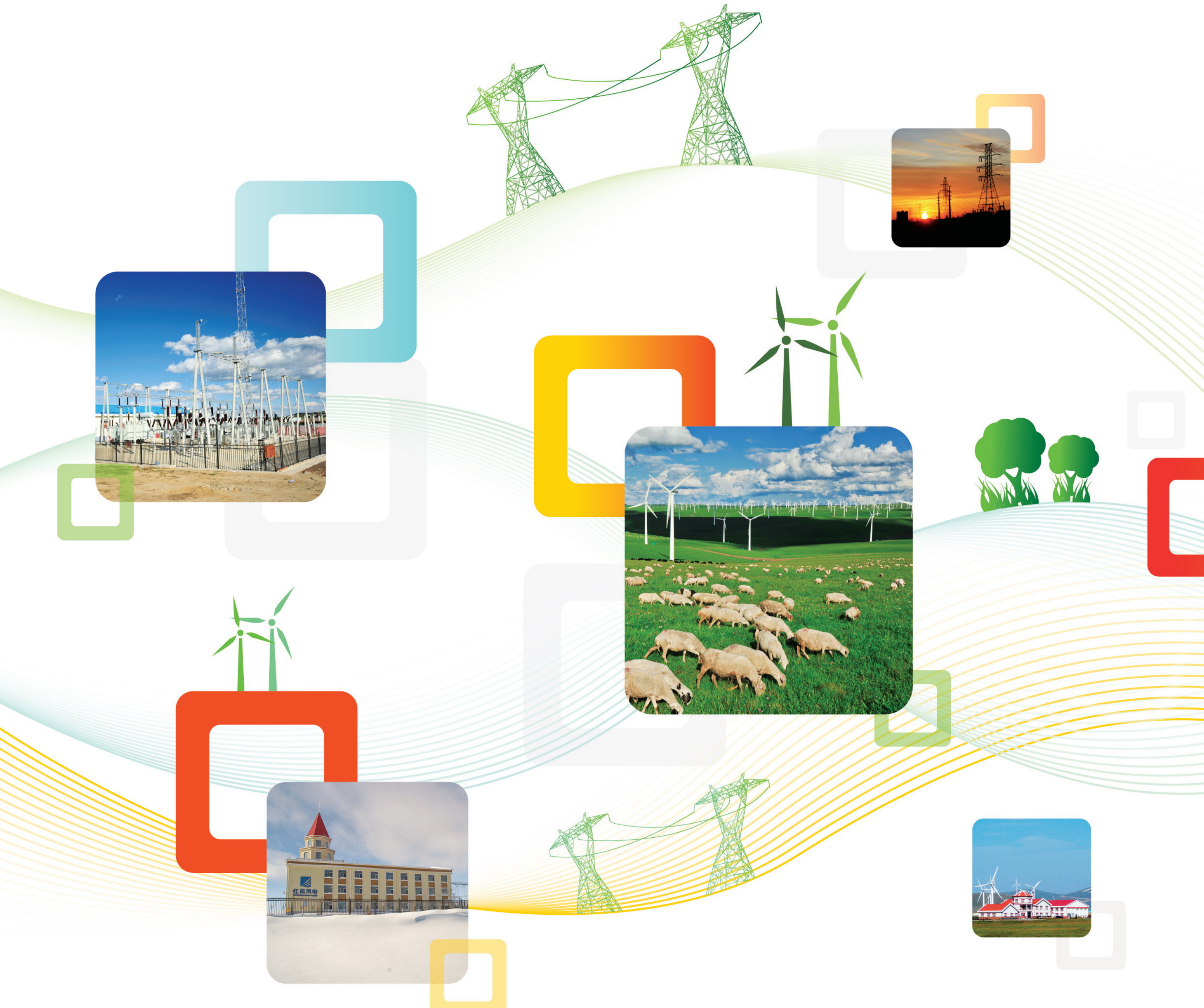
China Ruifeng Renewable Energy Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00527)



ANNUAL REPORT 2016

Contents

Company Information

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 00527

EXECUTIVE DIRECTORS

Mr. Zhang Zhixiang *(Chief Executive Officer)*
Mr. Ning Zhongzhi
Mr. Li Tian Hai
Mr. Peng Ziwei *(appointed on 20 June 2016)*
Mr. Zheng Xian Tao *(resigned on 20 June 2016)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wong Wai Ling
Mr. Qu Weidong
Ms. Hu Xiaolin

AUDIT COMMITTEE

Ms. Wong Wai Ling
(chairman of the Audit Committee)
Mr. Qu Weidong
Ms. Hu Xiaolin

REMUNERATION COMMITTEE

Ms. Hu Xiaolin
(chairman of the Remuneration Committee)
Mr. Zhang Zhixiang
Ms. Wong Wai Ling
Mr. Qu Weidong

NOMINATION COMMITTEE

Mr. Qu Weidong
(chairman of the Nomination Committee)
Mr. Zhang Zhixiang
Ms. Wong Wai Ling
Ms. Hu Xiaolin

COMPANY SECRETARY

Mr. Ng Ki Man *(resigned on 15 April 2016)*
Ms. Cheng Sau Man *(appointed on 15 April 2016)*

AUTHORISED REPRESENTATIVES

Mr. Zhang Zhixiang
Mr. Ng Ki Man *(resigned on 15 April 2016)*
Ms. Cheng Sau Man *(appointed on 15 April 2016)*

PRINCIPAL BANKERS

In Hong Kong:

Bank of China (Hong Kong) Limited
China Minsheng Banking Corporation Limited
Hong Kong Branch
China Construction Bank (Asia) Corporation Limited
Hang Seng Bank
The Bank of East Asia Limited

In the People's Republic of China (the "PRC"):

Bank of China Limited
Agricultural Development Bank of China
Industrial and Commercial Bank of China
Bank of Chengde
China Construction Bank

Company Information

REGISTERED OFFICE

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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China Resources Building
No. 26 Harbour Road, Wanchai
Hong Kong

COMPANY WEBSITE

www.c-ruifeng.com

LEGAL ADVISERS AS TO HONG KONG LAWS

Loong & Yeung
Room 1603, 16th Floor China Building
29 Queen's Road Central, Central
Hong Kong

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

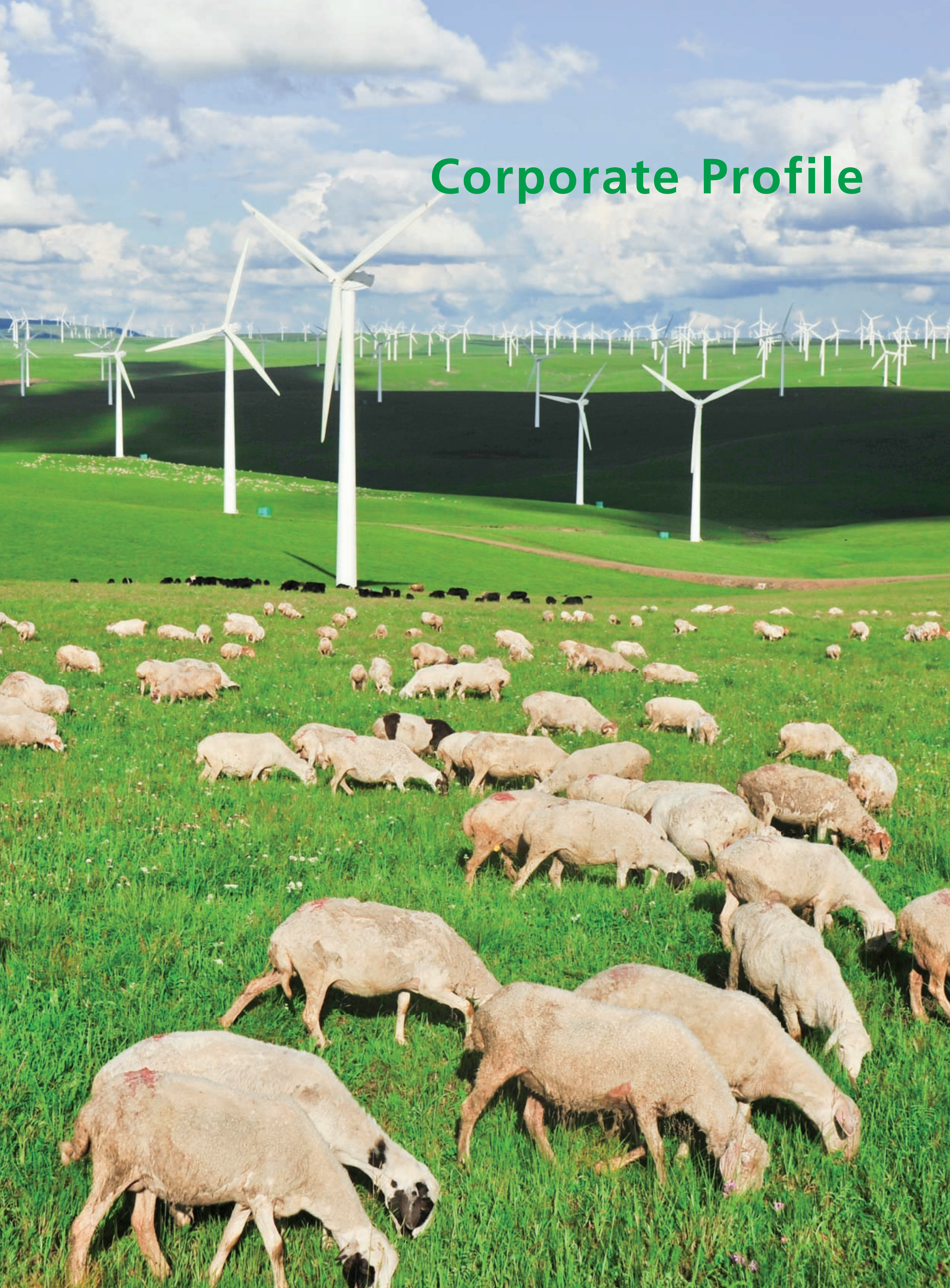
PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Estera Trust (Cayman) Limited
(formerly known as
"Appleby Trust (Cayman) Limited")
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

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

Corporate Profile



Corporate Profile

As a renewable energy enterprise specialised in wind power operation, China Ruifeng Renewable Energy Holdings Limited ("Ruifeng Renew" or the "Company") together with its subsidiaries (collectively, the "Group") is principally engaged in the businesses of wind power generation and is continuing to search for investment opportunities in the energy sectors. In addition, in order to diversify the business risk and to expand various income streams, the company has also seeking development opportunities in the financial sectors, with the aim to facilitate the development of, and complement with each other, the continuous enhancement of the Company's industrial structure and the establishment of a solid foundation, in order to reinforce the comprehensive development of its wind power operation.

Since 2013, through steady acquisition of additional ownership interest in Hebei Hongsong Renewable Energy Investment Co., Ltd. ("Hongsong Renewable Energy") (the second largest shareholder of Hebei Hongsong Wind Power Co., Ltd. ("Hongsong")), the Group's current indirect control in Hongsong is 86.55%.

Hongsong has an installed capacity of 398.4 megawatt ("MW"), and its maximum installable capacity is 596.4 MW.

Apart from Hongsong's wind farm, Baotou City Yinfeng Huili New Energy Investment Limited ("Baotou Yinfeng"), a subsidiary of the Group is principally engaged in the development of a wind farm that generates renewable energy in Inner Mongolia Autonomous Region. The wind farms of Baotou Yinfeng have started development in mid 2016 and the expected installable capacity of phase 1 of the wind farms operation is 49.8 MW.

Apart from the Windfarm operation and development, since the second half of 2015, the Group acquired a total of 49% voting rights in Shenzhen Qianhai Jiefeng Financing and Leasing Limited ("Qianhai Jiefeng"). Qianhai Jiefeng is principally engaged in finance leasing, purchase of leased assets, lease advisory and guarantees. The equity participation in the finance leasing company helps expand the Group's financing channels, further lower the Group's finance cost and enhance the Group's competitiveness in the renewable energy industry.

The Company is also in touch with prospective partners in the financial sectors and is keeping its eyes open for investment opportunities in the licensed operations.

Chief Executive Officer's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Ruifeng Renewable Energy Holdings Limited ("Ruifeng Renew" or the "Company", together with its subsidiaries referred to as the "Group"), I hereby present to the shareholders of the Company (the "Shareholders") the results of the Group for the year ended 31 December 2016 (or the "Reporting Period").

As a renewable energy enterprise specialised in wind power development and operation, during the year under review, Ruifeng Renew is principally engaged in the businesses of wind farms development and operation as well as wind power generation, and commenced to step into the business in finance sector, such as finance leasing and security trading. During the year, the Group has also conducted due diligence on a wind turbine manufacturer which the Group has entered into a memorandum of understanding in respect of a proposed acquisition for further expansion of its down-stream manufacturing business in wind power. The combination of different businesses not only expands the Group's various income streams, but each of the businesses also complements each other to facilitate the development and continuous enhancement of the Company's industrial structure, which will solidify the foundation to reinforce the comprehensive development of its wind power operation.

The year of 2016 was the first year of implementing 13th Five-year Plan. Although the situation at home and abroad was grim and complicated, the new norms of China's economic development were more distinct, signifying the hard-won results of the stabilisation and bottoming out of the economic trend amid a slowdown. China's GDP retained a growth of 6.7% in 2016, whereas the paradigm of economic growth has been shifting its emphasis to higher efficacy and better quality. As the requirements on environmental and ecological protection become more stringent, China's clean energy consumption gains more weight, the wind power and other new energy industries as the nation's seven strategic new industries will be getting more policy support after the 13th Five-year Plan takes the stage, China is realising the largest hydropower, wind power and solar power in terms of installed capacity in the world. In face of the new circumstances and in the effort to capture the opportunities of the government's policy reforms, the Company will improve its development quality and efficiency to become a world-class renewable energy enterprise characterised by a large scale, high market share, great contribution to the society, strong profitability, solid competitiveness, and sound sustainability, with the objective of bringing continuous, stable and substantial returns to the Shareholders.

As the PRC government pointed out that it was vital for the energy structure to be optimised and adjusted as the transformation of energy development has reached the crucial strategic stage, the wind power industry, which spearheads the renewable energy industry is bound to receive increasing attention. In March 2016, the National Development and Reform Commission ("NDRC") also published the "Administrative Measures on Protective Buyouts of Renewable Energy Power Generation" (《可再生能源發電全額保障性收購管理辦法》) which stipulated the buyouts of on-grid electricity of renewable energy power generation projects within the planned scope by power grid enterprises according to the on-grid tariff and protective buyouts utilisation hours set by the PRC government with market competition mechanism, providing strong external support and policy protection to the business development of the Group. Furthermore, the formulation of the "Administrative Regulations on Trading National Carbon Emission Rights" (《全國碳排放權交易管理條例》) is speeding up, and the NDRC has sent copies of the relevant drafts to ministries such as the China Banking Regulatory Commission and the China Securities Regulatory Commission to solicit opinions. The national carbon emission trading market will kick off if relevant regulations are duly passed, such that the wind power operation business of the Group may receive additional revenues from the sales of carbon emission rights.

Chief Executive Officer's Statement

In May 2016, the Group disposed of Hexigten Qi Langcheng Ruifeng Electric Development Co., Ltd. (克什克騰旗朗誠瑞風電力發展有限公司) ("Langcheng"). In relation to the transaction, a supplemental agreement was entered into in November 2016, pursuant to which, the parties agreed to extend the long stop date of the disposal transaction to 31 May 2017. By the disposal of Langcheng, the Group received net cash inflow to centralise its internal resources in the development of windfarm projects of the Group, and to devote more resources into other investment opportunities with higher return.

For the year ended 31 December 2016, the Group recorded a net loss of approximately RMB11,205,000 (2015: net loss of approximately RMB72,428,000) and the revenue from wind power business of approximately RMB369,150,000 (2015: approximately RMB314,733,000). The improvement in the operating result is mainly attributable to the increase of electricity sales and decrease in administrative expense. Further analysis of the operating result was included in the Management Discussion and Analysis session of this report.

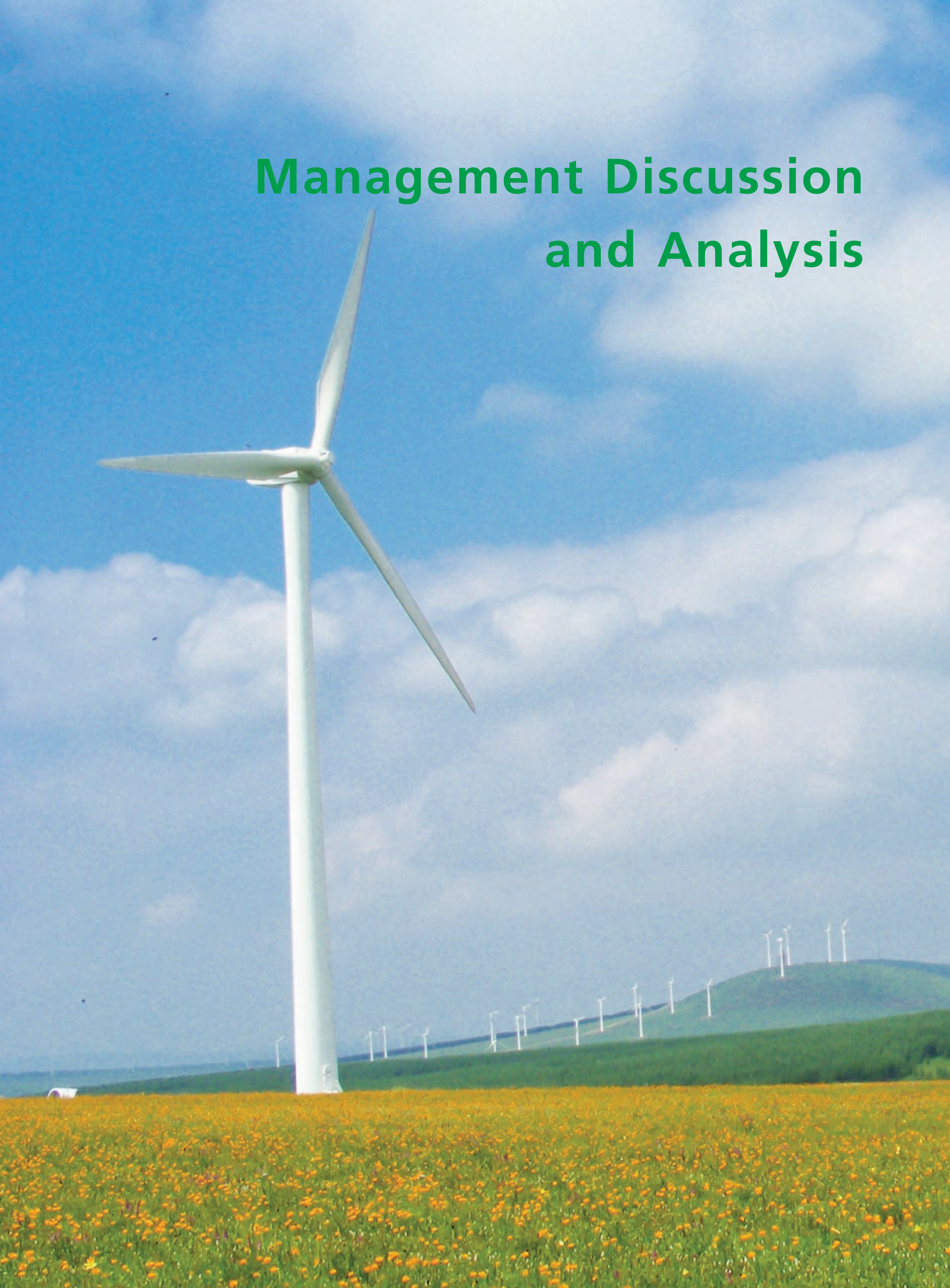
In the future, Ruifeng Renew will consolidate its resources and continue to accelerate the development in wind power business. By fully leveraging the Group's wind farms, Ruifeng Renew will actively seek for development opportunities and strive for a solid foothold in the renewable energy industry in the near future.

On behalf of the Board, I would like to express my gratitude to the Shareholders, investors and business partners for their continuing care of and support to the Group. I would also like to thank the management team and all the staff for their contributions and dedications to the development of the Group. The Group is committed to bringing better returns to the Shareholders and investors through sound and pragmatic development strategies.

Chief Executive Officer
Zhang Zhixiang

Hong Kong, 28 March 2017

Management Discussion and Analysis



BUSINESS OVERVIEW

Wind farm operations

For the year ended 31 December 2016, the revenue from the wind farm operations amounted to approximately RMB369,150,000 (2015: approximately RMB314,733,000), representing an increase of approximately 17% from that of 2015. The segment profit from the wind farm operations were approximately RMB107,232,000 (2015: approximately RMB48,552,000), representing an increase of approximately 121% from that of 2015.

Hongsong's wind farm projects

The construction of the Phase 9 Project – The Yuanhui Project of Hongsong had been completed in December 2013. Hongsong currently has an installable capacity of 398.4 megawatt ("MW"), and its wind farm operation made steady progress in 2016 which made significant contribution to the Group's revenue from wind farm operations for the year.

Baotou Yinfeng's wind farm projects

Baotou City Yinfeng Huili New Energy Investment Limited ("Baotou Yinfeng") is a subsidiary of the Company being acquired during the year, which possesses a wind farm in Baotou City of Inner Mongolia with the 49.8MW of the Phase 1 Project. In October 2015, Baotou Yinfeng received the relevant project approval from Baotou City's NDRC for its Phase 1 Project. Baotou Yinfeng Phase 1 Project is currently under construction and is expected to contribute to the Group's revenue from the operation of wind farms afterwards.

OPERATING ENVIRONMENT

With the year of 2016 kicking off the 13th Five-year Plan, China's GDP has recorded an increase by 6.7% year on year, representing a record low growth for the past 26 years, evidencing China's entering into the "new normal" mode of economic development. Compared to 2015, China's economy maintained a stable trend with increasing positive changes and stabilising growth. GDP growth for the fourth quarter of 2016 increased by 6.8% year on year, while various indicators such as industrial electricity consumption, power generation and freight volume in the second half of the year witnessed significantly accelerated growth, and the industry showed a clearly stabilising trend.

In 2016, the growth of installed capacity of wind power fell. As of October 2016, the connected grid capacity of China's wind power amounted to 141.22 million KW, representing an increase of 27.67% year on year. In respect of newly increased connected grid capacity, as of October 2016, the newly increased connected grid capacity of wind power amounted to 10.02 million KW, representing a decrease of 27.64%, indicating that the newly increased installed capacity of wind power for the year has significantly dropped as compared with that of last year. In respect of the completion amount of wind power investment, there was an apparent decline for the year as compared with that of last year. As of October 2016, the completion of wind power investment amounted to RMB54,742 million, representing a decrease of 29.36% year on year. On the one hand, rushed installed capacity in 2015 has taken up part of the investment for 2016; on the other hand, the wind curtailment problem was also aggravating, which have dampened the enthusiasm for wind power investment.

The year of 2016 was a very difficult year for China's economy. In the context of China's economic growth slowing down and non-clean energy units shutting down, China's electricity demand grew by merely 0.5%. However, with the gradual rebound in the total demand for electricity, the problem regarding wind power consumption was expected to be partially alleviated, and the trend of improvement was obvious. Since 2016, China's monthly wind power generation maintained a rapid growth, as year-on-year growth rate of electricity consumption reached 43% in the peak season of power consumption in summer, and growth rate of cumulative wind power generation from January to September 2016 was about 25%. With the continuous growth of wind power generation, the weight of wind power to power generation in the entire nation was also rising. As of September 2016, penetration rate of wind power reached 4.36%, fairly higher than 3.33% in 2015, it was expected that wind power penetration rate would increase by 1 percentage point throughout the year of 2016.

The focus of the PRC government in the development of renewable energy is to promote the use of wind power and clean energy by implementing various measures and policies, providing the Company tremendous opportunities in the development of its wind farm business, the core operating business of the Company. It appears that the PRC government will continue to support the development of wind power industry with full commitment. This for sure will lay a solid foundation for the development of the Company by way of the unique policy advantages and favorable development environment, and it is expected that the wind power industry will head towards a new stage of development, whilst the Company will undoubtedly benefit from this development.

MAJOR RISKS AND UNCERTAINTIES

(1) Risks of wind turbine equipment utilisation hours fluctuation

The average number of utilisation hours of power generation equipment are influenced by electric supply and demand, and therefore fluctuate accordingly. The average utilisation hours in Hebei Province in the years 2015 and 2016 were 1,825 and 2,077 hours respectively. The average utilisation hours of the Company's Hongsong Wind Farm in Hebei Province for the same two years were 1,941 and 2,089 hours respectively. As economic growth rate slackened, there are risks in fluctuations of the average utilisation hours of the Company's wind turbine equipment in the future, and these will definitely have an impact on the Company's profitability.

(2) Risks of wind power pricing fluctuation

In December 2016, the National Development and Reform Commission issued the "Notice on Adjustments to Benchmark on-grid tariffs for Photovoltaic Power and Onshore Wind Power" (《關於調整光伏發電陸上風電標杆上網電價的通知》) to promote healthy and orderly development of the photovoltaic power and wind power industry and decided to adjust the new energy benchmark on-grid tariff policy pursuant to the "Renewable Energy Law (《可再生能源法》)"benchmark on-grid tariff. According to the electricity tariff adjustment proposal in the discussion paper, benchmark on-grid tariff of onshore wind power will be adjusted as follows: to reduce the benchmark on-grid tariff of newly approved construction of onshore wind power stations after 1 January 2018, of which Category I resources regions tariff will be reduced to RMB0.4 per kWh; Category II resources regions to RMB0.45 per kWh; Category III resources regions to RMB0.49 per kWh; and Category IV resources regions to RMB0.57 per kWh. It was a clear trend that wind power and such other new energies were connecting to the grid with cheaper tariffs. The planned direction for renewable energy in the 13th Five-year Plan is crystal clear, that wind power will realise connection to the grid at RMB0.4 per kWh by 2020. There will be four major areas of development for wind power in the 13th Five-year Plan; namely, no limit in regions with no curtailment; cost decrease arising from technological advancements; simplification of market access to wind power projects; and improvement of wind power operating environment resulting from practical electric system reforms. Through technological advancement and market competition, efforts will be made to further significantly reduce the cost of wind power development during the period of the 13th Five-year Plan, and gradually reduce its dependence on subsidies. It is anticipated that in 2017 wind power prices will continue to fall, and this will have a definite impact on the Company's profitability.

(3) Risks arising from interest rate fluctuations

The Company's new energy electricity business is capital intensive, and electricity project constructions are characterised by large scale investments and lengthy ROI periods. The Company has launched many new projects in recent years, and some of the investment capital other than those for special projects were mainly secured through loans and other methods. The Company's financial costs will be influenced by possible interest rate fluctuations arising from changes in macro-political and economic environment, both domestically and internationally, as well as from changes in China's economic policies.

FUTURE PROSPECTS

To promote the development of wind power, the PRC government has introduced a number of policies. At the beginning of 2016, the National Energy Administration sought ideas for the "13th Five-year Development Plan of Renewable Energy (Consultation Paper) (《可再生能源「十三五」發展規劃（徵求意見稿）》)" and made the following guidance: non-fossil energy will account for 15% of total energy consumption by 2020 and will reach 20% by 2030, and new investments will amount to RMB2.3 trillion during the 13th Five-year Plan. Among them, it aims for hydropower development and utilisation of 380 GW, solar power generation of 160 GW, and wind power of 250 GW by the end of 2020. According to the planning objectives, it will achieve wind power development and utilisation of 250GW by the end of 2020. Therefore, the compound annual growth rate of wind power installed capacity will reach 10% to 20% per annum in the next five years, with the average newly installed capacity of more than 20GW each year. In accordance with the "Strategic Action Plan for Energy Development (2014-2020) (《能源發展戰略行動計劃(2014-2020年)》)", the weight of the non-fossil energy will reach 15% of non-renewable energy consumption by 2020. In order to achieve this goal, the National Energy Administration issued the "Guidance on the Establishment of Renewable Energy Development and Utilisation Objective Guidance System (《關於建立可再生能源開發利用目標引導制度的指導意見》)" on 3 March 2016, which clearly indicates that, except specialised non-fossil energy production enterprises, the proportion of power generation with non-hydropower renewable energy should reach more than 9% of the total electricity generation of the power generation enterprises by 2020, and formulated the weight target of renewable energy in the total energy consumption and the weight indicators of non-hydro renewable energy in the total electricity consumption for each of provinces and cities. There still is a gap between the weight of power generation with non-hydro renewable energy in total power generation and the minimum target for 2020 in vast majority of China's provinces and cities, especially in the central and eastern regions. The development of wind power plants has become an important option in the case of a saturated development of renewable energy in the western region leading to a growing development in the eastern and southern regions.

The adverse effects such as air pollution and global warming resulted from traditional coal-fired power generation have led to high degree of support and attention from the public for the development of renewable energy. As a renewable energy which has the highest level of commercialisation, there is no doubt that the wind power industry will gain further acclamation.

The PRC Government has provided supports to the development of wind power industry in various aspects, and with initial success as exemplified in the increasing shares of wind power in total energy consumption in different regions. The development of wind power has great significance in adjusting the country's energy structure. Given the serious problem of smog in the PRC, the development of clean energy has become an inevitable trend, in which wind power will serve as one of the most critical segments in the development of clean energy.

Looking ahead, the Group's wind farm operation business will experience rapid development. With the advantage of a secured development environment in general and the increased level of attention to wind power by the public, the Company is expected to have a bright development prospect.

In respect of the business growth of the Group in 2017, the Group will continue to focus its resources on the development and operation of wind farms and is determined to become one of the pillars of the renewable energy industry in northern China. The Group will speed up the development of renewable energy business by way of cooperative development and acquisitions. The Group will continue to identify and acquire mature power plants with promising development prospects, in order to strengthen the existing wind farm operation and maintenance business in northern China and gradually extend the business to the surrounding areas as well as enhance the interaction between other businesses, such as the possible acquisition of wind turbine manufacturing. The Group will consider other possible opportunities of mergers and acquisitions.

In the meantime, the Group will also expand to the business of security trading in small scale, by setting up joint venture investment with other investor specialised in the industry, with an aim to leverage on the advantage of the shareholding companies' capabilities and expands the Group's income stream.

In the long-run, the Group will focus its effort on the development and optimisation of existing renewable energy resources. Paralleled to the expansion of wind farm's operational scale and the enhancement of efficiency, the Group will integrate the advantages of all cooperating parties and its own in order to explore more development opportunities and further consolidate the Group's position in the industry of renewable energy. During the course of business integration and resources integration, possible synergistic opportunities among different business segments will be explored for their expansions and growth in revenues and profits. The Group is committed to becoming a renewable energy supplier and integrated service provider with relatively strong competitiveness, establishing a stable and comprehensive foundation for the long term growth of the Group, creating more value for the society, and seeking higher returns for the Company's Shareholders and investors.

FINANCIAL REVIEW

The Group is currently and principally engaged in wind farm operations during the year ended 31 December 2016 after the disposal of the business of construction and consultation of power grid and transformer project in 2015.

Operating results for the year ended 31 December 2016 were as follows:

	Year ended 31 December 2016 RMB'000	2015 RMB'000	Increase/ (decrease) RMB'000	Approximate change in percentage %
Continuing operations				
Revenue	**369,150**	314,733	54,417	17
Gross profit	**144,837**	121,102	23,735	20
Profit from operations	**126,644**	75,146	51,498	69
Profit/(loss) before taxation	**10,837**	(33,886)	44,723	N/A
Loss for the year	**(11,205)**	(45,946)	34,741	76
Discontinued operation				
Loss for the year	—	(26,482)	26,482	100
Attributable to:				
Equity shareholders of the Company	**(38,217)**	(84,449)	46,232	55
Non-controlling interests	**27,012**	12,021	14,991	125
Loss for the year	**(11,205)**	(72,428)	61,223	85

	Note	Year ended 31 December **2016**	2015
Net cash *(RMB'000)*	*1*	**(1,286,848)**	(1,805,332)
Net assets *(RMB'000)*	*2*	**916,475**	712,031
Liquidity ratio	*3*	**101%**	117%
Trade receivable turnover (number of days)	*4*	**102**	121
Trade payable turnover (number of days)	*5*	**36**	75
Earning interest multiple	*6*	**1.09**	0.48
Net debt to capital ratio	*7*	**140%**	254%

Notes:

1. Cash at bank and on hand – Borrowings
2. Total assets – Total liabilities
3. Current assets/Current liabilities x 100%
4. Trade receivables/Revenue x 365 days
5. Trade payables/Cost of sales x 365 days
6. Profit/(loss) before interest and taxation/Finance cost
7. Net debt/Equity x 100%

Revenue

During the year ended 31 December 2016, the Group's revenue was mainly derived from the business of wind power generation. The Group's operating bases for the business of wind power generation are mainly located in Chengde City of Hebei Province and Inner Mongolia.

Revenue from continuing operations for the year ended 31 December 2016 was approximately RMB369,150,000, representing an increase of approximately 17% in comparing with that of 2015 of approximately RMB314,733,000. The increase was mainly due to the increase in electricity sales of Hebei Hongsong Wind Power Co., Ltd ("Hongsong", an indirect non-wholly owned subsidiary of the Company) and the revenue generated by Langcheng since its operation in late 2015.

Analysis of the Group's revenue from its continuing operations for the year ended 31 December 2016 is set out below:

Revenue by business

	Year ended 31 December		**Increase/**	**Approximate change in**
	2016	2015	**(decrease)**	**percentage**
	RMB million	*RMB million*	*RMB million*	*(%)*
Continuing operations				
Wind power generation	**369.15**	314.73	54.42	17
Discontinued operation				
Power grid constructions and consultations	**—**	40.88	(40.88)	(100)
Total	**369.15**	355.61	13.54	4

Cost of Sales

Cost of sales from the continuing operations mainly includes the cost of raw materials, staff costs, depreciation, repair and maintenance cost, water, electricity, gas and other ancillary materials. Cost of sales for the year ended 31 December 2016 accounted for approximately RMB224,313,000 (2015: RMB193,631,000), which represented approximately 61% of the Group's revenue, and is fairly comparable to approximately 62% for the year ended 31 December 2015.

Gross Profit

Gross profit from the continuing operations was approximately RMB144,837,000 (2015: approximately RMB121,102,000) which was primarily derived from the operation of the Group's business of wind power generation. The gross profit margin of approximately 39% is fairly comparable to approximately 38% for the year ended 31 December 2015.

Other Revenue and Net Income

Other revenue and net income from the continuing operations mainly comprised of (i) the gain on disposal of Langcheng (2016: approximately RMB15,909,000; 2015: RMBnil); (ii) tax refund from the PRC government (2016: approximately RMB26,867,000; 2015: approximately RMB27,354,000), (iii) interest income (2016: approximately RMB9,151,000; 2015: approximately RMB4,303,000) and (iv) rental income from operating leases (2016: approximately RMB2,126,000; 2015: approximately RMB2,806,000). The significant increase in other revenue and net income was mainly resulted as the gain on disposal of Langcheng recognised during the year.

Administrative Expenses

Administrative expenses from the continuing operations mainly include wages, salaries and welfare expenses, professional fees, rental expenses, entertainment expenses, travelling expenses, office expenses, other taxation expenses, exchange losses and allowance of doubtful debts for trade and other receivables. It decreased by approximately 9% to approximately RMB72,749,000 for the year ended 31 December 2016 when compared with that of approximately RMB80,211,000 for the year ended 31 December 2015 mainly because of decrease in allowance of doubtful debts for trade and other receivables.

Finance Costs

Finance costs from the continuing operations mainly refer to the interest expenses and the bank charges on bank and other borrowings obtained by the Group. It amounted to approximately RMB118,143,000 for the year ended 31 December 2016 when compared with that of approximately RMB109,034,000 in the corresponding year of 2015.

Taxation

Taxation expenses from the continuing operations increased to approximately RMB22,042,000 for the year ended 31 December 2016 (2015: approximately RMB12,060,000). Such increase was mainly derived from the increase in taxable income of Hongsong.

Loss for the Year

Loss for the year ended 31 December 2016 from the continuing operations was approximately RMB11,205,000 (2015: approximately RMB45,946,000). The significant improvement in the result was mainly due to the increase in electricity sales of Hongsong and decrease in administrative expenses.

Loss attributable to equity shareholders was approximately RMB38,217,000 (2015: approximately RMB84,449,000).

Net Current Assets

Net current assets of the Group as at 31 December 2016 decreased to approximately RMB6,357,000 when compared with that of approximately RMB77,823,000 as at 31 December 2015.

Liquidity and Financing

The cash and bank balances as at 31 December 2016 and 31 December 2015 amounted to approximately RMB266,841,000 (mainly denominated in Renminbi ("RMB"), United States dollar ("USD") and Hong Kong dollar ("HKD"), which is comprised of approximately RMB204,544,000, USD7,000 and HKD69,508,000), and approximately RMB143,747,000, respectively.

Total borrowings of the Group as at 31 December 2016 amounted to approximately RMB1,553,689,000, representing a decreased by approximately RMB395,390,000 when compared with approximately RMB1,949,079,000 as at 31 December 2015. The decreased in the total borrowings is mainly resulted from the repayment of borrowings and disposal of Langcheng during year.

The Group repaid its debts mainly through the steady recurrent cash-flows generated by its operations and by other equity financing. The Group's gearing ratio decreased to approximately 65% as at 31 December 2016 from approximately 75% as at 31 December 2015. That ratio was calculated by dividing the Group's total liabilities by its total assets. During the year ended 31 December 2016, all of the Group's borrowings were settled in RMB, USD and HKD and all of the Group's income was denominated in RMB. Interest bearing borrowings were approximately RMB1,553,689,000 as at 31 December 2016. Among the interest bearing borrowings of the Group, approximately RMB307,550,000 were fixed rate loans, while RMB1,246,139,000 were variable rate loans. The Group had not engaged in any currency hedging facility for the year ended 31 December 2016 and up to the date of this report, as the Board considered that the cost of any hedging facility would be higher than the potential risk of the costs incurred from currency fluctuations and interest rate fluctuations in individual transactions.

Issuing of Corporate Bonds

During the year ended 31 December 2016, the Company issued corporate bonds to potential investors in an aggregate principal amount of HKD11,000,000 at par value with maturity date of 3 years and 7 years at the interest rate of 6% and 7% per annum, respectively (the "Bonds").

The Company intends to use the net proceeds from the Bonds issued for (i) settling any liabilities arising from previous acquisitions of business by the Group; and (ii) general working capital of the Group. As at 31 December 2016 and 31 December 2015, principal amount of approximately HKD155,236,000 and approximately HKD144,236,000 of the Bonds had been issued, respectively.

Open Offer

On 28 January 2016, the Company proposed to raise not less than approximately HKD224,893,000 before expenses by issuing not less than 299,856,800 shares of the Company (the "Offer Share(s)") and not more than approximately HKD243,631,000 before expenses by issuing not more than 324,840,800 shares of the Company at the subscription price of HKD0.75 per Offer Share on the basis of one Offer Share for every five shares of the Company in issue as at the record date (the "Open Offer"). An underwriting agreement was entered into between the Company and Zhongtai International Securities Limited (the "Underwriter") on 28 January 2016, pursuant to which the Underwriter has conditionally undertaken to underwrite the Offer Shares on a fully underwritten basis.

On 14 April 2016, 299,856,800 Offer Shares had been issued and net proceeds of approximately HKD219,500,000 was raised. The Company intended to use the net proceeds from the Open Offer as to (i) approximately 45% for the consideration of the possible acquisition of 75% indirect equity interest in Suzlon Energy (Tianjin) Limited (subject to the definitive agreement to be entered) (the "Possible Acquisition") and other possible acquisition(s) of the Group; (ii) approximately 45% for financing the Group's wind farm development and operation business; and (iii) approximately 10% for the Group's general working capital.

As at 31 December 2016, (i) approximately 45% of the net proceeds was used in settling deposit payment related to the Possible Acquisition and other acquisitions; (ii) approximately 45% was used to finance the Group's wind farm development and operation business; and (iii) approximately 9% was used as general working capital of the Group.

Further details of the Open Offer are set out in the announcements of the Company dated 28 January 2016, 9 March 2016 and 13 April 2016, respectively, and the prospectus of the Company dated 17 March 2016.

Issuance of Convertible Notes

On 26 May 2016, the Company entered into a placing agreement (the "Placing Agreement") with Get Nice Securities Limited (the "Placing Agent") pursuant to which the Placing Agent has conditionally agreed to procure the placee(s) on a best effort basis during the placing period to subscribe for the convertible notes to be issued by the Company of up to an aggregate principal amount of HKD171,600,000 due 2017, with the conversion rights to convert the outstanding principal amount of the convertible notes into ordinary shares of the Company at an initial conversion price of HKD0.65 per conversion share (the "Convertible Notes"). Assuming full conversion of the Convertible Notes, a total of 264,000,000 shares of the Company (the "Conversion Shares") would be allotted and issued, representing (i) approximately 14.67% of the issued share capital of the Company as at the date of the Placing Agreement; and (ii) approximately 12.80% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Notes.

On 15 June 2016, the Convertible Notes in the aggregate principal amount of HKD171,600,000 were issued by the Company in accordance with the terms of the Placing Agreement. The net proceeds from the issue of Convertible Notes, after deducting the Placing Agent's commission and other related expenses payable by the Company, amounted to approximately HKD167,900,000.

The Company intended to apply the net proceeds from the issue of Convertible Notes as to (i) approximately 50% for the consideration of the Possible Acquisition, other possible acquisition(s) and investments of the Group, and to finance the Group's wind farm development and operation business; (ii) approximately 40% for the repayment of the outstanding loan borrowings of the Group; and (iii) approximately 10% as the Group's general working capital.

As at 31 December 2016, (i) approximately 50% of the net proceeds was used in settlement for investment of the Group and to finance the Group's wind farm development, including the prepayment and deposit for construction work; and (ii) approximately 24% of the net proceeds was used in repaying the outstanding loan borrowings of the Group.

Further details of the Convertible Notes are set out in the announcements of the Company dated 26 May 2016 and 15 June 2016, respectively.

Material Acquisitions and Disposal of Subsidiary and Associated Companies

(a) Acquisition of interest in Shenzhen Qianhai Jiefeng Financing and Leasing Limited ("Qianhai Jiefeng")

Upon completion of the acquisition of the entire issued share capital of World Business Limited ("World Business") (which in turn held 25% of the registered capital of Qianhai Jiefeng at the material time) as disclosed in the announcement of the Company dated 17 August 2015, World Business and Qianhai Jiefeng has become a wholly-owned subsidiary and an associate of the Company, respectively. Further to the aforesaid acquisition, on 25 November 2015, World Business and Shenzhen Meixiang Logistics Limited*（深圳美祥物流有限公司）("Shenzhen Meixiang") entered into an equity transfer agreement whereby Shenzhen Meixiang agreed to sell, and World Business agreed to purchase from Shenzhen Meixiang, 24% equity interest in Qianhai Jiefeng for a consideration of RMB800,000 (the "JF Equity Transfer Agreement").

As at the date of the JF Equity Transfer Agreement, (i) Qianhai Jiefeng had a registered capital of USD35,000,000 (equivalent to approximately RMB219,628,500), out of which USD14,909,852.56 (equivalent to approximately RMB93,561,000) was paid up, representing approximately 42.60% of its registered capital; and (ii) World Business and Shenzhen Meixiang contributed USD1,342,440.50 (equivalent to approximately RMB8,424,000) and USD13,567,412.06 (equivalent to approximately RMB85,137,000), respectively, to the registered capital of Qianhai Jiefeng.

Subsequent to the acquisition of 24% equity interest in Qianhai Jiefeng, World Business contributed an additional USD6,815,843.62 (equivalent to approximately RMB44,727,000) and USD3,000,000 (equivalent to approximately RMB19,773,000) on 29 February 2016 and 30 June 2016, respectively, to the registered capital of Qianhai Jiefeng. Subsequent to the said capital contributions and as at 31 December 2016, Qianhai Jiefeng had a paid-up capital of USD24,725,696.18 (equivalent to approximately RMB161,593,000), representing approximately 70.64% of its registered capital. World Business and Shenzhen Meixiang contributed USD11,158,284.12 (equivalent to approximately RMB72,924,000) and USD13,567,412.06 (equivalent to approximately RMB88,669,000), representing 31.88% and 38.76% of the registered capital of Qianhai Jiefeng, respectively.

World Business and Shenzhen Meixiang are required to pay up the remaining registered capital of Qianhai Jiefeng USD10,274,303.82 (equivalent to approximately RMB68,312,000) prior to 31 December 2018 (which may be extended to a later date as approved by the competent governmental authority(ies)) in proportion to their equity holdings, that is, in the amounts of approximately USD5,991,715.88 (equivalent to approximately RMB39,838,000) and USD4,282,587.94 (equivalent to approximately RMB28,474,000), respectively.

Further details are set out in the announcements of the Company dated 17 August 2015 and 28 June 2016, respectively.

(b) ***Acquisition of interest in Beijing Yin Feng Hui Li Investment Limited ("Beijing Yinfeng")***

On 23 November 2015, Zhuhai Dong Fang Renewable Energy Limited ("Zhuhai Dong Fang", a wholly-owned subsidiary of the Company) entered into an equity transfer agreement with Beijing Tai Run Ze International Investment Limited*（北京泰潤澤國際投資有限公司）and Mr. Cao Yang*（曹洋）to acquire 99% and 1% of the equity interest of Beijing Yinfeng at a cash consideration of RMB9,990,000 and RMB10,000, respectively. Cash consideration for the acquisition has been fully settled and upon completion of the acquisition in March 2016, Beijing Yinfeng became a wholly-owned subsidiary of the Company.

(c) ***Disposal of interest in Langcheng***

On 3 May 2016, Hongsong, an indirect non-wholly-owned subsidiary of the Company, entered into a capital increase agreement with Inner Mongolia Zhuoneng Investment Co. Ltd.*（內蒙古卓能投資有限公司）("Zhuoneng") and Mr. Wang Yongquan*（王永全）("Mr. Wang"), each of whom is an independent third party to the Group, and Langcheng (an indirect non-wholly-owned subsidiary of the Company), pursuant to which Mr. Wang and Zhuoneng conditionally agreed to increase the registered capital of Langcheng by RMB83,600,000 and RMB4,400,000, respectively, by way of cash (the "Capital Increase").

Upon completion of the Capital Increase, the registered capital of Langcheng was increased from RMB92,000,000 to RMB180,000,000, and the equity interest of Hongsong in Langcheng was diluted from 95% to 48.56%. On the even date, Hongsong entered into an equity transfer agreement with Zhuoneng, Langcheng and Mr. Wang, pursuant to which Hongsong conditionally agreed to dispose of and Mr. Wang conditionally agreed to acquire the entire equity interest owned by Hongsong in Langcheng at a consideration of RMB110,000,000 (the "LC Disposal"). Upon completion of the LC Disposal, Mr. Wang held 95% equity interest of Langcheng and Langcheng ceased to be a subsidiary of the Company. As such, the financial results of Langcheng would not be consolidated into the Group. The consideration may be adjusted by separate negotiation between the parties to an amount ranging from RMB107,250,000 to RMB110,000,000 and was ultimately fixed at RMB108,900,000.

On 30 November 2016, Hongsong and Mr. Wang entered into a supplemental agreement to the Equity Transfer Agreement, pursuant to which, the parties agreed to (i) extend the long stop date of the Equity Transfer Agreement from 30 November 2016 to 31 May 2017; and (ii) make further arrangement in respect of the Disposal Pledge.

Prior to the execution of the Equity Transfer Agreement, Hongsong had (i) provided a guarantee ("Hongsong's Guarantee") for Langcheng's loan from a PRC bank (the "PRC Bank") of RMB360,000,000 for the project(s) undertaken by Langcheng; and (ii) pledged the Sale Equity Interest for a loan of RMB110,000,000 borrowed by it from Tianxin International Company Limited ("Tianxin's Loan").

After communication with Tianxin, it is agreed that Hongsong should assist Mr. Wang to proceed with the necessary registration procedures for transfer of the Sale Equity Interest. Upon completion of the registration procedures, Mr. Wang should pledge the Sale Equity Interest to Tianxin as a security ("Wang's Guarantee") for Tianxin's Loan until such loan (including accrued interest thereof) being fully repaid by Hongsong.

* *For identification purpose only.*

Mr. Wang had also pledged his 46.44% equity interest in Langcheng (which was derived from his capital injection of RMB83,600,000 in Langcheng pursuant to the Capital Increase Agreement dated 3 May 2016) on 30 November 2016 to Hongsong as a counter-guarantee (the "Counter-guarantee") for Hongsong's Guarantee until such guarantee being discharged. As there was a difference of RMB250,000,000 between Hongsong's Guarantee of RMB360,000,000 and Wang's Guarantee of RMB110,000,000, Mr. Wang agreed to pay a guarantee fee to Hongsong at 0.1% per annum of the guarantee difference of RMB250,000,000 until Hongsong's Guarantee being discharged. The guarantee fee was determined after arm's length negotiation between the parties. Unless otherwise agreed by the parties, Mr. Wang should not transfer any of his equity interest in Langcheng to other party before (i) Hongsong's Guarantee being discharged and (ii) full repayment of Tianxin's Loan. In the event that Hongsong obtains early discharge of Hongsong's Guarantee but is yet to fully repay Tianxin's Loan, Hongsong should (i) consent to the release of Wang's Guarantee; or (ii) pay a guarantee fee to Mr. Wang at 0.1% per annum of the Wang's Guarantee of RMB110,000,000. The guarantee fee is determined after arm's length negotiation between the parties. Mr. Wang undertook to use his best effort to negotiate with the PRC Bank or by any other way, to discharge of Hongsong's Guarantee as soon as possible.

As Hongsong's Guarantee has not yet been discharged, the parties agreed to extend the long stop date under the Equity Transfer Agreement from 30 November 2016 to 31 May 2017.

Please refer to the announcements of the Company dated 3 May 2016 and 30 November 2016 for further details of the aforesaid disposal.

Apart from the transactions disclosed above and as set out in this report, there were no other material acquisition and disposal of subsidiaries and associated companies by the Group from 1 January 2016 to the date of this report.

Business Cooperation

On 25 July 2014, the Company entered into a non-legally binding cooperation agreement with China Create Financial Holding Group Co., Ltd. ("China Create") which shall remain in effect for 5 years in respect of development financing, aiming at integrating China Create's advantage in financing and the Group's advantage to build a comprehensive and in depth strategic comparative relationship.

The scope of the cooperation includes the following:

(i) Development, construction and operation of new-energy projects in China, the United States, Europe and Asia-Pacific region;

(ii) Acquisition and reorganisation of technologies, businesses and assets in relation to the business of new-energy; and

(iii) Cooperation in respect of financing consultation and financial products.

According to the business development planning and investment needs of the Company, from 2014 to 2019, the investment amount of parties in various financial products shall be RMB10 billion, subject to contracts or approved documents to be entered into between parties.

The Company has agreed that, with the same conditions offered, it shall give priority in using financial products and services of China Create, and that each investment, fund, guarantee or loan obtained by the Company from China Create shall be used for the purpose as designated under relevant contract or approved documents.

Details of the cooperation agreement are set out in the announcement of the Company dated 25 July 2014.

Up to the year ended 31 December 2016, no legal binding contract or approved document has been entered between the parties.

Pledge of Assets

As at 31 December 2016, the Group has pledged certain property, plant and equipment and certain leasehold land including in lease prepayments with a carrying value of approximately RMB1,035,576,000 (31 December 2015: approximately RMB1,128,327,000), and trade and other receivables with a carrying value of approximately RMB127,555,000 (31 December 2015: approximately RMB95,995,000) as security for the borrowings obtained by the Group. As at 31 December 2016 and 31 December 2015, the issued share capital of certain subsidiaries of the Company were pledged for borrowings obtained by the Group.

Contingent Liabilities

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

Important Events Occurred Since the End of the Reporting Period

There is no important event affecting the Group which has occurred since the end of the Reporting Period.

Employees

As at 31 December 2016, the Group had approximately 140 full-time employees (2015: approximately 150 employees) in Hong Kong and the PRC in respect of the Group's continuing operations. For the year ended 31 December 2016, the relevant staff costs (including Directors' remuneration) were approximately RMB34,911,000 (2015: approximately RMB42,932,000). The Group's remuneration and bonus packages were given based on performance of employees in accordance with the general standards of the Group's salary policies.

Under the ordinary resolution passed at the annual general meeting on 1 June 2015, the Board adopted a new share option scheme and simultaneously terminated the share option scheme which was adopted by the Company on 17 May 2006. During the year ended 31 December 2016, no share options were exercised. Further details regarding the aforesaid share option schemes are set out in the section headed "Share Options Scheme" in the Directors' Report.

DIRECTORS

As at the date of this report, the Board comprises seven Directors, among whom four are executive Directors and the remaining three are independent non-executive Directors.

EXECUTIVE DIRECTORS

Mr. Zhang Zhixiang（張志祥）, aged 49, is the chief executive officer of the Company and an executive Director. He is also an authorised representative of the Company, a member of each of the remuneration committee and nomination committee of the Company. He was appointed as an executive Director on 7 July 2010.

He graduated from the School of Taxation of the Central Institute of Finance（中央財政金融學院）(now known as the Central University of Finance and Economics（中央財經大學）) in 1991 and received a bachelor's degree in economics. He joined Langcheng as the vice general manager in December 2005. He was appointed as a director and the chairman of the board of Hongsong in May 2013.

Mr. Zhang is a director of, and the sole beneficial owner of the share capital in, Diamond Era Holdings Limited ("Diamond Era"), a substantial shareholder of the Company interested in 539,562,325 shares, representing approximately 29.99% of the issued share capital of the Company as at 31 December 2016. Mr. Zhang also himself holds 4,620,000 share options of the Company, representing approximately 0.26% of the issued share capital of the Company.

Mr. Ning Zhongzhi（寧忠志）, aged 53, was appointed as an executive Director on 28 January 2013.

Mr. Ning was graduated from Huabei Electric Workers Intermediate Specialised College（華北電業職工中等專業學校）and Hebei Radio and TV University（河北廣播電視大學）in labour and remuneration in October 1984 and in human relation management in July 1988 respectively. Mr. Ning was qualified as a senior economist by the Senior Specialty and Technology Qualification Judging Committee of the State Power Corporation of China（國家電力公司高級專業技術資格評審委員會）in April 2001. Mr. Ning has long been working in the electricity power industry, being a key responsible staff of county-level power supply enterprise, and was the head of human resources department since March 2003. Mr. Ning was the director and chairman of Hongsong from May 2010 to May 2013.

Mr. Li Tian Hai（李天海）, aged 50, was appointed as an executive Director on 14 July 2015.

Mr. Li graduated from 東北財經大學 (Dongbei University of Finance and Economics*) with a Master's degree of Economics in 2004. Mr. Li also obtained the qualification of senior accountant conferred by 國家電力公司 (National Power Company*) (currently known as "State Grid Corporation of China") in 2003. From 1992 to 2004, Mr. Li was the supervisor of the investment department and vice chief accountant in 達拉特發電有限公司. From 2004 to 2007, Mr. Li was the chief accountant in 上都發電有限責任有限公司 (Shangdu Electricity

* *For identification purposes only*

Limited Company*). During his tenure with 北方龍源風力發電有限公司 (Northern Long Yuan Wind Power Limited Company*) from 2007 to 2014, he served as the deputy general manager as well as the chief accountant. Since 2014 to present, Mr. Li was the deputy general manager in 華能集團北方聯合電力公司錫林郭勒熱電公司 (China Huaneng Group North United Power Corporation Xilin Gol Thermo Electricity Corporation*). Mr. Li is experienced in the power systems and financial arrangements of the state-owned enterprises in PRC.

Mr. Peng Ziwei（彭子瑋）, aged 30, was appointed as an executive Director on 20 June 2016.

Mr. Peng was graduated from Beijing Information Science & Technology University with a bachelor degree in financial management in July 2008, and further obtained a master degree in economics from University at Buffalo, the State University of New York in June 2010.

From May 2011 to December 2015, Mr. Peng worked for various investment companies in the PRC, and was responsible for conducting analyst reports on pre-IPO companies, resolving issues regarding overseas assets allocation, formulating project feasibility analysis on project investment and development of marketing strategies and objectives for certain sales plans. Mr. Peng is currently a director of Diamond Era, a substantial shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wong Wai Ling（黃慧玲）, aged 55, is an independent non-executive Director, the chairman to the audit committee of the Company and a member of each of the remuneration committee and nomination committee of the Company. Ms. Wong was appointed as an independent non-executive Director on 16 May 2006.

Ms. Wong received a bachelor degree from the University of Hong Kong and a postgraduate diploma in Accounting and Finance from the London School of Economics and Political Science, University of London, in the United Kingdom. Ms. Wong is a fellow member of Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. She has over twenty years of solid experience in accounting, taxation and auditing. She had worked for more than seven years in major international accounting firms and major local accounting firms before she set up her own accounting firm in Hong Kong in 1993. Since then, she has been practicing as a Certified Public Accountant in Hong Kong.

Ms. Wong is currently a non-executive Director of Hin Sang Group (International) Holding Co Ltd. (stock code: 06893), a Hong Kong main board listed company; an independent non-executive director of and chairperson of the audit committees of Overseas Chinese Town (Asia) Holdings Limited (stock code: 03366), AVIC International Holdings Limited (stock code: 00161) and Yongsheng Advanced Materials Company Limited (stock code: 03608). Ms. Wong was an executive director of Tonking New Energy Group Holdings Limited (previously known as JC Group Holdings Limited) (stock code: 08326) which was listed in Growth Enterprise Market ("GEM") of the Hong Kong Stock Exchange during the period from 2 November 2013 to 18 October 2016. Ms. Wong was also appointed as independent non-executive director of Glory Flame Holdings Ltd (stock code: 08059) which was listed in GEM of the Hong Kong Stock Exchange during the period from 2 August 2014 to 22 March 2016.

* *For identification purposes only*

With these extensive solid professional accountancy and commercial experience as well as her participation in the regulatory, advisory and financial planning work of the listed companies, Ms. Wong has built up attributes and skills to equip herself with ample and relevant financial management expertise to better serve her clients and the listed companies.

Mr. Qu Weidong（屈衛東）, aged 50, is an independent non-executive Director, the chairman to the nomination committee of the Company and a member of each of the audit committee and the remuneration committee of the Company. Mr. Qu was appointed as an independent non-executive Director on 11 December 2010.

He graduated from the Tsing Hua University（清華大學）in the PRC in 1990 with a bachelor's degree in engineering. He obtained a master degree in international business at the University of Auckland in 1999. Mr. Qu is now the chairman of Beijing Eastern Forest JS Investment Limited（北京東霖鉅盛投資有限公司）. Mr. Qu has over 12 years and 8 years of experience in the field of venture capital and investment banking, respectively. He was a director and general manager of Beijing Zero2IPO Venture Investment Management Centre（北京清科創業投資管理中心）. He was the investment director of Bluerun Investment Consulting (Beijing) Co., Ltd. from June 2007 to September 2010, and Capinfo Company Limited（首都信息發展股份有限公司）from April 2005 to July 2007. He worked at the headquarters of the investment bank of China Galaxy Securities Co., Limited（中國銀河證券股份有限公司投資銀行總部）from March 2003 to July 2005.

Ms. Hu Xiaolin（胡曉琳）, aged 48, is an independent non-executive Director, the chairman to the remuneration committee and a member of each of the audit committee and nomination committee of the Company. Ms. Hu was appointed as an independent non-executive Director on 9 May 2011.

She was graduated from Northwest University（西北大學）, the PRC with a bachelor's degree in literature in July 1990. She obtained a master of literature from Capital Normal University（首都師範大學）, the People's Republic of China in July 1995. Ms. Hu worked in the news commentary department and sports centre of Beijing Television（北京電視台）from 1995 to 2005. She had worked as a producer and a general director（總導演）of a section in Shanghai China Business Network Co. Ltd.（上海第一財經傳媒有限公司） from January 2005 to March 2008. She has been a director and a general manager of Shanghai Shile Yongdao Culture Communication Co., Ltd.（上海世樂永道文化傳播有限公司）since March 2008 and the chief officer of 財富視點傳媒有限責任公司 since February 2016.

SENIOR MANAGEMENT

Mr. Wang Jian（王劍）, aged 48, is the director and general manager of Hongsong, responsible for the daily operation of Hongsong. Mr. Wang was graduated in 2004 from China Agricultural University（中國農業大學）majoring at economic management professional. He obtained senior operating qualification in 2005 and obtained advanced project management qualification in 2006. Mr. Wang joined Hongsong in 1999 and involved in the establishment of Hongsong. He was appointed as the director and general manager of Hongsong since 2001, and he has over 13 years working experience in wind farm operation and management.

Mr. Yu Haichun（于海春）, aged 56, is the secretary of the party committee and deputy general manager of Hongsong responsible for the operation and maintenance of Hongsong's wind farm. Mr. Yu graduated from 河北水利專科學校 (Hebei School of Water Conservancy) majoring hydropower in 1981. Mr. Yu joined Hebei Hongsong Renewable Energy Investment Co., Ltd. 河北紅松新能源投資有限公司 and served as the chairman and general manager since 2010.

Ms. Cheng Sau Man（鄭秀文）, aged 43, is an authorised representative, chief financial officer and the company secretary of the Company. Ms. Cheng joined the Group since April 2016. Ms. Cheng is an associate member of both the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Chartered Secretaries, and a fellow member of the Association of Chartered Certified Accountants. Ms. Cheng has over 17 years of experience in audit and financial advisory services. She had worked in a major international accounting firm and other Hong Kong listed companies before joining the Group.

Mr. Fan Guoliang（范國亮）, aged 36, is the secretary of the Board of Hongsong. He is mainly responsible for the Board and the administrative management of the Group. Mr. Fan graduated from Hebei University of Science and Technology majoring Business Administration in 2005 and received a Bachelor's degree in Management. He received a Master's degree in Economics from Central University of Finance and Economics in 2014. In March 2005, he joined Hongsong and served as the head of the secretary office of the Board, deputy director, directors of certain subsidiaries of the Group in the PRC, secretary of the board and deputy general manager.

COMPANY SECRETARY

Ms. Cheng Sau Man（鄭秀文）, personal details of Ms. Cheng are included in the paragraph headed "Senior Management" above.

The Directors present this report and the audited consolidated financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the principal activities of the Group are wind farm operation. The activities of its principal subsidiaries are set out in note 15 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 and further discussion and analysis of the matters as required by Schedule 5 to the Companies Ordinance, Chapter 622, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business are set out in the section headed "Management Discussion and Analysis" of this report. The discussion forms part of this directors' report.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss on page 66 of this report.

PROPOSED FINAL DIVIDEND

The Directors did not recommend the payment of dividends for the year ended 31 December 2016.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 174 of this report.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment in the amount of approximately RMB114,362,000 (2015: approximately RMB188,050,000). Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

DONATIONS

No charitable or other donations were made by the Group during the year (2015: RMBnil).

RESERVES

Movements in the reserves of the Company during the year are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

Pursuant to the relevant rules of the Cayman Islands, the Company's reserves available for distribution to Shareholders as at 31 December 2016 amounted to approximately RMB617,113,000.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Zhang Zhixiang *(Chief Executive Officer)*
Mr. Ning Zhongzhi
Mr. Li Tian Hai
Mr. Peng Ziwei *(appointed on 20 June 2016)*
Mr. Zheng Xian Tao *(resigned on 20 June 2016)*

Independent non-executive Directors

Ms. Wong Wai Ling
Mr. Qu Weidong
Ms. Hu Xiaolin

Mr. Peng Ziwei has been appointed as an executive Director with effect from 20 June 2016 and Mr. Zheng Xian Tao has tendered his resignation as an executive Director with effect from 20 June 2016.

In accordance with Article 112 of the Company's Articles of Association, Mr. Peng Ziwei shall retire at the forthcoming annual general meeting of the Company.

In accordance with Article 108(a) of the Company's Articles of Association, Mr. Ning Zhongzhi, Mr. Qu Weidong and Ms. Wong Wai Ling shall retire by rotation at the forthcoming annual general meeting of the Company.

All the retiring Directors, being eligible, offer themselves for re-election at the said annual general meeting.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors, namely, Ms. Wong Wai Ling, Mr. Qu Weidong and Ms. Hu Xiaolin, an annual confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules, and as at the date of this report, the Company still considers all the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS OF THE RETIRING DIRECTORS

Mr. Ning Zhongzhi, being executive Director, has entered into a service agreement with the Company for a term of one years expiring on 27 January 2017 and subsequently extended to a further term of two years expiring on 27 January 2019, subject to the termination provisions therein.

Mr. Peng Ziwei, being executive Director, has entered into a service agreement with the Company for a term of three years commencing from 20 June 2016, subject to the termination provisions therein.

Each of Ms. Wong Wai Ling and Mr. Qu Weidong being independent non-executive Directors, has entered into a service agreement with the Company for a term of two years subject to the termination provisions therein.

None of the Directors being proposed for re-election at the forthcoming annual general meeting of the Company has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTION, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Save as discloses in note 32, no transaction, arrangement and contract of significance in relation to the group's business to which the company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director has a material interest, where directly or indirectly, subsisted at the end of the year or at any time during the year.

SHARE OPTION SCHEME

Share Option Scheme

Pursuant to an ordinary resolution passed by the Shareholders on 1 June 2015, a Share Option Scheme ("the Scheme") was adopted by the Company to provide appropriate incentives or rewards to eligible persons for their contributions or potential contributions to the Group.

The Scheme shall be valid for 10 years from 1 June 2015 and the particulars of the Scheme are set out in note 26 to the consolidated financial statements.

The following table discloses movements in the Company's share options held by each of the Directors, employees of the Company and other grantees in aggregate granted under the scheme during the year ended 31 December 2016:

	Number of unlisted share options								
Name and category of participant	As at 1 January 2016	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	As at 31 December 2016	Grant date	Exercise period	Exercise price per share	Price per share at grant date
Directors									
Zhang Zhixiang	4,620,000	–	–	–	4,620,000	31 July 2015	3 years commencing from 31 July 2015	HKD1.07	HKD1
Ning Zhongzhi	4,620,000	–	–	–	4,620,000	31 July 2015	3 years commencing from 31 July 2015	HKD1.07	HKD1
Zheng Xian Tao *(note i)*	4,620,000	–	–	–	4,620,000	31 July 2015	3 years commencing from 31 July 2015	HKD1.07	HKD1
Other employees									
In aggregate	31,500,000	–	–	–	31,500,000	31 July 2015	3 years commencing from 31 July 2015	HKD1.07	HKD1
Ex-director									
Li Baosheng *(note ii)*	4,620,000	–	–	–	4,620,000	31 July 2015	3 years commencing from 31 July 2015	HKD1.07	HKD1
Other grantees									
In aggregate	74,940,000	–	–	–	74,940,000	31 July 2015	3 years commencing from 31 July 2015	HKD1.07	HKD1
TOTAL	**124,920,000**	**–**	**–**	**–**	**124,920,000**				

Note:

(i) Mr. Zheng Xian Tao has resigned as an executive Director on 20 June 2016.

(ii) Mr. Li Baosheng has resigned as the Chairman of the Board of Directors and an executive Director on 6 November 2015.

VALUATION OF SHARE OPTIONS

The details of the model and significant assumptions used to estimate the fair value of the share options granted by the Company to the eligible participants are set out in note 26 to the consolidated financial statements of the Company.

EQUITY-LINKED AGREEMENTS

(a) Convertible Notes

The Company has issued convertible notes in the aggregate principal amount of HK$171,600,000 which can be converted into a total of 264,000,000 shares of the Company at an initial conversion price of HK$0.65 per share on 15 June 2016. Up to 31 December 2016, no conversion of convertible notes are applied.

As at 31 December 2016, the Company's outstanding convertible notes were in the aggregate principal amount of HK$171,600,000 which can be converted into a total of 264,000,000 shares of the Company at the conversion price of HK$0.65 per share. The convertible notes can be converted into shares of the Company after six month from the completion date on 15 June 2016, and ending on the earlier of (i) the redemption date and (ii) five business days prior to the maturity date, provided that the Company's minimum public float requirements under the Listing Rules could be complied with.

(b) Share Options

Details of the share option scheme of the Company are set out in the section headed "Share Option Scheme" above and note 26 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than Share Option Scheme as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MATERIAL CONTRACTS

Save as disclosed in this report, no contract of significance has been entered into during the reporting period between the Company or any of its subsidiaries and the controlling shareholder (if any) or any of its subsidiaries.

DISCLOSURE OF INTEREST

(a) Interests of Directors and chief executive of the Company

As at 31 December 2016, save as disclosed below, none of the Directors or chief executive had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company or any associated corporation (within the meaning of Part XV of the SFO which was required to be 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 any such Directors or chief executives of the Company is taken or deemed to have under such provisions of the SFO) or which was required to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO or which was otherwise required to be 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 contained in Appendix 10 to the Listing Rules:

Long positions in shares and underlying shares of the Company

	Number of shares/underlying shares			Approximate percentage in the issued share capital of the
Name of Directors	**Corporate interests**	**Shares options**	**Total**	**Company**
Zhang Zhixiang ("Mr. Zhang")	539,562,325 *(Note 1)*	4,620,000	544,182,325	30.25%
Ning Zhongzhi	—	4,620,000	4,620,000	0.26%

Note:

1. Mr. Zhang is the beneficial owner of the entire issued shares of Diamond Era. As at 31 December 2016, 308,867,000 shares held by Diamond Era were pledged to a commercial bank in relation to a borrowing by the bank to the Group. Mr. Zhang is deemed, or taken to be, interested in the shares of the Company in which Diamond Era is interested for the purpose of the SFO.

(b) Interests of substantial Shareholders and other persons

As at 31 December 2016, save as disclosed below, the Directors were not aware of any person (other than the Directors or chief executives of the Company) who had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Number of Shares held/ interested	Nature of interest	Position	Approximate percentage of shareholdings
Diamond Era *(Note)*	539,562,325	Beneficial owner	Long	29.99%

Note:

As at 31 December 2016, Diamond Era was interested in 539,562,325 Shares. Diamond Era is wholly-owned by Mr. Zhang, an executive Director.

CONNECTED TRANSACTIONS

Save as otherwise disclosed in this report, all the related party transactions in 2016 as disclosed in note 32 to the consolidated financial statements did not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with the relevant reporting, announcement or independent shareholders' approval requirements. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's largest and five largest customers and suppliers, respectively, were as follow:

— the largest customer	100%
— five largest customers	100%
— the largest supplier	28%
— five largest suppliers	66%

To the knowledge of the Directors, none of the Directors, their associates or any Shareholders owning more than 5% of the Company's issued share capital, had any interest in any of the five largest customers or suppliers of the Group.

BANK LOANS

Particulars of bank loans are set out in note 24 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Company's Articles of Association, the Directors, managing Directors, alternate Directors, Auditors, secretary and other officers for the time being of the Company shall be indemnified and secured harmless out of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or about the execution of their duty in their offices or in relation thereto.

The Company has arranged appropriate directors' and officers' liabilities insurance coverage for the Directors and officers of the Company throughout the year.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the remuneration committee of the Company (the "Remuneration Committee") on the basis of the merit, qualifications and level of competence of the employees.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, their individual performance and comparable market statistics.

The Company has adopted share option schemes as an incentive to Directors and eligible employees. Details of the share option scheme are set out in note 26 to the consolidated financial statements and the paragraph headed "Share Option Scheme" in this Directors' Report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there was a sufficient public float of the shares as prescribed under the Listing Rules.

ADVANCE TO AN ENTITY

On 10 September 2015, a loan agreement (the "Langcheng Loan Agreement") was entered into between Langcheng and a PRC Bank (the "PRC Bank") for a loan amount of RMB360 million (the "Langcheng's loan"). On the even date, Hongsong had provided a guarantee ("Hongsong's Guarantee") for the Langcheng's loan.

As at 10 September 2015, Langcheng is a direct non-wholly-owned subsidiary of Hongsong, and both Hongsong and Langcheng were indirect non-wholly-owned subsidiaries of the Company. The principal purpose of Hongsong entering into the Hongsong's Guarantee was to ensure Langcheng having essential funding for windfarm development purpose at that time.

Pursuant to the Hongsong's Guarantee, Hongsong provides a guarantee to the PRC Bank to pay all indebtedness in respect of the loan of Langcheng in an amount of RMB360 million under the Langcheng Loan Agreement, together with the principal and interest, compound interest, penalty interest, liquidated damages, other damages and fees and expenses for recovering the loan including but not limited to litigation costs and legal fee due and owing to the PRC Bank. Hongsong's Guarantee shall take effect upon execution and remain in force as a continuing security up to 2 years after the next day of the final loan repayment date of the Langcheng Loan Agreement.

Since 3 May 2016, Langcheng had not been accounted as a subsidiary of the Company, Hongsong's Guarantee thus constituted as financial assistance of the Group and an advance to an entity under the Listing Rules.

The further details of the balance, the nature of transactions, the identity of the debtor group, interest rate, repayment terms and collateral are set out in the section headed "Management Discussion and Analysis – Material Acquisitions and Disposal of Subsidiary and Associated Companies – (c) Disposal of interest in Langcheng".

ACQUISITIONS AND DISPOSAL

Save as disclosed in the section headed "Material Acquisitions and Disposal of Subsidiary and Associated Companies" in the Management and Discussion Analysis session, there are no materials acquisition and disposal during the year.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Details of environmental policies and performance are set out in the "Environmental, Social and Governance Report" in this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Board pays attention to the Company's policies and practices on compliance with legal and regulatory requirements in both the PRC and in Hong Kong. External compliance and legal advisers are engaged to ensure transactions and business performed by the Group are within the applicable legal framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time. During the year ended 31 December 2016 and up to the date of this report, there is no material non-compliance with the relevant prevailing laws and regulation in the PRC and in Hong Kong by the Company.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The employees, suppliers and customers of the Company play an important role in the Company's development and on which the Company's success depends. The Company provides competitive remuneration packages to attract and motivate the employees. The Group regularly reviews the remuneration packages of employees and makes necessary adjustments to conform with the market standard. As the Company's success largely depends on the demand of electricity from the National Grid, the Company shall continue to maintain good relationship with National Grid.

IMPORTANT EVENTS OCCURRED SINCE THE END OF THE REPORTING PERIOD

Details of important events occurred since the end of the Reporting Period are set out in the section headed "Management Discussion and Analysis — Important Events Occurred Since the End of the Reporting Period" in this annual report.

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 ended 31 December 2016.

AUDITORS

The accounts for the years ended 31 December 2014, 2015 and 2016 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Zhang Zhixiang
Executive Director & Chief Executive Officer

Hong Kong

28 March 2017

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance in order to raise the quality of management and protect the interests of shareholders of the Company as a whole. To honor these commitments, the Group believes that good corporate governance reflects that a responsible enterprise must be credit worthy and transparent and abide by a high level of code of practice. Accordingly, the Company has adopted and applied corporate governance principles that emphasise a quality Board, effective internal controls, stringent disclosure practices, transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture.

CORPORATE GOVERNANCE CODE

For the year ended 31 December 2016, the Company has adopted and complied with the code provisions (the "Code Provision(s)") set out in the Corporate Governance Code (the "Code") in Appendix 14 to the Listing Rules, except for the deviations from Code Provisions as described below:

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Qu Weidong (an independent non-executive Director) and Ms. Hu Xiaolin (an independent non-executive Director) did not attend the general meeting held during the year ended 31 December 2016 because they were out of town for other businesses.

Under Code Provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Reporting Period, there have been no chairman of the Board (the "Chairman") in the Company, details of the deviation are set out in the section headed "Chairman and Executive Officer".

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Director's securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. The Company had made specific enquiries with all the Directors and all the Directors confirmed that they had complied with the practice as contained in the Model Code and the aforesaid code of conduct adopted by the Company for the year ended 31 December 2016.

Senior management and those staff who are more likely to be in possession of unpublished price-sensitive information, inside information or other relevant information in relation to the Group have adopted rules based on the Model Code. These senior management and staff have been individually notified and advised about the Model Code by the Company. No incident of non-compliance of the Model Code by relevant senior management members was noted by the Company during the year ended 31 December 2016.

THE BOARD OF DIRECTORS

Board Responsibility and Delegation

The Board is collectively responsible for the formulation of all commercial policies and strategies in relation to the business operation of the Group to ensure that ample resources and effective internal controls (including financial controls) are in place. The Board has the responsibility to establish the Company's policies and overall strategy of the Group, and provides effective supervision of the management of the Group's affairs. The Board also supervises the financial performance of the Group's business operations and internal controls. All the Directors are able to obtain information on the Group's business on a timely basis and to make further inquiries if needed.

The Board oversees the Group's overall strategic plans, approves major funding and investment proposals and reviews the financial performance of the Group. The Board supervises the management of the business and affairs of the group.

The management, consisting of executive Directors along with other senior management of the Group, is delegated with the responsibilities to carry out policies set by the Board from time to time and supervises the day-to-day management of the Group. The management of the Group meet regularly to review the business performance of the Group as a whole, co-ordinate overall resources and make financial and operational decisions.

The Board has delegated some of its functions to the board committees, details of which are set out below. Matters specifically reserved for the Board include but not limited to approval of financial statements, dividend policy, significant changes in accounting policies, material contracts or transactions, significant appointments such as Company Secretary and external auditor, terms of reference of board committees, as well as major corporate policies such as code of conduct and whistle-blowing policy.

The Company has arranged directors and officers liability and company reimbursement insurances for its Directors and officers in accordance with Code Provision A.1.8 of the Code.

The Board is responsible for performing the corporate governance functions set out in Code Provision D.3.1 of the Code. As at the date of this report, the Board has reviewed and monitored: (a) the Company's corporate governance policies and practices, (b) training and continuous professional development of Directors and senior management, (c) the Company's policies and practices on compliance with legal and regulatory requirements, (d) the Company's code of conduct and (e) the Company's compliance with the Code disclosures requirements.

COMPOSITION AND APPOINTMENT

Composition

As at the date of this report, the Board comprises seven Directors, of whom four are executive Directors and three are independent non-executive Directors. The composition of the Board during the year ended 31 December 2016 and up to the date of this report is as follows:

Executive Directors

Mr. Zhang Zhixiang *(Chief Executive Officer)*
Mr. Ning Zhongzhi
Mr. Li Tian Hai
Mr. Peng Ziwei *(appointed on 20 June 2016)*
Mr. Zheng Xian Tao *(resigned on 20 June 2016)*

Independent Non-executive Directors

Ms. Wong Wai Ling
Mr. Qu Weidong
Ms. Hu Xiaolin

The term of appointment of each of the independent non-executive Directors is 2 years.

The details of the biographies of the existing Directors are set out in the section headed "Biographies of Directors and Senior Management" on page 24 to page 27 of this report.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, during the year ended 31 December 2016, there were three independent non-executive Directors in the Board and the number of independent non-executive Directors represents at least one-third of the Board, among the three independent non-executive Directors, Ms. Wong Wai Ling, possesses appropriate professional qualification in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. The Board considers that the independent non-executive Directors are all independent persons with appropriate qualifications or expertise and the Company has complied with the relevant requirements of the Listing Rules.

The Company has received from each of its independent non-executive Directors an annual confirmation of their independence pursuant to the requirements under the Listing Rules. The Company, based on such confirmations, considers all independent non-executive Directors, namely Ms. Wong Wai Ling, Mr. Qu Weidong and Ms. Hu Xiaolin have satisfied the independence requirement under Rule 3.13 of the Listing Rules.

Under Code Provision A.4.3, if an independent non-executive Director serves more than 9 years, his/her further appointment should be subject to a separate resolution to be approved by the Shareholders. As such, although Ms. Wong has been serving as an independent non-executive director of the Company for more than 9 years, the Board considers that Ms. Wong is a person of integrity and independent in judgement and character. She is independent of management and free from any business or other relationships or circumstances which could materially interfere with the exercise of her independent judgement. The Board considers that Ms. Wong meets the independent guidelines set out in Rule 3.13 of the Listing Rules, and is of the view that her independence is not affected by her long service with the Company. Hence, the Board considered Ms. Wong as independent and should be re-elected at the AGM.

As at 31 December 2016, Mr. Zhang Zhixiang is a director and holds 100% of the issued share capital of Diamond Era Holdings Limited ("Diamond Era"), which is a substantial shareholder of the Company holding approximately 29.99% of the issued share capital of the Company.

In addition to the above, Mr. Zhang Zhixiang also became interested in 4,620,000 shares of the Company (approximately 0.26% of the issued share capital of the Company) by way of share options on 31 July 2015, resulting in Mr. Zhang Zhixiang's total interests in the Company 30.25% of the issued share capital of the Company, and Mr. Peng Ziwei is currently a director of Diamond Era.

Save as disclosed above, the Directors confirmed that there was no relationship (including financial, business, family or other material/relevant relationship) between the Board members or other major events or relevant matters that were required to be disclosed.

Board meetings

The Board has supervised and controlled the Company's affairs effectively, and relevant decisions were made in the Company's best interests. For the year ended 31 December 2016, the Board had held 18 Board meetings to consider (of which included) the Company's transactions, financial affairs and other matters under the articles of associations to carry out its duties. The Board has adopted a telephone-conference system to raise the attendance rates, the average rate of attendance was between 73% and 100%.

For the year ended 31 December 2016, the Board has complied the following statistics:

	Attendance rate for Board meetings and general meetings *(Note 1)*			
Director's name	**Attendance/ Number of Board meetings held**	**Percentage (%)**	**Attendance/ Number of general meetings held**	**Percentage (%)**
Executive Directors				
Mr. Zhang Zhixiang *(Chief Executive Officer)*	18/18	100	2/2	100
Mr. Ning Zhongzhi	18/18	100	0/2	0
Mr. Li Tian Hai	17/18	94	0/2	0
Mr. Peng Ziwei *(appointed on 20 June 2016)*	7/7	100	N/A	
Mr. Zheng Xian Tao *(resigned on 20 June 2016)*	8/11	73	0/2	0
Independent non-executive Directors				
Ms. Wong Wai Ling	15/18	83	2/2	100
Mr. Qu Weidong	17/18	94	0/2	0
Ms. Hu Xiaolin	16/18	89	0/2	0

Note:

1. By reference to the number of meetings held during his/her tenure.

PROCEDURES OF BOARD MEETINGS

The Board has established meeting procedures and has complied with the provisions of the Code.

The procedures of board meetings provide that the Board shall meet at least four times each year and can convene additional meeting when necessary. Directors can express different opinions at Board meetings. Important decisions will be made only after detailed discussions by the Board. Directors who have conflict of interest or material interests in the relevant transactions will not be counted towards the quorum of the meeting and shall abstain from voting on the relevant resolutions. Minutes of Board meetings and other committee meeting will be drafted by the Company Secretary and will be sent to all members for their comments and records respectively. Directors are entitled to inspect the minutes at any time.

INDUCTION AND PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with necessary induction and information to ensure that he or she has a proper understanding of the Company's operations and businesses as well as his or her responsibilities under the relevant statutes, laws, rules and regulations.

During the Reporting Period, Directors are provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development. The Company updates directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices. In particular, training sessions covering topics including the Code and the disclosure of inside information had been held during the year.

According to the records provided by the Directors, a summary of training received by the Directors since 1 January 2016 up to 31 December 2016 is as follows:

Director's name	**Reading seminar materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements/attending briefing sessions**
Executive Directors	
Mr. Zhang Zhixiang *(Chief Executive Officer)*	✓
Mr. Ning Zhongzhi	✓
Mr. Li Tian Hai	✓
Mr. Peng Ziwei *(appointed on 20 June 2016)*	✓
Independent non-executive Directors	
Ms. Wong Wai Ling	✓
Mr. Qu Weidong	✓
Ms. Hu Xiaolin	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Code Provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Reporting Period, there have been no chairman of the Board (the "Chairman") in the Company. Mr. Zhang Zhixiang acted as the Chief Executive Officer of the Company, and is responsible for all day-to-day corporate management matters. The Board does not have the intention to fill the position of the Chairman at present and believes that the absence of the Chairman will not have adverse effect to the Company, as decisions of the Company will be made collectively by the executive Directors. The Board will keep reviewing the current structure of the Board and the need of appointment of a suitable candidate to perform the role of the Chairman. Appointment will be made to fill the post to comply with Code Provision A.2.1 of the Code if necessary.

AUDITOR'S REMUNERATION

During the Reporting Period, the amount of fee paid or payable to the auditors of the Group was as follows:

Type of service	**Auditors** **HLB Hodgson Impey Cheng Limited**
Audit services	HKD1,150,000

No non-audit services has been provided by the auditors to the Group.

ACCOUNTABILITIES AND AUDIT

The Directors understand their responsibility to prepare the Group's financial statements according to relevant legal provisions and the Hong Kong GAAP to ensure that the financial reports present a true and fair view of the Group's financial conditions. In the preparation of the Group's financial reports for the year ended 31 December 2016, the Directors had adopted and implemented the appropriate accounting policies, made prudent and reasonable judgments and projections and prepared the financial statements on a going concern basis.

The Board had presented information on the Group's developments and various corporate information which aimed to be comprehensive, balanced and easily understood, including but not limited to the interim and yearly financial reports as stipulated in the Listing Rules, disclosure of and public announcement of information which influence the Shares and submitted reports to the regulatory authorities and made other disclosures pursuant to regulatory provisions.

The auditors' responsibilities are set out in the Independent Auditors' Report on pages 61 to 65 of this report.

The accounts for the year ended 31 December 2016 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. The audit committee of the Board (the "Audit Committee") has recommended to the Board that HLB Hodgson Impey Cheng Limited be re-appointed as the auditors of the Company at the forthcoming annual general meeting.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility to evaluate and determine the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and to ensure that the Group establishes and maintains appropriate and effective risk management and internal control systems. However, risk-taking is an unavoidable necessity and an accepted part of the Company's business, effective risk management is an integral to preserving competitive advantages and ensures the Company achieves its strategic and business objectives. The risk management and internal control 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.

Risk Management

Risk management applies to all aspects of the Group's business and is a critical component in developing strategic plans, preparing operational plans and budgets, approving investment projects and managing project plans.

Risks are evaluated by the Board and management based on the severity of the impact on the Company and the probability that the risk will occur.

Based on the risk evaluation, the Group will manage the risks as follows:

- Risk elimination: management may identify and implement certain changes or controls that in effect eliminate the risk entirely.

- Risk mitigation: management may implement a risk mitigation plan designed to reduce the likelihood and/or the severity of impact to an acceptable level.

- Risk acceptance: management may decide that the risk rating is acceptable for the Company meanwhile and as such no action is required. However, the risk would continue to be monitored to ensure the level of risk does not increase to an unacceptable level.

Controls and review

Policies and procedures are in place to ensure that relevant management directives are carried out and actions that may be needed to address risks are taken. These may include approvals and verifications, reviews, safeguarding of assets and segregation of duties.

Control activities can be divided into operations, financial reporting and compliance, although there may, on occasion, be some overlap between them. The typical control activities adopted by Group companies include:

- analytical reviews: such as conducting reviews of actual performance versus budgets, forecasts, prior periods and competitors;
- direct functional or activity management: reviews of performance reports;
- physical controls: ensuring equipment, inventories and other assets are safeguarded and subjected to periodic checks; and
- segregation of duties: dividing and segregating duties among different people, with a view to strengthening checks and minimising the risk of errors and abuse.

Inside Information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Group:

- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission;
- closely communicates and seeks advice from its legal advisor in the assessment of the likely impact of any unexpected and significant event that may impact the price of the Shares or their trading volume and to determine whether the relevant information is considered inside information that needs to be disclosed as soon as reasonably practicable pursuant to the SFO and the Listing Rules;
- has included in its Corporate Code of Conduct a strict prohibition on the unauthorised use of confidential or inside information; and
- ensures, through its own internal reporting processes and the consideration of their outcome by senior management, the appropriate handling and dissemination of inside information.

Assessing the effectiveness of Risk Management and Internal Control Systems

The Board, via the Audit Committee, is responsible for the review and assessment of the major risks the Group faces and the review, approval and monitoring of the Group's response to such risks annually.

The Audit Committee oversees the risk management process and reviews the effectiveness of the risk management and internal control systems by performing the following procedures:

- Review with management annually those reports on compliance with the risk management policy;
- Discuss with management annually on the Group's major risks and the steps management has taken since then or should take to address and deal with such risks; and
- Review the effectiveness of the Group's risk management practices.

Management is responsible for ensuring the Group's business operations are being conducted in line with our risk management policy, taking into consideration changes in external environment and the Group's risk tolerance level.

In addition to the Board's oversight, the Group has developed a risk management process to identify, evaluate and manage significant risks and to remediate material internal control deficiencies (if any). Management, through the engagement of the independent internal control and risk advisory consultant, is responsible for the annual risk reporting process. The independent internal control and risk advisory consultant meets with members of the senior management to review and assess risks and discuss remedial measures to address material internal control deficiencies (if any), including any changes relevant to a given year. Risks are compiled, ratings assigned and mitigation plans documented. The risk assessment is reviewed by management and presented to the audit committee and the Board for their review.

The Group has in place effective processes and systems for the identification, capture and reporting of operational, financial and compliance-related information in a form and timeframe intended to ensure that staff carry out their designated responsibilities.

2016 Risk Management and Internal Control Process

On behalf of the Board, the Audit Committee reviews annually the continued effectiveness of the Group's risk management and internal control systems dealing with risk and financial accounting and reporting, the effectiveness and efficiency of operations, compliance with laws and regulations, and risk management functions.

This assessment considers:

- the scope and quality of management's ongoing monitoring of risks and of the risk management and internal control systems;

- the extent and frequency with which the results of monitoring are communicated, enabling the Committee to build up a cumulative assessment of the state of control in the Group and the effectiveness with which risk is being managed;

- the incidence of any significant control failings or weaknesses that have been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Group's financial performance or condition;

- the effectiveness of the Group's processes in relation to financial reporting and statutory and regulatory compliance;

- areas of risk identified by management;

- significant risks reported by the independent internal control and risk advisory consultant;

- work programmes proposed by the independent internal control and risk advisory consultant and the external auditors; and

- significant issues arising from internal and external audit.

As a result of the above review, the Board consider that the Group's risk management and internal control systems are effective and adequate and have complied with the Code Provisions on risk management and internal control throughout the year and up to the date of this annual report.

Internal Audit

The Group has engaged an independent internal control and risk advisory team, which plays a major role in monitoring the corporate governance of the Group and providing an objective assessment to the Board that a sound internal control system is maintained and operated by the management.

The internal control and risk advisory team would conduct regular and independent reviews of the effectiveness of the Group's internal control system. The Audit Committee reviews the findings and recommendations of the internal control and risk advisory team on the effectiveness of the Group's internal control system and reports to the Board on such reviews.

AUDIT COMMITTEE

During the year, the Audit Committee comprised all of the three independent non-executive Directors, namely Ms. Wong Wai Ling, Mr. Qu Weidong and Ms. Hu Xiaolin, and Ms. Wong Wai Ling is the chairman of the Audit Committee.

The primary responsibilities of the Audit Committee include, inter alia, making recommendations to the Board on the appointment, reappointment and removal of external auditor, reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, developing and implementing policy on the engagement of an external auditor to supply non-audit services and monitoring integrity of financial statements of the Company and the Company's report and accounts, interim report and significant financial reporting judgments contained in them. The terms of reference of the Audit Committee are available on the website of the Stock Exchange and the Company.

The audit committee has held 3 meetings during the Reporting Period. The attendance rates of the members of the audit committee are as follows:

Name of member	Attendance rate for Audit Committee meetings: Attendance/ Number of meetings	Percentage (%)	Title
Ms. Wong Wai Ling *(chairman of the Audit Committee)*	3/3	100	Independent non-executive Director
Mr. Qu Weidong	3/3	100	Independent non-executive Director
Ms. Hu Xiaolin	3/3	100	Independent non-executive Director

The Audit Committee has reviewed the audit performance, the internal controls and risk management and the interim and audited accounts for the year ended 31 December 2016. In performing its duties, the Audit Committee has overseen the Company's relationship with the auditors, the nature and scope of the audit, reviewed of the process by which the Company evaluates its control environment and risk assessment process, and the way in which business and control risks are managed. It also reported to the Board on the proceedings and deliberations of the Audit Committee. The Audit Committee has also reviewed this report and confirmed that it is complete and accurate and complies with the Listing Rules.

REMUNERATION COMMITTEE

The Remuneration Committee shall meet at least once a year to decide on the Director's emoluments. During the year, the Remuneration Committee comprised one executive Director/Chief Executive Officer, namely, Mr. Zhang Zhixiang and the three independent non-executive Directors namely, Ms. Wong Wai Ling, Mr. Qu Weidong and Ms. Hu Xiaolin. Ms. Hu Xiaolin currently serves as the chairman of the Remuneration Committee.

The role and function of the Remuneration Committee include, inter alia, making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing policy on such remuneration, reviewing and determining the remuneration packages for all executive Directors and senior management, making recommendations to the Board of the remuneration of non-executive Directors, reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time and reviewing and approving the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment. The terms of reference of the remuneration committee are available on the website of the Stock Exchange and the Company in compliance with the Code.

The Remuneration Committee held 4 meetings during the Reporting Period, at which the Remuneration Committee reviewed, discussed and determined the remuneration policy and the remuneration of the Directors and the senior management during the year. The attendances of the meetings of the Remuneration Committee are as follows:

Name of member	Attendance rate for Remuneration Committee meetings Attendance/ Number of meetings	Percentage (%)	Title
Ms. Hu Xiaolin *(chairman of the Remuneration Committee)*	4/4	100	Independent non-executive Director
Mr. Zhang Zhixiang	4/4	100	Executive Director and Chief Executive Officer
Ms. Wong Wai Ling	4/4	100	Independent non-executive Director
Mr. Qu Weidong	4/4	100	Independent non-executive Director

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. As at 31 December 2016, there was no arrangement in which the Directors waived their remuneration.

Details of Directors' remuneration are set out in note 7 to the consolidated financial statements.

Senior management's remuneration payment of the Group in the year ended 31 December 2016 falls within the following bands:

	Number of Individuals
RMB500,000 or below	3
RMB500,001 to RMB1,000,000	1

NOMINATION COMMITTEE

During the Reporting Period, the Nomination Committee comprised one executive Director/Chief Executive Officer, namely Mr. Zhang Zhixiang and three independent non-executive Directors namely, Ms. Wong Wai Ling, Mr. Qu Weidong and Ms. Hu Xiaolin. Mr. Qu Weidong currently serves as the chairman of the Nomination Committee.

The role and function of the Nomination Committee include, inter alia, reviewing the structure, size and composition of the Board, making recommendations on any proposed changes to the Board, identifying individuals suitably qualified to become Directors, assessing the independence of the independent non-executive Directors, making recommendations to the Board on the appointment or re-appointment of Directors and succession planning of directors, determining the policy for nomination of Directors and reviewing its own performance, constitution and terms of reference. The terms of reference of the Nomination Committee are available on the website of the Stock Exchange and the Company.

The Nomination Committee held 2 meetings during the year. The attendances of the meeting of the Nomination Committee are as follows:

	Attendance rate for Nomination Committee meetings		
Name of member	**Attendance/ Number of meetings**	**Percentage (%)**	**Title**
Mr. Qu Weidong *(chairman of the Nomination Committee)*	2/2	100	Independent non-executive Director
Mr. Zhang Zhixiang	2/2	100	Executive Director and Chief Executive Officer
Ms. Wong Wai Ling	2/2	100	Independent non-executive Director
Ms. Hu Xiaolin	2/2	100	Independent non-executive Director

During the Reporting Period, the Nomination Committee adopted a diversity policy setting out the approach to diversity of members of the Board. The Company recognises and embraces the benefits of having a diverse Board. The nomination committee works to ensure a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and objectives. All Board appointments will continue to be made based on meritocracy. Selection of candidates will be based on a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

COMPANY SECRETARY

Mr. Ng Ki Man, has been appointed as the company secretary of the Company (the "Company Secretary") from 4 September 2015 to 15 April 2016. With effect from 15 April 2016 to the date of this report, Ms. Cheng Sau Man has been appointed as the Company Secretary in place of Mr. Ng Ki Man. The Company Secretary reports directly to the Board. All the Directors have easy access to the Company Secretary and responsibility of the Company Secretary is to ensure the Board meetings are properly held and are in compliance with the relevant laws and regulations. The Company Secretary is also responsible for giving advices with respect to the Directors' obligations on securities interest disclosure, disclosure requirements of disclosable transactions, connected transactions and inside information.

The Company Secretary, Ms. Cheng Sau Man, had taken no less than 15 hours of relevant professional training during the year ended 31 December 2016.

INVESTORS RELATIONSHIP

The Board recognises the importance of maintaining clear, timely and effective communication with Shareholders and investors. The Board also recognises that effective communication with investors is the key to establish investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure that the investors and the Shareholders receiving accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate correspondence on the Company's website. The Board continues to maintain regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategy, operations, management and plans. The Directors and the members of the Board committees would attend and are available to answer questions at annual general meetings of the Company. Separate resolutions would be proposed at general meetings of the Company on each substantially separate issue.

During the Reporting Period, the Company did not make any significant changes to its memorandum and articles of association.

COMMUNICATION WITH SHAREHOLDERS

The Board and senior management recognise the responsibility of safeguarding the interest of Shareholders. The Company reports its financial and operating performance to Shareholders through annual reports and interim reports. Shareholders can also obtain information of the Group in time through annual reports, interim reports, announcements, circulars, press releases and the Group's company websites. Shareholders can raise questions directly to the Board in respect of the performance and future development of the Group at annual general meetings.

Procedures for directing Shareholders' enquiries to the Board

Shareholders may at any time put forward their proposals or inquiries to the Board in writing through the Company Secretary whose contact details are as follows:

China Ruifeng Renewable Energy Holdings Limited
Room 4306-07, 43/F., China Resources Building,
No. 26 Harbour Road, Wanchai,
Hong Kong
Email: ir@c-ruifeng.com
Tel No.: +852 2598 5188
Fax No.: +852 2114 2358

Procedures for putting forward proposals at general meetings by Shareholders

Pursuant to Article 64 of the Articles of Association, extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transactions of any business specified in such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) may do so in the same manner.

Pursuant to Article 113 of the Articles of Association, no person (other than a retiring Director), shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office. The period for lodgment of the notices required under the Articles of Association will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

REPORTING SCOPE

This report covers the wind farm operations of China Ruifeng Renewable Energy Holdings Limited (hereinafter referred to as "the Company" and its subsidiaries (collectively, the "Group")), including its main project, Hongsong Wind Farm, in Hebei province, the PRC which accounts for almost 90% of the Company's total installed operational wind farm capacity.

This report covers the 2016 financial year (i.e 1 January 2016 to 31 December 2016, the "Reporting Period") and coincides with the reporting period of the Company's 2016 annual report.

This is the Company's first Environmental, Social and Governance Report compiled pursuant to the Environmental, Social and Governance Reporting Guide under Appendix 27 of the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited, with general disclosures made pursuant to its requirement to "comply or explain." The Company plans to extend the scope of its 2017 report to include key performance indicators.

COMMUNICATION WITH STAKEHOLDERS

The Company understands the importance of maintaining clear, timely and effective communication with its stakeholders. For this reason, the Company is committed to maintaining high levels of transparency and publishes reports, announcements and circulars as well as publishing newsletters on its website to ensure stakeholders have access to accurate, clear, comprehensive and timely information about the Company.

A ENVIRONMENT

Aspect A.1 Emissions

The emission of greenhouse gases is one of the main factors deteriorating the global warming, and the Company recognises that clean energy will become an indispensable part of the global environment and economy in the coming future. The Company is committed to developing wind farm projects to provide the state power grid with clean and renewable energy, easing the dependence on conventional fuels and hence effectively reducing greenhouse gas emissions. The Company invests resources so as to progressively improve wind power capacity and integrates environmental management into each level of its operational strategies.

The main type of hazardous waste produced by wind farms is related to lubricant oil and its associated wastes such as oil containers, lubricant oil used mainly for lubrication of the turbines. The Company appoints appropriate and qualified contractor to properly handle the materials contaminated with lubricant oil in accordance with regulation requirements.

The Company strictly adheres to all relevant environmental protection laws in the PRC and has not been prosecuted due to violations of relevant environmental laws during the Reporting Period.

Aspect A.2 Use of Resources

As a company providing and generating clean energy, the Company also attaches great importance to the efficient use of all kinds of natural resources. For instance, oil containers used in the lubrication of wind turbines in the wind farms could be recycled, amounting to an appropriate and effective use of resources and reduction of waste. The Company also uses high-efficiency heat pumps that could reduce more than 50 tons of standard coal consumption annually.

Moreover, for the efficient use of electricity, the following measures apply:

- Natural lighting are encouraged in all/some of the Company offices in order to reduce electricity consumption for lighting during daytime

- Air conditioner temperatures in Company's offices are set within 25°C

- Idle office equipment such as computer displays, printers and so on are switched off at the end of the working day

The Company is aware that the use of paper in offices represents a burden to forest resources and therefore takes action to conserve paper using and move towards to electronic means. Whenever feasible, all paper should be used on both sides and file-sharing should be done using digital versions to reduce paper consumption, amounting to substantive action towards the protection of forest resources.

The Company is also concerned with the effective use of water resources and promotes employee awareness of water conservation by putting up posters and signs, striving to achieve 'turn off water when you leave". In addition, regularly inspecting water pipes and related equipment, and dealing with drips and leaks in a timely manner are proven measures to ensure efficient use of water resources and reduction of wastage.

Aspect A.3 Environment and Natural Resources

The construction of wind farms generally requires the use of a certain amount of land, and noise is generated during the wind farm operation. Consequently, the Company gives full consideration to the ecological value and surrounding area and sensitive receivers of the land when selecting a site and ensures that all construction undergoes environmental assessment and approval by the supervisory authorities and conforms to national environmental protection policies to minimise the potential environmental impact.

B SOCIETY

Aspect B.1 Employment

The Company emphasises the protection of an employee's legitimate rights and interests. The Company's employee handbook clearly sets out anti-discrimination guidance and the principles of equal opportunities regardless of individual's gender, marital status, family status and disability, thus ensuring employees are sufficiently respected, protected and provided with equal opportunities. The Company formulates its Labour Contract Management Methods based on the *Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China* and other relevant laws and regulations in the PRC, combined with the Company's actual operating conditions. This regulates the Company's management of labour contracts and strengthens its bilateral bond with employees.

In circumstances where a labour contract ends or is terminated according to the stipulations of the contract, the Company will provide financial compensation to the employee as law dictates. The Company participates in social insurance programs as per national and relevant local social insurance legislation, regulations and policies by contributing towards each of an employee's social insurance premiums as law dictates. During the employment period, every employee receives appropriate remuneration with sufficient rest periods, vacation periods, sickness, injury, occupational disease compensation, childbirth benefit and death compensation, etc. Durations and remuneration levels for periods of medical treatment, pregnancy, childbirth, and maternity all comply with relevant laws and regulations.

The Company's Attendance Management System formulated in accordance with relevant national regulations ensures regular working and reinforces labour discipline, improves man-hour utilisation and labour efficiency as well as protecting an employee's right to break periods and vacations. The Company has also established Administrative Measures on Employee Performance to fully assess an employee's contribution to the Company and provide an objective and reliable basis for remuneration decision, education and training, promotion, reward and recognition, etc.

The Company strictly adheres to all relevant employment laws and has not been prosecuted due to violations of the aforementioned laws during the Reporting Period.

Aspect B.2 Health and Safety

The Company implements the Labour Law of the People's Republic of China and standards relating to occupational health in the wind power industry, formulating Safety Education and Training System, Safe Working Supervision System, Safety Hazard Screening System, Labour Protection System and Occupational Health Inspection System to fully guarantee advanced levels of occupational safety through systems, education, inspection and so on.

The Company's Safety Education and Training System formulates unified planning, unified management, graded implementation, classification guidance, safety training and other work in line with state regulations for the electrical power industry and any other relevant laws. The Company upholds the principle of 'training before work begins' by incorporating safety training into its annual training program, setting up safety education and training records and arranging employees to regularly receive all forms of safety education and training.

The Company achieves top-down supervision of work safety pursuant to the Work Safety Supervision System as well as receiving supervision and guidance from local government supervisory departments. All categories of accident hazard screening in workplaces and of equipment is undertaken in accordance with the Safety Hazard Screening System, with such hazards registered or eliminated.

The Company's Labour Protection System effectively protects the safety and health of employees. Employees are provided with protective equipment that includes safety helmets, insulated boots, dust masks, etc., in keeping with legislation to further safeguard the occupational safety of employees. In addition, the Occupational Health Inspection System comprises occupational health inspections, management of occupational healthcare records and so on. The Company regularly arranges medical checks for employees, sets up employee health files and regularly screens for occupational disease. If factors harmful to an employee's health are found, then the employee will be promptly transferred from his position and treated appropriately.

The Company strictly adheres to all relevant safety laws and has not been prosecuted due to violations of relevant occupational safety laws during the reporting period.

Aspect B.3 Development and Training

Human resources are valuable asset to the Company and the cornerstone of its development. Therefore, the Company is committed to training talented people and undertakes to provide the employees with sufficient diversified career development training and education. The Company systematically formulates annual training plans and education content for each position to ensure all employees possess necessary knowledge and skills, and encourages them to take part in vocational certification and professional evaluation. The Company is also committed to providing the employees with all aspects of occupational skills training in order to improve their skill set.

Aspect B.4 Labour Standards

The Company prohibits child labour and forced labour and rigorously inspects a candidate's identification at the recruitment stage to ensure they are at least 18 years of age. The contract of employment of the Company clearly specifies working hours, job descriptions, labour protection measures and so on, so that the employees can commence their works in full awareness and consensus. The Company prohibited all forms of forced labour and exploitation of labour and ensures all employees work under voluntary circumstances. Recruitment is also fair and voluntary, prohibiting employee recruitment by any coerced or fraudulent means.

The Company had no case of child labour or forced labour during the Reporting Period.

Aspect B.5 Supply Chain Management

The Company's business department verifies a supplier's legal and regulatory compliance before engaging their services; that includes verifying their legal entity qualification, rights and legitimacy to undertake the supplier contract, the inclusion of quality assurance in its management systems, contractual capacity and its circumstances, and so on. Reputation of a supplier's history in environmental management and social compliance is also one of the consideration factors during the process, and allows the Company to review and control the environmental and social risks in our supply chain. A comparison is then made between the qualifications and relevant information of multiple suppliers to ensure that their standards meet the requirements of the Company. In addition, past cooperation with suppliers is evaluated on the basis of quality of deliverables, promptness, after-sales service, etc., thereby facilitate the continual improvement of the Company's suppliers.

Aspect B.6 Product Responsibility

As the Company's electrical power is supplied to the state electricity grid, its quality conforms to the standards and key implementation targets formulated by the National Standardisation Technical Committee on Voltages, Current Ratings and Frequencies. Electricity supplied by the Company conforms to the following national standards:

- Permissible Deviation of Supply Voltage GB12325-1990
- Permissible Deviation of Frequency for Power Systems GB/T15945-199
- Permissible Three-Phase Voltage Unbalance Factor GB/T15543-199
- Permissible Voltage Fluctuation and Flicker GB12326-1990
- Harmonics in Public Supply Network GB/T14549-1993
- Demands of Temporary and Transient Overvoltage of Electrical Equipment Used in the Power System, Insulation Level of Electrical Equipment, and Overvoltage Protection Methods GB/T18481-2001

The Company's electric power system incorporates automatic detection functionality and all power supplied meets the standards (namely permissible deviation in supply voltage, permissible deviation of power supply frequency, permissible three-phase voltage unbalance factor, permissible voltage fluctuation and flicker, harmonics in the public supply network, temporary and transient overvoltage). The Company also makes adjustments based on feedback from the electrical grid and provides adjustment reports when necessary.

The Company's employee handbook clearly stipulates intellectual property policies, which includes prohibiting the use of pirated software, illegal downloads and so on.

The Company strictly adheres to all relevant product responsibility laws and has not been prosecuted due to violations of relevant product responsibility law or trade description law during the Reporting Period.

Aspect B.7 Anti-Corruption

The Company requires senior management to adhere to professional and ethical standards and must behave in a highly moral, upright and honest way. There are also standards for employee behaviour, with the expectation that employees will love their country and abide by the law, be sensible, loyal, enterprising, dedicated, self-confident, self-respecting and strive for self-improvement.

The Company's employee handbook specifies a code of conduct which prohibits employees from receiving benefits without permission or extortion, bribing, money laundering or providing illegal benefits to other companies, organisations or individuals and prohibits employees abusing their position for personal interest. All conflicts of interest must be declared in advance. At the same time, the Company requires employees to refrain from excessively lavish or frequent hospitality with business partners to avoid deliberate enticement and future demands of inappropriate reciprocation.

The Company conforms to government regulations and relevant projects that require open tendering (such as civil engineering projects, wind turbine orders and suchlike) are tendered out through commissioned agents. In non-tendering purchases, quotations from at least three suppliers or service providers are requested and evaluated by relevant departments and management, and conduct confirmation and bid opening.

The Company strictly adheres to all relevant anti-corruption and anti-bribery laws and has not been prosecuted due to violations of said relevant laws during the Reporting Period.

Aspect B.8 Community Investment

The Company is deeply committed to charitable causes, which have already become a part of enterprise culture. Charitable assistance and sponsorships goes hand in hand with business operations and those designated as recipients of support are provided with assistance in the domains of education and culture. This gains and sustains stakeholder's confidence in the Company and brings continuing benefit to community development. When feasible, the Company considers cooperation with community groups that hold the same values by investing in the community which brings positive benefits.

OUTLOOK

In its future operations, the Company will continue to adopt further initiatives favouring the environment, society and corporate governance. These include responding to relevant government policies, participating in activities held by relevant groups, and suchlike.

In addition to the general disclosures made pursuant to Appendix 27 of the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited, the Company will extend the scope of its 2017 Environmental, Social and Governance Report to include key performance indicators in order to reflect its responsibility towards society and the environment.

HLB 國衛會計師事務所有限公司 **Hodgson Impey Cheng Limited**

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CHINA RUIFENG RENEWABLE ENERGY HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Ruifeng Renewable Energy Holdings Limited and its subsidiaries (the "Group") set out on pages 66 to 173, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditors' 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 judgement, 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
Carrying amount of property, plant and equipment	
The Group's property, plant and equipment measured at cost less accumulated depreciation and impairment amounted to approximately RMB1,784,627,000 as at 31 December 2016. We identified this balance as a key audit matter because of the Group has a material operational asset base and the balance is significant to the consolidated financial statements. Management has assessed the recoverable amount of property, plant and equipment at 31 December 2016 and concluded that the carrying values remain appropriate. These conclusions were based on value in use models valuation performed by an independent professional valuer (the "valuer") engaged by the Group, requiring significant management judgement over the key sources of estimate assumptions as set out in Note 33 in the consolidated financial statements.	Our procedures in relation to management's impairment assessment included: • We assessed the competence, capabilities and objectivity of the independent professional valuer. • We assessed the appropriateness of the valuation methodology. • We assessed the reasonableness of key assumptions based on our knowledge of the business and industry. • We consulted our firm's external expert evaluating the valuation report. • We reconciled input data to supporting evidence, such as latest financial forecasts approved by the management and considering the reasonableness of these forecasts. • We evaluated the adequacy of financial statement disclosures.

Key audit matter	How our audit addressed the key audit matter
Valuation of trade and other receivables	
We identified the valuation of trade and other receivables as a key audit matter due to the use of judgement and estimates in assessing the recoverability of trade and other receivables. In determining the allowance for trade and other receivables, the management considers the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the trade receivables.	Our procedures in relation to valuation on trade and other receivables included: • Obtaining an understanding of how management perform credit monitoring on trade and other debtors and estimate allowance for doubtful debts; • Reviewing the aging analysis of the trade receivables throughout the year to understand the settlement patterns by the customers; • Reviewing the accuracy of management's judgement by comparing historical provisions against actual write-offs; and • Testing subsequent settlement of trade receivable balances and assessing the reasonableness of recoverability of receivables that were past due with reference to the credit history of those customers, including default or delay in payments, settlement records and correspondence and aging analysis of each individual customer.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises all the information included in the annual report other than the consolidated financial statements and our auditors' 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 FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITORS' 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 auditors' report that includes our opinion. This report is made solely to you, as a body, 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 judgement and maintain professional scepticism 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.

- 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 auditors' 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 auditors' 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 the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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 auditors' 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 director on the audit resulting in this independent auditors' report is Chan Ching Pang.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Chan Ching Pang
Practising Certificate Number: P05746

Hong Kong, 28 March 2017

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Continuing operations			
Revenue	3	**369,150**	314,733
Cost of sales		**(224,313)**	(193,631)
Gross profit		**144,837**	121,102
Other revenue and net income	4	**54,556**	35,040
Distribution costs		**—**	(785)
Administrative expenses		**(72,749)**	(80,211)
Profit from operations		**126,644**	75,146
Finance costs	5(i)(a)	**(118,143)**	(109,034)
Share of profits of associates		**2,351**	2
Share of losses of a joint venture		**(15)**	—
Profit/(loss) before taxation	5	**10,837**	(33,886)
Income tax	6	**(22,042)**	(12,060)
Loss for the year from continuing operations		**(11,205)**	(45,946)
Discontinued operation			
Loss for the year from discontinued operation	11	**—**	(26,482)
Loss for the year		**(11,205)**	(72,428)
Attributable to:			
Equity shareholders of the Company		**(38,217)**	(84,449)
Non-controlling interests		**27,012**	12,021
Loss for the year		**(11,205)**	(72,428)
Loss per share attributable to the owners of the Company during the year			
Basic and diluted			
— Continuing operations (RMB)	9	**(0.022)**	(0.042)
— Discontinued operation (RMB)	9	**—**	(0.019)
		(0.022)	(0.061)

The notes on pages 73 to 173 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	2016 *RMB'000*	2015 *RMB'000*
Loss for the year	**(11,205)**	(72,428)
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside the PRC	**9,300**	1,238
Other comprehensive income for the year (net of tax)	**9,300**	1,238
Total comprehensive income for the year	**(1,905)**	(71,190)
Total comprehensive income attributable to:		
Equity shareholders of the Company	**(28,917)**	(83,211)
Non-controlling interests	**27,012**	12,021
Total comprehensive income for the year	**(1,905)**	(71,190)

Details of the dividends for the year are disclosed in note 10 to the consolidated financial statements.

The notes on pages 73 to 173 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	13	**1,784,627**	2,234,488
Lease prepayments	14	**10,803**	16,769
Interest in associates	16	**77,306**	9,855
Interest in a joint venture	17	**8,594**	—
Available-for-sale investments	18	**6,229**	6,229
		1,887,559	2,267,341
Current assets			
Trading securities	19	**7,806**	—
Trade and other receivables	20	**461,374**	392,924
Lease prepayments	14	**398**	507
Cash and cash equivalents	21	**266,841**	143,747
		736,419	537,178
Current liabilities			
Trade and other payables	22	**112,165**	96,873
Borrowings	23	**611,011**	357,890
Current taxation	27(a)	**6,886**	4,592
		730,062	459,355
Net current assets		**6,357**	77,823
Total assets less current liabilities		**1,893,916**	2,345,164
Non-current liabilities			
Borrowings	23	**942,678**	1,591,189
Deferred tax liabilities	27(b)	**34,763**	41,944
		977,441	1,633,133
Net assets		**916,475**	712,031

	Note	2016 RMB'000	2015 RMB'000
Capital and reserves	*28*		
Share capital		**15,677**	13,182
Reserves		**635,646**	454,111
Total equity attributable to equity shareholders of the Company		**651,323**	467,293
Non-controlling interests		**265,152**	244,738
Total equity		**916,475**	712,031

Approved and authorised for issue by the board of directors on 28 March 2017.

Zhang Zhixiang
Director

Peng Ziwei
Director

The notes on pages 73 to 173 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

		Attributable to equity shareholders of the Company									
	Note	Share capital *RMB'000*	Share premium *RMB'000*	Statutory reserves *RMB'000*	Translation reserve *RMB'000*	Share-based payment reserve *RMB'000*	Convertible notes reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2015		11,180	1,117,131	19,095	(12,164)	–	–	(742,147)	393,095	247,286	640,381
(Loss)/profit for the year		–	–	–	–	–	–	(84,449)	(84,449)	12,021	(72,428)
Other comprehensive income		–	–	–	1,238	–	–	–	1,238	–	1,238
Total comprehensive income		–	–	–	1,238	–	–	(84,449)	(83,211)	12,021	(71,190)
Transfer to statutory reserves		–	–	6,964	–	–	–	(6,964)	–	–	–
Issue of shares upon placing		2,002	157,215	–	–	–	–	–	159,217	–	159,217
Disposal of a subsidiary	*30*	–	–	(6,711)	–	–	–	6,711	–	–	–
Equity settled share-based transactions		–	–	–	–	21,147	–	–	21,147	1,504	22,651
Acquisition of non-controlling interests		–	–	–	–	–	–	(22,711)	(22,711)	(20,917)	(43,628)
Deemed disposal of interest in a subsidiary		–	–	–	–	–	–	(314)	(314)	314	–
Contribution by non-controlling interest		–	–	–	–	–	–	70	70	4,530	4,600
Balance at 31 December 2015 and 1 January 2016		13,182	1,274,346	19,348	(10,926)	21,147	–	(849,804)	467,293	244,738	712,031
(Loss)/profit for the year		–	–	–	–	–	–	(38,217)	(38,217)	27,012	(11,205)
Other comprehensive income		–	–	–	9,300	–	–	–	9,300	–	9,300
Total comprehensive income		–	–	–	9,300	–	–	(38,217)	(28,917)	27,012	(1,905)
Transfer to statutory reserves		–	–	9,480	–	–	–	(9,480)	–	–	–
Issue of shares upon open offer	*28(b)(ii)*	2,495	184,616	–	–	–	–	–	187,111	–	187,111
Share issue expenses		–	(4,626)	–	–	–	–	–	(4,626)	–	(4,626)
Acquisition of subsidiaries	*30*	–	–	–	–	–	–	–	–	97	97
Disposal of a subsidiary	*30*	–	–	–	–	–	–	1,803	1,803	(6,697)	(4,894)
Issue of convertible notes		–	–	–	–	–	34,324	–	34,324	–	34,324
Deferred tax relating to convertible notes		–	–	–	–	–	(5,663)	–	(5,663)	–	(5,663)
Acquisition of non-controlling interests		–	–	–	–	–	–	(2)	(2)	2	–
Balance at 31 December 2016		**15,677**	**1,454,336**	**28,828**	**(1,626)**	**21,147**	**28,661**	**(895,700)**	**651,323**	**265,152**	**916,475**

The notes on page 73 to 173 form part of these financial statements.

	Note	2016 RMB'000	2015 RMB'000
Operating activities			
Profit/(loss) before taxation including discontinued operation			
— continuing operations		**10,837**	(33,886)
— discontinued operation		**—**	(26,482)
Adjustments for:			
Depreciation for property, plant and equipment		**162,019**	159,924
(Gain)/loss on disposal of property, plant and equipment		**(1)**	105
Gain on disposal of a subsidiary		**(15,909)**	(453)
Impairment losses on trade and other receivables		**2,361**	28,746
Impairment losses on goodwill		**826**	—
Reversal of impairment losses on trade and other receivables		**—**	(16,455)
Amortisation of lease prepayments		**438**	667
Interest income		**(9,151)**	(4,321)
Share of profits of associates		**(2,351)**	(2)
Share of losses of a joint venture		**15**	—
Interest expenses		**118,143**	116,404
Equity settled share-based payment expenses		**—**	10,955
Fair value gains on trading securities		**(339)**	—
Operating cash flows before movements in working capital		**266,888**	235,202
Increase in trading securities		**(7,467)**	—
Increase in trade and other receivables		**(253,788)**	(243,781)
Increase in amount due from non-controlling interest		**(3,300)**	(1,720)
Increase in amount due from an associate		**(23,023)**	—
Decrease in amount due from former subsidiary		**4,301**	—
Increase in trade and other payables		**188,347**	9,090
Increase/(decrease) in amount due to directors		**183**	(18,324)
Cash generated from/(used in) operations		**172,141**	(19,533)
PRC Enterprise Income Tax paid		**(25,026)**	(3,842)
Interest paid		**(101,294)**	(109,656)
Net cash generated from/(used in) operating activities		**45,821**	(133,031)

	Note	2016 RMB'000	2015 RMB'000
Investing activities			
Payments for the purchase of property, plant and equipment		**(114,362)**	(188,050)
Payments for the purchase of lease prepayments		**—**	(3,467)
Payments for the capital injection to an associate		**(64,500)**	—
Payments for acquisition of an associate		**(600)**	—
Payments of acquisition of investment in a joint venture		**(8,609)**	—
Cash inflow from disposal of a subsidiary		**27,270**	76,545
Cash outflows for acquisition of subsidiaries		**(5,265)**	(40,836)
Interest received		**4,181**	2,585
Proceeds from disposal of property, plant and equipment		**53**	70
Decrease/(increase) in loan receivables		**3,431**	(81,186)
Net cash used in investing activities		**(158,401)**	(234,339)
Financing activities			
Proceeds from new bank loans and other loans		**358,815**	467,257
Proceeds from issue of bonds		**9,219**	66,736
Proceeds from issue of convertible notes		**142,342**	—
Proceeds from issue of shares upon placing		**—**	159,217
Proceeds from issue of shares upon open offer		**182,485**	—
Repayments of bank loans and other loans		**(487,223)**	(367,873)
Payments for acquisition of non-controlling interests		**—**	(11,765)
Contribution by non-controlling interest		**—**	4,600
Decrease in pledged bank deposits		**—**	840
Net cash from financing activities		**205,638**	319,012
Net increase/(decrease) in cash and cash equivalents		**93,058**	(48,358)
Cash and cash equivalents at 1 January		**143,747**	175,599
Effect of foreign exchange rate changes		**30,036**	16,506
Cash and cash equivalents at 31 December	*21*	**266,841**	143,747

The notes on page 73 to 173 form part of these financial statements.

1 GENERAL INFORMATION

China Ruifeng Renewable Energy Holdings Limited (the "Company") was incorporated in the Cayman Islands on 23 June 2005 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 9 June 2006. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Company Information" in the annual report.

The Company acts as an investment holding company. The activities of the Company's principal subsidiaries are set out in note 15.

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"), the Company's functional currency is Hong Kong dollars ("HKD"). The functional currency of the Group's major subsidiaries is Renminbi ("RMB"). The consolidated financial statements are presented in RMB. All financial information in RMB has been rounded to the nearest thousand.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2016 comprise the Group and the Group's interest in associates and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 33.

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(p), 2(q), or (r) depending on the nature of the liability.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries and non-controlling interests *(continued)*

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(m)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates and a joint venture

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

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

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(m)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Associates and a joint venture *(continued)*

When the Group's share of losses exceeds its interest in the associates or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associates or a joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)).

In the Company's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses (see note 2(m)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Goodwill *(continued)*

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(m)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries, associates and a joint venture, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 2(w)(iv) and 2(w)(v).

Investments in securities which do not fall into above category is classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted market price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(m)). Dividend income from equity securities is recognised in profit or loss in accordance with the policies set out in notes 2(w)(iv).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Other investments in equity securities *(continued)*

When the investments are derecognised or impaired (see note 2(m)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised or derecognised on the date the Group commits to purchase or sell the investments or they expire.

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(i) Property, plant and equipment

The following items of property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(m)(ii)).

— buildings held for own use which are situated on leasehold land classified as held under operating leases (see note 2(l)); and

— other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(y)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Property, plant and equipment *(continued)*

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

	Useful lives	Residual value
— Buildings	18-25 years	5%
— Plant and machinery	5-10 years	5% to 10%
— Generators and related equipment	5-25 years	5%
— Equipment, furniture and fixtures	3-10 years	5% to 10%
— Motor vehicles	5-8 years	5% to 10%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Lease prepayments

Lease prepayments represent cost of land use rights paid to the People's Republic of China (the "PRC") Land Bureau. Land use rights are carried at cost less amortisation and impairment losses (see note 2(m)(ii)). Amortisation is charged to profit or loss on a straight line basis over the term of the respective leases.

(k) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(m)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The software applications with finite useful lives are amortised from the date they are available for use and their estimated useful lives are ten years. Both the period and method of amortisation are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the group will obtain ownership of the asset, the life of the asset, as set out in note 2(i), Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(m)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Impairment of assets

(i) Impairment of investments in equity securities and trade and other receivables

Investments in equity securities and trade and other receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in associates and a joint venture accounted for under the equity method in the consolidated financial statements (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(m)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(m)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

— For trade and other receivables, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Impairment of assets (continued)

(i) Impairment of investments in equity securities and trade and other receivables (continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;
— lease prepayments;
— intangible assets;
— investments in subsidiaries, associates and a joint venture in the Company's statement of financial position; and
— goodwill.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Impairment of assets *(continued)*

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, "Interim financial reporting", in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(m)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(n) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(w)(ii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statement of financial position as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade receivables". Amounts received before the related work is performed are presented as "Advance from customers" under "Trade and other payables".

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 2(m)(i)).

(p) Convertible notes

(i) Convertible notes that contain an equity component

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained profits.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Convertible notes *(continued)*

(ii) Other convertible notes

Convertible notes which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments (see note 2(h)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible note are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 2(h). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the note is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised in profit or loss as incurred. Employees of the subsidiaries established in the PRC participate in defined contribution retirement plans managed by the local government authorities whereby the subsidiaries are required to contribute to the plans at fixed rates of the relevant employees' salary costs.

The Group's contributions to these plans are charged to profit or loss when incurred. The Group has no obligation for the payment of retirement and other post-retirement benefits of staff other than the contributions described above.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options. The total estimated fair value of the options is spread over the vesting period, taking into account the probability that the option will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the option is expected (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Employee benefits *(continued)*

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(u) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Income tax *(continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(w) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of electricity, goods and processing income

Electricity revenue is recognised when electricity is supplied to the provincial grid companies. Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Revenue recognition *(continued)*

(ii) Contract revenue

When the outcome of a construction contract can be estimated reliably:

— revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract; and

— revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Revenue recognition *(continued)*

(vi) Government grants

Subsidies from the relevant PRC government authorities, in the form of return of income tax, value added tax not associating with the purchase of property, plant and equipment and various taxes, as an incentive for the investments in various cities in the PRC are recognised in the consolidated statement of profit or loss when relevant approval has been obtained.

(x) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of operations outside the PRC are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Items in the statement of financial position are translated into RMB at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of an operation outside the PRC, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(z) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

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

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

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

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

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

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

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(ab) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's chief executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 REVENUE

The principal activity of the Group is wind power generation during the year ended 31 December 2016. During the year ended 31 December 2015, the Group discontinued its power grid construction and consultation business upon disposal of Hebei Beichen Power Grid Construction Co., Ltd. ("Beichen Power Grid") in June 2015, which are further disclosed in note 11.

Revenue represents the sales value of electricity generated from the wind farm supplied to a power grid company (net of value added tax). The amount of each significant category of revenue is as follows:

	2016	2015
	RMB'000	*RMB'000*
Continuing operations		
Sales of electricity	**369,150**	314,733
Discontinued operation		
Revenue from construction contracts and consultations	—	40,881
	369,150	355,614

4 OTHER REVENUE AND NET INCOME

	2016 RMB'000	2015 RMB'000
Continuing operations		
Interest income on financial assets not at fair value through profit or loss	**9,151**	4,303
Government subsidy income related to value added tax refund	**26,867**	27,354
Gain on disposal of a subsidiary	**15,909**	453
Gain on disposal of property, plant and equipment	**1**	—
Net realised and unrealised gain on trading securities	**339**	—
Rental income from operating leases related to buildings	**2,126**	2,806
Others	**163**	124
	54,556	35,040
Discontinued operation		
Interest income on financial assets not at fair value through profit or loss	—	18
	—	18
	54,556	35,058

5 PROFIT/(LOSS) BEFORE TAXATION

(i) Profit/(loss) before taxation from continuing operations is arrived at after charging/(crediting):

		2016 RMB'000	2015 RMB'000
(a)	**Finance costs:**		
	Interest on bank loans and other loans	**87,646**	100,705
	Interest expenses on bonds	**12,026**	8,321
	Interest expenses on convertible notes *(note 23(b)(ii))*	**18,462**	—
	Finance charges on obligations under finance lease	**9**	8
	Interest expenses on financial liabilities not at fair value through profit or loss	**118,143**	109,034
(b)	**Staff costs (including directors' remuneration):**		
	Contributions to defined contribution retirement plans	**3,078**	2,224
	Equity-settled share-based payment expenses to staff *(note 26)*	**—**	9,038
	Salaries, wages and other benefits	**31,833**	31,670
		34,911	42,932
(c)	**Other items:**		
	Amortisation of lease prepayments	**438**	667
	Impairment losses:		
	— trade and other receivables (included in administrative expenses) *(note 20)*	**2,361**	15,307
	— goodwill	**826**	—
	Depreciation for property, plant and equipment		
	— owned assets	**161,930**	157,916
	— assets held for own use under finance lease	**89**	84
	Net foreign exchange losses	**23,416**	14,844
	Auditors' remuneration		
	— audit services	**1,021**	949
	Operating lease charges		
	— minimum lease payments in respect of property rentals	**3,094**	1,469
	— minimum lease payments in respect of rental of motor vehicle	**185**	—
	Gain on disposal of a subsidiary	**(15,909)**	—
	(Gain)/loss on disposal of property, plant and equipment	**(1)**	105

5 PROFIT/(LOSS) BEFORE TAXATION *(continued)*

(ii) Profit/(loss) before taxation from discontinued operation is arrived at after charging/(crediting):

		2016	2015
		RMB'000	*RMB'000*
(a)	**Finance costs:**		
	Interest on bank loans	—	7,370
	Interest expenses on financial liabilities not at fair value through profit or loss	—	7,370
(b)	**Staff costs (including directors' remuneration):**		
	Contributions to defined contribution retirement plans	—	911
	Salaries, wages and other benefits	—	5,892
		—	6,803
(c)	**Other items:**		
	Impairment losses on trade and other receivables *(note 20)*	—	13,439
	Reversal of impairment losses on trade and other receivables *(note 20)*	—	(16,455)
	Depreciation for property, plant and equipment	—	1,924
	Operating lease charges — minimum lease payments in respect of property rentals	—	117

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax in the consolidated statement of profit or loss represents:

	2016	2015
	RMB'000	*RMB'000*
Continuing operations		
Current tax — PRC Enterprise Income Tax		
Provision for the year	**26,305**	11,935
Under-provision in respect of prior years	**1,015**	3,745
Deferred tax		
Origination and reversal of temporary differences *(note 27(b))*	**(5,278)**	(3,620)
	22,042	12,060

During the year ended 31 December 2015, no income tax has been made for discontinued operation.

No provision of Hong Kong Profits Tax had been made as the Group's profit neither arises in, nor is derived from Hong Kong during the year (2015: RMBnil).

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands or the British Virgin Islands.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

(a) Income tax in the consolidated statement of profit or loss represents: *(continued)*

Pursuant to Caishui [2008] No. 46 Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment, Hebei Hongsong Wind Power Co., Ltd ("Hongsong"), is engaged in public infrastructure projects which are set up after 1 January 2008, is entitled to a tax holiday of a 3-year full exemption followed by a 3-year 50% exemption commencing from its respective first operating income ("3+3 tax holiday"). Accordingly, Hongsong's certain profit, derived from public infrastructure projects which are set up after 1 January 2008, was exempted from the PRC Enterprise Income Tax ("EIT").

Except for mentioned as above, the applicable income tax rate to the Group's PRC subsidiaries from continuing operations is 25% in 2016 and 2015.

The Law of the PRC Enterprise Income Tax and Implementation Regulation also impose a withholding tax at 10%, unless reduced by a tax treaty or agreement, for dividends distributed by a PRC resident enterprise to its immediate holding company outside the PRC for earnings accumulated beginning on 1 January 2008.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(continued)

(b) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	2016 **RMB'000**	2015 RMB'000
Profit/(loss) before taxation	**10,837**	(60,368)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profits in PRC of 25%	**2,709**	(15,092)
Tax effect of non-deductible expenses	**33,277**	28,992
Tax effect of non-taxable income	**(2,526)**	(901)
Tax effect of tax loss not recognised	**321**	8,634
Tax effect of tax concessions in the PRC	**(7,476)**	(9,699)
Under provision in prior years	**1,015**	3,746
Others	**(5,278)**	(3,620)
Actual tax expense	**22,042**	12,060

7 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2016

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payment *(note (i))*	2016 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Zhang Zhixiang *(Chief Executive Officer)*	—	2,004	—	15	2,019	—	2,019
Ning Zhongzhi	—	663	—	95	758	—	758
Li Tian Hai	—	1,051	—	15	1,066	—	1,066
Peng Ziwei *(appointed on 20 June 2016)*	—	330	—	—	330	—	330
Zheng Xian Tao *(resigned on 20 June 2016)*	—	473	—	7	480	—	480
Independent non-executive directors							
Wong Wai Ling	129	1	—	—	130	—	130
Qu Weidong	106	1	—	—	107	—	107
Hu Xiaolin	106	1	—	—	107	—	107
	341	4,524	—	132	4,997	—	4,997

7 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

Year ended 31 December 2015

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-Total RMB'000	Share-based payment *(note (i))* RMB'000	2015 Total RMB'000
Executive directors							
Zhang Zhixiang *(Chief Executive Officer)*	—	1,588	—	15	1,603	838	2,441
Ning Zhongzhi	—	503	—	85	588	838	1,426
Zheng Xian Tao *(appointed on 14 July 2015)*	—	456	—	7	463	838	1,301
Li Tian Hai *(appointed on 14 July 2015)*	—	461	—	7	468	—	468
Li Baosheng *(resigned on 6 November 2015)*	—	1,140	—	16	1,156	838	1,994
Independent non-executive directors							
Wong Wai Ling	97	1	—	—	98	—	98
Qu Weidong	80	1	—	—	81	—	81
Hu Xiaolin	80	1	—	—	81	—	81
	257	4,151	—	130	4,538	3,352	7,890

Notes:

(i) These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(t)(ii) and, in accordance with that policy, includes adjustments to reserve amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the Directors' report and note 26.

(ii) There was no arrangement under which a Director waived or agreed to waive any remuneration during the year ended 31 December 2016 (2015: RMBnil).

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2015: four) were directors of the Company whose emoluments are disclosed in note 7 above. The aggregate of the emoluments in respect of the remaining two (2015: one) individuals are as follows:

	2016	2015
	RMB'000	*RMB'000*
Salaries and other benefits	**2,391**	493
Share-based payments	**—**	838
Retirement scheme contributions	**30**	85
	2,421	1,416

The emoluments of the two (2015: one) individuals with the highest emolument are with the following bands:

	2016	2015
	Number of Individuals	*Number of Individuals*
HKD		
Nil – 1,000,000	**1**	—
1,000,001 – 1,500,000	**—**	1
1,500,001 – 2,000,000	**1**	—

During the year, no emolument or incentive payments were paid to the Directors, the chief executive and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2015: RMBnil).

9 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share from continuing operations is based on the loss attributable to ordinary equity shareholders of the Company from continuing operations of approximately RMB38,217,000 (2015: approximately RMB57,967,000).

The calculation of basic loss per share from discontinued operation is based on the loss attributable to ordinary equity shareholders of the Company from discontinued operation of RMBnil (2015: approximately RMB26,482,000)

The weighted average of approximately 1,713,936,000 ordinary shares (2015: approximately 1,374,686,000 ordinary shares) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2016	2015
	'000	*'000*
Issued ordinary shares at 1 January	**1,499,284**	1,249,404
Effect of issue of shares upon placing	**—**	125,282
Effect of issue of shares upon open offer	**214,652**	—
Weighted average number of ordinary shares at 31 December	**1,713,936**	1,374,686

(b) Diluted loss per share

Diluted loss per share for the year ended 31 December 2016 is not presented because (i) the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options as the exercise price of those share options are higher than the average market prices of the Company's shares during the year; and (ii) the impact of the convertible notes outstanding has an anti-dilutive effect on the basic loss per share amounts presented.

For the year ended 31 December 2015, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options as the exercise price of those share options are higher than the average market prices of the Company's shares during the year.

10 DIVIDENDS

No dividend has been declared or paid by the Company for the year ended 31 December 2016 (2015: RMBnil).

11 DISCONTINUED OPERATION

On 30 June 2015, the Group disposed its entire equity interest in Beichen Power Grid. The results of the power grid construction and consultation business carried out by the Group up to the date of disposal is presented in the consolidated financial statements of the Group as discontinued operation.

	Note	**2016** **RMB'000**	2015 RMB'000
Revenue	3	—	40,881
Cost of sales		—	(55,027)
Gross loss		—	(14,146)
Other revenue and net income	4	—	18
Distribution costs		—	(279)
Administrative expenses		—	(5,158)
Loss from operations		—	(19,565)
Finance costs	5(ii)(a)	—	(7,370)
Loss before taxation	5(ii)	—	(26,935)
Income tax	6	—	—
		—	(26,935)
Gain on disposal of a subsidiary		—	453
Loss for the year from discontinued operation		—	(26,482)

12 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's chief executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments that one of the segments was disposed in June 2015. No operating segments have been aggregated to form the following reportable segments.

Continuing operations:

— Wind farm operations: this segment uses wind turbine blades to generate electricity in the People's Republic of China (the "PRC").

Discontinued operation:

— Construction contracts: this segment constructs power grid and wind farm and provide related consultation in the PRC.

(a) Segment results, assets and liabilities

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

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates and a joint venture. Segment liabilities include trade and other payables and income tax payable attributable to the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reportable segment profit is "adjusted EBT" i.e. "adjusted earnings before taxes". To arrive at adjusted EBT, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits of associates and share of losses of a joint venture, Directors' remuneration, auditors' remuneration and other head office or corporate administration costs.

12 SEGMENT REPORTING *(continued)*

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

In addition to receiving segment information concerning adjusted EBT, management is provided with segment information concerning revenue (including inter segment), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's chief executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below.

For the year ended 31 December 2016:

	Wind farm operations *RMB'000*	Un-allocated *RMB'000*	Total *RMB'000*
Reportable segment revenue	**369,150**	**—**	**369,150**
Reportable segment profit	**107,232**	**14,703**	**121,935**
Central administrative costs	**—**	**(53,304)**	**(53,304)**
Finance costs	**—**	**(57,794)**	**(57,794)**
Profit before taxation			**10,837**
Income tax			**(22,042)**
Loss for the year			**(11,205)**

12 SEGMENT REPORTING *(continued)*

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

For the year ended 31 December 2015:

	Continuing operations			Discontinued operation	
	Wind farm operations *RMB'000*	Un-allocated *RMB'000*	Sub-total *RMB'000*	Construction contracts *RMB'000*	Total *RMB'000*
Reportable segment revenue	314,733	—	314,733	40,881	355,614
Reportable segment profit/(loss)	48,552	1,212	49,764	(26,404)	23,360
Central administrative costs	—	(51,011)	(51,011)	—	(51,011)
Finance costs	—	(32,717)	(32,717)	—	(32,717)
Loss before taxation					(60,368)
Income tax					(12,060)
Loss for the year					(72,428)

12 SEGMENT REPORTING *(continued)*

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

Other segment items included in the consolidated statement of profit or loss are as follows:

For the year ended 31 December 2016:

	Wind farm operations *RMB'000*	Un-allocated *RMB'000*	Total *RMB'000*
Depreciation and amortisation for the year	**(161,469)**	**(988)**	**(162,457)**
Impairment losses on trade and other receivables	**(2,361)**	—	**(2,361)**
Impairment loss on goodwill	—	**(826)**	**(826)**
Interest income	**3,309**	**5,842**	**9,151**
Share of losses of a joint venture	—	**(15)**	**(15)**
Share of profits of associates	**(1)**	**2,352**	**2,351**
Additions to non-current segment assets during the year	**114,331**	**31**	**114,362**

As at 31 December 2016:

	Wind farm operations *RMB'000*	Un-allocated *RMB'000*	Total *RMB'000*
Assets	**2,409,806**	**128,272**	**2,538,078**
Associates	**599**	**76,707**	**77,306**
Joint venture	—	**8,594**	**8,594**
Reportable segment assets	**2,410,405**	**213,573**	**2,623,978**
Reportable segment liabilities	**(1,000,359)**	**(707,144)**	**(1,707,503)**

12 SEGMENT REPORTING *(continued)*

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

Other segment items included in the consolidated statement of profit or loss are as follows:

For the year ended 31 December 2015:

	Continuing operations			Discontinued operation	
	Wind farm operations *RMB'000*	Un-allocated *RMB'000*	Sub-total *RMB'000*	Construction contracts *RMB'000*	Total *RMB'000*
Depreciation and amortisation for the year	(157,590)	(1,077)	(158,667)	(1,924)	(160,591)
Impairment losses on trade and other receivables	(9,000)	(6,307)	(15,307)	(13,439)	(28,746)
Reversal of impairment losses on trade and other receivables	—	—	—	16,455	16,455
Interest income	2,886	1,417	4,303	18	4,321
Share of profits of an associate	—	2	2	—	2
Additions to non-current segment assets during the year	191,421	96	191,517	—	191,517

As at 31 December 2015:

	Wind farm operations	Un-allocated	Sub-total	Construction contracts	Total
Assets	2,625,406	169,258	2,794,664	—	2,794,664
Associate	—	9,855	9,855	—	9,855
Reportable segment assets	2,625,406	179,113	2,804,519	—	2,804,519
Reportable segment liabilities	(1,577,781)	(514,707)	(2,092,488)	—	(2,092,488)

12 SEGMENT REPORTING *(continued)*

(b) Geographic information

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. The Group's major operations and markets are located in the PRC, no further geographic segment information is provided.

(c) Information about a major customer

For the year ended 31 December 2016, revenue of approximately RMB369,150,000 (2015: approximately RMB314,733,000) was made to a single customer attributable to the wind farm operations segment comprising 100% (2015: approximately 89%) of the total revenue of the Group.

13 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000	Generators and related equipment RMB'000	Plant and machinery RMB'000	Equipment, furniture and fixtures RMB'000	Motor vehicles RMB'000	Construct-ion in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2015	49,101	2,312,817	31,542	12,262	10,068	128,939	2,544,729
Additions	—	506	38	163	249	187,094	188,050
Exchange realignment	—	—	—	48	18	—	66
Transfer	4,981	224,720	—	—	—	(229,701)	—
Disposals	—	—	(265)	(79)	(95)	—	(439)
Disposal of a subsidiary	(1,902)	—	(26,064)	(4,309)	(7,097)	—	(39,372)
At 31 December 2015 and 1 January 2016	52,180	2,538,043	5,251	8,085	3,143	86,332	2,693,034
Additions	—	3,257	201	389	628	109,887	114,362
Exchange realignment	—	—	—	72	30	—	102
Disposals	—	—	—	(28)	(70)	—	(98)
Acquisition of a subsidiary	—	—	—	—	76	—	76
Disposal of a subsidiary	—	(228,848)	(327)	—	(84)	(177,083)	(406,342)
At 31 December 2016	52,180	2,312,452	5,125	8,518	3,723	19,136	2,401,134
Accumulated depreciation and impairment:							
At 1 January 2015	5,048	289,723	16,237	3,869	5,506	—	320,383
Charge for the year	3,068	153,055	1,819	1,312	670	—	159,924
Exchange realignment	—	—	—	32	5	—	37
Written back on disposal	—	—	(142)	(69)	(53)	—	(264)
Disposal of a subsidiary	(389)	—	(14,815)	(1,540)	(4,790)	—	(21,534)
At 31 December 2015 and 1 January 2016	7,727	442,778	3,099	3,604	1,338	—	458,546
Charge for the year	2,555	157,478	578	976	432	—	162,019
Exchange realignment	—	—	—	60	15	—	75
Written back on disposal	—	—	—	(27)	(19)	—	(46)
Disposal of a subsidiary	—	(4,027)	(50)	—	(10)	—	(4,087)
At 31 December 2016	10,282	596,229	3,627	4,613	1,756	—	616,507
Net book value:							
At 31 December 2016	**41,898**	**1,716,223**	**1,498**	**3,905**	**1,967**	**19,136**	**1,784,627**
At 31 December 2015	44,453	2,095,265	2,152	4,481	1,805	86,332	2,234,488

13 PROPERTY, PLANT AND EQUIPMENT *(continued)*

As at 31 December 2016, the Group has pledged its certain property, plant and equipment with carrying values of approximately RMB1,033,320,000 (2015: approximately RMB1,125,958,000) to secure its bank and other loans (notes 23 and 24).

At the end of the reporting period, the net book value of the motor vehicle held under the finance lease of the Group was approximately RMB212,000 (2015: approximately RMB285,000).

The Group's buildings held for own use are located in the PRC.

14 LEASE PREPAYMENTS

The Group's lease prepayments comprise:

	2016	2015
	RMB'000	*RMB'000*
Land in PRC:		
Medium term lease	**11,201**	17,276
Analysed for reporting purpose as:		
Current assets	**398**	507
Non-current assets	**10,803**	16,769
	11,201	17,276

The Group's lease prepayments represent land use right in the PRC. The amortisation charge for the year is included in administrative expenses in the consolidated statement of profit or loss.

At 31 December 2016, the Group has pledged its lease prepayments with a carrying value of approximately RMB2,256,000 (2015: RMB2,369,000) to secure it bank loans (note 24).

15 INTEREST IN SUBSIDIARIES

Details of subsidiaries at 31 December 2016 are as follows. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment	Place of operations	Particulars of issued and fully paid share capital/ registered capital	Proportion of ownership interest		Principal activities
				Held by the Company	Held by the subsidiaries	
City Alliance Management Limited	BVI	HK	Ordinary share USD1	100%	—	Investment holding
Power Full Group Holdings Limited^ 富力集團控股有限公司	BVI	HK	Ordinary shares USD2	100%	—	Investment holding
Ferson Limited 緯建有限公司	HK	HK	Ordinary share HKD1	—	100%	Inactive
Conway Holdings Limited^ 康威集團有限公司	HK	HK	Ordinary share HKD1	—	100%	Investment holding
Beijing Chengrui Xianghai Renewable Energy Technology Co., Ltd.[1] 北京承瑞翔海新能源科技有限公司	PRC	PRC	Registered capital RMB100,000	—	100%	Investment holding
Chengde Ruifeng Renewable Energy Windpower Equipment Co., Ltd.[2^] 承德瑞風新能源風電設備有限公司	PRC	PRC	Registered capital RMB30,000,000	—	100%	Processing of wind turbine blades and components
Chengde Beichen High New Technology Co., Ltd.[2^] 承德北辰高新科技有限公司	PRC	PRC	Registered capital RMB46,900,000	—	100%	Investment holding
Leading Win Resources Limited 領達資源有限公司	BVI	HK	Ordinary share USD1	100%	—	Investment holding
Fortune View Alliance Limited^	BVI	HK	Ordinary share USD1	100%	—	Investment holding
Team Mega Limited 集泓有限公司	HK	HK	Ordinary share HKD1	—	100%	Inactive

15 INTEREST IN SUBSIDIARIES *(continued)*

Name of company	Place of incorporation/ establishment	Place of operations	Particulars of issued and fully paid share capital/ registered capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by the subsidiaries	Principal activities
On Win Corporation Limited^ 進盈有限公司	HK	HK	Ordinary share HKD1	—	100%	Investment holding
Hebei Hongsong Renewable Energy Investment Co., Ltd.[2^] 河北紅松新能源投資有限公司	PRC	PRC	Registered capital RMB171,720,000	—	79.06%	Investment holding
Hebei Hongsong Wind Power Co., Ltd.[3^] 河北紅松風力發電股份有限公司	PRC	PRC	Registered capital RMB910,000,000	—	86.55%	Wind farm operation
Hebei Quan Tai Electrical and Mechanical Equipment Maintenance Co., Ltd.[2] 河北全泰機電設備維修有限公司	PRC	PRC	Registered capital RMB3,000,000	—	79.06%	Electrical and mechanical equipment maintenance
Hong Song Holdings Limited	BVI	HK	Ordinary share USD1	100%	—	Investment holding
Sino Renewable Energy Holdings Company Limited	BVI	HK	Ordinary share USD1	100%	—	Investment holding
Redwood Group Limited 紅松集團有限公司	HK	HK	Ordinary share HKD1	—	100%	Investment holding
Asia Renewable Energy Company Limited 亞洲新生能源有限公司	HK	HK	Ordinary share HKD1	—	100%	Investment holding
World Business Limited 環宇國際商務有限公司	HK	HK	Ordinary shares HKD10,000	—	100%	Investment holding

15 INTEREST IN SUBSIDIARIES *(continued)*

Name of company	Place of incorporation/ establishment	Place of operations	Particulars of issued and fully paid share capital/ registered capital	Proportion of ownership interest		Principal activities
				Held by the Company	Held by the subsidiaries	
Zhuhai Dong Fang Renewable Energy Limited[1] 珠海東方新生能源有限公司[1]	PRC	PRC	Registered capital RMB100,000	–	100%	Investment holding
承德紅松風力發電資詢服務有限公司[1]	PRC	PRC	Registered capital USD20,000	–	100%	Investment holding
承德紅松新能源技術服務有限公司[2]	PRC	PRC	Registered capital RMB30,000	–	100%	Investment holding
Tycoon Gold Limited 享金有限公司	BVI	HK	Ordinary shares USD1	100%	–	Inactive
北京銀風滙利投資有限公司[2]	PRC	PRC	Registered capital RMB360,000,000	–	100%	Investment holding
包頭市銀風滙利新能源投資有限公司[2]	PRC	PRC	Registered capital RMB123,000,000	–	99.92%	Wind farm operation
北京紅松創投科技發展有限公司[2]	PRC	PRC	Registered capital RMB9,000,000	–	100%	Investment holding
泰安捷盈融資租賃有限公司[2]	PRC	PRC	Registered capital USD50,000,000	–	100%	Financing and leasing

1 wholly-owned foreign enterprise
2 private limited liability company
3 sino-foreign equity joint venture company
^ At 31 December 2016 and 2015, the issued shares/registered capital of these companies were pledged under shares charges to secured certain bank loans of the Group (notes 23 and 24)

15 INTEREST IN SUBSIDIARIES *(continued)*

The following table lists out the information relating to Hongsong, a subsidiary of the Group which has material non-controlling interests ("NCI"). The summarised financial information for the years ended 31 December 2016 and 2015 presented below represents the post-acquisition amounts before any inter-company elimination.

	At 31 December 2016	At 31 December 2015
Proportion of registered capital (or voting right) held by the Group	**86.55%**	86.55%
Proportion of ownership interests held by the Group	**70.97%**	70.97%
Proportion of registered capital (or voting right) held by NCI	**13.45%**	13.45%
Proportion of ownership interests held by NCI	**29.03%**	29.03%

	2016 *RMB'000*	2015 *RMB'000*
Current assets	**427,384**	409,864
Non-current assets	**1,787,725**	2,237,835
Current liabilities	**245,546**	297,031
Non-current liabilities	**851,660**	1,313,573
Net assets	**1,117,903**	1,037,095
Carrying amount of NCI	**264,455**	240,365
Revenue	**347,002**	314,733
Profit for the year	**82,983**	44,618
Total comprehensive income	**82,983**	44,618
Profit allocated to NCI	**24,090**	13,716
Dividend paid to NCI	**—**	—
Cash flows generated from operating activities	**246,561**	19,759
Cash flows generated from/(used in) investing activities	**74,357**	(213,269)
Cash flows (used in)/generated from financing activities	**(209,042)**	149,900

16 INTEREST IN ASSOCIATES

	2016 RMB'000	2015 RMB'000
Cost of unlisted investment in associates	**74,953**	9,853
Share of post-acquisition profit	**2,353**	2
	77,306	9,855

Details of the associates as at 31 December 2016 are as follow:

Name of associate	Place of establishment and operation	Particulars of registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Shenzhen Qianhai Jiefeng Financing and Leasing Limited# 深圳前海捷豐融資租賃有限公司 *(note (i))*	PRC	Registered capital USD35,000,000 (of which USD24,725,696 has been paid up)	45.13%	—	49%	Financial leasing, purchase of leased assets, lease advisory and guarantees
紅松河北生物科技股份有限公司#	PRC	Registered capital RMB10,000,000 (of which RMB3,000,000 has been paid up)	20%	—	20%	Bio-technology promotion, food processing

private limited liability company

Interest in associates is accounted for using the equity method in the consolidated financial statements.

Summary of financial information on the associates which is not individually material:

	Assets RMB'000	Liabilities RMB'000	Equity RMB'000	Revenue RMB'000	Profit/(loss) RMB'000
2016					
Shenzhen Qianhai Jiefeng Financing and Leasing Limited					
100 per cent	**185,975**	**25,107**	**160,868**	**6,102**	**5,199**
The Group's effective interest	**83,931**	**11,331**	**72,600**	**2,754**	**2,352**
紅松河北生物科技股份有限公司					
100 per cent	**3,000**	**7**	**2,993**	**—**	**(7)**
The Group's effective interest	**600**	**1**	**599**	**—**	**(1)**

16 INTEREST IN ASSOCIATES *(continued)*

	Assets *RMB'000*	Liabilities *RMB'000*	Equity *RMB'000*	Revenue *RMB'000*	Profit *RMB'000*
2015					
Shenzhen Qianhai Jiefeng Financing and Leasing Limited					
100 per cent	91,455	131	91,324	484	17
The Group's effective interest	8,231	12	8,219	44	2

Notes:

(i) On 17 August 2015, City Alliance Management Limited, a wholly-owned subsidiary of the Company, completed the acquisition of 100% ownership interest in World Business Limited, an investment holding company of which controlling 25% voting rights in Shenzhen Qianhai Jiefeng Financing and Leasing Limited for total consideration of approximately HKD11,375,000 (equivalent to approximately RMB9,108,000).

On 25 November 2015, World Business Limited acquired a further 24% voting rights in Qianhai Jiefeng for a consideration of RMB800,000. The voting rights held by the Group was increased to 49%.

17 INTEREST IN A JOINT VENTURE

	2016 **RMB'000**	2015 *RMB'000*
Cost of unlisted investment in a joint venture	**8,609**	—
Share of post-acquisition profit	**(15)**	—
	8,594	—

Details of the Group's interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

			Proportion of ownership interest			
Name of joint venture	**Place of incorporation and operation**	**Particulars of issued share capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Poly Wealth Securities Limited 保興滙財證券有限公司	Hong Kong	Issued share capital HKD20,000,000	50%	—	50%	Trading of securities

17 INTEREST IN A JOINT VENTURE *(continued)*

Summary of financial information on the joint venture which is not individually material:

	Assets	Liabilities	Equity	Revenue	Profit/(loss)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2016					
100 per cent	**17,888**	**4**	**17,884**	**—**	**(30)**
The Group's effective interest	**8,944**	**2**	**8,942**	**—**	**(15)**

18 AVAILABLE-FOR-SALE INVESTMENTS

	2016	2015
	RMB'000	*RMB'000*
Unlisted equity securities, at cost	**6,229**	6,229

This represents the Group's investments in unlisted equity securities of a PRC company which is in pre-operation at the end of the reporting period and commence operation in early 2017. There is no operation during the year ended 31 December 2015.

Investments in unlisted securities are held for an identified long term strategic purpose so the Group does not intend to dispose them in the foreseeable future. The available-for-sale investments are measured at cost less impairment at the end of the reporting period because the ranges of reasonable fair value estimates are so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

At the end of the reporting period, the Group carried out a review of the recoverable amount of the available-for-sale investments. In performing impairment testing, the directors of the Company reviewed the carrying amounts of these assets by reference to a valuation performed by RHL Appraisal Limited, an independent qualified professional valuer not connected with the Group. RHL Appraisal Limited is a member of Hong Kong Institute of Surveyors. The recoverable amount of this cash-generating unit ("CGU") is determined based on a value-in-use calculation which uses cash flow projections based on financial budgets approved by management covering a 5-year period and a discount rate of 13.44% per annum. The key assumptions for the value-in-use calculation are those regarding the discount rate, growth in revenue, direct and other operating costs during the period. The management estimates discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. There was no impairment for the year ended 31 December 2016.

At 31 December 2015, the management reviews the latest investee's financial position, observable data such as net asset value per share and consequently considers no objective evidence of impairment was identified. Accordingly, the directors of the Company consider no impairment should be recognised during the year ended 31 December 2015.

19 TRADING SECURITIES

	2016	2015
	RMB'000	*RMB'000*
Listed equity securities, at fair value — in PRC	**7,806**	—

20 TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables (note (v))	**118,585**	87,599
Other receivables	**84,172**	81,858
Less: allowance for doubtful debts	**(6,000)**	(6,307)
	78,172	75,551
Loan receivables (note (iv))	**86,979**	90,603
Less: allowance for doubtful debts	**(9,000)**	(9,000)
	77,979	81,603
Amount due from an associate *(note (ii))*	**23,023**	—
Amount due from former subsidiaries *(note (iii))*	**1,645**	5,946
Amount due from non-controlling interest *(note (iii))*	**5,020**	1,720
Loans and receivables	**304,424**	252,419
Prepayments and deposits (note (vi))	**156,950**	140,505
	461,374	392,924

20 TRADE AND OTHER RECEIVABLES *(continued)*

Notes:

(i) All of the trade and other receivables (including loan receivables, amount due from an associate, amount due from former subsidiaries and amount due from non-controlling interest) are expected to be recovered or recognised as expense within one year.

(ii) As at 31 December 2016, the amount due from an associate with amount of RMB23,000,000 was unsecured, bear interest at 10% per annum and repayable within three months, the remaining balance were unsecured, interest-free and repayable on demand.

(iii) As at 31 December 2016, the amount due from a former subsidiary and non-controlling interest were unsecured, interest free and repayable on demand.

(iv) As at 31 December 2016, the loan receivables from independent third parties and a former subsidiary were unsecured, bore interest at rates ranging from 5% to 18% per annum and repayable within one year.

As at 31 December 2015, the loan receivables from independent third parties were unsecured, bore interest at rates ranging from 5% to 18% per annum and repayable within one year.

(v) As at 31 December 2016, the Group has pledged certain of its trade receivables with carrying values of approximately RMB116,555,000 (2015: approximately RMB84,995,000) to secure its bank loans.

(vi) As at 31 December 2016 and 2015, the Group has pledged certain of its deposit with carrying values of RMB11,000,000 to secure its other loan.

(a) Ageing analysis

Trade receivables are net of allowance for doubtful debts of RMBnil (2015: RMBnil) with the following ageing analysis as of the end of the reporting period:

	2016	2015
	RMB'000	*RMB'000*
Within three months	**46,121**	56,550
More than three months but within one year	**70,434**	30,178
More than one year	**2,030**	871
At 31 December	**118,585**	87,599

Trade receivables are due within 5-90 days from the date of billing.

20 TRADE AND OTHER RECEIVABLES *(continued)*

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment losses is written off against trade receivables directly (see note 2(m)(i)).

The movement in the allowance for doubtful debts during the year is as follow:

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**—**	16,762
Impairment losses recognised	**—**	12,089
Impairment losses reversed	**—**	(116)
Uncollectible amounts written off	**—**	(12,389)
Disposal of subsidiaries	**—**	(16,346)
At 31 December	**—**	—

At 31 December 2016, none of the trade receivables of the Group (2015: RMBnil) were individually determined to be impaired and full provision had been made. Those individually impaired receivables were outstanding for over 90 days as at the year ended of 31 December 2015 or related to customers that were in financial difficulties.

(c) Impairment of other receivables

As at 31 December 2016, other receivables of approximately RMB6,000,000 were individually determined to be impaired. The individually impaired receivables related to debtor that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB6,000,000 were recognised.

During the year ended 31 December 2016, other receivables of approximately RMB2,361,000 has been written-off as the debtor is undergone liquidation, and thus an impairment losses has been recognised in profit or loss.

During the year ended 31 December 2015, other receivables of approximately RMB7,657,000 has been overdue and thus an impairment losses has been recognised in profit or loss. Balance of RMB1,350,000 was disposed of through disposal of a subsidiary.

20 TRADE AND OTHER RECEIVABLES *(continued)*

(d) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2016	2015
	RMB'000	*RMB'000*
Neither past due nor impaired	**46,121**	42,734
Past due but not impaired		
— Less than three months past due	**70,434**	18,610
— More than three months but within one year past due	**1,425**	25,590
— More than one year past due	**605**	665
	118,585	87,599

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

21 CASH AND CASH EQUIVALENTS

An analysis of the balance of cash and cash equivalents is set out below:

	2016	2015
	RMB'000	*RMB'000*
Cash at bank and in hand	243,990	143,747
Time deposits	22,851	—
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	266,841	143,747

22 TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	31,756	11,924
Other payables *(note (i))*	80,224	84,947
Amounts due to directors *(note (ii))*	185	2
Financial liabilities measured at amortised cost	112,165	96,873

22 TRADE AND OTHER PAYABLES *(continued)*

Notes:

(i) As at 31 December 2016, the balance included in the other payables amounting of approximately RMB51,548,000 (2015: approximately RMB51,548,000) represented the outstanding payable to the vendors for the acquisition of equity interest in Hebei Hongsong Renewable Energy to, in aggregate, approximately 76.98% by the Group in 2014.

As at 31 December 2015, the balance included in the other payables amounting of approximately RMB4,134,000 represented the amount due to a former executive director. The amount due was unsecured, interest-free and repayable on demand.

(ii) As at 31 December 2016, the amounts were unsecured, interest-free and repayable on demand.

Included in trade and other payables are trade creditors with the following ageing analysis as of the end of the reporting period:

	2016	2015
	RMB'000	*RMB'000*
Within three months	**20,896**	6,635
More than three months but within one year	**4,231**	137
More than one year	**6,629**	5,152
	31,756	11,924

All of the trade and other payables (including amounts due to directors and a joint venture) are expected to be settled or recognised as income within one year, except for the non-current portion of other payables.

23 BORROWINGS

(a) The analysis of the carrying amount of borrowings is as follows:

	2016	2015
	RMB'000	*RMB'000*
Bank loans *(note 24)*	**1,141,963**	1,797,119
Bonds *(note 23(b)(i))*	**120,311**	101,721
Convertible notes *(note 23(b)(ii))*	**127,075**	—
Other loans *(note 23(b)(iii))*	**164,176**	50,000
Obligation under finance lease *(note 23(c))*	**164**	239
	1,553,689	1,949,079
Analysis as:		
Current	**611,011**	357,890
Non-current	**942,678**	1,591,189
	1,553,689	1,949,079

All of the non-current borrowings are carried at amortised cost. None of the non-current borrowings is expected to be settled within one year.

(b) Significant terms and repayment schedule of non-bank borrowings:

(i) Bonds issued since July 2014

As at 31 December 2016, the Company issued unsecured bonds in an aggregated principle amount of approximately HKD155,236,000 (2015: approximately HKD144,236,000) with maturity of three to seven years (2015: three to seven years). The bonds carry fixed rate interest of 6%-7% (2015: 6%-7%) per annum and interest is payable in arrears yearly. As at 31 December 2016 and 2015, the bonds are classified as non-current liabilities as the bonds will be settled more than 12 months.

23 BORROWINGS *(continued)*

(b) Significant terms and repayment schedule of non-bank borrowings: *(continued)*

(ii) Convertible notes

On 15 June 2016, the Company issued convertible notes at an aggregate principal amount of HKD171,600,000 and a maturity date of 15 December 2017. The net proceeds from the issue of Convertible Notes, after deducting the Placing Agent's commission and other related expenses payable by the Company, amounted to approximately HKD167,900,000. The convertible notes are interest bearing at 8% p.a., payable quarterly. For those convertible notes being redeemed or being converted, interest accrued and unpaid on those convertible notes up to the date of redemption or on the date of conversion, as the case may be, will be payable on those dates.

The Company may demand early redemption of part or whole of the outstanding principal amounts of the convertible notes at any time after six months from issue by giving a notice to the noteholder of not less than five business days. Early redemption of the convertible notes will be made at par value of the convertible notes plus accrued interest up to the date of redemption.

Noteholders have the right on any business day during the conversion period to convert in whole or in part the outstanding principal amount of the convertible notes in whole or in integral multiples of HKD1,300,000 into conversion shares at an initial conversion price of HKD0.65 per conversion share (subject to adjustments), subject to and upon compliance with the term and conditions of the convertible notes. On initial recognition on 15 June 2016, the fair value of the liability component of convertible notes is determined using the prevailing market interest rate of similar non-convertible debts, and has been ascertained by RHL Appraisal Limited. The residual amount was assigned as the equity component and included in shareholders' equity.

Interest expenses on the convertible note was calculated using the effective interest method by applying the effective interest rate of approximately 33.43% to the liability component.

23 BORROWINGS *(continued)*

(b) Significant terms and repayment schedule of non-bank borrowings: *(continued)*

(ii) Convertible notes (continued)

The net proceeds received from the issuance of the convertible notes have been split between the liability and equity components, as follows:

	Liability component *RMB'000*	Equity component *RMB'000*	Total *RMB'000*
At 1 January 2016	—	—	—
Issued during the year	108,018	34,324	142,342
Recongnition of deferred tax liabilities in respect of issuance of convertible notes	—	(5,663)	(5,663)
Interest expenses *(note 5(i)(a))*	18,462	—	18,462
Exchange realignment	595	—	595
At 31 December 2016	**127,075**	**28,661**	**155,736**

(iii) Other loans

As 31 December 2016, the other loans were as follows:

	2016 *RMB'000*	2015 *RMB'000*
Secured *(note (a))*	**104,176**	40,000
Unsecured	**50,000**	—
Guaranteed *(note (b))*	**10,000**	10,000
	164,176	50,000

Notes:

(a) At 31 December 2016, the Group had secured other loan of approximately RMB104,176,000 (2015: RMB40,000,000) was secured by certain property, plant and equipment with the carrying value of approximately RMB59,770,000 (2015: RMB64,729,000), deposit with carrying values of RMB11,000,000 (2015: RMB11,000,000) and share charge over 48.56% of registered capital of a former subsidiary, Hexingten Qi Langcheng Ruifeng Electric Development Co., Ltd (the "Langcheng") which is hold by an independent third party, Mr. Wang.

(b) At 31 December 2016, the Group had other loan of RMB10,000,000 which was guaranteed by Mr. Li, a former Executive Director, bore interest at 10% per annum and was repayable in 2017.

23 BORROWINGS *(continued)*

(c) Obligation under finance lease

At 31 December 2016, the Group had obligations under finance leases repayable as follows:

	2016		2015	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within 1 year	**92**	**101**	85	94
After 1 year but within 2 years	**72**	**80**	85	94
After 2 years but within 5 years	**—**	**—**	69	79
	72	**80**	154	173
	164	**181**	239	267
Less: total future interest expenses		**(17)**		(28)
Present value of lease obligations		**164**		239

24 BANK LOANS

At 31 December 2016, the bank loans were repayable as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 1 year or on demand	**408,963**	352,805
After 1 year but within 2 years	**209,500**	424,814
After 2 years but within 5 years	**371,500**	532,500
More than 5 years	**152,000**	487,000
	1,141,963	1,797,119

As 31 December 2016, the bank loans were secured and guaranteed as follows:

	2016	2015
	RMB'000	*RMB'000*
Bank loans		
— secured *(notes (a) & (d))*	**1,141,963**	1,421,647
— guaranteed *(note (b))*	**—**	78,472
— unsecured *(note (c))*	**—**	297,000
	1,141,963	1,797,119

Notes:

(a) At 31 December 2016, the Group's secured bank loans were secured by the following:

— the Group's certain property, plant and equipment with carrying values of approximately RMB973,550,000 (2015: approximately RMB1,061,229,000);

— the Group's certain lease payments with carrying values of approximately RMB2,256,000 (2015: approximately RMB2,369,000);

— the Group's certain trade receivables with carrying values of approximately RMB116,555,000 (2015: approximately RMB84,995,000);

— 308,867,000 ordinary shares of the Company owned by Diamond Era;

— the shares charges over the issued shares/registered capital of certain subsidiaries of the Company; and

— personal guarantee provided by Mr. Li and his spouse, Mr. Zhang and his spouse to the extent of the indebtedness of certain bank loans.

The average effective interest rate on secured bank loans approximated 6.70% (2015: approximated 6.15%) per annum.

24 BANK LOANS *(continued)*

Notes: (continued)

(b) As at 31 December 2015, the unsecured bank loans of RMB30,000,000 was guaranteed by the then a wholly-owned subsidiary, namely Hexigten Qi Langcheng Ruifeng Electric Development Co., Ltd. (克什克旗朗瑞風電力發展有限公司).

As at 31 December 2015, the unsecured bank loans of RMB21,000,000 was guaranteed by former shareholders of a subsidiary of the Group.

At 31 December 2015, the average effective interest rate on guaranteed bank loans approximated 7.13% per annum.

(c) At 31 December 2015, the average effective interest rate on unsecured bank loan approximated 5.15% per annum.

(d) At 31 December 2016, except for the secured bank loan of approximately RMB221,184,000 (2015: approximately RMB276,119,000) which is denominated in United States dollars ("USD"), all bank loans are denominated in RMB.

25 EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD30,000. Contributions to the plan vest immediately.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in central pension schemes operated by the local municipal government. The subsidiaries are required to contribute certain percentage of the payroll costs to the central pension schemes. The contributions are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

The total expenses recognised in the consolidated statement of profit or loss for the year of approximately RMB3,078,000 (2015: approximately RMB3,135,000) represent contributions payable to these plans by the Group at rates specified in the rules of the plans.

26 SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was adopted pursuant to an ordinary resolution passed by the shareholders of the Company on 1 June 2015, whereas, the share option scheme which was adopted on 17 May 2006 (the "Old Scheme") was terminated pursuant to an ordinary resolution passed by the shareholders of the Company on the even date and no further share option can be granted under the Old Scheme. As at 31 December 2015 and 2016, no share option has been granted, exercised, cancelled, lapsed or outstanding under the Old Scheme.

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participant as incentives or rewards for their contributions to the Group. All full time or part time employees, directors, consultants, advisers, substantial shareholders, distributors, contractors, suppliers, agents, customers, business partners or service providers of any member of the Group, to be determined absolutely by the Board are eligible to participate in the Share Option Scheme.

The Share Option Scheme will remain in force for a period of 10 years after the date on which Share Option Scheme is adopted.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the shares of the Company in issue at the date of approval of the Share Option Scheme ("General Scheme Limit"). The Company may renew the General Scheme Limit with shareholders' approval provided that each such renewal may not exceed 10% of the shares in the Company in issue as at the date of the shareholders' approval.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the shares in issue from time to time.

Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the share option granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding share option) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

Any grant of options under the Share Option Scheme and any other share option scheme adopted by the Group to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). Any share options granted to a substantial shareholder or an independent non-executive director of the Company or to any of their respective associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of grant) in excess of HKD5,000,000, in any 12-month period, are subject to shareholders' approval in a general meeting of the Company.

26 SHARE OPTION SCHEME *(continued)*

An offer for the grant of options shall remain open for acceptance for a period of 7 days from the date of offer. An offer shall be deemed to have been accepted and an option to which the offer relates shall be deemed to have been granted and accepted and to have taken effect when a letter in such form as the Board may from time to time determine signifying acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HKD1.00 by way of consideration for the grant thereof is received by the Company within 28 days from the date of offer. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Directors may determine which shall not exceed ten years from the date of grant subject to the provision of early termination thereof.

The subscription price of a Share under the Share Option Scheme will be a price solely determined by the Board and shall be at least the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. And each option gives the holder the right to subscribe for one share of the Company.

On 31 July 2015, 124,920,000 share options were granted to the Company's selected employees, consultants and executive directors. The exercise price was HKD1.07 per share, which were vested immediately and exercisable for 3 years from the date of grant.

No option has been granted under the Share Option Scheme during the year ended 31 December 2016.

During the year ended 31 December 2016, the Group recognised total expenses of approximately RMB4,832,000 (2015: RMB10,955,000) in relation to the share options granted by the Company.

As at 31 December 2016, the number of shares in respect of which options had been granted and remained outstanding under the Scheme Option Scheme was 124,920,000 (2015: 124,920,000), representing approximately 6.94% (2015: 8.33%) of the shares of the Company in issue as at that date.

As at the date of this report, the total number of outstanding options available for grant under the Share Option Scheme was 20,400 shares, which represented 0.0011% of the shares of the Company in issue as at that date.

26 SHARE OPTION SCHEME *(continued)*

(a) The terms and conditions of the share option granted are as follows:

Name and category of participant	Grant date	Exercise period	Exercise price per share	As at 1 January 2016	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	As at 31 December 2016
Directors								
Zhang Zhixiang	31 July 2015	3 years commencing from 31 July 2015	HK$1.07	4,620,000	—	—	—	4,620,000
Ning Zhongzhi	31 July 2015	3 years commencing from 31 July 2015	HK$1.07	4,620,000	—	—	—	4,620,000
Zheng Xian Tao *(note (i))*	31 July 2015	3 years commencing from 31 July 2015	HK$1.07	4,620,000	—	—	—	4,620,000
Other employees								
In aggregate	31 July 2015	3 years commencing from 31 July 2015	HK$1.07	31,500,000	—	—	—	31,500,000
Ex-director								
Li Baosheng *(note (ii))*	31 July 2015	3 years commencing from 31 July 2015	HK$1.07	4,620,000	—	—	—	4,620,000
Other grantees								
In aggregate	31 July 2015	3 years commencing from 31 July 2015	HK$1.07	74,940,000	—	—	—	74,940,000
Total				124,920,000	—	—	—	124,920,000

26 SHARE OPTION SCHEME *(continued)*

(a) The terms and conditions of the share option granted are as follows: *(continued)*

Name and category of participant	Grant date	Exercise period	Exercise price per share	As at 1 January 2015	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	As at 31 December 2015
Directors								
Zhang Zhixiang	31 July 2015	3 years commencing from 31 July 2015	HK$1.07	—	4,620,000	—	—	4,620,000
Ning Zhongzhi	31 July 2015	3 years commencing from 31 July 2015	HK$1.07	—	4,620,000	—	—	4,620,000
Zheng Xian Tao	31 July 2015	3 years commencing from 31 July 2015	HK$1.07	—	4,620,000	—	—	4,620,000
Li Baosheng *(note (ii))*	31 July 2015	3 years commencing from 31 July 2015	HK$1.07	—	4,620,000	—	—	4,620,000
Other employees								
In aggregate	31 July 2015	3 years commencing from 31 July 2015	HK$1.07	—	31,500,000	—	—	31,500,000
Other grantees								
In aggregate	31 July 2015	3 years commencing from 31 July 2015	HK$1.07	—	74,940,000	—	—	74,940,000
Total				—	124,920,000	—	—	124,920,000

Notes:

(i) Mr. Zheng Xian Tao has resigned as an executive Director of the Company on 20 June 2016.

(ii) Mr. Li Baosheng has resigned as the Chairman of the Board of Directors and an executive Director of the Company on 6 November 2015.

26 SHARE OPTION SCHEME *(continued)*

(b) The number and weighted average exercise price of share options granted are as follows:

As at 31 December 2016	**Weighted average exercise price**	**Number of options**
Outstanding at the beginning of the year and at the end of the year	**HKD1.07**	**124,920,000**

As at 31 December 2015		
Outstanding at the beginning of the year	—	—
Granted during the year	HKD 1.07	124,920,000
Outstanding at the end of the year	HKD 1.07	124,920,000

The options outstanding at the year ended 31 December 2016 had an exercise price of HKD1.07 and a weighted remaining contractual life of 1.6 years (2015: 2.6 years).

(c) Fair value of share options and assumption

The fair value of services received in return for share options granted to employees and Directors are measured by reference to the fair value of share options granted. The estimate of fair value of the share options granted is measured on a binomial option pricing model. The contractual life of the share option is used as an input into this model.

Fair value of share options and assumptions	2015
Fair value at measurement date	HKD0.23
Share price	HKD1.00
Exercise price	HKD1.07
Expected volatility	36.06%
Expected dividend	0%
Option life	3 years
Risk-free interest rate	0.613%

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**4,592**	(471)
Disposal of subsidiaries	**—**	(6,775)
Provision for PRC Enterprise Income Tax for the year	**26,305**	11,935
Under provision in respect of prior years	**1,015**	3,745
PRC Enterprise Income Tax paid	**(25,026)**	(3,842)
At 31 December	**6,886**	4,592

(b) Deferred tax liabilities recognised:

(i) Movement of each component of deferred tax liabilities

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation of property	**Convertible note**	**Withholding tax on future dividend income**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax arising from:				
At 1 January 2015	(44,849)	—	(724)	(45,573)
Credited/(charged) to income statement	4,268	—	(648)	3,620
Disposal of subsidiaries	9	—	—	9
At 31 December 2015 and 1 January 2016	(40,572)	—	(1,372)	(41,944)
Credited to income statement	3,398	1,880	—	5,278
Charged to reserves	—	(5,663)	—	(5,663)
Disposal of a subsidiary	7,808	—	—	7,808
Exchange realignment	—	(242)	—	(242)
At 31 December 2016	(29,366)	(4,025)	(1,372)	(34,763)

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

(b) Deferred tax liabilities recognised: *(continued)*

(ii) Reconciliation to the consolidated statement of financial position

	2016	2015
	RMB'000	*RMB'000*
Net deferred tax asset recognised in the consolidated statement of financial position	**—**	—
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(34,763)**	(41,944)
	(34,763)	(41,944)

(c) Deferred tax assets not recognised

At the end of the reporting period, the Group has unused tax losses of approximately RMB10,448,000 (2015: approximately RMB29,584,000) available for offset against future profits that may be carried forward five years after they are incurred. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profits streams.

(d) Deferred tax liabilities not recognised

Under the New Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards.

At 31 December 2016, no deferred tax liabilities (2015: approximately RMB648,000) have been provided for in the consolidated financial statements in respect of the temporary differences attributable to the undistributed profits of a PRC subsidiary.

At 31 December 2016, deferred tax liabilities of approximately RMB7,361,000 (2015: approximately RMB2,954,000) have not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the undistributed profits of other PRC 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 reserve in the foreseeable future.

28 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity during the year are set out below:

Company

	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Share-based payment reserve RMB'000	Convertible notes reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2015	11,180	1,117,131	(32,716)	—	—	(747,564)	348,031
Loss for the year	—	—	—	—	—	(33,819)	(33,819)
Other comprehensive income	—	—	16,093	—	—	—	16,093
Total comprehensive income for the year	—	—	16,093	—	—	(33,819)	(17,726)
Issue of share upon placing *(note 28(b))*	2,002	157,215	—	—	—	—	159,217
Equity settled share-based transaction	—	—	—	22,651	—	—	22,651
At 31 December 2015 and 1 January 2016	13,182	1,274,346	(16,623)	22,651	—	(781,383)	512,173
Loss for the year	—	—	—	—	—	(55,840)	(55,840)
Other comprehensive income	—	—	37,564	—	—	—	37,564
Total comprehensive income for the year	—	—	37,564	—	—	(55,840)	(18,276)
Issue of share upon open offer *(note 28(b))*	2,495	184,616	—	—	—	—	187,111
Share issuing expenses	—	(4,626)	—	—	—	—	(4,626)
Issue of convertible notes	—	—	—	—	34,324	—	34,324
Deferred tax relating to convertible notes	—	—	—	—	(5,663)	—	(5,663)
At 31 December 2016	15,677	1,454,336	20,941	22,651	28,661	(837,223)	705,043

28 CAPITAL AND RESERVES *(continued)*

(b) Share capital

	2016		2015	
	No. of shares	**Amount**	No. of shares	Amount
	'000	***RMB'000***	*'000*	*RMB'000*
Authorised:				
Ordinary shares of HKD0.01 each *(note (i))*	**10,000,000**	**87,912**	2,000,000	20,400
Ordinary shares, issued and fully paid:				
At 1 January	**1,499,284**	**13,182**	1,249,404	11,180
Issue of shares upon open offer *(note (ii))*	**299,857**	**2,495**	—	—
Issue of shares upon placing *(note (iii))*	—	—	249,880	2,002
At 31 December	**1,799,141**	**15,677**	1,499,284	13,182

Notes:

(i) Pursuant to the ordinary resolution passed by the shareholder of the Company at the extraordinary general meeting held on 25 February 2016, the authorised share capital of the Company is increased from HKD20,000,000 divided into 2,000,000,000 shares to HKD100,000,000 divided into 10,000,000,000 shares by the creation of an additional 8,000,000,000 shares.

(ii) On 14 April 2016, the Company Issued 299,856,800 ordinary shares of HKD0.01 each in the capital of the Company at the subscription price of HKD0.75 per ordinary share pursuant to the Open Offer which details are set out in the Company's prospectus dated 17 March 2016.

(iii) On 2 July 2015, the Company placed, through the placing agents, 249,880,000 ordinary shares of HKD0.01 each in the capital of the Company to not less than six places at the placing price of HKD0.80 per ordinary share.

(iv) The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares issued during the years rank pari passe with the then existing ordinary shares in all respects.

28 CAPITAL AND RESERVES *(continued)*

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. The Companies Law of the Cayman Islands, permits, subject to a solvency test and the provision, if any, of the Company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account.

(ii) Capital reserve

(i) Share-based payment reserve

The share-based payment reserve comprises the portion of the grant date fair value of unexercised share options granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(t)(ii).

(ii) Convertible note reserve

The convertible note reserve comprises the amount allocated to the unexercised equity component of convertible note issued by the Company recognised in accordance with the accounting policy adopted for convertible note in note 2(p).

(iii) Statutory reserves

As stipulated by the relevant PRC laws and regulations, the PRC subsidiaries shall set aside 10% of their net profit after taxation for the PRC statutory reserves (except where the reserve balance has reached 50% of the paid-up capital of the respective enterprises). The reserve can only be utilised, upon approval by the Board of Directors of respective enterprises and by relevant authority, to offset accumulated losses or increase registered capital, provide that the balance after such issue is not less than 25% of its registered capital.

(iv) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC. The reserve is dealt with in accordance with the accounting policy set out in note 2(x).

28 CAPITAL AND RESERVES *(continued)*

(d) Distributability of reserves

As at 31 December 2016, the aggregate amount of reserves available for distribution to equity shareholders of the Company was approximately RMB617,113,000 (2015: approximately RMB492,963,000).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate. During the year ended 31 December 2016, the Group's strategy remained unchanged from 2015.

The Group monitors its capital structure by reviewing its net debt-to-equity ratio and cash flow requirements, taking into account its future financial obligations and commitments. The gearing ratios at 31 December 2016 and 2015 were as follows:

	2016	2015
	RMB'000	*RMB'000*
Borrowings:		
Current portion	**611,011**	357,890
Non-current portion	**942,678**	1,591,189
Total borrowings *(note 23)*	**1,553,689**	1,949,079
Less: Cash and cash equivalents *(note 21)*	**(266,841)**	(143,747)
Net debt	**1,286,848**	1,805,332
Total equity	**916,475**	712,031
Gearing ratio	**140%**	254%

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

(i) The Group's credit risk is primarily attributable to trade and other receivables.

(ii) The receivables from sales of electricity mainly represent receivables from the provincial power grid companies. The Group have no significant credit risk with any of these power grid companies as the Group and its subsidiaries maintain long-term and stable business relationships with these companies. The receivables from the provincial power grid companies accounted for approximately 98% (2015: 97%) of the Group's total trade debtors as at 31 December 2016.

(iii) In respect of other trade and other receivables, in order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition are performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not require collateral in respect of its financial assets. Debts are usually due within 5 to 90 days from the date of billing.

(iv) In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Group had a certain concentration of credit risk as 98% (2015: 97%) of the total trade receivables were due from the Group's largest debtor as at 31 December 2016 respectively. The Group does not hold any collateral over these balance.

(v) The credit risk on liquid funds is limited because the counter parties are financial institutions with established high credit ratings.

(vi) Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 20.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following liquidity table details the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group required to pay:

2016

	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
Bank loans	478,823	261,649	477,385	200,240	1,418,097	1,141,963
Bonds	9,606	15,783	75,428	87,690	188,507	120,311
Convertible notes	165,976	—	—	—	165,976	127,075
Obligation under finance lease	101	80	—	—	181	164
Other loans	73,002	30,586	55,320	31,858	190,766	164,176
Trade and other payables (excluding advance from customers)	109,165	—	—	—	109,165	109,165
	836,673	308,098	608,133	319,788	2,072,692	1,662,854
Financial guarantee issued: Maximum amount guaranteed *(note (i))*	360,000	—	—	—	360,000	360,000

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk *(continued)*

(i) At 31 December 2016, the Company had provided a guarantee for a loan drawn by a former subsidiary, Langcheng from a PRC bank of approximately RMB360,000,000 (the "Guarantee"). The Guarantee was subject to a counter-guarantee of the 46.44% equity interest in Langcheng (the "counter-guarantee") by Mr Wang, an independent third party. Mr Wang also provided guarantee for the Company's loan of approximately RMB110,000,000 and the Company received a guarantee fee income of 0.1% per annum on the difference of the two outstanding loan amounts.

2015

	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
Bank loans	446,737	493,081	653,914	568,471	2,162,203	1,797,119
Bonds	8,288	8,354	38,658	116,334	171,634	101,721
Obligation under finance lease	94	94	79	—	267	239
Other loans	8,588	17,375	19,665	16,582	62,210	50,000
Trade and other payables (excluding advance from customers)	96,873	—	—	—	96,873	96,873
	560,580	518,904	712,316	701,387	2,493,187	2,045,952

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from the Group's cash and cash equivalents, bank deposits, bank and other borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings at the end of the reporting period:

	2016		2015	
	Effective interest rates %	***RMB'000***	Effective interest rates %	*RMB'000*
Fixed rate borrowings:				
Bonds	**11.14**	**120,311**	11.15	101,721
Convertible notes	**33.43**	**127,075**	—	—
Other loans	**10.00**	**60,000**	10.00	10,000
Bank loans				
Short term loans	**—**	**—**	9.47	30,000
Obligation under finance lease	**4.84**	**164**	4.84	239
		307,550		141,960
Variable rate borrowings:				
Bank loans				
Long term loans	**6.70**	**1,138,682**	5.97	1,688,648
Short term loans	**5.29**	**3,281**	5.85	78,471
Other loan	**6.75**	**104,176**	6.75	40,000
		1,246,139		1,807,119
Total net borrowings		**1,553,689**		1,949,079
Net fixed rate borrowings as a percentage of total net borrowings		**20%**		7%

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(c) Interest rate risk *(continued)*

(ii) Sensitivity analysis

At 31 December 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increase/decrease the Group's loss after taxation and accumulated losses by approximately RMB9,899,000 (2015: approximately RMB14,175,000).

The sensitivity analysis above indicates the instantaneous change in the Group's loss after taxation (and accumulated losses) that would arise assuming that the change in interest rates had occurred at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after taxation (and accumulated losses) is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for 2015.

(d) Currency risk

Presently, there is no hedging policy with respect to the foreign exchange exposure. The Group's transactional currency is RMB as substantially all the turnover are in RMB. The Group's transactional foreign exchange exposure was insignificant.

(i) Exposure to currency risk

The Group is exposed to currency risk primarily through sales which give rise to receivables and bank balances that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk is primarily USD and HKD.

The Group ensures that the net exposure to this risk is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. Management does not enter into currency hedging transactions since it considers that the cost of such instruments outweighs the potential risk of exchange rate fluctuations.

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk *(continued)*

(i) Exposure to currency risk (continued)

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with governmental approval.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2016	2015	**2016**	2015
	USD'000	*USD'000*	***HKD'000***	*HKD'000*
Trade and other receivables	**—**	—	**78,202**	75,432
Cash and cash equivalents	**7**	6	**69,508**	49,278
Trade and other payables	**—**	—	**(3,259)**	(18,208)
Amounts due to Directors	**—**	—	**(207)**	(11)
Bonds	**—**	—	**(134,339)**	(121,472)
Convertible notes	**—**	—	**(141,891)**	—
Bank loans	**(31,843)**	(42,542)	**—**	—
Obligation under finance lease	**—**	—	**(183)**	(286)
Overall exposure arising from recognised assets and liabilities	**(31,836)**	(42,536)	**(132,169)**	(15,267)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk *(continued)*

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's loss after taxation (and accumulated losses) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

	2016			2015		
	Increase/ (Decrease) in foreign exchange rates	Effect on profit after taxation *RMB'000*	Effect on accumulated losses *RMB'000*	Increase/ (Decrease) in foreign exchange rates	Effect on loss after taxation *RMB'000*	Effect on accumulated losses *RMB'000*
UNITED STATES DOLLARS	**5%/(5%)**	**11,057/ (11,057)**	**11,057/ (11,057)**	5%/(5%)	13,812/ (13,812)	13,812/ (13,812)
HONG KONG DOLLARS	**5%/(5%)**	**5,918/ (5,918)**	**5,918/ (5,918)**	5%/(5%)	639/(639)	639/639

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group entities' exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting period. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities loss after taxation and equity measured in the respective functional currencies translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2015.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

Fair value measurement has been categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified and determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

— Level 3 valuations: Fair value measured using significant unobservable inputs.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value measurement *(continued)*

(i) *Financial assets and liabilities measured at fair value* (continued)

The fair value and the level of fair value hierarchy are disclosed below:

		Fair value measurements as at 31 December 2016 categorised into			
	Fair value *RMB'000*	**Level 1** *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Recurring fair value measurements					
Assets:					
Trading securities, listed in PRC	**7,806**	**7,806**	**—**	**—**	**7,806**

During the year there were no significant transfer between instruments in Level 1 and Level 2 and no transfer into or out of Level 3 (2015: RMBnil).

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values because of their immediate or short term maturity as at 31 December 2016 and 2015.

(ii) *Fair value of financial assets and liabilities carried at other than fair value*

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2016 and 2015 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

			Fair value measurements as at 31 December 2016 categorised into			
	Carrying amounts *RMB'000*	**Fair value** *RMB'000*	**Level 1** *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
— Non-current borrowings	**942,678**	**841,751**	**—**	**841,751**	**—**	**841,751**

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value measurement *(continued)*

(ii) ***Fair value of financial assets and liabilities carried at other than fair value*** *(continued)*

			Fair value measurements as at 31 December 2015 categorised into			
	Carrying amounts	Fair value	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
— Non-current borrowings	1,591,189	1,265,326	—	1,265,326	—	1,265,326

Valuation techniques and inputs used in level 2 fair value measurements

The fair values of the non-current borrowings are estimated as being the present values of future cash flows, discounted at interest rates based on observable yield curves as at 31 December 2016 and 2015 taking into account the credit spread of the Group as appropriate.

30 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Pre-acquisition carrying amounts were determined based on applicable HKFRS immediately before the acquisition. The value of assets and liabilities recognised on acquisition are their fair values measured as follows: for the identifiable assets with an active market, the fair value was measured according to its market price; for the identifiable assets without an active market, the fair value was measured based on the market price of the same or similar kind of assets; if no active market exists for the same or similar assets, the fair value was measured by appraisal technique.

Goodwill is generated as a result of difference between the fair value of the net assets acquired and consideration.

30 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(continued)*

(a) Acquisition of Hong Song Holdings Limited

On 12 January 2015, the Company completed the acquisition of 100% ownership interest in Hong Song Holdings Limited, an investment holding company which controlled approximately 1.19% voting rights and obtained approximately 1.65% equity interest in Hongsong, for a total consideration of approximately HKD39,600,000 equivalent to approximately RMB32,000,000. Hence, the aggregate voting rights and equity interest in Hongsong increase to approximately 86.55% and approximately 69.95% respectively.

The following table summarised the effect of the changes in the Group's ownership interest in the equity attributable to owners of the Company:

	RMB'000
Considerations paid for acquisition of non-controlling interest#	31,863
Decrease in non-controlling interest	(14,863)
Decrease in equity attributable to owners of the Company	(17,000)

\# Net of cash and cash equivalent acquired

(b) Acquisition of World Business Limited

On 17 August 2015, City Alliance Management Limited, a wholly-owned subsidiary of the Company, completed the acquisition of 100% equity interest in World Business Limited, an investment holding company of which controlling 25% voting rights in Shenzhen Qianhai Jiefeng Financing and Leasing Limited, for total consideration of approximately HKD11,375,000 (equivalent to approximately RMB9,108,000).

(c) Acquisition of non-controlling interests

In October 2015, 承德紅松新能源技術服務有限公司, an indirect wholly-owned subsidiary of the Company, completed the acquisition of further 2.08% ownership interest in Hongsong Renewable Energy, an investment holding company of which controlling approximately 35.06% voting rights in Hongsong, for a total consideration of approximately RMB11,765,000. Hence, the aggregate voting rights remained unchanged and the aggregate ownership interest in Hongsong increase to approximately 70.97% from approximately 69.95%.

The following summarised the effect of the changes in the Group's ownership interest in the equity attributable to owners of the Company:

	RMB'000
Considerations paid for acquisition of non-controlling interests	11,765
Decrease in non-controlling interests	(6,054)
Decrease in equity attributable to owners of the Company	(5,711)

30 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(continued)*

(d) Acquisition of interest in Beijing Yin Feng Hui Li Investment Limited ("Beijing Yinfeng")

On 23 November 2015, Zhuhai Dong Fang Renewable Energy Limited ("Zhuhai Dong Fang"), a wholly-owned subsidiary of the Group, entered into an equity transfer agreement with Beijing Tai Run Ze International Investment Limited（北京泰潤澤國際投資有限公司）and Mr. Cao Yang（曹洋）to acquire 99% and 1% of the equity interest of Beijing Yinfeng, an investment holding company of which have 99.58% equity interest in Baotou City Yinfeng Huili New Energy Investment Limited（包頭市銀風滙利新能源投資有限公司）, at a cash consideration of RMB9,990,000 and RMB10,000, respectively. The acquisition was completed in March 2016.

Identifiable assets acquired and liabilities assumed:

	RMB'000
Property, plant and equipment	76
Trade and other receivables	19,133
Cash and cash equivalents	4,735
Trade and other payables	(14,673)
Net asset acquired	9,271
Cash consideration	10,000
Add: non-controlling interest	97
Net asset acquired	(9,271)
Goodwill arising on acquisition	826
Net cash outflow for acquisitions:	
Cash consideration	10,000
Cash and cash equivalents acquired	(4,735)
	5,265

30 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(continued)*

(e) Disposal of subsidiaries

On 3 May 2016, the Group disposed its entire interest in Hexigten Qi Langcheng Ruifeng Electric Development Co. Ltd. ("Langcheng"). Details of the subsidiary disposed of during the year ended 31 December 2016 are set as below:

	RMB'000
Property, plant and equipment	402,255
Lease prepayment	5,637
Trade and other receivables	235,319
Cash and cash equivalents	81,630
Trade and other payables	(188,248)
Borrowings	(430,900)
Deferred tax liabilities	(7,808)
Non-controlling interest	(4,894)
Gain on disposal of a subsidiary	15,909
Total consideration received	108,900
Net cash inflow arising on disposal:	
Cash consideration	108,900
Cash and cash equivalents disposed of	(81,630)
	27,270

The consideration of RMB108,900,000 was satisfied by cash.

30 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(continued)*

(e) Disposal of subsidiaries *(continued)*

On 30 June 2015, the Group disposed its entire interest in Beichen Power Grid. Details of the subsidiary disposed of during the year ended 31 December 2015 are set out below:

	RMB'000
Property, plant and equipment	17,838
Trade and other receivables	397,948
Pledge bank deposits	8,079
Cash and cash equivalents	10,455
Trade and other payables	(184,389)
Borrowings	(156,600)
Current taxation	(6,775)
Deferred tax liabilities	(9)
Gain on disposal of a subsidiary	453
Total consideration received	87,000
Net cash inflow arising on disposal:	
Cash consideration	87,000
Cash and cash equivalents disposed of	(10,455)
	76,545

The consideration of RMB87,000,000 was satisfied by cash.

31 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2016 not provided for in the financial statements are as follows:

	2016	2015
	RMB'000	*RMB'000*
Capital injection in subsidiaries		
— Contracted for	**949,864**	387,562
Capital injection in an associate		
— Contracted for	**43,019**	102,588
Acquisition of a subsidiary		
— Contracted for	**—**	10,000
Acquisition of property, plant and equipment		
— Contracted for	**196,381**	243,417
	1,189,264	743,567

(b) At 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 1 year	**2,315**	2,584
After 1 year but within 5 years	**1,642**	3,632
	3,957	6,216

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to two years. None of the leases includes contingent rentals.

32 MATERIAL RELATED PARTY TRANSACTIONS

Save as the transactions and balances disclosed elsewhere in the financial statements and the followings, the Group did not enter into any other material related party transaction.

(a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's Directors as disclosed in note 7 and certain of the highest paid to employees as disclosed in note 8, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	**7,256**	4,901
Share-based payments	**—**	4,190
Post-employment benefits	**162**	215
Salaries and other emoluments	**7,418**	9,306

Total remuneration is included in "staff costs" (see note 5(b)).

33 ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

(i) Impairment of property, plant and equipment and lease prepayments

The recoverable amount of an asset is the greater of its fair value less costs of disposal and the 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, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(ii) Impairment of receivables

The Group maintains impairment allowance for doubtful accounts based upon evaluation of the recoverability of the trade and other receivables, where applicable, at the end of each reporting period. The estimates are based on the ageing of the trade and other receivables balances and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment allowance may be required.

(iii) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

33 ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(a) Key sources of estimation uncertainty *(continued)*

(iv) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in notes 2(f) and 2(m)(ii). The recoverable amounts of the CGU have been determined based on value-in-use calculations. These calculations require the use of estimates.

(v) Fair value of derivative financial instruments

The fair value of derivative financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(vi) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and tax credit carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the Directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(vii) Recognition of deferred tax liabilities

As at 31 December 2016, deferred tax liabilities of approximately RMB7,361,000 (2015: approximately RMB2,954,000) have not been recognised on the distributable profits of certain group companies in the PRC as the Group plans to retain those profits in the respective entities for their daily operations and future developments. In case there is distribution of profits, additional tax liabilities will arise, which will be recognised in the profit or loss for the period in which such profits are declared or the future development plan of the Group amends, whichever is earlier.

33 ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(b) Critical accounting judgements in applying the Group's accounting policies

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of the reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

34 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2016	2015
	RMB'000	*RMB'000*
Non-current assets		
Investments in subsidiaries	**159,543**	159,543
Current assets		
Other receivables	**159,502**	78,923
Amounts due from subsidiaries	**700,012**	497,635
Cash and cash equivalents	**32,482**	6,537
	891,996	583,095
Current liabilities		
Other payables	**1,481**	1,165
Amount due to subsidiaries	**5,677**	4,437
Borrowings	**215,002**	41,065
	222,160	46,667
Net current assets	**669,836**	536,428
Total assets less current liabilities	**829,379**	695,971
Non-current liability		
Borrowings	**120,311**	183,798
Deferred tax liabilities	**4,025**	—
	124,336	183,798
Net assets	**705,043**	512,173
Capital and reserves		
Share capital	**15,677**	13,182
Reserves	**689,366**	498,991
Total equity	**705,043**	512,173

Approved and authorised for issue by the board of Directors on 28 March 2017.

Zhang Zhixiang	**Peng Ziwei**
Director	*Director*

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*	January 2017
Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	January 2017
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 *(continued)*

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's financial statements are as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the group expects that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

With respect to the group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group has not yet decided whether it will irrevocably designate these investments as FVTOCI or classify them as FVTPL. Either classification would give rise to a change in accounting policy as the current accounting policy for available-for-sale equity investments is to recognise fair value changes in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies set out in notes 1(g) and 1(n). This change in policy will have no impact on the Group's net assets and total comprehensive income but will impact on reported performance amounts such as profit and earnings per share.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 *(continued)*

HKFRS 9, Financial instruments *(continued)*

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of HKFRS 9.

(a) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

(b) Hedge accounting

HKFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under HKAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The Group preliminarily assesses that its current hedge relationships will qualify as continuing hedges upon the adoption of HKFRS 9 and therefore it expects that the accounting for its hedging relationships will not be significantly impacted.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 *(continued)*

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from *construction contracts*. The group is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the group has identified the following areas which are likely to be affected:

(a) Timing of revenue recognition

The group's revenue recognition policies are disclosed in note 1(z). Currently, revenue arising from construction contracts and the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 *(continued)*

HKFRS 15, Revenue from contracts with customers *(continued)*

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the group adopts HKFRS 15 some of the group's contract manufacturing and residential property development activities that are currently recognised at a point in time may meet the HKFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract, which may vary depending on the jurisdiction in which the contract would be enforced. It is also possible that for the remainder of the group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

(b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the group's arrangements with its customers. Currently, the Group does not apply such a policy when payments are received in advance.

Advance payments are not common in the group's arrangements with its customers, with the exception of when residential properties are marketed by the group while the property is still under construction. In this situation, the group may offer buyers a discount compared to the sales price payable, provided the buyer agrees to pay the balance of the purchase price early.

Currently, the revenue from property sales is recognised when the property is complete, measured at the amount received from the customer, irrespective of whether the customer pays early or on completion. However, under HKFRS 15 such advance payment schemes are likely to be regarded as including a financing component.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 *(continued)*

HKFRS 15, Revenue from contracts with customers *(continued)*

(b) Significant financing component *(continued)*

The Group is in the process of assessing whether this component in the Group's advance payment schemes would be significant to the contract and therefore whether, once HKFRS 15 is adopted, the transaction price would need to be adjusted for the purposes of recognising revenue. Any adjustment to the transaction price under HKFRS 15, if considered necessary, would result in interest expense being recognised while the construction work is still in progress to reflect the effect of the financing benefit obtained from the customers, with a corresponding increase to revenue on sale of properties recognised when control of the completed property is transferred to the customer.

(c) Sales with a right of return

Currently when the customers are allowed to return the products, the group estimates the level of returns and makes an adjustment against revenue and cost of sales.

The Group expects that the adoption of HKFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 *(continued)*

HKFRS 16, Leases

As disclosed in note 2(l), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

The group is considering whether to adopt HKFRS 16 before its effective date of 1 January 2019. However, early adoption of HKFRS 16 is only permitted if this is no earlier than the adoption of HKFRS 15. It is therefore unlikely that HKFRS 16 will be adopted before the effective date of HKFRS 15, being 1 January 2018.

Five Years' Financial Summary

	Year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Results					
Revenue	**369,150**	355,614	530,959	735,245	582,987
Profit/(loss) from operations	**126,644**	56,034	69,711	180,286	(80,527)
Profit/(loss) before taxation	**10,837**	(60,368)	(68,131)	37,576	(155,544)
(Loss)/profit for the year	**(11,205)**	(72,428)	(88,749)	37,584	(166,694)
Attributable to:					
Equity holders of the Company	**(38,217)**	(84,449)	(150,827)	23,502	(166,694)
Non-controlling interests	**27,012**	12,021	62,078	14,082	—
	(11,205)	(72,428)	(88,749)	37,584	(166,694)
Assets and liabilities					
Total assets	**2,623,978**	2,804,519	2,898,564	3,134,381	1,114,760
Total liabilities	**(1,707,503)**	(2,092,488)	(2,258,183)	(2,245,815)	(774,499)
Net assets	**916,475**	712,031	640,381	888,566	340,261
Equity					
Share capital	**15,677**	13,182	11,180	9,476	9,002
Reserves	**635,646**	454,111	381,915	373,574	331,259
Total equity attributable to equity shareholders of the Company	**651,323**	467,293	393,095	383,050	340,261
Non-controlling interests	**265,152**	244,738	247,286	505,516	—
Total equity	**916,475**	712,031	640,381	888,566	340,261

Note:

1 The results for the year ended 31 December 2016, and the assets and liabilities as at 31 December 2016 have been extracted from the consolidated statement of profit or loss and consolidated statement of financial position as set out on pages 66 to 69 respectively, of the consolidated financial statements.