28,391)	27,423	1,867,711	2,185,675	2,481,541	2,508,964

Note: Profit or loss allocated to non-controlling interests represents amounts after intragroup elimination.

Summarised financial information in respect of each of the Target Companies' subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup elimination.

China Nuclear Power Design Co., Ltd. (Shenzhen)

	At December 31, 2013	At December 31, 2014	At December 31, 2015	At March 31, 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	2,060,519	1,655,104	1,944,900	2,007,082
Non-current assets	327,375	480,495	557,873	562,574
Current liabilities	2,288,349	2,021,839	2,363,143	2,442,065
Non-current liabilities	—	11,530	14,304	13,989

	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2015	Three months ended March 31, 2015	Three months ended March 31, 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	1,165,034	1,459,364	1,517,621	313,091	308,597
Expenses	1,163,152	1,456,678	1,488,705	345,848	320,321
Profit (loss) and total comprehensive income (expenses) for the year/period	1,882	2,686	28,916	(32,757)	(11,724)
Dividends paid to non-controlling interests	—	—	2,328	—	—
Net cash (outflow) inflow from operating activities	(632,930)	23,403	(130,274)	(13,293)	(178,956)
Net cash outflow from investing activities	(109,936)	(189,205)	(65,969)	(16,085)	(15,841)
Net cash (outflow) inflow from financing activities	(30,000)	—	(6,318)	—	130,000
Net cash outflow	(772,866)	(165,802)	(202,561)	(29,378)	(64,797)

China Techenergy Co., Ltd.

	At December 31, 2013	At December 31, 2014	At December 31, 2015	At March 31, 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	371,137	401,903	435,183	421,176
Non-current assets	382,350	439,923	367,544	371,289
Current liabilities	299,758	380,174	378,157	358,610
Non-current liabilities	162,749	127,086	38,289	37,139

	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2015	Three months ended March 31, 2015	Three months ended March 31, 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	319,864	372,076	471,866	124,317	108,491
Expenses	282,784	328,490	420,150	112,359	98,057
Profit and total comprehensive income for the year/period	37,080	43,586	51,716	11,958	10,434
Dividends paid to non-controlling interests	14,400	—	—	—	—
Net cash inflow (outflow) from operating activities	109,178	63,463	87,801	(8,677)	(22,573)
Net cash outflow from investing activities	(94,163)	(86,308)	(46,463)	(17,338)	(12,418)
Net cash inflow (outflow) from financing activities	8,275	(43,064)	(23,350)	18,828	9,298
Net cash inflow (outflow)	23,290	(65,909)	17,988	(7,187)	(25,693)

Worldwide Engineering CGNPC AREVA Nuclear Co., Ltd.

	At December 31,			At March 31,
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	314,755	341,410	381,569	376,886
Non-current assets	1,389	810	2,005	1,928
Current liabilities	18,699	43,377	65,463	58,319

	Year ended December 31,			Three months ended March 31,	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	69,041	117,952	172,683	28,496	31,911
Expenses	67,822	116,554	153,416	27,625	29,526
Profit and total comprehensive income for the year/period	1,219	1,398	19,267	871	2,385
Net cash (outflow) inflow from operating activities	(15,849)	(37,599)	44,933	3,954	(10,574)
Net cash outflow from investing activities	(3,338)	(537)	(1,716)	(33)	—
Net cash (outflow) inflow	(19,187)	(38,136)	43,217	3,921	(10,574)

Fangchenggang Nuclear

	At December 31, 2013	At December 31, 2014	At December 31, 2015	At March 31, 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	1,139,468	2,956,839	3,187,217	3,675,120
Non-current assets	21,188,440	25,566,276	30,174,944	31,454,038
Current liabilities	6,753,834	3,372,611	3,886,402	3,385,081
Non-current liabilities	11,417,876	20,165,771	23,812,413	25,999,110

	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2015	Three months ended March 31, 2015	Three months ended March 31, 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	262	251	303	—	607,858
Expenses	31,228	71,717	11,690	44,053	526,237
(Loss) profit and total comprehensive (expenses) income for the year/period	(30,966)	(71,466)	(11,387)	(44,053)	81,621
Net cash outflow from operating activities	(19,445)	(48,069)	(33,372)	(14,253)	(223,249)
Net cash outflow from investing activities	(4,679,008)	(5,808,361)	(4,807,218)	(627,558)	(720,826)
Net cash inflow (outflow) from financing activities	4,167,153	7,157,043	3,156,495	(435,439)	1,275,669
Net cash (outflow) inflow	(531,300)	1,300,613	(1,684,095)	(1,077,250)	331,594

38. CAPITAL RISK MANAGEMENT

The Target Companies manages its capital to ensure that entities in the Target Companies will be able to continue as a going concern while maximizing the return to equity owners through the optimization of the debt and equity balance. The Target Companies' overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Target Companies consists of debt, which includes loans from ultimate holding company, loans from an associate and loans from a fellow subsidiary, bank borrowings and notes payable, as disclosed in notes 31, 32 and 33 respectively, net of pledged bank deposits, other deposits over three months, cash and cash equivalents, and equity attributable to owners of the Target Companies, comprising paid-in capital, retained earnings and other reserves.

The management of the Target Companies reviews the capital structure from time to time. As a 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 Target Companies will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of existing debts.

39. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	At December 31			At March 31
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Derivative financial instruments classified as held for trading	—	—	544	888
Loans and receivables (including cash and cash equivalents)	14,747,309	12,090,117	9,658,392	8,310,652
Available-for-sale financial assets	85,310	85,310	85,310	85,310
	14,832,619	12,175,427	9,744,246	8,396,850
Financial liabilities				
Amortized cost	29,585,231	36,960,942	45,114,073	45,797,305

b. **Financial risk management objectives and policies**

The Target Companies' major financial instruments include trade receivables, other receivables, loans receivables, amounts due from/to ultimate holding company, fellow subsidiaries and other related parties, pledged bank deposits, cash and cash equivalents, other deposits over three months, trade and other payables, loans from/payables to an associate, a fellow subsidiary and ultimate holding company, bank borrowings, notes payable and derivative financial instruments. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (interest rate risk and currency 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 risk

(i) *Interest rate risk*

The Target Companies is exposed to fair value interest rate risk which arose from fixed rate bank borrowings, notes payable, pledged bank deposits, deposits over three months, loans from fellow subsidiaries, loans from/payables to ultimate holding company.

In addition, the Target Companies is exposed to cash flow interest rate risk which arises from floating rate bank borrowings, loans from a fellow subsidiary and ultimate holding company and cash and cash equivalents. The Target Companies' exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for cash and cash equivalents, floating rate bank borrowings, loans from a fellow subsidiary and ultimate holding company at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of reporting period was outstanding for the whole year/period. A 10 basis point increase or decrease in interest rate on cash and cash equivalents and a 50 basis point increase or decrease in interest rate on floating rate bank borrowings, loans from a fellow subsidiary and ultimate holding company are used which represent management's assessment of the reasonably possible changes in interest rates.

If interest rates had been 10 basis points higher/lower for cash and cash equivalents with all other variable held constant, the Target Companies' post-tax profit for the years ended December 31, 2013, 2014 and 2015 and the three months ended March 31, 2016 would increase/decrease by approximately RMB4,372,000, RMB5,797,000, RMB4,020,000 and RMB2,987,000 respectively.

If the respective benchmark interest rates had been 50 basis points higher for floating rate bank borrowings, note payable, loans from a fellow subsidiary and ultimate holding company with all other variables held constant, the Target Companies' post-tax profit (net of interest capitalized) for the year would decrease by:

	At December 31,			At March 31,
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
From liabilities with benchmark				
interest rate of LIBOR	—	—	—	575,000
interest rate of PBOC	577,000	415,000	330,000	12,455,000

If the respective benchmark interest rates had been 50 basis points lower for floating rate bank borrowings, note payable, loans from a fellow subsidiary and ultimate holding company with all other variables held constant, the Target Companies' post-tax profit (net of interest capitalized) for the year would increase by:

	At December 31,			At March 31,
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
From liabilities with benchmark				
interest rate of LIBOR	—	—	—	575,000
interest rate of PBOC	577,000	415,000	330,000	12,455,000

In the opinion of the management, the sensitivity analysis is unrepresentative of the interest rate risk as the year/period end exposure does not reflect the exposure during the relevant year/period.

(ii) ***Currency risk***

The Target Companies' exposure to currency risk is attributable to cash and cash equivalents, trade and other receivables, trade and other payables, loans from fellow subsidiary and bank borrowings which are denominated in the currencies other than the functional currency of the relevant group entities. The Target Companies currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Target Companies' major foreign currency denominated monetary assets and monetary liabilities other than the functional currency of the relevant group entities at the end of each reporting period are as follows:

	Assets				Liabilities			
	As at December 31,			At March 31,	As at December 31,			At March 31,
	2013	2014	2015	2016	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
USD	5,496	105,178	225,478	218,068	595,320	716,015	1,153,470	1,026,380
CAD	—	—	8,988	9,214	—	—	—	—
EURO	149,932	211,110	79,960	63,622	253,770	501,181	473,005	41,436
GBP	—	—	4,118	4,024	—	—	2,033	403
HKD	39	39	42	42	—	—	—	—
JPY	—	—	—	—	504	—	—	—

Sensitivity analysis

The sensitivity analysis below has been determined based on a 5% increase/decrease in functional currency of respective group entities against the relevant foreign currencies. 5% is the sensitivity rate used 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 5% change in foreign currency rates. A positive number below indicates an increase in the Target Companies' post-tax profit, where functional currency of respective group entities had strengthened 5% against the relevant foreign currency. For a 5% weakening of functional currency of respective group entities against the relevant foreign currency, there would be an equal and opposite impact on the profit for the year/period.

	For the year ended December 31,			Three months ended March 31,
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Increase (decrease) in the Target Companies' profit for the year/period				
- if RMB strengthens against USD	22,124	22,631	33,842	33,850
- if RMB strengthens against EURO	3,677	10,827	14,675	(402)

No sensitivity analysis in relation to fluctuation in GBP, HKD and JPY is presented as the impact is insignificant.

In the opinion of the management, the sensitivity analysis is unrepresentative of the foreign currency risk as the year/period exposure does not reflect the exposure during the relevant year/period.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Target Companies. At the end of each reporting period, the Target Companies' maximum exposure is arising from the carrying amount of the respective recognized financial assets as stated in the Financial Information.

The Target Companies have concentration of credit risk as 98.78%, 91.80%, 84.27% and 84.92% of the total trade receivables was due from the Target Companies' top 3 customers in PRC as at December 31, 2013 2014, 2015 and March 31, 2016 respectively. The Target Companies' remaining customers individually contribute less than 10% of the total trade receivables of the Target Companies.

In the opinion of management, the Target Companies has no significant credit risk with these largest customers as the Target Companies maintains long-term and stable business relationships with these companies. For other trade and other receivables, the management of the Target Companies performs an ongoing individual credit evaluation of their customers' and counterparties' financial conditions, and are of the opinion that the outstanding debts are recoverable.

In addition, the Target Company have concentration of credit risk on amount due from the ultimate holding company as at December 31, 2013, 2014, 2015 and March 31, 2016. Regarding balances with ultimate holding company and other related parties, the management of the Target Companies assesses the recoverability by reviewing their financial position and results periodically and considers the credit risk to be insignificant.

The credit risk on liquid funds are limited because the counterparties are banks with good reputation.

Other than the above mentioned concentration of credit risk, the Target Companies does not have any other significant concentration of credit risk.

Liquidity risk

In the management of the liquidity risk, the Target Companies monitors and maintains a level of cash and cash equivalents as well as undrawn banking and loan facilities deemed adequate by the management to finance the Target Companies' operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and notes payable to ensure compliance with loan covenants.

The management of the Target Companies is satisfied that the Target Companies will have sufficient financial resources to meet its financial and commitment as the Target Companies has unutilized facilities from banking of approximately RMB17,947,009,000, RMB14,109,615,000, RMB26,811,358,000 and RMB56,485,849,000 as at December 31, 2013, 2014, 2015 and March 31, 2016.

The following tables detail the Target Companies' 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 Target Companies 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 each reporting period.

	Weighted average effective interest rate	Repayable on demand or less than 1 year	1 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB0'000*	*RMB'000*	*RMB'000*
At December 31, 2013						
Trade and other payables	—	8,600,145	—	—	8,600,145	8,600,145
Amounts due to related parties	—	212,317	—	—	212,317	212,317
Notes payable	—	1,543,500	—	—	1,543,500	1,500,000
Loans from ultimate holding company						
- fixed rate	4.50	12,450	155,606	—	168,056	150,000
Loans from an associate						
- floating rate	5.35	1,529,506	—	—	1,529,506	1,528,140
- fixed rate	5.37	33,703	134,813	1,025,924	1,194,440	539,735
Bank borrowing						
- floating rate	5.97	1,961,327	2,678,636	563,836	5,203,799	4,736,162
- fixed rate	5.57	3,127,563	2,155,735	9,061,966	14,345,264	12,318,732
		17,020,511	5,124,790	10,651,726	32,797,027	29,585,231
At December 31, 2014						
Trade and other payable	—	8,790,555	—	—	8,790,555	8,790,555
Amounts due to related parties	—	175,354	—	—	175,354	175,354
Notes payable	—	98,700	1,643,938	—	1,742,638	1,500,000
Loans from ultimate holding company						
- fixed rate	4.50	155,606	—	—	155,606	150,000
Loans from an associate						
- floating rate	5.59	629,970	—	—	629,970	600,000
- fixed rate	5.45	34,772	139,089	1,188,192	1,362,053	639,102
Loans from a fellow subsidiary						
- floating rate	6.13	1,095,655	1,069,522	—	2,165,177	1,990,000
Bank borrowings						
- floating rate	5.05	3,595,023	1,530,272	1,913,686	7,038,981	6,144,913
- fixed rate	5.65	2,495,265	3,855,338	27,909,515	34,260,118	16,971,018
		17,070,900	8,238,159	31,011,393	56,320,452	36,960,942

	Weighted average effective interest rate	Repayable on demand or less than 1 year	1 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB0'000*	*RMB'000*	*RMB'000*
At December 31, 2015						
Trade and other payables	—	10,112,001	—	—	10,112,001	10,112,001
Amounts due to related parties	—	234,864	—	—	234,864	234,864
Notes payable	—	1,545,238	—	—	1,545,238	1,500,000
Loans from ultimate holding company						
- floating rate	5.44	734,367	—	—	734,367	725,500
Loans from an associate						
- floating rate	4.07	1,859,744	—	—	1,859,744	1,836,875
- fixed rate	5.40	34,622	138,486	1,152,468	1,325,576	640,652
Loans from a fellow subsidiary						
- floating rate	5.20	149,621	2,979,973	—	3,129,594	2,880,000
Bank borrowings						
- floating rate	4.77	2,819,080	2,887,982	2,380,093	8,087,155	6,927,329
- fixed rate	5.50	1,112,965	3,564,778	34,219,434	38,897,177	20,256,852
		18,602,502	9,571,219	37,751,995	65,925,716	45,114,073
At March 31, 2016						
Trade and other payables	—	9,248,842	—	—	9,248,842	9,248,842
Amounts due to related parties	—	598,106	—	—	598,106	598,106
Notes payable	—	1,520,563	—	—	1,520,563	1,500,000
Loans from ultimate holding company						
- floating rate	4.43	1,083,198	—	—	1,083,198	1,055,500
Loans from an associate						
- floating rate	3.91	1,146,217	—	—	1,146,217	1,123,120
- fixed rate	5.41	34,698	138,792	1,146,922	1,320,412	642,676
Loans from a fellow subsidiary						
- floating rate	5.12	147,567	2,942,397	—	3,089,964	2,880,000
Bank borrowings						
- floating rate	4.91	2,975,250	2,605,807	2,291,196	7,872,253	6,838,982
- fixed rate	5.48	1,199,090	6,537,203	27,795,306	35,531,599	21,910,079
		17,953,531	12,224,199	31,233,424	61,411,154	45,797,305

The amounts included above for floating interest rate instruments for non-derivative financial liabilities are subject to change if changes in floating variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

c. **Fair value measurement**

Fair value measurement for financial instruments not measured at fair value on a recurring basis

The fair value of financial assets and financial liabilities (excluding derivative financial instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the combined financial statements approximate their fair values.

Fair value measurements for financial instruments measured at fair value on a recurring basis

Some of the Target Companies' financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these instruments are determined:

Financial assets	Fair value as at				Fair value hierarchy	Valuation technique and key inputs
	December 31, 2013	December 31, 2014	December 31, 2015	March 31, 2016		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*		
Foreign currency forward contracts	—	—	544	888	Level 2	Discounted Cash Flow Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of each reporting period) and contract forward exchange rates, discounted at a rate that reflects the credit risk of various counterparties

40. CAPITAL COMMITMENTS

	At December 31,			At March 31,
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure in respect of acquisition and construction of property, plant and equipment contracted for but not provided in the Financial Information	2,890,321	4,602,574	3,988,283	3,911,357

41. OPERATING LEASE COMMITMENTS

The Target Companies as lessee

At the end of each reporting period, the Target Companies had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	At December 31,			At March 31,
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	29,589	42,473	23,635	20,956
In the second to fifth years inclusive	27,545	15,083	29,356	28,489
Over five years	—	200	941	159
	57,134	57,756	53,932	49,604

Operating lease payments represent fixed rentals payable by the Target Companies for certain of its office premises. Lease of rented premises are negotiated with fixed lease term for 1 to 10 years.

The Target Companies as lessor

For each of the years ended December 31, 2013, 2014 and 2015 and the three months ended March 31, 2015 and 2016, rental income earned by the Target Companies from its investment property for approximately RMB3,754,000, RMB5,353,000, RMB2,935,000, and RMB426,000 (unaudited) and RMB717,000 respectively.

All of the properties leased out have committed tenants for 1 to 3 years without termination options granted to tenants.

At the end of each reporting period, the Target Companies had contracted with tenants for the following future minimum lease payments:

	At December 31,			At March 31,
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	1,117	1,602	1,739	1,604
In the second to fifth years inclusive	2,003	1,573	1,140	806
	3,120	3,175	2,879	2,410

42. PLEDGE OF ASSETS

At the end of each reporting period, the assets with following carrying amounts were pledged to banks and related parties to secure loans from banks and related parties granted to Fangchenggang Nuclear, Lufeng Nuclear and CGN Engineering:

		At December 31,			At March 31,
	Notes	**2013**	**2014**	**2015**	**2016**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	14	104,709	98,809	—	—
Prepaid lease payments	20	35,720	34,916	34,112	33,911
Trade receivables representing collection right on sales of electricity (Note)	23	—	—	181,724	246,311
Bank deposits		5,544	403	2,324	5,437
		145,973	134,128	218,160	285,659

Note: At December 31, 2015 and March 31, 2016, the tariff collection rights of Fangchenggang Nuclear was pledged to secure the banking facilities, loans from banks and related parties.

43. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

Save as disclosed elsewhere in the Financial Information, the Target Companies entered into the following transactions with related parties, during the Relevant Periods:

	Year ended December 31,			Three months ended March 31,	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue of construction income from fellow subsidiaries	6,239,139	5,443,375	6,066,196	1,006,711	1,008,891
Revenue of construction income from related companies					
- a joint venture of ultimate holding company	3,546,815	3,214,261	2,318,167	217,636	177,790
- an associate of ultimate holding company	3,885,550	2,781,202	2,958,027	297,168	303,895

	Year ended December 31,			Three months ended March 31,	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue of construction contracts from ultimate holding company	29,345	54,442	36,322	2,856	14,505
Sales of goods to fellow subsidiaries	96,405	71,272	104,767	2,745	32,602
Sales of goods to ultimate holding company	173	103	26	—	—
Sales of goods to related companies					
- a joint venture of ultimate holding company	45,794	50,646	59,995	33,294	—
- an associate of ultimate holding company	66,507	19,545	42,410	15,084	8,005
Sales of goods to associates	82	—	108	—	—
Service revenue from ultimate holding company	1,823	8,899	7,755	—	—
Service revenue from fellow subsidiaries	70,628	305,484	204,500	8,479	29,205
Service revenue from related parties					
- a joint venture of ultimate holding company	420	6,468	19,685	1,169	389
- an associate of ultimate holding company	934	6,194	7,055	—	—
Service revenue from associates	10	—	—	—	—
Rental income from ultimate holding company	—	—	246	—	—
Rental income from fellow subsidiaries	723	713	1,352	—	482
Rental income from associates	54	591	—	—	—
Interest income from construction income receivable due from for fellow subsidiaries	851,599	86,089	—	—	—

	Year ended December 31,			Three months ended March 31,	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest income from construction income receivable due from for related party					
- a joint venture of ultimate holding company	17,742	378	—	—	—
- an associate of ultimate holding company	2,136	4,341	—	—	—
Interest income from an associate	121,673	91,398	70,929	21,706	7,830
Purchase of nuclear fuel from a fellow subsidiary	42,112	338,276	329,354	—	2,040
Purchase of property, plant and equipment from ultimate holding company	—	802	—	—	—
Purchase of property, plant and equipment from fellow subsidiaries (note)	1,661,286	2,341	5,772	—	—
Purchase of goods or rendering of service from ultimate holding company	87,274	24,303	3,700	407	1,184
Purchase of goods or rendering of service from fellow subsidiaries	931,071	1,376,107	1,392,719	107,987	236,583
Purchase of goods or rendering of service from associates	2,392	300	300	—	—
Purchase of goods of rendering of service from an associate of ultimate holding company	—	—	324	—	—

Note: In 2013, Target Companies purchased the property, plant and equipment at a consideration of RMB1,661,286,000 from a fellow subsidiary and the fellow subsidiary has assigned its bank borrowings of RMB1,661,286,000 to the Target companies.

(b) **Compensation of key management personnel**

The remuneration of key management during the year/period were as follows:

	Year ended December 31,			Three months ended March 31,	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Salaries and other allowances	15,145	18,812	18,714	5,209	5,551
Discretionary bonus	14,185	15,872	12,368	7,194	4,423
Retirement benefit schemes contributions	1,936	1,962	2,041	503	506
	31,266	36,646	33,123	12,906	10,480

The remuneration of key management is determined having regard to the performance of individuals and market trends.

(c) **Significant transactions with other government-related entities**

The Target Companies is ultimately controlled by the PRC government and the Target Companies operates in an economic environment predominated by the entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities").

In addition to transactions and balances with ultimate holding company, fellow subsidiaries, associates, a joint venture and an associate of ultimate holding company and elsewhere in the Financial Information, significant related party transactions and balances conducted with other government-related entities in the normal course of businesses of the Target Companies for the years ended December 31, 2013, 2014 and 2015 and the three months ended March 31, 2015 and 2016 are as follows:

	Year ended December 31,			Three months ended March 31,	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Sales of electricity	—	—	—	—	607,858
Sales of materials	—	—	164,597	—	—

	At December 31			At March 31
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	—	—	292,799	335,148

The transactions conducted with government-related entities are based on terms as set out in the underlying agreements, based on statutory rates or market prices or actual cost incurred, or as mutually agreed.

The Target Companies has entered into various transactions, including deposits placements, borrowings (other than notes payable) and other general banking facilities, with banks which are government-related entities. Thus, the related interest income and expenses are with government-related entities.

44. EVENTS AFTER REPORTING PERIOD

Pursuant to resolution of the shareholder meeting of CGN Engineering dated September 18, 2016, CGN Engineering was approved to dispose of its entire 60% interest in China Techenergy Co., Ltd. at consideration RMB238.03 million. The net assets of China Techenergy Co., Ltd. on March 31, 2016 represents amounts before intergroup elimination were as follows:

	March 31, 2016
	RMB'000
NON-CURRENT ASSETS	
Property, plant and equipment	123,017
Intangible assets	244,436
Deferred tax assets	3,836
	371,289
CURRENT ASSETS	
Inventories	251,186
Trade and bills receivables	96,646
Prepayments and other receivables	23,481
Amount due from related parties	81
Pledged bank deposits	403
Cash and cash equivalents	49,379
	421,176

	March 31, 2016
	RMB'000
CURRENT LIABILITIES	
Trade and other payables	285,996
Amounts due to related parties	2,574
Loans from associates-current	40,000
Bank borrowings - due within one year	30,040
	358,610
NON-CURRENT LIABILITIES	
Deferred income	37,139

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Companies have been prepared in respect of any period subsequent to March 31, 2016.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Valuation Report
in respect of
the Proposed Transfer by China General Nuclear Power Corporation of Its Equity Interests in
Guangxi Fangchenggang Nuclear Power Co., Ltd. to CGN Power Co., Ltd.
C.E.A.P.B.Z [2016] No. 1208-01 (中企華評報字(2016)第1208-01號)

(One volume in total, Volume one)

China Enterprise Appraisals Co., Ltd.
September 12, 2016

Contents

Statement of Certified Public Valuers

I. We have conducted this valuation engagement in accordance with relevant laws, regulations and asset valuation standards and in the principle of independence, objectiveness and impartiality. We confirm that, based on the information collected in our practices, the information stated herein is objective, and we accept legal responsibility for the reasonableness of valuation conclusion.

II. The lists of assets and liabilities related to the valuation target are submitted by the principals and the subject entity, as confirmed by their signatures and corporate seals. The principals and relevant parties shall be responsible for the truthfulness, legitimacy and completeness of the information provided by them and proper use of this report.

III. We have no existing or prospective interest in the valuation target hereunder. We have neither existing or prospective interest in nor any bias to the relevant parties.

IV. We have conducted site survey to the valuation target hereunder and the involved assets. We have given necessary attention to the valuation target and titles of the assets involved, and conducted inspection on their title documents. With the identified problems disclosed truthfully, we have requested the principals and relevant parties to improve the ownership in order to meet the requirement for issuing this report.

V. Our analysis, judgment and conclusion in the valuation report are subject to the assumptions and qualifications herein. Users of this report should pay full attention to the assumptions, qualifications and special explanations set out herein and their impact on the valuation conclusion.

Valuation Report Executive Summary

Important Notice

All contents of this summary are extracted from the text of the valuation report. Please carefully read the full text of the valuation report for details of the valuation process and reasonable understanding of the valuation conclusion.

As engaged jointly by China General Nuclear Power Corporation and CGN Power Co., Ltd., China Enterprise Appraisals Co., Ltd. has followed the necessary valuation procedures to appraise the market value of the entire shareholders' equity of Guangxi Fangchenggang Nuclear Power Co., Ltd. as at the appraisal base date in accordance with relevant laws, regulations and asset valuation standards and in the principle of independence, objectiveness and impartiality. The valuation report is summarised as follows:

Valuation purpose: China General Nuclear Power Corporation intends to transfer its 61% equity interest in Guangxi Fangchenggang Nuclear Power Co., Ltd. to CGN Power Co., Ltd. The appraisal of the value of the entire shareholders' equity of Guangxi Fangchenggang Nuclear Power Co., Ltd. is for the purpose of providing a value reference for this economic activity.

Valuation target: the value of the entire shareholders' equity in Guangxi Fangchenggang Nuclear Power Co., Ltd..

Valuation scope: all assets and liabilities of Guangxi Fangchenggang Nuclear Power Co., Ltd., including, among other things, current assets, fixed assets, construction in progress, intangible assets, long-term deferred expenses, long-term receivables, other non-current assets, current liabilities and non-current liabilities.

Appraisal base date: March 31, 2016

Type of value: market value

Valuation method: Asset-based approach and income approach.

Valuation conclusion: The valuation result under the income approach is adopted as the valuation conclusion herein, which is detailed as below:

As at the appraisal base date, the book values of total assets, total liabilities and net assets of Guangxi Fangchenggang Nuclear Power Co., Ltd. were RMB35,176.8232 million, RMB29,384.1906 million and RMB5,792.6326 million, respectively.

Under income approach, the valuation of the entire shareholders' equity is RMB6,857.9399 million, the added value is RMB1,065.3073 million, and the added-value ratio is 18.39%.

This valuation report is solely designed to provide a value reference for the economic activity described herein, and the valuation conclusion is valid for one year starting from March 31, 2016, the appraisal base date.

Users of this valuation report should pay full attention to the assumptions, qualifications and special explanations set out herein and their impact on the valuation conclusion.

Valuation Report
in respect of
the Proposed Transfer by China General Nuclear Power Corporation of Its Equity Interests in
Guangxi Fangchenggang Nuclear Power Co., Ltd. to CGN Power Co., Ltd.

(Full text)

To: China General Nuclear Power Corporation and CGN Power Co., Ltd.:

According to your joint engagement, China Enterprise Appraisals Co., Ltd. has followed the necessary valuation procedures under the asset-based approach and the income approach to appraise the market value of the entire shareholders' equity of Guangxi Fangchenggang Nuclear Power Co., Ltd. as at March 31, 2016 in connection with the proposed transfer by China General Nuclear Power Corporation of its equity interests in Guangxi Fangchenggang Nuclear Power Co., Ltd. to CGN Power Co., Ltd. in accordance with relevant laws, regulations and asset valuation standards and in the principle of independence, objectiveness and impartiality. The valuation details and valuation results are presented as follows:

I. PRINCIPALS, SUBJECT ENTITY AND OTHER VALUATION REPORT USERS AS AGREED IN THE ENGAGEMENT LETTER

In this valuation, the principals are CGN Power Co., Ltd. and China General Nuclear Power Corporation, title holder is China General Nuclear Power Corporation The subject entity is Guangxi Fangchenggang Nuclear Power Co., Ltd. Other valuation report users as agreed in the engagement letter are relevant competent departments at higher levels and report users prescribed by laws.

(I) Overview of the Principal I

1. Company name: CGN Power Co., Ltd. (" CGN Power")

2. Company type: joint stock company with limited liability (sino-foreign joint venture, listed) with the ratio of foreign investment less than 25%

3. Domicile: 18/F, South Tower, CGN Building, No. 2002, Shennan Road, Futian District, Shenzhen

4. Legal representative: Zhang Shanming

5. Registered capital: RMB45,448.7500 million

6. Business scope: production and supply of electricity and heat generated mainly from nuclear energy, and provision of related professional technical services; disposal of nuclear waste; organization and implementation of the construction and management of engineering

projects for nuclear power stations; organization of the operation, maintenance and related businesses for nuclear power stations; organization of the design and scientific research for the development of nuclear power stations; and engagement in related investment, import and export businesses.

(II) **Overview of the Principal II and Title Holder**

1. Company name: China General Nuclear Power Corporation ("CGN")

2. Domicile: 33/F, South Tower, CGN Building, No. 2002, Shennan Road, Futian District, Shenzhen

3. Legal representative: He Yu

4. Registered capital: RMB12,200.0000 million

5. Company type: Limited liability company

6. Business scope: organization and implementation of the construction and management of engineering projects for nuclear power stations; organization of the operation, maintenance and related businesses for nuclear power stations; and organization of the design and scientific research for the development of nuclear power stations. (For items subject to approval pursuant to laws, operation could only be commenced upon approval by relevant authorities)

(III) **Overview of the Subject Entity**

1. Company name: Guangxi Fangchenggang Nuclear Power Co., Ltd. ("Fangchenggang Nuclear Power")

2. Domicile: 15-25/F, west tower, Hongshulin Building, No. 39, Yingbin Street, Gangkou District

3. Legal representative: Chen Jian

4. Registered capital: RMB5,850.0000 million

5. Paid-up capital: RMB5,850.0000 million

6. Company type: Limited liability company

7. Business scope: investment, construction and operation of nuclear power stations; electricity generation (the above mentioned scope of business shall be subject to the related

requirement if they are the subjects of state franchise); import and export of goods, import and export of technology (other than items prohibited by laws and administrative rules; these items prohibited by laws and administrative rules are required to be operated after obtaining permits).

8. Relation between the Principals and the Subject Entity: China General Nuclear Power Corporation, the Principal II, is the controlling shareholder of the Subject Entity, Guangxi Fangchenggang Nuclear Power Co., Ltd.

(IV) Other Valuation Report Users agreed by Engagement letter

This report shall only be used by the principals, other valuation report users as agreed in the engagement letter and valuation report users as stipulated by national laws and regulations, and shall not be used or relied on by any other third parties.

II. VALUATION PURPOSE

China General Nuclear Power Corporation intends to transfer its 61% equity interest in Guangxi Fangchenggang Nuclear Power Co., Ltd. to CGN Power Co., Ltd. The appraisal of the value of the entire shareholders' equity of Guangxi Fangchenggang Nuclear Power Co., Ltd. is for the purpose of providing a value reference for this economic activity.

III. VALUATION TARGET AND SCOPE

(I) Valuation Target

According to the valuation purpose, the valuation target is the value of the entire shareholders' equity of Guangxi Fangchenggang Nuclear Power Co., Ltd.

(II) Valuation Scope

The valuation scope covers all assets and liabilities of the subject entity. As at the appraisal base date, the book value of assets including current assets and non-current assets (non-current assets included fixed assets, construction in progress, intangible assets, long-term deferred expenses, long-term receivables and other non-current assets) and liabilities including current liabilities and non-current liabilities, which are fallen into the valuation scope, were RMB35,176.8232 million and RMB29,384.1906 million, respectively. Accordingly, the book value of net assets was RMB5,792.6326 million.

As at the appraisal base date, Deloitte Touche Tohmatsu Certified Public Accountants LLP, Shenzhen branch has audited the book value of assets and liabilities fallen into the valuation scope and issued an audit report with unqualified opinion.

IV. TYPE OF VALUE AND DEFINITION

According to the valuation purpose, the type of value of the valuation target is defined as market value.

Market value represents the estimated amount for which the valuation target should be exchanged on the appraisal base date between a willing buyer and a willing seller in an arm's-length transaction wherein the parties had each acted knowledgeably, prudently and without compulsion.

V. APPRAISAL BASE DATE

The appraisal base date is March 31, 2016.

The appraisal base date is determined jointly by the principals and the subject entity.

VI. BASIS OF VALUATION

(I) Basis of Economic Activity

Letter of Decision on Assignment of Equity Interests in Three Companies Including Guangxi Fangchenggang Nuclear Power Co., Ltd. etc. (Zhong Guang He Shang Han [2016] No. 14) issued by China General Nuclear Power Corporation.

(II) Laws and Regulations Basis

1. Company Law of the People's Republic of China (《中華人民共和國公司法》) (passed at the 18th Meeting of the Standing Committee of the 10th National People's Congress on October 27, 2005 and amended on December 28, 2013 and implemented from March 1, 2014);

2. Securities Law of the People's Republic of China (《中華人民共和國證券法》) (the 3rd revision was passed at the 10th Meeting of the Standing Committee of the 12th National People's Congress of the People's Republic of China on August 31, 2014);

3. Urban Real Estate Administration Law of the People's Republic of China (《中華人民共和國城市房地產管理法》) (passed at the 29th Meeting of the Standing Committee of the 10th National People's Congress on August 30, 2007);

4. Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》) (passed at the 11th Meeting of the Standing Committee of the 10th National People's Congress on August 28, 2004);

5. Property Law of the People's Republic of China (《中華人民共和國物權法》) (Presidential Order No. 62 (主席令第62號), March 16, 2007);

6. Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (passed at the 5th Meeting of the 10th National People's Congress on March 16, 2007);

7. State-owned Assets Law of the People's Republic of China (《中華人民共和國企業國有資產法》) (passed at the 5th Meeting of the Standing Committee of the 11th National People's Congress on October 28, 2008);

8. Interim Measures for the Supervision and Administration of the State-owned Assets of Enterprises (《企業國有資產監督管理暫行條例》) (Order No. 378 of the State Council) (國務院令第378號);

9. Interim Measures for the Management of Transfer of the State-owned Property Rights of Enterprises (《企業國有產權轉讓管理暫行辦法》) (Order No. 3 of the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance) (國務院國有資產監督管理委員會、財政部令第3號);

10. Notice on Relevant Issues Concerning Transfer of State-owned Property Rights of Enterprises (《關於企業國有產權轉讓有關事項的通知》) (Guo Zi Fa Chan Quan [2006] No. 306) (國資發產權[2006]306號);

11. Administrative Measures for the Assessment of Stated-owned Assets (《國有資產評估管理辦法》) (Order No. 91 of the State Council) (國務院令第91號);

12. Notice on the Promulgation of the Detailed Rules for the Implementation of the Administrative Measures for the Assessment of State-owned Assets (《關於印發<國有資產評估管理辦法施行細則>的通知》) (Guo Zi Ban Fa [1992] No. 36) (國資辦發[1992]36號);

13. Provisional Measures for the Administration of Assessment of the State-owned Assets of Enterprises (《企業國有資產評估管理暫行辦法》) (Order No. 12 of the 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令第12號);

14. Notice on Issues Related to the Strengthening of the Administration of Valuation of State-owned Assets (《關於加強企業國有資產評估管理工作有關問題的通知》) (Guo Zi Wei Chan Quan [2006] No. 274) (國資委產權[2006]274號);

15. Notice on Matters concerning Verification of State-owned Assets Valuation Report of Enterprise (《關於企業國有資產評估報告審核工作有關事項的通知》) (Guo Zi Chan Quan [2009] No. 941) (國資產權[2009]941號);

16. Guide to Filing for Valuation Projects of State State-owned Assets of Enterprises (《企業國有資產評估項目備案工作指引》) (Guo Zi Fa Chan Quan [2013] No. 64) (國資發產權[2013]64號);

17. Accounting Standards of Business Enterprises — Basic Standards (《企業會計準則——基本準則》) (Order No. 76 of the Ministry of Finance) (財政部令第76號);

18. Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》) (Order No. 134 of the State Council of the People's Republic of China dated December 13, 1993 and amended and passed at 34th Meeting of the Standing Committee of the State Council on November 5, 2008) (中華人民共和國國務院令第134號);

19. Detailed Rules for the Implementation of the Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例實施細則》) (Order No. 50 of the Finance of Ministry and the State Administration of Taxation) (財政部、國家稅務總局令第50號);

20. Decision on the Revision to the Detailed Rules for the Implementation of the Provisional Regulations on Value-added Tax of the People's Republic of China and the Detailed Rules for the Implementation of the Provisional Regulations on Business Tax of the People's Republic of China (《關於修改〈中華人民共和國增值稅暫行條例實施細則〉和〈中華人民共和國營業稅暫行條例實施細則〉的決定》) (Order [2011] No. 65 of the Finance of Ministry and the State Administration of Taxation) (財政部、國家稅務總局令2011年第65號);

21. Notice on the Comprehensive Rollout of the Business Tax to Value-Added Tax Transformation Pilot Program (《關於全面推開營業稅改征增值稅試點的通知》) (Cai Shui [2016] No. 36) (財稅[2016]36號).

(III) **Valuation Standards Basis**

1. Asset Valuation Standards — Basic Standards (《資產評估準則——基本準則》) (Cai Qi [2004] No. 20) (財企[2004]20號);

2. Code of Ethics on Asset Valuation — Basic Standards (《資產評估職業道德準則——基本準則》) (Cai Qi [2004] No. 20) (財企[2004]20號);

3. Guidance to Certified Public Appraisers on Titles of Valuation Targets (《註冊資產評估師關注評估對象法律權屬指導意見》) (Kuai Xie [2003] No. 18) (會協[2003]18號);

4. Asset Valuation Standards — Valuation Procedures (《資產評估準則——評估程序》) (Zhong Ping Xie [2007] No. 189) (中評協[2007]189號);

5. Asset Valuation Standards — Working Papers (《資產評估準則——工作底稿》) (Zhong Ping Xie [2007] No. 189) (中評協[2007]189號);

6. Asset Valuation Standards — Machinery and Equipment (《資產評估準則——機器設備》) (Zhong Ping Xie [2007] No. 189) (中評協[2007]189號);

7. Asset Valuation Standards — Real Estate (《資產評估準則——不動產》) (Zhong Ping Xie [2007] No. 189) (中評協[2007]189號);

8. Guidelines on Type of Value for Asset Valuation (《資產評估價值類型指導意見》) (Zhong Ping Xie [2007] No. 189) (中評協[2007]189號);

9. Asset Valuation Standards — Intangible Assets (《資產評估準則——無形資產》) (Zhong Ping Xie [2008] No. 217) (中評協[2008]217號);

10. Guidelines on Patent Valuation (《專利資產評估指導意見》) (Zhong Ping Xie [2008] No. 217) (中評協[2008]217號);

11. Guidelines on Quality Control of Appraisal Agencies' Practices (《評估機構業務質量控制指南》) (Zhong Ping Xie [2010] No. 214) (中評協[2010]214號);

12. Asset Valuation Standards — Enterprise Value (《資產評估準則——企業價值》) (Zhong Ping Xie [2011] No. 227) (中評協[2011]227號);

13. Asset Valuation Standards — Valuation Report (《資產評估準則——評估報告》) (Zhong Ping Xie [2011] No. 230) (中評協[2011]230號);

14. Asset Valuation Standards — Letter of Engagement (《資產評估準則——業務約定書》) (Zhong Ping Xie [2011] No. 230) (中評協[2011]230號);

15. Guides to Asset Valuation Report of State-owned Enterprises (《企業國有資產評估報告指南》) (Zhong Ping Xie [2011] No. 230) (中評協[2011]230號);

16. Asset Valuation Standards — Use of Experts (《資產評估準則——利用專家工作》) (Zhong Ping Xie [2012] No. 244) (中評協[2012]244號);

17. Code of Ethics on Asset Valuation — Independence (《資產評估職業道德準則——獨立性》) (Zhong Ping Xie [2012] No. 248) (中評協[2012]248號).

(IV) **Basis of Titles**

1. Registration certificates of property rights of state-owned assets;

2. Building ownership certificates;

3. Land use right certificates;

4. Sea area use right certificates;

5. Contracts and invoices of equipment purchase;

6. Vehicle licences.

(V) **Pricing Basis**

1. Notice of the National Development and Planning Commission on the Promulgation of Provisional Rules for Early Stage Consultation Fees for Construction Projects (《國家計委關於印發<建設項目前期工作諮詢收費暫行規定>的通知》) (Ji Jia Ge [1999] No. 1283) (計價格[1999]1283號);

2. Notice of the National Development and Planning Commission and the Ministry of Construction on the Promulgation of Regulations on Pricing Management of Survey and Design Projects (《國家計委、建設部關於發佈<工程勘察設計收費管理規定>的通知》) (Ji Jia Ge [2002] No. 10) (計價格[2002]10號);

3. Notice of the National Development and Planning Commission and the State Environmental Protection Administration on Related Matter Concerning the Regulating of Charges for Environmental Impact Consultation (《國家計委、國家環境保護總局關於規範環境影響諮詢收費有關問題的通知》) (Ji Jia Ge [2002] No. 125) (計價格[2002]125號);

4. Notice of the National Development and Planning Commission on the Promulgation of Interim Regulations on the Charging Administration of Bidding Agency Services (《國家計委關於印發<招標代理服務收費管理暫行辦法>的通知》) (Ji Jia Ge [2002] No. 1980) (計價格[2002]1980號);

5. Notice of the Ministry of Finance on the Promulgation of Certain Regulations on Financial Management of Basic Construction (《財政部關於印發<基本建設財務管理若干規定>的通知》) (Cai Jian [2002] No. 394) (財建[2002]394號);

6. Notice of the National Development and Reform Commission and the Ministry of Construction on the Promulgation of the Administrative Provisions on Charges for Supervision of Construction Projects and Relevant Services (《國家發展改革委、建設部關於印發<建設工程監理與相關服務收費管理規定>的通知》) (Fa Gai Jia Ge [2007] No. 670) (發改價格[2007]670號);

7. Regulations on Compulsory Retirement of Automotive Vehicles (《機動車強制報廢標準規定》) (Order [2012] No. 12 of the Ministry of Commerce, the National Development and Reform Commission, the Ministry of Public Security and the Ministry of Environment Protection) (商務部、發改委、公安部、環境保護部令2012年第12號);

8. Taxation Rules of Customs Import and Export of the People's Republic of China (2016) (《中華人民共和國海關進出口税則》(2016年));

9. Bank deposit and lending benchmark interest rate and exchange rate as at the appraisal base date;

10. Damage Condition and Ranking Standards of Buildings (Trial) (《房屋完損等級評定標準（試行）》) (Cheng Zhu Zi [1984] No. 678) (城住字[1984] 第678號);

11. Interim Regulations on Budgeting of Nuclear Engineering Construction (1995 Edition) (《核工程建設概算編製暫行規定》《1995年版》);

12. Expenses Quota of Installation Engineering of Nuclear Industrial Buildings (December 2009 Edition) (《核工業建築安裝工程費用定額》(2009年12月版));

13. Regulations on Other Expense Budgeting of Nuclear Power Station Construction Projects (2010) (《核電廠建設項目工程其他費用編製規定》(2010年));

14. Budget Estimate Quota of Electricity Construction Projects (2013 Edition) (電力建設工程概算定額《2013年版》);

15. Budget Compilation and Calculation Standards in Coal-fired Power Generation Construction Projects (2013 Edition) (火力發電工程建設預算編製與計算標準《2013年版》);

16. Consumption Quota of Building Decoration Engineering of Guangxi Zhuang Autonomous Region (2013 Edition) (《廣西壯族自治區建築裝飾裝修工程消耗量定額》(2013年版));

17. Expenses Quota of Building Decoration Engineering of Guangxi Zhuang Autonomous Region (2013 Edition) (《廣西壯族自治區建築裝飾裝修工程費用定額》(2013年版));

18. Quotation Manual for Electromechanical Products (2016) (《機電產品報價手冊》(2016年));

19. Bank deposit and lending benchmark interest rate and exchange rate as at the appraisal base date;

20. Information provided by enterprises such as project investment estimate and design estimate;

21. Information provided by enterprises such as budget and final accounts of relevant projects;

22. EPC contract signed between enterprises and relevant entities;

23. Financial statements and audit reports for previous years provided by enterprises;

24. Operation plan for future years provided by relevant department of any particular enterprise;

25. Raw material purchase contracts signed between enterprises and relevant entities;

26. Field survey records made and other relevant valuation information collected by appraisers;

27. Other information in relation to this appraisal.

(VI) **Other Reference Basis**

1. List of assets and valuation application form provided by the valuation target;

2. Audit report issued by Deloitte Hua Yong Certified Public Accountants LLP, Shenzhen branch.

VII. VALUATION METHODOLOGY

The basic approaches for valuation of enterprise value mainly include the income approach, market approach and asset-based approach.

Income approach is a method to determine the value of the valuation target by capitalising or discounting the expected income flows. Specific methods typically used under income approach include discounted dividend income method and discounted cash flow method.

Market approach is a method to determine the value of the valuation target by comparing the valuation target against comparable listed companies or transaction cases. The two specific methods typically used under market approach are listed company comparison method and transaction case comparison method.

Asset-based approach is a method to determine the value of the valuation target by reasonably valuing the enterprise's on-balance-sheet and off-balance-sheet assets and liabilities as at the appraisal base date.

The Asset Valuation Standards—Enterprise Value require that for a valuation engagement of enterprise value, the certified public appraiser should properly select one or more basic asset valuation approaches by analysing the applicability of the three basic approaches (income approach, market approach and asset-based approach) based on relevant conditions including valuation purpose, valuation target, type of value and the information collected.

For the purpose of this valuation, income approach and asset-based approach have been adopted after analyzing the applicability of the three basic approaches based on relevant conditions including valuation purpose, valuation target, type of value and the information collected. The rationale is set out as follows:

The valuation target is a nuclear power generation enterprise and plans to construct two 1000MW nuclear power units. As one of these two units just commenced operation in January 2016, it is difficult to identify a listed company or market transaction case comparable to the valuation target. Therefore, the market approach cannot be adopted. The asset-based approach reflects the replacement costs of the valuation target as at the appraisal base date. As relevant information on the valuation target such as assets and liabilities is easy to collect, it is justifiable to adopt the asset-based approach for the appraisal. In addition, as the management are able to provide revenue forecast data to reflect the overall enterprise value from expected profitability prospective, the income approach and asset-based approach are adopted for this appraisal.

(I) **Income Approach**

Discounted free cash flow model under the discounted cash flow method is adopted for this valuation, as detailed below:

Value of entire shareholders' equity = Overall enterprise value - Value of interest-bearing debts

1. ***Overall Enterprise Value***

Overall enterprise value is the sum of entire shareholders' equity and interest-bearing debts. According to the assets acquired and used by the valuation target, overall enterprise value is calculated as follows:

Overall enterprise value = Value of operating assets + Value of surplus assets + Value of non-operating assets and liabilities

(1) *Value of operating assets*

Operating assets represent assets and liabilities relating to production and operation of the valuation target and involved in forecasting its free cash flows after the appraisal base date. Value of operating assets is calculated as follows:

$$P = \sum_{i=1}^{n} \frac{F_i}{(1+r)^i}$$

where: P: Value of operating assets as at the appraisal base date;

F_i: Estimated free cash flow for Year i after the appraisal base date;

r: Discount rate (weighted average cost of capital, or WACC);

n: Forecast period;

i: Year i in the forecast period.

Among which, free cash flow is calculated as follows:

Free cash flow = Net profit before interests and after taxes + Depreciation and amortisation - Capital expenditure- Increase in working capital

Among which, discount rate (weighted average cost of capital, or WACC) is calculated as follows:

$$WACC = K_e \times \frac{E}{E+D} + K_d \times (1\text{-}t) \times \frac{D}{E+D}$$

where: k_e: Cost of equity capital;

kd: Cost of interest-bearing debt capital;

E: Market value of equity;

D: Market value of interest-bearing debts;

D/E: Primarily determined based on factors such as loans secured by the enterprise during the operation period, future financing strategies of the management and capital structures of comparable listed companies;

t: Income tax rate.

Among which, the cost of equity capital is calculated using the capital asset pricing model (CAPM) as follows:

$$K_e = r_f + MRP \times \beta + r_c$$

where: r_f: Risk-free interest rate;

MRP: Market risk premium;

β: Systematic risk coefficient of equity;

r_c: Enterprise-specific risk adjustment coefficient.

(2) ***Value of surplus assets***

Surplus assets represent assets exceeding the production and operation requirements of the enterprise as at the appraisal base date. Surplus assets of the subject entity include surplus cash. This valuation conducts separate analysis and appraisal on surplus assets.

(3) ***Value of non-operating assets and liabilities***

Non-operating assets and liabilities represent those not relating to production and operation of the subject entity and not involved in forecasting its free cash flows after the appraisal base date. Non-operating assets of the subject entity mainly represent advance payments of construction costs included in other receivables, construction in progress-phase 2 project, disposal of fixed assets and prepayment for the phase 2 project included in other non-current assets. Non-operating liabilities mainly include construction costs payable, interest payable and retention money included in other payables, etc. This valuation conducts separate analysis and appraisal on non-operating assets and liabilities.

2. ***Value of interest-bearing debts***

Interest-bearing debts represent the liabilities bearing interest payable by the subject entity as at the appraisal base date. The interest-bearing debts of the subject entity is determined according to the audited book value.

3. ***Determination of Income Period and Forecast Period***

(1) ***Determination of Income Period***

For nuclear power enterprises, because the generating units should be archived after decommissioning, income period is determined according to forecast period.

(2) ***Determination of Forecast Period***

Fangchenggang Nuclear is a nuclear power enterprise, its forecast period is until the end of the generating units operation. The operating term of generating units is 40 years after put into production, of which, 1# generating unit was put in operation in January, 2016, 2# generating unit was planned to put in operation in the second half of 2016, therefore, forecast period is determined to the year 2057.

4. ***Income Forecast in Forecast Period***

Forecast to Turnover

The turnover of Fangchenggang Nuclear is the income from power selling, basic formula for income from power selling business set out below:

Income from power selling = power sales volume ×electricity rates (tax excl.)

Of which: power sales volume = power generation volume × (1- direct power generating plant usage and power transmission and distribution losses combined ratio)

Power generation volume = installed capacity ×generating utilization hours

(1) **Determination of the Average Installed Capacity of Generating Units in Fangchenggang Nuclear**

As of the base date of evaluation, a 1.086 million KW nuclear power pressurized water reactor generating unit has been put in production in the phase I project of Fangchenggang Nuclear, 2# generating unit (1.086 million KW) was planned to put into production in the second half of 2016, then the total installed capacity will amount to 2.172 million KW. Because in the phase II project of Fangchenggang Nuclear, new technology roadmap "HPR 1000" will be adopted, its total budget estimation, time of construction and the relevant parameters after being put into power generation could not be determined, it was not included in this forecast scope of income method. Pursuant to the evaluation and assumption this time, the generating capacity of Fangchenggang Nuclear is forecasted based on the two generating units of the phase I project.

(2) **Forecast on Utilization Hours of Fangchenggang Nuclear for Future Years**

As a kind of clean energy, nuclear power has certain on-grid advantages as compared to thermal power currently in domestic. Forecast on utilization hours of Fangchenggang Nuclear for future years mainly be combined with utilization hours of Fangchenggang Nuclear for prior years, future on-grid economic development status of respective area, electricity market situation of respective area, Fangchenggang Nuclear's position in respective area and installed capacity, operation coefficient, load factor of Fangchenggang Nuclear to confirm utilization hours of Fangchenggang Nuclear for future years after comprehensive analysis.

Utilization Hours= operation coefficient $\times$load factor $\times 24 \times 365$

(3) **Forecast on Direct Power Generating Plant Usage and Power Transmission and Distribution Losses Combined Ratio**

According to design indexes, to determine by combining with direct power generating plant usage and power transmission and distribution losses ratio for prior years and variation factor of direct power generating plant usage for forecast years. There won't be material power consumption facilities investment plans for future years, direct power generating plant usage and power transmission and distribution losses combined ratio of Fangchenggang Nuclear for future years is determined to be 6.5%.

(4) **Prevailing Tariff Carried Standards of Fangchenggang Nuclear and Determination of Tariff for Future Years**

According to Power Purchase Agreement signed by Fangchenggang Nuclear and Guangxi Power Grid Company, currently, on-grid tariffs of 1# generating unit is RMB0.414 per kWh (tax included), and RMB0.3538 per kWh (tax excluded). The grid power price in the next calendar year taking account the expected determination of relevant nuclear policy of the future electricity market based on the level of the grid power price as of the Appraisal Base Date, and the determination of grid power price for Units yet to commence commercial operation will be at the same level as that applicable to operating Units.

(5) **Forecast on Revenue from Sale of Electricity of Fangchenggang Nuclear for Future Years**

Revenue = electricity sold $\times$ tariff (tax excluded)

Principal Business Costs Forecast

(1) **Forecast on nuclear fuel cost of Fangchenggang Nuclear for the future years**

A. Unit price of nuclear fuel assembly

Nuclear fuel assembly price includes enriched uranium price and the process and transport fees of nuclear fuel assembly.

Enriched uranium is obtained through separation and concentration of fissile isotope UF_6 which processed first from natural uranium U_3O_8. Thus, the price of enriched uranium is calculated based on prices of natural uranium, separative work units and processing price as per the following formula:

Enriched uranium price = natural uranium price × natural uranium consumption factor + conversion price × conversion consumption factor + separative work units price × separative work units consumption factor

B. Nuclear fuel assembly loading number

Each reactor of Fangchenggang Nuclear Power Station is loaded with 157 fuel assemblies. It currently adopts advanced fuel management mode and uses full M5AFA-3G fuel assembly which is comprised of 264 fuel rods. Gadolina rods are symmetrically distributed within the assembly.

Fangchenggang Nuclear Power Station adopts 18-months refueling methodology. Each reactor undergoes a refueling outage during which time 68 or 72 fuel assemblies are replaced for each reactor and the specific number is subject to adjustment depending on the power generating plan and outage scheme.

C. Fuel Loading Cost

The calculation of fuel loading cost for each refueling could be arrived according to the forecast on fuel loading number of nuclear fuel assembly and unit price of nuclear fuel assembly.

Fuel loading cost for each refueling = fuel loading number of nuclear fuel assembly × unit price of nuclear fuel assembly

D. Nuclear fuel expense

Expense of nuclear fuel loaded in reactor core in the current period (fuel loading cost) is amortized over the period between the current fuel loading and next fuel loading according to the on-grid power generation and calculated on a yearly basis.

(2) **Forecast on the spent fuel disposal fees of Fangchenggang Nuclear for future years**

Pursuant to the provisions set forth in the *Interim Measures on the Collection and Use of Funds for the Treatment and Disposal of Nuclear Power Station Spent Fuel* (Cai Zong [2010] 58) (《核電

站乏燃料處理處置基金徵收使用管理暫行辦法》)（財綜[2010]58 號）jointly promulgated by MOF, NDRC and MIIT in July 2010, any power generating units with pressurized water reactors that have been in commercial operation for more than five years shall contribute to a fund for treating and disposing of spent fuel at the standard rate of RMB0.026 per kWh of on-grid electricity actually sold. For those power generating units that have been in commercial operation for more than five years prior to the effective date of such Measures, spent fuel disposal fees should be provided according to the collection standard stipulated in the Measures beginning from the same day; for those power generating units that have been in commercial operation for no more than five years (included) prior to the effective date of the Measures and subsequently- and newly- built power generating units, no spent fuel disposal fees are required for the first five years in operation, but it begins to make provision for such purpose starting from the sixth year.

Pursuant to the above-mentioned provisions, the forecast on spent fuel disposal fees for future years is made based on RMB0.026 per kWh of on-grid electricity.

(3) **Forecast on Operation, Maintenance and Repair Costs of Fangchenggang Nuclear for future years**

Operation, maintenance and repair costs include service fees arising from domestic and foreign labor and technical support services, routine maintenance material consumption, off-site emergency preparedness costs, disposal fees for low and intermediate level radioactive waste, other expenses (mainly for three wastes treatment fees and exchange fees for IT, which are the fees incurred in respect of maintenance of daily operations) and overhauling cost. Annual operation and maintenance costs in the future is determined according to business operation and maintenance plan.

For service costs, material costs and other expenses, they are determined mainly with reference to the current fee rate, and additional costs will be appropriately considered as the service life of plant equipment and facilities increase.

According to the Notice of State Commission of Science and Technology for National Defense Industry under the Ministry of Finance on the issuance of " Management Rules on Special Revenue for Nuclear Accident Emergency Preparedness of Nuclear Power Plant " (Cai Fang [2007] No. 181), Nuclear power companies shall pay off-site emergency preparedness fees at the rate of RMB 0.0002 per kWh based on the annual sale of on-grid electricity during the operation period, and on-site emergency preparedness fees will be expensed based on the actual amount incurred. Off-site nuclear emergency preparedness fees for future forecast years are based on RMB 0.0002 per kWh of on-grid electricity for each year.

Disposal fee for low and intermediate level radioactive waste in nuclear power plant is the fees incurred in respect of disposal of long-lived low and intermediate level radioactive waste and short-lived low and intermediate level radioactive waste from nuclear power plant, including direct costs incurred during off-site disposal process and expenses related to construction of disposal site.

Due to the uncertainty of current government policy on disposal fee for low and intermediate level radioactive waste, the standard price for low and intermediate level radioactive waste is unavailable to the enterprises. Therefore, cost price of such disposal fee will be determined by using estimation methods with reference with disposal fee for low and intermediate level radioactive waste in the international and domestic similar nuclear power plant.

The formula of disposal fee for low and intermediate level radioactive waste is:

Annual disposal fee for low and intermediate level radioactive waste = current annual waste generation $\times$ fee rate of disposal fee per m^3 of waste

Accounting object of disposal fee for low and intermediate level radioactive waste of Fangchenggang Nuclear is for the fee in connection with disposal of nuclear contaminants, including cost of barrel for preservation of such materials and one-off disposal fee.

Repair cost is determined according to overhauling plan and the level of routine maintenance cost.

(4) **Forecast on Depreciation and Amortization of Fangchenggang Nuclear for the future years**

Nuclear facilities are classified based on two dimensions of nuclear island and conventional island, auxiliary systems as well as mechanical, electrical, instrument control, buildings or structures, depreciation is provided by using straight-line method or yield method from the following month when ready for its intended use.

Amortisation cost of Fangchenggang Nuclear mainly refer to amortizations of Intangible assets and long-term deferred expenses. Intangible assets include land use right, software and non-patented technology, are initially measured as cost. When ready for use, its original cost is equally amortized using straight line method over its estimated useful life.

Long-term deferred expenses are expenses already incurred but shall be borne and amortised over the current and the subsequent periods (together of more than one year).

Depreciation amounts for future years are calculated based on current fixed assets and updated fixed assets for future years by yield method or straight-line method on the reference date according to fixed assets depreciation policy implemented recently. Wherein original amount of updated fixed assets is determined by corresponding time and amount of conversion into fixed assets according to capital expenditure for forecast years, the effect of value-added tax deductible are considered in the determination of amount of conversion into fixed assets, and are included in “principal business costs” and “administrative expenses ”, respectively.

Amortization amounts for future years are calculated based on balances of intangible assets and long-term deferred expenses according to corresponding amortization policy on the reference date. Wherein amortization amount of intangible assets are included in “principal business costs” and “administrative expenses ”, respectively by land use right or software.

(5) **Forecast on Decommissioning Expenses of Nuclear Facility of Fangchenggang Nuclear**

Decommissioning expenses of nuclear power facilities is discard expenses of fixed assets. Decommissioning of nuclear power facilities represents the process that when the Company’s nuclear power generating units reach the end of their service lives, in order to ensure staffs, publics and surrounding ecological environment being not subject to the hazards of the remaining radioactive substance and other potential risks, the Company takes necessary actions in a planned way to make nuclear reactor systems out of service safely and permanently. According to accounting record system of China Guangdong Nuclear Power Corporation Limited and refer to international practice, our nuclear power facilities make decommissioning provisions based on 10% of the original value of the fixed assets upon the completion of the nuclear power station.

Post-decommissioning disposal expenses of nuclear power engineering are relatively large, according to accounting principal, such decommissioning disposal expenses must be amortized during the service lives of nuclear power engineering. Fangchenggang Nuclear takes the benchmark interest rate published by the People's Bank of China for loans with a term of over 5 years in the year upon commencing the operation of the generating unit as discounted rate and takes the expected useful life of 40 years of nuclear power facilities as discounted period to calculate and confirm the present value of decommissioning expenses of nuclear power facilities upon commencing the operation of the generating unit, with construction cost of nuclear power facilities included and confirm accrued liabilities.

(6) **Forecast on Staffs' Remuneration of Fangchenggang Nuclear for Future Years**

Staff remuneration includes salaries, labor costs, various subsidies, social insurance, etc. The future annual total salaries is taking account into the future annual demand of staff provided by company according to the relevant remuneration system of CGN, and taking into account the forecast of budget level of company.

(7) **Forecast on Management Fees of Fangchenggang Nuclear for Future Years**

Management fees of Fangchenggang Nuclear mainly include management's staff compensation, property insurance, operation and maintenance charges of computer, tax fee, logistics services fees, research and development fees, labor and technology supporting fees, depreciation and amortization fees and other office charges, etc.

Forecast for future years, in respect of management's staff compensation, based on enterprise's compensation system and personnel organizational structure, nuclear personnel's compensation is also tends to be stable and compensation level remains unchanged; property insurance is determined based on changes of enterprise assets and current insurance rate; other office management charges are determined based on current average level.

(8) **Forecast on Income Tax of Fangchenggang Nuclear for Future Years**

On March 18, 2016, Fangchenggang Nuclear received the approval of taxation filing from State Administration of Taxation of Gangkou district, Fangchenggang, it enjoys the reduced enterprise income tax rate of 15% of encouraged industries in the western from January 1, 2016 to December 31, 2020. Meanwhile, it is entitled to the "three-year exemption and three-year 50% reduction" preferential enterprise income tax treatment according to Cai Shui [2012] No.10. Therefore, enterprise income tax rate of 0 is applicable for 2016 to 2018, enterprise income tax rate of 7.5% is applicable for 2019 to 2020, enterprise income tax rate of 12.5% is applicable for 2021 and enterprise income tax rate of 25% is applicable for 2022 and subsequent years.

(9) **Forecast on Capital Expenditure of Fangchenggang Nuclear for Future Years**

Capital expenditure of Fangchenggang Nuclear for future years mainly refer to renewal on existing fixed assets and inclusion of construction projects into fixed assets in Appraisal Base Date, without taking into account of newly added fixed assets. Designed useful life of nuclear power facilities of Fangchenggang Nuclear is 40 years since officially operation, it is scheduled to be in 2057 according to designed nuclear power facilities decommissioning plan. In order to maintain units' going concern, some nuclear islands, conventional islands and relevant auxiliary equipment must be renovated and transformed. In addition, the economic useful life of office equipment is far shorter than planned operation cycle of nuclear power facilities and renovation is also needed to be considered in future operation period.

For nuclear islands, conventional islands and relevant auxiliary equipment, to determine based on enterprise's long term plan and renovation and transformation plan; for other fixed assets, to determine based on existing policy.

(II) **Asset-based Approach**

1. Current assets

Current assets which fall within the scope of valuation mainly include: monetary funds, financial assets held for trading, accounts receivable, prepayments, interest receivable, other receivables, inventory, non-current assets due within one year and other current assets.

(1) Monetary funds include cash and bank deposits, the appraised value of which is determined as the verified value arrived at after checking of cash inventory, verifying bank reconciliation statements and bank confirmations, etc. The foreign currency funds are converted into the amounts denominated in RMB based on the foreign exchange rate of the PRC as at the appraisal base date.

(2) Financial assets held for trading are a portion of the profit and loss on the changes in fair value from forward foreign exchange settlement due within one year and is determined according to the professional valuation report.

(3) The appraised value of all kinds of receivables is determined according to the respective recoverable amount on verified basis. For the receivables believed to be fully recoverable on adequate grounds, the appraised value is calculated according to the full amount receivable; For the partial amount which is probably irrecoverable, in the event that it is difficult to determine the amount of irrecoverable receivables, historical information and on-site investigation are used to familiarize the situation, specifically analyze the amount, time and reasons of loans, recovery of the amounts, as well as the capital, credit and current

situation of operating management to estimate the partial amount which is probably irrecoverable in accordance with the aging analysis method as the appraised value calculated after deduction of the loss from risk; for those which have conclusive evidences proving that the receivable cannot be recovered, the appraised value will be nil. The "bad debt provision" on the accounts shall be accounted for as zero.

(4) The appraised value of prepayments is determined based on the value of assets or entitlements arising from the recoverable goods. The appraised values for the relevant goods or entitlements which are recoverable are determined based on the verified book value. The appraised values for prepayments which have conclusive evidences proving that the relevant goods cannot be recovered and cannot form relevant assets or entitlements are zero.

(5) The appraised value of raw materials, auxiliary material and fuels procured externally are determined by multiplying the inspected and verified amount by prevailing market purchase price, plus reasonable freight and miscellaneous fees, wastage, inspection and acceptance fee for admission into warehouse and other reasonable fee.

As for the nuclear fuel assembly for reactor core in raw materials, wastage rate of nuclear fuel of reactor core is calculated based on the on-grid power generation from the loading of the first furnace of nuclear fuel to the appraisal base date and the forecasted total on-grid power generation of the entire unit throughout this cycle. After that, the appraised value of nuclear fuel in reactor core is the value of nuclear fuel after wastage calculated by deduction of the wastage from nuclear fuel assembly of a new reactor core.

For inventories which are invalid, deteriorated, damaged, scrapped and useless, the appraised value is determined as net realizable value calculated through analysis according to technical appraisal results and relevant evidences.

(6) The appraised value of entrusted processing supplies is the verified book value.

(7) Non-current liabilities due within one year are the entrusted loans borrowed by the company from the Land Reserve Center of Fangchenggang city, the appraised value of which is the verified book value.

(8) Other current assets are input value-added tax deductibles, the appraised value of which is the verified book value.

2. *Long-term receivables*

Long-term receivables are the entrusted loans provided by the company to the Land Reserve Center of Fangchenggang city, the appraised value of which is the verified book value.

3. Machinery and Equipment

Depending on, among other things, features of equipment, the value type of appraised value and collection of information, machinery and equipment is valued mainly using the cost approach and partly using the market approach. The valuation approaches of assets are as followings:

For power generating equipment

(1) Determination of the full replacement cost

The appraised value of power generating equipment = full replacement cost × combined newness rate

Full replacement cost = equipment acquisition cost + installation cost + other expenses + capital cost-deductible value-added tax

Among which: equipment acquisition cost = equipment acquisition price + combined transportation and miscellaneous charges

① Determination of equipment acquisition price

The price of domestic electric power special equipment is determined by enquiring manufacturers of the market price as at the appraisal base date, searching for prevailing market price in relevant quotation materials or making reference to contract price of the equipment recently purchased by the company.

The components of acquisition price of imported equipment generally include contract price of the equipment (usually FOB [Note 1] price), sea transportation fee and insurance expenses for sea transportation, customs duties and value-added tax, bank charges, foreign trade agency fees, commercial inspection fee, etc.

Equipment acquisition price =CIF [Note 2] price + customs duties + value-added tax + foreign trade agency fee + bank charges + commercial inspection fee

CIF price = FOB price+ sea transportation fee and insurance expenses for sea transportation

Note 1: FOB (Free on Board) means trade at FOB price where the buyer must designate the ship to take the delivery of the goods and the seller must notify the buyer of the delivery in time after the goods pass the rail of the ship designated by the buyer within the agreed period at the port of shipment as stipulated in the contract. The risk is transferred from the seller to the buyer when the goods pass the ship's rail at the named port of shipment.

Note 2: CIF (Cost, Insurance and Freight) means trade at CIF price i.e. cost, insurance and freight where the goods are delivered when loaded on the carrier's ship at the port of shipment. CIF = FOB + Freight + Insurance

When there is domestic alternative equipment, it will directly adopt the price of domestic alternative equipment.

② Transportation and Miscellaneous Charges of Equipment

A. Transportation and miscellaneous charges of domestic nuclear power equipment

It is determined mainly according to the Interim Regulations on Budgeting of Nuclear Engineering Construction (《核工程建設概算編製暫行規定》) as follows:

Transportation and miscellaneous charges of equipment = equipment acquisition price × transportation and miscellaneous charges rate of domestic equipment

B. Domestic freight of imported nuclear island equipment:

It is calculated according to the Interim Regulations on Budgeting of Nuclear Engineering Construction (《核工程建設概算編製暫行規定》)

C. Transportation and miscellaneous charges of other equipment

It is calculated according to the Budget Compilation and Calculation Standards in Coal-fired Power Generation Construction Projects (2013 Edition) (《火力發電工程建設預算編製與計算標準》(2013年版)).

③ Determination of installation cost

A. Nuclear power installation work

Installation cost of equipment is calculated according to the Interim Provisions for Nuclear Industry Construction Budgeting (1995 Edition)(《核工業建設概算編製暫行規定》1995年) ; expenses of measurements, overheads, profit and tax are calculated according to the Expenses Quota of Installation Engineering of Nuclear Industrial Buildings (2009 Edition) (《核工業建築安裝工程費用定額》(2009年版)).

B. Conventional island installation work

Direct project costs of conventional island installation is calculated according to the Budget Estimate Quota of Electricity Construction Projects (2013 Edition) (《電力建設工程概算定額》(2013年版)); other expenses of measurements, overheads, profit and tax are calculated according to the Budget Compilation and Calculation Standards in Coal-fired Power Generation Construction Projects (2013 Edition) (《火力發電工程建設預算編製與計算標準》(2013年版)).

④ Determination of other expense

Other expense is calculated according to the Regulations on Other Expense Budgeting of Nuclear Power Station Construction Projects (2010 Edition) (《核電廠建設項目工程其他費用編製規定》(2010年版)).

⑤ Determination of capital cost

Capital cost is determined according to the reasonable construction period of equipment and the prevailing lending rate and on the basis of the sum of equipment acquisition cost, installation cost and other expense. As for special electric equipment, based on single electricity engineering unit completion settlement method, the interest incurred from investment in the first unit and public system is calculated until the commencement of operation of the first unit and the interest incurred from the investment in the second unit is calculated until the commencement of operation of the second unit.

Namely: Interest for the pre-generation of a single unit = (Accumulated principal and interest of loans at the beginning of the year + loans for the year/2) × effective interest rate per annum

Interest for the post-generation of a single unit = (loans for the year/2) × effective interest rate per annum.

⑥ Value-added tax deduction

Pursuant to the document "Cai Shui [2008] No. 170", where conditions for the deduction of value-added tax are met, value-added tax chargeable on acquisition cost and delivery cost of equipment may be deducted.

(2) Determination of combined newness rate

Newness rate of machinery and equipment is mainly determined through conducting site inspection to obtain equipment usage condition, referring to data concerning operational status of relevant equipment, major technical index, inquiring relevant engineers and operators about the technical conditions, number of major repairs, as well as maintenance and repair, having taken into consideration the relevant actual useful lives prescribed for various equipment items and the serviced life of that equipment, and the remaining useful life is then determined by the appraisers for determining the combined newness rate based on the actual usage condition. The equation for calculation is:

Combined newness rate = remaining useful life/(remaining useful life + serviced life) × 100%

(3) Determination of appraised value

Appraised value of nuclear power equipment = full replacement cost × combined newness rate

For other general equipment

Appraised value of general equipment = full replacement cost × combined newness rate

Full replacement cost = equipment acquisition cost + transportation and miscellaneous charges + installation and commissioning charges + capital cost - value-added tax included in the original price of deductible equipment

Combined newness rate = remaining useful life/(remaining useful life + serviced life) × 100%

For electronic equipment

Appraised value of electronic equipment = full replacement cost × combined newness rate

Full replacement cost = equipment acquisition cost - value-added tax included in the original price of deductible equipment

The appraised value of obsolete electronic equipment refers to the price of this model of electronic equipment in the secondary market, and the equation for calculation is: appraised value = the price of equipment in the secondary market

Combined newness rate of small equipment such as electronic equipment and air-conditioning equipment is determined in accordance with its economic life, while combined newness rate of large electronic equipment is determined with reference to its working condition and operational status of equipment. The equation for calculation is:

Combined newness rate = (economic life-serviced life)/economic life ×100%

For transportation equipment

Appraised value of transportation equipment = full replacement cost × combined newness rate

Full replacement cost = vehicle acquisition cost + vehicle acquisition tax + license handling fees

(Vehicle acquisition tax = the selling price of vehicles (tax exclusive) × 10%)

Pursuant to the Standards on Compulsory Retirement of Automotive Vehicle of the PRC, the principle-based newness rate of vehicles is determined by the application of either the vehicle mileage method or the useful life method, whichever is lower as to the result. The principle-based newness rate is calculated by the lower value of the two methods.

The formula is set out as below:

Life-based newness rate = (economical useful life-serviced life)/economical useful life×100%

Mileage-based newness rate = (specified mileage-past-service mileage)/specified mileage × 100%

Then the principle-based newness rate is revised in accordance with the vehicle conditions to determine the combined newness rate.

4. *Buildings and structures*

The cost approach is mostly adopted for the valuation of buildings and structures, and the market approach or income approach for purchased commercial buildings which are suitable for combined valuation of housing and land.

➢**Cost approach**

Appraised value = full replacement cost ×combined newness rate

(1) Determination of full replacement cost

The full replacement cost for buildings and structures of a nuclear island is calculated mainly in accordance with the Interim Regulations on Budgeting of Nuclear Engineering Construction (1995 Edition) (核工程建設概算編製暫行規定(1995年版)) and the Expenses Quota of Installation Engineering of Nuclear Industrial Buildings (December 2009 Edition) (《核工業建築安裝工程費用定額》(2009年12月版)) prepared by the Management Station for Construction Cost Quota of Nuclear Industry (核工業工程造價定額管理站) and the Regulations on Other Expense Budgeting of Nuclear Power Station Construction Projects (2010) (《核電廠建設項目工程其他費用編製規定》(2010年)) issued by the National Energy Administration as a standard of the energy industry of the People's Republic of China.

The full replacement cost for buildings and structures of a conventional island is calculated mainly in accordance with Budget Estimate Quota of Electricity Construction Projects (2013 Edition) (電力建設工程概算定額) and Budget Compilation and Calculation Standards in Coal-fired Power Generation Construction Projects (2013 Edition) (火力發電工程建設預算編製與計算標準 (2013年版)).

The full replacement cost for the office buildings outside the plant and welfare projects is calculated mainly in accordance with Consumption Quota of Building Decoration Engineering of Guangxi Zhuang Autonomous Region (2013 Edition) (2013年版《廣西壯族自治區建築裝飾裝修工程消耗量定額》), Expenses Quota of Building Decoration Engineering of Guangxi Zhuang Autonomous Region (2013 Edition) (2013版《廣西壯族自治區建築裝飾裝修工程費用定額》) and the relevant pricing documents.

① Calculation of construction cost:

Construction cost of buildings and structures of a nuclear island: the construction cost subject to adjustment with reference to the Interim Regulations on Budgeting of Nuclear Engineering Construction (1995 Edition) (核工程建設概算編製暫行規定（1995年版）) after the sub-item of the quota corresponding to the project quantity in the budget letter by taking into account cost adjustment index of construction materials released by the National Bureau of Statistics. The measure fee, indirect fee, profits and tax can be calculated and obtained from the cost calculation standards in Expenses Quota of Installation Engineering of Nuclear Industrial Buildings (2009 Edition) (《核工業建築安裝工程費用定額》（2009年版）).

Construction cost of buildings and structures for a conventional island and ancillary works: the direct construction cost can be obtained with reference to Budget Estimate Quota of Electricity Construction Projects - Construction Project（2013 Edition）(《電力建設工程概算定額 – 建築工程》（2013年版）) issued by China Electricity Council (中國電力企業聯合會) after the sub-item of the quota corresponding to the project quantity in the budget letter. The measure fee, indirect fee, compliance fee, planned profits and tax can be calculated and obtained from the Budget Compilation and Calculation Standards in Coal-fired Power Generation Construction Projects (2013 Edition) (《火力發電工程建設預算編製與計算標準》（2013年）), and the labor cost and material and machinery fee can be adjusted according to Price Level Adjustment Methods for 2013 Budget Estimate Quota of Electricity Construction Projects (《2013年版電力建設工程概預算定額價格水平調整辦法》) (Quota [2015] No. 44) (定額[2015]44號) of the Management Station for Construction Cost and of Electricity Projects (電力工程造價與定額管理總站), by which, the "construction cost" can be obtained.

Ex-plant office buildings and welfare projects: other items expenses, compliance fees and tax are calculated with reference to Consumption Quota of Building Decoration Engineering of Guangxi Zhuang Autonomous Region (2013 Edition) (2013年版《廣西壯族自治區建築裝飾裝修工程消耗量定額》) and Expenses Quota of Building Decoration Engineering of Guangxi Zhuang Autonomous Region (2013 Edition) (2013版《廣西壯族自治區建築裝飾裝修工程費用定額》) after the sub-item of the quota corresponding to the project quantity in the budget letter and taking into account its charging standards, by which, the "construction cost" can be obtained.

② Determination of other costs

According to the information consisting of engineering and book value provided by the subject entity as well as the briefing from relevant persons, Fangchenggang Nuclear at the preparatory phase, based on the whole nuclear project, uniformly calculate other expenses in accordance with the Regulations on Other Expense Budgeting of Nuclear Power Station Construction Projects (2010 Edition) (《核電廠建設項目工程其他費用編制規定》(2010年版)) as the energy industry standards of the People's Republic of China issued by the National Energy Administration and Notice of the National Development and Planning Commission and the Ministry of Construction on the Promulgation of Regulations on Pricing Management of Survey and Design Projects([2002] No. 10) (《工程勘察設計收費管理規定》的通知), therefore the buildings and structures within the scope of this evaluation adopt the manner to calculate expenses that is consistent with those adopted in calculation of other expenses in accordance with Regulations on Other Expense Budgeting of Nuclear Power Station Construction Projects (2010 Edition) as the energy industry standards of the People's Republic of China issued by National Energy Administration (2010 edition) (《核電廠建設項目工程其他費用編制規定》(2010年版)) and Notice of the National Development and Planning Commission and the Ministry of Construction on the Promulgation of Regulations on Pricing Management of Survey and Design Projects (《工程勘察設計收費管理規定》的通知) ([2002] No. 10)

③ Determination of capital cost

Capital cost is calculated based on the reasonable construction period of the power station in proportion to capital contribution each year as well as the capital cost index on the basis of the whole power construction project.

Capital cost= capital cost before power generation of the first unit + capital cost after power generation of the first unit

Of which:

Capital cost before power generation of the first unit=∑[(accumulated investment at the beginning of the year+ the investment during the current year /2)×annual interest rate]

Capital cost after power generation of the first units=∑[(the investment during the current year/2)×annual interest rate

④ Determination of full replacement cost

Full replacement cost=construction cost+ other expenses+ capital cost

(2) Determination of combined newness rate

Buildings and structures are subject to calculation by applying the combined newness rate approach.

Combined newness rate = remaining useful life/(remaining useful life + serviced life) × 100%

(3) Determination of appraised value

Appraised value=full replacement cost ×combined newness rate

Market Approach

In respect of the purchased commodity housing in a developed local real estate market where comparable transactions exist, the market approach is applied for the valuation in which comparable real estate is selected and is adjusted based on normal transaction condition, regional factor and specific factor to arrive at the appraised value. The calculation formula is:

The price of real estate to be valued = transaction price of comparable real estate × normal transaction condition/transaction condition of the comparable real estate × regional factor value for the real estate to be valued/regional factor value for the comparable real estate × specific factor value for the real estates to be valued/ specific factor value for the comparable real estate × price index for the real estate to be valued as at the appraisal base date/price index for the comparable real estate as at the transaction date

5. *Construction in progress*

Cost approach is applied in valuation of construction in progress. In order to avoid duplicated valuation or omission of asset measurement, the following valuation methods are adopted in light of the characteristics of construction in progress, the type and specific conditions of each construction in progress:

(1) In respect of construction in progress where the major equipment has been transferred into fixed assets and certain fees have not yet transferred, and if its value has already been included in appraised value of the fixed assets, the appraised value of such type of construction in progress is nil.

(2) In respect of uncompleted projects, for a project under construction where the date of commencement of construction is within half a year starting from the appraisal base date, the appraised value is determined by deducting the unreasonable expenditures from the declared amount, for which the verification of accounts against physical assets shall be conducted in advance. For a project under normal construction where the date of commencement of construction is beyond half a year starting from the appraisal base date, if there are no material changes in the prices of equipment, materials and labour involved

in the investment during such period, the appraised value is determined by deducting unreasonable expenditures from the book value plus appropriate capital costs. If there are material changes in the prices of equipment, materials and labour involved in the investment during such period, the replacement value is determined as all costs needed to get ready the completed work of such construction in progress under normal conditions as at the appraisal base date. In respect of a project in progress where the date of commencement of construction is beyond half a year starting from the appraisal base date, capital cost shall be taken into account during the valuation. In respect of those small projects in progress after the completion of a project, their capital costs shall be calculated in accordance with the average capital investment and reasonable construction period, respectively.

(3) For the expenditure in the nature of expenses, appraised value is determined after verification of the truth and reasonability of the relevant expenditures plus capital cost.

6. *Land use right*

The 8 parcels of land whose land use rights are included within the scope of this evaluation are evaluated by Beijing Zhongdi Land and Real Estate Appraisal Co. Ltd.. Please refer to the Evaluation Report of Land Use Right issued by this company for the evaluation methods. The appraisers verified the land title certificate, the boundaries of the land plot in four directions, development status, and on such basis made reference to their land valuation conclusion.

7. *Other intangible assets*

Other intangible assets involved in this valuation scope are mainly software outsourced or commissioned to be developed by an enterprise. The appraised value of the outsourced software sold in the market on the appraisal base date without upgrade versions is determined in accordance with the market price on the appraisal base date of a similar software and the appraised value of the outsourced software sold in the current market with upgraded versions is determined based on the current market price deducting the software upgrade expenses. In respect of software which is not traded in the market but may continue to use for its originally destined purpose, its appraised value is calculated after depreciation, which is determined with reference to the original acquisition cost incurred by the enterprise and the market price trend of a similar software. The formula is set out as below:

Appraised value=original acquisition price ×(1-rate of depreciation)

8. *Other intangible assets-sea area use right*

Appraisers valuate sea area under benchmark price coefficient correction approach through conducting site survey based on location, nature of using the sea, the utilization conditions and the market conditions of the local sea area of subject entity.

9. *Long-term deferred expenses*

Long-term deferred expenses mainly include training cost for production staff, site leasing fee of Qinzhou Power Plant, contingent road construction fees, access road construction fees and non-residential land rent. For the purpose of this valuation, their appraised value is determined based on the verified book value and the payback period to the enterprise.

10. *Appraisal technic description for other non-current assets*

For other non-current assets, if the subject entity is able to receive relevant goods or accrue rights and interests in accordance with terms of contracts, their verified book values were taken as their appraised values.

11. *Liabilities*

For the valuation of short and medium-term borrowings, accounts payable, other payables, staff remuneration payable, taxes payable, interests payable and long-term liabilities due within 1 year under current liabilities, we took their audited amounts after verification as their appraised values according to the detailed list of items provided by the companies. For any liability item that is verified but not actually committed, the appraised value is nil. For medium and long-term borrowings and estimated liabilities under non-current liabilities, we took the audited amounts after verification as their appraised values.

VIII.IMPLEMENTATION OF VALUATION PROCEDURES

The assets and liabilities related to the valuation target were valued by our appraisers from April 17, 2016 to September 12, 2016. Implementation of the major valuation procedures are set out as follows:

(I) **Acceptance of Engagement**

On April 17, 2016, we entered into an agreement with the principals on the valuation purpose, target and scope, appraisal base date and other basic considerations as well as rights and obligations of the parties, and developed the valuation plan through negotiation with the principals.

(II) *Preparation in the Early Stage*

1. Developing the valuation plan

2. Establishing the valuation team

3. Carrying out project training

(1) Training to personnel of the subject entities

We provided training to financial and asset management personnel of the subject entities with the Training Materials for Enterprises on Assets Valuation (《資產評估企業培訓材料》), to help them understand and properly complete the application materials with the quality required for this valuation. Questions in completing the application materials for asset valuation were answered by dedicated officers.

(2) Training to the appraisers

To ensure valuation quality and work efficiency in accordance with the established Implementation Plan for Assets Valuation (《資產評估操作方案》), we introduced to our team members the background on the economic activity of the project, characteristics of assets related to the valuation target, valuation methodology and specific requirements for this valuation mainly based on the Implementation Plan for Assets Valuation.

(III) ***Field Survey***

From April 19, 2016 to May 30, 2016, our appraisers made necessary inspection and verification on the assets and liabilities related to the valuation targets and necessary due diligence investigation on operation and management of the subject entities.

1. Verification of assets

(1) Guiding the subject entities to fill in forms and prepare information required by the valuer

Our appraisers instructed financial and asset management personnel of the subject entities to provide thorough and accurate information of the assets within the valuation scope based on their own inspection and according to the asset questionnaires (資產狀況調查表) and the requirements therein and the list of information provided by us. Meanwhile, title certificates of assets and the documents and information evidencing their performance, status and economic and technical indicators were collected and prepared.

(2) Initial inspection and improvement of the Valuation Application Forms submitted by the subject entities

Based on full understanding of the assets of the subject entities through reviewing relevant information, the appraisers carefully examined the asset questionnaires for any incompleteness, error and inaccuracy therein. Based on their experience and the information available, the appraisers also checked on any omission from, and gave feedbacks to the subject entities for improvements of, the asset questionnaires.

(3) Field surveys

Field surveys on assets were conducted by appraisers with assistance of the subject entities, using the methods specific to different asset natures and characteristics in accordance with the Asset Valuation Standards, with reference to the type, quantity and structure of the assets within the valuation scope.

(4) Supplement, modification and improvement of asset questionnaires

Asset questionnaires were further improved to ensure consistency among accounts, statements and physical existence based on the results of field surveys by appraisers and full communication with the subject entities.

(5) Verification of title documents

Title certificates of assets including buildings, vehicles and intangible assets within the valuation scope were verified by appraisers, and requests were made to the enterprises for verifying or issuing title documents to solve the incompleteness of title information or unclear titles.

2. Due diligence investigation

Necessary due diligence investigation was made by appraisers to fully understand operation and management of the subject entities and the risk exposure. Key due diligence areas include:

(1) History, substantial shareholders and shareholding ratios, necessary ownership and management structure of the subject entities;

(2) Assets, finance, production, operation and management status of the subject entities;

(3) Business plan, development plan and financial forecast information of the subject entities;

(4) Previous valuations and transactions on the valuation target and the subject entities;

(5) Macro and regional economic factors affecting production and operation of the subject entities;

(6) Industry development and outlook for the subject entities;

(7) Other relevant information.

(IV) *Collection of Information*

Information relevant to the valuation target was collected by appraisers, which was sourced directly from market and other independent channels, the principal, subject entities and relevant parties, and government departments, professional institutions and other relevant departments. Such information was analyzed, summarized and compiled where necessary, to form the basis for valuation and estimation.

(V) *Valuation and Estimation*

Asset-specific valuation methods were adopted by appraisers, followed by analysis, computation and judgment using appropriate formulas and parameters to arrive at the initial valuation results. Based on the summary of initial valuation conclusions by asset class, the project leader prepared the draft valuation report.

(VI) *Internal Review*

According to the requirements of our Administrative Measures for the Asset Valuation Process (《資產評估業務流程管理辦法》), the project leader submitted the preliminary draft of the valuation report for internal review after the draft valuation report passed the first round of review. The internal review includes a second-level review conducted by department managers and a third-level review conducted by the internal audit committee. After passing the internal review, a consultation paper was drafted by the project leader and submitted to the client. Based on the feedbacks from the client, reasonable amendments were made and the final valuation report was submitted to the principals.

IX. VALUATION ASSUMPTIONS

Assumptions applied in the analysis and estimation in this valuation report are set out as below:

(I) General Assumptions

1. the subject entities will continue to operate on a going concern basis after the appraisal base date;

2. there will be no material change in the political, economic and social environment of the country or region where the subject entities are located after the appraisal base date;

3. there will be no material change in the macroeconomic policies, industry policies and regional development policies of the country after the appraisal base date;

4. there will be no material change in interest rates, exchange rates and administrative charges that are relevant to the subject entities after the appraisal base date;

5. the subject entities will operate under a responsible and stable management team which is capable of performing its duties after the appraisal base date;

6. the subject entities will fully comply with all applicable laws and regulations;

7. there will be no material adverse impact on the subject entities from force majeure after the appraisal base date.

(II) **Special Assumptions**

1. the subject entities will adopt accounting policies that are consistent in all material aspects with those adopted in preparing the asset valuation report after the appraisal base date;

2. the subject entities will keep their business scope and model in line with those currently under the existing management model and level after the appraisal base date;

3. there are even cash inflows and outflows of the subject entities after the appraisal base date;

4. the grid power price for operating Units in the next calendar year taking account the expected determination of relevant nuclear policy of the future electricity market based on the level of the grid power price as at the Appraisal Base Date, and the determination of grid power price for Units yet to commence commercial operation will be at the same level as that applicable to operating Units.

The valuation conclusion herein is established based on the aforementioned assumptions as at the appraisal base date. The certified public valuer who signed the valuation conclusion and we disclaim any responsibility arising from different valuation conclusion due to a significant change in any of the aforementioned assumptions.

X. VALUATION CONCLUSION

(I) **Valuation Results under the Income Approach**

As at the appraisal base date, Guangxi Fangchenggang Nuclear Power Co., Ltd. had a book value of RMB35,176.8232 million for its total assets, RMB29,384.1906 million for its total liabilities and RMB5,792.6326 million for its net assets.

The total equity values of shareholders was valued at RMB6,857.9399 million under the income approach, representing an appreciation of RMB1,065.3073 million or 18.39%.

(II) Valuation Results under the Asset-based Approach

As at the appraisal base date, the book value of the total assets of Guangxi Fangchenggang Nuclear Power Co., Ltd. is RMB35,176.8232 million, the valuation is RMB35,586.1964 million, the added value is RMB409.3732 million, and the added-value ratio is 1.16%; the book value of the total liabilities is RMB29,384.1906 million, the valuation is RMB29,384.1906 million, there is no change in valuation; and the book value of the net assets is RMB5,792.6326 million, the valuation is RMB6,202.0058 million, the added value is RMB409.3732 million and the added-value ratio is 7.07%.

The valuation results under the asset-based approach are detailed as follows:

Summary of the valuation results under the asset-based approach

Appraisal base date: March 31, 2016

Unit: RMB0'000

Item		**Book value A**	**Appraised value B**	**Change C=B-A**	**Appreciation rate % D=C/A×100**
Current assets	1	367,215.48	367,215.48	0.00	0.00
Non-current assets	2	3,150,466.84	3,191,404.16	40,937.32	1.30
Including: long-term equity investment	3	0.00	0.00	0.00	
Investment properties	4	0.00	0.00	0.00	
Fixed assets	5	1,880,692.41	1,990,741.04	110,048.63	5.85
Construction in progress	6	1,003,196.71	925,111.19	-78,085.52	-7.78
Intangible assets	7	15,813.81	24,295.43	8,481.62	53.63
Including: land use right	8	13,261.67	13,339.31	77.64	0.59
Other non-current assets	9	250,763.91	251,256.50	492.59	0.20
Total assets	10	3,517,682.32	3,558,619.64	40,937.32	1.16
Current liabilities	11	338,508.11	338,508.11	0.00	0.00
Non-current liabilities	12	2,599,910.95	2,599,910.95	0.00	0.00
Total liabilities	13	2,938,419.06	2,938,419.06	0.00	0.00
Net assets	14	579,263.26	620,200.58	40,937.32	7.07

(III) Valuation Conclusion

Under income approach, the valuation of the entire shareholders' equity is RMB6,857.9399 million, while under the asset-based approach, the valuation of the entire shareholders' equity is RMB6,202.0058 million. Accordingly, the difference is RMB655.9341 million, representing a discrepancy of 10.58%.

The difference in the valuation results under the income approach and the asset-based approach was mainly due to their different perspectives. The valuation results under the asset-based approach reflected the replacement cost of the existing assets; the income approach involved in enterprise valuation is a valuation method in which the expected income will be capitalised or discounted to determine the value of the valuation target, whilst the valuation results under income approach was arrived from the perspective of future profitability of a company,

The valuation results under the income approach was taken as the valuation conclusion, mainly due to the following:

For the willingness of the seller and the buyer, they mainly pay attention to future profitability of Fangchenggang Nuclear; for Fangchenggang Nuclear, although No.1 power generating unit only commenced power generation since January 2016, due to established technologies, stable operation of existing power generating units and stable tariff rates and reasonable and comprehensive prediction made on various costs under the revenue approach, it will have good profitability in the future and larger possibility for achieving revenue. Accordingly:

The entire shareholders' equity of Guangxi Fangchenggang Nuclear Power Co., Ltd. is valued at RMB6,857.9399 million.

The effect of premiums or discounts (without taking into account liquidity) potentially caused by control or lack of control on the value of the valuation target had not been taken into consideration in this valuation.

XI. SPECIAL EXPLANATIONS

The matters identified in the valuation process that might affect the valuation conclusion but are beyond professional appraisal levels and capabilities of our appraisers:

(I) **Special explanations on title defects**

Buildings: As Phase I of the construction work was not completed, the buildings in the production and operation control zone had not obtained building ownership certificates.

(II) The type and the book value of assets in this valuation report were based on the audit report (De Shi Shen Zhen Bao (Shen) Zi (16) No. S0015) (德師深圳報（審）字(16)第S0015號) issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP, Shenzhen branch on August 23, 2016. The opinions in the aforesaid audit report are as follows: the financial statements of Guangxi Fangchenggang Nuclear Power Co., Ltd. have been prepared in accordance with Accounting Standards for Business Enterprises in all material aspects, which fairly reflected the balance sheets as at March 31, 2016, December 31, 2015, December 31, 2014 and December 31, 2013 and the income statements, the statements of changes in equity and cash flows for the period from January 1 to March 31, 2016, as well as for the years of 2015, 2014 and 2013.

(III) The land use rights of Fangchenggang Nuclear involved in the valuation report have been valued by Beijing Zhongdi Huaxia Real Estate Appraisal Company (北京中地華夏土地房產評估有限公司) commissioned by China General Nuclear Power Corporation. Beijing Zhongdi Huaxia Real Estate Appraisal Company (北京中地華夏土地房產評估有限公司) issued the Land Valuation Report ((Beijing) Zhongdi Huaxia (2016) (Gu) Zi No. 44) (（北京）中地華夏(2016)（估）字第44號) on September 6, 2016. Appraisers have verified the titles of relevant lands and read carefully the land valuation report issued by Beijing Zhongdi Huaxia Real Estate Appraisal Company (北京中地華夏土地房產評估有限公司). On such basis, appraisers made reference to the valuation results issued by such company.

(IV) On March 18, 2016, the full rolling out of the pilot scheme for the replacement of business tax with value-added tax was considered and approved at an executive meeting of the State Council, which provided that the pilot scope for the replacement of business tax with value-added tax would be fully rolled out from May 1, 2016. In this valuation, the effect of the above event had not been taken into consideration under the asset-based approach, but the effect of the replacement of business tax with value-added tax had been taken into consideration under the income approach.

Users of this valuation report shall pay attention to the impact of the aforesaid matters on the valuation conclusion.

XII. NOTES ON RESTRICTIONS ON THE USE OF VALUATION REPORT

(I) This valuation report shall only be used for the valuation objectives and purposes specified herein;

(II) This valuation report shall only be used by the users of the valuation report specified herein;

(III) Before any part or all of the contents of this valuation report is extracted, quoted or disclosed to the public media, the related content shall be reviewed by the appraisal institution, unless required by the laws and regulations and otherwise agreed by the relevant parties;

(IV) In order to be duly used, this valuation report must be signed by the certified asset valuers and sealed by the appraisal institution, and be filed with the state-owned assets supervision and administration authorities or the capital-contributing enterprise;

(V) The conclusion of valuation shown in the valuation report shall only be valid for the economic activity described herein. The validity period of the valuation conclusion is one year commencing from the appraisal base date.

XIII. VALUATION REPORT DATE

This valuation report was issued on September 12, 2016.

Legal representative: Quan Zhongguang

Certified public valuer: Kang Zhigang   Certified public valuer: Liu Yuhui

China Enterprise Appraisals Co., Ltd.
September 12, 2016

ANNEXES TO THE VALUATION REPORT

Annex I. Economic activity documents;

Annex II. Special audit report of the subject entity;

Annex III. Copies of the legal person business licenses of the principals and the subject entity;

Annex IV. Copies of the state-owned asset ownership certificates of the principals and the subject entity;

Annex V. Major supporting information of ownership involving the valuation target;

Annex VI. Letters of undertaking of the principals and related parties;

Annex VII. Letters of undertaking of the certified public valuers signing off this report;

Annex VIII. Copy of the asset valuation qualification certificate of China Enterprise Appraisals Co., Ltd.;

Annex IX. Copy of the qualification certificate of China Enterprise Appraisals Co., Ltd. practicing in the securities industry;

Annex X. Copy of the business license of China Enterprise Appraisals Co., Ltd.; and

Annex XI. Copies of qualification certificates of the valuers of China Enterprise Appraisals Co., Ltd..

Valuation Report
in respect of
the Proposed Transfer by China General Nuclear Power Corporation of Its Equity Interests in CGN Lufeng Nuclear Power Co., Ltd. to CGN Power Co., Ltd.
C.E.A.P.B.Z [2016] No. 1208-03 中企華評報字(2016) 第1208-03 號

(One volume in total, Volume one)

China Enterprise Appraisals Co., Ltd.
September 12, 2016

Contents

Statement of Certified Public Valuers

I. We have conducted this valuation engagement in accordance with relevant laws, regulations and asset valuation standards and in the principle of independence, objectiveness and impartiality. We confirm that based on the information collected in our practices, the information stated herein is objective, and we accept legal responsibility for the reasonableness of valuation conclusion.

II. The lists of assets and liabilities related to the valuation target are submitted by the principals and the subject entity, as confirmed by their signatures and corporate seals. The principals and relevant parties shall be responsible for the truthfulness, legitimacy and completeness of the information provided by them and proper use of this report.

III. We have no existing or prospective interest in the valuation target hereunder. We have neither existing or prospective interest in nor any bias to the relevant parties.

IV. We have conducted site survey to the valuation target hereunder and the involved assets. We have given necessary attention to the valuation target and titles of the involved assets, and conducted inspection on their title documents.

V. Our analysis, judgment and conclusion in valuation report are subject to the assumptions and constrains herein. Users of this report should pay full attention to the assumptions, constrains and special explanations set out herein and their impact on the valuation conclusion.

Valuation Report Executive Summary

Important Notice

All contents of this summary are extracted from the text of the valuation report. Please carefully read the full text of the valuation report for details of the valuation process and reasonable understanding of the valuation conclusion.

As engaged jointly by China General Nuclear Power Corporation and CGN Power Co., Ltd., China Enterprise Appraisals Co., Ltd. has followed the necessary valuation procedures to appraise the market value of the entire shareholders' equity of CGN Lufeng Nuclear Power Co., Ltd. as at the appraisal base date in accordance with relevant laws, regulations, asset valuation standards and asset valuation principles. The valuation report is summarised as follows:

Valuation purpose: China General Nuclear Power Corporation intends to transfer its equity interest in CGN Lufeng Nuclear Power Co., Ltd. to CGN Power Co., Ltd., the valuation of the entire shareholders' equity of CGN Lufeng Nuclear Power Co., Ltd. is required to provide a value reference for this economic activity.

Valuation target: the value of the entire shareholders' equity in CGN Lufeng Nuclear Power Co., Ltd..

Valuation scope: all assets and liabilities of subject entity, including, among other things, current assets, fixed assets, construction in progress, intangible assets, long-term deferred expenses, other non-current assets, current liabilities and non-current liabilities.

Appraisal base date: 31 March 2016

Type of value: market value

Valuation method: asset-based approach

Valuation conclusion: The valuation result under asset-based approach is adopted as the valuation conclusion herein, which are detailed as below:

As at the appraisal base date, the book value of the total assets of CGN Lufeng Nuclear Power Co., Ltd. is RMB10,016.7071 million, the valuation is RMB10,086.9842 million, the added value is RMB70.2771 million and the added-value ratio is 0.70%; the book value of the total liabilities is RMB9,176.7071 million, the valuation is RMB9,176.7071 million, there is no change in valuation; and the book value of the net assets is RMB840.0000 million, the valuation of the net assets is RMB910.2771 million, the added value is RMB70.2771 million and the added-value ratio is 8.37%.

The valuation results under the asset-based approach are detailed as follows:

Summary sheet for the asset valuation results

Appraisal base date: 31 March 2016 Unit: RMB0'000

Item		**Book value A**	**Appraised value B**	**Change C=B-A**	**Appreciation rate % D=C/A×100%**
Current assets	1	4,735.38	4,735.38	0.00	0.00
Non-current assets	2	996,935.33	1,003,963.04	7,027.71	0.70
Including: long-term equity investment	3	0.00	0.00	0.00	
Investment properties	4	0.00	0.00	0.00	
Fixed assets	5	2,700.22	5,262.45	2,562.23	94.89
Construction in progress	6	865,542.93	870,006.16	4,463.23	0.52
Intangible assets	7	48.45	50.70	2.25	4.64
Including: land use right	8	0.00	0.00	0.00	
Other non-current assets	9	128,643.73	128,643.73	0.00	0.00
Total assets	10	1,001,670.71	1,008,698.42	7,027.71	0.70
Current liabilities	11	538,770.71	538,770.71	0.00	0.00
Non-current liabilities	12	378,900.00	378,900.00	0.00	0.00
Total liabilities	13	917,670.71	917,670.71	0.00	0.00
Net assets	14	84,000.00	91,027.71	7,027.71	8.37

The potential premium arising from control and the effect of lack of liquidity on valuation target had not been taken into consideration in this valuation report.

This valuation report is solely designed to provide a value reference for the economic activity described herein, and the valuation conclusion is valid for one year starting from the appraisal base date of 31 March 2016.

Users of this valuation report should pay full attention to the assumptions, qualifications and special explanations set out herein and their impact on the valuation conclusion.

Valuation Report
in respect of
the Proposed Transfer by China General Nuclear Power Corporation of Its Equity Interests in CGN Lufeng Nuclear Power Co., Ltd. to CGN Power Co., Ltd.
(Full text)

To: China General Nuclear Power Corporation and CGN Power Co., Ltd.:

According to your joint engagement, China Enterprise Appraisals Co., Ltd. has followed the necessary valuation procedures under the asset-based approach to appraise the market value of the entire shareholders' equity of CGN Lufeng Nuclear Power Co., Ltd. as at 31 March 2016, the appraisal base date, involved in the proposed transfer by China General Nuclear Power Corporation of its equity interests in CGN Lufeng Nuclear Power Co., Ltd. to CGN Power Co., Ltd. in accordance with relevant laws, regulations and asset valuation standards and in the principle of independence, objectiveness and impartiality. The valuation details and valuation results are presented as follows.

I. PRINCIPALS, SUBJECT ENTITY AND OTHER VALUATION REPORT USERS AS AGREED IN THE ENGAGEMENT LETTER

In this valuation, the principals are China General Nuclear Power Corporation and CGN Power Co., Ltd., the subject entity is CGN Lufeng Nuclear Power Co., Ltd., other valuation report users as agreed in the engagement letter include controlling shareholders of the principals and the subject entity, examining and approving authorities and other valuation report users prescribed by the state's laws and regulations.

(I) Overview of the Principal I

1. Company name: CGN Power Co., Ltd.(" CGN Power")

2. Company type: joint stock company (Sino-foreign joint venture, listed) with the ratio of foreign investment less than 25%

3. Domicile: 18/F, South Tower, CGN Building, No. 2002, Shennan Road, Futian District, Shenzhen

4. Legal representative: Zhang Shanming

5. Registered capital: RMB45,448.75 million

6. Business scope: production and supply of electricity and heat generated mainly from nuclear energy, and provision of related professional technical services; disposal of nuclear waste; organization and implementation of the construction and management of engineering projects for nuclear power stations; organization of the operation, maintenance and related businesses for nuclear power stations; organization of the design and scientific research for the development of nuclear power stations; and engagement in related investment, import and export businesses

(II) **Overview of the Principal II and Title Holder**

1. Company name: China General Nuclear Power Corporation ("CGN")

2. Domicile: 33/F, South Tower, CGN Building, No. 2002, Shennan Road, Futian District, Shenzhen

3. Legal representative: He Yu

4. Creditability code: 9144030010001694XX

5. Registered capital: RMB12,200.00 million

6. Company type: Limited liability company

7. Business scope: organization and implementation of the construction and management of engineering projects for nuclear power stations; organization of the operation, maintenance and related businesses for nuclear power stations; organization of the design and scientific research for the development of nuclear power stations. (For items subject to approval pursuant to laws, operation could only be commenced upon approval by relevant authorities)

(III) **Overview of the Subject Entity**

1. Company name: CGN Lufeng Nuclear Power Co., Ltd.

2. Domicile: Xingye Industrial Area, Haining Road, Shanwei

3. Legal representative: Ma Jie

4. Registered capital: RMB840.00 million

5. Company type: Limited liability company (sole proprietorship of legal person)

6. Scope of principal business: investment, construction and operation of nuclear power stations; electricity generation, delivery and sales. (For items subject to approval pursuant to laws, operation could only be commenced upon approval by relevant authorities)

7. Relation between the Principals and the Subject Entity

China General Nuclear Power Corporation, the principal II, is a shareholder of CGN Lufeng Nuclear Power Co., Ltd., the subject entity.

(IV) **Other Valuation Report Users agreed by Engagement letter**

This report shall only be used by principals, other valuation report users as agreed in the engagement letter (including the competent authorities of both parties and valuation report users as stipulated by national laws and regulations), and shall not be used or relied on by any other third parties.

II. VALUATION PURPOSE

China General Nuclear Power Corporation intends to transfer its equity interest in CGN Lufeng Nuclear Power Co., Ltd. to CGN Power Co., Ltd., the appraisal of the value of the entire shareholders' equity of CGN Lufeng Nuclear Power Co., Ltd. as at the appraisal base date is required to provide a value reference for this economic activity.

III. VALUATION TARGET AND SCOPE

(I) Valuation Target

According to the valuation purpose, the valuation target is the value of the entire shareholders' equity of CGN Lufeng Nuclear Power Co., Ltd.

(II) Valuation Scope

The valuation scope covers all assets and liabilities of the subject entity. As at the appraisal base date, the book value of assets including current assets, fixed assets, construction in progress, intangible assets, long-term deferred expenses and other non-current assets and liabilities including current liabilities and non-current liabilities, which are fallen into the valuation scope, was RMB10,016.7071 million and RMB9,176.7071 million, respectively. Accordingly, the book value of net assets was RMB840.0000 million.

As at the appraisal base date, Deloitte Touche Tohmatsu Certified Public Accountants LLP, Shenzhen branch has audited the book value of assets and liabilities fallen into the valuation scope and issued a standard unqualified opinion.

IV. TYPE OF VALUE AND DEFINITION

According to the valuation purpose, the type of value of the valuation target is defined as market value.

Market value represents the estimated amount for which the valuation target is traded on the appraisal base date between a willing buyer and a willing seller in an arm's-length transaction wherein the parties had each acted knowledgeably, prudently and without compulsion.

V. APPRAISAL BASE DATE

The appraisal base date is 31 March 2016.

The appraisal base date is determined by the principals.

VI. BASIS OF VALUATION

(I) Basis of Economic Activity

Letter of Decision on Assignment of Equity Interests in Three Companies Including Guangxi Fangchenggang Nuclear Power Co., Ltd. etc. (Zhong Guang He Shang Han [2016] No. 14) (中廣核商函[2016]14號) issued by China General Nuclear Power Corporation.

(II) Laws and Regulations Basis

1. Company Law of the People's Republic of China (《中華人民共和國公司法》) (passed at the 18th Meeting of the Standing Committee of the 10th National People's Congress on 27 October 2005, amended on 28 December 2013 and implemented from 1 March 2014);

2. Urban Real Estate Administration Law of the People's Republic of China (《中華人民共和國城市房地產管理法》) (passed at the 29th Meeting of the Standing Committee of the 10th National People's Congress on 30 August 2007);

3. Notice on the Comprehensive Rollout of the Business Tax to Value-Added Tax Transformation Pilot Program (《關於全面推開營業税改徵增值税試點的通知》) (Cai Shui [2016] No. 36) (財税[2016]36號);

4. Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法》) (passed at the 5th Meeting of the 10th National People's Congress on 16 March 2007);

5. State-owned Assets Law of the People's Republic of China (《中華人民共和國企業國有資產法》) (passed at the 5th Meeting of the Standing Committee of the 11th National People's Congress on 28 October 2008);

6. Energy Saving Law of the People's Republic of China (《中華人民共和國節約能源法》) (amended and passed at the 30th Meeting of the Standing Committee of the 10th National People's Congress on 28 October 2007);

7. Interim Measures for the Supervision and Administration of the State-owned Assets of Enterprises (《企業國有資產監督管理暫行條例》) (Order No. 378 of the State Council) (國務院令第378號);

8. Interim Measures for the Management of Transfer of the State-owned Property Rights of Enterprises (《企業國有產權轉讓管理暫行辦法》) (Order No. 3 of the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance) (國務院國有資產監督管理委員會、財政部令第3號);

9. Notice on Relevant Issues Concerning Transfer of State-owned Property Rights of Enterprises (《關於企業國有產權轉讓有關事項的通知》) (Guo Zi Fa Chan Quan [2006] No. 306) (國資發產權[2006]306號);

10. Administrative Measures for the Assessment of Stated-owned Assets《國有資產評估管理辦法》) (Order No. 91 of the State Council) (國務院令第91號);

11. Notice on the Promulgation of the Detailed Rules for the Implementation of the Administrative Measures for the Assessment of State-owned Assets (《關於印發<國有資產評估管理辦法施行細則>的通知》) (Guo Zi Ban Fa [1992] No. 36) (國資辦發[1992]36號);

12. Provisional Measures for the Administration of Assessment of the State-owned Assets of Enterprises (《企業國有資產評估管理暫行辦法》) (Order No. 12 of the 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令第12號);

13. Notice on Issues Related to the Strengthening of the Administration of Valuation of State-owned Assets (《關於加強企業國有資產評估管理工作有關問題的通知》) (Guo Zi Wei Chan Quan [2006] No. 274) (國資委產權[2006]274號);

14. Notice on Matters concerning Verification of State-owned Assets Valuation Report of Enterprise (《關於企業國有資產評估報告審核工作有關事項的通知》) (Guo Zi Chan Quan [2009] No. 941) (國資產權[2009]941號);

15. Notice of SASAC in relation to the Working Guidelines on the Verification and Approval of Asset Appraisal Projects of Central Enterprises (《關於印發<中央企業資產評估項目核准工作指引>的通知》) (Guo Zi Fa Chan Quan [2010] No. 71) (國資發產權[2010]71號);

16. Guidelines on Filing for Valuation Projects of State-owned Assets of Enterprises (《企業國有資產評估項目備案工作指引》) (Guo Zi Fa Chan Quan [2013] No. 64) (國資發產權[2013]64號);

17. Accounting Standards of Business Enterprises — Basic Standards (《企業會計準則—基本準則》) (Order No. 33 of the Ministry of Finance) (財政部令第33號);

18. Detailed Rules for the Implementation of the Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值税暫行條例實施細則》) (Order No. 50 of the Finance of Ministry and the State Administration of Taxation) (財政部、國家税務總局令第50號);

19. Standards for the Appraisal of Real Estate (《房地產估價規範》)(GB/T50291-2015).

(III) **Valuation Standards Basis**

1. Asset Valuation Standards — Basic Standards (《資產評估準則—基本準則》) (Cai Qi [2004] No. 20) (財企[2004]20號);

2. Code of Ethics on Asset Valuation — Basic Standards (《資產評估職業道德準則—基本準則》) (Cai Qi [2004] No. 20) (財企[2004]20號);

3. Guidance to Certified Public Appraisers on Titles of Valuation Targets (《註冊資產評估師關注評估對象法律權屬指導意見》) (Kuai Xie [2003] No. 18) (會協[2003]18號);

4. Asset Valuation Standards — Valuation Procedures (《資產評估準則—評估程序》) (Zhong Ping Xie [2007] No. 189) (中評協[2007]189號);

5. Asset Valuation Standards — Working Papers (《資產評估準則—工作底稿》) (Zhong Ping Xie [2007] No. 189) (中評協[2007]189號);

6. Asset Valuation Standards — Machinery and Equipment (《資產評估準則—機器設備》) (Zhong Ping Xie [2007] No. 189) (中評協[2007]189號);

7. Guidelines on Types of Value for Asset Valuation (《資產評估價值類型指導意見》) (Zhong Ping Xie [2007] No. 189) (中評協[2007]189號);

8. Asset Valuation Standards — Intangible Assets (《資產評估準則—無形資產》) (Zhong Ping Xie [2008] No. 217) (中評協[2008]217號);

9. Guidelines on Quality Control of Appraisal Agencies' Practices (《評估機構業務質量控制指南》) (Zhong Ping Xie [2010] No. 214) (中評協[2010]214號);

10. Asset Valuation Standards — Enterprise Value (《資產評估準則—企業價值》) (Zhong Ping Xie [2011] No. 227) (中評協[2011]227號);

11. Asset Valuation Standards — Valuation Report (《資產評估準則—評估報告》) (Zhong Ping Xie [2011] No. 230) (中評協[2011]230號);

12. Asset Valuation Standards — Letter of Engagement (《資產評估準則—業務約定書》) (Zhong Ping Xie [2011] No. 230) (中評協[2011]230號);

13. Guides to Asset Valuation Report of State-owned Enterprises (《企業國有資產評估報告指南》) (Zhong Ping Xie [2011] No. 230) (中評協[2011]230號);

14. Code of Ethics on Asset Valuation — Independence (《資產評估職業道德準則—獨立性》) (Zhong Ping Xie [2012] No. 248) (中評協[2012]248號);

15. Asset Valuation Standards — Use of Experts (《資產評估準則—利用專家工作》) (Zhong Ping Xie [2012] No. 244) (中評協[2012]244號).

(IV) **Basis of Titles**

1. Building ownership certificates;

2. Invoices and contracts of equipment purchase;

3. Articles of Association, accounting statement as at the base date, business license;

4. Relevant business contracts or agreements.

(V) **Pricing Basis**

1. Damage Conditions Rating Standards of Buildings (Trial) (《房屋完損等級評定標準(試行)》) (Cheng Zhu Zi [1984] No. 678) (城住字[1984] 第678號);

2. Quotation Manual for Electromechanical Products (2016) (《機電產品報價手冊》(2016年));

3. Bank deposit and lending benchmark interest rate and exchange rate as at the appraisal base date;

4. Statistical information on payment progress for construction in progress and relevant payment certificates provided by enterprises;

5. Financial statements and audit reports for previous years provided by enterprises;

6. Market forecast data of principal businesses for current year and future years provided by enterprises;

7. Field survey records made and other relevant valuation information collected by appraisers;

8. Other information in relation to this appraisal.

(VI) **Other Reference Basis**

1. List of assets and valuation application form provided by the valuation target;

2. Audit report issued by Deloitte Hua Yong Certified Public Accountants LLP, Shenzhen branch (De Shi Shen Zhen Bao (Shen) Zi (16) No. S0017) (德師深圳報（審）字(16)第S0017號);

3. Information database of China Enterprise Appraisals Co., Ltd.

VII. VALUATION METHODOLOGY

(I) **The selection of valuation methodology**

The basic approaches for valuation of enterprise value mainly include the income approach, market approach and asset-based approach.

Income approach is a method to determine the value of the valuation target by capitalizing or discounting the expected income. Specific methods typically used under income approach include discounted dividend income method and discounted cash flow method.

Market approach is a method to determine the value of the valuation target by comparing the valuation target against comparable listed companies or transaction cases. The two specific methods typically used under market approach are listed company comparison method and transaction case comparison method.

Asset-based approach is a method to determine the value of the valuation target by reasonably valuing the enterprise's on-sheet and off-sheet assets and liabilities based on its balance sheet as at the appraisal base date.

The Asset Valuation Standards — Enterprise Value require that for a valuation engagement of enterprise value, the certified public appraiser should properly select one or more basic asset valuation approaches by analyzing the availability of the three basic asset valuation approaches (income approach, market approach and asset-based approach) based on relevant conditions including valuation purpose, valuation target, type of value and the information collected.

After analyzing the availability of the three basic valuation approaches based on relevant conditions including valuation purpose, valuation target, type of value and the information collected, the market approach is not adopted as it is difficult to identify comparable transaction cases in the market; the income approach is also not adopted as the subject entity is still in the early stage of construction and has no historical operation data and has no easy access to relevant data and information forecasted in the future operation income ;the asset-based approach is adopted for the valuation as subject entity provides relevant historical information and financial information of assets and liabilities which fall within the scope of valuation and is able to operate continuously and meets the prerequisite and condition that is required to conduct valuation by using asset-based approach.

(II) Overview of the Asset-based approach

The asset-based approach for the valuation of an enterprise's value refers to the valuation approach whereby the value of the valuation target is determined by reasonable valuation of enterprise's on-sheet and off-sheet assets and liabilities on the basis of the balance sheet of the subject entity as at the appraisal base date. The specific valuation approach of all kinds of assets and liabilities are as follows:

1. ***Current assets***

Current assets which fall within the scope of valuation mainly include monetary funds, prepayments, interest receivable and other receivables.

(1) Monetary funds are bank deposits, the appraised value of which is determined as the verified value arrived at after verifying bank reconciliation statements and bank confirmations, etc.

(2) The appraised value of prepayments is determined based on the value of assets or entitlements arising from the recoverable goods. The appraised values of prepayments for the relevant goods or entitlements which are recoverable in accordance with contract are determined based on the verified book value.

(3) Interest receivable is determined by reviewing the memorandum book of interest receivable of the subject entity and verifying the date of occurrence, principle, interest period and interest rate, the appraised value of which is the verified book value.

(4) Other receivables require the appraisers to understand the reasons for the occurrence of other receivable, credit information of the person whom the amount is due from, the recovery of other receivables for historical years though investigation of the subject entity. The appraisers conduct confirmation for other receivables with huge amount and longer aging according to importance principle. The appraised value of other receivables is the verified book value.

2. ***Real estate***

All real estate assets which fall within the scope of valuation are purchased commercial buildings. The market approach is adopted for the valuation as the local real estate market is relatively mature and more transaction cases of comparable real estate can be collected.

The basic formula for calculation is as follows:

Unit price of real estate to be valued= unit price after establishing the price comparable basis for comparable examples × correction coefficient for transaction ×adjustment coefficient on transaction date ×adjustment coefficient of regional factor× adjustment coefficient of specific factor

3. ***Machinery and Equipment***

Depending on, among other things, features of equipment, the value type of appraised value and collection of information, machinery and equipment is valued mainly using the cost approach.

The equation under the cost approach is as followings:

Appraised value = full replacement cost × combined newness rate

(1) *Determination of the full replacement cost*

Full replacement cost= equipment acquisition cost+ transportation and miscellaneous charges+ installation and commissioning charges+ other expenses + capital cost- deductible value-added tax

For equipment that doesn't need installation or the transportation charges of which has already been included in the full replacement cost, the calculation is simplified accordingly.

Pursuant to the document "Cai Shui [2008] No. 170" (財稅[2008]170號), where relevant conditions under the regulations on value-added tax system reform are met, the input value-added tax shall be deducted. According to the document "Cai Shui [2013] No. 37" (財稅(2013)37號), for small vehicles, the value-added tax shall be deducted from the full replacement cost of such vehicles.

(2) *Determination of combined newness rate*

Combined newness rate of small equipment such as electronic equipment and air-conditioning equipment is determined in accordance with its economic life, while combined newness rate of large electronic equipment is determined with reference to its working condition and operational status of equipment.

Combined newness rate = theoretical newness rate (life-based newness rate) ×adjustment coefficient

Where, theoretical newness rate = (economic life-serviced life)/economic life ×100%

(3) *Determination of appraised value*

Appraised value = full replacement cost × combined newness rate

4. **Construction in progress**

Cost approach is applied in valuation of construction in progress. In order to avoid duplicated valuation or omission of asset measurement, the following valuation methods are adopted in light of the characteristics of construction in progress, the type and specific conditions of each construction in progress:

(1) In respect of construction in progress where the major equipment or main building has been transferred into fixed assets and certain fees have not yet transferred, and if its value has already been included in appraised value of the fixed assets, the appraised value of such type of construction in progress is nil.

(2) Uncompleted projects

In respect of a project under construction where the date of commencement of construction is within half a year starting from the appraisal base date, the appraised value is determined by deducting the unreasonable expenditures from the declared amount, for which the verification of accounts against physical assets shall be conducted in advance.

In respect of a project under normal construction where the date of commencement of construction is beyond half a year starting from the appraisal base date, and if there are no material changes in the prices of equipment, materials and labour involved in the investment during such period, the appraised value is determined by deducting unreasonable expenditures from the book value plus appropriate capital costs.

5. ***Other intangible assets***

Other intangible assets involved in this valuation scope are mainly outsourced software. The appraised value of the outsourced software sold in the market on the appraisal base date without upgrade versions is determined in accordance with the market price on the appraisal base date of the similar software and the appraised value of the outsourced software sold in the current market with upgraded versions is determined based on the current market price deducting the software upgrade expenses.

In respect of software without the market price as reference, the appraised value is calculated after the rate of depreciation is determined mainly by reference to the original acquisition cost of the enterprise and the market price trend of the similar software.

6. ***Long-term deferred expenses***

The accounting content for long-term deferred expenses is deferred training cost for production staff. The appraisers understood whether remaining assets or rights were available after the appraisal base date by reviewing the relevant accounting books, certificates and accounting policies on auditing for enterprises, and calculated appraised value based on the book value after verification.

7. ***Other Non-current assets***

The accounting content for other non-current assets is input value added tax to be deducted by the enterprise and the up-front fees of the construction in progress including the general contracting agreement receivables for Phase I of nuclear islands, equipment cost for nuclear islands, and construction and management cost of the project. The appraisers understood whether remaining assets or rights were available after the appraisal base date by reviewing the relevant accounting books, certificates and business contracts and determined the appraised value after verification of benefit period and benefit amount.

8. ***Liabilities***

Enterprise liabilities consist of current liabilities and non-current liabilities. Current liabilities include short-term borrowings, bill payables, trade payables, taxes payables, interest payables, other payables and non-current liabilities due within one year, while non-current liabilities refer to long-term borrowings. We checked and verified the actual debtors and amounts of various liabilities after the valuation purpose is fulfilled according to the statements provided by the enterprise, and determined the appraised value based on the actual items and amounts of liabilities to be borne by the title owner after the valuation purpose is fulfilled.

VIII. IMPLEMENTATION OF VALUATION PROCEDURES

The assets and liabilities related to the valuation target were valued by our appraisers from **17 April 2016 to 12 September 2016**. Implementation of the major valuation procedures are set out as follows:

(I) Acceptance of Engagement

On **17 April 2016**, we entered into an agreement with the principals on the valuation purpose, target and scope, appraisal base date and other basic considerations as well as rights and obligations of the parties, and developed the valuation plan through negotiation with the principals.

(II) Preparation in the Early Stage

1. ***Developing the valuation plan***

Based on the characteristics of the valuation target and the general requirements on the project schedule, we developed the work plan on asset valuation, and established and determined the valuers. Based on the characteristics of the valuation target, we provided the subject entities with Valuation Application Form and asset questionnaires, and instructed them to fill in forms.

2. ***Establishing the valuation team***

We established a valuation team in accordance with the valuation plan by taking into account assets distribution, industry and volume of assets within the valuation scope, equipped with the relevant professional appraisers (technicians).

3. ***Carrying out project training***

(1) *Training to personnel of the subject entities*

We provided training to financial and asset management personnel of the subject entities with the training materials for enterprises, to help them understand and properly complete the application materials with the quality required for this valuation. Questions in completing the application materials for asset valuation were answered by designated officers.

(2) *Training to the appraisers*

To ensure valuation quality and work efficiency in accordance with the established Implementation Plan for Assets Valuation (《資產評估操作方案》), we introduced to our team members the background on the economic activity of the project, characteristics of assets related to the valuation target, valuation methodology and specific requirements for this valuation.

(III) **Field Survey**

From **17 April 2016 to 10 May 2016**, our appraisers made necessary inspection and verification on the assets and liabilities related to the valuation targets and necessary due diligence investigation on operation and management of the subject entities.

1. ***Verification of assets***

(1) *Guiding the subject entities to fill in forms and prepare information required by the valuer*

Our appraisers instructed financial and asset management personnel of the subject entities to provide thorough and accurate information of the assets within the valuation scope based on their self-inspection and according to the Valuation Application Form, filling requirements and the list of information provided by us. Meanwhile, title certificates of assets and the documents and information evidencing their performance, status and economic and technical indicators were collected and prepared.

(2) *Initial inspection and improvement of the Valuation Application Forms submitted by the subject entities*

Based on full understanding of the assets of the subject entities through reviewing relevant information, the appraisers carefully examined various "Valuation Application Forms" for any incompleteness, error and inaccuracy therein. According to their experience and the information available, the appraisers also checked on any omission in the Valuation Application Report, and gave feedbacks to the subject entities for improvements.

(3) *Field surveys*

Field surveys on assets were conducted by appraisers with assistance of the subject entities, using the methods specific to different asset natures and characteristics in accordance with the Asset Valuation Standards, with reference to type, quantity and structure of the assets within the valuation scope.

(4) *Supplement, modification and improvement of Valuation Application Form*

Valuation Application Forms were further improved to ensure consistency among accounts, statements and physical goods based on the results of field surveys by appraisers and full communication with the subject entities.

(5) *Verification of title certificates*

Title certificates of assets within the valuation scope were verified by appraisers, and if the title documents are incomplete or the ownership is unclear, requests were made to the subject entities for verification or issuance of supporting papers.

2. ***Due diligence investigation***

Necessary due diligence investigation was made by appraisers to fully understand operation and management of the subject entities and the risk exposure. Key due diligence areas include:

(1) History, substantial shareholders and shareholding ratios, necessary ownership and management structure of the subject entities;

(2) Assets, finance, production, operation and management status of the subject entities;

(3) Business plan, development plan and financial forecast of the subject entities;

(4) Previous valuations and transactions on the valuation target and the subject entities;

(5) Other relevant information.

(IV) Collection of Information

Information relevant to the valuation target was collected by appraisers, which was sourced directly from market and other independent channels, the principal and relevant parties, and government departments, professional institutions and other relevant departments. Such information was analyzed, summarized and compiled where necessary, to form the basis for valuation and estimation.

(V) Valuation and Estimation

Asset-specific valuation methods were adopted by appraisers, followed by analysis, computation and judgment using appropriate formulas and parameters to arrive at the initial valuation results. Based on the summary of initial valuation conclusions by asset class, the project leader prepared the draft valuation report.

(VI) Internal Review

According to the requirements of our Administrative Measures for the Valuation Process (《評估業務流程管理辦法》), the project leader submitted the preliminary draft of valuation report for internal review after the draft valuation report passed the first round of review. After passing the internal review, a consultation paper was drafted by the project leader and submitted to the client. Based on the feedbacks from the client, reasonable amendments were made and the final valuation report was submitted to the principals.

IX. VALUATION ASSUMPTIONS

Assumptions applied in the analysis and estimation in this valuation report are set out as below:

(I) General Assumptions

1. the subject entities will continue to operate on a going concern basis after the appraisal base date;

2. there will be no material change in the political, economic and social environment of the country or region where the subject entities are located after the appraisal base date;

3. there will be no material change in the macroeconomic policies, industry policies and regional development policies of the country after the appraisal base date;

4. the subject entities will operate under a responsible and stable management team which is capable of performing its duties after the appraisal base date;

5. the subject entities will fully comply with all applicable laws and regulations;

6. there will be no material adverse impact on the subject entities from force majeure after the appraisal base date.

(II) Special Assumptions

1. the subject entities will adopt accounting policies that are consistent in all material aspects with those adopted in preparing the asset valuation report after the appraisal base date;

2. the subject entities will keep their business scope and model in line with those currently under the existing management model and level after the appraisal base date.

The valuation conclusion herein is established based on the aforementioned assumptions as at the appraisal base date. The certified public valuer who signed the valuation conclusion and we disclaim any responsibility arising from different valuation conclusion due to a significant change in any of the aforementioned assumptions.

X. VALUATION CONCLUSION

As at the appraisal base date, the book value of the total assets of CGN Lufeng Nuclear Power Co., Ltd. (中廣核陸豐核電有限公司) is RMB10,016.7071 million, the valuation is RMB10,086.9842 million, the added value is RMB70.2771 million, and the added-value ratio is 0.70%; the book value of total liabilities is RMB9,176.7071 million, the valuation is RMB9,176.7071 million, there is no change in valuation; the book value of net assets is RMB840.0000 million, the valuation of net assets is RMB910.2771 million, the added value is RMB70.2771 million, and the added-value ratio is 8.37%.

The valuation results under the asset-based approach are detailed as follows:

Summary sheet for the valuation results under the asset-based approach

Appraisal base date: 31 March 2016 Unit: RMB0'000

Item		Book value A	Appraised value B	Change C=B-A	Appreciation rate % D=C/A×100%
Current assets	1	4,735.38	4,735.38	0.00	0.00
Non-current assets	2	996,935.33	1,003,963.04	7,027.71	0.70
Including: long-term equity investment	3	0.00	0.00	0.00	
Investment properties	4	0.00	0.00	0.00	
Fixed assets	5	2,700.22	5,262.45	2,562.23	94.89
Construction in progress	6	865,542.93	870,006.16	4,463.23	0.52
Intangible assets	7	48.45	50.70	2.25	4.64
Including: land use right	8	0.00	0.00	0.00	
Other non-current assets	9	128,643.73	128,643.73	0.00	0.00
Total assets	10	1,001,670.71	1,008,698.42	7,027.71	0.70
Current liabilities	11	538,770.71	538,770.71	0.00	0.00
Non-current liabilities	12	378,900.00	378,900.00	0.00	0.00
Total liabilities	13	917,670.71	917,670.71	0.00	0.00
Net assets	14	84,000.00	91,027.71	7,027.71	8.37

The entire shareholders' equity of CGN Lufeng Nuclear Power Co., Ltd. (中廣核陸豐核電有限公司) was valued at RMB910.2771 million.

The effect of premiums potentially caused by control or lack of liquidity on the value of the valuation target had not been taken into consideration in this valuation report.

XI. SPECIAL EXPLANATIONS

The matters identified in the valuation process that might affect the valuation conclusion but are beyond professional appraisal levels and capabilities of our appraisers:

(I) The type and the book value of assets in this valuation report were based on the audit report (De Shi Shen Zhen Bao (Shen) Zi (16) No. S0017) (德師深圳報(審)字(16) 第S0017號) issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP, Shenzhen branch on 23 August 2016. The opinions in the aforesaid audit report are as follows: the financial statements of CGN Lufeng Nuclear Power Co., Ltd. have been prepared in accordance with Accounting Standards for Business Enterprises in all material aspects, which fairly reflected the balance sheets as at 31 March 2016, 31 December 2015, 31 December 2014 and 31 December 2013 and the income statements, the statements of changes in equity and cash flows for the period from 1 January to 31 March 2016, as well as for the years of 2015, 2014 and 2013.

(II) According to the Notice regarding the Comprehensive Implementation of the Pilot Program for Replacement of Business Tax with Value-Added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (財稅[2016]36號), the replacement of business tax with value-added tax will be fully implemented in the trial areas from 1 May 2016, so as to include the business tax payers operating in industries such as construction, real estate, finance and services throughout the country in the trial to pay value-added tax instead of business tax. The effect of the above events on the valuation results under the revenue approach had not been taken into consideration in this valuation.

Users of this valuation report shall pay attention to the impact of the aforesaid matters on the valuation conclusion.

XII. NOTES ON RESTRICTIONS ON THE USE OF VALUATION REPORT

(I) This valuation report may only be used for the valuation objectives and purposes specified herein;

(II) This valuation report may only be used by the users of the valuation report specified herein;

(III) Before any part or all of the contents of this valuation report is extracted, quoted or disclosed to the public media, the related content shall be reviewed by the appraisal institution, unless required by the laws and regulations and otherwise agreed by the relevant parties;

(IV) This valuation report may not be used until it is filed with the state-owned assets supervision and administration authorities or the capital-contributing enterprise, signed by certified public valuers and sealed by appraisal institution;

(V) The valuation conclusion shown in this valuation report shall only be valid for the economic activity described herein. The validity period of the valuation conclusion is one year commencing from the appraisal base date.

XIII. VALUATION REPORT DATE

This valuation report was issued on 12 September 2016.

Legal representative: Quan Zhongguang

Certified public valuer: Kang Zhigang　　　　Certified public valuer: Liu Yuhui

China Enterprise Appraisals Co., Ltd.
12 September 2016

ANNEXES TO THE VALUATION REPORT

Annex I. Economic activity documents;

Annex II. Special audit report of the subject entity;

Annex III. Copies of the business licenses of the legal persons of the principals and the subject entity;

Annex IV. Material title certificates involving the valuation target;

Annex V. Letters of undertaking of the principal and the subject entity;

Annex VI. Letters of undertaking of the certified public valuers signing off this report;

Annex VII. Copy of the asset valuation qualification certificate of China Enterprise Appraisals Co., Ltd.;

Annex VIII. Copy of the qualification certificate of China Enterprise Appraisals Co., Ltd. practicing in the securities industry;

Annex IX. Copy of the business license of China Enterprise Appraisals Co., Ltd.;

Annex X. Copies of qualification certificates of the valuers of China Enterprise Appraisals Co., Ltd..

Asset Valuation Report
in respect of
the Proposed Transfer by China General Nuclear Power Corporation of Its Equity Interests in China Nuclear Power Engineering Co., Ltd.to CGN Power Co., Ltd.
C.E.A.P.B.Z [2016] No. 1208-02 (中企華評報字 (2016) 第1208-02號)

(One volume in total, Volume one)

China Enterprise Appraisals Co., Ltd.
September 12, 2016

Contents

Statement of Certified Public Valuers

I. We have conducted this valuation engagement in accordance with relevant laws, regulations and asset valuation standards and in the principle of independence, objectiveness and impartiality. We confirm that based on the information collected in our practices, the information stated herein is objective, and we accept legal responsibility for the reasonableness of valuation conclusion.

II. The lists of assets and liabilities related to the valuation target are submitted by the principals and the subject entity, as confirmed by their signatures and corporate seals. The principals and relevant parties shall be responsible for the truthfulness, legitimacy and completeness of the information provided by them and proper use of this report.

III. We have no existing or prospective interest in the valuation target hereunder. We have neither existing or prospective interest in nor any bias to the relevant parties.

IV. We have conducted site survey to the valuation target hereunder and the involved assets. We have given necessary attention to the valuation target and titles of the involved assets, and conducted inspection on their title documents. With the identified problems disclosed truthfully, we have requested the principals and relevant parties to improve the ownership in order to meet the requirement for issuing this report.

V. Our analysis, judgment and conclusion in valuation report are subject to the assumptions and constrains herein. Users of this report should pay full attention to the assumptions, constrains and special explanations set out herein and their impact on the valuation conclusion.

Valuation Report Executive Summary

Important Notice

All contents of this summary are extracted from the text of the valuation report. Please carefully read the full text of the valuation report for details of the valuation process and reasonable understanding of the valuation conclusion.

As engaged jointly by China General Nuclear Power Corporation and CGN Power Co., Ltd., China Enterprise Appraisals Co., Ltd. has followed the necessary valuation procedures to appraise the market value of the entire shareholders' equity of China Nuclear Power Engineering Co., Ltd. as at the appraisal base date in accordance with relevant laws, regulations and asset valuation standards and in the principle of independence, objectiveness and impartiality. The valuation report is summarised as follows:

Valuation purpose: China General Nuclear Power Corporation intends to transfer its equity interest in China Nuclear Power Engineering Co., Ltd. to CGN Power Co., Ltd., the valuation of the value of the entire shareholders' equity of China Nuclear Power Engineering Co., Ltd. is for the purpose of providing a value reference for this economic activity.

Valuation target: the value of the entire shareholders' equity in China Nuclear Power Engineering Co., Ltd..

Valuation scope: all assets and liabilities of China Nuclear Power Engineering Co., Ltd., including, among other things, current assets, available for sale financial assets, long-term equity investment, Investment properties, fixed assets, construction in progress, intangible assets, development expenses, long-term deferred expenses, deferred assets of income tax, other non-current assets, current liabilities and non-current liabilities.

Appraisal base date: 31 March 2016

Type of value: market value

Valuation method: Asset-based approach; income approach.

Valuation conclusion: The valuation result under income approach is adopted as the valuation conclusion herein, which are detailed as below:

As at the appraisal base date, the book value of the total assets of China Nuclear Power Engineering Co., Ltd. is RMB21,106.7552 million, the book value of total liabilities is RMB17,880.4707 million, and the book value of net assets is RMB3,226.2845 million. Under income approach, the valuation of the entire shareholders' equity is RMB4,826.8801 million, the added value is RMB1,600.5956 million, and the added-value ratio is 49.61%.

The premium arising from control and the effect of lacking of liquidity on valuation target had not been taken into consideration in this valuation report.

This valuation report is solely designed to provide a value reference for the economic activity described herein, and the valuation conclusion is effective for one year starting from the appraisal base date of 31 March 2016.

Users of this valuation report should pay full attention to the assumptions, constrains and special explanations set out herein and their impact on the valuation conclusion.

Valuation Report
in respect of
Equity Interests in
China Nuclear Power Engineering Co., Ltd.
(Full text)

To: **China General Nuclear Power Corporation and CGN Power Co., Ltd.:**

According to your joint engagement, China Enterprise Appraisals Co., Ltd. has followed the necessary valuation procedures under the asset-based approach and the income approach to appraise the market value of the entire shareholders' equity of China Nuclear Power Engineering Co., Ltd. as at 31 March 2016 involved in the Proposed Acquisition by CGN Power Co., Ltd. of Equity Interests of China Nuclear Power Engineering Co., Ltd. held by China General Nuclear Power Corporation in accordance with relevant laws, regulations and asset valuation standards and in the principle of independence, objectiveness and impartiality. The valuation details and valuation results are presented as follows:

I. PRINCIPALS, SUBJECT ENTITY AND OTHER VALUATION REPORT USERS AS AGREED IN THE ENGAGEMENT LETTER

In this valuation, the principals are CGN Power Co., Ltd. and China General Nuclear Power Corporation, the title holder is China Nuclear Power Corporation, the subject entity is China Nuclear Power Engineering Co., Ltd., other valuation report users as agreed in the engagement letter include controlling shareholders of the principals and the subject entity, administrative departments and other valuation report users prescribed by state laws and regulations.

(I) *Overview of the Principal I*

1. Company name: CGN Power Co., Ltd.(" CGN Power")

2. Company type: Limited liability company (sino-foreign joint venture, listed) with the ratio of foreign investment less than 25%

3. Domicile: 18/F, South Tower, CGN Building, No. 2002, Shennan Road, Futian District, Shenzhen

4. Legal representative: Zhang Shanming

5. Registered capital: RMB45,448.75 million

6. Business scope: production and supply of electricity and heat generated mainly from nuclear energy, and provision of related professional technical services; disposal of nuclear waste; organization and implementation of the construction and management

of engineering projects for nuclear power stations; organization of the operation, maintenance and related businesses for nuclear power stations; organization of the design and scientific research for the development of nuclear power stations; and engagement in related investment, import and export businesses

(II) *Overview of the Principal II and Title Holder*

1. Company name: China General Nuclear Power Corporation("CGN")

2. Company type: Limited liability company

3. Domicile: 33/F, South Tower, CGN Building, No. 2002, Shennan Road, Futian District, Shenzhen

4. Legal representative: He Yu

5. Registered capital: RMB12,200.00 million

6. Business scope: organization and implementation of the construction and management of engineering projects for nuclear power stations; organization of the operation, maintenance and related businesses for nuclear power stations; organization of the design and scientific research for the development of nuclear power stations(For items subject to approval pursuant to laws, operation could only be commenced upon approval by relevant authorities)

(III) *Overview of Subject Entity*

1. Company name: China Nuclear Power Engineering Co., Ltd ("CGN Engineering")

2. Domicile: Office Building of Daya Bay Nuclear Power Base Engineering Ltd(大亞灣核電基地工程公司), Pengfei Road, Dapeng New District, Shenzhen

3. Legal representative: Chen Yingjian

4. Registered capital: RMB1,286.00 million

5. Paid-up capital: RMB1,286.00 million

6. Company type: Limited liability company(sole legal corporation)

7. Established date: 11 November 1997

8. Operation terms: From 11 November 1997 to 10 November 2047

9. Business scope: nuclear power ,conventional electric, heating, gas, port ,highway , water conservancy ,water supply and drainage as well as undertaking, management, consultancy and supervision of civil building engineering; engineering and construction technology services and consultancy; economic information consultancy; engineering construction project bidding agent; operating import and export business(excluding projects prohibited by relevant laws and regulations and decisions of state council. Projects restricted by laws and regulations are not allowed without license franchise); building engineering construction(operated by construction qualification certificate); purchase and sale of electric power equipment and material (excluding those operated , controlled and sold exclusively by the State), engineering design(it shall be operated after obtaining qualification certificate issued by competent administrative department of construction), foreign investment and foreign project contracting, leasing out self-owned building.

10 Relation between the Principals and the Subject Entity

China Nuclear Power Engineering Co., Ltd., the subject entity, is wholly owned by China General Nuclear Power Corporation, the principal.

(IV) *Other Valuation Report Users agreed by Engagement letter*

This valuation report shall only be used by principals, other valuation report users as agreed in the engagement letter (including relevant competent departments at higher levels and valuation report users as stipulated by national laws and regulations), and shall not be used or relied on by any other third parties.

II. VALUATION PURPOSE

China General Nuclear Power Corporation intends to transfer its equity interest in China Nuclear Power Engineering Co., Ltd. to CGN Power Co., Ltd., the valuation of the value of the entire shareholders' equity of China Nuclear Power Engineering Co., Ltd. as at the appraisal base date is for the purpose of providing a value reference for this economic activity.

III. VALUATION TARGET AND SCOPE

(I) *Valuation Target*

According to the valuation purpose, the valuation target is the value of the entire shareholders' equity of China Nuclear Power Engineering Co., Ltd.

(II) *Valuation Scope*

The valuation scope covers all assets and liabilities of the subject entity, which including current assets, available for sale financial assets, long-term equity investment, Investment Properties, fixed assets, construction in progress, intangible assets, development expenses, long-term deferred expenses, deferred assets of income tax, and other non-current assets, the book value is RMB21,106.7552 million for total assets, RMB17,880.4707 million for total liabilities(including current liabilities and non- current liabilities) and RMB3,226.2845 million for net assets.

The valuation target and valuation scope are consistent with the valuation target and valuation scope involved in economic activity. As at the appraisal base date, Deloitte Touche Tohmatsu Certified Public Accountants LLP, Shenzhen branch has audited the book value of assets and liabilities fallen into the valuation scope and issued audit report for unqualified opinion.

IV. TYPE OF VALUE AND DEFINITION

According to the valuation purpose, the type of value of the valuation target is defined as market value.

Market value represents the estimated amount for which the valuation target should exchange on the appraisal base date between a willing buyer and a willing seller in an arm's-length transaction wherein the parties had each acted knowledgeably, prudently and without compulsion.

V. APPRAISAL BASE DATE

The appraisal base date is 31 March 2016.

The appraisal base date is determined jointly by the principals and the subject entity.

VI. BASIS OF VALUATION

(I) *Basis of Economic Engagement*

Letter of Decision on Assignment of Equity Interests in Three Companies Including Guangxi Fangchenggang Nuclear Power Co., Ltd. etc. (Zhong Guang He Shang Han [2016] No.14) (中廣核商函[2016]14號) issued by China General Nuclear Power Corporation.

(II) *Laws and Regulations Basis*

1. Company Law of the People's Republic of China (《中華人民共和國公司法》) (passed at the 18th Meeting of the Standing Committee of the 10th National People's Congress on 27 October 2005, amended on 28 December 2013 and implemented from 1 March 2014);

2. Urban Real Estate Administration Law of the People's Republic of China (《中華人民共和國城市房地產管理法》) (passed at the 29th Meeting of the Standing Committee of the 10th National People's Congress on 30 August 2007);

3. Notice on the Comprehensive Rollout of the Business Tax to Value-Added Tax Transformation Pilot Program (《關於全面推開營業税改徵增值税試點的通知》) (Cai Shui [2016] No. 36) (財税[2016]36號);

4. Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》) (passed at the 11th Meeting of the Standing Committee of the 10th National People's Congress on 28 August 2004);

5. Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法》) (passed at the 5th Meeting of the 10th National People's Congress on 16 March 2007);

6. State-owned Assets Law of the People's Republic of China (《中華人民共和國企業國有資產法》) (passed at the 5th Meeting of the Standing Committee of the 11th National People's Congress on 28 October 2008);

7. Law of the People's Republic of China on Conserving Energy (《中華人民共和國節約能源法》) (revised and passed at the 30th Meeting of the Standing Committee of the 10th National People's Congress on 28 October 2007)

8. Interim Measures for the Supervision and Administration of the State-owned Assets of Enterprises) (《企業國有資產監督管理暫行條例》) (Order No. 378 of the State Council (國務院令第378號);

9. Interim Measures for the Management of Transfer of the State-owned Property Rights of Enterprises (《企業國有產權轉讓管理暫行辦法》) (Order No. 3 of the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance) (國務院國有資產監督管理委員會、財政部令第3號);

10. Notice on Relevant Issues Concerning Transfer of State-owned Property Rights of Enterprises (《關於企業國有產權轉讓有關事項的通知》) (Guo Zi Fa Chan Quan [2006] No. 306) (國資發產權[2006]306號);

11. Administrative Measures for the Assessment of Stated-owned Assets (《國有資產評估管理辦法》) (Order No. 91 of the State Council) (國務院令第91號);

12. Notice on the Promulgation of the Detailed Rules for the Implementation of the Administrative Measures for the Assessment of State-owned Assets (《關於印發<國有資產評估管理辦法施行細則>的通知》) (Guo Zi Ban Fa [1992] No. 36) (國資辦發[1992]36號);

13. Provisional Measures for the Administration of Assessment of the State-owned Assets of Enterprises (《企業國有資產評估管理暫行辦法》) (Order No. 12 of the 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令第12號);

14. Notice on Issues Related to the Strengthening of the Administration of Valuation of State-owned Assets (《關於加強企業國有資產評估管理工作有關問題的通知》) (Guo Zi Wei Chan Quan [2006] No. 274) (國資委產權[2006]274號);

15. Notice on Matters concerning Verification of State-owned Assets Valuation Report of Enterprise (《關於企業國有資產評估報告審核工作有關事項的通知》) (Guo Zi Chan Quan [2009] No. 941) (國資產權[2009]941號);

16. Notice of SASAC in relation to the Working Guidelines on the Verification and Approval of Asset Appraisal Projects of Central Enterprises (《關於印發<中央企業資產評估項目核准工作指引>的通知》) (Guo Zi Fa Chan Quan [2010] No. 71) (國資發產權[2010]71號);

17. Notice on the Promulgation of the Guide on Filing for Valuation Projects of State State-owned Assets of Enterprises (《企業國有資產評估項目備案工作指引》) (Guo Zi Fa Chan Quan [2013] No. 64) (國資發產權[2013]64號);

18. Accounting Standards of Business Enterprises — Basic Standards (《企業會計準則——基本準則》) (Order No. 33 of the Ministry of Finance) (財政部令第33號);

19. Detailed Rules for the Implementation of the Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例實施細則》) (Order No. 50 of the Finance of Ministry and the State Administration of Taxation) (財政部、國家稅務總局令第50號);

20. Interim Regulation of the People's Republic of China on City and Town Land Use Tax 《中華人民共和國城鎮土地使用稅暫行條例》(passed at the 163rd Executive Meetings of the State Council on 30 December 2006);

21. Regulation on Grant of State-owned Land Use Rights by Agreements《協議出讓國有土地使用權規定》(Order No. 21 of the Ministry of Land and Resources) (國土資源部令第21號);

22. Rules for Valuation of Urban Land (《城鎮土地估價規程》) (GB/T18508-2014)；

23. Regulations for Grading and Classification of Urban Land (《城鎮土地分等定級規程》) (GB/T18507-2014)；

24. Standards for the Appraisal of Real Estate (《房地產估價規範》) (GB/T50291-2015)。

(III) *Valuation Standards Basis*

1. Asset Valuation Standards — Basic Standards (《資產評估準則—基本準則》) (Cai Qi [2004] No. 20) (財企[2004]20號);

2. Code of Ethics on Asset Valuation — Basic Standards (《資產評估職業道德準則—基本準則》) (Cai Qi [2004] No. 20) (財企[2004]20號);

3. Guidance to Certified Public Appraisers on Titles of Valuation Targets (《註冊資產評估師關注評估對象法律權屬指導意見》) (Kuai Xie [2003] No. 18) (會協[2003]18號);

4. Asset Valuation Standards — Valuation Procedures (《資產評估準則—評估程序》) (Zhong Ping Xie [2007] No. 189) (中評協[2007]189號);

5. Asset Valuation Standards — Working Papers (《資產評估準則—工作底稿》) (Zhong Ping Xie [2007] No. 189) (中評協[2007]189號);

6. Asset Valuation Standards — Machinery and Equipment (《資產評估準則—機器設備》) (Zhong Ping Xie [2007] No. 189) (中評協[2007]189號);

7. Asset Valuation Standards — Real Estate (《資產評估準則—不動產》) (Zhong Ping Xie [2007] No. 189) (中評協[2007]189號);

8. Guidelines on Type of Value for Asset Valuation (《資產評估價值類型指導意見》) (Zhong Ping Xie [2007] No. 189) (中評協[2007]189號);

9. Asset Valuation Standards — Intangible Assets (《資產評估準則——無形資產》) (Zhong Ping Xie [2008] No. 217) (中評協[2008]217號);

10. Guidelines on Quality Control of Appraisal Agencies' Practices (《評估機構業務質量控制指南》) (Zhong Ping Xie [2010] No. 214) (中評協[2010]214號);

11. Asset Valuation Standards — Enterprise Value (《資產評估準則——企業價值》) (Zhong Ping Xie [2011] No. 227) (中評協[2011]227號);

12. Asset Valuation Standards — Valuation Report (《資產評估準則——評估報告》) (Zhong Ping Xie [2011] No. 230) (中評協[2011]230號);

13. Asset Valuation Standards — Letter of Engagement (《資產評估準則—業務約定書》) (Zhong Ping Xie [2011] No. 230) (中評協[2011]230號);

14. Guides to Asset Valuation Report of State-owned Enterprises (《企業國有資產評估報告指南》) (Zhong Ping Xie [2011] No. 230) (中評協[2011]230號);

15. Code of Ethics on Asset Valuation — Independence (《資產評估職業道德準則—獨立性》) (Zhong Ping Xie [2012] No. 248) (中評協[2012]248號);

16. Asset Valuation Standards — Use of Experts (《資產評估準則—利用專家工作》) (Zhong Ping Xie [2012] No. 244) (中評協[2012]244號).

(IV) *Basis of Titles*

1. State-owned land use right certificate;

2. Building ownership certificates;

3. Invoices and contracts of equipment purchase;

4. Vehicle licences;

5. Certificates of other relevant property rights such as patent right certificates.

(V) *Pricing Basis*

1. Regulations on Compulsory Retirement of Automotive Vehicles (《機動車強制報廢標準規定》) (Order [2012] No. 12 of the Ministry of Commerce, the National Development and Reform Commission, the Ministry of Public Security and the Ministry of Environment Protection) (商務部、發改委、公安部、環境保護部令2012年第12號);

2. Damage Condition and Ranking Standards of Buildings (Trial) (《房屋完損等級評定標準(試行)》) (Cheng Zhu Zi [1984] No. 678) (城住字[1984]第678號);

3. Quotation Manual for Electromechanical Products (2016) (《機電產品報價手冊》(2016年));

4. Bank deposit and lending benchmark interest rate and exchange rate as at the appraisal base date;

5. Statistical information on payment progress for construction in progress and relevant payment certificates provided by enterprises;

6. Financial statements and audit reports for previous years provided by enterprises;

7. Operation plan for future years provided by relevant department of enterprises;

8. Market forecast data of principal businesses for current year and future years provided by enterprises;

9. Field survey records made and other relevant valuation information collected by appraisers;

10. Other information in relation to this appraisal.

(VI) *Other Reference Basis*

1. List of assets and valuation application form provided by the valuation target;

2. Audit report issued by Deloitte Hua Yong Certified Public Accountants LLP (De Shi Shen Zhen Bao (Shen) Zi (16) No. S0031) (德師深圳報(審)字(16)第S0031號);

3. Land valuation report issued by Beijing Zhongdi Huaxia Real Estate Assessing Co. Ltd. ((Beijing) Zhong Di Hua Xia (2016) Ping (Gu) Zi No. 44) ((北京)中地華夏(2016) 評(估)字第44號);

4. Information database of China Enterprise Appraisals Co., Ltd..

VII. VALUATION METHODOLOGY

The basic approaches for valuation of enterprise value include the income approach, market approach and asset-based approach.

Income approach is a method to determine the value of the valuation target by capitalising or discounting the expected income flows. Specific methods typically used under income approach include discounted dividend income method and discounted cash flow method.

Market approach is a method to determine the value of the valuation target by comparing the valuation target against comparable listed companies or transaction cases. The two specific methods typically used under market approach are listed company comparison method and transaction case comparison method.

Asset-based approach is a method to determine the value of the valuation target by reasonably valuing the enterprise's on-sheet and off-sheet assets and liabilities based on its balance sheet as at the appraisal base date.

The Asset Valuation Standards—Enterprise Value require that for a valuation engagement of enterprise value, the certified public appraiser should properly select one or more basic asset valuation approaches by analysing the availability of the three basic approaches (income approach, market approach and asset-based approach) based on relevant conditions including valuation purpose, valuation target, type of value and the information collected.

For the purpose of this valuation, the income approach and asset-based approach have been adopted after analyzing the availability of the three basic approaches based on relevant conditions including valuation purpose, valuation target, type of value and the information collected, and the market approach is not adopted as it is difficult to identify comparable transaction cases in the market. The specific valuation approaches are set out as follows:

(I) *Income Approach*

Discounted free cash flow model under the discounted cash flow method is adopted for this valuation report, as detailed below:

Value of entire shareholders' equity = Overall enterprise value — Value of interest-bearing debts

1. *Overall Enterprise Value*

Overall enterprise value is the sum of entire shareholders' equity and interest-bearing debts. According to the assets acquired and used by the valuation target, overall enterprise value is calculated as follows:

Overall enterprise value = Value of operating assets + Value of surplus assets + Value of non-operating assets and liabilities + Value of long-term equity investment

(1) Value of operating assets

Operating assets represent assets and liabilities relating to production and operation of the valuation target and involved in forecasting its free cash flows after the appraisal base date. Value of operating assets is calculated as follows:

$$P = \sum_{i=1}^{n} \frac{F_i}{(1+r)^i} + \frac{F_n \times (1+g)}{(r-g) \times (1+r)^n}$$

where: P: Value of operating assets as at the appraisal base date;

F_i: Estimated free cash flow for Year i after the appraisal base date;

F_n: Estimated free cash flow for the last year of the forecast period;

r: Discount rate (WACC);

n: Forecast period;

i: Year i in the forecast period;

g: Growth rate for sustainable period. The growth rate is zero as it is stable in sustainable years.

Among which, free cash flow is calculated as follows:
Free cash flow = Net profit before interests and after taxes + Depreciation and amortisation - Capital expenditure- Increase in working capital

Among which, discount rate (weighted average cost of capital, or WACC) is calculated as follows:

$$WACC = K_e \times \frac{E}{D + E} + K_d \times (1-t) \times \frac{D}{D + E}$$

where: K_e: Cost of equity capital;

K_d: Cost of interest-bearing debt capital;

E: Market value of equity;

D: Market value of interest-bearing debts;

T: Income tax rate

The cost of equity capital is calculated using the capital asset pricing model (CAPM) as follows:

$$K_e = r_f + MRP \times \beta_L + r_c$$

where: r_f: Risk-free return rate;

MRP: Market risk premium;
β_L: Systematic risk coefficient of equity;
r_c: Enterprise-specific risk adjustment coefficient.

(2) Value of surplus assets

Surplus assets represent assets exceeding the production and operation requirements of the enterprise as at the appraisal base date and not involved in forecasting its free cash flow after the appraisal base date. Surplus assets of the subject entity include surplus cash. Surplus assets are separately analyzed and appraised.

(3) Value of non-operating assets and liabilities

Non-operating assets and liabilities represent those not relating to production and operation of the subject entity and not involved in forecasting its free cash flows after the appraisal base date. Non-operating assets and liabilities are separately analyzed and appraised.

(4) Long-term equity investment

In this valuation, the value of the long-term investment in controlling interest in investees operating on a going concern basis has been appraised under the income approach and the asset-based approach on a collectively basis to derive the value of entire shareholders' equity, then multiplying the appraised value of entire shareholders' equity by percentage of shareholding to determine the appraised value of long-term equity investment; the value of the long-term investment in non-controlling interest in investees operating on a going concern basis has been appraised by multiplying the net assets as shown on the financial statements as at the appraisal base date by percentage of shareholding; the value of the long-term investment in CGN Finance with stable growth has been determined under the dividend growth model. The appraised value of China Techenergy is determined according to the subsequent transfer price.

2. *Value of interest-bearing debts*

Interest-bearing debts represent the liabilities bearing interest payable by the subject entity as at the appraisal base date.

3. *Determination of Income Period and Forecast Period*

(1) Determination of Income Period

As the operation of the valuation target is normal as at the appraisal base date, there are no limitations on the useful life of the core assets that affect the enterprise's operation on a going concern basis and on the production and operation period of the enterprise and the duration of investor's ownership, or the above limitations can be released and used sustainably by extension, this valuation report assumes that the valuation target operates on a going concern basis after the appraisal base date and the corresponding income periods are indefinite.

(2) Determination of Forecast Period

As the recent incomes of the enterprise can be relatively reasonably forecasted, and the rationality of long-term income forecast is relatively poor, the appraisers divide the income period of an enterprise into both stages: forecast period and post forecast period based on usual practice.

After a comprehensive analysis, CGN Engineering reaches steady operation state in 2021, thus the forecast period terminates by the end of 2021.

4. *Income Forecast for the Forecast Period*

The forecast on future financial data of the enterprise is based on its operating results from 2012 to 2015, in compliance with the relevant laws and regulations prevailing in China and according to national macro policies as well as national and regional macroeconomic conditions, and has been carried out by taking into consideration of the corporate development plans and operation plans, advantages, disadvantages, opportunities and risks, etc., particularly the market environment and future development prospects and potential to be faced by the entity, and combining with 2016 financial budget of the enterprise and the next annual financial budget.

(1) Forecast on revenue from principal business

Domestic nuclear power construction project segment: Except five contracted projects currently under construction, according to the layout provided by the enterprise in relation to future nuclear power construction projects, the proportion of construction taken by CGN Engineering each year is around 2 to 3 units.

Oversea nuclear power construction project segment: the current oversea nuclear power construction intention projects mainly include the Romania project and the United Kingdom project. The Romania project is currently under commercial negotiation and the specific time to sign contracts has not been decided yet; the United Kingdom project is in the preliminary work period of sending staffs to explore the market so far.

Non-nuclear power project construction segment: its main businesses include nuclear power in service, decommissioning, nuclear technology application and non-nuclear high-end project, etc.

(2) Principal business costs forecast

The historic annual principal business costs of CGN Engineering mainly include staff remuneration, equipment costs, operational support costs, travelling expenses, technical support expenses, installation project costs, civil engineering costs, previous preparation project costs, depreciation costs and amortization of intangible assets.

Staff remuneration includes salaries, labor costs, various subsidies, social insurance, etc. The future annual total salaries is taking account into the future annual demand of staff provided by company according to the relevant remuneration system of CGN, and taking into account the forecast of budget level of company.

As for the social security payments such as pension insurance, medical insurance and unemployment insurance and housing provident funds paid by the enterprises, the various rates above are paid at the ratios stipulated by laws and regulations and the calculation basis is the total current salary.

The equipment costs, operational support costs, travelling expenses, technical support expenses, installation project costs, civil engineering costs, previous preparation project costs and other revenue-related items as a percentage of the referential historical annual revenue will increase with the growth of business.

Depreciation costs and amortization of intangible assets are determined according to the existing fixed assets and intangible assets as at the enterprise appraisal base date as well as the fixed assets and intangible assets transformed from the annually increasing capital expenditures in the future, and calculated in a comprehensive way based on the depreciation ratios of various assets set by the accounting policies of the enterprise as well as the amortization of each intangible assets. As at the base date, except for the existing stock assets, the enterprise will invest capital to increase assets or update the existing assets every year in the future in order to maintain normal operation.

(3) Business tax and surcharge forecast

Pursuant to the Circular on Printing and Distributing the Pilot Proposals for the Collection of Value-added Tax in Lieu of Business Tax (《關於印發營業稅改徵增值稅試點方案的通知》) (Cai Shui [2016] No. 36) promulgated on March 24, 2016 jointly by the Ministry of Finance and the State Administration of Taxation, it is expressly stipulated that all business taxpayers shall pay value-added tax in lieu of business tax since May 1, 2016 in the pilot industries, including real estate, construction, finance and life-style services, and that the input VAT on real estates shall be deducted by stages. CGN Engineering is a general taxpayer of VAT, and is applicable to the following rates, including VAT rates, i.e. 17%, 11%, 6%, 5% charged through a simplified method, and 3% charged through a simplified method, urban construction tax rate of 7%, education surcharge rate of 3% and local education surcharge rate of 2%.

(4) Selling expense forecast

The historic annual selling expense of CGN Engineering includes staff remuneration, conference expense, depreciation cost, travel expense, leasing expense, promotion expense, tax, repair charge, advisory fee and others.

(5) Management fee forecast

The historic annual management fee of CGN Engineering includes staff remuneration, maintenance and repair charge, entertainment expense, travel expense, leasing expense, advisory fee, office expense, safety production expense, conference expense and others.

(6) Other operating income and expense forecast

The Company's other operating income mainly consists of leasing income, interest income from late payment and other income, including bidding agency fee, training expense and refund of service charge for individual income tax. The historic annual cost mainly refers to the cost for leasing properties. The investment properties are valued individually by asset0based approach in this valuation. Under the revenue approach, investment properties are reversed back directly as non-operating assets, without income and cost during the forecast period charged to other operating profits. Except leasing income and cost, other interest income from late payment and other income are contingent and unpredictable in the future, so that they are not estimated during the forecast period.

(7) Non-operating income and expense forecast

The Company's historic annual non-operating income primarily consists of government subsidy and others. Non-operating expense mainly includes loss from disposal of non-current assets and expenditure for donations and loss from inventory shortage.

Government subsidy is a deferred revenue that does not belong to cash inflows, and therefore is not estimated during the forecast period.

Other non-operating income and expense except government subsidy are contingent and nonrecurring for the Company, they are neither planned or arranged specifically in coming years, nor sure for recurrence in the future. Therefore, non-operating income and expense will not be estimated during this valuation.

(8) Income tax forecast

CGN Engineering obtained a certificate of high and new technology enterprise on October 11, 2013. A high and new technology enterprise having been accredited by the Administrative Measures for Determination of High and New Technology Enterprise (《高新技術企業認定管理辦法》) and the Field of High and New Technology with the Key Support by the Country (《國家重點支持的高新技術領域》), promulgated in April 2008 jointly by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation, is entitled to preferential tax policies that it may apply for a lower rate of 15% on its enterprise income tax in compliance with the requirements of the new Enterprise Income Tax Law (《企業所得稅法》) and its Implementation Rules, both effective on January 1, 2008, and the Law of the People's Republic of China on the Administration of Tax Collection (《中華人民共和國稅收徵收管理法》) and the Detailed Rules for the Implementation of the Law of the People's Republic of China on the Administration of Tax Collection (《中華人民共和國稅收徵收管理法實施細則》). Therefore, the Company is subject to an income tax rate of 15%. This forecast is based on the assumption that a preferential income tax rate of 15% applies for both the forecast period and the existence period.

According to the requirements under Article 30 of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and Section 95 of its Implementation Rules, an enterprise carrying out research and development of new technology, product and engineering, the cost incurred by it for such research and development activities may be deducted when calculating its taxable income.

(9) Depreciation and amortization forecast

Depreciation and amortization of fixed assets involve buildings, vehicles, electronic devices and intangible assets. Given the economic lifetime and useful lives, we estimate the depreciation and amortization and novation of fixed assets and intangible assets during the forecast period, as well as their depreciation and amortization and novation subsequent to the forecast period, i.e. existence period.

(10) Capital expenditure forecast

The Company's capital expenditure primarily represents expense incurred on engineering equipment, buildings, office equipment, intangible assets and regular replacement of assets under operation during the process of production. Capital expenditure mainly includes replacement cost of existing assets and increased cost of additional assets. The replacement cost of existing assets mainly refers to the expense incurred for engineering operation and office equipment each year. This forecast on novation of existing assets takes replacement cost of transport equipment, electronic devices and intangible assets into consideration.

(I) **Asset-based Approach**

In the valuation process, China Nuclear Power Engineering Co., Ltd. and its subsidiaries have various types of assets. The appraisal approach for each type of assets is set out as follows:

1. *Current assets*

Current assets which fall within the scope of valuation mainly include monetary funds, accounts receivable, prepayments, interest receivable, dividend receivable, other receivables and inventory.

(1) Monetary funds include cash and bank deposits, the appraised value of which is determined as the verified value arrived at after checking of cash inventory, verifying bank reconciliation statements and bank confirmations, etc.

(2) The appraised value of all kinds of receivables is determined according to the respective recoverable amount on verified basis. For the receivables believed to be fully recoverable on adequate grounds, the appraised value is calculated according to the full amount receivable; For the partial amount which is probably irrecoverable, in the event that it is difficult to determine the amount of irrecoverable receivables, historical information and on-site investigation are used to familiarize the situation, specifically analyze the amount, time and reasons of loans, recovery of the amounts, as well as the capital, credit and current situation of operating management to estimate the partial amount which is probably irrecoverable in accordance

with the aging analysis method as the appraised value calculated after deduction of the loss from risk; for those which have conclusive evidences proving that the receivable cannot be recovered, the appraised value will be nil. The "provision of bad debt" on the accounts shall be accounted for as zero.

(3) The appraised value of prepayments is determined based on the value of assets or entitlements arising from the recoverable goods. The appraised values for the relevant goods or entitlements which are recoverable are determined based on the verified book value.

(4) The appraised value of interest receivable is determined as the verified book value arrived at after inspecting receipts of demand deposits and checking the amount, term and interest rate of deposits of the subject entity as well as requirements in relation to interest receivable and accounting voucher of provision for interest of the subject entity.

(5) The appraised value of dividend receivable is determined as the verified book value arrived at after checking the supporting documents of external equity investment of the subject entity and resolution of shareholders' general meeting of the long-term equity investee.

(6) Inventories are materials in-transit, raw materials and semi-finished products. The appraisers have checked their book values as at the appraisal base date, collected materials such as project contracts and checked the reason for inventories.

① Materials in transit represent construction projects not carried forward staying temporarily in accounts for the enterprise to check. Upon checking materials in transit of the enterprise, the book value after provision for risk loss is made is determined as the appraised value in this valuation.

② Raw materials represent various types of threaded rods, spring washers, thermal insulation materials, welded steel pipes, seamless steel pipes and steel plates which have not been recognized in respect of projects and stored in projects. For raw materials whose market prices and relevant purchase costs did not vary significantly as at the appraisal base date, the appraised value is the verified book value; for raw materials whose market prices and relevant purchase costs varied significantly as at the appraisal base date, the appraised value is calculated based on market prices and relevant purchase costs as at the appraisal base date; for raw material inventories which are overstocked for a long time and to retire, the appraised value is determined as realizable value.

③ Semi-finished products mainly represent differences between amount of completed projects and revenue recognized by owners. The book value includes profits. As at the appraisal base date, the projects were progressing well and the recognition of future revenue would not be affected. Therefore, the appraised value of semi-finished products is determined as the verified book value in this valuation.

2. *Available-for-sale financial assets*

In this valuation, the appraised value of available-for-sale financial assets is determined based on the book value of net assets and percentage of shareholding after reviewing documents and information necessary for appraisal and nature and limitations of available-for-sale financial assets.

3. *Long-term equity investment*

In this valuation, the value of the long-term investment in controlling interest in investees operating on a going concern basis has been appraised under the income approach and the asset-based approach on a collectively basis to derive the value of entire shareholders' equity, then multiplying the appraised value of entire shareholders' equity by percentage of shareholding to determine the appraised value of long-term equity investment; the value of the long-term investment in non-controlling interest in investees operating on a going concern basis has been appraised by multiplying the net assets as shown on the financial statements as at the appraisal base date by percentage of shareholding; the value of the long-term investment in CGN Finance with stable growth has been determined under the dividend growth model. The appraised value of China Techenergy is determined according to the subsequent transfer price.

4. *Investment properties*

(1) For properties acquired in a market transaction, when local property sales market is active and there are comparable market transaction cases, the market value is estimated under the market comparison approach;

(2) For properties acquired through internal compensation within the group, although it is currently in the normal lease term, it is difficult to collect comparable market leasing and sale cases as affected by regional location, and lands are separately accounted for and cannot be divided, appraisal under the income approach cannot reflect the fair value. Therefore, the replacement cost approach is adopted.

5. ***Buildings (structures)***

Based on characteristics, type of appraisal value, collection of information as well as acquisition method of buildings and structures, the appraised value of owned buildings and structures and those which are acquired from other entities is determined under the replacement cost approach; for properties acquired in property market transactions, the appraised value is determined under the market comparison approach.

A. *Replacement cost approach*

The formula is as follows:

Appraised value = full replacement cost × combined newness rate

① Determination of full replacement cost

The full replacement cost of buildings and structures general include construction and installation cost, up-front fees and other charges and capital cost. The full replacement cost of buildings and structures is calculated in the following formula:

Full replacement cost=total construction and installation cost + upfront fees and other charges + capital cost

1) Determination of construction and installation cost

For large, high value and important buildings and structures, the construction and installation cost is determined under the budget (settlement) adjustment approach. That is, based on the quantity of works in the settlement of works of buildings and structures to be appraised and in line with local quota standards and relevant charge documents, construction and decoration work cost and installation cost are calculated separately to derive the total construction and installation cost.

For buildings and structures with insignificant value and simple structure, the total construction and installation cost is determined using the unit pricing method.

2) Determination of up-front fees and other charges

Upfront fees and other charges of construction projects are charged based on the investment amount of the subject entity's construction projects in accordance with the charging items and standards of the industry, the state or local governments.

3) Capital Cost

The capital cost is evenly charged with the sum of the total construction and installation cost and the upfront fees and other charges as the basis within the reasonable construction period of the subject entity and with reference to the base rate of RMB loans of financial institutions issued by the People's Bank of China for the same period on the appraisal base date. According to the predetermining of duration quota of construction standards of construction projects, the reasonable construction period of the above three construction projects of the subject entity is one year. The formula of capital cost is as follows:

Capital costs = (total construction and installation cost + upfront fees and other charges) $\times$ reasonable construction period $\times$ base rate of loans $\times$ ½

② Determination of the combined newness rate

1) For large, high value and important buildings (structures), judgment is made based on the economic life, serviced life and the actual condition of all components such as the structures, decoration and auxiliary facilities through on-site investigation to comprehensively determine the remaining useful life. Combined newness rate is determined by using the following formula.

Combined newness rate = remaining useful life/(remaining useful life + serviced life) $\times$100%

2) For low value buildings (structures) with simple structure, the newness rate is determined mainly according to the economic life and to be adjusted through the onsite investigation. The formula is as follows:

Life-based newness rate = (economic life − serviced life)/economic life$\times$100%

Combined newness rate = life-based newness rate ×adjustment coefficient

② Determination of appraised value

Appraised value = full replacement cost × combined newness rate

B. *Market Comparison Approach*

Under the market comparison approach, the real estates to be valued are compared with the same or similar real estates in the market recently sold. By finding out the discrepancy factors of various aspects affecting the real estate values between the valuation target and each comparable real estate, the market value of the comparable real estates are then corrected by the discrepancy coefficient of conditions, and finally through comprehensive analysis and calculation, and at last the appraised value of the real estates to be valued is determined. For actual cases of comparable transactions collected, after the transaction prices, transaction date, conditions at the time of transactions (location, usage, land condition of commercial residential building, building condition, environment and situation at the time of transactions) are mastered, then a correction is made to the actual cases of transactions regarding the transaction situations, transaction date, regional factors and individual factors. The formula is as follows:

Price of real estates to be valued= transaction price of comparable real estate × normal transaction condition/transaction condition of the comparable real estate × regional factor value for the real estates to be valued/regional factor value for the comparable real estate × specific factor value for the real estates to be valued/specific factor value for the comparable real estate.

The market comparison approach will be carried out according to the following basic steps:

I. Collection of the relevant information of the actual cases of transactions;

II. Selection of valid comparable actual cases of transactions in the market;

III. Setting up the basis for comparing prices;

IV. Adjustments of the transaction conditions;

V. Adjustments of the transaction dates;

VI. Adjustments of regional factors;

VII. Adjustments of individual factors;

VIII. Arrival of the comparable prices, determining the appraised value of the buildings (or properties) to be appraised.

6. ***Machinery and Equipment***

Equipment and machinery are evaluated mostly by the cost method according to such conditions as the characteristics of all kinds of equipment, types of values appraised and the collection of materials, among others. Parts of electronic equipment, vehicles and equipment to be scrapped are evaluated by the market approach according to the price of the second hand market or scraped price of as at the appraisal base date.

According to requirements of documents "Cai Shui [2008] No. 170 (財稅[2008]170號) and Cai Shui [2013] No. 106 (財稅[2013]106號)", for an ordinary value-added-tax payer, if the equipment meets the qualification conditions for value-added tax credits, the amount of value-added tax that otherwise is payable should be deducted from the full replacement cost of such machinery.

(1) *Determination of full replacement cost*

Acquisition price of equipment is determined mainly according to Quotation Manual for Electromechanical Products of China (2016 Edition) (《2016中國機電產品報價手冊》), by enquiring manufacturers of the market price or searching for prevailing market price in relevant quotation materials ; acquisition price of equipment whose factory price can't enquired is determined by making reference to the contract price of similar equipment recently purchased.

Full replacement cost of the equipment that doesn't need installation = equipment acquisition price- value-added tax deductible from equipment acquisition price

Value-added tax deductible from equipment acquisition price = equipment acquisition price/1.17×0.17

As for engineering vehicle, its full replacement cost is determined according to market price as at the appraisal base date by deduction of value-added tax deductible. The formula of full replacement of engineering vehicle is as follows :

Full replacement cost = equipment acquisition price- value-added tax deductible from equipment acquisition price

Full replacement cost of electronic equipment whose acquisition price includes debugging and installation fees and freight is equal to its acquisition price ; full replacement cost of equipment that doesn't need installation and debugging (computer and printers) can be enquired directly from manufacturers and suppliers or may be accounted as the contract price of similar equipment recently.

(2) *Determination of the combined newness rate*

1. For general-purpose machinery and equipment, their remaining useful life is determined mainly based on their economic life and serviced life and through on-site inspection of the usage of equipment and technical condition. Combined newness rate is determined by using the following formula.

   Combined newness rate = remaining useful life/(remaining useful life + serviced life) ×100%

2. For small equipment such as electronic devices , their combined newness rate is determined mainly based on their economic life; The formula is as follows:

   Life-based newness rate = (economic life − serviced life)/economic life×100%

   Combined newness rate = life-based newness rate ×adjustment coefficient

3. For engineering vehicle, the formula of its newness rate is as follows:

   Life-based newness rate(without mandatory scraped life) = remaining useful life/(serviced life +remaining useful life) ×100%

(3) *Determination of appraised value*

Appraised value = full replacement cost x combined newness rate

7. *Construction in Progress*

Construction in progress is evaluated by using the cost method according to such conditions as its characteristics, types of values appraised and the collection of materials, among others.

As for the construction in progress whose time difference between the appraisal base date and the construction commencement exceeds half a year, when the book value does not include capital cost, the capital cost will be calculated according to reasonable construction period; when there is huge difference between the book value and the price as at the appraisal base date, the engineering cost will be adjusted according to the price as at the appraisal base date.

8. *Intangible Assets -Land Use Right*

The land use rights in the valuation scope is valued by Beijing Zhongdi Huaxia Real Estate Assessing Co. Ltd.. The number of land valuation reports is (Beijing) Zhongdi Huaxia (2016) Ping (Gu) Zi No. 44 ((北京)中地華夏(2016)(估)字第44號). The value type in the report is market value and the appraisal base date is 31 March 2016. The valuation purpose is to determine the price of land use right of the state-owned construction land in respect of the proposed transfer of the equity interests in three companies by China General Nuclear Power Corporation to CGN Power Co., Ltd.

9. *Intangible Assets - Technological Intangible Assets*

There are three approaches for valuation of intangible assets, namely, cost approach, market approach and income approach. Depending on, among other things, conditions such as features, the value type and collection of information of specific intangible assets, appraisers carry out valuation by respectively selecting corresponding approach.

(1) Cost approach: it is adopted to determine the appraised value based on the materialized labor incurred in the entrusted valuation of redeveloped intellectual property rights in accordance with cost of research personnel, management members, equipment and building and other relevant cost as well as development profit and relevant tax which are essential to the formation of patent assets.

(2) Income approach: it is adopted to calculate the value of intangible assets in accordance with economical profits of intangible assets or present value of future cash flows. The income approach is adopted to measure the value of intangible assets from the perspective of profitability of intangible assets, which is based on expected utility theory of economics.

Technology royalty approach is a kind of valuation approach of the technologies based on income which is widely accepted in international and domestic valuation area. By the reliefs-from-technologies royalty approach, the technology's contribution to the income generated in the course of production of technical product is projected and the rate of the technology's contribution to the income is determined by the proper method, the technology's contribution to income is further determined and the technology's contribution to income is translated to the present value by the appropriate discount rate. This present value is the appraised value of the technology. By this approach, the appraisal shall be carried out in the following four procedures:

1. Determining the economic life of the intangible assets and expecting the profits of the technical product during the economic life;

2. Analyzing and determining the share rate (contribution rate) of technological intangible assets to profits and determining the technology's contribution to the profits of the technical product;

3. Translating the expected income into the present value by the appropriate discount rate;

4. Adding all the present value of the income generated during the economic life and determining the appraised value of intangible assets.

The formula is as follows:

$$P = \sum_{t=1}^{n} \frac{R_t \times K}{(1 + r)^t}$$

Among which: P refers to appraised value

r refers to discount rate
Rt refers to the profits of the year t
K refers to share rate
t refers to income years

10. *Other intangible assets*

Other intangible assets involved in this valuation scope are mainly outsourced software of the enterprise. The appraised value of the outsourced software sold in the market on the appraisal base date is determined in accordance with the market price on the appraisal base date and the appraised value of the outsourced software sold in the market on the appraisal base date with upgraded versions is determined based on the market price on the appraisal base date deducting the software upgrade expenses. In respect of customized software, the appraised value is the inquiry price made by the software developer.

11. *Development expenditure*

Research and development expenditure is part of outgoings capitalized into cost of intangible assets in the development of intangible assets by the enterprise. The appraisers collected such information as the budget statement, project contracts and the relevant certificates, conducted on-site interviews on the detailed research and development of the relevant projects on the appraisal base date, verified the statement of income and expenditure, the amount and content of the standing book on the development of the subject entities, and understood the difficulty and progress of each project. On the basis of the said verification, the appraisers learned from actual investigation that the relevant technologies involved in the important and special projects are state of art in the field of nuclear power industry by taking into account the specialness and uniqueness of each research project. This valuation is conducted in the following three methods by the development expenditure of the above classes:

(1) AP1000 technology sub-licences

Since AP 1000 nuclear power technology is not applied in large scale, the book value of each development expenditures refer to material fees, labor cost, travel expenses, training cost, technological support cost, consultancy fees, utilities, and rent required in developing the project by verifying the standing book for each development expenditure, and randomly inspecting accounting voucher and salary payment certificate of the enterprise. General expenses are normal spending, mainly for salary payment for the research and development staff. No unreasonable outgoings is found after verification.

Therefore, the appraised value of this AP 1000 nuclear power technology is determined by the materialized labour involved in redeveloping the intellectual property which is commissioned to be appraised based on the cost of research and development staff, management members, equipment and building and structures required to form patent assets and other relevant costs as well as the development profits and the relevant tax.

(2) Since the research in Hualong I and other nuclear power related technology has been appraised in the technological intangible assets, its appraised value of development expenditure is nil.

(3) In respect of the expenditure on optimization and integration of file system, mobile application development, information system development which are not classified as the project related development expenditure, there is no material change in the research and development expenditure on the appraisal base date through interview with the relevant staff of the enterprise and professional judgment of the appraisers, therefore its appraised value is determined at its book value without errors after verification.

12. *Long-term deferred expenses*

For long-term deferred expenses, the appraisers investigated and found out the causes of long-term deferred expenses, referred to the relevant contracts, checked the legitimacy, reasonableness and authenticity of various long-term deferred expenses, verified the book expenditures and amortization and found out the situation about forming new assets and rights by various items of long-term deferred expenses, as well as such new assets and rights remaining at the appraisal base date. According to the judgement of the future remaining interests, the appraised value of the remaining interests is determined in remaining benefit period after verification of benefit period and benefit amount.

13. *Deferred income tax assets*

In respect of deferred income tax assets, the appraisers verified the original certificates and the relevant accounts, understood the difference between the accounting policies of the enterprise and the tax deduction polices, examined whether the statement of income and expenditure, the general account, the amount in the statements and the amount in tax declaration are consistent; verified the calculation basis of income tax, obtained tax payment receipt and checked the consistency between them. The audited amount after verification is in compliance with the Accounting Regulations for Business Enterprises and the taxation law and the deterred income tax assets are determined based on the appraisal of the relevant items in making valuation.

14. *Other non-current assets*

In respect of various prepayment, the appraisers verified the relevant original accounting evidence, contracts and agreements to determine the appraised value at the book value without errors after verification. The appraised value of the fixed assets disposal is determined in accordance with the market price on the appraisal base date and the relevant procurement cost.

15. *Liabilities*

Enterprise liabilities consist of current liabilities and non-current liabilities. Current liabilities include bill payables, trade payables, receipts in advance, staff remuneration payables, taxes payables and other payables, while non-current liabilities refer to other non-current liabilities. We checked and verified the actual debtors and amounts of various liabilities after the valuation purpose is fulfilled according to the statements provided by the enterprise, and determined the appraised value based on the actual items and amounts of liabilities to be borne by the title owner after the valuation purpose is fulfilled.

VIII. IMPLEMENTATION OF VALUATION PROCEDURES

The assets and liabilities related to the valuation target were valued by our appraisers from 18 April 2016 to 12 September 2016. Implementation of the major valuation procedures are set out as follows:

(I) Acceptance of Engagement

In early April 2016, we entered into an agreement with the principals on the valuation purpose, target and scope, appraisal base date and other basic considerations as well as rights and obligations of the parties, and developed the valuation plan through negotiation with the principals.

(II) Preparation in the Early Stage

1. *Developing the valuation plan*

Based on the physical condition of the appraised project, we developed the Implementation Plan for Assets Valuation (《資產評估操作方案》) and the Training Materials for Enterprises on Assets Valuation (《資產評估企業培訓材料》) by taking into account the characteristics of this project (large quantity of assets, a number of independent auditing entities, extensive geographical distribution and many participants) in order to ensure the valuation quality with the same valuation methods and parameters after concluding the past experience in appraising similar valuation projects and the characteristics of various types of enterprise assets within the valuation scope.

2. *Establishing the valuation team*

We established a valuation team in accordance with the valuation plan by taking into account assets distribution, industry and volume of assets within the valuation scope, equipped with the relevant professional appraisers (technicians).

3. *Carrying out project training*

(1) *Training to personnel of the subject entities*

We provided training to financial and asset management personnel of the subject entities with the training materials for enterprises, to help them understand and properly complete the application materials with the quality required for this valuation. Questions in completing the application materials for asset valuation were answered by dedicated officers.

(2) *Training to the appraisers*

To ensure valuation quality and work efficiency in accordance with the established Implementation Plan for Assets Valuation (《資產評估操作方案》), we introduced to our team members the background on the economic activity of the project, characteristics of assets related to the valuation target, valuation methodology and specific requirements for this valuation.

(III) **Field Survey**

From 18 April 2016 to 30 May 2016, our appraisers made necessary inspection and verification on the assets and liabilities related to the valuation targets and necessary due diligence investigation on operation and management of the subject entities.

1. *Verification of assets*

(1) *Guiding the subject entities to fill in forms and prepare information required by the valuer*

Our appraisers instructed financial and asset management personnel of the subject entities to provide thorough and accurate information of the assets within the valuation scope based on their self-inspection and according to the Valuation Application Form, filling requirements and the list of information provided by us. Meanwhile, title proofs of assets and the documents and information evidencing their performance, status and economic and technical indicators were collected and prepared.

(2) *Initial inspection and improvement of the Valuation Application Forms submitted by the subject entities*

Based on full understanding of the specific assets within the valuation scope through reviewing relevant information, the appraisers carefully examined the Valuation Application Forms for any incompleteness, error and inaccuracy therein. According to their experience and the information available, the appraisers also checked on any omission from, and gave feedbacks to the subject entities for improvements of the Valuation Application Forms.

(3) *Field surveys*

Field surveys on assets were conducted by appraisers with assistance of the subject entities, using the methods specific to different asset natures and characteristics in accordance with the Asset Valuation Standards, with reference to type, quantity and structure of the assets within the valuation scope.

(4) *Supplement, modification and improvement of Valuation Application Forms*

Valuation Application Forms were further improved to ensure consistency among accounts, statements and physical goods based on the results of field surveys by appraisers and full communication with the subject entities.

(5) *Verification of title proofs*

Title proofs of assets including land, buildings, driving license within the valuation scope were verified by appraisers, and requests were made to the enterprises for verifying or issuing title documents to solve the incompleteness of title information or unclear titles.

2. *Due diligence investigation*

Necessary due diligence investigation was made by appraisers to fully understand operation and management of the subject entities and the risk exposure. Key due diligence areas include:

(1) History, substantial shareholders and shareholding ratios, necessary ownership and management structure of the subject entities;

(2) Assets, finance, production, operation and management status of the subject entities;

(3) Business plan, development plan and financial forecast information of the subject entities;

(4) Previous valuations and transactions on the valuation target and the subject entities;

(5) Macro and regional economic factors affecting production and operation of the subject entities;

(6) Industry development and outlook for the subject entities;

(7) Other relevant information.

(IV) **Collection of Information**

Information relevant to the valuation target was collected by appraisers, which was sourced directly from market and other independent channels, the principal and relevant parties, and government departments, professional institutions and other relevant departments. Such information was analyzed, summarized and compiled where necessary, to form the basis for valuation and estimation.

(V) **Valuation and Estimation**

Asset-specific valuation methods were adopted by appraisers, followed by analysis, computation and judgment using appropriate formulas and parameters to arrive at the initial valuation results. Based on the summarized initial valuation conclusions by asset class, the project leader prepared the draft valuation report.

(VI) **Internal Review**

According to the requirements of our Administrative Measures for the Valuation Process (《評估業務流程管理辦法》), the project leader submitted the proof of valuation report for internal review after the draft valuation report passed the first round of review. After passing the internal review, a consultation paper was drafted by the project leader and submitted to the client. Based on the feedbacks from the client, reasonable amendments were made and the finalized valuation report was submitted to the principals.

IX. VALUATION ASSUMPTIONS

Assumptions applied in the analysis and estimation in this valuation report are set out as below:

(I) **General Assumptions**

1. the subject entities will continue to operate on a going concern basis after the appraisal base date;

2. there will be no material change in the political, economic and social environment of the country or region where the subject entities are located after the appraisal base date;

3. there will be no material change in the macroeconomic policies, industry policies and regional development policies of the country after the appraisal base date;

4. there will be no material change in interest rates, foreign exchange rates and administrative charges that are relevant to the subject entities after the appraisal base date;

5. the subject entities will operate under a responsible and stable management team which is capable of performing its duties after the appraisal base date;

6. the subject entities will fully comply with all applicable laws and regulations.

(II) Special Assumptions

1. the subject entities will adopt accounting policies that are consistent in all material aspects with those adopted in preparing the asset valuation report after the appraisal base date;

2. the subject entities will keep their business scope and model in line with those currently under the existing management model and level after the appraisal base date;

3. there are even cash inflows and outflows of the subject entities after the appraisal base date;

4. the state's determination policies and preferential tax treatment for high and new technology enterprises will remain unchanged;

5. the subject entities will continue to qualify for the state's determination policies and preferential tax treatment for high and new technology enterprises;

6. there will be no substantial change in the operation, organization and production of the enterprise.

The valuation conclusion herein is established based on the aforementioned assumptions as at the appraisal base date. The certified public valuer who signed the valuation conclusion and we disclaim any responsibility arising from different valuation conclusion due to a significant change in any of the aforementioned assumptions.

X. VALUATION CONCLUSION

(I) Valuation Result under the Income Approach

As at the appraisal base date, China Nuclear Power Engineering Co., Ltd. had the book value of RMB21,106.7552 million for its total assets, RMB17,880.4707 million for its total liabilities and RMB3,226.2845 million for its net assets.

The entire shareholders' equity was valued at RMB4,826.8801 million under the income approach, representing an appreciation of RMB1,600.5956 million or 49.61%.

(II) **Valuation Result under the Asset-based Approach**

As at the appraisal base date, China Nuclear Power Engineering Co., Ltd. had the book value of RMB21,106.7552 million and the appraised value of RMB22,516.9256 million for its total assets, representing an appreciation of RMB1,410.1704 million or 6.68%; the book value of RMB17,880.4707 million and the appraised value of RMB17,729.9813 million for its total liabilities, representing a depreciation of RMB150.4894 million or 0.84%; the book value of RMB3,226.2845 million and the appraised value of RMB4,786.9443 million for its net assets, representing an appreciation of RMB1,560.6598 million or 48.37%.

The valuation results under the asset-based approach are detailed as follows:

Summary sheet for the valuation results under the asset-based approach

Appraisal base date: 31 March 2016

Unit: RMB0'000

Item		**Book value A**	**Appraised value B**	**Change C=B-A**	**Appreciation rate % D=C/A×100%**
Current assets	1	1,628,225.93	1,628,225.93	0.00	0.00
Non-current assets	2	482,449.59	623,466.63	141,017.04	29.23
Including: long-term equity investment	3	221,132.44	294,232.76	73,100.32	33.06
Investment properties	4	71,797.28	90,649.82	18,852.54	26.26
Fixed assets	5	79,757.87	118,763.41	39,005.54	48.90
Construction in progress	6	2,384.26	2,436.12	51.86	2.18
Intangible assets	7	52,186.78	88,897.03	36,710.25	70.34
Including: land use right	8	43,510.14	55,588.46	12,078.32	27.76
Other non-current assets	9	55,190.96	28,487.49	-26,703.47	-48.38
Total assets	10	2,110,675.52	2,251,692.56	141,017.04	6.68
Current liabilities	11	1,772,998.13	1,772,998.13	0.00	0.00
Non-current liabilities	12	15,048.94	0.00	-15,048.94	-100.00
Total liabilities	13	1,788,047.07	1,772,998.13	-15,048.94	-0.84
Net assets	14	322,628.45	478,694.43	156,065.98	48.37

(III) **Valuation Conclusion**

The entire shareholders' equity was valued at RMB4,826.8801 million under the income approach, while the entire shareholders' equity was valued at RMB4,786.9443 million under the asset-based approach. Accordingly, the difference is RMB39.9358 million, representing a discrepancy rate of 0.83%.

The difference in the valuation results under the two approaches was mainly due to their different perspectives. The valuation result under the asset-based approach was arrived from the perspective of re-acquisition of assets, which reflected the replacement cost of the existing assets. The valuation result under the income approach was arrived from the perspective of future profitability of an enterprise, which reflected the consolidated profitability of assets of the enterprise.

Both the purchaser and the seller involved in the sales and purchase of interest equity will focus in future profitability of the enterprise and the valuation result under the income approach will better serve for their value judgment.

For the above reasons, the valuation result under the income approach, being the value of the entire shareholders' equity of RMB4,826.8801 million, was taken as the valuation conclusion.

The effect of premiums or discounts (without taking into account liquidity) potentially caused by control or lack of control on the value of the valuation target had not been taken into consideration in this valuation.

XI. SPECIAL EXPLANATIONS

The matters identified in the valuation process that might affect the valuation conclusion but are beyond professional appraisal levels and capabilities of our appraisers:

(I) **Application of Professional Reports**

1. The type and the book value of assets in this valuation report were based on the audit report (De Shi Shen Zhen Bao (Shen) Zi (16) No. S0031) (德師深圳報（審）字(16)第S0031號) issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP, Shenzhen branch on 23 August 2016. The opinions in the aforesaid audit report are as follows: the financial statements of China Nuclear Power Engineering Co., Ltd. have been prepared in accordance with Accounting Standards for Business Enterprises in all material aspects, which fairly reflected the balance sheets as at 31 March 2016, 31 December 2015, 31 December 2014 and 31 December 2013 and the income statements, the statements of changes in equity and cash flows for the period from 1 January 2016 to 31 March 2016, as well as for the years of 2015, 2014 and 2013.

2. The land use rights of CGN Engineering involved in the valuation report have been valued by Beijing Zhongdi Huaxia Real Estate Appraisal Company (北京中地華夏土地房產評估有限公司) commissioned by China General Nuclear Power Corporation. Beijing Zhongdi Huaxia Real Estate Appraisal Company (北京中地華夏土地房產評估有限公司) issued the Land Valuation Report ((Beijing) Zhongdi Huaxia (2016) (Gu) Zi No. 44) (（北京）中地華夏(2016)（估）字第44號) on 6 September 2016. Appraisers have verified the titles of Relevant Lands and read carefully the land valuation report issued by Beijing Zhongdi Huaxia Real Estate Appraisal Company (北京中地華夏土地房產評估有限公司). On such basis, appraisers made reference to the valuation results issued by such company.

(II) **Title Defects**

1. As at the reporting date, the building ownership certificate for the AE office building located in Dapeng Town, Longgang District, Shenzhen, as the principal office space of China Nuclear Power Engineering Co., Ltd., has been in progress for historical reasons. China Nuclear Power Engineering Co., Ltd. has issued relevant ownership statement, stating its ownership to the building.

2. The final account audit for completion of Tianan Cyber Park has not been completed and the developer shall assist in obtaining building ownership certificates for a few properties according to terms of contracts and relevant certificates are under procedures.

(III) After negotiation, CGN Engineering intended to transfer its 60% equity interest in China Techenergy to Shenzhen Nengzhihui Electricity Sales Co., Ltd. The Share Transfer Agreement has not yet been entered into currently. The appraised values in this valuation is determined according to the subsequent transfer price.

(IV) As at the appraisal base date, the CNPE Building (中廣核工程大廈, also called Baolong Project) was under construction. According to the resolution of the board of directors (Guanghe Gong Dong Zi No. (2015)20), the initiation investment for the building was RMB2.985 billion; the site area for and the planned plot ratio-based gross floor area of the building were 26,779.34 m^2 and 227620 m^2 respectively. The construction of the building was commenced in March 2016 and was expected to be completed in March 2021. Upon completion, a portion of its gross floor area was intended for sale, which was considered completed and ready for sale from 2021 to 2023 in this valuation.

(V) On 18 March 2016, the full rolling out of the pilot scheme for the replacement of business tax with value-added tax was considered and approved at an executive meeting of the State Council, which provided that the pilot scope for the replacement of business tax with value-added tax would be fully rolled out from 1 May 2016. In this valuation, the effect of the above event had not been taken into consideration under the asset-based approach, but the effect of the replacement of business tax with value-added tax had been taken into consideration under the income approach.

Users of this valuation report shall pay attention to the impact of the aforesaid matters on the valuation conclusion.

XII. NOTES ON RESTRICTIONS ON THE USE OF VALUATION REPORT

(I) This valuation report shall only be used for the valuation objectives and purposes specified herein;

(II) This valuation report shall only be used by the users of the valuation report specified herein;

(III) Before any part or all of the contents of this valuation report is extracted, quoted or disclosed to the public media, the related content shall be reviewed by the appraisal institution, unless required by the laws and regulations and otherwise agreed by the relevant parties;

(IV) This valuation report, must be signed by the certified public valuers and sealed by the appraisal institution, and if required, filed with the state-owned assets supervision and administration authorities or the capital-contributing enterprise in order to be duly used;

(V) The valuation conclusion shown in this valuation report shall only be valid for the economic activity described herein. The validity period of the valuation conclusion is one year commencing from the appraisal base date.

XIII. VALUATION REPORT DATE

This valuation report was put forward on 12 September 2016.

Legal representative: Quan Zhongguang

Certified public valuer: Kang Zhigang   Certified public valuer: Liu Yuhui

China Enterprise Appraisals Co., Ltd.
12 September 2016

ANNEXES TO THE VALUATION REPORT

Annex I. Economic activity documents;

Annex II. Special audit report of the subject entity;

Annex III. Copies of the business licenses of the legal persons of the principals and the subject entity;

Annex IV. Major supporting information of ownership involving the valuation target;

Annex V. Letters of undertaking of the principal and the subject entity;

Annex VI. Letters of undertaking of the certified public valuers signing off this report;

Annex VII. Copy of the asset valuation qualification certificate of China Enterprise Appraisals Co., Ltd.;

Annex VIII. Copy of the qualification certificate of China Enterprise Appraisals Co., Ltd. practicing in the securities industry;

Annex IX. Copy of the business license of China Enterprise Appraisals Co., Ltd.;

Annex X. Copies of qualification certificates of the valuers of China Enterprise Appraisals Co., Ltd..

The following discussion and analysis should be read in conjunction with the accountants' report of the Target Companies for the three years ended December 31, 2013, 2014 and 2015 and the three months ended March 31, 2016 set out in Appendix II to this circular.

(1) BUSINESS OVERVIEW

The Target Companies are established in the PRC and operating in different provinces in the PRC. For further details of the Target Companies, please refer to the section headed "II. Ordinary Resolutions — (1) The Acquisition of the Target Interests from CGN — 5. Information on the Target Companies" in the Letter from the Board in this circular.

(2) FINANCIAL OVERVIEW

The following tables set out certain financial information of the Target Companies (on a combined basis) for the three years ended December 31, 2013, 2014 and 2015 and the three months ended March 31, 2016:

(A) Selected Combined Financial Information of the Target Companies

Selected items of the combined statements of financial position

	As at December 31,			As at March 31,
	2013	**2014**	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Non-current assets	27,982,162	36,986,132	44,228,413	45,971,465
Net current liabilities	(6,890,931)	(6,756,218)	(5,781,236)	(6,009,976)
Total assets less current liabilities	21,091,231	30,229,914	38,447,177	39,961,489
Non-current liabilities	(13,776,433)	(21,490,383)	(28,298,443)	(30,010,148)
Equity	7,314,798	8,739,531	10,148,734	9,951,341

Selected items of the combined statements of profit or loss and other comprehensive income

	Year ended December 31,			Three months ended March 31,	
	2013	**2014**	**2015**	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*	*(RMB'000)*
Revenue	14,106,270	12,176,156	12,501,648	1,633,569	2,230,495
Cost of sales and services	(13,787,202)	(11,227,827)	(10,920,039)	(1,612,929)	(1,873,839)
Gross profit	181,787	915,507	1,476,081	12,328	354,703
Other income	1,034,234	220,197	239,513	41,467	15,201
Other gains and losses	(6,453)	(75,078)	(29,583)	(56,663)	10,126
Finance costs	(8,211)	(6,049)	(4,994)	(1,478)	(225,833)
Profit (loss) before taxation	471,059	444,604	930,012	(84,705)	24,207
Taxation	(55,916)	13,441	(102,901)	10,624	5,019
Profit (loss) for the year/period	415,143	458,045	827,111	(74,081)	29,226
Profit for the year/period attributable to:					
Owners of the Target Companies	418,955	491,081	798,017	(45,690)	1,803
Non-controlling interests	(3,812)	(33,036)	29,094	(28,391)	27,423

Selected items of the combined statements of cash flows

	Year ended December 31,			Three months ended March 31,	
	2013	**2014**	**2015**	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*	*(RMB'000)*
Net cash (used in) from operating activities	(1,915,673)	2,112,318	(1,822,728)	147,465	(1,003,240)
Net cash (used in) investing activities	(3,028,112)	(7,110,089)	(5,782,399)	(3,805,098)	(875,699)
Net cash (used in) from financing activities	6,981,148	6,761,158	5,496,329	(423,365)	1,098,162
Cash and cash equivalents at the end of the year/period	4,586,050	6,316,441	4,202,703	2,214,182	3,424,554

(B) Review of Historical Operating Results

Revenue

Revenue of the Target Companies mainly represents revenue from nuclear power operation and sale of electricity segment and engineering construction and technical services segment during the relevant periods. Within which, in respect of the engineering construction and technical services segment, revenue is generated through technical and training service, sales of equipment and other goods and construction of nuclear power plants; in respect of nuclear power operation and sale of electricity segment, revenue is generated from sale of electricity through nuclear power operation.

Revenue of the Target Companies for 2013 was approximately RMB14,106.3 million, of which approximately RMB13,707.2 million was primarily contributed by the construction of Yangjiang, Ningde and Hongyanhe nuclear power projects.

Revenue of the Target Companies for 2014 was approximately RMB12,176.2 million, representing a decrease of approximately RMB1,930.1 million, a year-on-year decrease of 13.68%, as compared with that for 2013. The decrease was mainly due to the reduced revenue from construction of nuclear power plants to approximately RMB11,532.2 million. Following the commencement of commercial operation of Yangjiang Unit 1, Ningde Unit 2 and Hongyanhe Unit 2, the revenue from construction of nuclear plants for 2014 decreased.

Revenue of the Target Companies for 2015 was approximately RMB12,501.6 million, representing an increase of approximately RMB325.4 million, a year-on-year increase of 2.67%, as compared with that for 2014. The increase was mainly attributable to the increase in technical and training service revenue of CGN Engineering from approximately RMB429.5 million in 2014 to approximately RMB803.7 million in 2015, and the increase in sales of equipment and other goods in 2015.

Revenue of the Target Companies for the three months ended March 31, 2016 was approximately RMB2,230.5 million, representing an increase of approximately RMB596.9 million, a year-on-year increase of 36.54%, as compared with approximately RMB1,633.6 million for the corresponding period in 2015, which was mainly due to the revenue from sales of electricity of approximately RMB607.9 million from the commercial operation of Unit 1 of Fangchenggang Nuclear Power Station.

Cost of sales and services

Cost of sales and services included cost from engineering construction and technical services and cost of generating electricity.

Cost of sales and services of the Target Companies was approximately RMB13,787.2 million for 2013.

Cost of sales and services of the Target Companies for 2014 was approximately RMB11,227.8 million, representing a decrease of approximately RMB2,559.4 million, a year-on-year decrease of 18.56%, as compared with that for 2013. The decrease was mainly due to the reduction in cost of sales and services incurred in the construction of nuclear power plants due to following the commencement of commercial operation of Yangjiang Unit 1, Ningde Unit 2 and Hongyanhe Unit 2.

Cost of sales and services of the Target Companies for 2015 was approximately RMB10,920.0 million, representing a decrease of approximately RMB307.8 million, a year-on-year decrease of 2.74%, as compared with that for 2014. The decrease was mainly due to the reduction in cost of sales and services incurred in the construction of nuclear power plants due to following the commencement of commercial operation of Yangjiang Unit 2, Ningde Unit 3 and Hongyanhe Unit 3.

Cost of sales and services of the Target Companies for the three months ended March 31, 2016 was approximately RMB1,873.8 million, representing an increase of approximately RMB260.9 million, a year-on-year increase of 16.18%, as compared with approximately RMB1,612.9 million for the corresponding period in 2015, which was mainly due to the increase in cost of sales and services following the commencement of commercial operation of Unit 1 of Fangchenggang Nuclear Power Station in January 2016.

Gross profit margin

Gross profit margin of the Target Companies increased from 1.29% for 2013 to 7.52% for 2014 and further to 11.81% for 2015, which was mainly because the construction of Hongyanhe Nuclear Power Station, Ningde Nuclear Power Station and part of units of Yangjiang Nuclear Power Station drew to a close and higher revenue from construction was recognised by CGN Engineering in the same period.

Gross profit margin of the Target Companies increased from 0.75% for the three months ended March 31, 2015 to 15.90% for the corresponding period in 2016. The increase was mainly due to the higher profit margin of Fangchenggang Unit 1 following its commercial operation.

Other income

Other income of the Target Companies mainly included value-added tax refunds, interest income charged to customers on deferred construction receivables based on prevailing market interest rates, interest income from deposits with banks and CGN Finance, rental income, dividend from available-for-sale investments and government grants.

Other income of the Target Companies for 2013 was approximately RMB1,034.2 million.

Other income of the Target Companies for 2014 was approximately RMB220.2 million, representing a decrease of approximately RMB814.0 million, a year-on-year decrease of 78.71%, as compared with that for 2013. The decrease was mainly due to the reduction in interest income charged to customers on deferred construction receivables.

Other income of the Target Companies for 2015 was approximately RMB239.5 million, representing a increase of approximately RMB19.3 million, a year-on-year increase of 8.76%, as compared with that for 2014, which was mainly attributable to an increase in government grants.

Other income of the Target Companies for the three months ended March 31 ,2016 was approximately RMB15.2 million, representing a decrease of approximately RMB26.3 million, a year-on-year decrease of 63.37%, as compared with approximately RMB41.5 million for the corresponding period in 2015, which was mainly due to the decrease in interest income from deposits and the dividend from available-for-sale investments.

Other gains and losses

Other gains and losses of the Target Companies mainly included net foreign exchange gains and losses, and allowance for prepayments and other receivables.

Other losses of the Target Companies for 2013 were approximately RMB6.5 million.

Other losses of the Target Companies for 2014 were approximately RMB75.1 million, representing a further loss of approximately RMB68.6 million, as compared with that for 2013, which was mainly due to the net foreign exchange losses of approximately RMB74.5 million in 2014.

Other losses of the Target Companies for 2015 were approximately RMB29.6 million, representing a decrease of approximately RMB45.5 million, a year-on-year decrease of 60.59%, as compared with that for 2014, which was mainly attributable to the net foreign exchange gains of approximately RMB4.8 million in 2015 (representing an addition of RMB79.3 million comparing with the foreign exchange loss in 2014), which was partially offset by the allowance for prepayments and other receivables of approximately RMB32.2 million.

Other gains of the Target Companies for the three months ended March 31, 2016 were approximately RMB10.1 million, representing an increase of approximately RMB66.8 million, as compared with the other losses or approximately RMB56.7 million for the corresponding period in 2015, which was mainly due to the net foreign exchange losses of approximately RMB56.6 million in the first quarter of 2015 and net foreign exchange gains of approximately RMB9.7 million in the first quarter of 2016.

Finance costs

Finance costs of the Target Companies mainly comprised of interests on bank borrowings, notes payable, loans from holding company, loans from fellow subsidiary and associate, and provision for nuclear power plant decommission. The borrowing costs were capitalised to the construction of the nuclear power plants based on the effective interest rates of bank and other borrowings obtained for the construction work.

Finance costs of the Target Companies for 2013 were approximately RMB8.2 million.

Finance costs of the Target Companies for 2014 were approximately RMB6.0 million, representing a decrease of approximately RMB2.2 million, a year-on-year decrease of 26.83%, as compared with that for 2013. The decrease was mainly because the finance costs of CGN Engineering decreased due to the decrease in net current borrowings.

Finance costs of the Target Companies for 2015 were approximately RMB5.0 million, representing a decrease of approximately RMB1.0 million, a year-on-year decrease of 16.67%, as compared with that for 2014, which was mainly because the finance costs of CGN Engineering decreased due to the decrease in net current borrowings.

Finance costs of the Target Companies for the three months ended March 31, 2016 were approximately RMB225.8 million, representing an increase of approximately RMB224.3 million as compared with approximately RMB1.5 million for the corresponding period in 2015, which was mainly because the interest expense was no longer capitalised and is accounted for as finance costs following the commencement of commercial operation of Fangchenggang Unit 1 in January 2016.

Taxation

PRC companies under the Target Companies are subject to PRC Enterprise Income Tax at 25% during the relevant periods except for certain companies enjoyed tax exemption and relief. For details of companies enjoyed tax exemption and relief, please refer to Note 10 to the Accountants' Report of the Target Companies in Appendix II to this circular.

The taxation of the Target Companies for 2013 was approximately RMB55.9 million.

The taxation of the Target Companies for 2014 was approximately RMB-13.4 million, representing a decrease of approximately RMB69.3 million as compared with that for 2013, which was mainly due to the increase in amount of deferred tax assets attributable to the unrealised profit of the Target Companies.

The taxation of the Target Companies for 2015 was approximately RMB102.9 million, representing an increase of approximately RMB116.3 million as compared with that for 2014, which was mainly attributable to the increase in income tax expenses and the reduction in amount of deferred tax assets attributable to the unrealised profit and exchange difference arising from borrowings of the Target Companies.

The taxation of the Target Companies for the three months ended March 31, 2016 was approximately RMB-5.0 million, representing an increase of approximately RMB5.6 million as compared with approximately RMB-10.6 million for the corresponding period in 2015, which was mainly due to the reduction in amount of deferred tax assets.

Profit for the year/period attributable to owners of the Target Companies

The profit attributable to owners of the Target Companies for 2013 was approximately RMB419.0 million.

The profit attributable to owners of the Target Companies for 2014 was approximately RMB491.1 million, representing an increase of approximately RMB72.1 million, a year-on-year increase of 17.21%, as compared with that for 2013, which was mainly due to the increase in gross profit due to the reasons stated above in the paragraphs headed "Revenue" and "Gross Profit Margin".

The profit attributable to owners of the Target Companies for 2015 was approximately RMB798.0 million, representing an increase of approximately RMB306.9 million, a year-on-year increase of 62.49%, as compared with that for 2014. The increase was mainly due to the further increase in gross profit due to the reasons stated above in the paragraphs headed "Revenue" and "Gross Profit Margin".

The profit attributable to owners of the Target Companies for the three months ended March 31, 2016 was approximately RMB1.8 million, representing an increase of approximately RMB47.5 million, as compared with the loss of approximately RMB45.7 million for the corresponding period in 2015. The increase was mainly due to commencement of commercial production of Fangchenggang Unit 1 in January 2016 and generating profit.

(C) Capital Resources and Liquidity

The Target Companies has historically met its working capital and capital requirements primarily from cash generated from operations and cash at hand as well as short-term and long-term borrowings from banks, shareholders and related parties.

Cash flows from operating activities

Cash flows from operating activities mainly reflect the Target Companies' profit before tax adjusted for finance costs and non-cash and non-operating items (such as depreciation and amortisation and impairment costs), effects of movements in working capital and other cash items such as income tax paid.

Net cash used in operating activities of the Target Companies for 2013 was approximately RMB1,915.7 million. The profit before taxation of the Target Companies for 2013 was approximately RMB471.1 million. The difference was mainly due to the decrease in trade and other payables of approximately RMB1,213.5 million and increase in trade receivables of approximately RMB2,316.1 million, which were partially offset by the decrease in amounts receivable on contract work of approximately RMB2,955.6 million.

Net cash from operating activities of the Target Companies for 2014 was approximately RMB2,112.3 million. The profit before taxation of the Target Companies for 2014 was approximately

RMB444.6 million. The difference was mainly due to the decrease in trade receivables of approximately RMB4,431.6 million, which were partially offset by the increase in amounts receivable on contract work of approximately RMB1,218.8 million and decrease in amounts payable on contract work of approximately RMB1,062.3 million.

Net cash used in operating activities of the Target Companies for 2015 was approximately RMB1,822.7 million. The profit before taxation of the Target Companies for 2015 was approximately RMB930.0 million. The difference was mainly due to the increase in inventories of approximately RMB1,153.3 million.

Net cash from operating activities of the Target Companies for the three months ended 31 March 2015 was approximately RMB147.5 million. The loss before taxation of the Target Companies for the same period in 2015 was approximately RMB84.7 million. The difference was mainly due to the increase in inventories of approximately RMB1,299.0 million, increase in trade and other payables of approximately RMB1,062.2 million and decrease in trade receivables of approximately RMB1,175.8 million, which were partially offset by the decrease in amounts payable on contract work of approximately RMB1,736.3 million.

Net cash used in operating activities of the Target Companies for the three months ended March 31, 2016 was approximately RMB1,003.2 million. The profit before taxation of the Target Companies for the same period in 2016 was approximately RMB24.2 million. The difference was mainly due to the decrease in trade receivables of approximately RMB546.5 million, which was offset by the increase in inventories of approximately RMB237.1 million and decrease in trade and other payables of approximately RMB1,281.9 million.

Cash flows from investing activities

Net cash used in investing activities of the Target Companies for 2013 was approximately RMB3,028.1 million, which was mainly due to the deposit paid and purchase of property, plant and equipment of approximately RMB7,315.5 million, placement of deposits with original maturity over three months of approximately RMB922.8 million and addition to investment property of approximately RMB754.8 million, and partially offset by the withdrawal of deposits with original maturity over three months of approximately RMB5,138.2 million.

Net cash used in investing activities of the Target Companies for 2014 was approximately RMB7,110.1 million, which was mainly due to the deposit paid and purchase of property, plant and equipment of approximately RMB6,205.4 million and placement of deposits with original maturity over three months of approximately RMB849.9 million.

Net cash used in investing activities of the Target Companies for 2015 was approximately RMB5,782.4 million, which was mainly due to the deposit paid and purchase of property, plant and equipment of approximately RMB5,618.1 million and placement of deposits with original maturity over three months of approximately RMB4,276.8 million, which was partially offset by the withdrawal of deposits with original maturity over three months of approximately RMB4,361.9 million.

Net cash used in investing activities of the Target Companies for the three months ended March 31, 2015 was approximately RMB3,805.1 million, which was mainly due to placement of deposits with original maturity over three months of approximately RMB3,512.0 million.

Net cash used in investing activities of the Target Companies for the three months ended March 31, 2016 was approximately RMB875.7 million, which was mainly due to the deposit paid and purchase of property, plant and equipment of approximately RMB1,257.3 million.

See "(F) Capital Commitments" below for further details of the Target Companies' use of capital.

Cash flows from financing activities

Net cash from financing activities of the Target Companies for 2013 was approximately RMB6,981.1 million, which primarily attributable to the proceeds from bank borrowings of approximately RMB7,976.8 million and loans from CGN Finance of approximately RMB2,040.0 million received by the Target Companies, which was partially offset by the repayment of bank borrowings of approximately RMB2,373.1 million.

Net cash from financing activities of the Target Companies for 2014 was approximately RMB6,761.2 million, which mainly consisted of the proceeds from bank borrowings of approximately RMB11,514.1 million and loans from CGN Finance of approximately RMB2,879.0 million received by the Target Companies, which was partially offset by the repayment of bank borrowings of approximately RMB5,410.2 million.

Net cash from financing activities of the Target Companies for 2015 was approximately RMB5,496.3 million, which mainly consisted of the proceeds from bank borrowings of approximately RMB9,522.6 million and loans from ultimate holding company of approximately RMB725.5 million received by the Target Companies, which was partially offset by the repayment of bank borrowings of approximately RMB5,495.1 million.

Net cash used in financing activities of the Target Companies for the three months ended March 31, 2015 was approximately RMB423.4 million, which was mainly attributable to the repayment of bank borrowings of approximately RMB1,513.1 million, repayment to an associate of approximately RMB1,350.0 million and repayment to a fellow subsidiary of approximately RMB1,000.0 million, which was offset by the proceeds from bank borrowings of approximately RMB2,988.8 million received by the Target Companies.

Net cash from financing activities of the Target Companies for the three months ended March 31, 2016 was approximately RMB1,098.2 million, which was mainly attributable to the proceeds from bank borrowings of approximately RMB2,889.3 million and loans from an associate of approximately RMB631.2 million received by the Target Companies, which was partially offset by the repayment of bank borrowings of approximately RMB1,328.2 million and repayment to an associate of approximately RMB1,341.2 million.

Cash and cash equivalents

As at December 31, 2013, 2014, 2015 and March 31, 2016, the cash and cash equivalents of the Target Companies were approximately RMB4,586.1 million, RMB6,316.4 million, RMB4,202.7 million and RMB3,424.6 million, respectively. The cash and cash equivalents of the Target Companies are primarily denominated in RMB. The Target Companies have continuously managed their liquidity to ensure that they have adequate funding to meet their operation needs.

(D) Indebtedness

Borrowings

The Target Companies' borrowings include bank borrowings, loans from shareholders and related parties and notes payable. The following table sets forth the components of the borrowings of the Target Companies:

	As at December 31,			As at March 31,
	2013	2014	2015	2016
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Current borrowings				
Bank borrowings — due within one year	4,266,754	5,059,261	2,612,420	2,711,960
Loans from ultimate holding company	—	150,000	725,500	1,055,500
Loans from an associate	1,528,140	600,000	1,836,875	1,123,120
Loans from a fellow subsidiary	—	1,000,000	—	—
Notes payable — due within one year	1,500,000	—	1,500,000	1,500,000
Sub-total	7,294,894	6,809,261	6,674,795	6,390,580
Non-current borrowings				
Bank borrowings — due after one year	12,788,140	18,056,670	24,571,761	26,037,101
Loans from ultimate holding company	150,000	—	—	—
Loans from an associate	539,735	639,102	640,652	642,676
Loans from a fellow subsidiary	—	990,000	2,880,000	2,880,000
Notes payable	—	1,500,000	—	—
Sub-total	13,477,875	21,185,772	28,092,413	29,559,777
Total Borrowings	20,772,769	27,995,033	34,767,208	35,950,357

The Target Companies' bank borrowings are held in RMB, United States dollars and Euro. As at December 31, 2013, 2014, 2015 and March 31 ,2016, the total bank borrowings and other loans at fixed interest rate were approximately RMB13,008.5 million, RMB17,760.1 million, RMB20,897.5 million and RMB22,552.8 million, respectively.

The following table sets forth the maturity profile of the outstanding bank borrowings and other loans as at the dates indicated below:

	As at December 31,			As at March 31,
	2013	2014	2015	2016
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Within one year	5,794,894	6,809,261	5,174,795	4,890,580
More than one year but within two years	2,710,000	1,000,000	6,730,000	6,239,000
More than two years but within five years	20,000	1,710,000	—	800,000
More than five years	10,747,875	16,975,772	21,362,413	22,520,777
Total	19,272,769	26,495,033	33,267,208	34,450,357

The notes payable of the Target Companies were the private placement note issued by Fanchenggang Nuclear in 2012 and 2014, respectively. In 2012, Fangchenggang Nuclear issued private placement note with an aggregate principal amount of RMB1,500 million at the issue price of 100% at a fixed interest rate, which had matured on June 28 ,2014 at the principal amount. In 2014, Fanchenggnag Nuclear issued another private placement note with an aggregate principal amount of RMB1,500 million at the issue price of 100% at a fixed interest rate, which had matured on June 8, 2016.

Gearing ratios

The Target Companies computed their gearing ratio by dividing the total of bank borrowings, loans due to ultimate holding company, loans due to an associate, loans due to a fellow subsidiary and notes payable less cash and cash equivalents and other deposits over three months by the total equity. As at December 31, 2013, 2014, 2015 and March 31, 2016, the gearing ratios were 203.59%, 245.02%, 284.40% and 313.76% respectively.

Pledge of assets

As at December 31, 2013, 2014, 2015 and March 31, 2016, assets (including property, plant and equipment, prepaid lease payments, trade receivables representing collection right on sales of electricity and bank deposits) with carrying amounts of approximately RMB146.0 million, RMB134.1 million, RMB218.2 million and RMB285.7 million, respectively, were pledged to banks and related parties to secure certain loans from banks and related parties granted to Fangchenggang Nuclear, Lufeng Nuclear and CGN Engineering.

Contingent liabilities

As at December 31, 2013, 2014, 2015 and March 31, 2016, the Target Companies did not have any reportable contingent liabilities.

(E) Working Capital

The breakdown of the working capital is as follows:

	As at December 31,			As at March 31,
	2013	**2014**	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Current assets	20,518,209	19,305,826	20,337,291	19,169,057
Increase/(decrease)	—	(1,212,383)	1,031,465	(1,168,234)
Percentage change	—	(5.91%)	5.34%	(5.74%)
Current liabilities	27,409,140	26,062,044	26,118,527	25,179,033
Increase/(decrease)	—	(1,347,096)	56,483	(939,494)
Percentage change	—	(4.91%)	0.22%	(3.60%)
Working capital	(6,890,931)	(6,756,218)	(5,781,236)	(6,009,976)
Increase/(decrease)	—	134,713	974,982	(228,740)

Note: Working capital is calculated as current assets less current liabilities.

The Target Companies had combined net current liabilities of approximately RMB6,890.9 million as at December 31, 2013. As at December 31, 2014, the working capital of the Target Companies increased to combined net current liabilities of approximately RMB6,756.2 million mainly due to the increase in the amounts receivable on contract work.

As at December 31, 2015, the working capital of the Target Companies increased to combined net current liabilities of approximately RMB5,781.2 million, mainly due to the increase in the amounts receivable on contract work as well as the reduction in the amounts payable on contract work as a result of the progress and settlement of the contract work.

As at March 31, 2016, the combined net current liabilities of the Target Companies decreased to approximately RMB6,010.0 million compared to that as at December 31, 2015, which was mainly due to the increase in loans from ultimate holding company.

(F) Capital Commitments

The capital commitments of the Target Companies as at December 31, 2013, 2014 and 2015 and March 31, 2016 were approximately RMB2,890.3 million, RMB4,602.6 million, RMB3,988.3 million and RMB3,911.4 million, respectively. These included capital expenditure for the acquisition of property, plant and equipment.

The Target Companies had commitments for future minimum lease payments under non-cancellable operating leases approximately RMB57.1 million, RMB57.8 million, RMB53.9 million and RMB49.6 million as at December 31, 2013, 2014, 2015 and March 31, 2016, respectively. These operating lease payments represent fixed rentals payable by the Target Companies for certain of its office premises, and the lease of such premises are of fixed term of one to ten years.

(G) Material Investments or Capital Assets

Except for the construction of Fangchenggang Nuclear Power Station and Lufeng Nuclear Power Station and the investment in associates by the Target Companies, there was no other significant investment made or held by the Target Companies during the period from January 1, 2013 to March 31, 2016.

It is expected that the Target Companies will continue to invest in fixed assets, intangible assets and other long-term assets, in particular, in relation to the projects under construction by Fanchenggang Nuclear and Lufeng Nuclear, and may implement debt financing from time to time to satisfy the financing needs arising out of the business operation of the Target Companies.

(H) Material Acquisitions and Disposals

Other than the disposal of 20% interest in an associate, Hubei New Power Co., Ltd. (湖北新能源核電設備有限公司), in 2014, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Target Companies during the period from January 1 , 2013 to March 31, 2016.

(I) Employees

The Target Companies remunerated their employees by reference to their qualification, experience, responsibilities, profitability of the Target Companies, and current market conditions. Employees of the Target Companies are members of a state-managed retirement benefit scheme operated by the government in the PRC. The Target Companies are required to contribute certain percentage of applicable payroll costs to the retirement benefit scheme to fund the benefits.

As at March 31, 2016, the Target Companies had approximately 7,536 employees based in the PRC. Total staff costs for the three years ended December 31, 2013, 2014 and 2015 and the three months ended March 31, 2016 were approximately RMB2,414.4 million, RMB2,840.2 million, RMB3,146.5 million and RMB1,019.5 million, respectively, which mainly included wages and salaries, staff welfare and contributions to various government employee benefits plans.

(J) Financial Risks and Treasury Policies

The Target Companies are exposed to financial risks, including interest rate risks, currency risks, credit risks and liquidity risks. It is the treasury policy of the Target Companies to carry out financial risks management for identifying, evaluating and, where appropriate, hedging financial risks to which the Target Companies are exposed. Fangchenggang Nuclear entered into a forward contract using RMB to buy Euro, and at the same time, the Target Companies have adopted corresponding policies to manage and control such risks.

Interest rate risks

The Target Companies are exposed to fair value interest risk arising from fixed rate bank borrowings, notes payable, pledged bank deposits, deposits over three months, loans from shareholders and related parties as well as cash flow interest rate risk arising from floating rate bank borrowings, loans from shareholders and related parties and cash and cash equivalents.

Currency risks

The Target Companies' exposure to currency risk is attributable to cash and cash equivalents, trade and other receivables, trade and other payables, loans from a fellow subsidiary and bank borrowings which are denominated in foreign currencies other than RMB, primarily with respect to the United States dollars and Euro. The Target Companies have implemented policies to manage the currency risk to which they are exposed.

Credit risks

As at March 31, 2016, the Target Companies do not have any significant concentration of credit risk. The Target Companies perform ongoing individual credit evaluation of the financial conditions of their customers and counterparties, and regularly assess the recoverability of the trade receivables and other amounts due to the Target Companies.

Liquidity risks

In managing the liquidity risk, the Target Companies monitor and maintain a sufficient level of cash, cash equivalents and undrawn banking and loan facilities for financing the Target Companies' operation needs and mitigating the fluctuations in cash flows. The Target Companies also monitor the utilisation of bank borrowings and notes payable and ensure compliance with the relevant loan covenants.

(I) BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

On September 25, 2016, CGN Power Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") entered into a sale and purchase agreement (the "SPA") with China General Nuclear Power Corporation (the "CGNPC") to acquire 61% equity interest of Guangxi Fangchenggang Nuclear Power Co., Ltd. *(廣西防城港核電有限公司) ("Fangchenggang Nuclear"), 100% equity interest of CGN Lufeng Nuclear Power Co., Ltd. *(中廣核陸豐核電有限公司) ("Lufeng Nuclear"), 100% equity interest of China Nuclear Power Engineering Co., Ltd. *(中廣核工程有限公司) ("CGN Engineering") (collectively referred to as the "Target Companies") (the "Acquisition"). In accordance with the terms and conditions of the SPA, CGN Engineering will have to dispose of its entire interest in China Techenergy Co., Ltd.*(北京廣利核系統工程有限公司) ("China Techenergy") before the completion of the Acquisition at a consideration of approximately RMB238.03 million based on the audited financial statements of China Techenergy as at March 31, 2016.

Pursuant to the SPA, the total consideration payable for the Acquisition is approximately RMB9,920.50 million (the "Consideration"). The Consideration is subject to adjustments set out in the SPA.

The following unaudited pro forma financial information that includes unaudited pro forma consolidated statement of assets and liabilities of the Group and the Target Companies (collectively referred to as the "Enlarged Group") has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effects of the Acquisition on the Group as if the Acquisition had been completed on June 30, 2016.

The unaudited pro forma financial information is prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group upon completion of the Acquisition as at June 30, 2016 or at any future date.

The unaudited pro forma financial information as at June 30, 2016 is prepared based on the unaudited consolidated statement of financial position of the Group as at June 30, 2016 as extracted from the unaudited condensed consolidated financial statements set out in the latest published interim report of the Company after making pro forma adjustments to the Acquisition that are (i) directly attributable to the Acquisition; (ii) factually supportable as if the Acquisition has been completed as at June 30, 2016.

** English names for identification only.*

(II) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT JUNE 30, 2016

	The Group as at June 30, 2016	Pro forma adjustments					Notes	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*		
NON-CURRENT ASSETS								
Property, plant and equipment	173,832,745	40,133,954	—	—	(7,801,811)	(123,017)	(5) (a), (5) (b), (5) (e)	206,041,871
Intangible assets	1,218,738	1,809,881	—	—	—	(244,436)		2,784,183
Investment properties	298,468	6,928	—	—	—	—		305,396
Interests in associates	7,172,290	1,358,740	—	—	(1,429,800)	—	(5) (c)	7,101,230
Interests in joint ventures	5,451,888	—	—	—	(710,165)	—	(5) (c)	4,741,723
Available-for-sale investments	110,000	85,310	—	—	—	—		195,310
Deferred tax assets	155,879	194,544	—	—	1,087,332	(3,836)	(5) (a), (5) (b), (5) (c)	1,433,919
Derivative financial instruments	4,189	—	—	—	—	—		4,189
Prepayments and value-added tax recoverable	5,004,910	993,122	—	—	—	—		5,998,032
Prepaid lease payments	2,425,057	581,815	—	—	—	—		3,006,872
Deposits for property, plant and equipment	1,031,180	777,171	—	—	(311,744)	—	(5) (d)	1,496,607
Loan receivable	—	30,000	—	—	—	—		30,000
Other assets	12,143	—	—	—	—	—		12,143
	196,717,487	45,971,465	—	—	(9,166,188)	(371,289)		233,151,475
CURRENT ASSETS:								
Inventories	10,416,322	2,387,237	—	—	—	(251,186)		12,552,373
Consideration receivable	—	—	—	—	—	238,030		238,030
Prepaid lease payments	65,660	19,437	—	—	—	—		85,097
Trade and bills receivables	3,217,125	4,287,983	—	—	(968,248)	(96,646)	(5) (d)	6,440,214
Prepayments and other receivables	1,597,419	4,721,192	—	—	(6,211)	(23,481)	(5) (d)	6,288,919
Amounts due from related parties	910,912	245,544	—	—	(188,853)	(81)	(5) (d)	967,522
Derivative financial instruments	15,360	888	—	—	—	—		16,248
Restricted bank deposits	4,674	5,437	—	—	—	(403)		9,708
Cash and cash equivalents	8,176,207	3,424,554	(3,000,000)	(22,150)	—	(49,379)		8,529,232
Other deposits over three months	2,110,000	300,360	—	—	—	—		2,410,360
Amounts receivable on contract work	—	3,746,425	—	—	(83,306)	—	(5) (e)	3,663,119
Loan receivable	—	30,000	—	—	—	—		30,000
	26,513,679	19,169,057	(3,000,000)	(22,150)	(1,246,618)	(183,146)		41,230,822

(II) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT JUNE 30, 2016 (Continued)

	The Group as at June 30, 2016	Pro forma adjustments					Notes	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*		
CURRENT LIABILITIES								
Trade and other payables	6,608,373	12,352,147	—	—	(1,294,090)	(285,996)	(5) (d)	17,380,434
Amounts due to related parties	2,558,538	598,106	—	—	(180,966)	(2,574)	(5) (d)	2,973,104
Loans from ultimate holding company	800,000	1,055,500	—	—	—	—		1,855,500
Loans from fellow subsidiaries	1,514,400	—	—	—	—	—		1,514,400
Loans from an associate	—	1,123,120	—	—	—	(40,000)		1,083,120
Payable to ultimate holding company	1,999,416	—	6,920,501	—	—	—		8,919,917
Income tax payable	273,360	55,349	—	—	—	—		328,709
Provisions	489,217	—	—	—	—	—		489,217
Bank borrowings - due within one year	4,841,770	2,711,960	—	—	—	(30,040)		7,523,690
Notes payable - due within one year	1,600,000	1,500,000	—	—	—	—		3,100,000
Derivative financial instruments	196,480	—	—	—	—	—		196,480
Amounts payable on contract work	—	5,782,851	—	—	(5,675,751)	—	(5) (e)	107,100
	20,881,554	25,179,033	6,920,501	—	(7,150,807)	(358,610)		45,471,671
NET CURRENT ASSETS (LIABILITIES)	5,632,125	(6,009,976)	(9,920,501)	(22,150)	5,904,189	175,464		(4,240,849)
TOTAL ASSETS LESS CURRENT LIABILITIES	202,349,612	39,961,489	(9,920,501)	(22,150)	(3,261,999)	(195,825)		228,910,626
NON-CURRENT LIABILITIES:								
Bank borrowings - due after one year	101,150,174	26,037,101	—	—	—	—		127,187,275
Notes payable - due after one year	12,192,160	—	—	—	—	—		12,192,160
Deferred tax liabilities	1,603,536	—	—	—	—	—		1,603,536
Deferred income	817,870	202,038	—	—	—	(37,139)		982,769
Provisions	1,936,718	248,333	—	—	—	—		2,185,051
Derivative financial instruments	96,660	—	—	—	—	—		96,660
Loans from fellow subsidiaries	2,525,170	2,880,000	—	—	—	—		5,405,170
Loans from an associate	—	642,676	—	—	—	—		642,676
Staff cost payables	12,453	—	—	—	—	—		12,453
	120,334,741	30,010,148	—	—	—	(37,139)		150,307,750
NET ASSETS	82,014,871	9,951,341	(9,920,501)	(22,150)	(3,261,999)	(158,686)		78,602,876

(II) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT JUNE 30, 2016 (Continued)

Notes:

(1) Figures are extracted from the unaudited condensed consolidated financial statements of the Group as at June 30, 2016 as set out in the interim report of the Company for the period ended June 30, 2016.

(2) Figures are extracted from the audited combined statement of financial position of the Target Companies as at March 31, 2016, included in the accountants' report of the Target Companies as set out in Appendix II to the circular issued by the Company dated September 30, 2016 (the "Circular") in connection with the Acquisition.

(3) In accordance with the SPA entered into by the Company and CGNPC for the Acquisition dated September 25, 2016, the Consideration for the Acquisition was assumed to be approximately RMB9,920.50 million. The Consideration is subject to the adjustments based on the audited net assets value of the Target Companies at the date of Completion. It is assumed that the pro forma cash consideration of approximately RMB9,920.50 million, of which approximately RMB3,000.00 million will be paid by the Group's cash and cash equivalents and the Group will settle the remaining amount within one year after the SPA becomes effective and such amount is credited to payable to the ultimate holding company.

(4) The adjustment reflects the estimated legal and professional fees of RMB22.15 million directly attributable to the Acquisition.

(5) The Acquisition will be considered as business combination involving entities under common control because the Group and the Target Companies are both ultimately controlled by CGNPC throughout the each of the three years ended December 31, 2013, 2014 and 2015 and the three months ended March 31, 2016, both before and after the Acquisition, and that control is not transitory. As a result, the Acquisition would be accounted for using the principles of merge accounting. As such, the assets and liabilities of the Target Companies have been recognized in the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group at the carrying amounts as stated in note (2) above and are subject to adjustments for elimination of inter group transactions and balances.

(5)(a) The Target Companies provided construction work to the Group. The adjustment is to eliminate the unrealized profit of property, plant and equipment sold between the Group and the Target Companies and the reversal of the related tax effect.

(5)(b) The Target Companies' associate, CGN Finance Co., Ltd., provided loans to the Group. The loans' interest expenses are capitalized in property, plant and equipment of the Group. The adjustment is to eliminate the capitalized unrealized profit capitalized in property, plant and equipment and the reversal of the related tax effect.

(5)(c) The Target Companies provided construction work to the Group's associate, Liaoning Hongyanhe Nuclear Power Co., Ltd., and the Group's joint venture, Fujian Ningde Nuclear Power Co., Ltd. The adjustment is to eliminate the unrealized profit accounted for in the interests in associates and joint ventures and the reversal of the related tax effect.

(5)(d) The adjustment is to eliminate intra-group balances between the Group and the Target Companies.

(5)(e) The Target Companies provided construction work to the Group. The Group recognized the amount of construction work incurred in property, plant and equipment according to progress billings. Before the related work is performed are included in the Target Companies' statements of financial position, as a liability, as amounts payable on contract work. Target Companies recognized the amount of unbilled construction work incurred under the financial line items' amount receivable on contract work. The adjustment is to reclassify the unbilled construction work or over billed by the Target Companies to the Group to property, plant and equipment.

(6) The adjustment is to illustrate the effects of CGN Engineering's disposal of its entire equity interest in China Techenergy at a cash consideration of approximately RMB238.03 million before the completion of the Acquisition in accordance to the terms and conditions precedent under the SPA based on the audited financial statements of China Techenergy as at March 31, 2016.

(7) No adjustments have been made to adjust any trading results or other transactions of the Group subsequent to June 30, 2016 or the Target Companies subsequent to March 31, 2016.

Deloitte.
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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of CGN Power Co., Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of CGN Power Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of assets and liabilities as at June 30, 2016 and related notes as set out on pages V-1 to V-4 of Appendix V of the circular issued by the Company dated September 30, 2016 (the "Circular") in connection with the acquisition of the equity interests in the Target Companies (as defined in the Circular). The applicable criteria on the basis of which the directors of the Company (the "Directors") have compiled the pro forma financial information are set out on pages V-1 to V-4 of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of the equity interests in the Target Companies (the "Acquisition") on the Group's financial position as at June 30, 2016 as if the Acquisition had taken place at June 30, 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended June 30, 2016, on which a review conclusion has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the 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 (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 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 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 reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the 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 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 pro forma financial information.

The purpose of pro forma financial information included in an investment circular 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 June 30, 2016 would have been as presented.

A reasonable assurance engagement to report on whether the 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 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 pro forma adjustments give appropriate effect to those criteria; and
- the 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 pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the 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 pro forma financial information has been properly complied 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 pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
September 30, 2016

Deloitte.
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INDEPENDENT ASSURANCE REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF EQUITY INTERESTS IN CHINA NUCLEAR POWER ENGINEERING CO., LTD. AND GUANGXI FANGCHENGGANG NUCLEAR POWER CO., LTD.

TO THE DIRECTORS OF CGN POWER CO., LTD.

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by China Enterprise Appraisals Co., Ltd.* (北京中企華資產評估有限責任公司) dated September 12, 2016, of 100% equity interest in China Nuclear Power Engineering Co., Ltd.* (中廣核工程有限公司) and 61% equity interest in Guangxi Fangchenggang Nuclear Power Co., Ltd.* (廣西防城港核電有限公司) as at March 31, 2016 (the "Valuation") is based. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of Appendix 1B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and will be included in a circular dated September 30, 2016 to be issued by CGN Power Co., Ltd. (the "Company") in connection with the acquisition of equity interests in the Target Companies (the "Acquisition") (the "Circular") (as defined in the Circular).

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in Appendix IIIA and IIIC of the Circular (the "Assumptions"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

* English names for identification only.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of Paragraph 29 of Appendix 1B of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company's management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of equity interests in China Nuclear Power Engineering Co., Ltd. and Guangxi Fangchenggang Nuclear Power Co., Ltd..

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
September 30, 2016

The following is the text of a letter from China International Capital Corporation Hong Kong Securities Limited, prepared for the purpose of inclusion in this circular.

CICC
中金香港证券

The Board of Directors
CGN Power Co., Ltd.
CGN Building No. 2002
Shennan Road, Futian District
Shenzhen, Guangdong Province
PRC

September 30, 2016

Dear Sirs and Madams,

Reference is made to the circular dated September 30, 2016 (the "Circular") issued by CGN Power Company Limited (the "Company") in relation to the proposed acquisition (the "Acquisition") of the Company, which involves the Acquisition by China General Nuclear Power Group (the "Group") of: (i) 61% shares in Guangxi Fangchenggang Nuclear Power Co., Ltd. ("Fangchenggang Nuclear"), (ii) 100% shares in CGN Lufeng Nuclear Power Co., Ltd. ("Lufeng Nuclear") and (iii) 100% shares in China Nuclear Power Engineering Co., Ltd. ("CGN Engineering") (collectively "Target Companies"). Unless otherwise defined or if the context otherwise requires, all terms defined in the Circular shall have the same meaning when used in this letter.

As disclosed in the Circular, appraisal has been made on each of the Target Companies by China Enterprise Appraisal. Co., Ltd. (the "Appraiser"), and such appraisal is contained in the respective appraisal reports of the Target Companies (individually and collectively, the "Appraisal Reports") prepared by the Appraiser on September 12, 2016 for the purpose of the Acquisition and will be included in the circular of the Company in connection with the Acquisition. To our knowledge, the Appraisal Reports and other documents in relation to the Acquisition have been provided to you in your respective capacity as the directors of the Company ("Directors"). The discounted future estimated cash flows underlying the valuation of the Fangchenggang Nuclear and CGN Engineering constitutes a profit forecast under Rule 14.61 of the Listing Rules.

The discounted future estimated cash flows of the Target Companies constitute part of the basis for the appraisal as referred to in the Circular. We are engaged to assist the Directors to comply with Rule 14.62 of the Listing Rules. We, from the perspective of financial adviser, have reviewed the discounted future estimated cash flows of the Target Companies as contained in the relevant Appraisal

Reports, and as Director, you shall be responsible for the relevant forecasts. We have attended the discussions on the discounted future estimated cash flows of the Target Companies with the Company management, the Target Companies' respective managements together with the Appraiser being present. During the discussions, all attendees discussed the bases and assumptions adopted in the valuation of the Target Companies which contained in the discounted future estimated cash flows, the past performances of the Target Companies, and made other consultations which the Appraiser and the Company considered pertinent to the discounted future estimated cash flows. Moreover, we also reviewed the letter issued by Deloitte Touche Tohmatsu on September 30, 2016 regarding the calculations upon which the discounted future estimated cash flows have been made.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions selected by the Appraiser, for which the Appraiser and the Company are responsible, we are satisfied that the discounted future estimated cash flows in connection with the valuation of equity interest in Fangchenggang Nuclear and CGN Engineering, for which you as the Directors are responsible, have been made after due and careful enquiry by you. For the avoidance of doubt, this letter does not constitute an independent valuation or fairness opinion and is expressly limited to the matters described herein.

The work undertaken by us has been undertaken for the purpose of reporting solely to you under Rule 14.62(3) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in connection with such work.

Yours faithfully
For and on behalf of
China International Capital Corporation Hong Kong Securities Limited
Sulan Yang
Executive Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes the particulars given in compliance with the Listing Rules for the purpose of giving information with regard to our Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular 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 herein or this circular misleading.

2. DISCLOSURE OF DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As of the Latest Practicable Date, none of the Directors or the chief executive of our Company had 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 to be notified to our Company and the Stock Exchange.

3. DISCLOSURE OF INTEREST OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as of the Latest Practicable Date, the following persons had or were 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:

Name	Capacity/ Nature of Interest	Number and Class of Shares	Approximate % of the Relevant Share Classes	Approximate % of the Issued Shares of our Company
CGN	Beneficial owner/Interest of controlled corporation	29,176,641,375 Domestic Shares (L)	85.10%	64.20%
Hengjian Investment Holdings Co., Ltd.	Beneficial owner/Interest of controlled corporation	3,428,512,500 Domestic Shares (L)	10.00%	7.54%
National Council for Social Security Fund	Beneficial owner	1,033,374,939 H Shares (L)(3)	9.26%	2.27%

Name	Capacity/ Nature of Interest	Number and Class of Shares	Approximate % of the Relevant Share Classes	Approximate % of the Issued Shares of our Company
Citigroup Inc.	Interest of controlled corporation/custodian	613,428,427 H Shares (L), among which 587,501,830 H Shares are held in lending pool	5.49%	1.35%
	Interest of controlled corporation	35,591,875 H Shares (S)[(4)]	0.31%	0.08%
GIC Private Limited	Investment manager	602,964,000 H Shares (L)	5.40%	1.33%
BlackRock, Inc.	Interest of controlled corporation	654,960,557 H Shares (L)	5.87%	1.44%
	Interest of controlled corporation	50,540,000 H Shares (S)[(5)]	0.45%	0.11%

Notes:

(1) (L) denotes long position, and (S) denotes short position.

(2) As at 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) Include 12,555,010 H Shares held under equity derivatives.

(4) Include 11,518,431 H Shares held under equity derivatives.

(5) Include 11,390,000 H Shares held under equity derivatives.

4. MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of our Group since December 31, 2015, being the date to which the latest published audited financial statements of our Group were made up.

5. MATERIAL ACQUISITION

Save for this Acquisition, during the period subsequent to December 31, 2015 (being the date to which the latest published audited financial statements of our Company were made up) and up to the Latest Practicable Date, none of the members of our Group had acquired or agreed to acquire or was proposing to acquire a business or an interest in the share capital of a company whose profits on assets make or would make a material contribution to the figures in the auditor's report or in the next published accounts of our Company.

6. DIRECTORS' SERVICE CONTRACTS

As of the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Enlarged Group, other than service contracts expiring or terminable by the relevant member of the Enlarged Group within one year without payment of compensation other than statutory compensation.

7. DIRECTORS' INTERESTS IN ASSETS

As of the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group since December 31, 2015, being the date to which the latest published audited financial statements of our Group were made up.

8. DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors was materially interested in any contract or arrangement subsisting as of the Latest Practicable Date which is significant in relation to the business of the Enlarged Group.

9. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of the Latest Practicable Date, save as disclosed below and so far as the Directors were aware, none of the Directors and their respective close associates had interest in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the business of our Group.

Name of Director	Position in our Company	Other Interests
Mr. Zhang Shanming	Chairman of the Board and non-executive Director	General manager and director of CGN
Mr. Shi Bing	Non-executive Director	Deputy general manager and chief accountant of CGN

10. LITIGATION

As of the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

11. EXPERTS AND CONSENTS

The following are the qualifications of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	a corporation licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, acting as the financial adviser to our Company in relation to the Acquisition and the non-exempt Continuing Connected Transactions
China Enterprise Appraisals Co., Ltd.	PRC Certified Public Valuer
First Shanghai Capital Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Beijing Zhongdi Huaxia Land and Real Estate Appraisal Co. Ltd.	Grade A Valuation Qualification issued by China Real Estate Valuers Association under the Ministry of Land and Resources of the PRC

Each of the experts referred to above has given and has not withdrawn its written consent to the issue of this circular with the expert's statement included in the form and context in which it is included.

To the best knowledge, information and belief of the Directors, as at the Latest Practicable Date, none of the experts referred to above had any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

As at the Latest Practicable Date, none of the experts referred to above, directly or indirectly, had any interest in any assets which had since December 31, 2015 (being the date to which the latest published audited financial statements of our Company were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

12. MATERIAL CONTRACTS

The following contracts (not being entered into the ordinary course of business) have been entered into by the members of the Enlarged Group within two years immediately preceding the date of this circular and which are or may be material:

(a) the Share Transfer Agreement;

(b) the 2016 General Services Framework Agreement;

(c) the 2016 Technical Support and Maintenance Services Framework Agreement;

(d) the supplemental agreement dated September 25, 2016 to the 2014 Engineering Services Framework Agreement;

(e) the supplemental agreement dated September 25, 2016 to the 2014 Nuclear Fuel Supply and Services Framework Agreement;

(f) the disposal agreement dated August 19, 2015 entered into between CGN Research Institute Co., Ltd (中廣核研究院有限公司) and CGN Capital Holdings Co., Ltd. (中廣核資本控股有限公司), a wholly owned subsidiary of CGN, for the disposal of 22.1% equity interests in Baoyin Special Steel Pipe Co., Ltd. at a consideration of RMB358.2 million;

(g) the renewed financial services framework agreement dated March 18, 2015 entered into between our Company and CGN, pursuant to which (i) CGN Group agreed to provide certain types of financial services to our Company; and (ii) our Group agreed to provide certain types of financial services to CGN Group;

(h) the International Underwriting Agreement dated December 3, 2014 relating to the international offering to be entered into between, among others, the international underwriter and the joint representatives, as further described in the section headed "Underwriting The International Offering" to the Prospectus;

(i) the Hong Kong Underwriting Agreement dated November 26, 2014 relating to the Hong Kong public offering entered into between, among others, the Hong Kong underwriters and the joint representatives and our Company, as further described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement" to the Prospectus;

(j) the respective cornerstone investment agreements dated November 21, 2014 entered into between, amongst others, our Company and the relevant investors, the further details of which are referred to in the section headed "Statutory and General Information — 4. Further Information about our Business — A. Summary of Our Material Contracts" in Appendix VII to the Prospectus;

(k) the non-competition deed dated November 21, 2014 entered into between CGN and our Company pursuant to which CGN has given certain non-competition undertakings to our Company, the further details of which are referred to in the section headed "Relationship with Controlling Shareholder — Non-Competition Deed and Undertakings" to the Prospectus;

(l) the trademark license agreement dated November 21, 2014 entered into between our Company and CGN, pursuant to which CGN agreed to grant to our Group a general license on a non-exclusive basis in respect of certain trademarks of CGN for use by our Group free of charge;

(m) the 2014 General Services Framework Agreement;

(n) the 2014 Technical Support and Maintenance Services Framework Agreement;

(o) the 2014 Engineering Services Framework Agreement;

(p) the 2014 Nuclear Fuel Supply and Services Framework Agreement;

(q) the financial services framework agreement dated November 21, 2014 and renewed on March 18, 2015 entered into between our Company and CGN, pursuant to which CGN Group agreed to provide financial services to our Company; and our Company agreed to provide entrustment loans to CGN Group;

(r) the equity transfer agreement dated October 30, 2014 entered into between our Company and CGN for the acquisition of 60% of the equity interests in Taishan Nuclear Power Industry Investment Co., Ltd. and 12.5% of the equity interests in Taishan Nuclear Power held by CGN at a consideration of RMB9,612.2 million.

13. GENERAL

(a) The joint company secretaries of our Company are Mr. Wei Qiyan and Ms. Mok Ming Wai. Ms. Mok Ming Wai is a member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

(b) The registered address of our Company as registered with the Administration for Industry and Commerce is at 18/F, South Tower, CGN Building, No. 2002 Shennan Road, Futian District, Shenzhen.

(c) The address of the H Share Registrar, Computershare Hong Kong Investor Services Limited, and transfer office of our Company in Hong Kong is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) All references to times in this circular refer to Hong Kong times.

(e) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from Monday to Friday (other than public holidays) at the headquarters and principal place of business of our Company in Hong Kong at 36/F Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the articles of association of our Company;

(b) the material contracts as referred to in the paragraph headed "12. Material Contracts" in this appendix;

(c) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

(d) the letter from First Shanghai, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;

(e) the written consents referred to in paragraph headed "11. Expert and Consents" in this appendix;

(f) the accountants' report of the Target Companies, the text of which is set out in Appendix II to this circular;

(g) the report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix V to this circular;

(h) the summary reports of asset valuation of each of the Target Companies issued by China Enterprise Appraisals, the text of which is set out in Appendix IIIA, IIIB and IIIC to this circular;

(i) the independent assurance report on calculation of discounted future cash flows in connection with the valuation of equity interests in CGN Engineering and Fangchenggang Nuclear issued by Deloitte, the text of which is set out in Appendix VI to this circular;

(j) the letter from CICC in relation to the discounted future cash flows in connection with the valuation of equity interests in CGN Engineering and Fangchenggang Nuclear, the text of which is set out in Appendix VII to this circular;

(k) the annual report of our Company for the years ended December 31, 2014 and 2015; and

(l) this circular.

中國廣核電力股份有限公司

CGN Power Co., Ltd.*

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

(Stock Code: 1816)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the "**Extraordinary General Meeting**") of CGN Power Co., Ltd. (the "**Company**") will be held at 10:30 a.m. on Wednesday, November 16, 2016 at Marina Room, 2/F, The Excelsior Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments or supplements:

Unless otherwise stated, capitalised terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated September 30, 2016 (the "**Circular**").

ORDINARY RESOLUTIONS

1. To consider and approve the Share Transfer Agreement (as defined in the Circular and with further details set out therein) and the transactions contemplated thereunder.

2. To consider and approve the 2016 General Services Framework Agreement (as defined in the Circular and with further details set out therein), the non-exempt continuing connected transactions contemplated thereunder, and the proposed annual caps for each of the three years ending December 31, 2018.

3. To consider and approve the supplemental agreement dated September 25, 2016 to the 2014 Engineering Services Framework Agreement (as defined in the Circular and with further details set out therein), the non-exempt continuing connected transactions contemplated thereunder, and the proposed revised annual caps for each of the four years ending December 31, 2019.

4. To consider and approve the supplemental agreement dated September 25, 2016 to the 2014 Nuclear Fuel Supply and Services Framework Agreement (as defined in the Circular and with further details set out therein), the non-exempt continuing connected transactions contemplated thereunder, and the proposed revised annual caps for each of the eight years ending December 31, 2023.

SPECIAL RESOLUTIONS

1. I. To consider and approve the Mid- to Long-term Bonds Issue (as defined in the Circular) and the transactions contemplated thereunder, with the major terms and proposed scope thereof set out in the Circular; and

   II. To consider and approve the authorization of the chief financial officer of the Company to decide on and deal with all relevant matters in relation to the implementation of the Mid- to Long-term Bonds Issue in accordance with the major terms as set out in the Circular.

2. To consider and approve the extension of the closing date of the relevant authorization period for the Short-term Debentures Issue as approved by the resolution of shareholders at the third EGM of 2014 from December 31, 2016 to May 15, 2017.

By order of the Board
CGN Power Co., Ltd.*
Mr. Zhang Shanming
Chairman

The PRC, September 30, 2016

** For identification purposes only*

Notes:

1. All resolutions put to the vote at the Extraordinary General Meeting will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates to purely a procedural or administrative matter to be voted on by a show of hands in accordance with the Listing Rules, and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.

2. Each shareholder entitled to attend and vote at the Extraordinary General Meeting or its adjournment (as the case may be) is entitled to appoint one (or, if he/she/it holds two or more issued Shares more than one) proxy to attend and vote, on a poll, in his/her/its stead in accordance with the Articles of Association of the Company. A proxy needs not be a Shareholder.

3. A form of proxy for use at the Extraordinary General Meeting and reply slip is issued and published by the Company on September 30, 2016. Whether or not you intend to attend the Extraordinary General Meeting in person, you are urged to complete and return the form of proxy in accordance with the instructions printed on the form of proxy issued and published by the Company on or before October 27, 2016 as soon as possible. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting or any adjourned meeting thereof if you so wish. In such event, your form of proxy will be deemed to have been revoked.

4. In the case of holders of H Shares, a form of proxy together with any power of attorney or other authorisation documents (if any) under which it is signed or a notarized copy of that power of attorney or authorization documents must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in the case of holders of Domestic Shares, to the office of the Board at the headquarters of the Company at 18/F, South Tower, CGN Building, No. 2002, Shennan Road, Futian District, Shenzhen, Guangdong Province, PRC, no later than 24 hours before the time appointed for holding the Extraordinary General Meeting or any adjournment thereof, in order to be valid.

5. In the case of joint registered holders of any Shares, any one of such joint registered holders may vote at the Extraordinary General Meeting, either in person or by proxy, in respect of such Shares as if he/she/it were solely entitled thereto; but should more than one of such joint registered holders be present at the Extraordinary General Meeting, either in person or by proxy, the vote of that one of them so present, whose name stands first on the register of members in respect of such Shares shall be accepted to the exclusion of the votes of the other joint registered holder(s).

6. The register of Shareholders will be closed from Tuesday, October 18, 2016 to Wednesday, November 16, 2016, both days inclusive, during which period no transfer of the H Shares will be effected. In order to determine the list of Shareholders who are entitled to attend and vote at the Extraordinary General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in the case of holders of H Shares), or the office of the Board at the headquarters of the Company in the PRC at 18/F, South Tower, CGN Building, No. 2002, Shennan Road, Futian District, Shenzhen, Guangdong Province, PRC (in the case of holders of Domestic Shares) no later than 4:30 p.m. on Monday, October 17, 2016.

7. If the H Shareholders intend to attend the Extraordinary General Meeting in person or by proxy, they shall complete the enclosed reply slip for the Extraordinary General Meeting and return it, by hand or by post, to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or by fax (852)2865-0990 on or before Thursday, October 27, 2016.

8. If the Domestic Shareholders intend to attend the Extraordinary General Meeting in person or by proxy, they shall complete the enclosed reply slip for the Extraordinary General Meeting and return it, by hand or by post, to the office of the Board at the headquarters of the Company in the PRC at 18/F, South Tower, CGN Building, No. 2002, Shennan Road, Futian District, Shenzhen, Guangdong Province, PRC or by fax ((86)755-83699089) on or before Thursday, October 27, 2016.

9. The Extraordinary General Meeting is expected to take less than half a day. Shareholders who attend the Extraordinary General Meeting shall be responsible for their own travel and accommodation expenses.

10. The address of the office of the Board at the Company's headquarters in the PRC is as follows:

    18/F, South Tower, CGN Building, No. 2002, Shennan Road,
    Futian District, Shenzhen, Guangdong Province, PRC
    Contact: Gao Kefu
    Telephone: (86)755-84431212

As at the date of this announcement, the Board of the Company comprises Mr. Gao Ligang as executive Director; Mr. Zhang Shanming, Mr. Shi Bing, Mr. Xiao Xue and Mr. Zhuo Yuyun, as non-executive Directors; Mr. Na Xizhi, Mr. Hu Yiguang and Mr. Francis Siu Wai Keung, as independent non-executive Directors.