2016 Annual Report

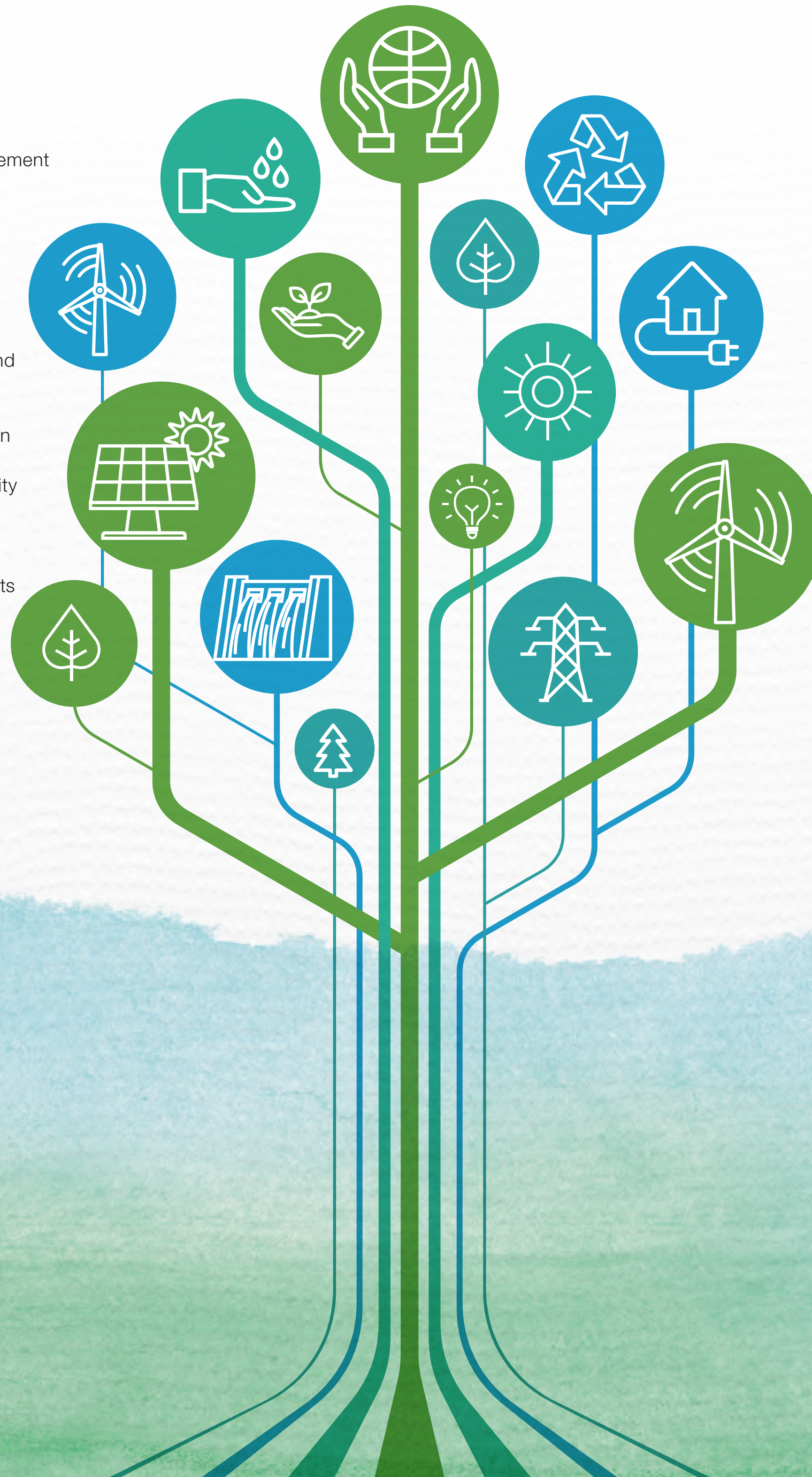
中广核 CGN

新能源
New Energy

中國廣核新能源控股有限公司
CGN New Energy Holdings Co., Ltd.

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

Contents



Corporate Information

REGISTERED OFFICE

Victoria Place
31 Victoria Street
Hamilton HM10
Bermuda

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

15th Floor
Harbour Centre
25 Harbour Road
Wanchai, Hong Kong

STOCK CODES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

1811 (Shares)
5964 (Bonds due 2018)

COMPANY'S WEBSITE

www.cgnne.com

BOARD OF DIRECTORS

Chairman and Non-executive Director

Mr. Chen Sui (re-designated from executive director to non-executive director with effect from 12 July 2016)

President and Executive Director

Mr. Lin Jian

Non-executive Directors

Mr. Xu Yuan
Mr. Chen Qiming (resigned with effect from 12 July 2016)
Mr. Yin Engang
Mr. Dai Honggang
Mr. Wu Junfeng (appointed with effect from 12 July 2016)
Mr. Xing Ping

Corporate Information

Independent Non-executive Directors

Mr. Leung Chi Ching Frederick
Mr. Fan Ren Da Anthony
Mr. Wang Susheng
Mr. Zhang Dongxiao

Members of the Audit Committee

Mr. Leung Chi Ching Frederick *(Chairman)*
Mr. Yin Engang
Mr. Fan Ren Da Anthony

Members of the Remuneration Committee

Mr. Zhang Dongxiao *(Chairman)*
Mr. Dai Honggang
Mr. Fan Ren Da Anthony

Members of the Nomination Committee

Mr. Chen Sui *(Chairman)*
Mr. Fan Ren Da Anthony
Mr. Zhang Dongxiao

Members of the Investment and Risk Management Committee

Mr. Dai Honggang *(Chairman)*
Mr. Yin Engang
Mr. Xing Ping

Members of the Strategy Development Committee

Mr. Dai Honggang *(Chairman)*
Mr. Chen Sui
Mr. Lin Jian
Mr. Chen Qiming (resigned with effect from 12 July 2016)
Mr. Wu Junfeng (appointed with effect from 12 July 2016)
Mr. Wang Susheng

Corporate Information

Company Secretary

Mr. Lee Kin

Authorized Representatives

Mr. Lin Jian (with Mr. Wat Chi Ping Isaac as his alternate)
Mr. Lee Kin

LEGAL ADVISER

Hong Kong Law

Eversheds
21/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

AUDITOR

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

COMPLIANCE ADVISER

Somerley Capital Limited
20/F, China Building
29 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08, Bermuda

Corporate Information

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
34/F, ICBC Tower
3 Garden Road
Hong Kong

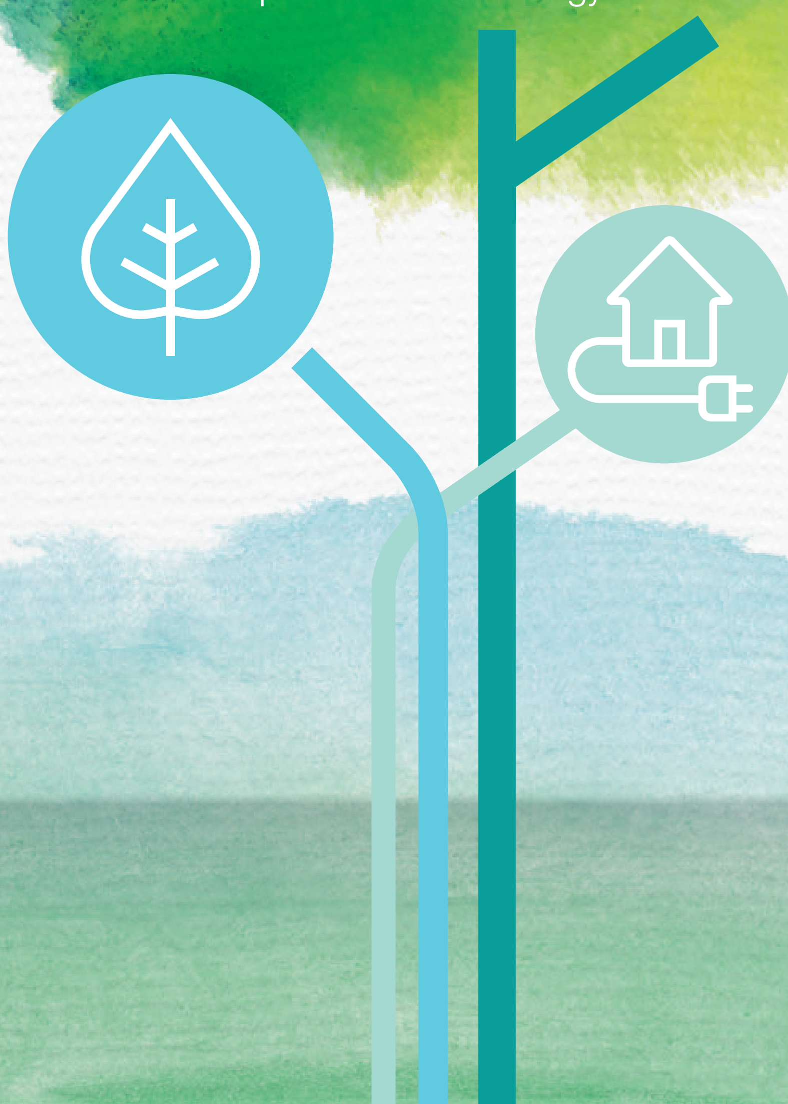
Bank of China (Hong Kong) Limited
9/F, Bank of China Tower
1 Garden Road
Hong Kong

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

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

Chairman's Statement

The PRC remained determined to carry on energy restructuring as it further revved up the promotion of clean energy and successively promulgated supporting policies, resulting in rising proportion of clean power generation and favorable momentum for the development of clean energy.



Chairman's Statement

Dear Honourable Shareholders,

In 2016, the global economy was in lack of growth momentum while PRC achieved steady economic growth amid stability. In terms of power industry development, PRC recorded generally abundant supply of electricity in 2016 and continued the electricity market reform. In the context of accelerating global development of the new energy industry, despite the growth of overall electricity demand slowed down in the PRC, grid tariff declined and curtailment of wind, solar and hydro power still existed, the PRC remained determined to carry on energy restructuring as it further revved up the promotion of clean energy and successively promulgated supporting policies, resulting in rising proportion of clean power generation and favorable momentum for the development of clean energy.

The Group is positioned as the sole global platform of China General Nuclear Power Corporation（中國廣核集團有限公司）("**CGN**") for the development and operation of non-nuclear clean and renewable power generation projects. In September 2015, the injection of the first batch of assets was completed and the attributable installed capacity increased by approximately 1,380 MW. The acquisition of assets from CGN not only introduced high quality wind power and solar power assets to the Company's portfolio, which upgraded its assets quality and profitability, but also consolidated its position in the PRC renewable energy market and laid a foundation for its development of clean energy.

In 2016, PRC's power industry was still confronted with problems such as the consumption of new energy and the curtailment of wind and solar power generation. In addition, Korea's economy and domestic demand were still weak. Under the circumstances, the Group has actively optimised its internal operations, promoted the development of its businesses and maintained a balanced and diversified power portfolio with an aim to increase the Group's profitability. As of 31 December 2016, the attributable installed capacity of the Group's power plants reached 4,984.6 MW. The net electricity generated reached 11,836.7 GWh. The revenue of the Group amounted to US$1.07 billion. Profit attributable to shareholders amounted to US$79.5 million. Net assets value reached US$811.8 million. Basic earnings per share of the Group reached 1.85 US cents (equivalent to 14.34 HK cents per share). The Board recommended a final dividend of 0.47 US cents per share (equivalent to 3.64 HK cents per share) for 2016.

Since the promulgation of the "Outline of the 13th Five-Year Plan for the National Economic and Social Development of the People's Republic of China", major opportunities were ushered in for the new energy industry with policy support. In November 2016, the National Development and Reform Commission and the National Energy Administration issued the "13th Five-Year Plan on Power Industry Development" with respect to the power industry and proposed to vigorously develop new energy while optimizing and adjusting development planning. The plan emphasized the optimization of wind power development with a mix of both centralized and decentralized development based on the principle of consumption in proximity. It also emphasized the coordination between development and market consumption so as to orderly develop wind and solar power. It also encouraged the active and steady development of offshore wind power and attached great importance to allocating photovoltaic power plants based on the principles of decentralized development and consumption in proximity, so as to provide active support to solar power generation. As the sole global platform for the development and operation of non-nuclear clean and renewable power generation projects of CGN, the Group's corporate positioning and development objectives are highly consistent with the strategic planning of the national 13th Five-Year Plan.

Looking ahead to 2017, the Group will continue to pursue the mission of "developing clean energy to benefit mankind". It will actively respond to the national 13th Five-Year Plan, seize opportunities and continue to intensely develop non-nuclear clean and renewable energy. On the one hand, the Group will carry on to capitalize the advantages of being CGN's sole global platform of non-nuclear clean and renewable energy, its well-established operation and management model, efficient capital operation and professional team to continue the injection and integration of wind power and solar energy assets based on its successful acquisition of the first batch of high quality wind power and solar energy assets with the purpose of strengthening market competitiveness. On the other hand, aiming at value creation and value incentives, the Group will further enhance team cohesion and competiveness while continue to build up core competencies in market development, construction, operation and maintenance as well as safety and quality control of the wind power and solar power business. The Group will persist in new projects and business development, market exploration for clean energy and market share expansion. At the same time, it will maintain stringent control over operational and investment risks, optimize assets structure and boost profitability to reward shareholders with outstanding operating results.

Chen Sui
Chairman

15 March 2017

President's Statement

The Group focused on enhancing the profitability of its clean and renewable energy portfolio by leveraging its role as CGN's sole global platform for the development and operation of non-nuclear clean and renewable power generation projects.

President's Statement

Dear Honourable Shareholders,

The year 2016 marked the first year of the 13th Five-Year Plan of the PRC and also the year of laying the foundation for the energy initiatives under the plan, where the PRC's policy was to continuously enhance support towards the development of renewable energy as represented by wind power and solar power while strengthening the policy efforts. The successive promulgation of the "13th Five-Year Plan on Wind Power Development" and the "13th Five-Year Plan on Solar Power Development" also outlined the mission of developing wind power and solar power and the optimization goals for the period of the 13th Five-Year Plan.

In view of the new trends in the industry, the Group developed clean and renewable power generation projects in depth. While achieving steady growth in operating results and maintaining economic efficiency, the Group made remarkable contribution to society through outstanding achievements in technological innovation. In 2016, the wind power business that was entrusted to be managed by the Group completed the first project to pass the "Double Ten" requirements, namely the 150 MW Jiangsu Rudong Offshore Wind Power Farm Demonstration Project（江蘇如東海上風電場150兆瓦示範項目）. By adopting a number of offshore wind farm technologies, the project obtained eight technological achievements jointly certified by the China Machinery Industry Federation and the China High-tech Industrialization Association. The intelligent wind power integration platform of the wind power business, which the Group was entrusted to manage, was nominated for and awarded the 2016 first prize of information technology in the power industry by the China Electricity Council, which organized the selection of information technology achievements in the power industry in order to encourage and improve the integration of information technology and industrialization. In addition, the Group also engaged in the entrusted management of power business outside PRC, where it was entrusted to manage 13 gas and coal-fired power plants and seawater desalination plants in Malaysia, Bangladesh and other countries with a total installed capacity of 6,619 MW. This arrangement allowed the Group to keep track of the overseas power market and expand its overseas power business.

Since listed on The Stock Exchange of Hong Kong Limited in 2014, the Group has gained market recognition with solid performance and a competitive assets portfolio. In 2016, the Group was selected as the "Most Promising Listed Company" in the "2016 China Financial Market Listed Companies Awards". At the same time, the Group won the "Top 10 Small Enterprises" in the "2015 Top 100 Hong Kong Awards" and won the "Outstanding Listed Company" award in the 14th China's Financial Annual Champion Awards organized by hexun.com. Furthermore, the Group was also selected as one of the participants of the Shenzhen-Hong Kong Stock Connect that was officially launched in December 2016 and attracted the attention of the capital market. It is believed that the Group's source of funds will be further strengthened by this opportunity.

Looking back at the business development of the Company in 2016, the Group focused on enhancing the profitability of its clean and renewable energy portfolio by leveraging its role as CGN's sole global platform for the development and operation of non-nuclear clean and renewable power generation projects. In 2016, the net electricity generated of the Group's consolidated power generation projects amounted to 11,836.7 GWh, representing a growth of 14.1% as compared to the corresponding period last year, mainly attributable to the generation contributed by our wind power and solar power projects.

The clean and renewable energy portfolio has always been the primary focus of the business development of the Group and we have recorded steady growth in terms of core capacity for the operation and maintenance of the wind power and solar power generation business. In 2016, the Laoling Tieying Project of CGN Solar (Dezhou) Company Limited, a wholly-owned subsidiary of the Company located in Tieying Town, Laoling City, Dezhou, Shandong Province started on-grid connection and achieved a total installed capacity of 15 MW. Meanwhile, the Shangyang Project located in Pingshan District of Shenzhen, which was invested, constructed and subsequently operated and managed by CGN Solar (Shenzhen) Company Limited, a wholly-owned subsidiary of the Company, with a total installed capacity of 2 MW, was connected to the power grid and has commenced power generation in 2016.

Looking ahead, the Group will continue to acquire clean and renewable power generation projects from CGN while focusing on the "one center", i.e. the customers, to complete the "three major transformations" from consolidation to integration, heavy assets to light assets and hard power to soft power. It will also achieve "integrated innovation" so as to provide services to customers in the form of function menu. In particular, it will implement a number of initiatives aiming at achieving significant progress in major areas such as new businesses, international business, brand building and internal management enhancement, while further optimizing resources allocation to boost core competencies in market development, project construction, operation and maintenance, organizational efficiency, market value management as well as reducing costs. While adhering to the two bottom lines, namely "safety and quality" and "probity", the Group will comprehensively enhance the operating results in 2017 and strive to become the leading independent clean and renewable power generation company in Asia in terms of profitability. The Group is set to develop into a first class renewable energy leader serving PRC and the world.

Lin Jian
President

15 March 2017

Distribution of Projects

Henan

		Total Installed Capacity
Puguang	:	250 MW

Gansu

		Total Installed Capacity
Beiba	:	199.5 MW
Minqin I	:	49.5 MW
Minqin II	:	49.5 MW
Hongshagang	:	400 MW
Daliangdong	:	47.5 MW
Daliangbei	:	47.5 MW
Liuyuan	:	49.5 MW
Jinta	:	9 MW
Dunhuang I	:	9 MW
Dunhuang II	:	9 MW

Qinghai

		Total Installed Capacity
Xitieshan I	:	10 MW
Xitieshan II	:	30 MW
Xitieshan III	:	60 MW
Wulan	:	30 MW

Sichuan

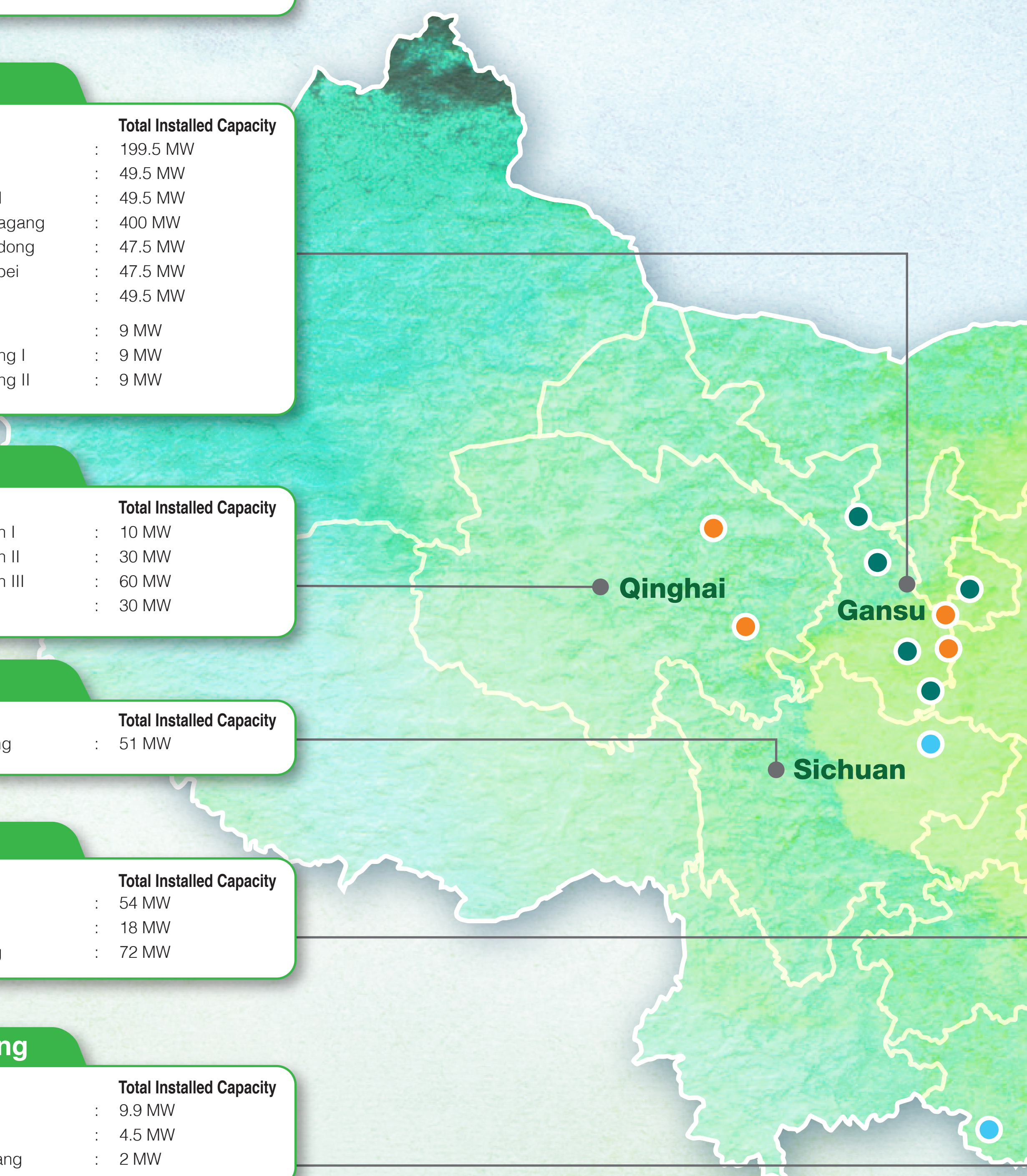
		Total Installed Capacity
Mianyang	:	51 MW

Guangxi

		Total Installed Capacity
Fushi I	:	54 MW
Fushi II	:	18 MW
Zuojiang	:	72 MW

Guangdong

		Total Installed Capacity
Airport I	:	9.9 MW
Airport II	:	4.5 MW
Shangyang	:	2 MW



Wind Solar Gas-fired Hydro
Cogen Coal-fired Oil-fired Steam

Korea

		Total Installed Capacity
Daesan I	:	507 MW
Yulchon I	:	577.4 MW
Yulchon II	:	946.3 MW
Yulchon Fuel Cell	:	4.8 MW (Phase I)
		5.6 MW (Phase II)
		5 MW (Phase III)

Shandong

		Total Installed Capacity
Tangwangshan I	:	20.4 MW
Taipingshan I	:	49.3 MW
Linqu Longgang	:	48 MW
Liuwangzhuang	:	38.3 MW
Shagou I	:	49.5 MW
Tangwangshan II	:	49.5 MW
Laoling Tieying	:	15 MW

Jiangsu

		Total Installed Capacity
Haian	:	27 MW
Nantong	:	48 MW

Shanghai

		Total Installed Capacity
Jinqiao	:	295 tons/hour
Weigang	:	50 MW

Zhejiang

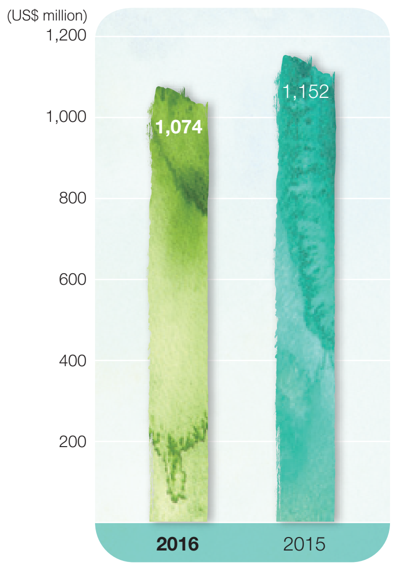
		Total Installed Capacity
Ninghai Yishi	:	48 MW
Tuci	:	30 MW
Zhushan	:	45 MW
Jiaxing	:	10.6 MW

Hubei

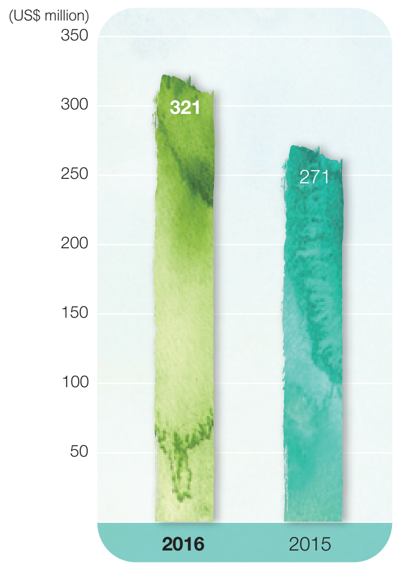
		Total Installed Capacity
Hanneng	:	176.5MW
Huangshi I	:	760 MW
Huangshi II	:	1,360 MW

Financial and Operating Highlights

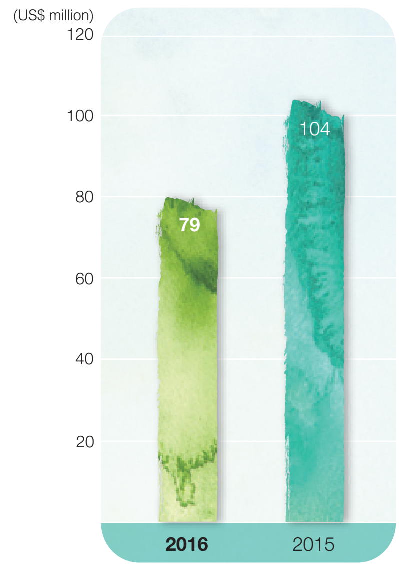
REVENUE



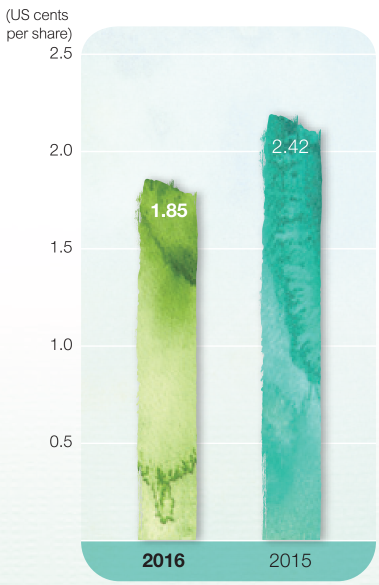
EBITDA[1]



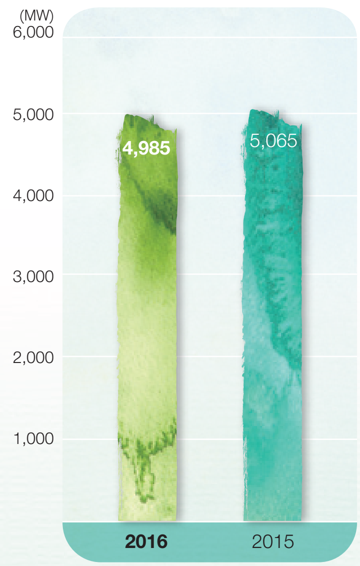
NET PROFIT ATTRIBUTABLE TO OWNER OF THE COMPANY



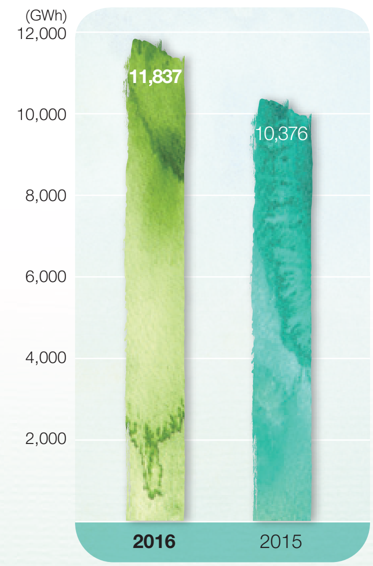
EPS



ATTRIBUTABLE INSTALLED CAPACITY

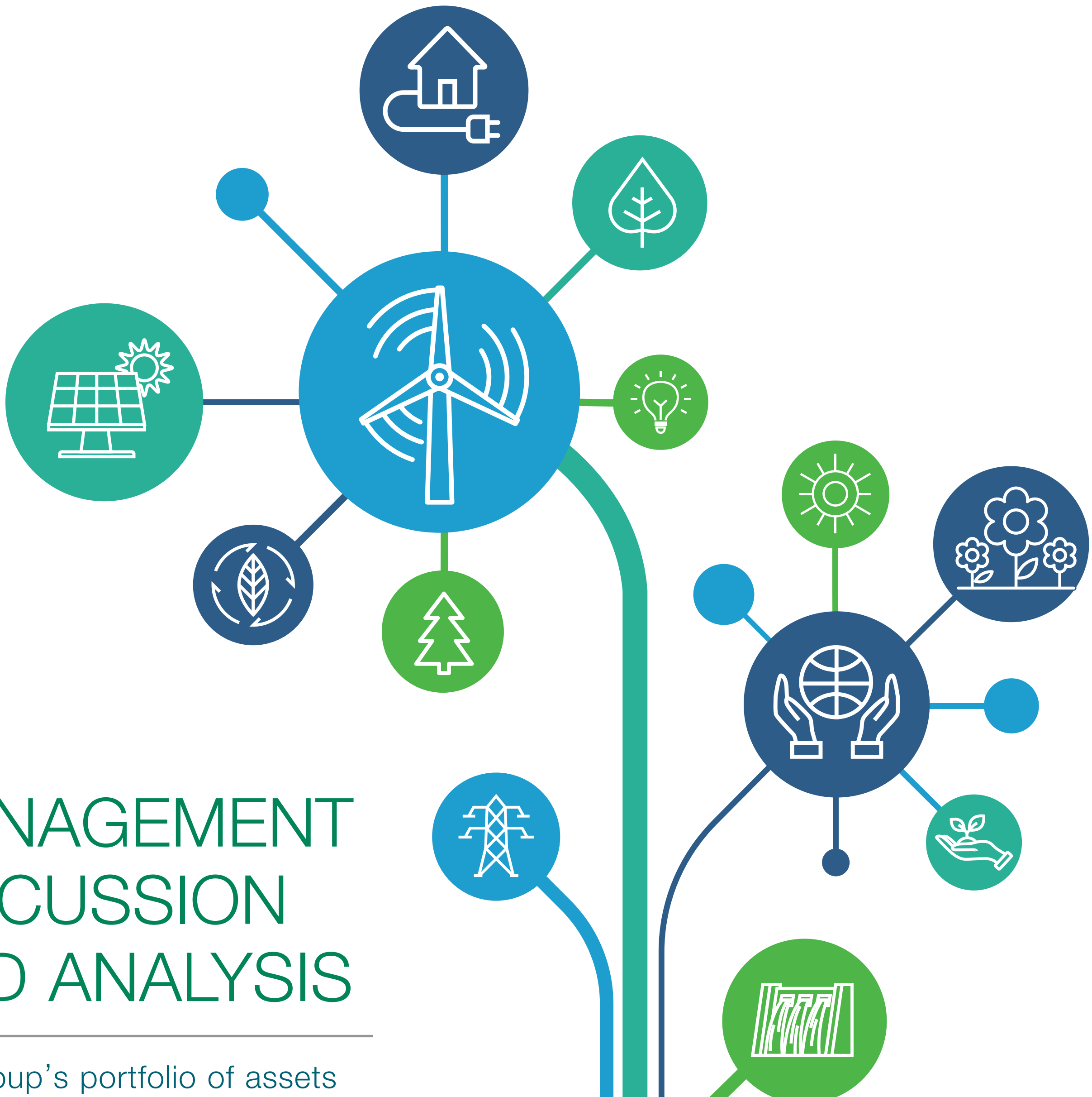


ELECTRICITY SALES



Note:

1. EBITDA is calculated by adding depreciation and amortization to the operating profit.



MANAGEMENT DISCUSSION AND ANALYSIS

The Group's portfolio of assets comprises wind, solar, gas-fired, coal-fired, oil-fired, hydro, cogen and fuel cell projects as well as a steam project which are mainly operating in the PRC and Korean power markets with wide geographical coverage and diversified business scope.

Management Discussion and Analysis

I. INDUSTRY OVERVIEW

During the year of 2016, the macro-economy of PRC was stable and trended upward in general as economic development remained at a reasonable level, quality and efficiency enhanced, economic structure continued to optimize and the supply and demand of electricity were generally on easing. According to the information published by the National Energy Administration of the PRC, the installed capacity of PRC amounted to 1,646 GW in 2016, representing a year-on-year increase of 8.2%, while electricity consumption amounted to 5,920 TWh, representing a year-on-year increase of 5.0%.

Under the background of reinforcing the energy structure adjustment and marketization reform of the power industry, the clean energy industry of PRC has achieved remarkable development and ranked the first in the world in terms of the installed capacity for photovoltaic, wind and hydro power. In 2016, there were two significant features that defined the development of clean energy in PRC: firstly, clean energy consumption has taken great strides and the proportion of non-fossil energy consumption was expected to reach 13.3%, representing a year-on-year increase of 1.3%; secondly, policies favoring new energy were introduced intensively. The "13th Five-Year Plan on Renewable Energy Development" issued by the state predicted that, during the period of the 13th Five-Year Plan, PRC's new investment on renewable energy will amount to RMB2.5 trillion, among which, the new investment on wind power will be about RMB700 billion and that on various solar energy installations will be about RMB1 trillion. Furthermore, the state published the "Notice in relation to Renewable Energy Consumption in the 'Three North' Areas", "Guidance on the Establishment of the Guidance System of Renewable Energy Development and Utilization Objectives" and "Administrative Measures on Guaranteed Buyouts of Renewable Energy Power Generation" and the relevant documents, all of which will provide significant support to the development of renewable energy.

Regarding the Korean market, influenced by global economic uncertainties and crisis emerging from the domestic political environment and large-scale corporations, the economic growth of Korea continued to slow down, resulting in a growth in gross domestic product of 2.7% for 2016. The growth in power demand also lost momentum, which led to issues relating to decreases in capacity factor, utilization hours of power plants and electricity generation, and affected the profitability of Korean gas-fired power generation companies. However, the decrease in natural gas price partially offset the loss from the decline in the system marginal price ("**SMP**").

II. BUSINESS REVIEW

The Group's portfolio of assets comprises wind, solar, gas-fired, coal-fired, oil-fired, hydro, cogen and fuel cell projects as well as a steam project which are mainly operating in the PRC and Korean power markets with wide geographical coverage and diversified business scope. As of 31 December 2016, the operations in the PRC and Korea accounted for approximately 59.0% and 41.0% of our attributable installed capacity of 4,984.6 MW respectively. Additionally, our business in the PRC covers 9 provinces, an autonomous region and a municipality. Clean and renewable energy projects, namely wind, solar, gas-fired, hydro and fuel cell projects, accounted for 64.5% of our attributable installed capacity, and conventional energy projects, namely coal-fired, oil-fired and cogen projects, accounted for 35.5% of our attributable installed capacity.

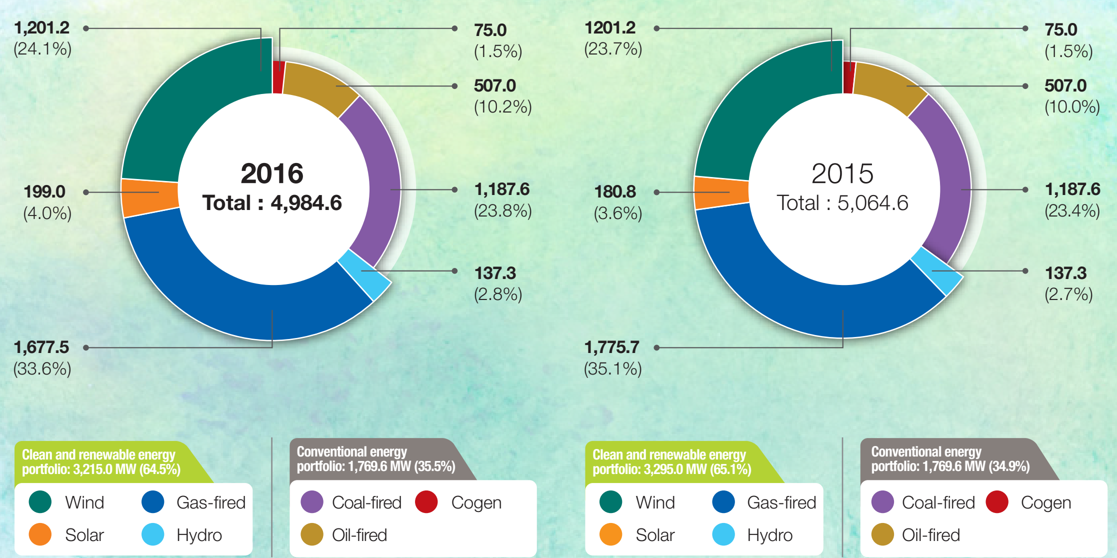
The following table sets out items selected by us from results of the Group (by fuel type):

US$ million	Gas-fired projects	Coal-fired, cogen and steam projects	Oil-fired project	Hydro projects	Wind projects	Solar projects	Corporate	Total
For the year ended 31 December 2016								
Revenue	660.4	173.2	28.1	36.7	113.9	36.0	26.1	1,074.4
Operating expenses	(607.6)	(136.8)	(14.4)	(19.5)	(66.7)	(19.9)	(32.1)	(897.0)
Operating profit	52.8	36.4	13.7	17.2	47.2	16.1	(6.0)	177.4
Profit for the year	45.8	48.3	7.7	12.6	12.7	8.5	(44.6)	91.0
Profit attributable to the owner of the Company	43.5	39.6	7.7	12.1	12.7	8.5	(44.6)	79.5

Management Discussion and Analysis

US$ million	Gas-fired projects	Coal-fired, cogen and steam projects	Oil-fired project	Hydro projects	Wind projects	Solar projects	Corporate	Total
For the year ended 31 December 2015								
Revenue	826.2	188.4	28.5	38.8	35.0	14.5	20.5	1,151.9
Operating expenses	(748.7)	(138.3)	(17.6)	(20.7)	(24.0)	(7.4)	(36.3)	(993.0)
Operating profit	77.5	50.1	10.9	18.1	11.0	7.1	(15.8)	158.9
Profit for the year	40.3	97.6	4.7	14.6	1.0	3.3	(39.1)	122.4
Profit attributable to the owner of the Company	34.9	85.8	4.7	13.3	1.0	3.3	(39.1)	103.9

The attributable installed capacity of the Group's power assets from the Group as of 31 December 2016 and 2015 by fuel type are set out as follows (MW):



As of 31 December 2016, the attributable installed capacity of the Group's power plants reached 4,984.6 MW, representing a decrease of 80 MW or 1.6%, which was mainly due to the disposal of Hexie Power Project with an attributable installed capacity of 98.2 MW to an independent third party in 2016. As of 31 December 2016, the consolidated installed capacity of the Group's power plants reached 4,212.6 MW.

In terms of business development, leveraging the advantages as the sole global platform for the development and operation of the non-nuclear clean and renewable power generation projects of CGN, the Group focused on enhancing the profitability of its clean and renewable energy portfolio. In 2016, the Laoling Tieying Project of CGN Solar (Dezhou) Company Limited, a wholly-owned subsidiary of the Company located in Tieying Town, Laoling City, Dezhou, Shandong Province started on-grid connection and the total installed capacity reached 15 MW. Meanwhile, the Shangyang Project which was invested, constructed and subsequently operated and managed by CGN Solar (Shenzhen) Company Limited, a wholly-owned subsidiary of the Company, in Pingshan District of Shenzhen also started on-grid connection and commenced power generation in 2016, with a total installed capacity of 2 MW.

In 2016, the net electricity generated from the consolidated power generation projects of the Group reached 11,836.7 GWh, representing an increase of 14.1% compared with 10,375.7 GWh last year, mainly due to the electricity generated from our wind power and solar power projects. In 2016, the total steam sold by the Group amounted to 2,989,000 tons, representing an increase of 8.6% as compared with that of last year.

Due to the cessation of supply of fuel to Weigang Power Project by its major fuel supplier, Weigang Power Project has ceased operation since the end of June 2016. The management is considering the possible arrangements arising from the cessation of operation, including without limitation the termination of the relevant agreements and the handling of other follow up matters in relation to the cessation.

Management Discussion and Analysis

The following table sets out the average utilization hour applicable to our projects for the Group:

Average utilization hour by fuel type[(1)]

	For the year ended 31 December	
	2016	2015
PRC Gas-fired Projects[(2)]	**1,168**	1,267
Korea Gas-fired Projects[(3)]	**4,832**	4,703
PRC Coal-fired Projects[(4)]	**4,036**	4,065
PRC Cogen Projects[(5)]	**6,223**	5,529
Korea Oil-fired Projects[(6)]	**8**	13
PRC Hydro Projects[(7)]	**4,287**	4,326
PRC Wind Projects[(8)]	**1,409**	399
PRC Solar Projects[(9)]	**1,299**	516

Notes:

(1) Average utilization hour is the gross electricity generated in a specified period divided by the average installed capacity in the same period.

(2) Average utilization hour for the PRC gas-fired projects decrease was mainly due to cessation of operation at Weigang Power Project since June 2016.

(3) Our Korea gas-fired power projects had higher average utilization hour in 2016 mainly due to higher demand for Yulchon I Power Project.

(4) Average utilization hour for the PRC coal-fired projects remained stable as compared to last year.

(5) Average utilization hour for the PRC cogen projects increased in 2016 was attributable to the increased local demand.

(6) Our Korea oil-fired power project (i.e. Daesan I Power Project) had lower average utilization hour in 2016 since there was a lower demand on oil-fired power plant due to the high Reserve Margin in Korea.

(7) Average utilization hour for the PRC Hydro Projects decreased mainly due to the decreased in local demand.

(8) Average utilization hour for the year ended 31 December 2015 for the PRC wind projects represented operations for the four months from September 2015 only. Average utilization hours for the year ended 31 December 2016 for the PRC wind projects in the Shandong province, the Zhejiang province and the Gansu province are 2,045, 1,900 and 1,144 respectively.

(9) Average utilization hour for the year ended 31 December 2015 for the PRC solar projects represented operations for the four months from September 2015 only. The average utilization hours for the year ended 31 December 2016 for the PRC solar projects in the Western Region (Dunhuang I/II, Jinta, Xitieshan I/II/III, Wulan) and the Eastern Region (Jiaxing, Airport I/II, Shangyang, Laoling Tieying) of the PRC are 1,394 and 945, respectively.

Management Discussion and Analysis

The table below sets out the weighted average tariffs (inclusive of value-added tax ("**VAT**")) applicable to our projects in the PRC and Korea for the Group for the periods indicated:

Weighted average tariff (inclusive of VAT)[(1)]

		For the year ended 31 December	
	Unit	**2016**	2015
PRC Gas-fired Projects	RMB per kWh	**0.5298**	0.5550
Korea Gas-fired Projects[(2)]	KRW per kWh	**94.2**	121.8
PRC Coal-fired Projects[(3)]	RMB per kWh	**0.4273**	0.4747
PRC Cogen Projects[(3)(4)]	RMB per kWh	**0.4568**	0.4840
PRC Hydro Projects	RMB per kWh	**0.3518**	0.3455
PRC Wind Projects[(5)]	RMB per kWh	**0.54**	0.59
PRC Solar Projects	RMB per kWh	**1.10**	1.11
Weighted average tariff-steam (inclusive of VAT)			
PRC Cogen Projects[(6)]	RMB per ton	**171.4**	178.1

Notes:

(1) The weighted average tariffs are affected not only by the change in the tariff for each project but also the change in net power generation for each project.

(2) The weighted average tariff for Korea gas-fired projects was in line with the decrease in Korean gas price and market demand.

(3) The weighted average tariffs for the PRC coal-fired and PRC cogen projects decreased in 2016 since there have been national on-grid tariff downward adjustments directed by the NDRC in May 2015 and January 2016.

(4) The weighted average tariff for our PRC cogen projects excludes steam tariff.

(5) The weighted average tariff for our PRC wind projects decreased in 2016 due to the Group's positive efforts in gaining electricity sales through rigorously calculated bids in provinces with severe grid curtailment.

(6) The weighted average tariff-steam decreased in 2016 was in line with the decrease in PRC coal price.

Management Discussion and Analysis

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

		For the year ended 31 December	
	Unit	**2016**	2015
PRC weighted average gas price(1)(2)(3)	RMB per normal cubic meter ("**Nm³**")	**2.099**	2.403
PRC weighted average standard coal price(1)(4)	RMB per ton	**565.8**	508.8
Korea weighted average gas price(1)(5)	KRW per Nm^3	**467.0**	598.2

Notes:

(1) The weighted average standard coal and the weighted average gas prices are weighted based on the consumption of gas or coal in each applicable period.

(2) The PRC weighted average gas price excludes the gas price for Weigang Power Project, which exclusively uses blast furnace gas.

(3) Our PRC weighted average gas price in 2016 decreased compared to 2015 due to the directive issued by the NDRC to decreased gas prices at gate stations by RMB0.35 per Nm^3 in December 2015, with effect from 20 November 2015.

(4) The PRC weighted average standard coal price in 2016 increased compared to 2015 due to a general increased in demand in 2016.

(5) Our Korea weighted average gas price in 2016 decreased compared to 2015 due to decreases in market gas prices, as indicated by the Japanese Crude Cocktail, a measurement of average prices of crude oil imported into Japan and an important determinant of natural gas prices in Korean markets. However, the Yulchon I Power Project power purchase agreement ("**PPA**") allows us to contractually incorporate fuel cost fluctuations in the tariff charged to our customers.

Revenue and segment information

The Group has three reportable segments as follows:

(1) Power plants in the PRC – Generation and supply of electricity;

(2) Power plants in Korea – Generation and supply of electricity; and

(3) Management companies – Provision of management services to power plants operated by CGN and its subsidiaries.

Management Discussion and Analysis

The following is an analysis of the Group's revenue and results by reportable segment:

For the year ended 31 December 2016

	Power Plants in the PRC *US$'000*	**Power Plants in Korea** *US$'000*	**Management companies** *US$'000*	**Total** *US$'000*
Segment revenue – external	**389,922**	**658,381**	**26,145**	**1,074,448**
Segment results	**106,446**	**37,994**	**1,245**	**145,685**
Unallocated other income				**1,647**
Unallocated operating expenses				**(11,687)**
Unallocated finance costs				**(39,139)**
Unallocated other gains and losses				**1,306**
Share of result of associates				**22,113**
Profit before tax				**119,925**

For the year ended 31 December 2015

	Power Plants in the PRC *US$'000*	Power Plants in Korea *US$'000*	Management companies *US$'000*	Total *US$'000*
Segment revenue – external	317,640	813,806	20,459	1,151,905
Segment results	91,601	44,938	974	137,513
Unallocated other income				1,163
Unallocated operating expenses				(15,671)
Unallocated finance costs				(22,946)
Unallocated other gains and losses				(980)
Share of result of associates				63,313
Profit before tax				162,392

Management Discussion and Analysis

Segment revenue for Power Plants in the PRC increased by approximately 22.8%, mainly attributable to revenue contributed by wind and solar power project companies acquired in 2015, partially offset by the decreased revenue from coal-fired, cogen and gas-fired projects.

Segment revenue for Power Plants in Korea decreased by approximately 19.1%, it was mainly due to the downward change in power tariff which reflected the drop in fuel price.

The Group provides management services to certain subsidiaries of CGN starting from May 2014. The increase in segment revenue for Management companies in 2016 was mainly because the Group incurred more cost in providing the expanded scope of management services.

Segment results for Power Plants in the PRC increased by approximately 16.2%, which was in line with the increased revenue, partially offset by the increased fuel cost from coal-fired, cogen and gas-fired projects due to increase in cost price.

Segment results for Power Plants in Korea decreased by approximately 15.5%, mainly due to the decreased gross margins resulted from drop in revenue.

The following is an analysis of the Group's assets and liabilities by reportable segment.

	2016 ***US$'000***	2015 *US$'000*
Segment assets		
Power Plants in the PRC	**2,019,212**	2,271,429
Power Plants in Korea	**1,200,218**	1,267,300
Management companies	**3,841**	7,491
Total segment assets	**3,223,271**	3,546,220
Interests in associates	**161,717**	174,472
Unallocated	**113,633**	132,176
Consolidated assets	**3,498,621**	3,852,868
Segment liabilities		
Power Plants in the PRC	**1,038,263**	1,210,196
Power Plants in Korea	**790,370**	874,027
Management companies	**1,011**	3,456
Total segment liabilities	**1,829,644**	2,087,679
Unallocated		
– Bond payables	**354,480**	354,103
– Loan from an intermediate holding company	**–**	100,000
– Loan from fellow subsidiaries	**489,579**	450,000
– Others	**13,082**	11,533
Consolidated liabilities	**2,686,785**	3,003,315

(a) The decrease in both segment assets and liabilities for Power Plants in the PRC in 2016 was mainly due to the decrease in property, plant and equipments due to normal depreciation and decrease in other receivables and other payables.

(b) The unallocated loan from an intermediate holding company was fully settled in 2016.

Management Discussion and Analysis

III. OPERATING RESULTS AND ANALYSIS

In 2016, the revenue of the Group amounted to approximately US$1,074.4 million, representing a decrease of approximately 6.7% compared with last year. The profit attributable to the shareholders of the Company amounted to approximately US$79.5 million, representing a decrease of approximately US$24.4 million or 23.5% as compared with last year.

In 2016, the profit of the Group amounted to approximately US$91.0 million, representing a decrease of approximately US$31.4 million or 25.7% as compared with approximately US$122.4 million of last year.

Revenue

In 2016, the revenue of the Group amounted to approximately US$1,074.4 million, representing a decrease of 6.7% compared with approximately US$1,151.9 million of last year. The decrease in revenue was mainly attributable to decreased revenue of Yulchon I Power Project and Yulchon II Power Project. It was mainly due to the decrease in Korea gas-fired tariffs as a result of the increased supply and decreased gas price in the Korea power market. It is partially offset by an increase in revenue contributed by our wind power and solar power projects acquired in September 2015.

Operating Expenses

In 2016, the operating expenses of the Group amounted to approximately US$897.0 million, representing a decrease of approximately 9.7% compared with approximately US$993.0 million of last year. The decrease in operating expenses was mainly due to the decrease in gas price and fuel cost in Yulchon I Power Project and Yulchon II Power Project.

Operating Profit

In 2016, the operating profit, which is equal to revenue minus operating expenses, of the Group amounted to approximately US$177.4 million, representing an increase of approximately US$18.5 million or 11.6% compared with approximately US$158.9 million of last year. The increase in operating profit was mainly contributed by our wind power and solar power projects.

Other Income

Other income mainly represented income from sales of scrap materials, interest income and the refund of value added tax. In 2016, other income of the Group amounted to approximately US$14.3 million, representing a decrease of approximately US$4.3 million or 23.1% compared with approximately US$18.6 million of last year.

Finance Costs

In 2016, the finance costs of the Group amounted to approximately US$115.2 million, representing an increase of approximately US$38.4 million or 50.0% compared with approximately US$76.8 million of last year. The increase in finance costs was mainly attributable to the increase in weighted average balances of bank borrowings and loans from related companies for the acquisition of our wind power and solar power projects in the second half of 2015.

Management Discussion and Analysis

Share of Results of Associates

In 2016, the share of results of associates amounted to approximately US$22.1 million, representing a decrease of approximately US$41.2 million or 65.1% compared with approximately US$63.3 million in last year. The decrease in profit of the associates was mainly due to the national tariff reduction in May 2015 and January 2016 for the PRC coal-fired plants, and the increase in standard coal price in the PRC in the second half of 2016.

Gain on Disposal of a Subsidiary

During 2016, the Group disposed its entire equity interest in Sichuan Hexie Electric Power Co., Ltd, an indirect wholly-owned subsidiary of the Company at the material time, at a consideration of RMB220.10 million (equivalent to US$32.5 million). A gain on disposal of a subsidiary of USD18.7 million was resulted after considering the transaction cost, related cumulative exchange gain and the net assets disposed of.

Income Tax Expenses

In 2016, the income tax expense of the Group amounted to approximately US$28.9 million, representing a decrease of approximately US$11.1 million or 27.8% compared with approximately US$40.0 million of last year.

Liquidity and Capital Resources

The Group's bank balances and cash decreased from US$342.5 million as at 31 December 2015 to US$326.5 million as at 31 December 2016. The decrease was primarily due to repayment of loan from an intermediate holding company in October 2016 and repayment of loan from a fellow subsidiary, partially offset by cash generated from operations.

Net Debt/Equity Ratio

The Group's net debt/equity ratio decreased from 2.74 as at 31 December 2015 to 2.55 as at 31 December 2016 due to the decrease in net debt (which equals total debt less available cash) as a result of the repayment of loans from an intermediate holding company and a fellow subsidiary during the year.

Dividend

At the Board meeting held on 15 March 2017, the Board recommended the payment of a final dividend for the year ended 31 December 2016 of 0.47 US cents per ordinary share (equivalent to 3.64 HK cents per ordinary share), totalling US$20.2 million (equivalent to HK$156.2 million), which is based on 4,290,824,000 Shares in issue on 15 March 2017. Payout ratio of the proposed dividend is 25%.

Management Discussion and Analysis

Earnings per Share

	Year ended 31 December	
	2016	2015
	US cents	*US cents*
Earnings per Share, basic and diluted – calculated based on the weighted average number of ordinary shares for the year	**1.85**	2.42
Earnings per Share, basic and diluted – calculated based on the number of ordinary shares outstanding at year end	**1.85**	2.42

	Year ended 31 December	
	2016	2015
	US$'000	*US$'000*
Earnings for the purpose of calculating basic and diluted earnings per Share (profit for the year attributable to owner of the Company)	**79,472**	103,879
	'000	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per Share	**4,290,824**	4,290,824
Number of ordinary shares outstanding at year end	**4,290,824**	4,290,824

Trade Receivables

	As at 31 December	
	2016	2015
	US$'000	*US$'000*
Trade receivables	**202,331**	200,954
Less: allowance for doubtful debts	**(1,420)**	(189)
	200,911	200,765

The Group allowed a credit period from 30 to 90 days throughout the year to its trade customers. Over 76% (2015: 99%) of the trade receivables were neither past due nor impaired as at 31 December 2016. The management considers that these receivables have good credit rating according to the credit review policy adopted by the Group.

Management Discussion and Analysis

The following is an ageing analysis of trade receivables net of allowance for doubtful debts presented based on the invoice dates (which approximated the revenue recognition dates) at the end of the reporting period.

	As at 31 December	
	2016	2015
	US$'000	*US$'000*
0 – 60 days	**145,277**	199,355
61 – 90 days	**8,334**	552
Over 90 days	**47,300**	858
	200,911	200,765

Trade Payables

The following is an ageing analysis of trade payables presented based on the invoice dates at the end of the reporting period.

	As at 31 December	
	2016	2015
	US$'000	*US$'000*
0 – 60 days	**80,225**	88,154
61 – 90 days	**274**	140
Over 90 days	**6,220**	1,484
Total	**86,719**	89,778

The average credit period for purchases of goods was 44 days (2015: 40 days) for the year ended 31 December 2016. The Group has financial risk management policies in place to ensure all payables are settled within the credit frame.

Financial Position

Non-current assets decreased from US$3,022.1 million as at 31 December 2015 to US$2,740.0 million as at 31 December 2016 was mainly due to the depreciation charges for the year.

Current assets decreased from US$830.7 million as at 31 December 2015 to US$758.6 million as at 31 December 2016 was mainly attributable to the decrease in bank balances.

Current liabilities decreased from US$488.3 million as at 31 December 2015 to US$409.7 million as at 31 December 2016, which was resulted from the decrease in loan from a fellow subsidiary of the wind power and solar power projects.

Non-current liabilities decreased from US$2,515.0 million as at 31 December 2015 to US$2,277.1 million as at 31 December 2016, which was resulted from the decrease in loan from an intermediate holding company as a result of the repayment made during the year.

Management Discussion and Analysis

Bank Borrowings

The Group's total bank borrowings decreased from US$1,650.6 million as at 31 December 2015 to US$1,552.2 million as at 31 December 2016. Details of bank borrowings are as follows:

	As at 31 December	
	2016	2015
	US$'000	*US$'000*
Secured	**1,504,115**	1,547,952
Unsecured	**48,095**	102,678
	1,552,210	1,650,630
The maturity profile of bank borrowings is as follows:		
Within one year	**133,886**	114,024
More than one year but not exceeding two years	**206,869**	136,438
More than two years but not exceeding five years	**421,880**	370,845
Over five years	**789,575**	1,029,323
	1,552,210	1,650,630
Less: Amounts due for settlement within one year shown under current liabilities	**(133,886)**	(114,024)
Amounts due for settlement after one year	**1,418,324**	1,536,606

As at 31 December 2016, the Group had committed unutilized banking facilities of US$752.1 million.

All bank borrowings at the end of the reporting period are denominated in the functional currency of the respective group entities that include RMB, USD and KRW. The bank borrowings of the Group carry interest rates which range from 1.75% to 4.95% (31 December 2015: 1.75% to 5.96%) per annum during the year ended 31 December 2016. The analysis of bank borrowings with fixed interest rate and floating interest rate is analysed below:

	As at 31 December	
	2016	2015
	US$'000	*US$'000*
Fixed rate	**174,024**	213,870
Floating rate	**1,378,186**	1,436,760
	1,552,210	1,650,630

Management Discussion and Analysis

Bond Payables

The Company issued bonds in an aggregate principal amount of US$350.0 million on 19 August 2013 priced at 99.686% of the principal amount that carries interest at 4% per annum and interest is payable semi-annually in arrears and will become mature on 19 August 2018, unless it is redeemed earlier. The carrying amount of the bond payables was US$354.5 million as at 31 December 2016.

Loans from Fellow Subsidiaries

Loan from China Clean Energy Development Limited, a fellow subsidiary of the Company, amounted to US$450.0 million as at 31 December 2016 and 2015, is unsecured, interest bearing at 4.5% per annum and repayable in 2025. It is shown as non-current liability as at 31 December 2016 and 2015.

Loans from CGN Finance, a fellow subsidiary of the Company, amounted to US$111.9 million as at 31 December 2015, were unsecured, interest bearing from 4.37% per annum to 4.86% per annum. Among which US$96.4 million were loans repayable within one year and are shown as current liabilities as at 31 December 2015, while the remaining US$15.5 million was repayable in 2024 and was classified as non-current liability as at 31 December 2015.

All loans from CGN Finance have been repaid in 2016.

During 2016, US$39.6 million has been advanced from CGNPC Huasheng Investment Limited, a fellow subsidiary of the Company, which is unsecured, interest bearing at 4.05% per annum and repayable in 2017. It is shown as current liability as at 31 December 2016.

Loan from an Intermediate Holding Company

Loan from CGNPC International Limited, an intermediate holding company of the Company, amounted to US$100.0 million as at 31 December 2015 was unsecured, interest bearing at 4.5% per annum and repayable in 2025. It was shown as non-current liabilities as at 31 December 2015. Early repayment in full was made during the year ended 31 December 2016.

Capital Expenditures

The Group's capital expenditure decreased by US$24.2 million to US$32.9 million in 2016 from US$57.1 million in 2015.

Contingent Liabilities

As at 31 December 2016 and 2015, the Group had no material contingent liabilities.

Pledged Assets

The Group pledged certain property, plant and equipment, land use rights, bank deposits and restricted cash for credit facilities granted to the Group. As at 31 December 2016, the total book value of the pledged assets amounted to US$1,191.8 million.

Management Discussion and Analysis

Employees and Remuneration Policy

As at 31 December 2016, the Group had about 1,765 full-time employees, with the majority based in China. The Group provides its employees with salaries and bonuses, as well as employee benefits, including retirement schemes, medical and life insurance schemes.

Employees located in China are covered by the mandatory social security schemes required by local practice and regulations of the PRC, which are essentially defined contribution schemes. The Group is required by the PRC law to contribute a certain percentage of the average salaries of the employees to various schemes in accordance with the respective regulatory requirements of each city. The PRC government is directly responsible for the payment of the benefits to these employees.

In Korea, the Group is required by law to contribute 4.5% of the employees' monthly average salaries for the national pension, 3.06% for national health insurance (6.55% of the national health insurance contribution for long term care insurance), 0.9% for unemployment insurance, 0.86% (Seoul Office)/0.76% (Yulchon)/0.76%(Daesan) for the industrial accident compensation insurance and 0.06% for a wage claim guarantee fund.

In Hong Kong, the Group participates in a mandatory provident fund scheme established under the Mandatory Provident Fund Schemes Ordinance (Cap. 485). Employees contribute 5.0% of their relevant income, which is currently capped at HK$1,500, to the mandatory provident fund scheme and the Group contributes 10.0% of each employee's monthly base salary.

In the PRC and Korea, we cannot reduce the existing level of contributions by the forfeited contributions made by the employers on behalf of the employees who leave the defined contribution schemes before the vesting period. In Hong Kong, we have utilized HK$545,000 for the year ended 31 December 2016 (HK$1,786,000 for the year ended 31 December 2015).

The remuneration of senior management is determined by making reference to the performance of individuals and the Group and market trends. Remuneration of senior management (excluding directors) for the year ended 31 December 2016 were within the following bands:

	No. of employees
HK$0 to HK$500,000 (Equivalent to US$0 to US$64,000)	2
HK$1,000,001 to HK$1,500,000 (Equivalent to US$129,001 to US$193,000)	2
HK$1,500,001 to HK$2,000,000 (Equivalent to US$193,001 to US$258,000)	3
HK$2,500,001 to HK$3,000,000 (Equivalent to US$322,001 to US$387,000)	1
Total	8

Management Discussion and Analysis

Environmental Policies and Performance

PRC

Solar and Wind Projects

The Group attaches great importance to environmental protection and enhancement, and strictly complies with the requirements of the PRC Environmental Protection Law (《中華人民共和國環境保護法》), the Administrative Measures for Environmental Protection of Industry (《工業環境保護管理辦法》), the Administrative Regulations for Environmental Control of Power Plants (《發電企業環境監測管理規定》) and other relevant laws and regulations.

Through detailed analyses on each power project, the Group is able to identify and screen out major environment factors, and then work out specific enhancement plans with reference to relevant environmental protection requirements to cope with potential and adverse impact on environment. Wind power and solar power are renewable and clean energy resources, we strive for achieving perfect harmony between the green power generation industry and the natural environment.

Hydro Projects

The hydro projects of the Group strictly comply with the environmental protection requirements of the local government. Being a renewable and clean energy resource, hydro projects almost discharge no pollutant. The requirements of the local government on hydro projects concern waste disposal, noise control, flow control and ecological protection.

Our requirements on waste disposal are implemented according to GB8978-1996 standard, we have achieved grade one standard in waste disposal with all indices up to standard. In respect of our requirements on noise control, they are implemented according to GBZ/T189.8-2007 "Work Place Physical Agents Measurement, Part VIII: Noise (《工作場所物理因素測量第8部分：噪音》)", GBZ2.2-2007 "Occupational Exposure Limits for Hazardous Agents in the Workplace, Part II：Physical Agents (《工作場所有害因素職業病接觸限制第2部分：物理因素》)" and Provision 20 of Order No.47 of State Administration of Work Safety, as well as the relevant requirements set out in the Laws on the Prevention and Control of Occupational Diseases (《職業病防治法》), all monitoring results are of the required standard, and there are no external complaints arising from noise emission. In respect of the flow control requirements for environmental protection, they are implemented according to the water resources distribution plan of local water authority, and there no accidents caused by power generation flow change during the year.

Management Discussion and Analysis

Thermal Projects (coal-fired, oil-fired, gas-fired including cogen)

The environmental protection systems and facilities of our power projects complied with applicable national and local environmental protection regulations. Environmental management in all of our operating project companies met the relevant international standards and have been accredited with ISO14001 (environmental management system) certification. In addition, most of our power projects have their own environmental protection office and staff responsible for monitoring and operating its environmental protection equipment. Remote Emissions Monitoring Systems (REMS) are equipped in all coal fired projects to continuously monitor power projects emissions at the relevant project companies. The Company has continued to invest substantially in energy saving and environmental upgrading facilities at the projects to comply with the regulations and emissions reduction. By the end of 2015, all de-sulfurization, de-nitration and particulate matter removal facilities have been installed and put into service as planned. Since 2016 some coal-fired power plants (Nantong in Jiangsu and Puguang in Henan) have started and completed the "Ultra low emission" technical improvement to further reduce the emission of NOx and SO_2, and have been receiving the environmental tariff rebate from the Government. We are of the view that we are not in material breach of any applicable environmental laws or regulations.

Air emissions of all existing thermal power plants in the PRC have to meet a more stringent new national emissions regulation, which became effective on 1 July 2014. According to the PRC Air Pollution Prevention Law (《中華人民共和國大氣污染防治法》), a penalty of up to RMB100,000 is levied for non-compliance. Furthermore, according to the PRC Environmental Protection Law (《中華人民共和國環境保護法》), an additional penalty of up to RMB100,000 is further levied for non-compliance. The environmental laws and regulations also impose fines on enterprises which violate such laws, regulations or decrees and provide for other sanctions including the possible closure of any power projects which fail to rectify activities that cause environmental damage. For the year ended 31 December 2016, the Company had not received any sanctions to cease operation or rectification to environmental damages.

Korea

The Group is committed to the establishment of good standards of environmental protection and management practices. The environmental policies and facilities of our power projects in Korea are in compliance with the applicable national and local environmental protection regulations in Korea. Our power projects in Korea have their own environmental protection offices and staffs responsible for monitoring and operating its environmental protection equipment. Environmental monitoring system required by the applicable national and local environmental protection regulations are equipped in our power projects in Korea. Environmental management in our operating project companies meet the relevant international standards and have been accredited with ISO14001 (environmental management system) certification.

In addition, our power projects in Korea have passed the relevant supervisory inspections by the local government for air emission levels and environmental management. We are of the view that we are not in material breach of applicable environmental laws or regulations for the year ended 31 December 2016.

Management Discussion and Analysis

Major Customers and Suppliers

Our primary customers are the electricity offtakers for our projects. Our primary suppliers are the fuel providers for our projects. Our largest customer is Korea Power Exchange ("**KPX**") and our largest supplier is Korea Gas Corporation ("**KOGAS**").

KPX is a non-profit, neutral and independent organization in South Korea's power industry. KPX ensures the reliability of power supply by coordinating the flow of electricity in all regions of South Korea. To secure future power reliability, KPX runs a sophisticated national planning process for generation and transmission expansion by active cooperation and coordination with the Korea government. KPX has become our largest customer since the combined cycle of Yulchon II Power Project commenced operations and we have maintained a business relationship with KPX since 2009.

KOGAS is an independent third party supplier of gas for Yulchon I Power Project, Yulchon I Fuel Cell Projects and Yulchon II Power Project in Korea. KOGAS is a publicly listed company on the Korean Exchange that engages in the production and distribution of gas in Korea. KOGAS was incorporated by the Korean government in 1983 and is the sole wholesale supplier of natural gas in Korea.

Other Update on the Properties in the PRC with Title Defects

We are in the process of making application for construction of certain ancillary facilities on the idle land of Mianyang Sanjiang Meiya Hydropower Company Limited (綿陽三江美亞水電有限公司).

IV. RISK FACTORS AND MANAGEMENT

Risks Relating to the Industry

Our power projects are located in the PRC and Korea, both of which have undergone, and may continue to undergo, regulatory changes. Governmental regulations affect all aspects of our power project operations, including the amount and timing of electricity generation, the setting of tariffs, compliance with power grid controls, dispatch directives and environmental protection. Regulatory changes in the PRC and Korea can affect, among other things, dispatch policies, clean and renewable energy and environmental compliance policies and tariffs, and may result in a change of tariff setting procedures or mandatory installation of costly equipment and technologies to reduce environmental pollutants.

Further, the solar power projects are highly dependent on solar illumination conditions, and the wind power projects are dependent particularly on wind conditions. Extreme wind or weather conditions could lead to downtime of the wind power projects. Illumination conditions and wind conditions vary across seasons and locations, and could be unpredictable and are out of our control.

Risk Relating to Fuel Cost

The non-renewable energy power projects of the Group require supplies of coal, oil and gas as fuel. Fuel costs represent a significant portion of our operating expenses and the operating expenses of our associates. The extent to which our profit is ultimately affected by the cost of fuel depends on our ability to pass through fuel costs to our customers as set out under the relevant regulatory guidelines and the terms of our PPA for a particular project, as we currently do not hedge our exposure to fuel price fluctuations. Our fuel costs are also affected by the volume of electricity generated because the coal consumption rate of coal-fired and cogen power projects decrease when we generate more electricity as a result of economies of scale. In the PRC, government tariff regulations limit our ability to pass through changes in fuel costs. In Korea, while our Yulchon I Power Project is able to pass through our exposure to fuel price fluctuations through fuel cost pass through provisions in the tariff formula, our Yulchon II Power Project and Daesan I Power Project receive payments based on the SMP, which is influenced by market demand and supply, and may not fully reflect the power plants' respective fuel price fluctuations. Our diversified generation portfolio enables us to diversify the risks that we would face to utilize a single resource for electricity generation. In particular, our exposure to several fuel types mitigates risks such as price increases in or the availability of any particular fuel source.

Interest Rate Risk

We are exposed to interest rate risk resulting from fluctuations in interest rates on our debt with floating interest rates based on market prevailing rates. We undertake debt obligations to support asset acquisition and general corporate purposes including capital expenditures and working capital needs. Certain of our indebtedness is calculated in accordance with floating interest rate or interest that are subject to adjustment by our lenders. We periodically review the ratio of debt with floating interest rates to debt with fixed rates, taking into account the potential impact on our profit, interest coverage and cash flows.

Management Discussion and Analysis

Foreign Exchange Risk

The functional currency of the Company is U.S. dollars, and our reportable profit is affected by fluctuations in foreign currency exchange rates. We collect most of our revenue from our projects in Renminbi and Korean Won, some of which are converted into foreign currencies to (1) purchase foreign-made equipment and parts for repair and maintenance, (2) make investments in certain joint ventures or acquire interests from other companies, (3) pay out dividends to the shareholders of our project companies, and (4) service our outstanding debt. By managing and monitoring the risks of foreign currency, we ensure that appropriate measures are adopted effectively in a timely manner. We have in the past and may in the future enter into foreign currency hedges if and when it becomes economical to do so.

V. PROSPECTS

The clean power generation industry enjoys a promising outlook for various reasons. Firstly, the need to cope with global climate change has become the fundamental drive for the development of renewable energy, which is a global consensus and nations worldwide are setting higher targets for renewable energy development. The PRC government has promised to attain carbon emission peak value no later than 2030 and the proportion of non-fossil energy to primary energy consumption will increase to 20%. By 2020, the cumulative installed capacity of PRC's wind power and solar power is expected to exceed 320 GW, which will be nearly double the capacity at the end of the 12th Five-Year Plan Period. Secondly, there is much room for cost reduction and efficiency enhancement of renewable energy to be achieved by technological advancement. For instance, regarding wind power, there will be the introduction of new low wind speed wind turbines with bigger blades ; and for solar energy, the conversion efficiency of solar cells will continue to increase. Thirdly, the new round of power reform is expected to bring about positive results. With the electricity sales market opening up, the establishment of channel between upstream and downstream players in the energy sector will provide much room for customer-oriented comprehensive service.

Facing the future macro-economic environment, development trend in the power industry as well as the remaining challenges in the PRC and Korean markets which include the decreases in tariff and utilization hours, power restriction, exchange rate and interest rate, the Group will continue to give full play to its role as CGN's sole global platform for the development and operation of non-nuclear clean and renewable power generation projects. We will continue to seek acquisition opportunities in relation to high quality clean and renewable power generation projects and continuously acquire clean and renewable power generation projects from CGN. It will also constantly promote its own greenfield and brownfield projects to upgrade its core capacity in the operation and maintenance of the wind power and solar power businesses, thereby enhancing its market competitiveness and profitability to reward shareholders with outstanding performance.

EVENT OCCURRING AFTER THE REPORTING PERIOD

No other important event or transaction affecting the Group has taken place after 31 December 2016.

USE OF PROCEEDS

The Company was listed on the Main Board of the Stock Exchange on 3 October 2014. Net proceeds from the global offering (including the proceeds from the exercise of the overallotment option) were approximately HK$1,966.1 million (after deducting the underwriting fees and commissions and other listing-related expenses). As at 31 December 2016, the unutilised proceeds of approximately HK$578.1 million were deposited into short-term deposits.

Use of net proceeds from global offering

	Percentage to total amount	Net proceeds *(HK$ million)*	Utilised amount (up to 31 December 2016) *(HK$ million)*	Unutilised amount (up to 31 December 2016) *(HK$ million)*
Acquisition of clean and renewable power projects from CGN, the parent company of the Company	70%	1,376.3	1,376.3	–
Acquisition of operational power projects and development of greenfield projects acquired from independent third parties	30%	589.8	11.7	578.1
		1,966.1	1,388.0	578.1

Biographies of Directors and Senior Management

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

(1)

Mr. CHEN Sui（陳遂）

Mr. CHEN Sui（陳遂）, aged 52, is the Chairman and a non-executive Director. Mr. Chen has been a Director and the Chairman since 3 January 2014. He was re-designated from a non-executive Director to an executive Director on 26 January 2015 and was further re-designated as a non-executive Director on 12 July 2016. He is principally responsible for overall corporate strategies planning and business development of the Group. Mr. Chen also serves as the chairman of the nomination committee of the Company and a member of the strategy development committee of the Company. Mr. Chen concurrently serves as a director of CGN Europe Energy Co., Ltd.（中廣核歐洲能源公司）. Mr. Chen has more than 27 years of experience in strategic planning, renewable energy development, construction, operation management and energy conservation management. He has previously served as an assistant to the head of infrastructure planning division of the planning department of CGN, deputy general manager and manager of new energy development department of CGN Energy Development Co., Ltd.（中廣核能源開發有限責任公司）, general manager of CGN Wind Energy Ltd.（中廣核風電有限公司）. Prior to joining China General Nuclear Power Corporation（中國廣核集團有限公司）("**CGN**"), Mr. Chen worked as project manager and department manager of the business enterprise department of China Energy Conservation Investment Corporation（中國節能投資公司）, general manager of Beijing Guotou Energy Conservation Company（北京國投節能公司）under China Energy Conservation Investment Corporation. Mr. Chen received the qualification of Senior Engineer from the Senior Specialized Technical Services Qualification Committee for China Energy Conservation Investment Corporation（中國節能投資公司高級專業技術職務評審委員會）in December 2000. Mr. Chen obtained a Bachelor Degree in Engineering with a concentration in liquid rocket engine from National University of Defense Technology（國防科學技術大學）in July 1987 and a Master Degree in Management Engineering from Shanghai Jiao Tong University（上海交通大學）in November 1996. Mr. Chen ceased to hold office as a supervisor of CGN Power Co., Ltd.（中國廣核電力股份有限公司）(a company listed on the Stock Exchange, Stock Code: 1816) with effect from 12 June 2015, ceased to hold office as the chairman of CGN Solar Energy Development Co., Ltd.（中廣核太陽能開發有限公司）with effect from 15 January 2016, and ceased to hold office as the chairman of CGN Wind Energy Ltd.（中廣核風電有限公司）and CGN Energy Service Co., Ltd.（中廣核節能產業發展有限公司）with effect from 25 February 2016.

PRESIDENT AND EXECUTIVE DIRECTOR

(2)

Mr. LIN Jian（林堅）

Mr. LIN Jian（林堅）, aged 53, is the President and an executive Director. Mr. Lin has been a Director and Chief Executive Officer (title changed to "President" with effect from January 2014) since 9 October 2012. Mr. Lin also serves as a member of the strategy development committee of the Company. He is principally responsible for leading and managing all the activities of the Group to achieve the goals and objectives set by the Board, identifying and recommending the short, medium and long-term business strategies, directing and executing the Group's plans and budgets, directing and organizing the Group's material, human and economic resources to deliver the corporate results, identifying and developing business opportunities to grow the Group. Mr. Lin also serves as the representative director of three wholly-owned subsidiaries of the Company in Korea. Mr. Lin has over 14 years of experience in the power industry. Mr. Lin was the general manager and a director of CGN Energy Development Co., Ltd.（中廣核能源開發有限責任公司）from September 2012 to May 2014. He served as the general manager of Guangdong Nuclear Power Joint Venture Co., Ltd.（廣東核電合營有限公司）from February 2006 to September 2012, and the general manager of Lingao Nuclear Power Co., Ltd.（嶺澳核電有限公司）and Lingdong Nuclear Power Co., Ltd.（嶺東核電有限公司）from April 2010 to September 2012. Mr. Lin also held various positions with China Guangdong Nuclear Power Group Co., Ltd.（中國廣東核電集團有限公司）(former name of CGN) from November 1999 to February 2006, including positions in the finance department and the business enterprise department, the manager of assets operations department and deputy secretary of finance and economic committee. Mr. Lin obtained a Bachelor Degree in Engineering with a concentration in Industrial Automation from Huazhong University of Science and Technology（華中科技大學）(formerly known as Huazhong Institute of Science and Technology（華中工學院）) in July 1984 and a Master Degree in Engineering with a concentration in Electronic Precision Machinery（電子精密機械專業）from the University of Electro-Communications in Japan（日本電氣通信大學）in March 1988. Mr. Lin was appointed as a director of Final Capital SDN BHD, a company incorporated in Malaysia, and its ultimate shareholder is CGN, with effect from 23 March 2016. Mr. Lin has been a director of The Hong Kong Chinese Enterprises Association since 30 September 2016.

Biographies of Directors and Senior Management

NON-EXECUTIVE DIRECTORS

(3)

Mr. XU Yuan（徐原）

Mr. XU Yuan（徐原）, aged 54, has been a non-executive Director since 18 March 2015. Mr. Xu also serves as the general counsel and the general manager of the legal affairs department of CGN concurrently, as well as the general counsel and the general manager of the legal affairs department of CGN Power Co., Ltd.（中國廣核電力股份有限公司）(a company listed on the Stock Exchange, Stock Code: 1816). He also serves as a director of China General Nuclear Capital Holdings Co., Ltd.（中廣核資本控股有限公司）and CGN Europe Energy Co., Ltd.（中廣核歐洲能源公司）. Mr. Xu has over 17 years of experience in corporate legal issues and he served as the general manager of the legal affairs department of CGN for the period from April 2003 to January 2011. Mr. Xu obtained a Bachelor of Laws Degree from China University of Political Science and Law in July 1985.

(4)

Mr. YIN Engang（尹恩剛）

Mr. YIN Engang（尹恩剛）, aged 48, has been a non-executive Director since 18 March 2015. Mr. Yin also serves as a member of each of the audit committee of the Company and the investment and risk management committee of the Company. Mr. Yin holds the position of general manager of the finance department of CGN. He also serves as a director of CGNPC International Limited（中廣核國際有限公司）. Mr. Yin has almost 20 years of experience in finance and audit and he served as the chief financial officer of China Guangdong Nuclear Power Industry Investment Fund Management Co., Ltd.（中廣核產業投資基金管理有限 公司）for the period from July 2008 to March 2014. Mr. Yin graduated from Shaanxi School of Mechanics（陝西機械學院）with a Bachelor of Industrial Accounting Degree in July 1990 and obtained a Master of Management Engineering degree from Shaanxi School of Mechanics（陝西機械學院）in April 1993. Mr. Yin is a qualified senior accountant. Mr. Yin resigned as a non-executive director of CGN Mining Company Limited（中廣核礦業有限公司）(a company listed on the Stock Exchange, Stock Code: 1164) with effect from 29 June 2016.

(5)

Mr. DAI Honggang（戴洪剛）

Mr. DAI Honggang（戴洪剛）, aged 46, is a non-executive Director. Mr. Dai has been a Director since 7 March 2011. Mr. Dai serves as the chairman of the investment and risk Management committee of the Company and the strategy development committee of the Company, and a member of the remuneration committee of the Company. Mr. Dai also serves as a director of CGN Energy Development Co., Ltd.（中廣核能源開發有限責任公司）and the deputy general manager of strategies and planning department of CGN Power Co., Ltd.（中國廣核電力股份有限公司）(a company listed on the Stock Exchange, Stock Code: 1816). Mr. Dai has over 11 years of experience in business planning and management. He has served as the assistant to general manager of strategies and planning department of CGN since August 2011, and held various senior positions in the strategies and planning department and the assets operations department of CGN from December 2002 to August 2011, including the head of evaluation and statistics division, senior manager of operations and evaluation, the deputy head of operation and evaluation division of strategies and planning department, the deputy head of operation and management division and the investment management officer of assets operations department. Mr. Dai worked at the business development department of Guangdong Nuclear Power Industrial Development Co., Ltd.（廣東核電實業開發有限公司）from January 2002 to May 2002, the engineering department of CGN Datang Real Estate Co., Ltd.（中廣核電大唐置業有限公司）from February 1996 to September 1999, and the operation division of the production department of Guangdong Nuclear Power Joint Venture Co., Ltd.（廣東核電合營有限公司）from July 1990 to December 1994. Mr. Dai received the qualification of Economist from the Ministry of Personnel（國家人事部）(former name of the Ministry of Human Resources and Social Security（人力資源與社會保障部）) in November 2004. Mr. Dai obtained a University Diploma in nuclear reactor engineering from Shanghai Jiao Tong University（上海交通大學）in July 1990, a Bachelor Degree in monetary banking from Shanghai Jiao Tong University（上海交通大學）in July 1997, a Master Degree in business administration from the Maastricht School of Management in the Netherlands in August 2000 and a Master Degree in computer based information systems from the University of Sunderland in the United Kingdom in November 2001.

Biographies of Directors and Senior Management

(6)

Mr. WU Junfeng（吳俊峰）

Mr. WU Junfeng（吳俊峰）, aged 43, has been a non-executive Director since 12 July 2016. Mr. Wu also serves as a member of the Strategy Development Committee of the Company. Mr. Wu Junfeng is currently a non-executive director of CGN Mining Company Limited（中廣核礦業有限公司）(a company listed on the Stock Exchange, Stock Code: 1164), the general manager of the asset operation department of CGN and CGN Power Co., Ltd.（中國廣核電力股份有限公司）(a company listed on the Stock Exchange, Stock Code: 1816), a general manager of Guangdong Nuclear Investment Co., Ltd.（廣東核電投資有限公司）and an executive director of Shenzhen Nengzhihui Investment Co., Ltd.（深圳市能之匯投資有限公司）. He has more than 15 years of experience in finance and audit. Mr. Wu Junfeng served as an audit director of the audit department of CGN from July 2000 to November 2002 and from June 2003 to April 2006, respectively. From November 2002 to June 2003, Mr. Wu Junfeng worked as a manager of the general department of Shenzhen Daya Business Investment Management Company（深圳市大亞商業投資管理公司）. He was the vice director of the finance and accounting department of China Nuclear Power Engineering Co., Ltd.（中廣核工程有限公司）from April 2006 to July 2006. Mr. Wu Junfeng worked as the chief financial officer and the chief accountant at China Techenergy Co., Ltd.（北京廣利核系統工程有限公司）from July 2006 to June 2007 and from June 2007 to May 2009, respectively. Mr. Wu Junfeng served as an assistant to general manager of the financial department of CGN from May 2009 to March 2012 and as the chief accountant of Yangjiang Nuclear Power Co., Ltd.（陽江核電有限公司）from March 2012 to May 2016. Mr. Wu Junfeng obtained a Bachelor of Science Degree in statistics from Southwestern University of Finance and Economics（西南財經大學）in July 1995. He also obtained a Master of Management Degree and a Doctorate of Management Degree in accounting from Southwestern University of Finance and Economics（西南財經大學）in July 2000 and June 2009 respectively. Mr. Wu Junfeng possesses the qualification as a certified public accountant in the PRC.

(7)

Mr. XING Ping（邢平）

Mr. XING Ping（邢平）, aged 52, is a non-executive Director. Mr. Xing has been a Director since 9 April 2013. Mr. Xing serves as a member of the investment and risk management committee of the Company. Mr. Xing also serves as a director of CGN Energy Development Co., Ltd.（中廣核能源開發有限責任公司）. Mr. Xing has over 27 years of experience in corporate governance, investment and risk management, having previously served as the senior audit director and chief engineer of China Nuclear Power Engineering Co., Ltd.（中廣核工程有限公司）and senior engineer at Lingao Nuclear Power Co., Ltd.（嶺澳核電有限公司）. Mr. Xing received the qualification of Senior Engineer from CGN in December 2000 and the qualification of Registered Supervision Engineer（國家註冊監理工程師）from the Ministry of Personnel（人事部）(former name of the Ministry of Human Resources and Social Security（人力資源與社會保障部）) and the Ministry of Construction（建設部）(former name of the Ministry of Housing and Urban-Rural Development（住房和城鄉建設部）) of the People's Republic of China in December 1997. Mr. Xing graduated from China Three Gorges University（三峽大學）(formerly known as Gezhou Ba Hydro Power Engineering Institute（葛洲壩水電工程學院）) in July 1986, majoring in power automation. Mr. Xing was appointed as a director of CGN Europe Energy Co., Ltd.（中廣核歐洲能源公司）with effect from 10 October 2016 and he was appointed as chairman of the investment and risk management committee on the board of directors of CGN Europe Energy Co., Ltd.（中廣核歐洲能源公司）with effect from 18 October 2016. Mr. Xing ceased to act as a director and chairman (convener) of the investment and risk management committee on the board of directors of CGN Solar Energy Development Co., Ltd.（中廣核太陽能開發有限公司）with effect from 15 January 2016, and ceased to act as a director and chairman (convener) of the investment and risk management committee on the board of directors of CGN Wind Energy Ltd.（中廣核風電有限公司）with effect from 25 February 2016.

Biographies of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

(8)

Mr. LEUNG Chi Ching Frederick（梁子正）

Mr. LEUNG Chi Ching Frederick（梁子正）, aged 58, has been an independent non-executive Director since 17 September 2014. Mr. Leung also serves as the chairman of the audit committee of the Company. Mr. Leung has over 30 years of professional and industrial experience in management, corporate governance, corporate finance, banking and accounting. Mr. Leung was appointed as an independent non-executive director and a member of the audit committee and nomination committee of China Logistics Property Holdings Co., Ltd (a company listed on the Stock Exchange, stock code: 1589) on 14 June 2016. He was previously an executive director, chief finance officer and company secretary of Skyworth Digital Holdings Limited ("**Skyworth**") (a company listed on the Stock Exchange, Stock Code: 751). In his almost nine years of services in Skyworth, he was mainly responsible for the company's successful resumption of trading of its shares and strengthening of its internal controls, accounting system, corporate governance and investor relations management. In 2011 and 2013, Skyworth was awarded by Asia Money as the Best Managed Medium Cap Company in China of 2011 and by Forbes as Asia's Fabulous 50 of 2013, respectively. Furthermore, Mr. Leung accumulated 14 years' working experience in Deloitte Touche Tohmatsu. He left Deloitte Touche Tohmatsu in June 1999 as a principal of corporate finance. Mr. Leung obtained a Bachelor Degree of Science in Business Administration (major in Accounting) from the University of The East in the Philippines in November 1981. He became an associate member of the Hong Kong Institute of Certified Public Accountants in April 1997 and has been its fellow member since October 2013. Also, he has been a member of the American Institute of Certified Public Accountants since December 1996. He has been a member of the Hong Kong Securities and Investment Institute since April 1999 and has been its fellow member since November 2015. In addition, he has been a founding member of the Hong Kong Independent Non-Executive Director Association since November 2015.

(9)

Mr. FAN Ren Da Anthony（范仁達）

Mr. FAN Ren Da Anthony（范仁達）, aged 56, has been an independent non-executive Director since 17 September 2014. Mr. Fan also serves as a member of each of the audit committee, the remuneration committee and the nomination committee of the Company. He has been the managing director of AsiaLink Capital Limited（東源資本有限公司）since October 2003. He is also an independent non-executive director of twelve public companies listed on the Stock Exchange, including Raymond Industrial Ltd.（利民實業有限公司）(a company listed on the Stock Exchange, Stock Code: 229), CITIC Resources Holdings Limited（中信資源控股有限公司）(a company listed on the Stock Exchange, Stock Code: 1205), Uni-President China Holdings Ltd.（統一企業中國控股有限公司）(a company listed on the Stock Exchange, Stock Code: 220), Renhe Commercial Holdings Company Limited（人和商業控股有限公司）(a company listed on the Stock Exchange, Stock Code: 1387), Shanghai Industrial Urban Development Group Limited（上海實業城市開發集團有限公司）(a company listed on the Stock Exchange, Stock Code: 563), Hong Kong Resources Holdings Company Limited（香港資源控股有限公司）(a company listed on the Stock Exchange, Stock Code: 2882), China Development Bank International Investment Limited（國開國際投資有限公司）(a company listed on the Stock Exchange, Stock Code: 1062), Guodian Technology & Environment Group Corporation Limited（國電科技環保集團股份有限公司）(a company listed on the Stock Exchange, Stock Code: 1296), LT Commercial Real Estate Limited（勒泰商業地產有限公司）(a company listed on the Stock Exchange, Stock Code: 112), Technovator International Limited（同方泰德國際科技有限公司）(a company listed on the Stock Exchange, Stock Code: 1206); Tenfu (Cayman) Holdings Company Limited（天福（開曼）控股有限公司）(a company listed on the Stock Exchange, Stock Code: 6868) and Neo-Neon Holdings Limited（同方友友控股有限公司）(a company listed on the Stock Exchange, Stock Code: 1868). Mr. Fan obtained a Master Degree in business administration from the University of Dallas in the U.S. in December 1986.

Biographies of Directors and Senior Management

(10)

Mr. WANG Susheng（王蘇生）

Mr. WANG Susheng（王蘇生）, aged 48, has been an independent non-executive Director since 17 September 2014. Mr. Wang also serves as a member of the Strategy Development Committee of the Company. He is currently a professor and supervisor for doctoral students at the Urban Planning and Management School under Shenzhen Graduate School of Harbin Institute of Technology（哈爾濱工業大學）and president of Shenzhen Public Administration Institute（深圳市公共管理學會）. He is also currently an independent non-executive director of two listed companies, including Guangzhou Automobile Group Co., Ltd.（廣州汽車集團股份有限公司）(a company listed on the Stock Exchange, Stock Code: 2238) and Shenzhen Terca Technology Co., Ltd.（深圳市特爾佳科技股份有限公司）(a company listed on the Shenzhen Stock Exchange, Stock Code: 002213). His prior experience includes financial engineering, investment management, taxation, accounting management, corporate finance, public administration and venture capital management. He has previously worked at various companies, including Weishen Securities Co., Ltd.（蔚深證券有限責任公司）. Mr. Wang obtained a Certified Public Accountants（註冊會計師）qualification from The Chinese Institute of Certified Public Accountants in May 1997 and Chartered Financial Analyst（註冊金融分析師）qualification from CFA Institute in September 2004. He was admitted as an attorney in the PRC in June 1997. Mr. Wang obtained a Master Degree in economics from Renmin University of China（中國人民大學）in June 1994, a Doctoral Degree in law from Peking University（北京大學）in July 2000, a Post-Doctoral Degree in management from Tsinghua University（清華大學）in September 2002 and Master of Business Administration Degree from University of Chicago in the U.S. in March 2004. Mr. Wang resigned as an independent non-executive Director of Shenzhen KSTAR Science & Technology Co., Ltd. with effect from 11 September 2015. Mr. Wang resigned as an independent non-executive director of Shenzhen Rapoo Technology Co., Ltd.（深圳雷柏科技股份有限公司）(a company listed on the Shenzhen Stock Exchange, Stock Code: 002577) with effect from 19 May 2016.

(11)

Mr. ZHANG Dongxiao（張東曉）

Mr. Zhang Dongxiao（張東曉）, aged 50, has been an independent non-executive Director since 7 July 2015. Mr. Zhang also serves as the chairman of the Remuneration Committee and a member of the Nomination Committee of the Company. Mr. Zhang has been a professor of Peking University（北京大學）since 2010 and has been the dean of the school of engineering at Peking University since 2013. He has previously held various positions at various institutions, including as Gordon S. Marshall professor of water resources & petroleum engineering, the Sonny Astani department of civil and environmental engineering and the Mork Family department of chemical engineering and materials science of the University of Southern California, the United States of America from 2007 to 2010, as Miller Chair professor at Mewbourne School of Petroleum and Geological Engineering of the University of Oklahoma, the United States of America from 2004 to 2007 and as senior research scientist and team leader of earth and environmental sciences division at the Los Alamos National Laboratory from 1996 to 2004. Mr. Zhang obtained a Bachelor Degree in Mining Engineering in July 1988 from Northeastern University（東北大學）. He also obtained a Master Degree, a Doctoral Degree and a Post-Doctoral Degree in Hydrology from the University of Arizona, the United States of America, in December 1992, December 1993 and February 1995 respectively.

GENERAL

Save as disclosed above,

(1) the Directors did not hold any directorship in other listed public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years prior to the date of this report and does not hold any other positions with the Company or other members of the Group; and

(2) the Directors do not have other relationship with any other Director, senior management, substantial shareholder or controlling shareholder of the Company.

Biographies of Directors and Senior Management

SENIOR MANAGEMENT

(1) Mr. LIN Jian（林堅）

Mr. LIN Jian（林堅）is the President of the Company. See " President and Executive Director" in this report for details of Mr. Lin's biography.

(2) Mr. LI Xiaoxue（李曉學）

Mr. LI Xiaoxue（李曉學）, aged 52, joined the Company in June 2015. He is currently serving as the senior vice president of the Company. Prior to joining the Company, Mr. Li was an assistant engineer of Northeast Electric Power Research Institute（東北電力科學研究院）from July 1986 to February 1990. From February 1990 to May 1995, he held several positions in Guangdong Nuclear Power Joint Venture Co., Ltd.（廣東核電合營有限公司）including the person in charge for commissioning in the commission team of engineering department, as well as the engineer of maintenance and repair division for instruments of production department. From May 1995 to July 2003, he held several positions in Lingao Nuclear Power Co., Ltd.（嶺澳核電有限公司）including the engineer of the design division of electrical instrument and control of engineering department, engineer of the working team in Europe, engineer of license application division and division head of the general operation and design department of engineering department, deputy head of the design division for nuclear Islands of engineering department, and the deputy head of the license application division of engineering department. Mr. Li served as the manager assistant of the planning and design department of Guangsihe Company（廣四核公司）from July 2003 to June 2004; the manager assistant of the design department of China Nuclear Power Engineering Co., Ltd.（中廣核工程有限公司）from June to November in 2004. He served as manager assistant in the development and planning department of CGN from November 2004 to December 2005. Mr. Li also held serval positions in China Nuclear Power Engineering Co., Ltd.（中廣核工程有限公司）from December 2005 to August 2011, including the manager of Hongyanhe on-site project, manager of new project development department and general manager of new projects. Since August 2011 to date, he has been the general manager of CGN Solar Energy Development Co., Ltd.（中廣核太陽能開發有限公司）and secretary to the Communist Party Committee and the general manager of the investment and development department of CGN. Mr. Li obtained a Master Degree in Engineering from the Huazhong University of Science and Technology（華中科技大學）in 2007 and a Bachelor Degree in Engineering majoring in Power System and Automation from Xian Jiaotong University（西安交通大學）in July 1986. Mr. Li holds professional qualification as a senior engineer.

(3) Mr. SUN Yi（孫毅）

Mr. SUN Yi（孫毅）, aged 58, joined the Company on 3 January 2014 as the senior vice president responsible for the Hydro Power Business Unit. Prior to that, Mr. Sun is primarily responsible for overseeing the former Safety and Technical Department, the Internal Audit Department and the Office Administration and Corporate Culture Department. Mr. Sun has over 35 years of experience in engineering and management of power project. Prior to joining the Company, Mr. Sun worked in various subsidiaries of CGN, which he held managerial positions such as Deputy General Manager, Director, and Nuclear Safety Technical Adviser (NSTA) from July 2003 to December 2013. Prior to that, Mr. Sun worked at the Production and Nuclear Safety Department, and Engineer Department of CGN and its subsidiaries. He began his career in the power industry in Jiangxi Electric Power Design Institute, where he worked as an engineer from February 1982 to June 1991. Mr. Sun obtained the Nuclear Power Plant Senior Reactor Operator License（核電站反應堆高級操縱員執照）in October 1998, was qualified as Nuclear Safety Engineer（註冊核安全工程師）in June 2004 and awarded as Professor Level Senior Engineer by CGN in December 2008. He also obtained the qualification of certified Senior Enterprise Risk Manager in April 2010. Mr. Sun obtained a bachelor's degree in thermal energy and power engineering from Zhejiang University（浙江大學）in January 1982 and a master's degree in business management from the Renmin University of China（中國人民大學）in July 1996.

Biographies of Directors and Senior Management

(4) Mr. LI Yilun (李亦倫)

Mr. LI Yilun (李亦倫), aged 45, joined the Company in June 2015. He is currently serving as the senior vice president of the Company. Prior to joining the Company, Mr. Li held several positions in Inner Mongolia Wind Power Corporation (內蒙古風電公司) from July 1997 to July 2006, including operation inspector, supervisor of infrastructure department, deputy head and head of production and technical department, as well as plant manager of wind power plant in Huitengxile (輝騰錫勒風電廠). He was the deputy director of Huanghai Wind Power Preparatory Office of Suzhou Nuclear Power Research Institute (蘇州熱工研究院有限公司) from July 2006 to April 2007. Since April 2007, he served several positions in CGN Wind Energy Ltd. (中廣核風電有限公司) including deputy general manager of the Eastern China Branch, general manager of the Northeast China Branch, as well as the assistant to the general manager and the deputy general manager of CGN Wind Energy Ltd. (中廣核風電有限公司). Since January 2015 to date, he has been general manager and deputy secretary to the Communist Party Committee of CGN Wind Energy Ltd. (中廣核風電有限公司). Mr. Li obtained a Bachelor Degree in Engineering majoring in Power System and Automation from China Agricultural University (中國農業大學) in July 1997, and a Master Degree in Engineering majoring in Safety Technology and Engineering from Chinese University of Mining and Technology (中國礦業大學) in August 2005. Mr. Li holds profession qualification as a senior engineer.

(5) Ms. LIANG Bin (梁濱)

Ms. LIANG Bin (梁濱), aged 51, joined the Company in January 2015. She is currently the chief auditor and the secretary of the discipline committee of the Company. Prior to joining the Company, Ms. Liang served in Guangdong Nuclear Power Joint Venture Co., Ltd. (廣東核電合營有限公司) from July 1987 to July 1994 in the positions of secretary to the construction manager of the engineering department, technical secretary to the office in Europe and secretary to the manager. From August 1994 to July 2011, she served CGN in various positions including the secretary, the secretarial officer, the secretary to the Board, Secretary of the Communist Party Committee, head of the organization division (組幹處處長), assistant to the director of the working department of the Communist Party Committee (黨組工作部主任助理). She was the deputy director of the supervisory and auditing department of China General Nuclear Power Corporation (中國廣核集團有限公司) from July 2011 to January 2015 and concurrently served as the deputy director of CGN Power Co., Ltd. (中國廣核電力股份有限公司) from May 2014 to January 2015. Ms. Liang obtained a bachelor of Arts degree in English from Guangzhou Foreign Language School (廣州外國語學院) in July 1987.

(6) Mr. YAO Wei (姚威)

Mr. YAO Wei (姚威), aged 41, joined the Company in January 2015. He is currently the chief accountant of the Company. Prior to joining the Company, Mr. Yao held several positions in the finance department of Guangdong Nuclear Power Joint Venture Co., Ltd. (廣東核電合營有限公司) from July 1997 to March 2003. From March 2003 to May 2007, he served in several positions in Daya Bay Nuclear Power Operations and Management Co., Ltd. (大亞灣核電運營管理有限責任公司) including deputy director and director of fixed asset in asset division of finance department, and the head of the internal control unit of account division of the finance department; From May 2007 to September 2011, he served in several positions in the finance department in CGN including budget management director of budget division, tax management manager, senior tax management manager and head of comprehensive finance division. He served as the Company's chief accountant of CGN Wind Energy Ltd. from September 2011 to January 2015. Mr. Yao obtained a bachelor's degree in economics (Accounting) from Zhongnan University of Economics and Law (中南財經大學) in June 1997. He holds professional qualifications as Certified Public Accountants.

Biographies of Directors and Senior Management

(7) Mr. LI Jing（李靖）

Mr. LI Jing（李靖）, aged 51, joined the Company in January 2015. He is currently the safety director of the Company. Prior to joining the Company, Mr. Li served in the design division of nitrogenous fertiliser factory of Nanning Chemical Industry Co., Ltd.（南化公司氮肥廠）from July 1987 to February 1992; manager office of the engineering department of Lingao Nuclear Power Co., Ltd. from February 1992 to June 1994; the production department of Guangdong Nuclear Power Joint Venture Co., Ltd. from July 1994 to March 2003; and the maintenance department of Daya Bay Nuclear Power Operations and Management Co., Ltd from March 2003 to August 2004. From September 2004 to May 2010, he held several positions in the commissioning department of China Nuclear Power Engineering Co., Ltd., including the head of commissioning division for nuclear islands, manager assistant and head of commissioning division for nuclear islands, manager assistant, manager assistant and director of the commissioning manager office. From May 2010 to January 2013, he held several positions in CGN, including the deputy general manager of safety and engineering management department and deputy general manager of safety and information management department. Mr. Li served as deputy general manager of safety and information management department and deputy general manager of safety and quality assurance department of China General Nuclear Power Corporation from January 2013 to January 2015, and concurrently as deputy general manager of safety and quality assurance department of CGN Power Co., Ltd. since May 2014. He obtained a bachelor's degree in engineering majoring in chemical engineering from Nanjing College of Chemical Engineering（南京化工學院）in July 1987, and a Master Degree in Engineering majoring in industrial engineering from Huazhong University of Science and Technology（華中科技大學）in February 2001. Mr. Li holds professional qualification as a senior engineer.

(8) Mr. LIU Luping（劉路平）

Mr. LIU Luping（劉路平）, aged 53, joined the Company on 3 January 2014 as the senior vice president. Mr. Liu served as the chief engineer of the Company on 23 January 2015. Currently, he is principally responsible for the works in the International Department, New Energy Research & Development Institute and Technology Committee of the Company. Mr. Liu has over 30 years of experience in technological research and design, construction management and investment management in the renewable energy sectors including hydraulic-and-hydro power, wind power, solar energy. Prior to that, Mr. Liu worked at Hydrochina Corporation Zhongnan Engineering Corporation（中國水電顧問集團中南勘測設計研究院）for 29 years, where he started as a Technician in July 1984 and his last role held was Vice Director. Mr. Liu obtained the Senior Economist（高級經濟師）qualification from Zhongnan Engineering Corporation（國家電力公司中南勘測設計研究院）in December 1998, the State Registered Supervision Engineer（國家註冊監理工程師）qualification from the Ministry of Personnel and the Ministry of Construction of the PRC（中華人民共和國人事部和建設部）in May 1998, the Professor Level Senior Engineer（教授級高級工程師）qualification from Hydrochina Corporation（中國水電工程顧問集團公司）in December 2003 and the Senior Project Manager（高級項目管理師）qualification from Occupational Skills Testing Authority of the Ministry of Labour and Social Security（勞動和社會保障部職業技能鑒定中心）in July 2006. He has also won several Provincial Science and Technology Progress Awards（省部級科技進步獎）. Mr. Liu obtained a Bachelor Degree in Solid Mechanics from Central Institute of Technology（華中工學院）(currently known as Huazhong University of Science and Technology（華中科技大學）) in July 1984 and an EMBA degree from Huazhong University of Science and Technology in December 2008.

(9) Mr. LEE Kin（李健）

Mr. LEE Kin（李健）, aged 44, joined the Company on 1 June 2007 as the controller. He has been the company secretary of the Company since 26 January 2015. He has experience in public accounting and several industries including energy, media and ports. He has over 20 years of experience in areas of accounting, internal control, financing, investor relations and corporate strategy. Mr. Lee obtained a Bachelor Degree in Engineering from the Chinese University of Hong Kong in 1994, Master of Business Administration from the University of Warwick, United Kingdom in 2004 and Master of Corporate Governance (with distinction) from the Hong Kong Polytechnic University in 2013. Mr. Lee is a fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA), the Association of Chartered Certified Accountants (ACCA), the Hong Kong Institute of Chartered Secretaries (HKICS) and the Institute of Chartered Secretaries and Administrators (ICSA), a member of the Chartered Institute of Management Accountants (CIMA), and a Chartered Financial Analyst (CFA) respectively. He is currently a council member of Hong Kong Baptist University, a council member of ACCA and the executive vice-chairperson of the Youth Committee of the Hong Kong Chinese Enterprises Association. Mr. Lee was appointed as accounting expert by the Ministry of Finance, PRC in June 2016. He is the former chairman of the ACCA – Hong Kong branch (2015-16).

Report of the Directors

The directors (the "**Directors**") of CGN New Energy Holdings Co., Ltd. (the "**Company**") are pleased to present the annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company and its subsidiaries (the "**Group**") are engaged in the generation and supply of electricity and steam, construction and operation of power stations and other associated facilities in the PRC and Korea.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance can be found in the "Management Discussion and Analysis" section of this Annual Report, which forms part of this report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income in the annual report.

The board of Directors of the Company (the "**Board**") recommends that 0.47 US cents (equivalent to 3.64 HK cents) per share of the Company be distributed as final dividends for the year ended 31 December 2016. The proposed final dividend, if approved at the forthcoming annual general meeting of the Company to be held on Wednesday, 24 May 2017 (the "**2017 AGM**"), is expected to be paid on Monday, 12 June 2017 to shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company on Friday, 2 June 2017.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to attend the 2017 AGM, the register of members of the Company will be closed from Thursday, 18 May 2017 to Wednesday, 24 May 2017 (both days inclusive), during which period no transfer of shares will be registered. In order to be qualified for attending and voting at the 2017 AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by not later than 4:30 p.m. on Wednesday, 17 May 2017.

For the purpose of determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 31 May 2017 to Friday, 2 June 2017 (both days inclusive), during which period no transfer of shares will be registered. In order to be qualified for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited at the above address not later than 4:30 p.m. on Monday, 29 May 2017.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 155. The summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2016 are set out in note 35 to the consolidated financial statements.

Report of the Directors

PRE-EMPTIVE RIGHTS

The shares of the Company (the "**Shares**") are subject to the rights, privileges and restrictions set forth in the memorandum of association and bye-laws of the Company (the "**Bye-laws**") and are not subject to any pre-emptive or similar rights under the Companies Act 1981 of Bermuda or pursuant to the Bye-laws.

ISSUE AND LISTING OF SHARES

The Company completed its global offering and the Shares were first listed on the Stock Exchange on 3 October 2014. 1,189,024,000 ordinary Shares were issued in the global offering. Net proceeds from the global offering (including the proceeds from the exercise of the over-allotment option) was approximately HK$1,966.1 million (after deducting the underwriting fees and commissions and other listing-related expenses). Please refer to the section headed "Management discussion and analysis" in the annual report for more details of the use of proceeds as at 31 December 2016.

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2016 are set out in note 42 to the consolidated financial statements and in the consolidated statement of changes in equity on page 154 respectively.

DISTRIBUTABLE RESERVES

The aggregate amount of reserves available for distribution to equity shareholders of the Company as of 31 December 2016 was approximately US$33.2 million.

LARGEST CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2016, the Group's five largest customers accounted for approximately 77% of the Group's total revenue and the Group's largest customer for the year accounted for approximately 43% of the Group's total revenue. The Group's five largest suppliers accounted for approximately 93% of the Group's total purchases, while the largest supplier for the year accounted for approximately 85% of the Group's total purchases.

To the knowledge of the Directors, none of the Directors or their respective close associates (as defined in the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")) or any of the Shareholders who owns more than 5% of the Company's number of issued Shares has any interest in any of the Group's five largest customers or suppliers.

Report of the Directors

DIRECTORS

The Directors since 1 January 2016 and up to the date of this report were:

Chairman and Non-executive Director

Mr. Chen Sui (re-designated from executive Director to non-executive Director on 12 July 2016)

President and Executive Director

Mr. Lin Jian

Non-executive Directors

Mr. Xu Yuan
Mr. Chen Qiming (resigned with effect from 12 July 2016)
Mr. Yin Engang
Mr. Dai Honggang
Mr. Wu Junfeng (appointed with effect from 12 July 2016)
Mr. Xing Ping

Independent Non-executive Directors

Mr. Leung Chi Ching Frederick
Mr. Fan Ren Da Anthony
Mr. Wang Susheng
Mr. Zhang Dongxiao

Mr. Chen Sui has been re-designated from an executive Director to a non-executive Director while remaining as the chairman of the Board due to his other assignments in China General Nuclear Power Corporation（中國廣核集團有限公司）("**CGN**") with effect from 12 July 2016. Mr. Chen Qiming has resigned as a non-executive Director and a member of the Strategy Development Committee of the Company due to his other assignments in CGN with effect from 12 July 2016.

Under the Bye-laws, the existing Directors are subject to retirement by rotation and re-election at the annual general meetings of the Company.

In accordance with bye-law 83(2) of the Bye-laws, Mr. Wu Junfeng will retire at the 2017 AGM and, being eligible, offer himself for re-election.

In accordance with bye-law 84 of the Bye-laws, Mr. Chen Sui, Mr. Leung Chi Ching Frederick, Mr. Fan Ren Da Anthony and Mr. Wang Susheng will retire by rotation at the 2017 AGM and, being eligible, offer themselves for re-election.

The retiring Directors, if re-elected, will hold office from the date of re-election to the conclusion of the annual general meeting of the Company to be held in 2020, subject to earlier determination in accordance with the Bye-laws and/or any applicable laws and regulations.

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

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the 2017 AGM has or will have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Report of the Directors

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

No transaction, arrangement or contract of significance to which the Company or its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2016 or at any time during the year ended 31 December 2016.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACT OF SIGNIFICANCE

Other than the continuing connected transactions as stated in the section headed "Continuing Connected Transactions" of this report, no contract of significance between the Company or its subsidiaries and the controlling shareholder of the Company or its subsidiaries subsisted at the end of the year ended 31 December 2016 or at any time during the year ended 31 December 2016.

TAXATION

Under present Bermuda law, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company or its members, other than members ordinarily resident in Bermuda. Further, no such tax is imposed by withholding or otherwise on any payment to be made to or made by the Company.

STAMP DUTY

Under present Bermuda law, the Company is exempt from all stamp duties in Bermuda except on transactions involving "Bermuda property". This term relates, essentially, to real and person property physically situated in Bermuda, including the shares of local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from stamp duty in Bermuda.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2016, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, were as follows:

Interests in options relating to ordinary shares of the Company

Name of Director	Capacity/Nature of Interest	Number of securities held/interested	Approximate percentage of interests held *(Note ii)*
Chen Sui	Beneficial owner *(Note i)*	700,000 share options	0.02%
Lin Jian	Beneficial owner *(Note i)*	700,000 share options	0.02%

Notes:

(i) On 8 December 2015, 700,000 share options were granted to each of Mr. Chen Sui and Mr. Lin Jian with an exercise price at HK$1.612.

(ii) The approximate percentage of interests held was calculated on the basis of 4,290,824,000 ordinary Shares in issue as at 31 December 2016.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or the chief executive of the Company) had, or were taken or deemed to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares	Approximate % of Shareholding
CGN Note (1)(2)(3)	Interests in controlled corporation (long position)	3,130,096,000	72.95%
CGNPC International Limited ("**CGNPC International**") Note (2)(3)	Interests in controlled corporation (long position)	3,101,800,000	72.29%
CGNPC Huamei Investment Limited ("**CGNPC Huamei**") Note (2)(3)	Beneficial owner (long position)	3,101,800,000	72.29%

Notes:

(1) CGN indirectly holds 100% of the total issued share capital of CGNPC Huamei. As informed by CGN, CGN was deemed to be interested in 3,130,096,000 Shares, in which 3,101,800,000 Shares were held directly by CGNPC Huamei (a controlled corporation of CGN International), and 28,296,000 shares were held by certain other companies that are controlled directly or indirectly by CGN. There could be a difference between the shareholding of CGN in the Company as at 31 December 2016 and the disclosure of interest information disclosed on the website of the Stock Exchange, as the disclosure of interest information disclosed on the website of the Stock Exchange represents information disclosed by CGN pursuant to its obligation under Section 336 of the SFO only. For the avoidance of doubt and double counting, it should be noted that the shareholdings stated against CGNPC International and CGNPC Huamei represented the same block of shares.

(2) CGNPC International directly holds 70.59% of the total issued share capital of CGNPC Huamei, which directly holds approximately 72.29% of the issued share capital of the Company, and CGNPC International also indirectly holds 29.41% of the total issued share capital of CGNPC Huamei, through its wholly-owned subsidiary Gold Sky Capital Limited. Accordingly, CGNPC International is deemed to have an interest in all Shares held by CGNPC Huamei. For the avoidance of doubt and double counting, it should be noted that the shareholdings stated against CGNPC International and CGNPC Huamei represented the same block of shares.

(3) Save as disclosed in the section headed "Biographies of Directors and Senior Management" in this annual report, as of the date of this report, 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 the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") was adopted by the Company on 24 November 2015 for the purpose of enabling the Company to (i) establish incentive and mechanism that is in line with market practice and satisfies the Company's development strategy needs so as to facilitate long-term development of the Company and maximise Shareholders' value, and (ii) optimise the remuneration structure of core employees of the Company such that the competitiveness of the Company's remuneration system may be enhanced, which will in turn attract and retain core management and technical staff to serve the Company for a long period of time. No share options were exercised nor cancelled and 2,040,000 share options were lapsed during the year ended 31 December 2016.

(1) ELIGIBLE PARTICIPANTS TO THE SHARE OPTION SCHEME

The Board may, at its absolute discretion and on such terms as it may think fit, grant options (the "**Options**") to any eligible participants (the "**Eligible Participants**") to subscribe at a price calculated in accordance with paragraph (8) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any of the Eligible Participants to any Options shall be determined by the Directors from time to time on the basis of his/her contribution to the development and growth of the Group in the opinion of the Directors.

Report of the Directors

(2) MAXIMUM NUMBER OF SHARES AVAILABLE FOR EXERCISE

The total number of new Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other effective share option schemes (if any) of the Company must not in aggregate exceed 10% of the total number of issued Shares of the same class as at the date of approval of the Share Option Scheme which is 429,082,400 Shares (the "**Scheme Mandate Limit**"), representing 10% of the issued share capital of the Company as at the date of this annual report.

The Company may at any time as the Board thinks fit seek approval from the Shareholders to refresh the Scheme Mandate Limit save that the total number of new Shares in respect of which Options may be granted under the Share Option Scheme and any other share option schemes shall not exceed 10% of the total number of Shares in issue as at the date on which the Shareholders approve the refreshment of the Scheme Mandate Limit and the maximum number of new Shares which may be issued upon the exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other share option schemes shall not exceed 30% of the total number of Shares in issue from time to time.

The total number of Options available for grant under the scheme is 396,142,400, representing 9.23% of the issued share capital of the Company as at the date of this annual report.

(3) MAXIMUM ENTITLEMENT OF EACH ELIGIBLE PARTICIPANT

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the Options granted and to be granted under the Share Option Scheme and any other effective share option scheme(s) (if any) of the Company to each Eligible Participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of issued Shares of the same class.

GRANT OF OPTIONS TO CONNECTED PERSONS

Pursuant to Rule 17.04 of the Listing Rules:

(a) Any grant of Options to an Eligible Participant who is a Director, chief executive or substantial Shareholder (as defined under the Listing Rules) of the Company or their respective associates (including a discretionary trust whose discretionary objects include a Director, chief executive or a substantial Shareholder of a company beneficially owned by any Director, chief executive or substantial Shareholder) must be approved by the independent non-executive Directors.

(b) Where the Board proposes to grant any Option to an Eligible Participant who is a substantial Shareholder or its associates (including a discretionary trust whose discretionary objects include a substantial Shareholder or a company beneficially owned by any substantial Shareholder) would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

i. representing in aggregate more than 0.1% of the total number of Shares in issue; and

ii. having an aggregate value, based on the closing price of the Shares at the date of each grant, over HK$5,000,000.00,

such proposed grant of Options must be approved by the Shareholders in general meeting. In such a case, the Company shall send a circular to its Shareholders containing all those terms as required under the Listing Rules. All connected persons of the Company must abstain from voting at such general meeting (except that any connected person may vote against the relevant resolution provided that his intention to do so has been stated in this circular). Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

No Eligible Participant is granted with options in excess of the individual limit during the year ended 31 December 2016.

Report of the Directors

(4) TIME OF EXERCISE OF OPTION

An Option may be exercised at any time during a period of 3 years from the date after the completion of the minimum period for which the Option must be held as described in paragraph (5) below.

(5) EXERCISABLE PERIOD

Subject to the fulfilment of the exercise conditions as described in paragraph (6) below, the Options are exercisable (subject as provided below) during each Exercisable Period specified below for up to the number of Shares specified below:

Maximum number of Shares	Exercisable Period
approximately one-third of the Shares fall to be issued on exercise of the Options*	the first business day after 24 months from the offer date to the last business day in the 60th month after the offer date
approximately an additional one-third of the Shares fall to be issued on exercise of the Options*	the first business day after 36 months from the offer date to the last business day in the 72th month after the offer date
approximately the remaining one-third of the Shares fall to be issued on exercise of the Options*	the first business day after 48 months from the offer date to the last business day in the 84th month after the offer date

**Note:* The Board may at its absolute discretion determine the exact number of the Shares fall to be issued on exercise of the Options.

(6) EXERCISE CONDITIONS

The Board or its delegate(s) may at their sole discretion specify, as part of the terms and conditions of any Option, any performance targets or conditions that must be satisfied before the Option can be exercised as part of the terms and conditions of any Option.

(7) OFFER OF OPTIONS

The Company and Eligible Participants shall enter into a share option agreement upon the offer to set out the rights and obligations of both parties. Share option agreement shall contain information among others, names, number of identification card, address, correspondence, and any other matters. Eligible Participants shall pay HK$1.00 to the Company as the nominal consideration upon acceptance of the offer.

(8) EXERCISE PRICE FOR SHARES

The exercise price for Shares issuable under the Share Option Scheme shall be a price determined by the Board, but shall not be less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and

(iii) the nominal value of a Share on the offer date.

(9) PERIOD OF THE SHARE OPTION SCHEME

The Share Option Scheme will remain in force for a period of 10 years commencing from the date on which the Share Option Scheme is adopted by the Shareholders, unless otherwise terminated under the terms of the Share Option Scheme.

Report of the Directors

As of 31 December 2016, options to subscribe for 32,940,000 Shares were outstanding, details of which are set out in note 34 to the consolidated financial statements and below:

		Number of Share Options								
Grantee	Date of grant	as at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	as at 31 December 2016	Exercise price per share	Closing price per share immediately before the date of grant	Exercise period
								(HK$)	*(HK$)*	
Chen Sui	8 December 2015	700,000	–	–	–	–	700,000	1.612	1.640	*Note*
Lin Jian	8 December 2015	700,000	–	–	–	–	700,000	1.612	1.640	*Note*
Employees	8 December 2015	32,420,000	–	–	1,460,000	–	30,960,000	1.612	1.640	*Note*
Employees	30 December 2015	1,160,000	–	–	580,000	–	580,000	1.712	1.730	*Note*
		34,980,000	–	–	2,040,000	–	32,940,000			

Note: Subject to the fulfilment of the exercise conditions and the expiry of two years from the date of grant, the options are exercisable during each period specified below for up to the number of shares specified below:

(a) on the first business day after 24 months from the date of grant to the last business day in the 60th month after the date of grant, approximately one third of the Options granted will be exercisable; (b) on the first business day after 36 months from the date of grant to the last business day in the 72nd month after the date of grant, approximately an additional one-third of the Options granted will be exercisable; and (c) on the first business day after 48 months from the date of grant to the last business day in the 84th month after the date of grant, approximately one third of the remaining Options granted will be exercisable.

DIRECTORS' INTERESTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report regarding Share Option Scheme, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate of the Group.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report regarding Share Option Scheme, the Company has not entered into any equity-link agreement during the year and no equity-link agreement subsisted as at the end of the year.

PERMITTED INDEMNITY PROVISION

The Bye-laws provide that every Director is entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has arranged directors' and officers' liability insurance coverage for the Directors and officers of the Company and its subsidiaries.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS

The Group had entered into a number of transactions with connected parties which, upon the listing of the Shares on the Stock Exchange, became connected persons of the Company under the Listing Rules. Details of the continuing connected transactions are as follows:

(A) With CGN and its subsidiaries, excluding the Group (the "CGN Group")

Non-exempt continuing connected transactions subject to reporting, announcement and independent shareholders' approval requirements

1(a) Financial Services (CGNPC Huasheng) Framework Agreement

On 12 September 2014, CGNPC Huasheng Investment Limited ("**CGNPC Huasheng**") and the Company entered into the financial services (CGNPC Huasheng) framework agreement (the "**Financial Services (CGNPC Huasheng) Framework Agreement**") in relation to the deposit arrangement in Hong Kong provided by CGNPC Huasheng to the Group, which was effective from 12 September 2014 to 29 May 2015, being the date of the first annual general meeting of the Company after its listing. The renewal of the Financial Services (CGNPC Huasheng) Framework Agreement was approved by the independent shareholders of the Company at the first annual general meeting of the Company and the term of the Financial Services (CGNPC Huasheng) Framework Agreement became effective from 30 May 2015 and shall continue up to and including 31 December 2017.

CGNPC Huasheng is a wholly-owned subsidiary of CGN, the controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules.

Further details of the Financial Services (CGNPC Huasheng) Framework Agreement were disclosed in the prospectus of the Company dated 19 September 2014 (the "**Prospectus**") and the circular of the Company dated 20 April 2015.

1(b) Financial Services (CGN Finance) Framework Agreement

On 12 September 2014, CGN Finance Investment Limited ("**CGN Finance**") and the Company entered into the financial services (CGN Finance) framework agreement (the "**Financial Services (CGN Finance) Framework Agreement**", together with the Financial Services (CGNPC Huasheng) Framework Agreement, the "**Financial Services Framework Agreements**") in relation to the deposit arrangement in the PRC provided by CGN Finance to the Group, which was effective from 12 September 2014 to 29 May 2015, being the date of the first annual general meeting of the Company after its listing. The renewal of the Financial Services (CGN Finance) Framework Agreement was approved by the independent shareholders of the Company at the first annual general meeting of the Company and the term of the Financial Services (CGN Finance) Framework Agreement became effective from 30 May 2015 and shall continue up to and including 31 December 2017.

CGN Finance is a wholly-owned subsidiary of CGN, and is therefore a connected person of the Company under the Listing Rules.

Further details of the Financial Services (CGN Finance) Framework Agreement were disclosed in the Prospectus and the circular of the Company dated 20 April 2015.

General

As the nature of the services to be provided to the Group under the Financial Services Framework Agreements are similar, the estimated annual cap for the maximum outstanding balance of deposits to be placed by the Group with CGNPC Huasheng and CGN Finance under the Financial Services Framework Agreements, together with the relevant interest received, for the year ended 31 December 2016 have been aggregated and amounted to US$366.0 million. The maximum balance of deposits placed by the Group with CGNPC Huasheng and CGN Finance under the Financial Services Framework Agreements, together with the relevant interest received during the year ended 31 December 2016 was approximately US$381.4 million.

Report of the Directors

Non-exempt continuing connected transactions subject to reporting and announcement requirements

2(a) Entrustment Agreement

On 9 November 2016, China Solar Energy Investment Limited ("**China Solar**"), CGN and the Company entered into the entrustment agreement (the "**Entrustment Agreement**"), pursuant to which CGN shall entrust certain rights of CGN as indirect shareholder of each of Edra Power Holdings Sdn. Bhd., Edra Solar Sdn. Bhd., Powertek Energy Sdn. Bhd., Jimah Teknik Sdn. Bhd., Jimah O & M Sdn. Bhd., Mastika Lagenda Sdn. Bhd., Tiara Tanah Sdn. Bhd. and Edra Energy Sdn. Bhd. (collectively, the "**Target Companies**") during 9 November 2016 to 31 December 2016, to the Company.

CGN is a controlling shareholder of the Company and China Solar is its wholly-owned subsidiary. Therefore, both of them are connected persons of the Company under the Listing Rules.

Further details of the Entrustment Agreement were disclosed in the announcement of the Company dated 9 November 2016.

2(b) New Entrustment Agreement

On 29 December 2016, China Solar, CGN and the Company entered into the new entrustment agreement (the "**New Entrustment Agreement**"), pursuant to which CGN shall entrust certain rights of CGN as indirect shareholder of each of the Target Companies to the Company. The term of the New Entrustment Agreement is from 1 January 2017 to 31 December 2017.

CGN is a controlling shareholder of the Company and China Solar is its wholly-owned subsidiary. Therefore, both of them are connected persons of the Company under the Listing Rules.

Further details of the New Entrustment Agreement were disclosed in the announcement of the Company dated 29 December 2016.

General

The annual cap for the management fees payable under the Entrustment Agreement for the period from 9 November 2016 to 31 December 2016 is US$6 million. The actual management fee paid under the Entrustment Agreement for the period from 9 November 2016 to 31 December 2016 was US$2.1 million.

2(c) Operation and Management Services (CGN Energy) Framework Agreement

On 20 August 2014, CGN Energy Development Co., Ltd. ("**CGN Energy**") and the Company entered into the operation and management services (CGN Energy) framework agreement (the "**Operation and Management Services (CGN Energy) Framework Agreement**"), pursuant to which the Company has agreed to provide, or procure a subsidiary of the Group to provide, operation and management services to power projects (whether in operation or under construction) in which CGN Energy has interest. The initial term of this agreement is from 1 May 2014 to 31 December 2016. The Company has served a notice to CGN Energy in accordance with the terms of the Operation and Management Services (CGN Energy) Framework Agreement to renew such agreement for a term of three years from 1 January 2017 to 31 December 2019. Save for the renewal of the term of the agreement, the principal terms of the renewed Operation and Management Services (CGN Energy) Framework Agreement shall remain the same as the original Operation and Management Services (CGN Energy) Framework Agreement (including the calculation of the management fees).

CGN Energy is a wholly-owned subsidiary of CGN, and is therefore a connected person of the Company under the Listing Rules.

Further details of the Operation and Management Services (CGN Energy) Framework Agreement were disclosed in the Prospectus and the announcement of the Company dated 29 December 2016.

Report of the Directors

2(d) Operation and Management Services (Huamei Holding) Framework Agreement

On 15 September 2014, Huamei Holding Company Limited ("**Huamei Holding**") and the Company entered into the operation and management services (Huamei Holding) framework agreement (the "**Operation and Management Services (Huamei Holding) Framework Agreement**", together with the Operation and Management Services (CGN Energy) Framework Agreement, the "**Operation and Management Services Framework Agreements**"), pursuant to which the Company has agreed to provide, or procure a subsidiary of the Group to provide, operation and management services to power projects (whether in operation or under construction) in which a subsidiary of the group of companies which were transferred to CGNPC Huamei as part of the reorganization of the Group as described in the Prospectus under Huamei Holding has interest. The initial term of this agreement is from 15 September 2014 to 31 December 2016. The Company has served a notice to Huamei Holding in accordance with the terms of the Operation and Management Services (Huamei Holding) Framework Agreement to renew such agreement for a term of three years from 1 January 2017 to 31 December 2019. Save for the renewal of the term of the agreement, the principal terms of the renewed Operation and Management Services (Huamei Holding) Framework Agreement shall remain the same as the original Operation and Management Services (Huamei Holding) Framework Agreement (including the calculation of the management fees).

Huamei Holding is a wholly-owned subsidiary of CGN, and is therefore a connected person of the Company under the Listing Rules.

Further details of the Operation and Management Services (Huamei Holding) Framework Agreement were disclosed in the Prospectus and the announcement of the Company dated 29 December 2016.

2(e) Operation and Management Services (Solar Energy) Framework Agreement

On 17 June 2015, the Company entered into the Operation and Management Services (Solar Energy) Framework Agreement (the "**Operation and Management Services (Solar Energy) Framework Agreement**") with CGN Solar Energy Development Co., Ltd. ("**CGN Solar Energy**"), pursuant to which the Company agreed to provide, or procure a subsidiary of the Company to provide, operation and management services to power projects (whether in operation or under construction) in which CGN Solar Energy has interest. The relevant subsidiaries of the Company will provide comprehensive operation and management services according to the requirements of the service recipient, and may appoint personnel to be responsible for or to be involved in the operations management, financial management, human resources management, technical management, information management, and/or safety management of the relevant power project or company which holds interest in the relevant power project. The term of this agreement is from 17 June 2015 to 31 December 2017.

CGN Solar Energy is a wholly-owned subsidiary of CGN, and is therefore a connected person of the Company under the Listing Rules.

Further details of the Operation and Management Services (Solar Energy) Framework Agreement were disclosed in the announcement of the Company dated 17 June 2015.

2(f) Operation and Management Services (Wind Energy) Framework Agreement

On 17 June 2015, the Company entered into the Operation and Management Services (Wind Energy) Framework Agreement (the "**Operation and Management Services (Wind Energy) Framework Agreement**", together with the Operation and Management Services (Solar Energy) Framework Agreement, the "**O&M Agreements**") with CGN Wind Energy Co., Ltd. ("**CGN Wind Energy**"), pursuant to which the Company agreed to provide, or procure a subsidiary of the Company to provide, operation and management services to power projects (whether in operation or under construction) in which CGN Wind Energy has interest. The relevant subsidiaries of the Company will provide comprehensive operation and management services according to the requirements of the service recipient, and may appoint personnel to be responsible for or to be involved in the operations management, financial management, human resources management, technical management, information management, and/or safety management of the relevant power project or company which holds interest in the relevant power project. The term of this agreement is from 17 June 2015 to 31 December 2017.

Report of the Directors

CGN Wind Energy is a wholly-owned subsidiary of CGN, and is therefore a connected person of the Company under the Listing Rules.

Further details of the Operation and Management Services (Wind Energy) Framework Agreement were disclosed in the announcement of the Company dated 17 June 2015.

General

As the nature of the services to be provided under the Operation and Management Services Framework Agreements and the O&M Agreements is similar, the annual cap for the management fees payable under the Operation and Management Services Framework Agreements and the O&M Agreements for the year ended 31 December 2016 were determined on an aggregate basis and amounted to US$54 million. The actual management fees paid under the Operation and Management Services Framework Agreements and the O&M Agreements for the year ended 31 December 2016 were US$23.8 million.

Termination of a non-exempt continuing connected transaction subject to reporting and announcement requirements

1 Hami Coal Consultancy Services Agreement

On 14 December 2016, China Coal Energy Hami Coal-fired Power Project Preparatory Office ("**CGN Hami Coal Project Preparatory Office**") and Yaneng Consulting (Shanghai) Co. Ltd. ("**Yaneng Consulting**"), a wholly-owned subsidiary of the Company, entered into a termination agreement (the "**Termination Agreement**"), pursuant to which CGN Hami Coal Project Preparatory Office and Yaneng Consulting agreed to terminate, with effect from 14 December 2016, the Hami coal consultancy services agreement that was entered into for a term of three years with effect from 1 January 2014.

CGN Hami Coal Project Preparatory Office is established by CGN, the controlling shareholder and a connected person of the Company. As such, CGN Hami Coal Project Preparatory Office is an associate of the connected person of the Company under the Listing Rules.

Further details of the Termination Agreement were disclosed in the announcement of the Company dated 14 December 2016.

(B) With connected persons of the Company at the subsidiary level

Non-exempt continuing connected transaction subject to reporting and announcement requirements

1 Weigang Power Purchase Agreement

Shanghai Wei Gang Energy Co. Ltd. ("**Weigang JV**"), a non-wholly owned subsidiary of the Company in which the Company indirectly held 65% interest and Baosteel Group Shanghai No. 1 Iron & Steel Co. Ltd. ("**Shanghai No.1 Iron & Steel**") held 35% interest, entered into a power purchase agreement on 10 August 1998 (which has been amended on 2 March 2005 and 16 March 2009) with Shanghai No.1 Iron & Steel (the "**Weigang Power Purchase Agreement**") pursuant to which Shanghai No.1 Iron & Steel has agreed to purchase all electricity power generated by the power project operated by Weigang JV for a term expiring on the expiration date of the operation term of Weigang JV (namely, 31 May 2020). The Weigang Power Purchase Agreement has been entered into in respect of Weigang gas-fired power project operated by Weigang JV.

Shanghai No.1 Iron & Steel is a substantial shareholder of Weigang JV, holding 35% interest in Weigang gas-fired power project and is therefore a connected person of the Company.

Further details of the Weigang Power Purchase Agreement were disclosed in the Prospectus.

The annual cap for the power to be purchased by Shanghai No.1 Iron & Steel from Weigang JV under the Weigang Power Purchase Agreement for the year ended 31 December 2016 is RMB176.0 million. The actual purchase amount paid by Shanghai No.1 Iron & Steel to Weigang JV under the Weigang Power Purchase Agreement for the year ended 31 December 2016 amounted to RMB69.4 million.

Report of the Directors

(C) General

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

The independent non-executive Directors have reviewed the above continuing connected transactions for the year ended 31 December 2016 and have confirmed that the continuing connected transactions have been entered into:

1. in the ordinary and usual course of business of the Group;

2. on normal commercial terms or better (as defined in the Listing Rules); and

3. in accordance with the relevant agreement governing the transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor has confirmed that the continuing connected transactions:

(1) have been approved by the Board;

(2) were, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;

(3) were entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

(4) have not exceeded the cap.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in the normal course of business are provided under note 41 to the financial statements, and none of which constitutes a discloseable connected transaction or continuing connected transaction as defined under the Listing Rules.

NON-COMPETITION DEED

The Company entered into a deed of non-competition (the "**Non-Competition Deed**") with CGN on 15 September 2014 under which CGN agreed not to, and agreed to procure its subsidiaries (other than the Group) not to, compete with the Group in its non-nuclear power business (save for the retention of the existing Retained Business (as defined in the Prospectus) of the CGN Group or any future business which the CGN Group has carried on pursuant to the terms of the Non-Competition Deed) and granted the Company with a right to acquire the Retained Business of the CGN Group and a right to acquire a new business or equity investment opportunity directed to the Group according to the terms of the Non-Competition Deed.

The Company has received a confirmation from CGN confirming to the Company on its compliance with the relevant non-competing procedures set out in the Non-Competition Deed and having protected the rights granted to the Company under the Non-Competition Deed to invest in or acquire the relevant projects during the year ended 31 December 2016.

Report of the Directors

During the year ended 31 December 2016, the independent non-executive Directors (the "**Disinterested Directors**"), being the Directors other than those who are also directors and senior management personnel of the CGN Group, had reviewed several business or investment opportunities offered by or referred to by the CGN Group pursuant to the Non-Competition Deed. The Disinterested Directors considered the opportunities taking into account, inter alia, the following:

(a) whether the investment would create or would likely create competition with the principal business of the Group;

(b) the business and financial performance and potential of the subject investment opportunities;

(c) the feasibility and viability for the Group to acquire, invest or take on the subject investment opportunities (in terms of the availability of management, financial and business resources and expertise);

(d) the terms and conditions of the acquisition of or taking on the subject investment opportunities;

(e) the financial budget and business plan of the Group for undertaking the investment opportunities in the relevant year;

(f) result of a cost-benefit analysis for the Group to acquire, invest or take on the subject investment opportunities, and whether the subject investment opportunities are consistent with the business development strategy of the Group, and whether it is likely to create any strategic or synergy value to the Group's existing business;

(g) the likely risks associated with the subject investment opportunities should we acquire, take on, operate or participate in such subject investment opportunities; and

(h) the equity internal rate of return and/or the expected internal rate of return of the investment opportunities.

As a result, we had not exercised any right to acquire or invest in those investment opportunities.

The Disinterested Directors have reviewed compliance by CGN and confirm that based on the confirmations and information provided by CGN, CGN was in compliance with the Non-Competition Deed during the year ended 31 December 2016.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of the date of this report, 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 the Group.

EMOLUMENT POLICY

We determined the emoluments of our directors and employees based on their respective performance, working experience, roles and responsibilities as well as market factors. We offer our executive Directors and senior management members, who are also employees of our Company, various compensation in the form of fees, salaries, contributions to pension scheme, discretionary bonuses, housing and other benefits in kind. We provide our employees with salaries and discretionary bonuses, as well as employee benefits, including retirement schemes, medical and life insurance schemes, housing and other benefits in kind.

Our independent non-executive Directors receive compensation based on their responsibilities (including being members or chairman of Board committees).

Report of the Directors

US DOLLAR BOND

In August 2013, the Company completed the issuance of US$350.0 million 4.0% unsecured bonds due 2018 listed on the Stock Exchange (stock code: 5964) to international professional and institutional investors. The investment grade bonds, which were issued to institutional investors, are backed by a keepwell deed and a deed of equity interest purchase undertaking entered into by the Company and CGN in favor of the trustee. In addition to the equity interest purchase undertaking, the Company is subject to additional customary investment grade bond restrictive covenants such as a negative pledge. The outstanding amount of such bond payables as at 31 December 2016 was US$354.5 million.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report and based on publicly available information and within the knowledge of the Directors, the Company has sufficient public float as required under Rule 8.08 of the Listing Rules.

DONATIONS

During the year ended 31 December 2016, the Group made charitable and other donations amounting to approximately HK$263,000 (2015: HK$131,000).

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Chen Sui
Chairman

Hong Kong, 15 March 2017

Corporate Governance Report

The board (the "**Board**") of directors (the "**Directors**") of the Company considers effective corporate governance is a key component in the sustained development of the Company and its subsidiaries (the "**Group**") and believes that good corporate governance practices are increasingly important for maintaining and promoting shareholder value and investor confidence. The Board sets appropriate policies and implements corporate governance practices to the conduct and growth of the Group's business.

The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance. The Board considers that the Company was in compliance with all applicable code provisions set out in the CG Code throughout the year ended 31 December 2016.

Corporate Governance Framework of the Company

Corporate Governance Report

BOARD OF DIRECTORS

The overall management of the Company's operation is vested in the Board.

The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, risk management and internal control systems, and monitoring of the performance of the senior management. The Directors make decisions objectively in the interests of the Company. As at the date of this report, the Board comprises eleven Directors, including one executive Director, six non-executive Directors and four independent non-executive Directors. Members of the Board during the year ended 31 December 2016 and up to the date of this report are as follows:

Chairman and Non-executive Director

Mr. Chen Sui (re-designated from executive director to non-executive director with effect from 12 July 2016)

President and Executive Director

Mr. Lin Jian

Non-executive Directors

Mr. Xu Yuan
Mr. Chen Qiming (resigned with effect from 12 July 2016)
Mr. Yin Engang
Mr. Dai Honggang
Mr. Wu Junfeng (appointed with effect from 12 July 2016)
Mr. Xing Ping

Independent Non-executive Directors

Mr. Leung Chi Ching Frederick
Mr. Fan Ren Da Anthony
Mr. Wang Susheng
Mr. Zhang Dongxiao

Biographical details and relationships among members of the Board as at the date of this report are set out in the section headed "Biographies of Directors and Senior Management" in this annual report.

The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to the executive Director, senior management and certain specific responsibilities to the Board committees.

During the year, the non-executive Directors (including the independent non-executive Directors) provided the Company with a diverse range of expertise and a balance of skills, and brought independent judgements on issues pertinent to strategic direction, development, performance and risk management through their contribution at Board meetings and committee meetings.

Chairman and President

Mr. Chen Sui is the chairman of the Company and Mr. Lin Jian is the president of the Company. The roles of the chairman and chief executive are served by different individuals to achieve a balance of authority and power, which is in compliance with the code provision A.2.1 of the CG Code. Mr. Chen Sui is principally responsible for overall corporate strategies planning and business development of the Group, while Mr. Lin Jian is principally responsible for leading and managing all the activities of the Group to achieve the goals and objectives set by the Board, identifying and recommending the short, medium and long-term business strategies, directing and executing the Group's plans and budgets, directing and organizing the Group's material, human and economic resources to deliver the corporate results, identifying and developing business opportunities to grow the Group.

Corporate Governance Report

Independence of independent non-executive Directors

The Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. The Company has received confirmation of independence from the four independent non-executive Directors, namely Mr. Leung Chi Ching Frederick, Mr. Fan Ren Da Anthony, Mr. Wang Susheng and Mr. Zhang Dongxiao in accordance with Rule 3.13 of the Listing Rules.

The Board as well as the Nomination Committee have reviewed the independence of all independent non-executive Directors and have concluded that all of them are independent within the definition of the Listing Rules. Further, up to the date of this report, the Board is not aware of the occurrence of any events, which would cause it to believe that the independence of any of the independent non-executive Directors has been impaired.

Appointments, re-election and removal of Directors

Each Director has entered into a service contract or an appointment letter with the Company for a term of three years, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the bye-laws of the Company (the "**Bye-laws**"). In accordance with bye-law 83(2) of the Bye-laws, Mr. Wu Junfeng will retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election. In accordance with bye-law 84 of the Bye-laws, Mr. Chen Sui, Mr. Leung Chi Ching Frederick, Mr. Fan Ren Da Anthony and Mr. Wang Susheng will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Number of meetings and Directors' attendance

Code provision A.1.1 of the CG Code prescribes that at least four regular Board meetings should be held each year at approximately quarterly intervals with active participation of a majority of the Directors, either in person or through other electronic means of communication.

Regular Board meetings in each year are scheduled in advance to facilitate maximum attendance of Directors.

The calendar of regular Board meetings (the "**Board Meetings**"), Board committees meetings and general meeting for the year ended 31 December 2016 is shown below:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Board			✓				✓	✓			✓	
Nomination Committee			✓				✓					
Remuneration Committee			✓	✓			✓	✓			✓	
Audit Committee			✓					✓				
Investment and Risk Management Committee			✓	✓			✓	✓			✓	
Strategy Development Committee											✓	
General Meeting					✓							

During the year ended 31 December 2016, the Board has held four Board Meetings.

During the year ended 31 December 2016, the Company has held one general meeting.

Corporate Governance Report

The Board has discharged its functions effectively throughout the year ended 31 December 2016. The matters considered by the Board during the year included but not limited to:

Month	Ordinary matters considered by the Board
March	✓ Review of reports from: • Audit Committee • Nomination Committee • Remuneration Committee ✓ Approval of 2016 annual budget ✓ Approval of 2015 annual results, including: • 2015 annual results announcement • 2015 annual report • Recommendation of distribution of final dividend ✓ Approval of proposals to be submitted to the 2016 annual general meeting ✓ Annual review of continuing connected transactions
July	✓ Approval of the re-designation of Director ✓ Approval of appointment of non-executive Director to fill a casual vacancy due to resignation of non-executive Director
August	✓ Review of report from Audit Committee ✓ Approval of 2016 interim results, including: • 2016 interim results announcement • 2016 interim report
October	✓ Approval of directors' and officers' liability insurance and commercial crime insurance for the year 2016/2017
November	✓ Review of status report on risk management ✓ Review of status report on environmental, social and governance ✓ Review of status report on the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions ✓ Review of status report on the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's internal audit function and the internal control evaluation plan

Month	Special matters considered by the Board
April	✓ Approval of disposal of a wholly-owned subsidiary of the Company which constitutes a discloseable transaction of the Company pursuant to the Listing Rules
August	✓ Approval of entering into an entrustment agreement by the Company and its connected persons, which constitutes continuing connected transactions of the Company pursuant to the Listing Rules
November	✓ Approval of the termination of Hami Coal Consultancy Services Agreement, which was a continuing connected transaction of the Company pursuant to the Listing Rules
December	✓ Approval of renewal of the Operation and Management Services (CGN Energy) Framework Agreement and the Operation and Management Services (Huamei Holding) Framework Agreement and entering into a new entrustment agreement by the Company and its connected persons, which constitute connected transactions of the Company pursuant to the Listing Rules

Corporate Governance Report

The table below sets forth the number of the Board Meetings, Board committees meetings and general meeting attended by each Director during the year ended 31 December 2016:

	Attendance/Number of meetings						
Name of Director	Board Meeting	Nomination Committee	Remuneration Committee	Audit Committee	Investment and Risk Management Committee	Strategy Development Committee	General Meeting
Chairman and Non-executive Director							
Mr. Chen Sui	3/4	2/2				0/1	1/1
President and Executive Director							
Mr. Lin Jian	3/4					0/1	1/1
Non-executive Directors							
Mr. Xu Yuan	2/4						0/1
Mr. Chen Qiming (resigned with effect from 12 July 2016)	1/2					N/A	0/1
Mr. Yin Engang	2/4			1/2	3/5		0/1
Mr. Dai Honggang	3/4		4/5		5/5	1/1	1/1
Mr. Wu Junfeng (appointed with effect from 12 July 2016)	1/2					0/1	N/A
Mr. Xing Ping	4/4				5/5		0/1
Independent Non-executive Directors							
Mr. Leung Chi Ching Frederick	4/4			2/2			1/1
Mr. Fan Ren Da Anthony	4/4	2/2	4/5	2/2			1/1
Mr. Wang Susheng	4/4					1/1	0/1
Mr. Zhang Dongxiao	3/4	2/2	5/5				0/1

Corporate Governance Functions

The Board has carried out its duties and responsibilities as set out in D.3 of the CG Code including the development of policies and practices on corporate governance, monitoring the training and continuous professional development of Directors and senior management, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, the code of conduct applicable to the employees of the Company and the Directors, the compliance with the CG Code of the Company and the disclosure in this report.

Training and support for Directors

In accordance with code provision A.6.5 of the CG Code with regards to continuous professional development, all Directors participated in continuous professional development to develop and refresh their knowledge and skills.

Upon appointment to the Board, all newly appointed Directors have been provided with necessary induction training and materials to ensure that they have proper understanding of the operation and business of the Company and their responsibilities under the relevant laws, regulations and rules.

To further ensure that all Directors are adequately informed about the Company's business and operations as well as his responsibilities under relevant laws, rules and regulations, the Company Secretary regularly provides all Directors regarding the Company's most recent performance as well as updates on latest amendments and developments to the Listing Rules and other relevant legal and regulatory requirements from time to time. The Company has organized a special training for Directors during the year 2016 on the topic of "Environmental, Social and Governance Report".

Corporate Governance Report

The Directors received the following training for the year ended 31 December 2016 according to the records kept by the Company:

Directors	TYPES OF TRAINING: Attendance for trainings/seminars/ meetings in respect of the Company's business or duties of Directors	Reading of materials in respect of updates on the Company's business, duties and responsibilities of Directors and regulatory requirements
Chairman and Non-executive Director		
Mr. Chen Sui	✓	✓
President and Executive Director		
Mr. Lin Jian	✓	✓
Non-executive Directors		
Mr. Xu Yuan	✓	✓
Mr. Chen Qiming (resigned with effect from 12 July 2016)	✓	✓
Mr. Yin Engang	✓	✓
Mr. Dai Honggang	✓	✓
Mr. Wu Junfeng (appointed with effect from 12 July 2016)	✓	✓
Mr. Xing Ping	✓	✓
Independent non-executive Directors		
Mr. Leung Chi Ching Frederick	✓	✓
Mr. Fan Ren Da Anthony	✓	✓
Mr. Wang Susheng	✓	✓
Mr. Zhang Dongxiao	✓	✓

Directors' insurance

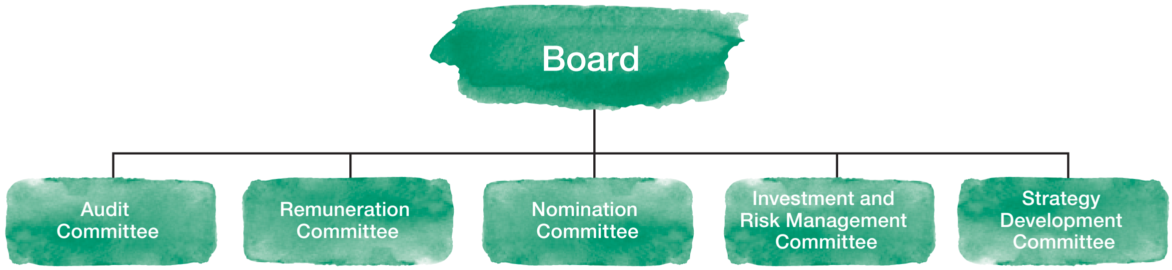
The Company has arranged for appropriate liability insurance for the Directors to cover their liabilities arising out of corporate activities.

Compliance with the Model Code for Directors' securities transactions

The Company has adopted its own Code for Securities Transactions by Directors (the "**Company Code**"), which are on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"), as a code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries, all the Directors confirmed that they have complied with the Model Code and the Company Code during the year ended 31 December 2016.

Corporate Governance Report

BOARD COMMITTEES



The Board has established an Audit Committee (the "**Audit Committee**"), a Remuneration Committee (the "**Remuneration Committee**"), a Nomination Committee (the "**Nomination Committee**"), an Investment and Risk Management Committee (the "**Investment and Risk Management Committee**") and a Strategy Development Committee (the "**Strategy Development Committee**") (collectively, the "**Board Committees**"). The terms of reference of the Audit Committee, Remuneration Committee, Nomination Committee and Investment and Risk Management Committee are posted on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Members of the Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The current members of the Audit Committee include:

Mr. Leung Chi Ching Frederick *(Chairman)*
Mr. Yin Engang
Mr. Fan Ren Da Anthony

The majority of the members of the Audit Committee are independent non-executive Directors. The major duties of the Audit Committee are as follows:

Relationship with the Company's external auditors

(a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) to consider the plan for each year's audit submitted by the external auditors and discuss the same at a meeting if necessary;

(c) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(d) to discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;

(e) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Corporate Governance Report

Review of the financial information of the Company

(f) to monitor integrity of the Company's financial statements and annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee shall focus particularly on:

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

(vi) compliance with the Listing Rules and legal requirements in relation to financial reporting.

(g) in regard to (f) above:

(i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditors; and

(ii) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, internal auditors or external auditors;

Oversight of the Company's financial reporting system and internal control systems

(h) to review the Company's financial controls, internal control systems and risk management;

(i) to discuss the internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(j) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(k) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(l) to review the Group's financial and accounting policies and practices;

(m) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

(n) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(o) to review arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(p) to act as the key representative body for overseeing the Company's relations with the external auditor;

(q) to review the continuing connected transactions to ensure compliance with the terms approved by shareholders of the Company (the "**Shareholders**");

Corporate Governance Report

(r) to establish whistleblowing policies and systems to allow employees and others who have dealings with the Company (such as customers and suppliers) to raise their concerns in secret to the Audit Committee about any possible improper matters regarding the Company;

(s) to report to the Board on the above matters; and

(t) to consider other topics, as defined by the Board.

The terms of reference of the Audit Committee adopted by the Company are in line with the provisions of the CG Code, a copy of which was posted on the website of the Company and the Stock Exchange respectively.

During the year ended 31 December 2016, two Audit Committee meetings were held, inter alia, to review the 2015 annual results, the 2016 interim results and the internal control of the Group. The attendance records are set out under the section headed "Number of meetings and Directors' attendance" in this report. A recent meeting of the Audit Committee was held on 14 March 2017 to consider the audited financial statements of the Group for the year ended 31 December 2016, the external auditor's independence and objectivity, the effectiveness of the audit process and the Group's internal control system, which covers all material controls, including financial, operational and compliance controls and risk management functions.

Remuneration Committee

The current members of the Remuneration Committee include:

Mr. Zhang Dongxiao *(Chairman)*
Mr. Dai Honggang
Mr. Fan Ren Da Anthony

The majority of the members of the Remuneration Committee are independent non-executive Directors. The major duties of the Remuneration Committee are as follows:

(a) to assess, review and make recommendations once a year or as and when required, to the Board in respect of the remuneration packages and overall benefits for the Directors;

(b) to make recommendations to the Board in relation to all consultancy agreements and service contracts or any variations, renewals or modifications thereof, entered into between the Company and the Directors or any associate company of any of them;

(c) to consider what details of the remuneration/benefits of the Directors should be reported in the Company's annual reports and accounts in addition to those required by law and how those details should be presented;

(d) to make recommendations to the Board on the policy and structure for remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;

(e) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(f) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment);

(g) to make recommendations to the Board on the remuneration of non-executive Directors;

(h) to consider salaries paid by comparable companies, time commitment and responsibilities as well as employment conditions of other positions in the Group;

(i) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and reasonable and not excessive;

Corporate Governance Report

(j) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

(k) to ensure that no Director or any of his associates is involved in deciding his/her own remuneration.

The terms of reference of the Remuneration Committee adopted by the Company are in line with the provisions of the CG Code, a copy of which was posted on the website of the Company and the Stock Exchange respectively.

During the year ended 31 December 2016, five Remuneration Committee meetings were held, inter alia, to review the remuneration structure and packages of the Directors and senior management. The attendance records are set out under the section headed "Number of meetings and Directors' attendance" in this report. A recent meeting of the Remuneration Committee was held on 14 March 2017 to consider and review, among others, the Group's policy and structure for all Directors' and senior management's remuneration and the current remuneration packages of the Directors and senior management of the Company.

Nomination Committee

The current members of the Nomination Committee include:

Mr. Chen Sui *(Chairman)*
Mr. Zhang Dongxiao
Mr. Fan Ren Da Anthony

The majority of the members of the Nomination Committee are independent non-executive Directors. The major duties of the Nomination Committee are as follows:

(a) to review the structure, size, composition and diversity (including gender, age, cultural and education background, ethnicity, skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the corporate strategy of the Company;

(b) to develop the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship, including but not limited to assessing the balance of skills, knowledge and experience as well as diversification of Board members, and based on the assessment results, to prepare a description of the roles and capabilities required for individual appointments;

(c) to identify individuals suitably qualified to become members of the Board and to select or make recommendations to the Board on the selection of individuals nominated for directorships;

(d) to assess the independence of independent non-executive Directors;

(e) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the president of the Company;

(f) to do any such things to enable the Nomination Committee to discharge its powers and functions conferred on it by the Board;

(g) to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the Bye-laws or imposed by the Listing Rules or applicable law; and

(h) to review the Board's diversity policy, as appropriate; and review the measurable objectives that the Board has set for implementing the Board's diversity policy.

The terms of reference of the Nomination Committee adopted by the Company are in line with the provisions of the CG Code, a copy of which was posted on the website of the Company and the Stock Exchange respectively.

Where vacancy on the Board exists, the Nomination Committee will carry out a selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations, and select or make recommendations to the Board on the selection of candidates for directorship.

Corporate Governance Report

The Board has also adopted the following diversity policy on the Board:

"The Board recognises that board diversity is an essential element contributing to the sustainable development of the Company and enhances Board effectiveness and corporate governance. In determining the optimum composition of the Board, all Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board. The Board aims to maintain a Board which has an appropriate mix of diversity, skills, experience and expertise, as well as a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is also independent element on the Board."

The Company has an unwavering commitment to talent as a prime resource for development. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, industry experience, skills, knowledge and length of service in related business areas.

During the year ended 31 December 2016, two Nomination Committee meetings were held, inter alia, to review the structure, size composition and diversity of the Board and to consider, nominate and recommend appointment and reappointment of Directors. The attendance records are set out under the section headed "Number of meetings and Directors' attendance" in this report. A recent meeting of the Nomination Committee was held on 13 March 2017 to consider and review, among others, the composition of the Board, succession planning for the Directors and the Board's diversity policy.

Investment and Risk Management Committee

The current members of the Investment and Risk Management Committee include:

Mr. Dai Honggang *(Chairman)*
Mr. Yin Engang
Mr. Xing Ping

All of the members of the Investment and Risk Management Committee are non-executive Directors. The major duties of the Investment and Risk Management Committee are as follows:

(a) to review major investment and strategy and objectives of project financing of the Company;

(b) to review any major investment, financing proposal and operating project matters of the Company that are subject to approval by the Board in accordance with the "Board of Directors Delegation of Authority Manual";

(c) to review the development and objectives of the Company's risk management system;

(d) to supervise the soundness, reasonableness and effectiveness of the risk management system, and instruct the comprehensive risk management of the Company;

(e) to study the risks of significant matters in major investment and financing activities and operation management of the Company and make necessary recommendations to the Board;

(f) to study the significant investigation results and feedbacks from the management concerning the risk management of the Company; and

(g) to handle other matters in relation to investment or risk management as delegated by the Board.

The terms of reference of Investment and Risk Management Committee adopted by the Company in line with the provisions of the CG Code, a copy of which was posted on the website of the Company and the Stock Exchange respectively.

During the year ended 31 December 2016, five Investment and Risk Management Committee meetings were held, inter alia, to review the proposed investment projects of the Group. The attendance records are set out under the section headed "Number of meetings and Directors' attendance" in this report. A recent meeting of the Investment and Risk Management Committee was held on 14 March 2017 to consider and review, among others, the evaluation, development and objectives of the Group's risk management system.

Corporate Governance Report

Strategy Development Committee

The current members of the Strategy Development Committee include:

Mr. Dai Honggang *(Chairman)*
Mr. Chen Sui
Mr. Lin Jian
Mr. Wu Junfeng
Mr. Wang Susheng

The majority of the members of the Strategy Development Committee are non-executive Directors. The major duties of the Strategy Development Committee are as follows:

(a) to research and recommend on the business objective and mid to long term development strategy of the Company;

(b) to research and recommend on significant investment and financing plans which are required by the Bye-laws to be approved by the Board;

(c) to research and recommend on significant capital operation and asset operation which are required by the Bye-laws to be approved by the Board;

(d) to research and recommend on other significant matters affecting the development of the Company; and

(e) to review and monitor the implementation of the matters mentioned in (a) to (d) above.

During the year ended 31 December 2016, one Strategy Development Committee meeting was held to review a forward exchange transaction. The attendance records are set out under the section headed "Number of meetings and Directors' attendance" in this report.

Company Secretary

Mr. Lee Kin, the Company Secretary, is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. Mr. Lee Kin was appointed as the Company Secretary on 26 January 2015. Mr. Lee Kin complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules during his term of office in the year ended 31 December 2016. The biographical details of Mr. Lee Kin is set out in the section headed "Biographies of Directors and Senior Management" in this report.

FINANCIAL REPORTING AND INTERNAL CONTROL

Financial reporting

The Directors acknowledge their responsibility for the preparation of accounts for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the accounts for the year ended 31 December 2016, the Directors have selected suitable accounting policies and applied them consistently, adopted appropriate International Financial Reporting Standards, International Accounting Standards amendments to standards and the related interpretations, made adjustments and estimates that are prudent and reasonable, and have prepared the accounts on a going concern basis. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement by the external auditor of the Company about their reporting responsibilities is set out in the section headed "Independent Auditor's Report" in this report.

Corporate Governance Report

External auditor's remuneration

Deloitte Touche Tohmatsu ("**Deloitte**") has been appointed as the Company's external auditor since 1995. The Audit Committee has been notified of the scope, nature and the service charges of the audit and non-audit services performed by Deloitte and considered that these audit and non-audit services have no adverse effect on the independence of Deloitte. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of Deloitte.

The remuneration paid to Deloitte in respect of audit and non-audit services for the year ended 31 December 2016 is set out below:

Type of services provided by Deloitte	**Amount of fees** *HK$'000*
Audit services	3,650
Non-audit services	862
Total	4,512

The major non-audit services provided by Deloitte mainly include internal control review, local income tax report and filing and financial advisory services.

Risk management and internal control

The Board has the responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems, and overseeing management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the Board on the effectiveness of these systems on an ongoing basis. The Board should ensure that a review of the effectiveness of the Group's risk management and internal control systems has been conducted at least annually. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Directors have reviewed the effectiveness of the Group's internal control and risk management systems. The internal control system includes a defined management structure with segregation of duties and the implementation and continuous review of an internal control manual. The Board, through the Audit Committee, engaged external professional service providers to conduct annual reviews on the Group's internal control system and make recommendations for strengthening such systems. The results of the review for the year ended 31 December 2016 have been reported to the Audit Committee and the Board. No material deficiencies have been identified so far and there were no significant areas of concern which may affect the Shareholders.

A framework has been established for prudent and effective controls to enable risks to be identified, evaluated and managed. Procedures have been designed for the management of financial, strategic and operational risk management functions. The procedures provide reasonable assurance against material untrue statement or losses and to monitor the risks existing in the course of arriving at the Group's objectives.

The Board is satisfied that, based on information furnished to it and on its own observations, the risk management and internal control systems effective and adequate.

The Company is aware of its disclosure obligations under the Listing Rules and the Inside Information provisions under the Securities and Futures Ordinance and has put in place the proper procedure to ensure that any perceived inside information would be announced to the investing public on a timely basis.

The Company has an internal audit function.

The Audit Committee, inter alia, reviews the financial controls, risk management and internal controls systems of the Group and any significant internal control issues identified by the internal audit department, external auditors and management. The Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting functions and internal audit function and their training programmes and budgets.

The Investment and Risk Management Committee reviews the development and objective of the Company's risk management system.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with the Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of corporate information, which enable the Shareholders and investors to make appropriate investment decisions.

Shareholders are provided with contact details of the Company's public relations firm and share registrar, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company.

Shareholders or investors can contact the public relations firm of the Company, Wonderful Sky Financial Group, to make enquiry or to provide suggestions, of which the contact details are as follows:

Tel: (852) 2851 1038
Fax: (852) 2865 1638
Email: cgnne@wsfg.hk

In addition, Shareholders can contact Tricor Investor Services Limited, the Hong Kong branch share registrar of the Company, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, if they have any enquiries about their shares of the Company and dividends.

The members of the Board and the Board Committees and Deloitte are expected to be present to answer the Shareholders' questions in annual general meetings of the Company (the "**AGM**"). Meeting circulars are distributed to all Shareholders before AGM and special general meetings of the Company (the "**SGM**") in accordance with the timeline requirement as laid down in the Listing Rules and the Bye-laws.

As a channel to promote effective communication, the Group maintains a website where information on the Company's announcements, financial information and other information are posted.

ANNUAL GENERAL MEETING

The Company's AGM is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to communicate face to face with the Directors about the Company's performance and operations. The 2016 AGM was held on 18 May 2016 at Taishan Room, 5th Floor, Island Shangri-La, Pacific Place, 88 Queensway, Hong Kong.

Corporate Governance Report

Resolutions passed at the 2016 AGM

Separate resolutions were proposed at the 2016 AGM on each substantive issue and the percentage of votes cast in favour of such resolutions is set out below:

	Resolutions proposed at the 2016 AGM	Percentage of Votes in Favour
1.	To receive and consider the audited consolidated financial statements of the Company, the Report of the Directors and the Independent Auditor's Report for the year ended 31 December 2015	99.97%
2.	To declare a final dividend for the year ended 31 December 2015	99.97%
3.(a)	To re-elect Mr. Lin Jian as an executive Director	99.97%
3.(b)	To re-elect Mr. Chen Qiming as a non-executive Director	99.97%
3.(c)	To re-elect Mr. Dai Honggang as a non-executive Director	99.67%
3.(d)	To re-elect Mr. Xing Ping as a non-executive Director	99.97%
3.(e)	To authorize the Board to fix the Directors' remuneration	99.97%
4.	To re-appoint Deloitte Touche Tohmatsu as auditor of the Company and to authorize the Board to fix their remuneration	99.97%
5.	To grant a general mandate to the Directors to repurchase the Company's shares (the "**Repurchase Mandate**")	99.97%
6.	To grant a general mandate to the Directors to issue the Company's shares (the "**Issue Mandate**")	99.13%
7.	To extend the Issue Mandate by adding thereto the aggregate nominal amount of the shares repurchased by the Company pursuant to the Repurchase Mandate	99.21%

Accordingly, all resolutions put to shareholders at the 2016 AGM were passed. The results of the voting by poll were published on the websites of the Company and the Stock Exchange.

SHAREHOLDERS' RIGHTS

Convening of SGM and requisition by the Shareholders

The following procedures are subject to the Bye-laws, the Bermuda Companies Act 1981, applicable legislation and regulation and the Company's policy on Shareholders' rights.

Corporate Governance Report

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the Company's registered office at Victoria Place, 31 Victoria Street, Hamilton HM10, Bermuda and its principal place of business in Hong Kong at 15/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong, for the attention of the Board or the Company Secretary, to require a SGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. The written requisition must state the purposes of the general meeting, signed by the shareholder(s) concerned and may consist of several documents in like form, each signed by one or more of those shareholders. If the requisition is in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice in accordance with the statutory requirements to all the registered shareholders. On the contrary, if the requisition is invalid, the shareholders concerned will be advised of this outcome and accordingly, a SGM will not be convened as requested.

Procedures for making proposals by the Shareholders other than a proposal of a person for election as director

The following procedures are subject to the Bye-laws, the Bermuda Companies Act 1981, applicable legislation and regulation and the Company's policy on shareholders' rights.

The Company holds an AGM every year, and may hold a general meeting known as a special general meeting whenever necessary. Shareholder(s) of the Company holding (i) not less than one-twentieth of the total voting rights of all shareholders having the right to vote at the general meeting; or (ii) not less than 100 shareholders, can submit a written request stating the resolution intended to be moved at the AGM; or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting. The written request/statements must be signed by the shareholder(s) concern and deposited at the Company's registered office at Victoria Place, 31 Victoria Street, Hamilton HM10, Bermuda and its principal place of business in Hong Kong at 15/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong, for the attention of the Company Secretary, not less than six weeks before the AGM in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition. If the written request is in order, the Company Secretary will ask the Board (i) to include the resolution in the agenda for the AGM; or (ii) to circulate the statement for the general meeting, provided that the shareholder(s) concerned have deposited a sum of money reasonably determined by the Board sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating the statement submitted by the shareholder(s) concerned in accordance with the statutory requirements to all the registered shareholders. On the contrary, if the requisition is invalid or the shareholder(s) concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the shareholder(s) concerned will be advised of this outcome and accordingly, the proposed resolution will not be included in the agenda for the AGM; or the statement will not be circulated for the general meeting.

Procedures for Shareholders to propose a person for election as a director

The following procedures are subject to the Bye-laws, the Bermuda Companies Act 1981, applicable legislation and regulation and the Company's policy on the procedures for shareholders to propose a person for election as a director.

1. If a Shareholder who is duly qualified to attend and vote at the general meeting convened to deal with appointment/election of director(s), wishes to propose a person (other than the shareholder himself/herself) for election as a director (the "**Candidate**") at that meeting, he/she can deposit a written notice at the Company's principal place of business in Hong Kong at 15/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

2. In order for the Company to inform all Shareholders of that proposal, the written notice must state the full name of the person proposed for election as a director, his/her biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned and that person indicating his/her willingness to be elected.

Corporate Governance Report

3. A sample form of the notice to be executed and signed by the Shareholder(s) for such proposal can be found from the website of the Company.

4. A sample form of the notice to be executed and signed by the Candidate can also be found from the website of the Company setting out amongst other things, his/her willingness to be elected together with the information of the Candidate as required by Rule 13.51(2) of the Listing Rules as follows:

   (i) full name and age;

   (ii) positions held with the Company and/or other members of the Company (if any);

   (iii) experience including (i) other directorships held in the past three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas, and (ii) other major appointments and professional qualifications;

   (iv) length or proposed length of service with the Company;

   (v) relationships with any directors, senior management, substantial shareholders or controlling shareholders (as defined under the Listing Rules) of the Company, or an appropriate negative statement;

   (vi) interests in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance, or an appropriate negative statement; and

   (vii) a declaration made by the Candidate in respect of the information required to be disclosed pursuant to Rule 13.51(2) (h) to (w) of the Listing Rules, or an appropriate negative statement to that effect where there is no information to be disclosed pursuant to any of such requirements nor there are any other matters relating to that Candidate's standing for election as a director that should be brought to the attention of the shareholders of the Company.

5. The period for lodgment of the written notice will commence no earlier than the day after the despatch of the notice of the general meeting and end no later than seven (7) clear days prior to the date of such general meeting. If the notice is received less than fifteen (15) business days prior to that general meeting, the Company will need to consider adjournment of the general meeting in order to (i) assess the suitability of the proposed Candidate; and (ii) publish an announcement or circulate a supplementary circular in relation to the proposal to the shareholders at least fourteen (14) clear days and not less than ten (10) business days prior to the general meeting.

6. Shareholders who have enquires about the above procedures or have enquires to put to the Board may write to the Company Secretary at 15/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

CONSTITUTIONAL DOCUMENT

The Bye-laws (in both English and Chinese) is available on both the websites of the Company and the Stock Exchange. No change was made to the Bye-laws during the year ended 31 December 2016.

Independent Auditor's Report

TO THE SHAREHOLDERS OF CGN NEW ENERGY HOLDINGS CO., LTD.
中國廣核新能源控股有限公司
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of CGN New Energy Holdings Co., Ltd. (the "**Company**") and its subsidiaries (collectively referred to as "the **Group**") set out on pages 75 to 154, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the **Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill as a key audit matter due to the involvement of significant management judgements in determining the recoverable amounts of groups of cash-generating units to which goodwill has been allocated as disclosed in note 4 to the consolidated financial statements. As at 31 December 2016, the Group has goodwill of approximately US$166,738,000 relating to groups of cash-generating units comprising subsidiaries engaged in generating and supplying electricity through solar energy and wind energy in the Peoples' Republic of China (the "**PRC**"), which are tested for impairment annually. As disclosed in note 17 to the consolidated financial statements, the management has concluded that there is no impairment in respect of the goodwill. The recoverable amounts are based on value in use calculations using discounted cash flow model, which require significant assumptions and estimates with respect to the discount rates and the forecasted cash flows, in particular the budgeted sales and gross margins, taking into account the management expectations for the power industry in the PRC.	Our procedures in relation to impairment assessment of goodwill included: • Understanding the key assumptions used by management in the impairment assessment model and changes in the business environment affecting the power industry in the PRC; • Reviewing the methodology of the impairment assessment model; • Evaluating the accuracy of management's forecasts by comparing the actual results of those cash-generating units to the previously forecasted results; • Assessing and challenging management's key assumptions and estimates, which include the budgeted sales and gross margins, using our knowledge of the power industry, policies of other comparable companies and the Group's historical experience and future operating plans; • Testing discount rates applied in the forecast by comparing to economic and industry data.

Independent Auditor's Report

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

Independent Auditor's Report

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Mr. Wu Chung Ming.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
15 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 US$'000	2015 US$'000
Revenue	5	**1,074,448**	1,151,905
Operating expenses:			
Coal, oil and gas		**587,176**	729,336
Depreciation of property, plant and equipment		**143,429**	109,478
Repair and maintenance		**38,729**	27,889
Staff costs		**69,237**	62,943
Others		**58,480**	63,359
Total operating expenses		**897,051**	993,005
Operating profit		**177,397**	158,900
Other income	6	**14,281**	18,630
Other gains and losses	7	**2,631**	(1,652)
Finance costs	8	**(115,172)**	(76,799)
Share of results of associates		**22,113**	63,313
Gain on disposal of a subsidiary	39	**18,675**	–
Profit before tax		**119,925**	162,392
Income tax expenses	9	**(28,893)**	(39,978)
Profit for the year	10	**91,032**	122,414
Other comprehensive (expenses) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign subsidiaries and associates		**(96,576)**	(77,479)
Share of reserve from associates		**–**	419
Reclassification adjustments for amounts transferred to profit or loss			
– release of hedging reserve		**(122)**	(125)
– deferred tax credit arising on release of hedging reserve		**29**	30
– release of cumulative gain included in profit or loss upon disposal of a subsidiary	39	**(4,996)**	–
Other comprehensive expenses for the year		**(101,665)**	(77,155)
Total comprehensive (expenses) income for the year		**(10,633)**	45,259

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Note	2016 US$'000	2015 US$'000
Profit for the year attributable to:			
Owner of the Company		**79,472**	103,879
Non-controlling interests		**11,560**	18,535
		91,032	122,414
Total comprehensive (expenses) income attributable to:			
Owner of the Company		**(13,063)**	32,606
Non-controlling interests		**2,430**	12,653
		(10,633)	45,259
Earnings per share			
– Basic *(US cents)*	*13*	**1.85**	2.42
– Diluted *(US cents)*	*13*	**1.85**	2.42

Consolidated Statement of Financial Position

At 31 December 2016

	Notes	2016 US$'000	2015 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**2,309,875**	2,545,785
Prepaid lease payments	16	**51,642**	57,982
Goodwill	17	**167,582**	178,967
Interests in associates	18	**161,717**	174,472
Amounts due from non-controlling shareholders	19	**439**	704
Deferred tax assets	20	**25,927**	28,553
Other assets	21	**22,792**	35,661
		2,739,974	3,022,124
CURRENT ASSETS			
Inventories	22	**32,519**	28,755
Prepaid lease payments	16	**3,379**	3,640
Trade receivables	23	**200,911**	200,765
Other receivables and prepayments		**102,327**	130,082
Amounts due from non-controlling shareholders	19	**119**	2,450
Amounts due from associates	24	**9,235**	43,084
Amounts due from fellow subsidiaries	24	**10,511**	4,319
Tax recoverable		**734**	106
Pledged bank deposits	25	**72,398**	75,045
Bank balances and cash	25	**326,514**	342,498
		758,647	830,744
CURRENT LIABILITIES			
Trade payables	26	**86,719**	89,778
Other payables and accruals	27	**127,906**	155,873
Amounts due to fellow subsidiaries	24	**4,341**	4,647
Amounts due to non-controlling shareholders	28	**5,228**	6,198
Loan from a fellow subsidiary – due within one year	32	**39,579**	96,422
Advance from a non-controlling shareholder – due within one year	29	**2,203**	7,098
Bank borrowings – due within one year	30	**133,886**	114,024
Bond payables – due within one year	31	**4,717**	4,717
Government grants	33	**620**	662
Deferred connection charges		**69**	109
Tax payable		**4,399**	8,738
		409,667	488,266

Consolidated Statement of Financial Position

At 31 December 2016

	Notes	2016 US$'000	2015 US$'000
NET CURRENT ASSETS		**348,980**	342,478
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,088,954**	3,364,602
NON-CURRENT LIABILITIES			
Advance from a non-controlling shareholder			
– due after one year	29	**792**	794
Loan from an intermediate holding company	32	**–**	100,000
Loans from fellow subsidiaries	32	**450,000**	465,459
Bank borrowings – due after one year	30	**1,418,324**	1,536,606
Bond payables – due after one year	31	**349,763**	349,386
Deferred connection charges		**73**	152
Government grants	33	**9,559**	10,874
Deferred tax liabilities	20	**48,607**	51,778
		2,277,118	2,515,049
NET ASSETS		**811,836**	849,553
CAPITAL AND RESERVES			
Share capital	35	**55**	55
Reserves		**710,703**	741,677
Equity attributable to owner of the Company		**710,758**	741,732
Non-controlling interests		**101,078**	107,821
TOTAL EQUITY		**811,836**	849,553

The consolidated financial statements on pages 75 to 154 were approved and authorised for issue by the Board of Directors on 15 March 2017 and are signed on its behalf by:

Chen Sui
DIRECTOR

Lin Jian
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owner of the Company										
	Share capital US$'000	Share premium US$'000	Share option reserve US$'000	Contributed surplus US$'000 (Note a)	Other non-distributable reserves US$'000 (Note b)	Hedging reserve US$'000	Translation reserve US$'000	Accumulated profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2015	55	250,406	–	–	7,798	1,113	112,804	336,872	709,048	107,042	816,090
Profit for the year	–	–	–	–	–	–	–	103,879	103,879	18,535	122,414
Exchange difference arising on translation of foreign subsidiaries and associates	–	–	–	–	–	–	(71,597)	–	(71,597)	(5,882)	(77,479)
Release of hedging reserve	–	–	–	–	–	(125)	–	–	(125)	–	(125)
Share of reserve from associates	–	–	–	–	419	–	–	–	419	–	419
Deferred tax credit arising on release of hedging reserve *(note 20)*	–	–	–	–	–	30	–	–	30	–	30
Total comprehensive income/(expense) for the year	–	–	–	–	419	(95)	(71,597)	103,879	32,606	12,653	45,259
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(16,665)	(16,665)
Transfer of non-distributable reserve	–	–	–	–	1,758	–	–	(1,758)	–	–	–
Effects of share options *(note 34)*	–	–	78	–	–	–	–	–	78	–	78
Acquisition of subsidiaries *(note 38)*	–	–	–	–	–	–	–	–	–	4,791	4,791
At 31 December 2015	55	250,406	78	–	9,975	1,018	41,207	438,993	741,732	107,821	849,553
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**79,472**	**79,472**	**11,560**	**91,032**
Exchange difference arising on translation of foreign subsidiaries and associates	**–**	**–**	**–**	**–**	**–**	**–**	**(87,446)**	**–**	**(87,446)**	**(9,130)**	**(96,576)**
Release of hedging reserve	**–**	**–**	**–**	**–**	**–**	**(122)**	**–**	**–**	**(122)**	**–**	**(122)**
Deferred tax credit arising on release of hedging reserve *(note 20)*	**–**	**–**	**–**	**–**	**–**	**29**	**–**	**–**	**29**	**–**	**29**
Release of cumulative gain included in profit or losses upon disposal of a subsidiary *(note 39)*	**–**	**–**	**–**	**–**	**–**	**–**	**(4,996)**	**–**	**(4,996)**	**–**	**(4,996)**
Total comprehensive (expenses) income for the year	**–**	**–**	**–**	**–**	**–**	**(93)**	**(92,442)**	**79,472**	**(13,063)**	**2,430**	**(10,633)**
Dividend declared and paid *(note 12)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(18,880)**	**(18,880)**	**–**	**(18,880)**
Dividend paid to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(11,391)**	**(11,391)**
Transfer of non-distributable reserve	**–**	**–**	**–**	**–**	**2,176**	**–**	**–**	**(2,176)**	**–**	**–**	**–**
Effects of share options *(note 34)*	**–**	**–**	**969**	**–**	**–**	**–**	**–**	**–**	**969**	**–**	**969**
Capital contribution	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,218**	**2,218**
At 31 December 2016	**55**	**250,406**	**1,047**	**–**	**12,151**	**925**	**(51,235)**	**497,409**	**710,758**	**101,078**	**811,836**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

Notes:

(a) The contributed surplus of the Company represents cash contributions to the Company made by the shareholder other than for subscription of shares, net of dividends declared. In addition to accumulated profits, the contributed surplus of the Company is also available for distribution to shareholder under the Companies Act 1981 of Bermuda. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(b) Other non-distributable reserves principally represent statutory reserves required to be appropriated from profit after income tax of the subsidiaries established in the People's Republic of China (the "**PRC**"), under the relevant laws and regulations. Allocation to the statutory reserves shall be approved by the board of directors of the relevant subsidiaries. The appropriation to statutory reserves may cease if the balance of the statutory reserves has reached 50% of the registered capital of the respective subsidiaries. The statutory reserves may be used to make up losses or for conversion into capital. The relevant subsidiaries may, upon the approval by a resolution of shareholders' general meeting/board of directors' meeting, convert their statutory reserves into capital in proportion to their then existing shareholdings. However, when converting the statutory reserves into capital, the balance of such reserve remaining unconverted must not be less than 25% of the registered capital.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	NOTES	2016 US$'000	2015 US$'000
OPERATING ACTIVITIES			
Profit before tax		**119,925**	162,392
Adjustments for:			
Depreciation of property, plant and equipment		**143,429**	109,478
Release of prepaid lease payments		**3,789**	2,751
Loss on disposal of property, plant and equipment		**713**	48
Allowance for bad and doubtful receivables		**1,296**	80
Amortisation of deferred connection charges		**(110)**	(171)
Amortisation of government grant		**(666)**	–
Interest income		**(5,030)**	(4,430)
Finance costs		**115,172**	76,799
Share of results of associates		**(22,113)**	(63,313)
Share-based payment expense	34	**969**	78
Gain on disposal of a subsidiary	39	**(18,675)**	–
Operating cashflows before movements in working capital		**338,699**	283,712
Decrease (increase) in other assets		**5,941**	(5,966)
(Increase) decrease in inventories		**(5,363)**	1,237
(Increase) decrease in trade receivables		**(10,121)**	23,469
Decrease in other receivables and prepayments		**20,137**	22,480
Decrease in amount due from a non-controlling shareholder		**2,293**	164
Increase in amounts due from fellow subsidiaries		**(7,379)**	(2,370)
Decrease in trade payables		**(2,258)**	(70,273)
Decrease in other payables and accruals		**(19,511)**	(22,297)
Refund of government grants	33	**–**	(7,368)
Cash generated from operations		**322,438**	222,788
Income taxes paid		**(35,224)**	(34,872)
NET CASH FROM OPERATING ACTIVITIES		**287,214**	187,916
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(32,859)**	(57,077)
Addition of prepaid lease payment		**(704)**	–
Net cash flow from acquisition of subsidiaries	38	**–**	(527,306)
Repayment from fellow subsidiaries		**1,187**	–
Repayment from non-controlling shareholders		**101**	–
Advnace to non-controlling shareholders		**–**	(684)
Net cash inflow from disposal of a subsidiary	39	**18,304**	–
Proceeds from disposal of property, plant and equipment		**1,582**	56
Interest received		**5,030**	4,430
Dividends received from associates		**53,959**	37,034
Withdrawal of fixed deposits with bank		**–**	36,098
Placement of pledged bank deposits		**(1,262,702)**	(1,038,648)
Withdrawal of pledged bank deposits		**1,262,247**	1,075,026
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**46,145**	(471,071)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 US$'000	2015 US$'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(694,948)**	(286,052)
Interest paid	**(114,816)**	(76,443)
Dividends paid to shareholders	**(18,880)**	–
Dividends paid to non-controlling shareholders	**(11,391)**	(16,665)
Capital contribution from non-controlling shareholder	**2,218**	–
Repayment to non-controlling shareholders	**(4,965)**	(792)
Loan from an intermediate holding company	**–**	100,000
Repayment to an intermediate holding company	**(100,000)**	–
Loan from fellow subsidiaries	**97,304**	470,000
Repayment to fellow subsidiaries	**(173,347)**	(28,050)
New bank borrowings raised	**691,330**	56,971
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(327,495)**	218,969
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**5,864**	(64,186)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**342,498**	382,233
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(21,848)**	24,451
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balance and cash	**326,514**	342,498

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in October 2014. The registered office of the Company is at Victoria Place, 31 Victoria Street, Hamilton HM 10, Bermuda. The principal place of business of the Company is at 15/F., Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. Its immediate holding company is CGNPC Huamei Investment Limited ("**CGNPC Huamei**"), a company incorporated in Hong Kong with limited liability, and its ultimate holding company is China General Nuclear Power Corporation, Ltd. ("**CGN**"), a state-owned enterprise established in the PRC.

The Company is an investment holding company. The principal activities of its subsidiaries are engaged in the generation and supply of electricity and steam, construction and operation of power stations and other associated facilities in the PRC and Republic of Korea ("**Korea**").

These consolidated financial statements are presented in United States dollars ("**US$**"), which is also the functional currency of the Company.

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

(a) Application of new and revised IFRSs

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") and International Financial Reporting Interpretations Committee ("**IFRIC**") for the first time in the current year:

Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 Cycle

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(b) New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2014 – 2016 Cycle[5]
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 Unrealised Losses[4]
Amendments to IAS 40	Transfers of Investment Property[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

IFRS 9 *Financial Instruments*

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(b) New and amendments to IFRSs issued but not yet effective *(Continued)*

IFRS 9 *Financial Instruments (Continued)*

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

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised 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 amortised 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 value 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 recognised 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 was 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 recognised.

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

The directors of the Company anticipate that the adoption of IFRS 9 in the future may not have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(b) New and amendments to IFRSs issued but not yet effective *(Continued)*

IFRS 15 *Revenue from Contracts with Customers*

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

The core principle of IFRS 15 is that an entity should recognise 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: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises 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 Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods..

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(b) New and amendments to IFRSs issued but not yet effective *(Continued)*

IFRS 16 *Leases*

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

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

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

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

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

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of US$16,113,000 (2015: US$6,004,000) as disclosed in note 40. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(b) New and amendments to IFRSs issued but not yet effective *(Continued)*

Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*

The amendments clarify the following:

In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

- the original liability is derecognised;
- the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
- any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The directors of the Company anticipate that the adoption of IFRS 2 in the future may not have significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities.

Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(b) New and amendments to IFRSs issued but not yet effective *(Continued)*

Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Continued)*

The directors of the Company do not anticipate that the application of these amendments to IFRS 10 and IAS 28 will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 7 *Disclosure Initiative*

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The directors of the Company do not anticipate that the application of the amendments to IAS 7 will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments provide guidance on how an entity determines, in accordance with IAS 12 Income Taxes, whether to recognise a deferred tax asset in relation to unrealised tax losses of a debt instrument that is classified as an available-for-sale financial asset in accordance with IAS 39 Financial Instruments: Recognition and Measurement under certain specific facts and circumstances.

The directors of the Company do not anticipate that the application of the amendments to IAS 12 will have a material impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

Non-controlling interests in subsidiaries are presented separately from the equity owner of the Company.

Business combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

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

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

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

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described as "Interests in associates" below.

Investments in subsidiaries

Investments in subsidiaries included in the Company's statement of financial position are stated at cost less any identified impairment loss.

The results of the subsidiaries are accounted for on the basis of dividends received and receivable during the year.

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Any retained portion of an investment in an associate that has not been classified as held for sale shall be accounted for using the equity method. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset with the scope of IAS39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate, and the fair value of any retained interest and any proceeds disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of electricity and steam are recognised based upon output delivered. Revenue is recognised upon transmission of electricity and steam to the customers.

Capacity charges are payments from independent power purchasers for maintaining availability of some of the Group's power generators for dispatch of electricity, regardless of actual dispatch. The charges are recognised when the relevant dispatch requirements are met.

Connection charges are one-off charges to new customers for connecting into a heat supply network approved by government. The charges are deferred and recognised on a straight-line basis over the estimated service life of the customers which is estimated to be five years.

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

Revenue from sale of scrap materials is recognised when the materials are delivered and title has passed.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessor

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

In the case of an electricity supply or a power purchase contractual arrangement, where the fulfilment of the arrangement is dependent on the use of specific assets and the arrangement conveys a right to use these assets, such contractual arrangement is accounted for as containing a finance lease or an operating lease, as applicable.

The Group as lessee

Operating lease payments including the cost of acquiring land held under operating creases, are recognised as an expense on a straight-line basis over the lease term.

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

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 recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise,except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests.

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

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

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans including state-managed retirement benefit schemes in the PRC, national retirement benefit scheme in Korea and the Mandatory Provident Fund Scheme in Hong Kong are recognised as an expense when employees have rendered service entitling them to the contributions.

In accordance with the relevant rules and regulations in Korea, all employees with more than one year of service are entitled to lump-sum severance payments equal to one month's pay of service for each year based on their rate of latest salary and the length of service upon termination of their employment or retirement. The accrual for severance indemnities is determined based on the amount that would be payable assuming all employees were to retire at the end of the reporting period.

Taxation

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

Current tax

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

Deferred tax

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax *(Continued)*

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

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

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

Current and deferred tax for the year

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

Property, plant and equipment

Property, plant and equipment, are stated in the consolidated statements of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost assets (other than properties under construction) less their residual values over their 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasehold land and building

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is released over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Impairment of assets (other than financial assets)

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

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

Inventories

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

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

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

Share-based payment arrangements

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 34 to the Group's consolidation financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

Financial instruments

Financial assets and financial liabilities are recognised 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 ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into one of the two categories, including financial assets at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method

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

Interest income is recognised on an effective interest basis.

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 recognitions, loans and receivables (including trade receivables, other receivables, amounts due from non-controlling shareholders, amounts due from fellow subsidiaries and associates, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised 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.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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 Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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 (see the accounting policy below).

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. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to receive cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

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

Equity instrument

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

Effective interest method

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to non-controlling shareholders and fellow subsidiaries, advances from non-controlling shareholders, loan from a fellow subsidiary, loan from an intermediate holding company, bank borrowings and bond payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Hedge accounting

The Group designates certain derivatives as hedges of the cash flow for the purchase of property, plant and equipment denominated in foreign currency (cash flow hedges).

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Hedge accounting *(Continued)*

Cash flow hedge

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

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognised hedged item.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year from the end of each reporting period.

Impairment assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2016, the carrying amount of goodwill is US$167,582,000 (2015: US$178,967,000). Details of the value in use calculation are disclosed in note 17.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5. REVENUE AND SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on geographical location are set out below.

Segment revenue and segment results

The board of directors of the Company review operating results and financial information of the Group based on individual power plant, management companies and on a location basis. Each power plant and management company constitutes an operating segment. For certain operating segments that exhibit similar long-term financial performance as they have similar economic characteristics, produce electricity and/or steam by using similar production processes and all of electricity and/or steam are distributed and sold to similar classes of customers, provide similar consulting services to customers, their segment information is aggregated into a single reportable operating segment. The Group has three reportable segments as follows:

(1) Power plants in the PRC – Generation and supply of electricity;

(2) Power plants in Korea – Generation and supply of electricity; and

(3) Management companies – Provision of management services to power plants operated by CGN and its subsidiaries.

The following is an analysis of the Group's revenue and results by reportable segment:

For the year ended 31 December 2016

	Power plants in the PRC *US$'000*	Power plants in Korea *US$'000*	Management companies *US$'000*	Total *US$'000*
Segment revenue – external	389,922	658,381	26,145	1,074,448
Segment results	106,446	37,994	1,245	145,685
Unallocated other income				1,647
Unallocated operating expenses				(11,687)
Unallocated finance costs				(39,139)
Unallocated other gains and losses				1,306
Share of results of associates				22,113
Profit before tax				119,925

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and segment results *(Continued)*

For the year ended 31 December 2015

	Power plants in the PRC *US$'000*	Power plants in Korea *US$'000*	Management companies *US$'000*	Total *US$'000*
Segment revenue – external	317,640	813,806	20,459	1,151,905
Segment results	91,601	44,938	974	137,513
Unallocated other income				1,163
Unallocated operating expenses				(15,671)
Unallocated finance costs				(22,946)
Unallocated other gains and losses				(980)
Share of results of associates				63,313
Profit before tax				162,392

The accounting policies of the reportable segments are the same as the Group's accounting policies set out in note 3. Segment results represents the profit earned by each segment without allocation of certain other income, other gains and losses, general and administrative expenses, finance costs, other expenses and share of result of associates. This is the measure reported to the directors of the Company for the purposes of resource allocation and performance assessment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2016	2015
	US$'000	*US$'000*
Segment assets		
Power Plants in the PRC	**2,019,212**	2,271,429
Power Plants in Korea	**1,200,218**	1,267,300
Management companies	**3,841**	7,491
Total segment assets	**3,223,271**	3,546,220
Interests in associates	**161,717**	174,472
Unallocated	**113,633**	132,176
Consolidated assets	**3,498,621**	3,852,868

	2016	2015
	US$'000	*US$'000*
Segment liabilities		
Power Plants in the PRC	**1,038,263**	1,210,196
Power Plants in Korea	**790,370**	874,027
Management companies	**1,011**	3,456
Total segment liabilities	**1,829,644**	2,087,679
Unallocated		
– Bond payables	**354,480**	354,103
– Loan from an intermediate holding company	**–**	100,000
– Loans from fellow subsidiaries	**489,579**	450,000
– Others	**13,082**	11,533
Consolidated liabilities	**2,686,785**	3,003,315

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

- all assets are allocated to operating segments other than interests in associates, corporate assets of investment holding companies; and
- all liabilities are allocated to operating segments other than bond payables, other payables and accruals and loan from an intermediate holding company and a fellow subsidiary of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2016

	Power plants in the PRC *US$'000*	Power plants in Korea *US$'000*	Management companies *US$'000*	Unallocated *US$'000*	Total *US$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Addition to non-current assets *(Note)*	39,746	68	–	26	39,840
Depreciation	98,441	44,263	24	701	143,429
Release of prepaid lease payments	3,789	–	–	–	3,789
Loss on disposal of property, plant and equipment	713	–	–	–	713
Interest income	2,843	766	24	–	3,633
Interest expense	48,447	27,582	3	–	76,032
Gain on disposal of a subsidiary	18,675	–	–	–	18,675
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss or segment assets:					
Interest in associates	161,717	–	–	–	161,717
Share of results of associates	22,113	–	–	–	22,113
Interest income	–	–	–	1,397	1,397
Interest expense	–	–	–	39,140	39,140
Income tax expense	21,534	7,359	–	–	28,893

Note: Non-current assets excluded financial assets and deferred tax assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2015

	Power plants in the PRC *US$'000*	Power plants in Korea *US$'000*	Management companies *US$'000*	Unallocated *US$'000*	Total *US$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Addition to non-current assets *(Note)*	1,298,972	28,193	22	116	1,327,303
Depreciation	64,636	44,126	18	698	109,478
Release of prepaid lease payments	2,751	–	–	–	2,751
Loss on disposal of property, plant and equipment	49	–	–	–	49
Interest income	1,964	1,295	15	–	3,274
Interest expense	18,896	34,950	7	–	53,853
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss or segment assets:					
Interest in associates	172,472	–	–	–	174,472
Share of results of associates	63,313	–	–	–	63,313
Interest income	–	–	–	1,156	1,156
Interest expense	–	–	–	22,946	22,946
Income tax expense	27,306	12,672	–	–	39,978

Note: Non-current assets excluded financial assets and deferred tax assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2016	2015
	US$'000	*US$'000*
Korea Electric Power Corporation ("**KEPCO**")	**204,790**	269,170
Korea Power Exchange	**453,591**	544,636

Non-current assets by geographical location

The Group operates in three principal geographical areas – the PRC, Korea and Hong Kong. The Group's information about its non-current assets *(Note)* by location of assets and its associates by location of their business operations are detailed below:

	2016	2015
	US$'000	*US$'000*
PRC	**1,709,030**	1,894,929
Korea	**997,907**	1,088,424
Hong Kong	**6,671**	9,514
	2,713,608	2,992,867

Note: Non-current assets excluded financial assets and deferred tax assets.

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products:

	2016	2015
	US$'000	*US$'000*
Sales of electricity	**841,247**	924,833
Sales of steam	**72,610**	74,320
Capacity charges	**134,325**	132,007
Connection charges and others	**121**	286
Management service fee income	**26,145**	20,459
	1,074,448	1,151,905

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

6. OTHER INCOME

	2016 US$'000	2015 US$'000
Government grants *(note 33)*	1,535	4,184
Income on sales of scrap materials	1,712	2,489
Income on sales of electricity generation quota	619	716
Compensation income due to breach of contract from a third party	–	1,527
Compensation from insurance companies	1,150	–
Value added tax refund	3,114	3,673
Interest income	5,030	4,430
Equipment rental income	650	719
Others	471	892
	14,281	18,630

7. OTHER GAINS AND LOSSES

	2016 US$'000	2015 US$'000
Net foreign exchange gain (loss)	3,344	(1,604)
Loss on disposal of property, plant and equipment	(713)	(48)
	2,631	(1,652)

8. FINANCE COSTS

	2016 US$'000	2015 US$'000
Interest on:		
Bank borrowings wholly repayable		
– Within 5 years	36,623	25,115
– Over 5 years	36,100	29,748
Loans from fellow subsidiaries	24,334	5,205
Loan from an intermediate holding company	3,738	2,375
Bond payables	14,377	14,377
	115,172	76,820
Less: amounts capitalised to construction in progress	–	(21)
	115,172	76,799

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

9. INCOME TAX EXPENSE

	2016	2015
	US$'000	*US$'000*
Current tax:		
Provision for the year	**24,707**	30,522
Underprovision (overprovision) in prior years	**82**	(585)
	24,789	29,937
Dividend withholding tax – current year	**5,880**	7,035
Deferred tax *(Note 20)*:		
Current year	**(1,776)**	3,006
	28,893	39,978

The Company is exempted from taxation in Bermuda.

Current tax provision represents provision for PRC Enterprise Income Tax ("**PRC EIT**") and Korean Corporate Income Tax ("**KCIT**").

Under the Law of People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% from 1 January 2008 onwards, except for those subsidiaries described below.

Certain subsidiaries of the Group in the PRC are under the Western China Development Plan and a preferential tax rate of 15% is granted for an extended period from 2011 to 2020. As a result, the tax rate of 15% is used to calculate the amount of current taxation.

Pursuant to KCIT law, the statutory income tax of the Group's Korean subsidiaries was calculated at a rate of 24.2% of the estimated assessable profit for the years ended 31 December 2016 and 2015.

For the year ended 31 December 2016, a tax exemption of KRW1,537,000,000 (2015: KRW3,511,000,000), equivalent to approximately US$1,325,000 (2015: US$3,108,000) is granted to a Korean subsidiary under KCIT in relation to the installation of energy saving facilities.

Pursuant to Hong Kong tax law, the statutory income tax was calculated at a rate of 16.5% for the years ended 31 December 2016 and 2015. Pursuant to the tax laws in Republic of Malta and in Mauritius, the statutory income tax was calculated at a rate of 35% and 15%, respectively, for the years ended 31 December 2016 and 2015. However, subsidiaries of the Group operating in these jurisdictions have not generated taxable income during both years and therefore, no tax provision has been made by the Group in relation to these subsidiaries.

The Group's subsidiaries and associates that are tax residents in the PRC are subject to the PRC dividend withholding tax ranging from 5% to 10% for those non-PRC tax resident immediate holding companies incorporated in Hong Kong and other jurisdictions, when and if undistributed earnings are declared and to be paid as dividends out of profits that arose on or after 1 January 2008.

The Group's subsidiaries that are tax residents in Korea are subject to a 10% Korean dividend withholding tax based on the PRC-Korea Tax Treaty when and if undistributed earnings are declared and to be paid to non-PRC or non-Korea residents as dividends out of profits.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

9. INCOME TAX EXPENSE *(Continued)*

Deferred tax has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the profit for the current year of the Group's Korean subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

	2016 ***US$'000***	2015 *US$'000*
Profit before tax	**119,925**	162,392
Tax at PRC EIT of 25% (2015: 25%) *(Note)*	**29,981**	40,598
Tax effect of expenses not deductible for tax purpose	**13,733**	12,441
Tax effect of income not taxable for tax purpose	**(2,419)**	(1,713)
Tax effect of share of results of associates	**(5,528)**	(15,828)
Tax effect of preferential tax rates granted to certain PRC subsidiaries	**(6,583)**	(2,692)
Utilisation of tax losses previously not recognised	**(33)**	(269)
Tax effect of tax losses not recognised	**2,390**	334
Tax effect of gain on disposal of a subsidiary not taxable for tax purpose	**(4,669)**	–
Withholding tax on distributable profits of subsidiaries and associates	**3,568**	11,645
Under(over)provision in prior years	**82**	(585)
Effect of tax exemptions granted to a Korea subsidiary	**(1,325)**	(3,108)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(304)**	(845)
Income tax expense for the year	**28,893**	39,978

Note: The tax rate represents the statutory tax rate of the operations in the jurisdiction where the operations of the Group are substantially based.

Details of deferred tax movement are set out in note 20.

10. PROFIT FOR THE YEAR

	2016 ***US$'000***	2015 *US$'000*
Profit for the year has been arrived at after charging:		
Release of prepaid lease payments	**3,789**	2,751
Allowance for bad and doubtful receivables	**1,296**	80
Staff costs		
– salaries and wages	**55,855**	52,615
– retirement benefits scheme contributions, excluding directors	**12,756**	9,776
Total staff costs, excluding directors	**68,611**	62,391
Auditor's remuneration	**1,453**	1,404

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION

Directors' and chief executive's emoluments

2016

Name	Position	Date of appointment as director/ chairman/president	Date of resignation/ re-designation	Directors' fee US$'000	Salaries and allowance US$'000	Performance related incentive payments US$'000	Benefits in kind US$'000 (Note a)	Contribution to retirement benefits scheme US$'000	Equity-settled share option expense US$'000	Compensation of loss of office paid US$'000 (Notes (b) and (c))	Total US$'000
Mr. CHEN Sui 陳遂	Chairman and Non-executive Director	3 October 2014	26 January 2015	-	-	-	-	-	-	-	-
	Chairman and Executive Director	26 January 2015	12 July 2016								
	Chairman and Non-executive Director	12 July 2016	N/A								
Mr. LIN Jian 林堅	Executive Director and President	3 October 2014	N/A	-	113	266	45	7	-	-	431
Mr. CHEN Qiming 陳啟明	Non-executive Director	3 October 2014	12 July 2016	-	-	-	-	-	-	-	-
Mr. XU Yuan 徐原	Non-executive Director	18 March 2015	N/A	-	-	-	-	-	-	-	-
Mr. YIN Engang 尹恩剛	Non-executive Director	18 March 2015	N/A	-	-	-	-	-	-	-	-
Mr. DAI Honggang 戴洪剛	Non-executive Director	3 October 2014	N/A	-	-	-	-	-	-	-	-
Mr. Wu Junfeng 吳俊峰	Non-executive Director	12 July 2016	N/A	-	-	-	-	-	-	-	-
Mr. XING Ping 邢平	Non-executive Director	3 October 2014	N/A	-	-	-	-	-	-	-	-
Mr. LEUNG Chi Ching Frederick 梁子正	Independent non-executive Director	17 September 2014	N/A	52	-	-	-	-	-	-	52
Mr. FAN Ren Da Anthony 范仁達	Independent non-executive Director	17 September 2014	N/A	52	-	-	-	-	-	-	52
Mr. WANG Susheng 王蘇生	Independent non-executive Director	17 September 2014	N/A	39	-	-	-	-	-	-	39
Mr. ZHANG Dongxiao 張東曉	Independent non-executive Director	7 July 2015	N/A	52	-	-	-	-	-	-	52
				195	113	266	45	7	-	-	626

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION *(Continued)*

Directors' and chief executive's emoluments *(Continued)*

2015

Name	Position	Date of appointment as director/ chairman/president	Date of resignation/ re-designation	Directors' fee *US$'000*	Salaries and allowance *US$'000*	Performance related incentive payments *US$'000*	Benefits in kind *US$'000* *(Note a)*	Contribution to retirement benefits scheme *US$'000*	Equity-settled share option expense *US$'000*	Compensation of loss of office paid *US$'000* *(Notes (b) and (c))*	Total *US$'000*
Mr. CHEN Sui 陳遂	Chairman and Voting Director	3 January 2014	3 October 2014	–	–	–	–	–	–	–	–
	Chairman and Non-executive Director	3 October 2014	26 January 2015								
	Chairman and Executive Director	26 January 2015	N/A								
Mr. LIN Jian 林堅	Voting Director and Chief Executive Officer	9 October 2012	3 January 2014	–	112	207	43	7	–	–	369
	Voting Director and President	3 January 2014	3 October 2014	–	–	–	–	–	–	–	–
	Executive Director and President	3 October 2014	N/A								
Mr. CHEN Qiming 陳啟明	Voting Director	9 March 2012	3 October 2014	–	–	–	–	–	–	–	–
	Non-executive Director	3 October 2014	N/A								
Mr. XU Yuan 徐原	Non-executive Director	18 March 2015	N/A	–	–	–	–	–	–	–	–
Mr. YIN Engang 尹恩剛	Non-executive Director	18 March 2015	N/A	–	–	–	–	–	–	–	–
Mr. CHEN Huijiang 陳惠江	Voting Director	22 November 2013	3 October 2014	–	–	–	–	–	–	–	–
	Non-executive Director	3 October 2014	18 March 2015								
Mr. DAI Honggang 戴洪剛	Voting Director	7 March 2011	3 October 2014	–	–	–	–	–	–	–	–
	Non-executive Director	3 October 2014	N/A								
Mr. LIN Beijing 林北京	Voting Director	7 March 2011	3 October 2014	–	–	–	–	–	–	–	–
	Non-executive Director	3 October 2014	18 March 2015								
Mr. XING Ping 邢平	Voting Director	9 April 2013	3 October 2014	–	–	–	–	–	–	–	–
	Non-executive Director	3 October 2014	N/A								
Mr. SHEN Zhongmin 沈忠民	Independent non-executive Director	17 September 2014	13 April 2015	15	–	–	–	–	–	–	15
Mr. LEUNG Chi Ching Frederick 梁子正	Independent non-executive Director	17 September 2014	N/A	52	–	–	–	–	–	–	52
Mr. FAN Ren Da Anthony 范仁達	Independent non-executive Director	17 September 2014	N/A	52	–	–	–	–	–	–	52
Mr. WANG Susheng 王蘇生	Independent non-executive Director	17 September 2014	N/A	39	–	–	–	–	–	–	39
Mr. ZHANG Dongxiao 張東曉	Independent non-executive Director	7 July 2015	N/A	25	–	–	–	–	–	–	25
				183	112	207	43	7	–	–	552

Notes:

(a) The performance related incentive payments are based on the Group's performance for the relevant previous years.

(b) Equity-settled share option expense represents amortisation to the profit or loss of the fair value of the share options measured at the respective grant dates, regardless of whether the share options would be exercised or not.

(c) During the year ended 31 December 2016, no additional share options were granted to the executive directors under the 2015 Scheme (as defined in note 34) (2015: 1,400,000 share options).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION *(Continued)*

Directors' and chief executive's emoluments *(Continued)*

Certain directors have also been employed by CGN and its subsidiaries, so the payments of their emoluments were borne by CGN and its subsidiaries for both years.

Neither the President nor any of the directors of the Company waived any emoluments during both years.

No emoluments were paid to the directors of the Company as an inducement to join for both years.

Employees' remuneration

The five highest paid individuals did not include any directors of the Company for the year ended 31 December 2016 and 2015. The emoluments of the five individuals for the years ended 31 December 2016 and 2015 are as follow:

	2016 ***US$'000***	2015 *US$'000*
Salaries and allowances	**1,465**	1,740
Contributions to retirement benefits scheme	**62**	49
Performance related incentive payments *(Note)*	**653**	3,199
	2,180	4,988

Note: The performance related incentive payments are determined by the Board of Directors of the Company based on the Group's performance for the relevant previous years.

No benefits in kind and compensations of loss of office were paid to the individuals and no emoluments were paid to the individuals as an inducement to join for both years.

Their emoluments were within the following bands:

	No. of employees	
	2016	2015
HK$2,500,001 to HK$3,000,000 (Equivalent to US$322,001 to US$387,000)	**2**	–
HK$3,000,001 to HK$3,500,000 (Equivalent to US$387,001 to US$451,000)	**2**	–
HK$4,000,001 to HK$4,500,000 (Equivalent to US$516,001 to US$580,000)	**–**	1
HK$5,000,001 to HK$5,500,000 (Equivalent to US$645,001 to US$709,000)	**1**	–
HK$5,500,001 to HK$6,000,000 (Equivalent to US$709,001 to US$773,000)	**–**	2
HK$6,000,001 to HK$6,500,000 (Equivalent to US$773,001 to US$838,000)	**–**	1
HK$16,500,001 to HK$17,000,000 (Equivalent to US$2,129,001 to US$2,194,000)	**–**	1

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION *(Continued)*

Compensation of key management personnel

The remunerations of directors and other key management for the years ended 31 December 2016 and 2015 were as follows:

	2016	2015
	US$'000	*US$'000*
Short-term benefits	**1,567**	3,285
Post-employment benefits	**119**	177
Benefits in kind	**45**	43
	1,731	3,505

The remuneration of directors and key executives is determined by having regard to the performance of individuals and the Group and market trends.

12. DIVIDEND

For the year ended 31 December 2016

Dividend amounting US$18,880,000 was paid to the shareholders. Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2016 of 0.47 US cents per ordinary share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

For the year ended 31 December 2015

No dividend was paid or declared during the year. Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2015 of 0.44 US cents per ordinary share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data.

	2016	2015
	US$'000	*US$'000*
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the year attributable to owner of the Company)	**79,472**	103,879

	2016	2015
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**4,290,824**	4,290,824

The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise prices of those options were higher than the average market prices for shares from the dates of grant.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

14. EMPLOYEE BENEFITS

Hong Kong

The Group operates a Mandatory Provident Fund Scheme ("**MPF Scheme**") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. During the year ended 31 December 2016, the retirement benefit scheme contributions arising from the MPF Scheme charged to profit or loss were approximately US$646,000 (2015: US$688,000).

The PRC

In accordance with the relevant rules and regulations of the PRC, the Group's PRC subsidiaries are required to make contributions to the retirement fund administered by the PRC government ranging from 10% to 22% of the total monthly basic salaries of the current employees. In addition, the Group's PRC subsidiaries are required by law to contribute 2% to 15% of basic salaries of the employees for social insurance in relating to staff welfare, housing, medical and education benefits. During the year ended 31 December 2016, the costs charged under such arrangements for the Group's PRC subsidiaries amounted to approximately US$11,233,000 (2015: US$8,285,000).

Korea

In accordance with the relevant rules and regulations in Korea, all employees with more than one year of service are entitled to lump-sum severance payments equal to one month's pay of service for each year based on their rate of latest salary and the length of service upon termination of their employment or retirement. The accrual for severance indemnities is determined based on the amount that would be payable assuming all employees were to retire at the end of the reporting period. In addition, the Group's Korean subsidiaries are required by law to contribute 0.06% to 4.5% of the average salaries of the employees for national pension, national health insurance, unemployment insurance, industrial accident compensation insurance and wage claim guarantee fund. During the year ended 31 December 2016, the cost charged under such arrangements for the Group's Korean subsidiaries amounted to approximately US$877,000 (2015: US$803,000). In the opinion of the directors of the Company, the accrual for such severance indemnities is adequate.

The Group does not have any other significant post-retirement benefit plans.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land in Korea	Buildings	Electric and steam generating facilities	Office and electronic equipment	Motor vehicles	Construction in progress	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
COST							
At 1 January 2015	75,704	468,366	1,499,915	9,459	3,387	19,350	2,076,181
Exchange differences	(4,822)	(32,713)	(108,909)	(464)	(182)	(782)	(147,872)
Acquisition of subsidiaries *(note 38)*	–	147,855	1,059,260	1,181	1,439	4,162	1,213,897
Additions	892	968	3,559	845	164	51,398	57,826
Disposals	–	–	(324)	(341)	(172)	–	(837)
Reclassification	–	3,677	(3,677)	–	–	–	–
Reclassified from disposal entity classified as held-for-sale	–	3,105	35,221	150	171	–	38,647
Transfer	–	18,610	39,906	269	–	(58,785)	–
At 31 December 2015	**71,774**	**609,868**	**2,524,951**	**11,099**	**4,807**	**15,343**	**3,237,842**
Exchange differences	**(2,142)**	**(30,680)**	**(123,782)**	**(393)**	**(278)**	**(435)**	**(157,710)**
Additions	**–**	**4,302**	**1,834**	**844**	**45**	**25,166**	**32,191**
Disposals	**–**	**(66)**	**(3,084)**	**(425)**	**(233)**	**–**	**(3,808)**
Disposal of a subsidiary *(note 39)*	**–**	**(2,881)**	**(33,317)**	**(143)**	**(159)**	**–**	**(36,500)**
Reclassification	**–**	**25,183**	**(25,256)**	**73**	**–**	**–**	**–**
Transfer	**–**	**2,744**	**30,354**	**80**	**–**	**(33,178)**	**–**
At 31 December 2016	**69,632**	**608,470**	**2,371,700**	**11,135**	**4,182**	**6,896**	**3,072,015**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2015	–	142,227	442,517	5,585	2,569	–	592,898
Exchange differences	–	(9,094)	(30,184)	(295)	(149)	–	(39,722)
Provided for the year	–	20,647	87,254	1,152	425	–	109,478
Reclassified from disposal entity classified as held-for-sale	–	2,027	27,959	112	38	–	30,136
Eliminated on disposals	–	–	(266)	(318)	(149)	–	(733)
Reclassification	–	3,677	(3,677)	–	–	–	–
At 31 December 2015	**–**	**159,484**	**523,603**	**6,236**	**2,734**	**–**	**692,057**
Exchange differences	**–**	**(10,446)**	**(27,740)**	**(266)**	**(139)**	**–**	**(38,591)**
Provided for the year	**–**	**24,456**	**116,776**	**1,466**	**731**	**–**	**143,429**
Disposal of a subsidiary *(note 39)*	**–**	**(2,255)**	**(30,808)**	**(115)**	**(43)**	**–**	**(33,221)**
Eliminated on disposals	**–**	**(61)**	**(821)**	**(422)**	**(230)**	**–**	**(1,534)**
Reclassification	**–**	**3,227**	**(3,240)**	**13**	**–**	**–**	**–**
At 31 December 2016	**–**	**174,405**	**577,770**	**6,912**	**3,053**	**–**	**762,140**
CARRYING VALUES							
At 31 December 2016	**69,632**	**434,065**	**1,793,930**	**4,223**	**1,129**	**6,896**	**2,309,875**
At 31 December 2015	71,774	450,384	2,001,348	4,863	2,073	15,343	2,545,785

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

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

The above items of property, plant and equipment, except for freehold land in Korea and construction in progress, are depreciated on a straight-line basis at the following useful lives:

Buildings	Over the shorter of the term of the lease, and 20 to 50 years
Electric and steam generating facilities	17 to 30 years
Office and electronic equipment	3 to 12 years
Motor vehicles	5 to 10 years

At 31 December 2016, the Group has not yet obtained the ownership certificates of certain buildings with carrying values of US$17,240,000 (2015: US$14,127,000).

At 31 December 2016 and 2015, certain amounts of the property, plant and equipment have been pledged as security for the borrowings. Details are set out in note 30.

16. PREPAID LEASE PAYMENTS

	2016	2015
	US$'000	*US$'000*
Analysed for reporting purposes as:		
Non-current asset	**51,642**	57,982
Current asset	**3,379**	3,640
	55,021	61,622
Prepaid lease payments comprise:		
Medium-term lease	**55,021**	61,622

The amount represents the prepaid land use rights and is released to profit or loss on a straight-line basis, over 20 to 70 years which is equal to the original period stated in the land use rights certificates granted for usage to the Group.

During the year ended 31 December 2016, carrying amount of approximately US$174,000 of the prepaid lease payment has been disposed of together with the disposal of a subsidiary. Details are set out in note 39.

During the year ended 31 December 2015, carrying amount of approximately US$47,836,000 of the prepaid lease payment has been acquired through acquisition of subsidiaries. Details are set out in note 38.

At 31 December 2016 and 2015, certain amounts of prepaid lease payments have been pledged as security of the borrowings. Details are set out in note 30.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

17. GOODWILL

	US$'000
Cost and carrying value	
At 1 January 2015	844
Arising on acquisition of subsidiaries *(note 38)*	178,123
At 31 December 2015	178,967
Exchange difference	(11,385)
At 31 December 2016	**167,582**

Goodwill is allocated to the following Group's cash-generating units:

	2016 **US$'000**	2015 US$'000
Nantong (as defined below) *(note a)*	**844**	844
Wind Energy Subsidiaries (as defined in note 38) *(note b)*	**114,321**	122,127
Solar Energy Subsidiaries (as defined in note 38) *(note b)*	**52,417**	55,996
	167,582	178,967

Notes:

(a) For the purpose of impairment testing, goodwill has been allocated to an individual cash generating unit, comprising one subsidiary, namely Nantong Meiya Co-generation Co., Ltd. 南通美亞熱電有限公司 ("**Nantong**") in the coal-fired and co-generation unit. The recoverable amount of this unit has been determined based on value in use calculation. That calculation uses cash flow projections based on a five-year period financial budget approved by senior management and discount rate of 13.07% (2015: 12.9%) as at 31 December 2016. Nantong's cash flows beyond the five-year period are extrapolated with zero growth rate. Other key assumptions for the value in use calculations relate to the budgeted sales and gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Nantong to exceed the aggregate recoverable amount of Nantong. Since the recoverable amount of the cash generating unit is higher than its carrying amount, the directors of the Company consider that the goodwill is not impaired.

(b) For the purpose of impairment testing, goodwill has been allocated to the Wind Energy Subsidiaries and Solar Energy Subsidiaries which are considered as individual cash generating units. The recoverable amounts of the Wind Energy Subsidiaries and Solar Energy Subsidiaries have been determined based on value in use calculation. Goodwill impairment testing has been assessed for the Wind Energy Subsidiaries and Solar Energy Subsidiaries individually. That calculation uses cash flow projections based on a five-year period financial budget of the Group of Wind Energy Subsidiaries and Solar Energy Subsidiaries approved by management and discount rate of 7.31% and 8.94% (2015: 8.45% and 9.48%), respectively. The cash flows of the Wind Energy Subsidiaries and Solar Energy Subsidiaries beyond the five year period are extrapolated with zero growth rate. Other key assumptions for the value in use calculations relate to the budgeted sales and gross margin, which is determined based on past performance of the Wind Energy Subsidiaries and Solar Energy Subsidiaries and management's expectations for the market development. Management believes that any reasonably possible change in the assumptions would not cause the carrying amounts of the Wind Energy Subsidiaries and Solar Energy Subsidiaries to exceed their recoverable amounts. Since the recoverable amounts of the Wind Energy Subsidiaries and Solar Energy Subsidiaries are higher than their carrying amounts, the directors of the Company consider that the goodwill is not impaired.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

18. INTERESTS IN ASSOCIATES

	2016 US$'000	2015 US$'000
Cost of unlisted investment in associates	**146,276**	146,276
Share of post-acquisition profits net of dividends received, and exchange realignment	**15,441**	28,196
	161,717	174,472

The other shareholders of the associates are state-owned enterprises of Hubei province.

As at 31 December 2016 and 2015, the Group has interests in the following principal associates:

Name of associates	Place of establishment/ incorporation	Date of establishment/ incorporation	Legal form	Registered capital/ issued and fully paid-up share capital	Attributable equity interest held by the Group 2016	2015	Principal activities
Hubei Huadian Xisaishan Power Generation Co., Ltd. ("**Hubei Huadian**") 湖北華電西塞山發電有限公司	The PRC	15 August 2007	Sino-foreign equity joint venture	Registered capital of RMB950,000,000 and paid-up capital of RMB950,000,000	**49%**	49%	Generation and supply of electricity
Hubei Xisaishan Power Generation Co., Ltd. ("**Hubei Xisaishan**") 湖北西塞山發電有限公司	The PRC	18 October 2000	Sino-foreign cooperative joint venture	Registered capital of RMB945,000,000 and paid-up capital of RMB945,000,000	**49%**	49%	Generation and supply of electricity

Summarised financial information represents amounts shown in relevant associate's financial statements prepared in accordance with IFRSs, in respect of each of the Group's material associates is set out below.

All associates are accounted for using the equity method in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

18. INTERESTS IN ASSOCIATES *(Continued)*

Hubei Xisaishan

	2016	2015
	US$'000	*US$'000*
Current assets	**90,679**	44,187
Non-current assets	**226,984**	275,025
Current liabilities	**(168,571)**	(80,168)
Non-current liabilities	**(511)**	(77,645)
Revenue	**175,922**	223,935
Profit and total comprehensive income for the year	**12,505**	47,707
Dividends received from associate during the year	**21,306**	11,595

Reconciliation of the above summarised financial information to the carrying amount of the interest in Hubei Xisaishan recognised in the consolidated financial statements:

	2016	2015
	US$'000	*US$'000*
Net assets of the associate	**148,581**	161,399
Proportion of the Group's ownership interest in Hubei Xisaishan	**49%**	49%
Carrying amount of the Group's interest in Hubei Xisaishan	**72,805**	79,086

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

18. INTERESTS IN ASSOCIATES *(Continued)*

Hubei Huadian

	2016	2015
	US$'000	*US$'000*
Current assets	**114,361**	91,110
Non-current assets	**521,029**	587,087
Current liabilities	**(245,736)**	(204,160)
Non-current liabilities	**(211,448)**	(282,619)
Revenue	**320,838**	377,091
Profit and total comprehensive income for the year	**32,624**	81,501
Dividends received from associate during the year	**32,653**	25,439

Reconciliation of the above summarised financial information to the carrying amount of the interest in Hubei Huadian recognised in the consolidated financial statements:

	2016	2015
	US$'000	*US$'000*
Net assets of the associate	**178,206**	191,418
Proportion of the Group's ownership interest in Hubei Huadian	**49%**	49%
	87,321	93,795
Goodwill	**1,591**	1,591
Carrying amount of the Group's interest in Hubei Huadian	**88,912**	95,386

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

19. AMOUNTS DUE FROM NON-CONTROLLING SHAREHOLDERS

	2016	2015
	US$'000	*US$'000*
Non-trade related:		
Guangxi Liuzhou Rongjiang Hydropower Development Company Limited 廣西柳州融江水電開發有限責任公司 ("**Guangxi Liuzhou**")	**549**	694
Mianyang Sanjiang Construction Company Limited 綿陽市三江建設有限公司 ("**MSCC**")	**9**	10
Trade related:		
Bao Steel Group Shanghai No.1 Iron & Steel Co., Ltd. 寶鋼集團上海第一鋼鐵有限公司("**Shanghai No.1 Iron & Steel**")	**–**	2,450
	558	3,154
Less: Amount due within one year	**(119)**	(2,450)
Amount due after one year	**439**	704

The amounts due from Guangxi Liuzhou and MSCC, non-controlling shareholders of subsidiaries of the Group are unsecured, non-interest bearing and have no fixed repayment term. The management of the Group expects to recover these amounts through setting off with service fees and dividend entitled by Guangxi Liuzhou and MSCC; and therefore they are classified as non-current.

The amount due from Shanghai No.1 Iron & Steel, a non-controlling shareholder of a subsidiary of the Group, is unsecured, non-interest bearing and with a credit term ranging from 0 to 60 days. The amount was fully settled during the year.

The following is an ageing analysis of amount due from a non-controlling shareholder (trade-related), presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2016	2015
	US$'000	*US$'000*
0 – 60 days	**–**	2,450

Management of the Group evaluates the recoverability of the amount due from a non-controlling shareholder at the end of the reporting period by assessing the repayment history, financial position and credit quality of the non-controlling shareholder. As the non-controlling shareholder has good track record, the management of the Group considers the Group's credit risk is significantly reduced.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

20. DEFERRED TAX ASSETS AND LIABILITIES

The following are the major deferred tax (liabilities) and assets recognised and movements thereon during the current and prior years:

	Withholding tax on distributable profits *US$'000*	Accelerated tax depreciation *US$'000*	Revaluation of prepaid lease payments *US$'000*	Fair value adjustment of property, plant and equipment *US$'000*	Deferred connection charges *US$'000*	Others *US$'000*	Total *US$'000*
At 1 January 2015	(30,711)	(3,627)	(1,081)	–	113	(596)	(35,902)
Exchange differences	(363)	327	10	(317)	(5)	–	(348)
Arising on acquisition of subsidiaries *(note 38)*	–	–	(8,622)	25,439	–	–	16,817
Reclassified from disposal entity classified as held-for-sale	–	(816)	–	–	–	–	(816)
Credit to hedging reserve	–	–	–	–	–	30	30
(Charge) credit to profit or loss	(4,490)	1,535	95	(103)	(43)	–	(3,006)
At 31 December 2015	(35,564)	(2,581)	(9,598)	25,019	65	(566)	(23,225)
Exchange differences	(91)	(48)	27	(1,012)	(2)	7	(1,119)
Disposal of a subsidiary *(note 39)*	(472)	331	–	–	–	–	(141)
Credit to hedging reserve	–	–	–	–	–	29	29
Credit (charge) to profit or loss	2,312	(10)	199	(698)	(27)	–	1,776
At 31 December 2016	(33,815)	(2,308)	(9,372)	23,309	36	(530)	(22,680)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

20. DEFERRED TAX ASSETS AND LIABILITIES *(Continued)*

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

	2016	2015
	US$'000	*US$'000*
Deferred tax assets:		
Difference between tax allowance and accounting depreciation and others	**1,945**	917
Deferred connection charges	**36**	65
Fair value adjustment of property, plant and equipment and prepaid lease payment	**23,946**	27,571
	25,927	28,553
Deferred tax liabilities:		
Difference between tax allowance and accounting depreciation and others	**(4,747)**	(4,547)
Revaluation of prepaid lease payments	**(669)**	(869)
Withholding tax on distributable profits of subsidiaries and associates	**(33,815)**	(35,564)
Fair value adjustment of property, plant and equipment and prepaid lease payment	**(9,376)**	(10,798)
	(48,607)	(51,778)
	(22,680)	(23,225)

As at 31 December 2016, the Group has unused tax losses of approximately US$11,944,000 (2015: US$3,260,000), available for offset against future profits. During 2015, addition of unrecognised tax losses of approximately US$2,412,000 was resulted from the acquisition of Target Companies as set out in note 38. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The tax losses will be expired at various times within a period of five years from the year of origination.

21. OTHER ASSETS

	2016	2015
	US$'000	*US$'000*
Prepayment for maintenance	**9,827**	24,908
Deposit for acquisition of property, plant and equipment	**6,889**	4,757
Prepaid insurance expenditure and usage right of electricity transmission facilities *(Note)*	**1,076**	863
Others	**5,000**	5,133
	22,792	35,661

Note: Included in the balance, approximately US$472,000 (2015: approximately US$562,000) as at 31 December 2016 represents the prepayment for usage of electricity transmission facilities made to KEPCO.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

22. INVENTORIES

	2016	2015
	US$'000	*US$'000*
Coal and oil	**12,241**	8,388
Spare parts and supplies	**20,278**	20,367
	32,519	28,755

23. TRADE RECEIVABLES

	2016	2015
	US$'000	*US$'000*
Trade receivables	**202,331**	200,954
Less: allowance for bad and doubtful receivables	**(1,420)**	(189)
	200,911	200,765

The Group allows a credit period from 30 to 90 days throughout the year to its trade customers. Over 76% (2015: over 99%) of the trade receivables are neither past due nor impaired as at 31 December 2016. The management considers that these receivables have good credit rating attributable under the credit review policy used by the Group.

The following is an ageing analysis of trade receivables net of allowance for bad and doubtful receivables presented based on the invoice dates at the end of the reporting period, which approximated the revenue recognition dates.

	2016	2015
	US$'000	*US$'000*
0 – 60 days	**145,277**	199,355
61 – 90 days	**8,334**	552
Over 90 days	**47,300**	858
	200,911	200,765

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately US$47,300,000 (2015: approximately US$1,410,000) as at 31 December 2016, which are past due as at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 45 days (2015: 92 days) as at 31 December 2016.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

23. TRADE RECEIVABLES *(Continued)*

Ageing of trade receivables which are past due but not impaired

	2016	2015
	US$'000	*US$'000*
Past due for:		
1 – 90 days	**47,300**	1,117
91 – 180 days	**–**	–
Over 181 days	**–**	293
Total	**47,300**	1,410

The Group has assessed individual cases and provided allowance for bad and doubtful receivables when the management considers the receivables are unlikely to recover in foreseeable future.

Movement in the allowance for bad and doubtful receivables

	2016	2015
	US$'000	*US$'000*
At beginning of the year	**189**	118
Exchange differences	**(65)**	(9)
Allowance for bad and doubtful receivables	**1,296**	80
At end of the year	**1,420**	189

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit initially granted up to the end of the reporting period.

In order to minimise credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Accordingly, the directors of the Company believe that no further allowance is required in excess of the existing allowance for bad and doubtful debts.

24. AMOUNTS DUE FROM (TO) ASSOCIATES/FELLOW SUBSIDIARIES

As at 31 December 2016 and 2015, all amounts are non-trade nature, unsecured, non-interest bearing and recoverable/repayable on demand.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

25. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

Bank balances carry interest at market rates which range from 0% to 4.8% (2015: 0% to 4.20%) per annum as at 31 December 2016. The pledged bank deposits carry interest at market rates ranging from 0% to 1.68% (2015: 0.1% to 1.68%) per annum as at 31 December 2016.

Included in the cash balance, US$97,792,000 (2015: US$125,444,000) deposits has been made to CGNPC Huasheng Investment Limited ("**CGN Huasheng**"). These deposits are unsecured, interest bearing at ranging from 0.01% to 4.8% (2015: ranging from 0.01% to 4.20%) and recoverable on demand. As the Group can withdraw these deposits without giving any notice and without suffering any penalty, the directors of the Company consider that these deposits made to CGN Huasheng is qualified as cash.

As at 31 December 2016, US$184,265,000 (2015: US$145,227,000) of the bank and cash balance are deposited in CGN Finance Co. Ltd. ("**CGN Finance**"), a fellow subsidiary established in the PRC with limited liability and a non-banking financial institution subject to the regulations of the People's Bank of China and the China Banking Regulatory Commission, in the PRC.

Pledged bank deposits are pledged to banks to secure bank borrowings granted to the Group, and it cannot be withdrawn prior to the approval of the relevant banks.

26. TRADE PAYABLES

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2016	2015
	US$'000	*US$'000*
0 – 61 days	**80,225**	88,154
61 – 90 days	**274**	140
Over 90 days	**6,220**	1,484
Total	**86,719**	89,778

The average credit period on purchases of goods is 44 (2015: 40) days for the year ended 31 December 2016. The Group has financial risk management policies in place to ensure all payables are settled within the credit period.

27. OTHER PAYABLES AND ACCRUALS

	2016	2015
	US$'000	*US$'000*
Construction costs payable	**86,226**	112,726
Staff costs payable	**8,189**	9,427
Accrued interest expense on borrowings	**1,528**	1,899
Value-added tax payable	**11,336**	9,614
Others	**20,627**	22,207
	127,906	155,873

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

28. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS

	2016	2015
	US$'000	*US$'000*
Non-trade related:		
廣西崇左市滙源水電公司		
Guangxi Chongzuo Huiyuan Hydropower Company ("**Chongzuo Huiyuan**")	**4,628**	5,393
Guangxi Liuzhou	**–**	8
MSCC	**124**	132
Shanghai No. 1 Iron & Steel	**94**	590
信原實業有限公司		
Through In Industries Limited	**1**	1
武漢華原能源物資開發公司		
Wuhan Huayuan Energy and Material Development Company	**–**	51
北京天潤新能投資有限公司		
Tianrun New Energy Investment Co., Ltd.	**381**	23
	5,228	6,198

The amounts due to non-controlling shareholders of certain subsidiaries of the Group are unsecured, non-interest bearing and repayable on demand.

29. ADVANCES FROM NON-CONTROLLING SHAREHOLDERS

	2016	2015
	US$'000	*US$'000*
Chongzuo Huiyuan *(note a)*	**2,203**	7,098
MSCC *(note b)*	**792**	794
	2,995	7,892
Less: Amounts due for settlement within one year shown under current liabilities	**(2,203)**	(7,098)
Amounts due for settlement after one year	**792**	794

Notes:

(a) The advance is unsecured, non-interest bearing and repayable on demand.

(b) As at 31 December 2016 and 2015, the advance is unsecured, non-interest bearing and repayable in 2032 and is therefore shown as non-current liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

30. BANK BORROWINGS

	2016	2015
	US$'000	*US$'000*
Secured	**1,504,115**	1,547,952
Unsecured	**48,095**	102,678
	1,552,210	1,650,630
The maturity profile of bank borrowings is as follows:		
Within one year	**133,886**	114,024
More than one year but not exceeding two years	**206,869**	136,438
More than two years but not more than five years	**421,880**	370,845
Over five years	**789,575**	1,029,323
	1,552,210	1,650,630
Less: Amounts due for settlement within one year shown under current liabilities	**(133,886)**	(114,024)
Amounts due for settlement after one year	**1,418,324**	1,536,606

The exposure of the fixed-rate borrowings are as follows:

	2016	2015
	US$'000	*US$'000*
Fixed-rate borrowings		
Within one year *(Note)*	**–**	10,265
More than one year but not exceeding two years *(Note)*	**–**	10,885
More than two years but not more than five years	**29,940**	36,637
Over five years	**144,084**	156,083
	174,024	213,870

Note: The entire fixed-rate borrowings are advanced by Korean subsidiaries. During 2016, fixed-rate borrowings amounting to KRW12,000,241,000 (equivalent to approximately US$10,265,000), KRW12,724,394,000 (equivalent to approximately US$10,885,000), KRW42,828,448,000 (equivalent to approximately US$36,637,000), and KRW182,460,567,000 (equivalent to approximately US$156,083,000), which are originally due within 2016, 2017, from 2018 to 2020 and 2020 afterwards respectively, have been refinanced by Korean subsidiaries and therefore, all fixed-rate borrowings are due more than 2 years as at 31 December 2016.

The exposure of the variable-rate borrowings are as follows:

	2016	2015
	US$'000	*US$'000*
Variable-rate borrowings		
Within one year	**133,886**	103,759
More than one year but not exceeding two years	**206,869**	125,553
More than two years but not more than five years	**391,940**	334,208
Over five years	**645,491**	873,240
	1,378,186	1,436,760

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

30. BANK BORROWINGS *(Continued)*

All bank borrowings at the end of the reporting period are denominated in the functional currency of the respective group entities. The bank borrowings of the Group carry interest rates which range from 1.75% to 4.95% (2015: 1.75% to 5.96%) per annum during the year ended 31 December 2016.

The major terms of individually significant bank borrowings of the Company and major subsidiaries, before transaction costs, are as follows:

	Maturity date	Effective interest rate			
		2016	2015	**2016**	2015
				US$'000	*US$'000*
Floating-rate borrowings:					
One Year Corporate Bond Rate plus 1.20%	29 September 2029	**3.14%**	3.26%	**130,449**	144,582
Three Year Corporate Bond Rate plus 1.20%	31 December 2029	**2.88%**	3.32%	**264,772**	289,100

Note: One Year and Three Year Corporate Bond Rate represents mark-to-market base yield for South Korean Won-denominated non-guaranteed corporate bonds with a credit rating of AA– and a maturity of one year and three years, respectively.

As at 31 December 2016 and 2015, the remaining bank borrowings of the Group carry interest at the PRC's lending rate less certain margin, South Korean Government Treasury Bond Rate, One Year Corporate Bond Rate plus 1.2% (2015: 1.2% to 1.9%), or Three Year Corporate Bond Rate plus 1.2% (2015: 1.2%). The maturities of these borrowings are ranging from within twelve months from the reporting period end to 2029.

In June 2013, the Group entered into a senior term loan facility with an independent commercial bank amounting to US$240,000,000 for the purpose of financing operating capital. The debt facility is guaranteed by CGN and bears interest at US$ LIBOR plus 3.0%. The loan was fully repaid in June 2015.

Further, the loan facility above is subject to restrictions on dividends, indebtedness and other matters.

The Group pledged the following assets to banks for credit facilities granted to the Group:

	2016	2015
	US$'000	*US$'000*
Property, plant and equipment	**1,049,400**	1,115,776
Land use rights	**2,085**	2,247
Trade receivables	**67,954**	76,899
Bank deposits	**72,398**	75,045
	1,191,837	1,269,967

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

31. BOND PAYABLES

On 19 August 2013, the Company issued bond in an aggregate principal amount of US$350,000,000 (the "**Bond**"). The Bond was priced at 99.686% of the principal amount of the Bond which is listed on the Stock Exchange of Hong Kong Limited. The Bond carries interest at 4% per annum and interest is payable semi-annually in arrears and will mature on 19 August 2018, unless redeemed earlier.

At any time and from time to time on or after 19 August 2013, the Company or the bondholders may redeem the Bond with the options set forth below:

Redemption for taxation reasons:

The Bond may be redeemed at the option of the Company in whole, but not in part, at their principal amount, together with accrued interest, at any time in the event of certain changes (effective on or after 12 August 2013) affecting taxes of Bermuda, the PRC or Hong Kong or any political subdivision or any authority thereof or therein having power to tax.

Redemption for change of control:

At any time following the occurrence of a change of control (as defined in the terms and conditions of the Bond) of the Company, the bondholders will have the right, at such holder's option, to require the Company to redeem all, but not some only, of such holder's Bond, at 101%, of their principal amount, together with accrued interest.

Redemption at the option of the Company:

On giving not less than 30 nor more than 60 days' notice to Citicorp International Limited (the "**Trustee**") and the bondholders, the Company may at any time redeem the Bond in whole but not in part, at a redemption amount per Bond equal to the amount (i.e. the greater of (i) the present value of the principal amount of the Bond, assuming a scheduled repayment thereof on the maturity date, plus the present value of all required remaining scheduled interest payments due on such Bond through the maturity date (but excluding accrued and unpaid interest to the option redemption date), computed using a discount rate equal to the adjusted treasury rate plus 20 basis points, and (ii) the principal amount of such Bond), together with accrued interest.

The Bond contains a liability component and the above early redemption options:

(i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at the time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 4.18% per annum to the liability component since the Bond was issued.

(ii) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition and at 31 December 2016 and 2015.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

31. BOND PAYABLES *(Continued)*

Redemption at the option of the Company: *(Continued)*

The movement of the liability component in the Bond during the year is set out below:

	US$'000
Carrying amount as at 31 December 2014	353,726
Interest expenses charged	14,377
Payment of interest	(14,000)
Carrying amount as at 31 December 2015	354,103
Interest expenses charged	14,377
Payment of interest	(14,000)
Carrying amount as at 31 December 2016	354,480

	At 31 December 2016 ***US$'000***	At 31 December 2015 *US$'000*
Amount represented as:		
Current	**4,717**	4,717
Non-current	**349,763**	349,386
	354,480	354,103

32. LOANS FROM FELLOW SUBSIDIARIES/AN INTERMEDIATE HOLDING COMPANY

Loans from fellow subsidiaries

As at 31 December 2016, the loan from China Clean Energy Development Limited, a fellow subsidiary of the Company, amounting to US$450,000,000 is unsecured, interest bearing at 4.5% per annum and repayable in 2025. It is shown as non-current liability as at 31 December 2016.

As at 31 December 2015, the loans from CGN Finance, a fellow subsidiary of the Company, amounting to approximately US$111,881,000 were unsecured. Among which approximately US$15,459,000 was repayable in 2024, interest bearing at 4.415% per annum and was shown as non-current liabilities as at 31 December 2015. The remaining balance of approximately US$96,422,000 was repayable within one year and interest bearing from 4.37% to 4.86% per annum. It was shown as current liabilities as at 31 December 2015.

All loans from CGN Finance have been repaid in full during the year 2016.

During the year ended 31 December 2016, approximately US$39,579,000 has been advanced from CGNPC Huasheng, a fellow subsidiary of the Company, which is unsecured, interest bearing at 4.05% per annum and repayable in 2017. It is shown as current liability as at 31 December 2016.

For the remaining balances, all amounts are non-trade nature, unsecured, non-interest bearing and recoverable/repayable on demand as at 31 December 2016.

Loan from an intermediate holding company

The loan from an intermediate holding company of US$100,000,000 was advanced from CGNPC International Limited, which was unsecured, repayable in 2025 and interest bearing at 4.5% per annum as at 31 December 2015. It was shown as non-current liabilities as at 31 December 2015. Early repayment of full amount have been made in 2016.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

33. GOVERNMENT GRANTS

The government grants consists of (i) subsidies of RMB5,784,000 (2015: RMB24,773,000), equivalent to approximately US$869,000 (2015: US$3,970,000) given by the PRC government to certain subsidiaries of the Group in the PRC for operating cost and environmental protection with no specific conditions attached to the incentives and other income will be recognised upon receipt and (ii) grants arising from the acquisition of one of the subsidiaries in 2015, which represent grants received from government in the PRC in respect of a project for the construction of property, plant and equipment and such government grants are still subject to the approval from the government. The movement of the government grants during the year is set out below:

	2016	2015
	US$'000	*US$'000*
As at 1 January	**11,536**	–
Exchange difference	**(691)**	–
Receipt of government grants	**869**	3,970
Arising from acquisition of Target Companies *(note 38)*	**–**	19,118
Recognition of other income *(note 6)*	**(1,535)**	(4,184)
Refund of government grants *(Note)*	**–**	(7,368)
As at 31 December	**10,179**	11,536

Note: During the year ended 31 December 2015, part of the government grants amounting to approximately RMB45,976,000 (equivalent to approximately US$7,368,000) were refunded to the government as the conditions of government grants were not fulfilled.

34. SHARE OPTION SCHEMES

The Company's share option scheme (the "**2015 Scheme**"), was adopted pursuant to a resolution passed on 24 November 2015 for the primary purpose of providing incentives to directors and eligible employees. The 2015 Scheme will remain in force for a period of 10 years commencing from the date on which the Share Option Scheme is adopted by the Shareholders. Under the 2015 Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The exercise price in relation to each share option was determined by the Board of Directors at its absolute discretion and was not less than the highest of (i) the official closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of offer of share options; (ii) the average of the official closing prices of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of a share of the Company on the date of offer of share options. Each of the grantees was required to pay HK$1 as consideration for the grant of share options in accordance with the 2015 Scheme.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, were subject to approval in advance by the Independent Non-executive directors. In addition, any share options granted to a substantial shareholder or an Independent Non-executive director of the Company, or to any of their associates, in excess of in aggregate 0.1% of the shares of the Company in issue (based on the date of offer) and an aggregate value of HK$5,000,000 (based on the closing price of the Company's shares at the date of each offer), within any 12-month period, were subject to shareholders' approval in advance in a general meeting.

On 8 December 2015 and 30 December 2015, 34,450,000 share options and 1,160,000 share options have been granted to certain eligible participants. At 31 December 2016, the number of shares in respect of which options had been granted and remained outstanding under the 2015 Scheme was 32,940,000 representing 0.77% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

34. SHARE OPTION SCHEMES *(Continued)*

The share options are exercisable during each period specified below for up to the number of Shares specified (i) on the first business day after 24 months from the date of grant to the last business day in the 60th month after the date of grant, approximately one-third of the options granted will be exercisable, (ii) on the first business day after 36 months from the date of grant to the last business day in the 72nd month after the date of grant, approximately an additional one-third of the options granted will be exercisable; and (iii) on the first business day after 48 months from the date of grant to the last business day in the 84th month after the date of grant, approximately the remaining one-third of the options granted will be exercisable.

The following tables disclose details of the share options held by Directors, employees and other eligible participants under the 2015 Scheme and movements in such holdings during the years ended 31 December 2015 and 2016:

2016

Grantees	Number of share options					Date of grant	Vesting period	Exercisable period	Exercise price per share
	At 1.1.2016	Granted during 2016	Exercised during 2016	Lapsed during 2016 *(Note 1)*	At 31.12.2016 *(Note 2)*				*HK$*
Directors of the Company									
Mr. CHEN Sui 陳遂	233,333	–	–	–	233,333	8.12.2015	8.12.2015 to 7.12.2017	8.12.2017 to 7.12.2020	1.612
	233,333	–	–	–	233,333	8.12.2015	8.12.2015 to 7.12.2018	8.12.2018 to 7.12.2021	1.612
	233,334	–	–	–	233,334	8.12.2015	8.12.2015 to 7.12.2019	8.12.2019 to 7.12.2022	1.612
Mr. LIN Jian 林堅	233,333	–	–	–	233,333	8.12.2015	8.12.2015 to 7.12.2017	8.12.2017 to 7.12.2020	1.612
	233,333	–	–	–	233,333	8.12.2015	8.12.2015 to 7.12.2018	8.12.2018 to 7.12.2021	1.612
	233,334	–	–	–	233,334	8.12.2015	8.12.2015 to 7.12.2019	8.12.2019 to 7.12.2022	1.612
	1,400,000	–	–	–	1,400,000				
Other employees of the Group	10,806,667	–	–	(486,667)	10,320,000	8.12.2015	8.12.2015 to 7.12.2017	8.12.2017 to 7.12.2020	1.612
	10,806,667	–	–	(486,667)	10,320,000	8.12.2015	8.12.2015 to 7.12.2018	8.12.2018 to 7.12.2021	1.612
	10,806,666	–	–	(486,666)	10,320,000	8.12.2015	8.12.2015 to 7.12.2019	8.12.2019 to 7.12.2022	1.612
	386,666	–	–	(193,333)	193,333	30.12.2015	30.12.2015 to 29.12.2017	30.12.2017 to 29.12.2020	1.712
	386,667	–	–	(193,334)	193,333	30.12.2015	30.12.2015 to 29.12.2018	30.12.2018 to 29.12.2021	1.712
	386,667	–	–	(193,333)	193,334	30.12.2015	30.12.2015 to 29.12.2019	30.12.2019 to 29.12.2022	1.712
	33,580,000	–	–	(2,040,000)	31,540,000				
	34,980,000	–	–	(2,040,000)	32,940,000				
Exercisable	34,980,000				32,940,000				

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

34. SHARE OPTION SCHEMES *(Continued)*

2015

Grantees	At 1.1.2015	Granted during 2015	Exercised during 2015	Lapsed during 2015 *(Note 1)*	At 31.12.2015 *(Note 2)*	Date of grant	Vesting period	Exercisable period	Exercise price per share *HK$*
	Number of share options								
Directors of the Company									
Mr. CHEN Sui 陳遂	–	233,333	–	–	233,333	8.12.2015	8.12.2015 to 7.12.2017	8.12.2017 to 7.12.2020	1.612
	–	233,333	–	–	233,333	8.12.2015	8.12.2015 to 7.12.2018	8.12.2018 to 7.12.2021	1.612
	–	233,334	–	–	233,334	8.12.2015	8.12.2015 to 7.12.2019	8.12.2019 to 7.12.2022	1.612
Mr. LIN Jian 林堅	–	233,333	–	–	233,333	8.12.2015	8.12.2015 to 7.12.2017	8.12.2017 to 7.12.2020	1.612
	–	233,333	–	–	233,333	8.12.2015	8.12.2015 to 7.12.2018	8.12.2018 to 7.12.2021	1.612
	–	233,334	–	–	233,334	8.12.2015	8.12.2015 to 7.12.2019	8.12.2019 to 7.12.2022	1.612
	–	1,400,000	–	–	1,400,000				
Other employees of the Group	–	11,016,667	–	(210,000)	10,806,667	8.12.2015	8.12.2015 to 7.12.2017	8.12.2017 to 7.12.2020	1.612
	–	11,016,667	–	(210,000)	10,806,667	8.12.2015	8.12.2015 to 7.12.2018	8.12.2018 to 7.12.2021	1.612
	–	11,016,666	–	(210,000)	10,806,666	8.12.2015	8.12.2015 to 7.12.2019	8.12.2019 to 7.12.2022	1.612
	–	386,666	–	–	386,666	30.12.2015	30.12.2015 to 29.12.2017	30.12.2017 to 29.12.2020	1.712
	–	386,667	–	–	386,667	30.12.2015	30.12.2015 to 29.12.2018	30.12.2018 to 29.12.2021	1.712
	–	386,667	–	–	386,667	30.12.2015	30.12.2015 to 29.12.2019	30.12.2019 to 29.12.2022	1.712
	–	34,210,000	–	(630,000)	33,580,000				
	–	35,610,000	–	(630,000)	34,980,000				
Exercisable	–				34,980,000				

Notes:

1. The lapse of the share options is due to the forfeiture by an employee who has left the Company during the year.

2. One-third of total share options granted will be exercisable after 2 years, 3 years and 4 years of the date of grant.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

34. SHARE OPTION SCHEMES *(Continued)*

During the year ended 31 December 2015, options were granted on 8 December ("**8 December Batch**") and 30 December ("**30 December Batch**"). The estimated fair values of the options granted on those dates are HK$20,630,000 and HK$765,000 respectively.

These fair values were calculated using The Black-Scholes pricing model. The inputs into the model were as follows:

	8 December Batch	**30 December Batch**
Share price	HK$1.59	HK$1.71
Exercise price	HK$1.612	HK$1.712
Expected volatility	45.7%	45.6%
Expected life	3.5-5.5 years	3.5-5.5 years
Risk-free rate	0.939%-1.426%	0.939%-1.426%
Expected dividend yield	0.0%	0.0%

The volatilities adopted were based on average annualised standard deviations of the continuously compounded rates of return of the share prices of the Company and comparable companies with similar business nature of the Company as of the valuation date. The fair value calculated for share options is inherently subjective due to the assumptions made and the limitations of the model utilised.

The Group recognised the total expense of US$969,000 for the year ended 31 December 2016 (2015: US$78,000) in relation to share options granted by the Company.

35. SHARE CAPITAL

	Number of shares	**Share capital** *US$'000*	**Share capital** *HK$'000*
Authorised:			
At 1 January 2015, 31 December 2015 and 2016	250,000,000	N/A	25,000
Issued and fully paid:			
At 1 January 2015, 31 December 2015 and 2016	4,290,824,000	N/A	429

	US$'000
Shown in the consolidated financial statements as	55

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged throughout the year.

The capital structure of the Group consists of debt, which includes amounts due to fellow subsidiaries, amounts due to non-controlling shareholders, advances from non-controlling shareholders, bank borrowings, bond payables, loans from fellow subsidiaries and loan from an intermediate holding company, as disclosed in notes 24, 28, 29, 30, 31 and 32, respectively, net of pledged bank deposits, cash and cash equivalents, and equity attributable to owner of the Company, comprising issued capital, accumulated profits and other reserves.

The management of the Group reviews the capital structure from time to time. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of existing debts.

37. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2016 ***US$'000***	2015 *US$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**642,696**	672,732
Financial liabilities		
Derivative liabilities not under hedge accounting		
Amortised cost	**2,612,122**	2,921,388

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from (to) non-controlling shareholders, amounts due from (to) subsidiaries, amounts due from associates, amounts due from (to) fellow subsidiaries, advances from non-controlling shareholders, loans from fellow subsidiaries, loan from an intermediate holding company, pledged bank deposits, bank balances and cash, trade and other payables, bank borrowings and bond payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (interest rate risk, foreign currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

37. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risks

The Group's activities expose them primarily to the financial risks of changes in interest rates and foreign currency exchange rate. The Group would enter into a variety of derivative financial instruments, if applicable, to manage their exposure to interest rate and foreign currency risk, including:

- Interest rate swaps to mitigate the risk of rising interest rates; and
- Foreign currency forward contract to hedge the exchange rate risk related to U.S. dollar – denominated purchase of machinery.

(i) Interest rate risk management

The Group is exposed to cash flow interest rate risk in relation to bank borrowings, pledged bank deposits and bank balances. The Group would use interest rate swaps to reduce exposure to interest rate fluctuations associated with floating-rate debt. Pledged bank deposits and bank balances are with counterparties of high credit quality. Therefore, the risk of non-performance by the counterparties is considered negligible.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate other payables, bank borrowings, bond payables, loan from fellow subsidiaries and loan from an intermediate holding company (see notes 27, 30, 31 and 32, respectively for details).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-hedged bank borrowings, pledged bank deposits, fixed deposits with bank, and bank balances (excluding bank balances carrying interest rate below 0.1%) at the end of the reporting period. The analysis is prepared assuming amounts of these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. 10 basis points for pledged bank deposits, fixed deposits with bank and bank balances (excluding bank balances carrying interest rate below 0.10%) and 50 basis points for variable-rate bank borrowings increase or decrease are used during the year for the Group when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis points higher/lower for pledged bank deposits, fixed deposits with bank, and bank balances (excluding bank balances carrying interest rate below 0.1%), with all other variables held constant, the Group's post-tax profit for the years ended 31 December 2016 would increase/decrease by approximately US$299,000 (2015: US$311,000).

If interest rates had been 50 basis points higher/lower for variable-rate bank borrowings, with all other variables held constant, and taking into account of the capitalisation effect, the Group's post-tax profit for the years ended 31 December 2016 would decrease/increase by approximately US$5,186,000 (2015: US$5,388,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

37. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risks *(Continued)*

(ii) Foreign currency risk management

The Group's exposure to currency risk attributable to the bank balances and payables which are denominated in the currencies other than the functional currency of the entity to which they related. The management manages and monitors this exposure to ensure approximate measures are implemented on a timely and effective manner.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities other than the functional currency of the entity to which they related at the end of the reporting period are as follows:

	Liabilities		Assets	
	2016	2015	**2016**	2015
	US$'000	*US$'000*	***US$'000***	*US$'000*
HK$	**3,978**	3,010	**1,207**	1,311
RMB	**–**	–	**38**	13,478

Sensitivity analysis

The sensitivity analysis below has been determined based on a 10% increase/decrease in functional currency of respective entities against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates. A positive number below indicates an increase in post-tax profit, where functional currency of respective foreign entities had weakened 10% against the relevant foreign currency. For a 10% strengthening of functional currency of respective entities against the relevant foreign currency, there would be an equal and opposite impact on the profit for the year.

If currency rate of USD had been 10% weakened/strengthened to RMB for respective RMB denominated monetary assets and liabilities, the Group's post-tax profit for the year ended 31 December 2016 would be increase/decrease by approximately US$4,000 (2015: US$1,345,000).

For the exposure of HK$ against USD, there will be no significant impact as HK$ is pegged with USD. Accordingly, no foreign currency sensitivity analysis is presented.

(iii) Other price risk

The Group was exposed to other price risk in relation to its other financial asset, interest rate swaps and foreign currency forward contract. The directors of the Company considered the Group's exposure to other price risk on these derivatives other than other financial asset was insignificant. Accordingly, no other price risk sensitivity analysis is presented.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

37. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents as well as undrawn banking facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings, amounts due to non-controlling shareholders, loans from fellow subsidiaries and other payables and ensures compliance with loan covenants.

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate %	Repayable on demand or less than 3 months *US$'000*	3 months to 1 year *US$'000*	1 – 2 years *US$'000*	2 – 5 years *US$'000*	Over 5 years *US$'000*	Total undiscounted cash flows *US$'000*	Carrying amount *US$'000*
As at 31 December 2016								
Non-derivative financial liabilities								
Trade payables	–	80,499	6,220	–	–	–	86,719	86,719
Other payables and accruals	–	116,570	–	–	–	–	116,570	116,570
Amounts due to fellow subsidiaries	–	4,341	–	–	–	–	4,341	4,341
Amounts due to non-controlling shareholders	–	5,228	–	–	–	–	5,228	5,228
Advances from non-controlling shareholders	–	2,995	–	–	–	–	2,995	2,995
Loans from fellow subsidiaries	4.46	44,810	15,188	20,250	60,750	527,172	668,170	489,579
Bank borrowings								
Fixed-rate	3.80	1,653	4,960	6,613	49,048	149,559	211,833	174,024
Variable-rate	4.10	14,123	176,257	194,163	481,232	725,148	1,590,923	1,378,186
Bond payables	4.18	8,375	10,973	359,219	–	–	378,567	354,480
		278,594	213,598	580,245	591,030	1,401,879	3,065,346	2,612,122

	Weighted average effective interest rate %	Repayable on demand or less than 3 months *US$'000*	3 months to 1 year *US$'000*	1 – 2 years *US$'000*	2 – 5 years *US$'000*	Over 5 years *US$'000*	Total undiscounted cash flows *US$'000*	Carrying amount *US$'000*
As at 31 December 2015								
Non-derivative financial liabilities								
Trade payables	–	88,294	1,484	–	–	–	89,778	89,778
Other payables and accruals	–	153,974	–	–	–	–	153,974	153,974
Amounts due to fellow subsidiaries	–	4,647	–	–	–	–	4,647	4,647
Amounts due to non-controlling shareholders	–	6,198	–	–	–	–	6,198	6,198
Advances from non-controlling shareholders	–	7,098	–	794	–	–	7,892	7,892
Loans from fellow subsidiaries	4.52	8,280	113,548	22,860	67,132	546,579	758,399	561,881
Loan from an intermediate holding company	4.50	1,125	3,375	4,500	13,500	121,690	144,190	100,000
Bank borrowings								
Fixed-rate	5	2,673	18,286	21,065	63,784	163,887	269,695	213,870
Variable-rate	4.22	15,565	149,127	181,664	467,071	886,399	1,699,826	1,436,760
Bond payables	4.18	8,374	10,973	14,630	355,085	–	389,062	354,103
		296,228	296,793	245,513	966,572	1,718,555	3,523,661	2,929,103

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest-rates determined at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

37. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statements of financial position. The Group's credit risk is primarily attributable to its trade receivables, amounts due from associates, fellow subsidiaries and non-controlling shareholders, pledged bank deposits, fixed deposits with bank and bank balances. For the trade receivable, the Group has been largely dependent on a few number of customers which are state-owned enterprises for a substantial portion of its business. Most of the power plants of the Group sell the electricity generated to their respective sole customer who is the principal grid company where the power plant is located. The failure of these customers to make required payments could have a substantial negative impact on the Group's profits. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of each reporting period to ensure that adequate allowance are made for irrecoverable amounts.

The Group has concentration of credit risk as 97% (2015: 86%) of the total trade receivables was due from state-owned enterprises as at 31 December 2016. The Group's remaining customers individually contribute to less than 10% of the total trade receivables of the Group.

The credit risk on pledged bank deposits, restricted bank deposits, fixed deposits with bank and bank balances are limited because the counterparties are reputable banks or a financial institution with high credit ratings assigned by international credit-rating agencies.

c. Fair value

The fair value of financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Group use their judgement in selecting an appropriate valuation technique for assessing the fair value of financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For other financial asset where quoted price is not available, its fair value is made of discounted cash flow analysis using the applicable yield curve for the duration of the instrument for non-optional derivative.

The directors of the Group consider that the carrying amounts of financial assets and financial liabilities carried at amortised costs approximate their fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

38. ACQUISITION OF SUBSIDIARIES

On 17 June 2015, a wholly-owned subsidiary of the Company entered into a framework agreement with CGN Wind Energy Co., Ltd. and CGN Solar Energy Development Co., Ltd. to acquire their equity interests in certain subsidiaries which are engaged in generation and supply of electricity through solar energy (the "**Solar Energy Subsidiaries**") and wind energy (the "**Wind Energy Subsidiaries**") (collectively, the "**Target Companies**") at a total consideration of approximately RMB3,965,500,000 (equivalent to US$640,200,000) (the "**Acquisition**"). All the conditions of the Acquisition were fulfilled and the completion of Acquisition took place on 1 September 2015.

Upon completion, the Group holds the equity interests in the following Target Companies, which became the subsidiaries of the Company:

Name of subsidiaries	Attributable equity interest at date of acquisition	Principal activities
Wind Energy Subsidiaries		
Anqiu Taipingshan Wind Power Company Limited 安丘太平山風電有限公司	100%	Generation and supply of electricity
CGN (Zhejiang Ninghai) Windy Power Company Limited 中廣核(浙江寧海)風力發電有限公司	100%	Generation and supply of electricity
CGN (Zhejiang Xiangshan) Wind Company Limited 中廣核(浙江象山)風力發電有限公司	100%	Generation and supply of electricity
CGN Gansu Guazhou Wind Power Company Limited 中廣核甘肅瓜州風力發電有限公司	100%	Generation and supply of electricity
CGN Gansu Guazhou (II) Wind Power Company Limited 中廣核甘肅瓜州第二風力發電有限公司	100%	Generation and supply of electricity
CGN Gansu Minqin Wind Power Company Limited 中廣核甘肅民勤風力發電有限公司	100%	Generation and supply of electricity
CGN Gansu Minqin (II) Wind Power Company Limited 中廣核甘肅民勤第二風力發電有限公司	100%	Generation and supply of electricity
CGN Linqu Longgang Wind Power Company Limited 中廣核臨朐龍崗風力發電有限公司	100%	Generation and supply of electricity
CGN Linqu Wind Power Company Limited 中廣核(臨朐)風力發電有限公司	100%	Generation and supply of electricity
CGN Yishui Wind Power Company Limited 中廣核沂水風力發電有限公司	100%	Generation and supply of electricity
Guazhou Tianrun Wind Power Company Limited 瓜州天潤風電有限公司	60%	Generation and supply of electricity
Yishui Tangwangshan Wind Power Company Limited 沂水唐王山風電有限公司	100%	Generation and supply of electricity
Yishui Longshan Wind Power Company Limited 沂水龍山風力發電有限公司	100%	Generation and supply of electricity
Solar Energy Subsidiaries		
CGN Solar (Dachaidan) Development Company Limited 中廣核太陽能(大柴旦)開發有限公司	100%	Generation and supply of electricity
CGN Solar (Jiaxing) Company Limited 中廣核太陽能(嘉興)有限公司	100%	Generation and supply of electricity
CGN Solar (Shenzhen) Company Limited 中廣核太陽能(深圳)有限公司	100%	Generation and supply of electricity
CGN Solar Dunhuang Company Limited 中廣核太陽能敦煌有限公司	100%	Generation and supply of electricity
CGN Solar Jinta Company Limited 中廣核太陽能金塔有限公司	100%	Generation and supply of electricity
CGN Solar Wulan Company Limited 中廣核太陽能烏蘭有限公司	100%	Generation and supply of electricity

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

38. ACQUISITION OF SUBSIDIARIES *(Continued)*

Assets acquired and liabilities recognised at date of acquisition are as follows:

	Acquiree's carrying amount before combination *US$'000*	**Fair value adjustment** *US$'000*	**Fair value** *US$'000*
Property, plant and equipment *(note 15)*	1,177,163	36,734	1,213,897
Prepaid lease payments *(note 16)*	13,350	34,486	47,836
Deposits paid for acquisition of property, plant and equipment	6,848	–	6,848
Deferred tax assets	34,622	(6,934)	27,688
Other assets	401	–	401
Inventories	607	–	607
Trade receivables	76,083	–	76,083
Other receivables and prepayments	146,448	–	146,448
Amounts due from fellow subsidiaries	182	–	182
Bank balances and cash	112,894	–	112,894
Trade payables	(12,915)	–	(12,915)
Other payables and accruals	(119,234)	–	(119,234)
Bank borrowings	(882,600)	–	(882,600)
Loan from a fellow subsidiary	(108,446)	–	(108,446)
Amount due to ultimate holding company	(103)	–	(103)
Amounts due to fellow subsidiaries	(12,607)	–	(12,607)
Tax payables	(122)	–	(122)
Deferred tax liabilities	–	(10,871)	(10,871)
Government grants *(note 33)*	(19,118)	–	(19,118)
	413,453	53,415	466,868
Non-controlling interest arising from Acquisition	4,791	–	4,791
Net assets acquired			462,077
Goodwill *(note 17)*			178,123
			640,200
Satisfied by:			
Cash paid			640,200
Cash consideration paid			640,200
Less: bank balances and cash acquired			(112,894)
			527,306

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

38. ACQUISITION OF SUBSIDIARIES *(Continued)*

As the Group is positioned as CGN's sole global platform for development and operation of non-nuclear clean and renewable power generation projects, the Group intended to selectively acquire clean and renewable power generation projects with solid returns from CGN. The directors of the Company considered that the acquisition was in line with the Group's strategy and the Group would enjoy the stable returns as well as expanding its market share of the solar and wind power plant industry in the PRC through the Acquisition.

The following pro forma financial information of the Group is prepared by the directors to illustrate the financial effect of the Group as if the acquisition of Target Companies had been completed on 1 January 2015.

Had the acquisition been completed on 1 January 2015, total group revenue for the year would have been US$1,268,249,000, and profit for the year would have been US$160,547,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

39. DISPOSAL OF A SUBSIDIARY

On 13 July 2016, the Group entered into a sale and purchase agreement with an independent third party (the "**Acquirer**") to dispose of its entire interest in Sichuan Hexie Electric Power Co., Ltd. ("**Hexie Company**") to the Acquirer at a cash consideration of RMB220,100,000 (equivalent to approximately US$32,525,000). The disposal was completed on 20 October 2016, when the Group lost control of Hexie Company.

	At 20 October 2016 *US$'000*
The net assets at the date of disposal were as follows:	
Property, plant and equipment *(note 15)*	3,279
Prepaid lease payments *(note 16)*	174
Inventories	396
Trade receivables	226
Other receivables and prepayments	716
Deferred tax liabilities *(note 20)*	(141)
Trade payables	(1)
Other payables and accruals	(24)
Bank balances and cash	12,388
Net assets disposed of	17,013
Gain on disposal of a Hexie Company:	
Cash consideration received, net of transaction cost of US$1,833,000	30,692
Cumulative exchange gain in respect of the net assets of Hexie Company	4,996
Net assets disposed of	(17,013)
Gain on disposal	18,675

Net cash inflow arising from the disposal:

	US$'000
Cash consideration received, net of transaction cost of US$1,833,000	30,692
Bank balances and cash disposed of	(12,388)
	18,304

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

40. COMMITMENTS

(a) Operating commitments

The Group as lessee

	2016 US$'000	2015 US$'000
Minimum lease payments under operating leases during the year in respect of premises	**12,790**	3,186

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	2016 US$'000	2015 US$'000
Within one year	**4,192**	2,704
In the second to fifth year inclusive	**10,780**	1,797
Over five years	**1,141**	1,443
	16,113	6,004

Operating lease payments represent rentals payable by the Group for certain of its premises. Leases are negotiated and rentals are fixed for two to ten years.

In accordance with the power purchase agreement ("**PPA**") entered into between CGN Korea Holdings Co., Ltd. ("**CGN Korea**") and KEPCO in 1996 (the PPA was subsequently transferred from CGN Korea to CGN Yulchon Generation Co., Ltd ("**CGN Yulchon**") upon the restructuring of the Group's operations in South Korea in July 2009), CGN Korea was required to construct electricity transmission facilities for connection of CGN Korea's power plant ("**Yulchon Plant**") to the power grid of KEPCO and CGN Korea was obligated under the PPA to sell such facilities to KEPCO within six months of commencing operation of Yulchon Plant. CGN Korea constructed electricity transmission facilities with a net book value of approximately US$2,862,000, which was subsequently disposed of to KEPCO in 2005 for an amount approximate to US$1,365,000, resulting in a loss on disposal of approximately KRW1,707 million (equivalent to approximately US$1,497,000) in 2005. The sales proceeds had been fully settled as of 31 December 2008.

In connection with such disposition of the electricity transmission facilities to KEPCO in 2005, CGN Korea has a right of use of the facilities for 20 years, which is the term of the PPA. Accordingly, it is considered as a sale and leaseback transaction and results in an operating lease. The difference between the net book value of the facilities and the related proceeds of approximately US$1,497,000 was considered as future lease payments and was recorded as long-term prepaid expenses. The carrying value of the long-term prepaid expenses as at 31 December 2016 is approximately KRW569 million (equivalent to approximately US$472,000) (2015: approximately KRW657 million (equivalent to approximately US$562,000)) *(note 21)*. These long-term prepaid expenses are to be amortised over the term of the PPA.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

40. COMMITMENTS *(Continued)*

(a) Operating commitments *(Continued)*

The Group as lessor

Certain of the Group's equipment is held for rental purpose under operating lease since 2007 with a carrying amount of approximately US$990,000 (2015: US$1,189,000) as at 31 December 2016, and expected to generate rental yield of 7% on an ongoing basis.

Further, the Group has signed long-term electricity supply contracts with power purchasers since 2005 which, among other matters, require the Group to make some of its generation capacity available for a fixed capacity charge for 20 years.

At the end of each reporting period, the Group had contracted with lessees for future minimum lease payments in respect of leasing of equipment and power purchasers for capacity charge payments as follows:

	2016 ***US$'000***	2015 *US$'000*
Leasing of equipment		
Within one year	**12**	156
In the second to fifth year inclusive	**–**	13
	12	169
Leasing of generation capacity		
Within one year	**38,368**	39,549
In the second to fifth year inclusive	**153,476**	158,197
After five years	**134,291**	177,971
	326,135	375,717

(b) Capital commitments

	2016 ***US$'000***	2015 *US$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**13,701**	13,262

(c) Acquisition of Xinjiang Project

On 22 December 2011, the Company entered into a joint development agreement (the "**Joint Development Agreement**") with an independent third party being the vendor (the "**Vendor**") and an individual who is a director of the target company (the "**Target Company**") (collectively, the "**Parties**"), upon the satisfaction of certain conditions, to acquire 100% equity interest of the Target Company at a consideration of RMB10 million (the "**Proposed Acquisition**").

The Target Company, through its 93% shareholding in the project company (the "**Project Company**"), owns the right to develop a wind farm project in the north eastern part of Xinjiang Autonomous Region of the PRC (the "**Xinjiang Project**"). The other 7% interest in the Project Company is owned by an independent third party.

At 31 December 2016, the Proposed Acquisition is still subject to final negotiation between the Parties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

41. RELATED PARTY DISCLOSURES

The Company is ultimately controlled by CGN, which is a state-owned enterprise under the direct supervision of the State Council of the PRC.

Apart from details of the balances with related parties disclosed in the statements of financial position and other details disclosed elsewhere in the consolidated financial statements, the Group also entered into the following significant transactions with related parties during the year:

Name of related company	*Note*	Nature of transactions	2016 *US$'000*	2015 *US$'000*
Hubei Xisaishan	*i*	Management service fee income	**200**	546
CGN Finance	*ii*	Interest expense	**3,032**	1,897
		Interest income	**1,269**	978
中廣核中煤能源哈密煤電項目籌建處 ("**CGN Hami Coal Project Preparatory Office**")	*iii*	Management service fee income	**–**	399
CGN Energy Development Ltd ("**CGN Energy**") and its subsidiaries	*ii*	Income from transfer of energy generation quota	**–**	123
		Management service fee income	**7,470**	8,376
CGNPC Huasheng	*ii*	Interest income	**1,270**	619
		Interest expense	**714**	214
Huamei Holding Company Limited ("**Huamei Holding**") and its subsidiaries	*ii*	Management service fee income	**9,481**	8,763
中廣核中電能源服務深圳有限公司	*ii*	Consultancy service expense	**–**	252
CGNPC International Limited	*iv*	Interest expense	**3,738**	2,375
China Clean Energy	*ii*	Interest expense	**20,588**	3,094
CGN Wind Energy Co., Ltd.	*ii*	Management service fee income	**5,774**	2,139
CGN Solar Energy Development Co., Ltd.	*ii*	Management service fee income	**1,117**	234
China Solar Energy Investment Limited	*ii*	Management service fee income	**2,103**	–
Shanghai No.1 Iron & Steel	*v*	Sales of electricity	**10,425**	23,836

Notes:

(i) Hubei Xisaishan is an associate of the Group.

(ii) CGN Finance, CGN Energy and its subsidiaries, 中廣核中電能源服務(深圳)有限公司, CGNPC Huasheng, Huamei Holding and its subsidiaries, China Clean Energy, CGN Wind Energy Co., Ltd. CGN Solar Energy Development Co., Ltd. China Solar Energy Investment Limited are fellow subsidiaries of the Company.

(iii) CGN Hami Coal Project Preparatory Office is a temporary office established by CGN and is responsible for the project development relating to a coal power project, which is located in Hami City, Xinjiang Uyghur Autonomous Region, the PRC. CGN proposes to hold, through CGN Energy, 70% interest in such coal power project.

(iv) CGNPC International Limited is an intermediate holding company of the Company.

(v) Shanghai No.1 Iron & Steel is a non-controlling shareholder of the Group.

The Group has entered into various transactions including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are PRC government-related entities in its ordinary course of business. A majority of the bank deposits and 56.2% (2015: 59%) of borrowings of the Group are with the PRC government-related entities as at 31 December 2016.

Also, the Group's transactions with other PRC government-related entities include sales of electricity to local power bureau and a state-owned entity. About 30% (2015: 21%) of its sales of electricity and capacity charges are to the PRC government-related entities for the year ended 31 December 2016.

Certain directors have also been employed by CGN and its subsidiaries and the payments of their emoluments were borne by CGN and its subsidiaries for the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

42. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	2016 US$'000	2015 US$'000
NON-CURRENT ASSETS		
Property, plant and equipment	483	738
Investments in subsidiaries *(Note (a))*	1,091,064	1,135,347
	1,091,547	1,136,085
CURRENT ASSETS		
Other receivables and prepayments	760	858
Amounts due from a fellow subsidiaries	9,044	2,925
Bank balances and cash	97,966	127,654
	107,770	131,437
CURRENT LIABILITIES		
Other payables and accruals	8,525	8,439
Amounts due to a fellow subsidiaries	4,018	3,094
Amounts due to subsidiaries	58,035	28,892
Loan from a fellow subsidiary	39,579	–
Bond payables – due within one year	4,717	4,717
	114,874	45,142
NET CURRENT (LIABILITIES) ASSETS	(7,104)	86,295
TOTAL ASSETS LESS CURRENT LIABILITIES	1,084,443	1,222,380
NON-CURRENT LIABILITIES		
Loan from an intermediate holding company	–	100,000
Loan from a fellow subsidiary	450,000	450,000
Bond payables – due after one year	349,763	349,386
	799,763	899,386
NET ASSETS	284,680	322,994
CAPITAL AND RESERVES		
Share capital	55	55
Reserves *(Note (b))*	284,625	322,939
TOTAL EQUITY	284,680	322,994

Chen Sui
DIRECTOR

Lin Jian
DIRECTOR

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

42. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

a. INVESTMENTS IN SUBSIDIARIES

Details of the Company's principal operating subsidiaries at 31 December 2016 and 2015 are as follows:

Name of subsidiaries	Place of establishment/ incorporation/ operation	Date of establishment/ incorporation	Legal form	Registered capital/ issued and fully paid-up share capital	Attributable equity interest held by the Group 2016	2015	Principal activities
Indirect							
CGN Meineng Corporate Management (Shenzhen) Ltd.	The People's Republic of China (the "**PRC**")	6 December 2013	Foreign investment enterprise with limited liability	Registered capital of RMB10,000,000 and paid-up capital of RMB10,000,000	**100%**	100%	Corporate management advisory
Guangxi Rongjiang Meiya Company Limited* 廣西融江美亞有限公司	The PRC	15 September 1999	Sino-foreign equity joint venture	Registered capital of RMB48,000,000 and paid-up capital of RMB48,000,000	**55%**	55%	Investment in dam and other associated facilities
Guangxi Rongjiang Meiya Hydropower Company Limited* 廣西融江美亞水電有限公司	The PRC	15 September 1999	Sino-foreign equity joint venture	Registered capital of RMB72,000,000 and paid-up capital of RMB72,000,000	**80%**	80%	Generation and supply of electricity
Guangxi Rongyuan Hydropower Company Limited* 廣西融源水電有限公司	The PRC	4 January 2011	Foreign investment enterprise with limited liability	Registered capital of RMB38,000,000 and paid-up capital of RMB38,000,000	**100%**	100%	Generation and supply of electricity
Guangxi Zuojiang Meiya Hydropower Company Limited 廣西左江美亞水電有限公司	The PRC	8 October 1998	Sino-foreign equity joint venture	Registered capital of RMB345,596,455 and paid-up capital of RMB345,596,455	**60%**	60%	Generation and supply of electricity
Haian Meiya Cogeneration. Co., Ltd 海安美亞熱電有限公司	The PRC	20 December 2002	Foreign investment enterprise with limited liability	Registered capital of US$11,920,000 and paid-up capital of US$11,920,000	**100%**	100%	Generation and supply of steam, electricity and other related products
Mianyang Sanjiang Meiya Hydropower Company Limited* 綿陽三江美亞水電有限公司	The PRC	25 October 2002	Sino-foreign cooperative joint venture	Registered capital of RMB100,000,000 and paid-up capital of RMB100,000,000	**75%**	75%	Generation and supply of electricity
MPC Daesan Power Co., Ltd. (Name changed to CGN Daesan Power Co., Ltd. with effect from 10 March 2016)	Republic of Korea	8 April 2009	Joint stock company	Issued capital of KRW3,430,000,000 and paid-up capital of KRW3,430,000,000	**100%**	100%	Generation and supply of electricity from an oil-fired combined cycle power plant
MPC Korea Holdings Co., Ltd. (Name changed to CGN Korea Holdings Co., Ltd. with effect from 10 March 2016)	Republic of Korea	22 November 1996	Joint stock company	Issued capital of KRW37,311,150,000 and paid-up capital of KRW37,311,150,000	**100%**	100%	Investment holding
MPC Yulchon Generation Co., Ltd. (Name changed to CGN Yulchon Generation Co., Ltd. with effect from 10 March 2016)	Republic of Korea	28 July 2009	Joint stock company	Issued capital of KRW18,044,400,000 and paid-up capital of KRW18,044,400,000	**100%**	100%	Generation and supply of electricity from a gas-fired combined cycle power plant
Nantong Meiya Co-generation. Co., Ltd 南通美亞熱電有限公司	The PRC	13 March 1997	Foreign investment enterprise with limited liability	Registered capital of US$16,800,000 and paid-up capital of US$16,800,000	**100%**	100%	Generation and supply of electricity and steam and other related products
Nanyang General Light Electric Co., Ltd. 南陽普光電力有限公司	The PRC	1 January 1997	Sino-foreign cooperative joint venture	Registered capital of RMB476,667,000 and paid-up capital of RMB476,667,000	**59.5%**	59.5%	Generation and supply of electricity and other related services
Shanghai Meiya Jinqiao Energy Co., Ltd. 上海美亞金橋能源有限公司	The PRC	14 July 1995	Sino-foreign equity joint venture	Registered capital of RMB98,000,000 and paid-up capital of RMB98,000,000	**60%**	60%	Generation and supply of steam

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

42. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

a. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of establishment/ incorporation/ operation	Date of establishment/ incorporation	Legal form	Registered capital/ issued and fully paid-up share capital	Attributable equity interest held by the Group		Principal activities
					2016	2015	
Indirect *(Continued)*							
Shanghai Wei Gang Energy Co., Ltd. 上海威鋼能源有限公司	The PRC	21 January 1998	Sino-foreign cooperative joint venture	Registered capital of US$29,800,000 and paid-up capital of US$29,800,000	**65%**	65%	Generation and supply of electricity
Hexie Company ** 四川和協電力有限公司	The PRC	25 February 1998	Foreign investment enterprise with limited liability	Registered capital of RMB100,000,000 and paid-up capital of RMB100,000,000	**0%**	100%	Generation and supply of electricity
Wuhan Han-Neng Power Development Co., Ltd. 武漢漢能電力發展有限公司	The PRC	11 October 1995	Sino-foreign equity joint venture	Registered capital of RMB100,000,000 and paid-up capital of RMB100,000,000	**60%**	60%	Generation and supply of electricity
Yaneng Consulting (Shanghai) Co., Ltd.* 亞能咨詢(上海)有限公司	The PRC	18 January 2000	Foreign investment enterprise with limited liability	Registered capital of US$500,000 and paid-up capital of US$500,000	**100%**	100%	Provision of consulting services and market research
中廣核太陽能(德州)有限公司	The PRC	29 December 2015	Foreign investment enterprise with limited liability	Registered capital of US$6,000,000 and paid-up capital of nil	**100%**	100%	Inactive
CGN New Energy Investments (Shenzhen) Co., Ltd* 中廣核新能源投資(深圳)有限公司	The PRC	20 May 2016	Foreign investment enterprise with limited liability	Registered capital of US$640,000,000 and paid-up capital of US$640,000,000	**100%**	100%	Investment holding
CGN (Zhejiang Xiangshan) Wind Power Co., Ltd* 中廣核(浙江象山)風力發電有限公司	The PRC	11 July 2011	Foreign investment enterprise with limited liability	Registered capital of RMB134,610 and paid-up capital RMB134,610	**100%**	100%	Generation and supply of electricity
CGN (Zhejiang Ninghai) Wind Power Co., Ltd.* 中廣核(浙江寧海)風力發電有限公司	The PRC	19 December 2013	Foreign investment enterprise with limited liability	Registered capital of RMB79,600 and paid-up capital RMB79,600	**100%**	100%	Generation and supply of electricity
Anqiu Taipingshan Wind Power Co., Ltd* 安丘太平山風電有限公司	The PRC	10 December 2008	Foreign investment enterprise with limited liability	Registered capital of RMB187,900 and paid-up capital RMB187,900	**100%**	100%	Generation and supply of electricity
Yishui Tangwangshan Wind Power Co., Ltd* 沂水唐王山風力發電有限公司	The PRC	23 November 2009	Foreign investment enterprise with limited liability	Registered capital of RMB71,375 and paid-up capital RMB71,375	**100%**	100%	Generation and supply of electricity
CGN Linqu Wind Power Company Limited Co., Ltd* 中廣核(臨朐)風力發電有限公司	The PRC	29 December 2009	Foreign investment enterprise with limited liability	Registered capital of RMB75,040 and paid-up capital RMB75,040	**100%**	100%	Generation and supply of electricity
CGN Linqu Longgang Wind Power Co., Ltd* 中廣核臨朐龍崗風力發電有限公司	The PRC	28 June 2013	Foreign investment enterprise with limited liability	Registered capital of RMB77,074 and paid-up capital RMB77,074	**100%**	100%	Generation and supply of electricity
CGN Yishui Wind Power Co., Ltd* 中廣核沂水風力發電有限公司	The PRC	2 April 2011	Foreign investment enterprise with limited liability	Registered capital of RMB91,125 and paid-up capital RMB91,125	**100%**	100%	Generation and supply of electricity
Yishui Longshan Wind Power Co., Ltd* 沂水龍山風力發電有限公司	The PRC	13 August 2013	Foreign investment enterprise with limited liability	Registered capital of RMB88,546 and paid-up capital RMB88,546	**100%**	100%	Generation and supply of electricity

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

42. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

a. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of establishment/ incorporation/ operation	Date of establishment/ incorporation	Legal form	Registered capital/ issued and fully paid-up share capital	Attributable equity interest held by the Group		Principal activities
					2016	2015	
Indirect *(Continued)*							
CGN Gansu Minqin Wind Power Co., Ltd* 中廣核甘肅民勤風力發電有限公司	The PRC	4 March 2011	Foreign investment enterprise with limited liability	Registered capital of RMB162,200 and paid-up capital RMB162,200	**100%**	100%	Generation and supply of electricity
CGN Gansu Minqin (II) Wind Power Co., Ltd* 中廣核甘肅民勤第二風力發電有限公司	The PRC	24 October 2013	Foreign investment enterprise with limited liability	Registered capital of RMB549,760 and paid-up capital RMB549,760	**100%**	100%	Generation and supply of electricity
CGN Gansu Guazhou Wind Power Co., Ltd* 中廣核甘肅瓜州風力發電有限公司	The PRC	18 November 2011	Foreign investment enterprise with limited liability	Registered capital of RMB165,480 and paid-up capital RMB165,480	**100%**	100%	Generation and supplyof electricity
CGN Gansu Guazhou (II) Wind Power Co., Ltd* 中廣核甘肅瓜州第二風力發電有限公司	The PRC	15 November 2013	Foreign investment enterprise with limited liability	Registered capital of RMB287,000 and paid-up capital RMB287,000	**100%**	100%	Generation and supply of electricity
Guazhou Tianrun Wind Power Co., Ltd* 瓜州天潤風電有限公司	The PRC	6 March 2009	Foreign investment enterprise with limited liability	Registered capital of RMB98,100 and paid-up capital RMB98,100	**60%**	60%	Generation and supplyof electricity
CGN Solar Dunhuang Co., Ltd* 中廣核太陽能敦煌有限公司	The PRC	8 September 2011	Foreign investment enterprise with limited liability	Registered capital of RMB97,970 and paid-up capital RMB97,970	**100%**	100%	Generation and supply of electricity
CGN Solar Jinta Co., Ltd* 中廣核太陽能金塔有限公司	The PRC	6 December 2011	Foreign investment enterprise with limited liability	Registered capital of RMB36,360 and paid-up capital RMB36,360	**100%**	100%	Generation and supply of electricity
CGN Solar (Dachaidan) Development Co., Ltd* 中廣核太陽能(大柴旦)開發有限公司	The PRC	15 January 2010	Foreign investment enterprise with limited liability	Registered capital of RMB492,931 and paid-up capital RMB492,931	**100%**	100%	Generation and supply of electricity
CGN Solar Wulan Co., Ltd* 中廣核太陽能烏蘭有限公司	The PRC	29 August 2012	Foreign investment enterprise with limited liability	Registered capital of RMB100,000 and paid-up capital RMB100,000	**100%**	100%	Generation and supply of electricity
CGN Solar (Jiaxing) * 中廣核太陽能(嘉興)有限公司	The PRC	9 July 2013	Foreign investment enterprise with limited liability	Registered capital of RMB30,500 and paid-up capital RMB30,500	**100%**	100%	Generation and supply of electricity
CGN Solar (Shenzhen) Co., Ltd* 中廣核太陽能(深圳)有限公司	The PRC	17 August 2011	Foreign investment enterprise with limited liability	Registered capital of RMB43,400 and paid-up capital RMB43,400	**100%**	100%	Generation and supply of electricity
Suzhou Zemei Trading Co., Ltd 蘇州澤美貿易有限公司	The PRC	26 November 2015	Foreign investment with limited liability	Registered capital of RMB5,000,000 and paid-up capital nil	**100%**	100%	Sales of coal
中廣核新能源(洪澤)有限公司	The PRC	27 November 2015	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid-up capital RMB500,000	**100%**	100%	Generation and supply of electricity
雲南中廣核電力銷售有限公司	The PRC	7 April 2016	Foreign investment enterprise with limited liability	Registered capital of RMB200,000,000 and paid-up capital RMB100,000,000	**100%**	–	Generation and supply of electricity

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

42. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

a. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of establishment/ incorporation/ operation	Date of establishment/ incorporation	Legal form	Registered capital/ issued and fully paid-up share capital	Attributable equity interest held by the Group		Principal activities
					2016	2015	
濰坊中廣核能源有限公司	The PRC	26 August 2016	Foreign investment enterprise with limited liabilities	Registered capital of RMB153,760,000 and paid-up capital RMB80,000,000	**100%**	–	Generation and supply of electricity
中廣核（售電）山西有限公司	The PRC	28 July 2016	Foreign investment enterprise with limited liabilities	Registered capital of RMB60,000,000 and paid-up capital RMB20,000,000	**100%**	–	Generation and supply of electricity
德州安務能源有限公司	The PRC	15 November 2016	Foreign investment enterprise with limited liabilities	Registered capital of RMB98,771,100 and paid-up capital RMB64,758,900	**87%**	–	Generation and supply of electricity
海寧中廣核新能源有限公司	The PRC	20 December 2016	Foreign investment enterprise with limited liabilities	Registered capital of USD20,000,000 and paid-up capital RMB138,918,000	**100%**	–	Generation and supply of electricity
中廣核新能源如東有限公司	The PRC	22 November 2016	Foreign investment enterprise with limited liabilities	Registered capital of RMB230,000,000 and paid-up capital RMB100,000,000	**100%**	–	Generation and supply of electricity

* *English names are for identification purpose only.*
** *The company has been disposed of during the current year (note 39).*

b. RESERVE

	Share premium US$'000	Share option reserve US$'000	Accumulated profits (loss) US$'000	Total equity US$'000
At 1 January 2015	250,406	–	(228)	250,178
Profit for the year and total comprehensive expense	–	–	72,683	72,683
Effects of share options *(note 34)*	–	78	–	78
At 31 December 2015	250,406	78	72,455	322,939
Loss for the year and total comprehensive expense	**–**	**–**	**(20,403)**	**(20,403)**
Effects of share options *(note 34)*	**–**	**969**	**–**	**969**
Dividend declared *(note 12)*	**–**	**–**	**(18,880)**	**(18,880)**
At 31 December 2016	**250,406**	**1,047**	**33,172**	**284,625**

43. COMPARATIVE INFORMATION

Certain comparative information has been re-presented to conform to current year presentation.

Five-Year Financial Summary

	2012 *US$'000* *(Note)*	2013 *US$'000* *(Note)*	2014 *US$'000*	2015 *US$'000*	**2016** ***US$'000***
Revenue	948,306	1,054,523	1,379,552	1,151,905	**1,074,448**
Operating expenses:					
Coal, oil and gas	691,120	742,926	996,629	729,336	**587,176**
Depreciation of property, plant and equipment	61,742	71,282	94,752	109,478	**143,429**
Repair and maintenance	23,548	22,521	23,525	27,889	**38,729**
Staff costs	40,899	45,857	60,394	62,943	**69,237**
Others	51,167	54,950	54,351	63,359	**58,480**
Total operating expenses	868,476	937,536	1,229,651	993,005	**897,051**
Operating profit	79,830	116,987	149,901	158,900	**177,397**
Other income	14,014	12,901	13,096	18,630	**14,281**
Other gains and losses	5,262	3,127	1,713	(1,652)	**2,631**
Finance costs	(41,065)	(51,704)	(63,274)	(76,799)	**(115,172)**
Share of results of associates	(12,386)	28,936	42,572	63,313	**22,113**
Share of results of a joint venture	20,082	55,946	21,016	–	**–**
Impairment loss on interest in an associate	(7,627)	(18,758)	–	–	**–**
Impairment loss on property, plant and equipment	–	(24,000)	–	–	**–**
Gain on disposal of subsidiaries, associates and a joint venture	–	–	96,343	–	**–**
Gain on disposal of a subsidiary	–	–	–	–	**18,675**
Initial public offering expenses	–	(6,866)	(4,087)	–	**–**
Profit before tax	58,110	116,569	257,280	162,392	**119,925**
Income tax expense	(29,213)	(47,242)	(39,568)	(39,978)	**(28,893)**
Profit for the year	28,897	69,327	217,712	122,414	**91,032**
Profit for the year attributable to:					
Owner of the Company	20,159	55,817	202,203	103,879	**79,472**
Non-controlling interests	8,738	13,510	15,509	18,535	**11,560**
	28,897	69,327	217,712	122,414	**91,032**
Earnings per share of the Group, basic *(US cents)*	0.65	1.80	5.97	2.42	**1.85**
Earnings per share for the Remaining Group, basic *(US cents)*	0.94	1.78	2.51	2.42	**1.85**

Note: Figures for the years ended 31 December 2012 to 2013 are extracted from the Company's prospectus dated 19 September 2014.

Five-Year Financial Summary

	2012 *US$'000* *(Note)*	2013 *US$'000* *(Note)*	2014 *US$'000*	2015 *US$'000*	**2016** ***US$'000***
ASSETS AND LIABILITIES					
Total assets	2,612,982	2,957,589	2,486,934	3,852,868	**3,498,621**
Total liabilities	1,771,327	2,019,731	1,670,844	3,003,315	**2,686,785**
NET ASSETS	841,655	937,858	816,090	849,553	**811,836**
Equity attributable to owner of the Company	685,412	778,541	709,048	741,732	**710,758**
Non-controlling interests	156,243	159,317	107,042	107,821	**101,078**
TOTAL EQUITY	841,655	937,858	816,090	849,553	**811,836**